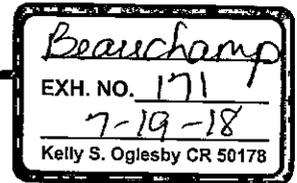


**Beauchamp, David G.**



**From:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Wednesday, January 15, 2014 10:35 PM  
**To:** Beauchamp, David G.  
**Subject:** Fw: Draft Term Sheet

read below

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**602-532-7737 f**

----- Forwarded Message -----

**From:** Scott Menaged <smena98754@aol.com>  
**To:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Wednesday, January 15, 2014 10:32 PM  
**Subject:** Re: Draft Term Sheet

Will have response in the am. Jeff is going to review in the early morning

We will get this going quickly  
Sent from my iPhone

On Jan 15, 2014, at 10:24 PM, Denny Chittick <dcmoney@yahoo.com> wrote:

Attached is the terms sheet that we outlined with David. the dates are blank, i'm not sure what they should be right now. i think this has everything in it. besides a request for a life insurance policy of 10 million with DenSco as the bene.

let me know any other changes.  
thx  
dc

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**www.denscoinvestment.com**

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602-532-7737 f

---

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
To: "Denny J. Chittick (dcmoney@yahoo.com)" <dcmoney@yahoo.com>  
Cc: "Stringer, Lindsay L." <lstringer@ClarkHill.com>; "Schenck, Daniel A." <DSchenck@ClarkHill.com>  
Sent: Wednesday, January 15, 2014 9:24 PM  
Subject: Draft Term Sheet

Denny:

Attached is a draft Term Sheet, for a forbearance/workout agreement between DenSco and Scott's entities. I am sending it in Word to you so you can make changes if necessary. I also have one question in bold to confirm what interest payments (and for how long) you are agreeing to defer. (Sorry I could not get Section 9 in the right place and Scott's signature line is not correct.)

Hopefully, you will be able to see the time that I spent reviewing each of the emails and my notes to try to cover as many of the pending issues between you and Scott as possible

Please review this carefully. Hopefully, it is close enough so that any minor changes can be made (and dates filled in), so it can be sent to Scott for his review and approval. In order to encourage Scott to sign it, I made it completely non-binding and totally subject to the definitive agreement.

All the best, David

David G. Beauchamp

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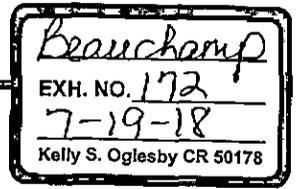
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<Term Sheet v1.docx>

**Beauchamp, David G.**



**From:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Wednesday, January 15, 2014 10:44 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: Densco

sorry, when i talked to scott he gave me a completely different impression as far as his attorney's view. he believes that the right thing to do is just pay them off as quickly as possible, give them as little as possible in the way of detail as to how scott is acquiring his funds yet give them an idea an abbreviated terms sheet so they see how we are working together (scott and me) with the waiver too, those three things should be enough to keep them at bay and allow us time to pay them off.

that's what i thought we were working towards.  
dc

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---

**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Wednesday, January 15, 2014 10:40 PM  
**Subject:** RE: Densco

Denny:

I did not intend for you to relay all of my comments to Scott. I do not want to cause trouble with his attorney. I just was totally taken aback by this demeanor and laid back approach.

Thanks, David

David G. Beauchamp

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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Denny Chittick [<mailto:dcmoney@yahoo.com>]  
**Sent:** Wednesday, January 15, 2014 10:35 PM  
**To:** Beauchamp, David G.  
**Subject:** Fw: Densco

read below

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602-532-7737 f

----- Forwarded Message -----

**From:** Scott Menaged <[smena98754@aol.com](mailto:smena98754@aol.com)>  
**To:** Denny Chittick <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)>  
**Sent:** Wednesday, January 15, 2014 10:27 PM  
**Subject:** Re: Densco

I am going to email Jeff and see if someone in his office can step in

Sent from my iPhone

On Jan 15, 2014, at 10:16 PM, Denny Chittick <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)> wrote:

I know Jeff is busy, but i fear pushing these guys off isn't helping our situation.

dc

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602-532-7737 f

----- Forwarded Message -----

**From:** "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)>  
**To:** "Denny J. Chittick ([dcmoney@yahoo.com](mailto:dcmoney@yahoo.com))" <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)>  
**Cc:** "Schenck, Daniel A." <[DSchenck@ClarkHill.com](mailto:DSchenck@ClarkHill.com)>; "Stringer, Lindsay L." <[lstringer@ClarkHill.com](mailto:lstringer@ClarkHill.com)>

**Sent:** Wednesday, January 15, 2014 9:46 PM  
**Subject:** FW: Densco

Denny:

Set forth below is my response to Bob Miller concerning the timing that he had to know today before he would talk to his clients.

Please note that I shared Jeff's comments that waiting until next week should be no big deal, but I did not share Jeff's comments that this seems to be just a dispute between DenSco and the other lenders.

Best, David

**David G. Beauchamp**

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---

**From:** Beauchamp, David G.  
**Sent:** Wednesday, January 15, 2014 9:43 PM  
**To:** Miller, Robert  
**Subject:** RE: Densco

Bob:

I did not talk to Scott Menaged's attorney until this evening. Scott's attorney is Jeff Goulder at Stinson. Jeff did not think that waiting until he could be involved in the discussions next week should be a big deal. I sent him a copy of your previous demand letter, but that did not make a difference to him. (When I asked if Jeff could be available for some time on Thursday or Friday, I was told that Jeff is in all day management meetings for the next several days to resolve end of year compensation for the partners at Stinson. Accordingly, his wishes are that he is not to be disturbed)

The draft Confidentiality Agreement was sent to Denny earlier this evening. Denny said he would review it and send it to Scott to get his consent to it and then send it to you. Although I do not know if Scott will be willing to sign even that simple agreement with his attorney advising him to wait, Denny was going to encourage him to do that so some discussions can take place.

I have just finished the revised draft term sheet and sent it to Denny for his review. Again, Scott might try to delay the distribution of this draft term sheet, but Denny will strongly encourage him to allow it to be distributed after the Confidentiality Agreement is distributed and signed.

Denny also indicated that he will sign the waiver letter so long as Bryan Cave is not participating directly or indirectly in any litigation against DenSco. I guess he was warned about having you hire another firm to litigate the matter, but you stay involved and direct the litigation from behind the scenes. I

assured him that you would not do that and you would make the language in the letter indicate that.

Thank you.

David

David G. Beauchamp

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---

**From:** Miller, Robert [<mailto:rjmiller@BryanCave.com>]

**Sent:** Wednesday, January 15, 2014 8:11 PM

**To:** Beauchamp, David G.

**Subject:** Densco

Confirming our discussion of today, I need from you an email laying out precisely what your client is proposing in terms of when a term sheet will be delivered and when the face-to-face meeting will occur. I am also not inclined to spend any more time on this until I know, in fact, Densco will execute a standard "no sue" waiver where my firm is allowed to represent my clients on any and all matters adverse to Densco excluding filing and prosecuting a lawsuit.

Please advise so I may report to my clients.

Again, I think if litigation is to be avoided it is important to get this game plan ironed out asap. The fact that Scott's counsel is "unavailable" for the rest of the week (something that is troubling under these circumstances and in this day and age of everyone being available on a remote basis through technology) is troubling.

Thanks for your efforts on trying to keep this on a prompt, consensual path.

Bob

<image001.jpg>

**Robert J. Miller**  
Partner

Bryan Cave LLP  
Two N. Central Avenue, Suite 2200  
Phoenix, AZ 85004-4406  
Telephone: (602) 364-7043  
Cell: (602) 550-8380  
Fax: (602) 716-8043  
E-mail: [rjmiller@bryancave.com](mailto:rjmiller@bryancave.com)

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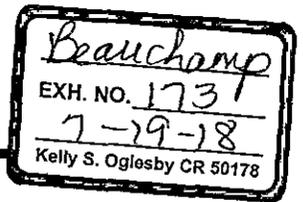
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**Beauchamp, David G.**

**From:** Beauchamp, David G.  
**Sent:** Wednesday, January 15, 2014 10:44 PM  
**To:** Denny Chittick; Yomtov Menaged  
**Subject:** RE: Non Disclosure Agreement

Denny:

Bob was all over the place in his comments today. I do not think he will file but his client has to make the decision and they do not understand the lack of progress.

Please understand that Jeff did not use the BK word but he said that this seems to be DenSco's problem, because Scott has an easy way out. He did not respond when I asked for clarification.

Best, DAVID

**David G. Beauchamp**

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---

**From:** Denny Chittick [<mailto:dcmoney@yahoo.com>]  
**Sent:** Wednesday, January 15, 2014 10:33 PM  
**To:** Yomtov Menaged; Beauchamp, David G.  
**Subject:** Fw: Non Disclosure Agreement

Scott:

Attached is my signed doc. we have to do everything we can to keep this out of litigation. Your attorney according to david and Bob's interpretation isn't really inclined to assist and thinks you could just bk and walk away. i know that's not the plan!

David, if we both sign this and get it back to him tomorrow , will Bob hold off on not filing tomorrow!?

dc

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----- Forwarded Message -----

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
To: "Denny J. Chittick (dcmoney@yahoo.com)" <dcmoney@yahoo.com>  
Sent: Wednesday, January 15, 2014 7:59 PM  
Subject: Non Disclosure Agreement

Denny:

Attached is a Non-Disclosure Agreement that has been modified to fit the needs of this transaction. Please review it and let me know if you are satisfied that it will work for this transaction. If so, please share it with Scott and then we will need to make any changes and get it to Bob Miller's group.

I am completely perplexed. Everything from Bob Miller is "yesterday" and Jeff Goulder is "tomorrow." See my notes below.

I have had several different conversations with (and messages from) Bob Miller asking where are his documents (even though he had not yet agreed at that time to have his client even sign a Confidentiality Agreement). Bob also said that his clients have already talked to other counsel and they are ready to sue to protect their position. I understand that is a negotiating position, but I told him that his actions are completely counter-productive to getting this done. He also wanted me to draft the waiver language that you would agree to for his conflict waiver and I just laughed. He also wanted an email from me with a commitment as to when I would provide all of the documents and the information about where the money is coming from. He said that he will have a complaint filed if they do not have the documents by end of day Thursday and a meeting to resolve all issues on Friday. I said that I would do what I could but no promises.

Then, I finally talked to Jeff Goulder and I think I copied you on my email to him with the original letter from Bob Miller. Jeff said he is tied up in all day firm meetings the next two days. Jeff said that Scott agreed to meet with Jeff in Jeff's office on Monday to discuss how to proceed. Jeff indicated that if this was so important to Scott, Scott should have called and talked to Jeff before today. The impression that I got from Jeff is that he either did not understand the time pressure or that he did not agree that the time pressure was important.

I indicated to Jeff that Bob Miller's clients are other lenders with liens and they are threatening to file suit in court. I also explained that you and Scott would prefer to not have to go into court. I even added that your concern is that all of the lenders go into court and this turns into another Mortgages Limited situation. Jeff responded that is not likely to occur and it will be much more of a problem for you than Scott. (Jeff clearly implied that Scott can just put his entities into bankruptcy and walk away. Do you have personal guarantees from Jeff?) Jeff said that he understood that Scott wanted to help you, but Scott should not put himself in a bad position to help you. I tried to tell him that you are trying to help Scott's problem, but he did not see it that way.

FYI Jeff did not want to talk to Bob Miller, because he said that Miller is going after you and not Scott.

Despite the telephone calls and other issues, I am still trying to finish the terms outline and to send it to you tonight.

Best regards, David

**David G. Beauchamp**

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---

**From:** Schenck, Daniel A.  
**Sent:** Wednesday, January 15, 2014 6:39 PM  
**To:** Beauchamp, David G.  
**Subject:** NDA

David,

Attached is the NDA of DenSco.

**Daniel A. Schenck**

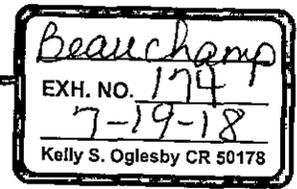
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**Beauchamp, David G.**



**From:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Wednesday, January 15, 2014 10:45 PM  
**To:** Beauchamp, David G.  
**Subject:** Fw: Non Disclosure Agreement

scotts moving read below

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----- Forwarded Message -----

**From:** Scott Menaged <smena98754@aol.com>  
**To:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Wednesday, January 15, 2014 10:43 PM  
**Subject:** Re: Non Disclosure Agreement

I will have this signed tomorrow

I will be talking to Jeff at 10 am. We will get this complete tomorrow. I agree! Time is not on our side

I will make it happen

Sent from my iPhone

On Jan 15, 2014, at 10:32 PM, Denny Chittick <dcmoney@yahoo.com> wrote:

**Scott:**

Attached is my signed doc. we have to do everything we can to keep this out of litigation. Your attorney according to david and Bob's interpretation isn't really inclined to assist and thinks you could just bk and walk away. i know that's not the plan!

David, if we both sign this and get it back to him tomorrow , will Bob hold off on not filing tomorrow!?

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**David G. Beauchamp**

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**From:** Schenck, Daniel A.  
**Sent:** Wednesday, January 15, 2014 6:39 PM  
**To:** Beauchamp, David G.  
**Subject:** NDA

David,

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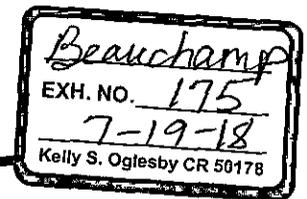
**Daniel A. Schenck**

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<200112402\_2.doc>  
<Non Disclosure.pdf>



**Beauchamp, David G.**

**From:** Beauchamp, David G.  
**Sent:** Wednesday, January 15, 2014 11:52 PM  
**To:** 'dcmoney@yahoo.com'  
**Cc:** Beauchamp, David G.  
**Subject:** Re: Non Disclosure Agreement

Understood. We still need to get Scott to sign the Term sheet and then the Forbearance Agreement to protect DenSco as we proceed. Were you serious about the life insurance policy?

Best, David

David G. Beauchamp  
CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
dbeauchamp@clarkhill.com | www.clarkhill.com

---

**From:** Denny Chittick [mailto:dcmoney@yahoo.com]  
**Sent:** Wednesday, January 15, 2014 11:27 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: Non Disclosure Agreement

my fear is that between three lawyers and itchy finger Daniel, this will take a long time, 2 more weeks to get on paper to make everyone happy, i don't want to take the chance that they file something because they think we are dragging our feet, even if it's ones and twoies , it's progress and they want their money back, i'm providing that avenue.

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602-532-7737 f

---

**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** "dcmoney@yahoo.com" <dcmoney@yahoo.com>  
**Cc:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**Sent:** Wednesday, January 15, 2014 11:24 PM  
**Subject:** Re: Non Disclosure Agreement

Denny:

I agree that it shows good faith, and that is how I think. However, I am trying to tell you how Bob or someone on that side has tried to spin it.

Best, David

David G. Beauchamp  
CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
dbeauchamp@clarkhill.com | www.clarkhill.com

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**Sent:** Wednesday, January 15, 2014 11:15 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: Non Disclosure Agreement

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**To:** Denny Chittick <dcmoney@yahoo.com>  
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**To:** Beauchamp, David G.; Yomtov Menaged  
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we are preparing to pay them off on four loans tomorrow. that alone should buy us some damn time.

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**To:** Denny Chittick <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)>; Yomtov Menaged <[smena98754@aol.com](mailto:smena98754@aol.com)>  
**Sent:** Wednesday, January 15, 2014 10:43 PM  
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**Sent:** Wednesday, January 15, 2014 10:33 PM  
**To:** Yomtov Menaged; Beauchamp, David G.  
**Subject:** Fw: Non Disclosure Agreement

Scott:

Attached is my signed doc. we have to do everything we can to keep this out of litigation. Your attorney according to david and Bob's interpretation isn't really inclined to assist and thinks you could just bk and walk away. i know that's not the plan!

David, if we both sign this and get it back to him tomorrow , will Bob hold off on not filing tomorrow!?  
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**To:** "Denny J. Chittick ([dcmoney@yahoo.com](mailto:dcmoney@yahoo.com))" <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)>  
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Attached is a Non-Disclosure Agreement that has been modified to fit the needs of this transaction. Please review it and let me know if you are satisfied that it will work for this transaction. If so, please share it

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I have had several different conversations with (and messages from) Bob Miller asking where are his documents (even though he had not yet agreed at that time to have his client even sign a Confidentiality Agreement). Bob also said that his clients have already talked to other counsel and they are ready to sue to protect their position. I understand that is a negotiating position, but I told him that his actions are completely counter-productive to getting this done. He also wanted me to draft the waiver language that you would agree to for his conflict waiver and I just laughed. He also wanted an email from me with a commitment as to when I would provide all of the documents and the information about where the money is coming from. He said that he will have a complaint filed if they do not have the documents by end of day Thursday and a meeting to resolve all issues on Friday. I said that I would do what I could but no promises.

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Despite the telephone calls and other issues, I am still trying to finish the terms outline and to send it to you tonight.

Best regards, David

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---

**From:** Schenck, Daniel A.  
**Sent:** Wednesday, January 15, 2014 6:39 PM  
**To:** Beauchamp, David G.  
**Subject:** NDA

David,

Attached is the NDA of DenSco.

**Daniel A. Schenck**

**CLARK HILL PLC**

480.684.1118 (direct) | 480.684.1179 (fax)  
Licensed in Arizona, California, Utah and Nevada  
[dschenck@clarkhill.com](mailto:dschenck@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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## CLARK HILL P.L.C.

DenSco Investment Corporation  
Work-out of lien issue  
February 17, 2014  
INVOICE # 528891  
Page 3

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. Chittick; 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

## CLARK HILL P.L.C.

DenSco Investment Corporation  
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Page 4

regarding settlements terms, issues and timing; work on and revise terms in Forbearance Terms Sheet; research and work on information for Forbearance Agreement and requirements; provide follow-up information concerning Confidentiality Agreement and Forbearance Terms Sheet.

01/16/14	DAS	Multiple attorney conferences regarding Term Sheet; review and revise Term Sheet; multiple correspondence regarding same; email same to client; multiple attorney conferences regarding Forbearance Agreement.	3.60
01/17/14	DGB	Review, work on and respond to several emails and text messages; revise Forbearance Terms sheet and transmit same; several telephone conversations with D. Chittick and S. Managed; work on terms and follow-up; review Forbearance Terms Sheet and outline issues for Forbearance Agreement; outline additional issues for Forbearance Agreement to address potential investor claims; telephone conversation with office of R. Miller; outline and work on terms for Forbearance Agreement with R. Anderson.	6.60
01/17/14	RGA	Meeting with D. Schenck regarding history of loans and fraud; review letter from Bryan Cave and documents.	1.00
01/17/14	DAS	Attorney conference regarding procedures with B. Anderson; attorney conference with D. Beauchamp regarding same.	.80
01/20/14	DGB	Review notes, emails and information; outline documents and follow-up.	.80
01/21/14	DGB	Review, work on and respond to several emails; outline provisions and issues for Forbearance Agreement; work on issues; review message from D. Chittick; several telephone conversations with D. Chittick; outline requirements for lien on furniture; work on missing information in Forbearance Terms Sheet; work on Forbearance Agreement issues; request information from D. Chittick.	5.20

to do it. I've got some funds, he's got some funds, and we are just going to start doing it. What are they going to do bitch?

1-15

I had another incredibly busy day. I was just swamped all day long. I funded three deals today, plus I was able to pay off one more of the disputed deals. We have three more we are going to close tomorrow. They are pushing like hell to get docs and get terms sheet etc otherwise they are going to file. Scott and I are trying to pay off as many as we can as quickly as our cash will allow. I had two payoffs too. That helped. I've got more coming in. I had a lot of payments too. Besides this nightmare I'm getting lots of demand. I have to keep funding other deals to create income. I've got 300k in from the miller's. Herb didn't have his 100k like he thought. Then out of the blue the 800k I have to return to Laurie Weiskopf, she said she didn't need now. That helps tremendously. I'm getting physically ill again.

1-16

I funded three deals, then I funded three more deals to pay off loans from the nightmare. They got four in all today. I had one payoff. A few payments. I spent 90% of my time dealing with David and Scott and verbage on these terms sheets. In the end we think we have something, we just have to hear back from Scott's attorney. Then David and his former boss couldn't work out this litigation agreement since David used to be there. So now we are on to another attorney. I have no idea if that is good or bad or what the hell if they are going to file tomorrow. I'm so perplexed I can barely think right now.

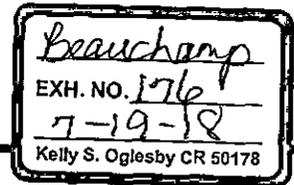
1-17

I funded three real deals, then provided funds for four more deals of Scott's to be paid off. We were able to get done today which we thought weren't going to go until next week. I sent an email updating the guys on where we are at, I received back just threatening emails from them. I feel a little more settled now, hopefully whomever their new attorney is works better with David.

1-21

I spent all night long thinking about this nightmare, Scott was in NY and called me. He raised 2 million to pay interest and that should buy him time to bring in more money to pay off some loans and also make some money. We have a new idea. I payoff all the loans for nightmare group. Then the overage I put on Gregg's loans, then Scott will pay off Gregg's loans and he sells the house. I get my money back and everyone is paid. We went over this on the phone for an hour and a 1/2 dozen emails. I emailed and called David, he approved. We had 6 more to do today, but title couldn't do it. I raise a million more from Bungler, I might get a few hundred k from Kirk. With the closing in, I could probably pay them off in 2-3 weeks, though we are not sure we have that time. Scott got pissed and talked to Eyman, who brought these guys in the first place. It's 7pm now we are waiting to hear back to see if they will give us a flexible time schedule. I'm shitting bricks waiting to hear. I'm just so paranoid about them filing a suit and screwing up this whole

**Beauchamp, David G.**



**From:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Thursday, January 16, 2014 12:01 AM  
**To:** Beauchamp, David G.  
**Subject:** Re: Non Disclosure Agreement

yes it was his idea.  
i thought it was wonderful idea.

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**To:** "dcmoney@yahoo.com" <dcmoney@yahoo.com>  
**Cc:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**Sent:** Wednesday, January 15, 2014 11:51 PM  
**Subject:** Re: Non Disclosure Agreement

Understood. We still need to get Scott to sign the Term sheet and then the Forbearance Agreement to protect DenSco as we proceed. Were you serious about the life insurance policy?

Best, David

David G. Beauchamp  
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**Sent:** Wednesday, January 15, 2014 11:27 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: Non Disclosure Agreement

my fear is that between three lawyers and itchy finger Daniel, this will take a long time, 2 more weeks to get on paper to make everyone happy, i don't want to take the chance that they file something because they think we are dragging our

feet, even if it's ones and twoies , it's progress and they want their money back, i'm providing that avenue.

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480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Schenck, Daniel A.  
**Sent:** Wednesday, January 15, 2014 6:39 PM  
**To:** Beauchamp, David G.  
**Subject:** NDA

David,

Attached is the NDA of DenSco.

**Daniel A. Schenck**

CLARK HILL PLC

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Licensed in Arizona, California, Utah and Nevada  
[dschenck@clarkhill.com](mailto:dschenck@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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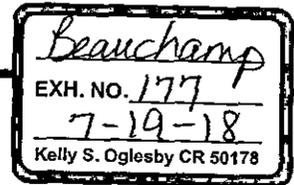
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**Beauchamp, David G.**



**From:** Denny <dcmoney@yahoo.com>  
**Sent:** Thursday, January 16, 2014 5:25 AM  
**To:** Beauchamp, David G.  
**Subject:** Re: deferred interest

Ok let's pick sept 30, same for the million dollars

Sent from my iPad

On Jan 16, 2014, at 1:47 AM, "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

Denny:

If we do not use a date to stop deferred interest, we will need a formula to determine adequate cash flow. I would also suggest an outside date.

It would also make sense to have the \$1 million note have an interest rate increase at some point if it is not paid off on or before \_\_\_(date).

Best, David

David G. Beauchamp  
CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Denny Chittick [<mailto:dcmoney@yahoo.com>]  
**Sent:** Thursday, January 16, 2014 12:13 AM  
**To:** Yomtov Menaged <[smena98754@aol.com](mailto:smena98754@aol.com)>; Beauchamp, David G.  
**Subject:** deferred interest

instead of a time table, what we agreed to was that i would defer the interest until the property pays off. once we start turning these properties and cash starts coming in for scott he's going to try to make interest payments too. but that depends on cash flow not a date.

dc

DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)

602-469-3001 C

602-532-7737 f

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**Beauchamp, David G.**

---

**From:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Thursday, January 16, 2014 8:12 AM  
**To:** Beauchamp, David G.  
**Subject:** Re: status

ok you may have more, Scott's attorney is reviewing it right now.  
i've never seen an attorney review a stop sign without some  
suggested changes.

dc

DenSCO Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)  
602-469-3001 C  
602-532-7737 f

---

**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** "dcmoney@yahoo.com" <dcmoney@yahoo.com>  
**Cc:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**Sent:** Thursday, January 16, 2014 8:11 AM  
**Subject:** Re: status

Denny:

Just to clarify, it will be about 10:30 or 11 before I will be able to get to the changes. Sorry, my previous message did not indicate timing.

Thanks, David

David G. Beauchamp  
CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Beauchamp, David G.  
**Sent:** Thursday, January 16, 2014 07:58 AM  
**To:** 'dcmoney@yahoo.com' <dcmoney@yahoo.com>  
**Cc:** Beauchamp, David G.  
**Subject:** Re: status

Denny:

That is great. I will call into my office to make the changes to the term sheet and to circulate a clean and black-line to show the changes.

Best, David

David G. Beauchamp  
CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Denny Chittick [mailto:[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)]  
**Sent:** Thursday, January 16, 2014 07:53 AM  
**To:** Beauchamp, David G.  
**Subject:** status

i've been on the phone and exchanging emails with scott all morning. his attorney is reviewing the two docs right now and promised he'd get it back to us today. scott is wanting to sign the first agreement today, and hopefully we can do the terms sheet also.

dc

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**Beauchamp, David G.**

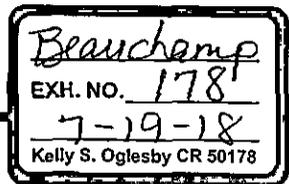
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**From:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Thursday, January 16, 2014 8:46 AM  
**To:** Beauchamp, David G.  
**Subject:** dates

6 c and 6 c should be 45 days from now, so Feb 28, 2014  
7 B, Feb 28, 2014

i thought you meant the dates with scott the above are the dates for  
the term sheet  
dc

DenSco Investment Corp  
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602-469-3001 C  
602-532-7737 f



**Beauchamp, David G.**

**From:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Thursday, January 16, 2014 10:46 AM  
**To:** Beauchamp, David G.  
**Subject:** Re: Questions

scott personal guarantees the notes.  
i was thinking of DenSco as being the beneficiary  
dc

DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)  
602-469-3001 C  
602-532-7737 f

**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Thursday, January 16, 2014 10:36 AM  
**Subject:** Questions

Denny:

In one of my emails, I thought I asked if Scott is currently a guarantor of the loans or if he is now to personally guaranty the obligations, but I must have missed your response. If Scott is to personally guaranty the obligations, we should also add that to the Borrower's obligations?

With respect to the life insurance policy, is DenSco supposed to own the policy or is it to simply be collaterally assigned to DenSco. The difference is that there has to be a declared default for DenSco to have any rights to the life insurance policy if it is only collaterally assigned to DenSco. You are better off if the policy names DenSco as the beneficiary of the policy.

I am in my office for the next 15 minutes if we need to talk.

Best, David

**David G. Beauchamp**

CLARK HILL PLC

14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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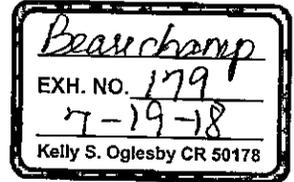
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DenSco /

**Beauchamp, David G.**

**From:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Thursday, January 16, 2014 11:07 AM  
**To:** Beauchamp, David G.  
**Subject:** Re: Questions



make sure you put the dates in there feb 28th. heard through the grape vine 45 days was reasonable to the other side

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

---

**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Thursday, January 16, 2014 11:03 AM  
**Subject:** RE: Questions

Thank you. Adding changes now to Term Sheet

**David G. Beauchamp**

CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
dbeauchamp@clarkhill.com | www.clarkhill.com

---

**From:** Denny Chittick [mailto:dcmoney@yahoo.com]  
**Sent:** Thursday, January 16, 2014 10:52 AM  
**To:** Beauchamp, David G.  
**Subject:** Re: Questions

Denny:

In one of my-emails, I thought I asked if Scott is currently a guarantor of the loans or if he is now to personally guaranty the obligations, but I must have missed your response. If Scott is to personally guaranty the obligations, we should also add that to the Borrower's obligations?

YES

With respect to the life insurance policy, is DenSco supposed to own the policy or is it to simply be collaterally assigned to DenSco. The difference is that there has to be a declared

default for DenSco to have any rights to the life insurance policy if it is only collaterally assigned to DenSco. You are better off if the policy names DenSco as the beneficiary of the policy.

THAT WAS THE PLAN.

I am in my office for the next 15 minutes if we need to talk.

Best, David

**David G. Beauchamp**

CLARK HILL PLC

14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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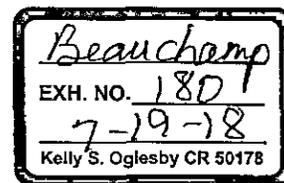
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**Beauchamp, David G.**

---

**From:** Scott Menaged <smena98754@aol.com>  
**Sent:** Thursday, January 16, 2014 1:07 PM  
**To:** Beauchamp, David G.; Denny

Dave ,

Per Jeff I can sign the term sheet as long as par 1 and 3 are changed.

The verbage in both paragraphs need to change to state Densco believes he should be in first position. Not that I am saying he should be in first position or me stating who should be in what position.

Par 3 is the same thing, just a verbage issue. Both lenders believe they should be in first position. I can't sign something saying who is supposed to be in what position.

As long as this is agreed upon, please resend me the docs and I will execute today .

Confidentiality agreement is fine for me to sign as is.

Clearly we need to have an executed confidentiality agreement before providing the term sheet to them

Thanks

Scott

Sent from my iPhone

Denise / without

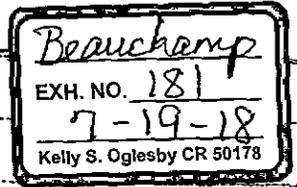
Tax Scott Mengel (7/6/14)

480-227-7118

91

93

Taw Denny Chittick (7/16/14)



- DGB - to call Bob Miller RE: Waiver

- Denny - will send Confidentiality Agmt to Bob Miller

- had conf call w/ Scott re:

Conf Call w/ Denny Chittick (7/16/14)  
Sub Managed

- 3 documents

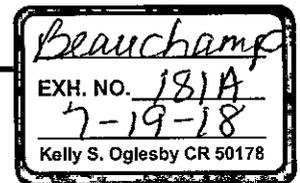
- waiver

- Non Disclosure / Conf file

- Term sheet

- explored issue affecting Den Sco

Message



**From:** Schenck, Daniel A. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DSCHENCK]  
**Sent:** 1/16/2014 1:03:50 PM  
**To:** dcmoney@yahoo.com  
**CC:** Beauchamp, David G. [dbeauchamp@clarkhill.com]  
**Subject:** Revised Term Sheet  
**Attachments:** Proposed Term Sheet (4).DOCX

Denny,

Attached is the revised Term Sheet with the changes that Scott requested and that David discussed with you. As requested, we revised the language so that the Borrower is not expressing its intent on which lender was supposed to be in first position. As David mentioned, we don't recommend that you accept these changes because it still leaves open the question of whether Scott intended for DenSCO to be in the first position. Ideally, Scott would make the acknowledgment (which would be an admission of default should DenSCO be determined to not be in first position), but Scott would be protected by the terms of the forbearance agreement. Please contact us should you have any questions regarding this issue.

Best,

Daniel A. Schenck  
CLARK HILL PLC  
480.684.1118 (direct) | 480.684.1179 (fax)  
Licensed in Arizona, California, Utah and Nevada  
dschenck@clarkhill.com | bio | www.clarkhill.com

-----Original Message-----

**From:** Beauchamp, David G.  
**Sent:** Thursday, January 16, 2014 1:44 PM  
**To:** Schenck, Daniel A.  
**Subject:** Fw:

Dan:

Please

David G. Beauchamp  
CLARK HILL PLC  
14850 N Scottsdale Rd | suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
dbeauchamp@clarkhill.com | www.clarkhill.com

----- Original Message -----

**From:** Scott Menaged [mailto:smena98754@aol.com]  
**Sent:** Thursday, January 16, 2014 01:06 PM  
**To:** Beauchamp, David G.; Denny <dcmoney@yahoo.com>

Dave ,

Per Jeff I can sign the term sheet as long as par 1 and 3 are changed.

The verbage in both paragraphs need to change to state Densco believes he should be in first position. Not that I am saying he should be in first position or me stating who should be in what position.

Par 3 is the same thing, just a verbage issue. Both lenders believe they should be in first position. I can't sign something saying who is supposed to be in what position.

As long as this is agreed upon, please resend me the docs and I will execute today .

Confidentiality agreement is fine for me to sign as is.

Clearly we need to have an executed confidentiality agreement before providing the term sheet to them

Thanks

Scott

Sent from my iPhone



## TERM SHEET

The provisions of this Term Sheet are intended only as an expression of intent on behalf of DenSco Investment Corporation ("DenSco") and Scott Menaged, Arizona Home Foreclosures, LLC, Easy Investments, LLC and possibly other entities owned by or under the control of Scott Menaged used to purchase real property from trustee sales (collectively, "Borrower"). These provisions are not intended to be legally binding on DenSco or Borrower and are expressly subject to the execution of an appropriate definitive agreement. DenSco and Borrower expressly acknowledge and agree that the contents of this Term Sheet are insufficient to constitute a legally binding agreement as to its subject matter and that there shall be no binding agreement between DenSco and Borrower until a definitive agreement is executed.

### TERMS

1. DenSco has advanced several loans to the Borrowers entities. These loans are secured by a Mortgage/Deed of Trust, which DenSco intended to be in first lien position on each of the properties owned by the Borrower.
2. Certain of Borrower's properties were used as security for loans from other lenders and for loans from DenSco.
3. Certain of these other lenders have retained Bryan Cave, LLP to represent them (the "Other Lenders") in connection with the liens of DenSco and the liens of these Other Lenders, which the Other Lenders intended to be in first lien position on the respective property (each a "Conflict Property" and collectively, the "Conflict Properties").
4. DenSco and Borrower agree to cooperate and assist each other in connection with resolving the dispute with the Other Lenders concerning these Conflict Properties.
5. As each of the Conflict Properties are sold through an escrow, Borrower is to pay any shortfall of funds required to satisfy the liens of the Other Lenders and DenSco on or prior to the closing of the sale of such Conflict Property. Notwithstanding the Priority List defined and referenced below, the sale of such Conflict Properties to third parties are to proceed pursuant to the timing specified by the applicable purchaser of the Conflict Property, so long as the Other Lenders and DenSco are to be paid through such closing.
6. Borrower and DenSco will work with the Other Lenders to obtain a Priority List of the Conflict Properties from the Other Lenders (the "Priority List"). This Priority List will list the order in which the Other Lenders want each Conflict Property to be refinanced so that the respective Other Lender is paid in full for the loan secured by such Conflict Property and its corresponding lien will be released on such Conflict Property.
  - A. The Priority List will be submitted to Debbie Pihl at Magnus Title Agency ("Magnus"). Magnus will arrange for the necessary title work and verify the pay-off

amounts for the Other Lender's loan and arrange for the closing of the additional funding from DenSco pursuant to a modification of its existing loan.

B. Based on the pay-off amounts required to satisfy the loan of the applicable Other Lender, as determined by Magnus above, DenSco will submit funds to Magnus to modify and increase DenSco's outstanding loan to a LTV of approximately 95% of the applicable Conflict Property. Borrower will be required to deliver the balance of the required funds to pay-off and release the lien of the Other Lender on the applicable Conflict Property and to provide title insurance to DenSco showing DenSco in first lien position to secure its modified loan.

C. Borrower and DenSco have been assured by Debbie Pihl and Magnus that Magnus has sufficient resources to process the pay-offs of all of the loans from the Other Lenders associated with each of the Conflict Properties on or before February 28, 2014.

D. Borrower and DenSco agree to and will deliver adequate funds to Magnus to pay-off all of the loans from the Other Lenders on or before February 28, 2014.

E. After all of the loans of the Other Lenders (secured by any of the Conflict Properties) have been paid off and released by the Other Lenders as set forth in Section 5 and Section 6 A and 6 B above, DenSco and Borrower shall proceed to resolve the lien disputes between DenSco and with other similarly situated lenders pursuant to the procedures described in Section 5, Section 6 A and 6 B above.

7. Borrower agrees to the following:

A. Except for DenSco, Borrower agrees to continue to pay the interest due to each of the Other Lenders and any other similarly situated lender on a timely basis and to keep such loans current and in compliance with its terms;

B. Borrower has arranged for private outside financing in the amount of approximately \$1,000,000 (the "Outside Funds"), which is to be provided to Borrower on or before February 28, 2014. Such Outside Funds shall be used exclusively for the pay-off of the Other Lenders and any other similarly situated lender (and any balance to be paid to DenSco to reduce the amount of DenSco's additional loans to Borrower, as provided herein);

C. Borrower has agreed to inform DenSco of all of the terms of Borrower's transaction to obtain the Outside Funds and the security provided for such Outside Funds. DenSco agrees to keep such information on a confidential basis, provided, however, DenSco will be able to provide such terms and information to its investors, legal counsel, accountants and other applicable professionals;

D. Borrower agrees to provide any additional security to DenSco, as may be requested by DenSco, to secure Borrower's existing obligations to DenSco and to secure the additional obligations that DenSco is agreeing to provide pursuant to this forbearance / workout agreement;

E. Borrower agrees to reimburse all costs and expenses, including without limitation title reports, amendments or title insurance, investigation fees, and / or attorneys' fees, incurred by DenSco in connection with this forbearance / workout agreement, or the existing and / or any future lien disputes with the Other Lenders or any other similarly situated lenders;

F. Borrower agrees to use its good faith efforts to: (i) liquidate other assets, which is expected to generate approximately 4 to 5 million US Dollars; (ii) apply all net proceeds from the rental of Borrower's homes, or the net proceeds from the acquisition and disposition of additional homes by Borrower, and (iii) apply all funds received from Borrower's continued good faith efforts to recover any other assets that can be recovered from the missing proceeds from the multiple loans that were advanced from DenSco and other lenders with respect to certain properties as referenced above. Any additional funds obtained and / or made available to Borrower pursuant this subsection shall be made available to and used by Borrower in connection with the resolution of the lien disputes between DenSco and other lenders as referenced above;

G. Borrower agrees to provide DenSco (and maintain in effect) a life insurance policy (from a life insurance carrier reasonably approved by DenSco) in the amount of \$10,000,000, insuring the life of Scott Managed with DenSco named as the sole beneficiary, until all obligations pursuant to the forbearance / workout agreement have been full satisfied; and

H. Borrower agrees to provide DenSco with a personal guaranty from Scott Menaged, guaranteeing all of Borrower's obligations pursuant to the forbearance / workout agreement. Further, Borrower agrees to provide a re-affirmation and consent from Scott Menaged to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees of DenSco's loans to Borrower, so that the terms and provisions of the forbearance / workout agreement will not cause or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of DenSco and Borrowers pursuant to the terms and provisions of the forbearance / workout agreement.

8. DenSco agrees to the following:

A. So long as each Borrower is in compliance with the terms of the workout agreement and any other agreement with DenSco, DenSco will forbear from taking any action to accelerate its loans to Borrower and to commence foreclosure action against the assets of Borrower;

B. DenSco will defer (but not waive) the collection of interest from the Borrowers on DenSco's loans to the Borrowers during the process to fund the amount due to the Other Lenders in connection with the Conflict Properties (All deferred interest on a particular note from Borrower to DenSco shall be paid to DenSco on or before the payoff of the applicable note);

C. DenSco will provide a new loan to Borrower in the amount up to One Million US Dollars, which loan is to provide for multiple advances, earn 3% annual interest to be secured by a first lien position against certain real property to be approved by DenSco in its sole discretion, and the obligation is to be personally guaranteed by Scott Menaged (the "Additional Loan"); and

D. So long as each Borrower is in compliance with the terms of the forbearance and workout agreement and any other agreements with DenSco, DenSco agrees to comply with its obligations set forth elsewhere in this Term Sheet, including the obligation to modify its existing loans to the Borrower that are secured by the Conflict Properties, so that the amount of such loans shall be increased to 95% LTV as indicated above.

9. Borrower and DenSco acknowledge and agree that this forbearance/ workout agreement shall not constitute nor create a joint venture or partnership arrangement between or among DenSco and any of the Borrower.

[Signature page to follow:]

The above terms are agreed to this \_\_\_ day of January, 2014 by the following.

**DENSCO INVESTMENT CORPORATION**

By: \_\_\_\_\_  
Denny Chittick

Its: President

**ARIZONA HOME FORECLOSURES, LLC**

By: \_\_\_\_\_  
Scott Menaged

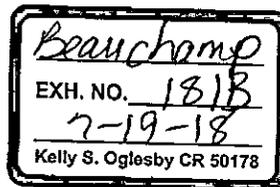
Its: Member

**EASY INVESTMENTS, LLC**

By: \_\_\_\_\_  
Scott Menaged

Its: Member

\_\_\_\_\_  
YOMTOV "SCOTT" MENAGED, Individually



DenSco (workout)

**Beauchamp, David G.**

---

**From:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Thursday, January 16, 2014 2:50 PM  
**To:** Beauchamp, David G.; Schenck, Daniel A.  
**Subject:** Re: Revised Term Sheet

scott just texted me said he's willing ot sign it . if you are telling me it puts me in a bad situation, then we need to find middle ground to where i'm not in a weaker position and he's not in a position of admitting guilt.

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

---

**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** "dcmoney@yahoo.com" <dcmoney@yahoo.com>; "Schenck, Daniel A." <DSchenck@ClarkHill.com>  
**Cc:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**Sent:** Thursday, January 16, 2014 2:42 PM  
**Subject:** Re: Revised Term Sheet

Denny:

What I am saying is that the whole consideration to DenSco (and protection to you) is for Scott to acknowledge he is in default. In exchange, DenSco agrees not to take certain actions and to provide funding to Borrowers to assist Borrower to resolve these disputes.

Please see email from Bob Miller that I will forward next. Without Scott's admission here, you are left on your own to deal with Miller's clients. You have given Scott so much and you only asked for this one thing. I think it is not in your legal best interest to agree to all of your commitments in this term sheet without getting this admission from Scott.

Best, David

David G. Beauchamp  
CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
dbeauchamp@clarkhill.com | www.clarkhill.com

---

**From:** Denny Chittick [mailto:[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)]  
**Sent:** Thursday, January 16, 2014 02:26 PM  
**To:** Schenck, Daniel A.  
**Cc:** Beauchamp, David G.  
**Subject:** Re: Revised Term Sheet

so are you telling me that the way this is worded now you wouldn't want me to sign it if Scott does?

DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)  
602-469-3001 C  
602-532-7737 f

---

**From:** "Schenck, Daniel A." <[DSchenck@ClarkHill.com](mailto:DSchenck@ClarkHill.com)>  
**To:** "dcmoney@yahoo.com" <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)>  
**Cc:** "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)>  
**Sent:** Thursday, January 16, 2014 2:03 PM  
**Subject:** Revised Term Sheet

Denny,

Attached is the revised Term Sheet with the changes that Scott requested and that David discussed with you. As requested, we revised the language so that the Borrower is not expressing its intent on which lender was supposed to be in first position. As David mentioned, we don't recommend that you accept these changes because it still leaves open the question of whether Scott intended for DenSco to be in the first position. Ideally, Scott would make the acknowledgment (which would be an admission of default should DenSco be determined to not be in first position), but Scott would be protected by the terms of the forbearance agreement. Please contact us should you have any questions regarding this issue.

Best,

Daniel A. Schenck  
CLARK HILL PLC  
480.684.1118 (direct) | 480.684.1179 (fax)  
Licensed in Arizona, California, Utah and Nevada  
[dschenck@clarkhill.com](mailto:dschenck@clarkhill.com) | bio | [www.clarkhill.com](http://www.clarkhill.com)

-----Original Message-----

From: Beauchamp, David G.  
Sent: Thursday, January 16, 2014 1:44 PM  
To: Schenck, Daniel A.  
Subject: Fw:

Dan:

Please

David G. Beauchamp  
CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

----- Original Message -----

From: Scott Menaged [mailto:[smena98754@aol.com](mailto:smena98754@aol.com)]  
Sent: Thursday, January 16, 2014 01:06 PM  
To: Beauchamp, David G.; Denny <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)>

Dave ,

Per Jeff I can sign the term sheet as long as par 1 and 3 are changed.

The verbage in both paragraphs need to change to state Densco believes he should be in first position. Not that I am saying he should be in first position or me stating who should be in what position.

Par 3 is the same thing, just a verbage issue. Both lenders believe they should be in first position. I can't sign something saying who is supposed to be in what position.

As long as this is agreed upon, please resend me the docs and I will execute today .

Confidentiality agreement is fine for me to sign as is.

Clearly we need to have an executed confidentiality agreement before providing the term sheet to them

Thanks

Scott

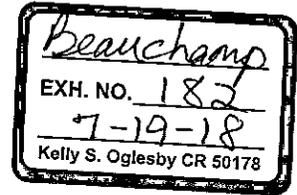
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**Beauchamp, David G.**

DenSco/

**From:** Beauchamp, David G.  
**Sent:** Thursday, January 16, 2014 2:51 PM  
**To:** 'rjmiller@BryanCave.com'  
**Cc:** Beauchamp, David G.  
**Subject:** Re: Denesco



Bob:

DenSco has asked for you to send the waiver letter, but you want it agreed to sight unseen. You would not let your client agree to that if the situation was reversed. I disagree with your email, because I have told you the basis for the potential conflict.

As I have explained to you, DenSco cannot agree to your demand to execute subordinations. Further, the borrowers are essential parties for this to proceed.

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

---

**From:** Miller, Robert [mailto:rjmiller@BryanCave.com]  
**Sent:** Thursday, January 16, 2014 02:12 PM  
**To:** Beauchamp, David G.  
**Subject:** RE: Denesco

David –

It was my hope this would not bog down and, clearly, it has for whatever reason. Other than the fact that Denesco was your client when you were here, I am not aware of what the alleged conflict is – all I know is you advised Denesco on certain private offerings. I asked you to more fully explain what the alleged conflict is and gave you the pertinent files you wanted to review. I have received no explanation. When the conflicts system cleared on my end (before the demand letter was sent), I was comfortable moving forward. Based on where I am today, I am not comfortable proceeding without a full and complete conflict waiver from Denesco.

What I cannot do is let this passage of time prejudice my firm's clients. If I do not have a full and complete waiver letter in my possession by 4:00 tomorrow, I will be immediately withdrawing. The steps needed to make sure my clients do not suffer any adverse consequences if I withdraw are already being taken. Replacement counsel will not miss a beat.

Lastly, as to your discussion below about Stinson's availability to advise their client, I fail to see how that is relevant. Stinson does not represent Denesco – you do. My clients are intent on resolving their issues with your client.

Please let me know Denesco's position asap.

Thank you.

Bob

---

**From:** Beauchamp, David G. [mailto:DBeauchamp@ClarkHill.com]

**Sent:** Wednesday, January 15, 2014 9:43 PM

**To:** Miller, Robert

**Subject:** RE: Densco

Bob:

I did not talk to Scott Menaged's attorney until this evening. Scott's attorney is Jeff Goulder at Stinson. Jeff did not think that waiting until he could be involved in the discussions next week should be a big deal. I sent him a copy of your previous demand letter, but that did not make a difference to him. (When I asked if Jeff could be available for some time on Thursday or Friday, I was told that Jeff is in all day management meetings for the next several days to resolve end of year compensation for the partners at Stinson. Accordingly, his wishes are that he is not to be disturbed)

The draft Confidentiality Agreement was sent to Denny earlier this evening. Denny said he would review it and send it to Scott to get his consent to it and then send it to you. Although I do not know if Scott will be willing to sign even that simple agreement with his attorney advising him to wait, Denny was going to encourage him to do that so some discussions can take place.

I have just finished the revised draft term sheet and sent it to Denny for his review. Again, Scott might try to delay the distribution of this draft term sheet, but Denny will strongly encourage him to allow it to be distributed after the Confidentiality Agreement is distributed and signed.

Denny also indicated that he will sign the waiver letter so long as Bryan Cave is not participating directly or indirectly in any litigation against DenSco. I guess he was warned about having you hire another firm to litigate the matter, but you stay involved and direct the litigation from behind the scenes. I assured him that you would not do that and you would make the language in the letter indicate that.

Thank you.

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:** Miller, Robert [mailto:rjmiller@BryanCave.com]

**Sent:** Wednesday, January 15, 2014 8:11 PM

**To:** Beauchamp, David G.

**Subject:** Densco

Confirming our discussion of today, I need from you an email laying out precisely what your client is proposing in terms of when a term sheet will be delivered and when the face-to-face meeting will occur. I am also not inclined to spend any more time on this until I know, in fact, Densco will execute a standard "no sue" waiver where my firm is allowed to represent my clients on any and all matters adverse to Densco excluding filing and prosecuting a lawsuit.

Please advise so I may report to my clients.

Again, I think if litigation is to be avoided it is important to get this game plan ironed out asap. The fact that Scott's counsel is "unavailable" for the rest of the week (something that is troubling under these circumstances and in this day and age of everyone being available on a remote basis through technology) is troubling.

Thanks for your efforts on trying to keep this on a prompt, consensual path.

Bob



Robert J. Miller  
Partner

Bryan Cave LLP  
Two N. Central Avenue, Suite 2200  
Phoenix, AZ 85004-4406  
Telephone: (602) 364-7043  
Cell: (602) 550-8380  
Fax: (602) 716-8043  
E-mail: [rjmiller@bryancave.com](mailto:rjmiller@bryancave.com)

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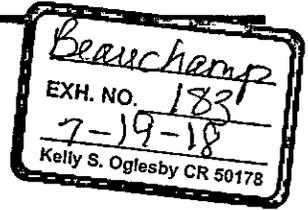
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Da Sco /

**Beauchamp, David G.**



**From:** Beauchamp, David G.  
**Sent:** Thursday, January 16, 2014 2:51 PM  
**To:** 'dcmoney@yahoo.com'  
**Cc:** Schenck, Daniel A.; Beauchamp, David G.  
**Subject:** Fw: Densco

FYI

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)  
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**To:** Beauchamp, David G.  
**Subject:** RE: Densco

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Bob

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**Sent:** Wednesday, January 15, 2014 9:43 PM  
**To:** Miller, Robert  
**Subject:** RE: Densco

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David G. Beauchamp

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**Sent:** Wednesday, January 15, 2014 8:11 PM

**To:** Beauchamp, David G.

**Subject:** Denesco

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Bob



Robert J. Miller  
Partner

Bryan Cave LLP  
Two N. Central Avenue, Suite 2200  
Phoenix, AZ 85004-4406  
Telephone: (602) 364-7043  
Cell: (602) 550-8380  
Fax: (602) 716-8043  
E-mail: [rjmiller@bryancave.com](mailto:rjmiller@bryancave.com)

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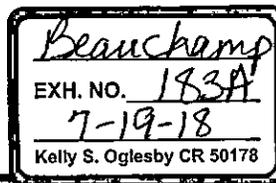
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DenSco/Workbooks

**Beauchamp, David G.**

**From:** Schenck, Daniel A.  
**Sent:** Thursday, January 16, 2014 2:58 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: Revised Term Sheet

David,

We may want to also ask Denny if we have a personal guaranty yet from Scott?

**Daniel A. Schenck**  
*Sent from my iPhone*  
CLARK HILL PLC  
480.684.1118 (direct) | 480.684.1179 (fax)  
[dschenck@clarkhill.com](mailto:dschenck@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

On Jan 16, 2014, at 2:56 PM, "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

Denny:

See Miller's email and my response. Do your loan documents require Borrower to have your Deed of Trust in first position? If so, Borrower is in default and Scott needs to admit it. Otherwise, you will be fighting Miller's clients and other lenders on your own.

Best, David

David G. Beauchamp  
CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Denny Chittick [<mailto:dcmoney@yahoo.com>]  
**Sent:** Thursday, January 16, 2014 02:47 PM  
**To:** Beauchamp, David G.; Schenck, Daniel A.  
**Subject:** Re: Revised Term Sheet

then how can we put some sort of admission in to it without causing him any more issues?

DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)

602-469-3001 C  
602-532-7737 f

---

**From:** "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)>  
**To:** "dcmoney@yahoo.com" <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)>; "Schenck, Daniel A." <[DSchenck@ClarkHill.com](mailto:DSchenck@ClarkHill.com)>  
**Cc:** "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)>  
**Sent:** Thursday, January 16, 2014 2:42 PM  
**Subject:** Re: Revised Term Sheet

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Best, David

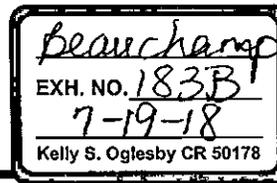
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CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Denny Chittick [<mailto:dcmoney@yahoo.com>]  
**Sent:** Thursday, January 16, 2014 02:26 PM  
**To:** Schenck, Daniel A.  
**Cc:** Beauchamp, David G.  
**Subject:** Re: Revised Term Sheet

so are you telling me that the way this is worded now  
you wouldn't want me to sign it if Scott does?

DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)  
602-469-3001 C  
602-532-7737 f



DenSco / work out

**Beauchamp, David G.**

**From:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Thursday, January 16, 2014 3:12 PM  
**To:** Beauchamp, David G.; Yomtov Menaged  
**Cc:** Schenck, Daniel A.  
**Subject:** Re: Revised Term Sheet

david i know you are tied up, when you are free, give me a call and we can put scott on the line and we can get this figured out.

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dc

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---

**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** "dcmoney@yahoo.com" <dcmoney@yahoo.com>  
**Cc:** "Schenck, Daniel A." <DSchenck@ClarkHill.com>; "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**Sent:** Thursday, January 16, 2014 2:56 PM  
**Subject:** Re: Revised Term Sheet

Denny:

See Miller's email and my response. Do your loan documents require Borrower to have your Deed of Trust in first position? If so, Borrower is in default and Scott needs to admit it. Otherwise, you will be

fighting Miller's clients and other lenders on your own.

Best, David

David G. Beauchamp  
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dbeauchamp@clarkhill.com | www.clarkhill.com

---

**From:** Denny Chittick [mailto:dcmoney@yahoo.com]  
**Sent:** Thursday, January 16, 2014 02:47 PM  
**To:** Beauchamp, David G.; Schenck, Daniel A.  
**Subject:** Re: Revised Term Sheet

then how can we put some sort of admission in to it without causing him any more issues?

DenSco Investment Corp  
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---

**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** "dcmoney@yahoo.com" <dcmoney@yahoo.com>; "Schenck, Daniel A." <DSchenck@ClarkHill.com>  
**Cc:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**Sent:** Thursday, January 16, 2014 2:42 PM  
**Subject:** Re: Revised Term Sheet

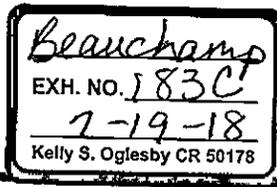
Denny:

What I am saying is that the whole consideration to DenSco (and protection to you) is for Scott to acknowledge he is in default. In exchange, DenSco agrees not to take certain actions and to provide funding to Borrowers to assist Borrower to resolve these disputes.

Please see email from Bob Miller that I will forward next. Without Scott's admission here, you are left on your own to deal with Miller's clients. You have given Scott so much and you only asked for this one thing. I think it is not in your legal best interest to agree to all of your commitments in this term sheet without getting this admission from Scott.

Best, David

David G. Beauchamp  
CLARK HILL PLC



DenSco/workout

**Beauchamp, David G.**

**From:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Thursday, January 16, 2014 3:21 PM  
**To:** Beauchamp, David G.  
**Cc:** Schenck, Daniel A.  
**Subject:** Re: Revised Term Sheet  
**Attachments:** Non Disclosure signed.pdf

Attached is the non-disclosure confidentiality. this is what they want at 4pm.  
dc

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---

**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** "dcmoney@yahoo.com" <dcmoney@yahoo.com>  
**Cc:** "Schenck, Daniel A." <DSchenck@ClarkHill.com>; "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**Sent:** Thursday, January 16, 2014 2:56 PM  
**Subject:** Re: Revised Term Sheet

Denny:

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**Sent:** Thursday, January 16, 2014 02:47 PM  
**To:** Beauchamp, David G.; Schenck, Daniel A.  
**Subject:** Re: Revised Term Sheet

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**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** "dcmoney@yahoo.com" <dcmoney@yahoo.com>; "Schenck, Daniel A." <DSchenck@ClarkHill.com>  
**Cc:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**Sent:** Thursday, January 16, 2014 2:42 PM  
**Subject:** Re: Revised Term Sheet

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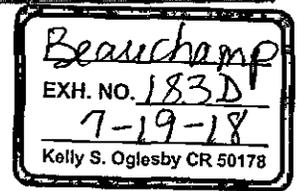
**From:** Denny Chittick [mailto:dcmoney@yahoo.com]  
**Sent:** Thursday, January 16, 2014 02:26 PM  
**To:** Schenck, Daniel A.  
**Cc:** Beauchamp, David G  
**Subject:** Re: Revised Term Sheet

so are you telling me that the way this is worded now you wouldn't want me to sign it if Scott does?

Densco

**Beauchamp, David G.**

**From:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Thursday, January 16, 2014 3:28 PM  
**To:** Beauchamp, David G.  
**Cc:** Schenck, Daniel A.  
**Subject:** Re: Densco



please read it before you send it to Miller to ensure it's ok for me to sign! scott and i have signed it.

scott and i are available to speak to you about the terms sheet when everyou are available.

dc

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---

**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** "dcmoney@yahoo.com" <dcmoney@yahoo.com>  
**Cc:** "Schenck, Daniel A." <DSchenck@ClarkHill.com>; "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**Sent:** Thursday, January 16, 2014 3:24 PM  
**Subject:** Re: Densco

Denny:

I am not sure what this signature page is to. If I sent it to you by forwarding Miller's email, I sent it by blackberry and did not realize it was attached.

Sorry, David

David G. Beauchamp  
CLARK HILL PLC  
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**From:** Denny Chittick [mailto:dcmoney@yahoo.com]  
**Sent:** Thursday, January 16, 2014 03:05 PM  
**To:** Beauchamp, David G.  
**Cc:** Schenck, Daniel A.  
**Subject:** Re: Densco

What I cannot do is let this passage of time prejudice my firm's clients. If I do not have a full and complete waiver letter in my possession by 4:00 tomorrow, I will be immediately withdrawing. The steps needed to make sure my clients do not suffer any adverse consequences if I withdraw are already being taken. Replacement counsel will not miss a beat.

isn't this what i attached?  
dc

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---

**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** "dcmoney@yahoo.com" <dcmoney@yahoo.com>  
**Cc:** "Schenck, Daniel A." <DSchenck@ClarkHill.com>; "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**Sent:** Thursday, January 16, 2014 2:51 PM  
**Subject:** Fw: Densco

FYI

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:** Miller, Robert [mailto:rjmiller@BryanCave.com]  
**Sent:** Thursday, January 16, 2014 02:12 PM  
**To:** Beauchamp, David G.  
**Subject:** RE: Densco

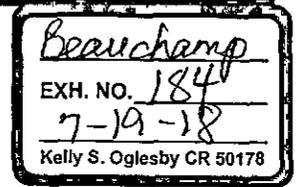
David –

It was my hope this would not bog down and, clearly, it has for whatever reason. Other than the fact that Densco was your client when you were here, I am not aware of what the alleged conflict is – all I know is you advised Densco on certain private offerings. I asked you to more fully explain what the alleged conflict is and

DenSco / Workout

**Beauchamp, David G.**

**From:** Miller, Robert <rjmiller@BryanCave.com>  
**Sent:** Thursday, January 16, 2014 3:28 PM  
**To:** Beauchamp, David G.  
**Subject:** RE: DenSco



Please see my response below in italics. Thank you.

Bob

---

**From:** Beauchamp, David G. [mailto:DBeauchamp@ClarkHill.com]  
**Sent:** Thursday, January 16, 2014 2:51 PM  
**To:** Miller, Robert  
**Cc:** Beauchamp, David G.  
**Subject:** Re: DenSco

Bob:

DenSco has asked for you to send the waiver letter, but you want it agreed to sight unseen. *As I told you, I am not going to draft something that is "tentatively" agreed to because a complete and total conflict waiver is unambiguous. Either your client will or will not agree to waive. You told me Dennis had "tentatively" agreed to provide a non-litigation waiver and you sent him to separate counsel (an investor who happened to be a lawyer) to confirm. A non-litigation waiver does not work for my clients. While I have yet to hear what the conflict is, I simply cannot allow what has been identified on our side as a delay strategy to work to my clients' disadvantage. Hence, the request for a full and complete waiver which your client is completely free to refuse in which case I will immediately withdraw. (Life is too short; I had no involvement in what may or may not have happened back when DenSco was a firm client; my firm can be replaced; I'd rather err on the side of caution on an ethics issue.)*

You would not let your client agree to that if the situation was reversed. *Actually, I would let a client orally confirm a willingness to execute a complete waiver and then have the document follow. Where is the risk there?*

I disagree with your email, because I have told you the basis for the potential conflict. *Let's be clear about this particular topic (whether I know the nature of the potential conflict): What you told me is that Dennis told you that the topic in the demand letter was addressed in advice provided by one of two of your associates when you were here (either Ray B. or M. Dvoren) – both of whom left the firm years ago. You told me you did not believe the advice touched on the topics addressed in the demand letter, which is unsurprising since I would not have expected a securities lawyer assisting in a private offering to provide that kind of advice. But since I wouldn't know one way or the other, you said you would review the file and get back to me. Since then, I have heard nothing. Hence, my correct statement that I remain unaware of what the conflict is here. Feel free to clarify the nature of the alleged conflict.*

As I have explained to you, DenSco cannot agree to your demand to execute subordinations. Further, the borrowers are essential parties for this to proceed. *The problem with this, of course, is the purported lack of availability by the borrower and/or its counsel is the only reason DenSco has for refusing to deliver a term sheet and meet on Friday. Again, that clearly is a choice you and your client need to make but my clients have concluded it is just a delay strategy as is the confidentiality agreement concept. More delay, more paper, more time. No resolution.*

Sincerely, David

David G. Beauchamp

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---

**From:** Miller, Robert [<mailto:rimiller@BryanCave.com>]  
**Sent:** Thursday, January 16, 2014 02:12 PM  
**To:** Beauchamp, David G.  
**Subject:** RE: Densco

David –

It was my hope this would not bog down and, clearly, it has for whatever reason. Other than the fact that Densco was your client when you were here, I am not aware of what the alleged conflict is – all I know is you advised Densco on certain private offerings. I asked you to more fully explain what the alleged conflict is and gave you the pertinent files you wanted to review. I have received no explanation. When the conflicts system cleared on my end (before the demand letter was sent), I was comfortable moving forward. Based on where I am today, I am not comfortable proceeding without a full and complete conflict waiver from Densco.

What I cannot do is let this passage of time prejudice my firm's clients. If I do not have a full and complete waiver letter in my possession by 4:00 tomorrow, I will be immediately withdrawing. The steps needed to make sure my clients do not suffer any adverse consequences if I withdraw are already being taken. Replacement counsel will not miss a beat.

Lastly, as to your discussion below about Stinson's availability to advise their client, I fail to see how that is relevant. Stinson does not represent Densco – you do. My clients are intent on resolving their issues with your client.

Please let me know Densco's position asap.

Thank you.

Bob

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Wednesday, January 15, 2014 9:43 PM  
**To:** Miller, Robert  
**Subject:** RE: Densco

Bob:

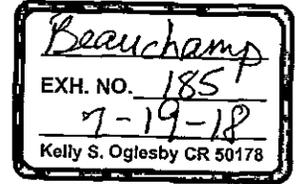
I did not talk to Scott Menaged's attorney until this evening. Scott's attorney is Jeff Goulder at Stinson. Jeff did not think that waiting until he could be involved in the discussions next week should be a big deal. I sent him a copy of your previous demand letter, but that did not make a difference to him. (When I asked if Jeff could be available for some time on Thursday or Friday, I was told that Jeff is in all day management meetings for the next several days to resolve end of year compensation for the partners at Stinson. Accordingly, his wishes are that he is not to be disturbed)

The draft Confidentiality Agreement was sent to Denny earlier this evening. Denny said he would review it and send it to Scott to get his consent to it and then send it to you. Although I do not know if Scott will be willing to sign even that simple agreement with his attorney advising him to wait, Denny was going to encourage him to do that so some discussions can take place.

DenSco

**Beauchamp, David G.**

**From:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Thursday, January 16, 2014 3:37 PM  
**To:** Beauchamp, David G.  
**Cc:** Schenck, Daniel A.  
**Subject:** Re: Revised Term Sheet



i don't think i've been given that document, have you been given the document?

i know we have discussed it, it's ok to proceed after signing it because i don't give up anything.

dc

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---

**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** "dcmoney@yahoo.com" <dcmoney@yahoo.com>  
**Cc:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>; "Schenck, Daniel A." <DSchenck@ClarkHill.com>  
**Sent:** Thursday, January 16, 2014 3:31 PM  
**Subject:** Re: Revised Term Sheet

Denny:

Miller wants DenSco to sign a letter to waive the potential conflict of interest, which is completely different from the Confidentiality Agreement. I think that is what the signature page is to. I will call in about an hour.

Sorry, David

David G. Beauchamp  
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dbeauchamp@clarkhill.com | www.clarkhill.com

---

**From:** Denny Chittick [mailto:dcmoney@yahoo.com]  
**Sent:** Thursday, January 16, 2014 03:12 PM

To: Beauchamp, David G.; Yomtov Menaged <smena98754@aol.com>  
Cc: Schenck, Daniel A.  
Subject: Re: Revised Term Sheet

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From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
To: "dcmoney@yahoo.com" <dcmoney@yahoo.com>  
Cc: "Schenck, Daniel A." <DSchenck@ClarkHill.com>; "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
Sent: Thursday, January 16, 2014 2:56 PM  
Subject: Re: Revised Term Sheet

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Best, David



DenSco

**Beauchamp, David G.**

---

**From:** Beauchamp, David G.  
**Sent:** Thursday, January 16, 2014 3:46 PM  
**To:** 'dcmoney@yahoo.com'  
**Cc:** Schenck, Daniel A.; Beauchamp, David G.  
**Subject:** Re: Revised Term Sheet

Denny:

I have asked him to prepare it and send it, but he wants you to agree to a blank check before he will prepare it. He wants a complete waiver and I said that it needs to be limited to Bryan Cave not participating directly or indirectly in any litigation against you or DenSco.

Best, David

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---

**From:** Denny Chittick [mailto:dcmoney@yahoo.com]  
**Sent:** Thursday, January 16, 2014 03:36 PM  
**To:** Beauchamp, David G.  
**Cc:** Schenck, Daniel A.  
**Subject:** Re: Revised Term Sheet

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**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** "dcmoney@yahoo.com" <dcmoney@yahoo.com>  
**Cc:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>; "Schenck, Daniel A." <DSchenck@ClarkHill.com>  
**Sent:** Thursday, January 16, 2014 3:31 PM  
**Subject:** Re: Revised Term Sheet

Denny:

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Sorry, David

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**Sent:** Thursday, January 16, 2014 03:12 PM  
**To:** Beauchamp, David G.; Yomtov Menaged <smena98754@aol.com>  
**Cc:** Schenck, Daniel A.  
**Subject:** Re: Revised Term Sheet

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dc



DenSco / workent

**Beauchamp, David G.**

---

**From:** Miller, Robert <rjmiller@BryanCave.com>  
**Sent:** Thursday, January 16, 2014 5:38 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: DenSco  
**Attachments:** image001.jpg

This is not acceptable. I'm out. Clients are hiring new counsel to file the suit.

Robert J. Miller  
Bryan Cave LLP  
[rjmiller@bryancave.com](mailto:rjmiller@bryancave.com)  
602-364-7043 (o)  
602-550-8380 (c)

On Jan 16, 2014, at 5:25 PM, "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

Bob:

You had asked for non-litigation waiver. You now want a full and complete waiver after you reviewed the attorney workpapers + whatever else was in the DenSco files. Why are you no longer willing to do the non-litigation waiver, which is what you asked for.

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](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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**From:** Miller, Robert [<mailto:rjmiller@BryanCave.com>]  
**Sent:** Thursday, January 16, 2014 03:27 PM  
**To:** Beauchamp, David G.  
**Subject:** RE: DenSco

Please see my response below in italics. Thank you.

Bob

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**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Thursday, January 16, 2014 2:51 PM  
**To:** Miller, Robert  
**Cc:** Beauchamp, David G.  
**Subject:** Re: DenSco

Bob:

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*I am not going to draft something that is "tentatively" agreed to because a complete and total conflict waiver is unambiguous. Either your client will or will not agree to waive. You told me Dennis had "tentatively" agreed to provide a non-litigation waiver and you sent him to separate counsel (an investor who happened to be a lawyer) to confirm. A non-litigation waiver does not work for my clients. While I have yet to hear what the conflict is, I simply cannot allow what has been identified on our side as a delay strategy to work to my clients' disadvantage. Hence, the request for a full and complete waiver which your client is completely free to refuse in which case I will immediately withdraw. (Life is too short; I had no involvement in what may or may not have happened back when Densco was a firm client; my firm can be replaced; I'd rather err on the side of caution on an ethics issue.)*

You would not let your client agree to that if the situation was reversed. *Actually, I would let a client orally confirm a willingness to execute a complete waiver and then have the document follow. Where is the risk there?*

I disagree with your email, because I have told you the basis for the potential conflict. *Let's be clear about this particular topic (whether I know the nature of the potential conflict): What you told me is that Dennis told you that the topic in the demand letter was addressed in advice provided by one of two of your associates when you were here (either Ray B. or M. Dvoren) - both of whom left the firm years ago. You told me you did not believe the advice touched on the topics addressed in the demand letter, which is unsurprising since I would not have expected a securities lawyer assisting in a private offering to provide that kind of advice. But since I wouldn't know one way or the other, you said you would review the file and get back to me. Since then, I have heard nothing. Hence, my correct statement that I remain unaware of what the conflict is here. Feel free to clarify the nature of the alleged conflict.*

As I have explained to you, DenSeco cannot agree to your demand to execute subordinations. Further, the borrowers are essential parties for this to proceed. *The problem with this, of course, is the purported lack of availability by the borrower and/or its counsel is the only reason Densco has for refusing to deliver a term sheet and meet on Friday. Again, that clearly is a choice you and your client need to make but my clients have concluded it is just a delay strategy as is the confidentiality agreement concept. More delay, more paper, more time. No resolution.*

Sincerely, David

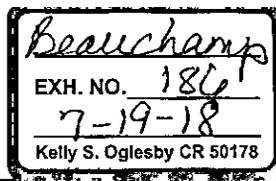
David G. Beauchamp  
CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Miller, Robert [<mailto:rjmiller@BryanCave.com>]  
**Sent:** Thursday, January 16, 2014 02:12 PM  
**To:** Beauchamp, David G.  
**Subject:** RE: Densco

David -

It was my hope this would not bog down and, clearly, it has for whatever reason. Other than the fact that Densco was your client when you were here, I am not aware of what the alleged conflict is - all I know is you advised Densco on certain private offerings. I asked you to more fully explain what the alleged conflict is and gave you the pertinent files you wanted to review. I have received no explanation. When the conflicts system cleared on my end (before the demand letter was sent), I



DenSco/walnut

Beauchamp, David G.

**From:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Thursday, January 16, 2014 6:56 PM  
**To:** diethelm@mindspring.com; cdcardon@benchequity.com; Lynn Hoebing  
**Subject:** Non-disclosure/Confid  
**Attachments:** Non Disclosure signed.pdf

Daniel & Craig & Lynn:

i just received an email from Mr Miller saying that he and my attorney couldn't work out the conflict because of my prior association with Bryan Cave.

However, I can assure you that we have been working on the terms sheet for you. We have had some issues with availability between the lawyers, but we are down to a few words in two paragraphs. We should have that to you tomorrow, that is my goal.

I hope you saw the four payoffs from today, we are working on more next week.

Again my whole goal is to get you paid your principle and interest on these loans, Scott and i have been working on that since mid November. We will continue to do so.

I've attached the signed non-disclosure/confidentiality agreement. I hope we can continue to work on reaching the goal.

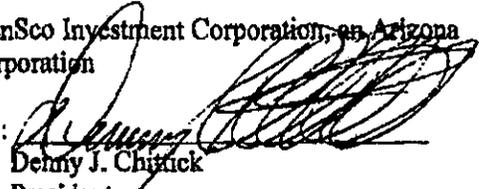
thx  
dc

DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)  
602-469-3001 C  
602-532-7737 f

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

**DenSco:**

DenSco Investment Corporation, an Arizona corporation

By:   
Denny J. Chittick  
Its: President

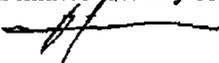
**Azben:**

Azben Limited, L.L.C., an Arizona limited liability company

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Its: Manager

**AHF:**

Arizona Home Foreclosures, LLC, an Arizona limited liability company

By:   
Yomtov S. Menaged  
Its: Member

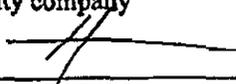
**Geared:**

Geared Equity, LLC, an Arizona limited liability company

By: 4Group, LLC, an Arizona limited liability company  
Its: Manager

**EI:**

Easy Investments, LLC, an Arizona limited liability company

By:   
Yomtov S. Menaged  
Its: Member

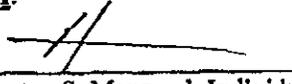
By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Its: Manager

**50780:**

50780 L.L.C., an Arizona limited liability company

By: \_\_\_\_\_  
Lynn A. Hocbing  
Its: Member

**YM:**

  
Yomtov S. Menaged, Individually



Den Sco/Workout

**Beauchamp, David G.**

---

**From:** Beauchamp, David G.  
**Sent:** Thursday, January 16, 2014 7:29 PM  
**To:** Schenck, Daniel A.  
**Cc:** Beauchamp, David G.  
**Subject:** Re: Fwd: Forbearance Agreement

Dan:

Thank you. Based on today's events, I will not know if we have an agreement until sometime tomorrow. I will let you know if we have a deal and when we need documents sometime tomorrow afternoon.

Thanks, David

David G. Beauchamp  
CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Schenck, Daniel A.  
**Sent:** Thursday, January 16, 2014 07:15 PM  
**To:** Beauchamp, David G.  
**Subject:** Fwd: Forbearance Agreement

David,

I spoke with Troy. If we want, he will send us a form tomorrow. But he is offering to draft it IF there is time. He could draft one and return it as early as next Tuesday (but would prefer Wednesday so he wouldn't have to work on it on Saturday).

If you would like him to draft it, he will need (1) a copy of the loan docs, (2) a copy of the Term Sheet, and (3) the deadline. Otherwise, he will email us a good form.

**Daniel A. Schenck**  
*Sent from my iPhone*  
CLARK HILL PLC  
480.684.1118 (direct) | 480.684.1179 (fax)  
[dschenck@clarkhill.com](mailto:dschenck@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

Begin forwarded message:

**From:** "Russell, D. Craig" <[crussell@ClarkHillThorpReed.com](mailto:crussell@ClarkHillThorpReed.com)>  
**Date:** January 16, 2014 at 6:23:50 PM MST  
**To:** "Schenck, Daniel A." <[DSchenck@ClarkHill.com](mailto:DSchenck@ClarkHill.com)>

Cc: "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)>, "Conn, Jeffrey J." <[jconn@ClarkHillThorpReed.com](mailto:jconn@ClarkHillThorpReed.com)>, "Cady, Troy L." <[tcady@ClarkHillThorpReed.com](mailto:tcady@ClarkHillThorpReed.com)>  
Subject: RE: Forbearance Agreement

Dan,

I am well thanks and I hope the same for you. As far as a return visit is concerned, I would love to get back out there.

In response to your inquiry about a good starting point for a forbearance agreement, we can definitely help you with this. I have copied Troy Cady herein so he can follow up with you directly. We both have extensive experience dealing with forbearance issues and drafting forbearance agreements but I would give Troy the edge in general bankruptcy/workout expertise and he will be much more efficient in providing you with a form that works as a good starting point.

Troy will follow up with you and his extension is 67708. Additionally, don't hesitate to follow up with me.

Regards,

Craig Russell

**D. Craig Russell III**

CLARK HILL | THORP REED

One Oxford Centre | 301 Grant Street, 14th Fl. | Pittsburgh, PA 15219  
Direct Dial: 412.394.7730 | Fax: 412.394.2555  
[crussell@clarkhillthorpreed.com](mailto:crussell@clarkhillthorpreed.com) | [www.clarkhillthorpreed.com](http://www.clarkhillthorpreed.com)

---

**From:** Schenck, Daniel A.  
**Sent:** Thursday, January 16, 2014 4:12 PM  
**To:** Russell, D. Craig  
**Cc:** Beauchamp, David G.  
**Subject:** Forbearance Agreement

Craig,

How are you doing? Any plans to come out this way again?

Does anyone out there have a good forbearance agreement form we could use? We have a lender (bridge loans for foreclosure auction purchases) here that has a dispute with one of its major borrowers. We are doing a workout with the borrower and will need to incorporate a forbearance agreement into the workout. If you have something we can work off, it would save us a lot of time.

Thank you.

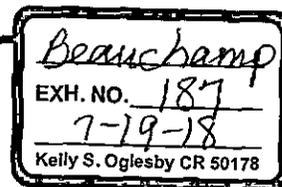
**Daniel A. Schenck**

CLARK HILL PLC

480.684.1118 (direct) | 480.684.1179 (fax)  
Licensed in Arizona, California, Utah and Nevada  
[dschenck@clarkhill.com](mailto:dschenck@clarkhill.com) | bio | [www.clarkhill.com](http://www.clarkhill.com)

DenSco / Workout

**Beauchamp, David G.**



**From:** Scott Menaged <smena98754@aol.com>  
**Sent:** Thursday, January 16, 2014 7:31 PM  
**To:** Beauchamp, David G.  
**Cc:** Denny Chittick  
**Subject:** Re: Non Disclosure Agreement

Jeff has stated to write it up as a default for interest payments and he will review it and will advise ASAP. As soon as you can send me that the better

Thanks

Sent from my iPhone

On Jan 15, 2014, at 10:43 PM, "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

Denny:

Bob was all over the place in his comments today. I do not think he will file but his client has to make the decision and they do not understand the lack of progress.

Please understand that Jeff did not use the BK word but he said that this seems to be DenSco's problem, because Scott has an easy way out. He did not respond when I asked for clarification.

Best, DAvid

**David G. Beauchamp**

CLARK HILL PLC

14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684 1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Denny Chittick [<mailto:dcmoney@yahoo.com>]  
**Sent:** Wednesday, January 15, 2014 10:33 PM  
**To:** Yomtov Menaged; Beauchamp, David G.  
**Subject:** Fw: Non Disclosure Agreement

**Scott:**

Attached is my signed doc. we have to do everything we can to keep this out of litigation. Your attorney according to david and Bob's interpretation isn't really inclined to assist and thinks you could just bk and walk away. i know that's not the plan!

David, if we both sign this and get it back to him tomorrow , will Bob hold off on not filing tomorrow!?

dc

DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)  
602-469-3001 C  
602-532-7737 f

----- Forwarded Message -----

**From:** "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)>  
**To:** "Denny J. Chittick ([dcmoney@yahoo.com](mailto:dcmoney@yahoo.com))" <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)>  
**Sent:** Wednesday, January 15, 2014 7:59 PM  
**Subject:** Non Disclosure Agreement

Denny:

Attached is a Non-Disclosure Agreement that has been modified to fit the needs of this transaction. Please review it and let me know if you are satisfied that it will work for this transaction. If so, please share it with Scott and then we will need to make any changes and get it to Bob Miller's group.

I am completely perplexed. Everything from Bob Miller is "yesterday" and Jeff Goulder is "tomorrow." See my notes below.

I have had several different conversations with (and messages from) Bob Miller asking where are his documents (even though he had not yet agreed at that time to have his client even sign a Confidentiality Agreement). Bob also said that his clients have already talked to other counsel and they are ready to sue to protect their position. I understand that is a negotiating position, but I told him that his actions are completely counter-productive to getting this done. He also wanted me to draft the waiver language that you would agree to for his conflict waiver and I just laughed. He also wanted an email from me with a commitment as to when I would provide all of the documents and the information about where the money is coming from. He said that he will have a complaint filed if they do not have the documents by end of day Thursday and a meeting to resolve all issues on Friday. I said that I would do what I could but no promises.

Then, I finally talked to Jeff Goulder and I think I copied you on my email to him with the original letter from Bob Miller. Jeff said he is tied up in all day firm meetings the next two days. Jeff said that Scott agreed to meet with Jeff in Jeff's office on Monday to discuss how to proceed. Jeff indicated that if this was so important to Scott, Scott should have called and talked to Jeff before today. The impression that I got from Jeff is that he either did not understand the time pressure or that he did not agree that the time pressure was important.

I indicated to Jeff that Bob Miller's clients are other lenders with liens and they are threatening to file suit in court. I also explained that you and Scott would prefer to not have to go into court. I even added that your concern is that all of the lenders go into court and this turns into another Mortgages Limited situation. Jeff responded that is not likely to occur and it will be much more of a problem for you than Scott. (Jeff clearly implied that Scott can just put his entities into bankruptcy and walk away. Do you have personal guarantees from Jeff?) Jeff

Den Sco Woodson

**Beauchamp, David G.**

---

**From:** Beauchamp, David G.  
**Sent:** Thursday, January 16, 2014 7:34 PM  
**To:** 'rjmiller@BryanCave.com'  
**Cc:** Beauchamp, David G.  
**Subject:** Re: Non-Disclosure/Confid

Thank you.

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](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Miller, Robert [<mailto:rjmiller@BryanCave.com>]  
**Sent:** Thursday, January 16, 2014 06:45 PM  
**To:** Denny Chittick <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)>  
**Cc:** Beauchamp, David G.  
**Subject:** Re: Non-Disclosure/Confid

David, sorry. See below.

Robert J. Miller  
Bryan Cave LLP  
602-364-7043 (o)  
602-550-8380 (c)  
[rjmiller@bryancave.com](mailto:rjmiller@bryancave.com)

On Jan 16, 2014, at 6:40 PM, "Miller, Robert" <[rjmiller@BryanCave.com](mailto:rjmiller@BryanCave.com)> wrote:

Mr. Chittick - I mean no disrespect. But I cannot have communications with you. They must be ran through your lawyer. In any event, I have passed on this engagement for reasons which can be explained by D. Beauchamp. Litigation counsel will be in touch through Mr. Beauchamp.

Thank you.

Robert J. Miller  
Bryan Cave LLP  
602-364-7043 (o)  
602-550-8380 (c)  
[rjmiller@bryancave.com](mailto:rjmiller@bryancave.com)

On Jan 16, 2014, at 6:30 PM, "Denny Chittick" <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)> wrote:

For some reason no one has sent this to you, so i am.

We paid off four loans today also.  
thx  
dc

DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)  
602-469-3001 C  
602-532-7737 f

<Non Disclosure signed.pdf>

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This electronic message is from a law firm. It may contain confidential or privileged information. If you received this transmission in error, please reply to the sender to advise of the error and delete this transmission and any attachments.

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

*David G. Beauchamp*

**Beauchamp, David G.**

---

**From:** Beauchamp, David G.  
**Sent:** Thursday, January 16, 2014 7:34 PM  
**To:** 'rjmiller@BryanCave.com'  
**Cc:** Beauchamp, David G.  
**Subject:** Re: Densco  
**Attachments:** image001.jpg

Understood. Please have the rest of DenSco's files packed up and sent to my office.

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:** Miller, Robert [mailto:rjmiller@BryanCave.com]  
**Sent:** Thursday, January 16, 2014 05:37 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: Densco

This is not acceptable. I'm out. Clients are hiring new counsel to file the suit.

Robert J. Miller  
Bryan Cave LLP  
[rjmiller@bryancave.com](mailto:rjmiller@bryancave.com)  
602-364-7043 (o)  
602-550-8380 (c)

On Jan 16, 2014, at 5:25 PM, "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

Bob:

You had asked for non-litigation waiver. You now want a full and complete waiver after you reviewed the attorney workpapers + whatever else was in the DenSco files. Why are you no longer willing to do the non-litigation waiver, which is what you asked for.

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](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Miller, Robert [mailto:rjmiller@BryanCave.com]  
**Sent:** Thursday, January 16, 2014 03:27 PM  
**To:** Beauchamp, David G.

**Subject:** RE: Densco

Please see my response below in italics. Thank you.

Bob

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Thursday, January 16, 2014 2:51 PM  
**To:** Miller, Robert  
**Cc:** Beauchamp, David G.  
**Subject:** Re: Densco

Bob:

*DenSco has asked for you to send the waiver letter, but you want it agreed to sight unseen. As I told you, I am not going to draft something that is "tentatively" agreed to because a complete and total conflict waiver is unambiguous. Either your client will or will not agree to waive. You told me Dennis had "tentatively" agreed to provide a non-litigation waiver and you sent him to separate counsel (an investor who happened to be a lawyer) to confirm. A non-litigation waiver does not work for my clients. While I have yet to hear what the conflict is, I simply cannot allow what has been identified on our side as a delay strategy to work to my clients' disadvantage. Hence, the request for a full and complete waiver which your client is completely free to refuse in which case I will immediately withdraw. (Life is too short; I had no involvement in what may or may not have happened back when Densco was a firm client; my firm can be replaced; I'd rather err on the side of caution on an ethics issue.)*

*You would not let your client agree to that if the situation was reversed. Actually, I would let a client orally confirm a willingness to execute a complete waiver and then have the document follow. Where is the risk there?*

*I disagree with your email, because I have told you the basis for the potential conflict. Let's be clear about this particular topic (whether I know the nature of the potential conflict): What you told me is that Dennis told you that the topic in the demand letter was addressed in advice provided by one of two of your associates when you were here (either Ray B. or M. Dvoren) – both of whom left the firm years ago. You told me you did not believe the advice touched on the topics addressed in the demand letter, which is unsurprising since I would not have expected a securities lawyer assisting in a private offering to provide that kind of advice. But since I wouldn't know one way or the other, you said you would review the file and get back to me. Since then, I have heard nothing. Hence, my correct statement that I remain unaware of what the conflict is here. Feel free to clarify the nature of the alleged conflict.*

*As I have explained to you, DenSco cannot agree to your demand to execute subordinations. Further, the borrowers are essential parties for this to proceed. The problem with this, of course, is the purported lack of availability by the borrower and/or its counsel is the only reason Densco has for refusing to deliver a term sheet and meet on Friday. Again, that clearly is a choice you and your client need to make but my clients have concluded it is just a delay strategy as is the confidentiality agreement concept. More delay, more paper, more time. No resolution.*

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](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

Don Sie /

**Beauchamp, David G.**

---

**From:** Beauchamp, David G.  
**Sent:** Thursday, January 16, 2014 7:35 PM  
**To:** 'dcmoney@yahoo.com'  
**Cc:** Beauchamp, David G.  
**Subject:** Re: Non-disclosure/Confid

Denny:

Good email.

Best, David

David G. Beauchamp  
CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Denny Chittick [mailto:dcmoney@yahoo.com]  
**Sent:** Thursday, January 16, 2014 06:55 PM  
**To:** diehelm@mindspring.com <diehelm@mindspring.com>; cdcardon@benchequity.com <cdcardon@benchequity.com>; Lynn Hoebing <lynnhoebing@cox.net>  
**Subject:** Non-disclosure/Confid

**Daniel & Craig & Lynn:**

i just received an email from Mr Miller saying that he and my attorney couldn't work out the conflict because of my prior association with Bryan Cave.

However, I can assure you that we have been working on the terms sheet for you. We have had some issues with availability between the lawyers, but we are down to a few words in two paragraphs. We should have that to you tomorrow, that is my goal.

I hope you saw the four payoffs from today, we are working on more next week.

Again my whole goal is to get you paid your principle and interest on these loans, Scott and i have been working on that since mid November. We will continue to do so.

I've attached the signed non-disclosure/confidentiality agreement. I hope we can continue to work on reaching the goal.

thx  
dc

DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)  
602-469-3001 C  
602-532-7737 f

Message

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**From:** Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]  
**Sent:** 1/16/2014 10:13:34 PM  
**To:** 'dcmoney@yahoo.com' [dcmoney@yahoo.com]  
**CC:** Beauchamp, David G. [dbeauchamp@clarkhill.com]  
**Subject:** Confidential - Other Issue

Denny:

I want to again check your standard loan documents and package that you used with Scott's lien. I discussed Scott's comment to file BK with one of our BK specialists. He agreed with me that we need to show Scott and Borrower's actions constituted "fraud against DenSco and the other lenders" so this obligation cannot be discharged through BK. That will force Scott to work with us and not just say he could walk away.

We should discuss this in the morning after I look at documents.

Best, David

David G. Beauchamp  
CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
dbeauchamp@clarkhill.com | www.clarkhill.com

DenSo / work

**Beauchamp, David G.**

---

**From:** Beauchamp, David G.  
**Sent:** Thursday, January 16, 2014 10:14 PM  
**To:** 'rjmiller@BryanCave.com'  
**Cc:** 'jay.zweig@bryancave.com'; Beauchamp, David G.  
**Subject:** Re: Non-Disclosure/Confid

Bob:

Denny Chittick, as the President of DenSco Investment Corporation, has previously submitted a written request for DenSco's files at Bryan Cave. I do not understand why DenSco would not be entitled to receive those files.

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

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**From:** Miller, Robert [mailto:rjmiller@BryanCave.com]  
**Sent:** Thursday, January 16, 2014 08:26 PM  
**To:** Beauchamp, David G.  
**Cc:** Zweig, Jay <jay.zweig@bryancave.com>  
**Subject:** Re: Non-Disclosure/Confid

I have put this on Jay's radar screen as OMP. I assume Dennis will need to make this request on behalf of DenSCO. I'll have no further involvement. Thank you for understanding.

Robert J. Miller  
Bryan Cave LLP  
602-364-7043 (o)  
602-550-8380 (c)  
[rjmiller@bryancave.com](mailto:rjmiller@bryancave.com)

On Jan 16, 2014, at 7:46 PM, "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

For your response to DenSco and for forwarding a copy to me.  
??

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](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Miller, Robert [mailto:rjmiller@BryanCave.com]  
**Sent:** Thursday, January 16, 2014 07:37 PM



DenSco

**Beauchamp, David G.**

---

**From:** Beauchamp, David G.  
**Sent:** Thursday, January 16, 2014 11:08 PM  
**To:** 'smena98754@aol.com'  
**Cc:** 'dcmoney@yahoo.com'; Beauchamp, David G.  
**Subject:** Re: Non Disclosure Agreement

Scott:

Sorry my phone died and I had to charge it.

The first and third paragraphs will be revised. In 1, limit reference to "which DenSco intended to be in first lien position...". At end, add following sentence: "Borrower is currently in default for being delinquent in the payment of interest due DenSco for these loans."

In paragraph, delete "which were each supposed to be in first lien position on the respective property"

Please share this with Jeff.

Hopefully, these work.

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

---

**From:** Scott Menaged [mailto:smena98754@aol.com]  
**Sent:** Thursday, January 16, 2014 07:31 PM  
**To:** Beauchamp, David G.  
**Cc:** Denny Chittick <dcmoney@yahoo.com>  
**Subject:** Re: Non Disclosure Agreement

Jeff has stated to write it up as a default for interest payments and he will review it and will advise ASAP. As soon as you can send me that the better

Thanks

Sent from my iPhone

On Jan 15, 2014, at 10:43 PM, "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

Denny:

Bob was all over the place in his comments today. I do not think he will file but his client has to make the decision and they do not understand the lack of progress.

Please understand that Jeff did not use the BK word but he said that this seems to be DenSco's problem, because Scott has an easy way out. He did not respond when I asked for clarification.

Best, DAvid

David G. Beauchamp

CLARK HILL PLC

14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
dbeauchamp@clarkhill.com | www.clarkhill.com

---

**From:** Denny Chittick [mailto:[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)]

**Sent:** Wednesday, January 15, 2014 10:33 PM

**To:** Yomtov Menaged; Beauchamp, David G.

**Subject:** Fw: Non Disclosure Agreement

Scott:

Attached is my signed doc. we have to do everything we can to keep this out of litigation. Your attorney according to david and Bob's interpretation isn't really inclined to assist and thinks you could just bk and walk away. i know that's not the plan!

David, if we both sign this and get it back to him tomorrow , will Bob hold off on not filing tomorrow!?

dc

DenSco Investment Corp

[www.denscoinvestment.com](http://www.denscoinvestment.com)

602-469-3001 C

602-532-7737 f

— Forwarded Message —

**From:** "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)>

**To:** "Denny J. Chittick ([dcmoney@yahoo.com](mailto:dcmoney@yahoo.com))" <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)>

**Sent:** Wednesday, January 15, 2014 7:59 PM

**Subject:** Non Disclosure Agreement

Denny:

Attached is a Non-Disclosure Agreement that has been modified to fit the needs of this transaction. Please review it and let me know if you are satisfied that it will work for this transaction. If so, please share it with Scott and then we will need to make any changes and get it to Bob Miller's group.

Message

**From:** Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]  
**Sent:** 1/17/2014 6:35:15 AM  
**To:** 'dcmoney@yahoo.com' [dcmoney@yahoo.com]  
**Subject:** Re: Confidential - Other Issue

No

David G. Beauchamp  
CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
dbeauchamp@clarkhill.com | www.clarkhill.com

----- Original Message -----

**From:** Denny [mailto:dcmoney@yahoo.com]  
**Sent:** Friday, January 17, 2014 05:34 AM  
**To:** Beauchamp, David G.  
**Subject:** Re: Confidential - Other Issue

Does this need to be in the terms sheet?

Sent from my iPad

> On Jan 16, 2014, at 11:13 PM, "Beauchamp, David G." <DBeauchamp@ClarkHill.com> wrote:

>

> Denny:

>

> I want to again check your standard loan documents and package that you used with Scott's lien. I discussed Scott's comment to file BK with one of our BK specialists. He agreed with me that we need to show Scott and Borrower's actions constituted "fraud against DenSco and the other lenders" so this obligation cannot be discharged through BK. That will force Scott to work with us and not just say he could walk away.

>

> We should discuss this in the morning after I look at documents.

>

> Best, David

>

> David G. Beauchamp

> CLARK HILL PLC

> 14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254

> 480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)

> dbeauchamp@clarkhill.com | www.clarkhill.com

>

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>

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>

>

Den Sco /

**Beauchamp, David G.**

---

**From:** Beauchamp, David G.  
**Sent:** Friday, January 17, 2014 8:23 AM  
**To:** Stringer, Lindsay L.; Schenck, Daniel A.  
**Cc:** Beauchamp, David G.  
**Subject:** Fw: Non Disclosure Agreement

Lindsay + Dan:

Please read through email string and make changes to a NEW version of terms sheet. I will be in shortly to review and send it out.

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. After taking a personal shot at me, Miller sent his client to litigation counsel, so we need to be ready to respond.

Thanks, David

David G. Beauchamp  
CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
dbeauchamp@clarkhill.com | www.clarkhill.com

---

**From:** Scott Menaged [mailto:smena98754@aol.com]  
**Sent:** Friday, January 17, 2014 07:16 AM  
**To:** Beauchamp, David G.  
**Cc:** dcmoney@yahoo.com <dcmoney@yahoo.com>; Beauchamp, David G.  
**Subject:** Re: Non Disclosure Agreement

This language will be acceptable. Please forward me the agreement so I can send to Jeff and we can be done with it. I did speak to Jeff early this morning

I will be at hospice most the day because of something that came up last night . I will get this agreement signed today if you get it to me.

Denny- I have Debbie working on more payoffs requests.

Thank you

Sent from my iPhone

On Jan 16, 2014, at 11:07 PM, "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

Scott:

Sorry my phone died and I had to charge it.

The first and third paragraphs will be revised. In 1, limit reference to "which DenSco intended to be in first lien position...". At end, add following sentence: "Borrower is currently in default for being delinquent in the payment of interest due DenSco for these loans."

In paragraph, delete "which were each supposed to be in first lien position on the respective property"

Please share this with Jeff.

Hopefully, these work.

Sincerely, David

David G. Beauchamp  
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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

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**Sent:** Thursday, January 16, 2014 07:31 PM  
**To:** Beauchamp, David G.  
**Cc:** Denny Chittick <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)>  
**Subject:** Re: Non Disclosure Agreement

Jeff has stated to write it up as a default for interest payments and he will review it and will advise ASAP. As soon as you can send me that the better

Thanks

Sent from my iPhone

On Jan 15, 2014, at 10:43 PM, "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

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Bob was all over the place in his comments today. I do not think he will file but his client has to make the decision and they do not understand the lack of progress.

Please understand that Jeff did not use the BK word but he said that this seems to be DenSco's problem, because Scott has an easy way out. He did not respond when I asked for clarification.

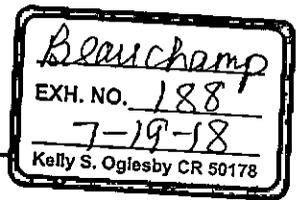
Best, DAvid

**David G. Beauchamp**

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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Denny Chittick [<mailto:dcmoney@yahoo.com>]  
**Sent:** Wednesday, January 15, 2014 10:33 PM



Message

**From:** Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]  
**Sent:** 1/17/2014 9:30:10 AM  
**To:** Denny J. Chittick (dcmoney@yahoo.com) [dcmoney@yahoo.com]  
**CC:** jgoulder@stinson.com  
**Subject:** FW: Term Sheet  
**Attachments:** Redline Term Sheet Version 4 & 5.doc; Proposed Term Sheet (5) DOCX

Denny:

Attached is a clean and a black-lined version of the Term Sheet with the revisions from my email last night. Based on Scott's email this morning, I believe that he and Jeff have approved it.

If you approve, please send it to Scott.

I am also sending it to Jeff by email for his reference.

Please call me if you have questions.

Thanks, David

**David G. Beauchamp**

CLARK HILL PLC

14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684 1126 (direct) | 480.684 1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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## TERM SHEET

The provisions of this Term Sheet are intended only as an expression of intent on behalf of DenSco Investment Corporation ("DenSco") and Scott Menaged, Arizona Home Foreclosures, LLC, Easy Investments, LLC and possibly other entities owned by or under the control of Scott Menaged used to purchase real property from trustee sales (collectively, "Borrower"). These provisions are not intended to be legally binding on DenSco or Borrower and are expressly subject to the execution of an appropriate definitive agreement. DenSco and Borrower expressly acknowledge and agree that the contents of this Term Sheet are insufficient to constitute a legally binding agreement as to its subject matter and that there shall be no binding agreement between DenSco and Borrower until a definitive agreement is executed

### TERMS

1. DenSco has advanced several loans to the Borrowers entities. These loans are secured by a Mortgage/Deed of Trust, which DensSco intended to be in first lien position on each of the properties owned by the Borrower. Borrower is currently in default for being delinquent in the payment of interest due DenSco for these loans.
2. Certain of Borrower's properties were used as security for loans from other lenders and for loans from DenSco.
3. Certain of these other lenders have retained Bryan Cave, LLP to represent them (the "Other Lenders") in connection with the liens of DenSco and the liens of these Other Lenders, ~~which the Other Lenders intended to be in first lien position on the respective property~~ (each a "Conflict Property" and collectively, the "Conflict Properties").
4. DenSco and Borrower agree to cooperate and assist each other in connection with resolving the dispute with the Other Lenders concerning these Conflict Properties
5. As each of the Conflict Properties are sold through an escrow, Borrower is to pay any shortfall of funds required to satisfy the liens of the Other Lenders and DenSco on or prior to the closing of the sale of such Conflict Property. Notwithstanding the Priority List defined and referenced below, the sale of such Conflict Properties to third parties are to proceed pursuant to the timing specified by the applicable purchaser of the Conflict Property, so long as the Other Lenders and DenSco are to be paid through such closing.
6. Borrower and DenSco will work with the Other Lenders to obtain a Priority List of the Conflict Properties from the Other Lenders (the "Priority List"). This Priority List will list the order in which the Other Lenders want each Conflict Property to be refinanced so that the respective Other Lender is paid in full for the loan secured by such Conflict Property and its corresponding lien will be released on such Conflict Property.
  - A. The Priority List will be submitted to Debbie Pihl at Magnus Title Agency ("Magnus"). Magnus will arrange for the necessary title work and verify the pay-off

amounts for the Other Lender's loan and arrange for the closing of the additional funding from DenSco pursuant to a modification of its existing loan.

B Based on the pay-off amounts required to satisfy the loan of the applicable Other Lender, as determined by Magnus above, DenSco will submit funds to Magnus to modify and increase DenSco's outstanding loan to a LTV of approximately 95% of the applicable Conflict Property. Borrower will be required to deliver the balance of the required funds to pay-off and release the lien of the Other Lender on the applicable Conflict Property and to provide title insurance to DenSco showing DenSco in first lien position to secure its modified loan.

C Borrower and DenSco have been assured by Debbie Pihl and Magnus that Magnus has sufficient resources to process the pay-offs of all of the loans from the Other Lenders associated with each of the Conflict Properties on or before February 28, 2014.

D. Borrower and DenSco agree to and will deliver adequate funds to Magnus to pay-off all of the loans from the Other Lenders on or before February 28, 2014

E. After all of the loans of the Other Lenders (secured by any of the Conflict Properties) have been paid off and released by the Other Lenders as set forth in Section 5 and Section 6 A and 6 B above, DenSco and Borrower shall proceed to resolve the lien disputes between DenSco and with other similarly situated lenders pursuant to the procedures described in Section 5, Section 6 A and 6 B above.

7. Borrower agrees to the following:

A. Except for DenSco, Borrower agrees to continue to pay the interest due to each of the Other Lenders and any other similarly situated lender on a timely basis and to keep such loans current and in compliance with its terms;

B Borrower has arranged for private outside financing in the amount of approximately \$1,000,000 (the "Outside Funds"), which is to be provided to Borrower on or before February 28, 2014. Such Outside Funds shall be used exclusively for the pay-off of the Other Lenders and any other similarly situated lender (and any balance to be paid to DenSco to reduce the amount of DenSco's additional loans to Borrower, as provided herein);

C. Borrower has agreed to inform DenSco of all of the terms of Borrower's transaction to obtain the Outside Funds and the security provided for such Outside Funds. DenSco agrees to keep such information on a confidential basis, provided, however, DenSco will be able to provide such terms and information to its investors, legal counsel, accountants and other applicable professionals,

D Borrower agrees to provide any additional security to DenSco, as may be requested by DenSco, to secure Borrower's existing obligations to DenSco and to secure the additional obligations that DenSco is agreeing to provide pursuant to this forbearance / workout agreement;

E. Borrower agrees to reimburse all costs and expenses, including without limitation title reports, amendments or title insurance, investigation fees, and / or attorneys' fees, incurred by DenSco in connection with this forbearance / workout agreement, or the existing and / or any future lien disputes with the Other Lenders or any other similarly situated lenders;

F. Borrower agrees to use its good faith efforts to (i) liquidate other assets, which is expected to generate approximately 4 to 5 million US Dollars, (ii) apply all net proceeds from the rental of Borrower's homes, or the net proceeds from the acquisition and disposition of additional homes by Borrower, and (iii) apply all funds received from Borrower's continued good faith efforts to recover any other assets that can be recovered from the missing proceeds from the multiple loans that were advanced from DenSco and other lenders with respect to certain properties as referenced above. Any additional funds obtained and / or made available to Borrower pursuant this subsection shall be made available to and used by Borrower in connection with the resolution of the lien disputes between DenSco and other lenders as referenced above;

G. Borrower agrees to provide DenSco (and maintain in effect) a life insurance policy (from a life insurance carrier reasonably approved by DenSco) in the amount of \$10,000,000, insuring the life of Scott Managed with DenSco named as the sole beneficiary, until all obligations pursuant to the forbearance / workout agreement have been full satisfied; and

H. Borrower agrees to provide DenSco with a personal guaranty from Scott Managed, guaranteeing all of Borrower's obligations pursuant to the forbearance / workout agreement. Further, Borrower agrees to provide a re-affirmation and consent from Scott Managed to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees of DenSco's loans to Borrower, so that the terms and provisions of the forbearance / workout agreement will not cause or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of DenSco and Borrowers pursuant to the terms and provisions of the forbearance / workout agreement.

8. DenSco agrees to the following.

A. So long as each Borrower is in compliance with the terms of the workout agreement and any other agreement with DenSco, DenSco will forbear from taking any action to accelerate its loans to Borrower and to commence foreclosure action against the assets of Borrower;

B DenSco will defer (but not waive) the collection of interest from the Borrowers on DenSco's loans to the Borrowers during the process to fund the amount due to the Other Lenders in connection with the Conflict Properties (All deferred interest on a particular note from Borrower to DenSco shall be paid to DenSco on or before the payoff of the applicable note);

C DenSco will provide a new loan to Borrower in the amount up to One Million US Dollars, which loan is to provide for multiple advances, earn 3% annual interest to be secured by a first lien position against certain real property to be approved by DenSco in its sole discretion, and the obligation is to be personally guaranteed by Scott Menaged (the "Additional Loan"), and

D So long as each Borrower is in compliance with the terms of the forbearance and workout agreement and any other agreements with DenSco, DenSco agrees to comply with its obligations set forth elsewhere in this Term Sheet, including the obligation to modify its existing loans to the Borrower that are secured by the Conflict Properties, so that the amount of such loans shall be increased to 95% LTV as indicated above.

9. Borrower and DenSco acknowledge and agree that this forbearance/ workout agreement shall not constitute nor create a joint venture or partnership arrangement between or among DenSco and any of the Borrower.

[Signature page to follow.]

The above terms are agreed to this \_\_ day of January, 2014 by the following.

**DENSCO INVESTMENT CORPORATION**

By \_\_\_\_\_  
Denny Chittick  
Its: President

**ARIZONA HOME FORECLOSURES, LLC**

By \_\_\_\_\_  
Yomtov "Scott" Menaged  
Its: Member

**EASY INVESTMENTS, LLC**

By \_\_\_\_\_  
Yomtov "Scott" Menaged  
Its: Member

\_\_\_\_\_  
YOMTOV "SCOTT" MENAGED, Individually

Document comparison by Workshare Compare on Friday, January 17, 2014  
10:14:51 AM

Input:	
Document 1 ID	interwovenSite://DETDMS1/ClarkHill/200112534/4
Description	#200112534v4<ClarkHill> - Proposed Term Sheet (4)
Document 2 ID	interwovenSite://DETDMS1/ClarkHill/200112534/5
Description	#200112534v5<ClarkHill> - Proposed Term Sheet (5)
Rendering set	Standard

Legend:	
<u>Insertion</u>	
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	2
Deletions	2
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	4

DenSco /

**Beauchamp, David G.**

Beauchamp
EXH. NO. 1891
7-19-18
Kelly S. Oglesby CR 50178

**From:** Scott Menaged <smena98754@aol.com>  
**Sent:** Friday, January 17, 2014 11:03 AM  
**To:** Denny Chittick  
**Cc:** Beauchamp, David G.; jgoulder@stinson.com  
**Subject:** Re: Term Sheet

Jeff? Please confirm

Sent from my iPhone

On Jan 17, 2014, at 10:57 AM, Denny Chittick <dcmoney@yahoo.com> wrote:

OK looks good to me, if Jeff says it's ok to sign, we are done.  
 jeff?

Scott below are the changes to paragraph 1 and 3

1. DenSco has advanced several loans to the Borrowers entities. These loans are secured by a Mortgage/Deed of Trust, which DensSco intended to be in first lien position on each of the properties owned by the Borrower. Borrower is currently in default for being delinquent in the payment of interest due DenSco for these loans.
2. Certain of Borrower's properties were used as security for loans from other lenders and for loans from DenSco.
3. Certain of these other lenders have retained Bryan Cave, LLP to represent them (the "Other Lenders") in connection with the liens of DenSco and the liens of these Other Lenders, which the Other Lenders intended to be in first lien position on the respective property (each a "Conflict Property" and collectively, the "Conflict Properties").

thx  
dc

DenSCO Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)  
602-469-3001 C  
602-532-7737 f

---

From: "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)>  
To: "Denny J. Chittick ([dcmoney@yahoo.com](mailto:dcmoney@yahoo.com))" <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)>  
Cc: "[jgoulder@stinson.com](mailto:jgoulder@stinson.com)" <[jgoulder@stinson.com](mailto:jgoulder@stinson.com)>  
Sent: Friday, January 17, 2014 10:30 AM  
Subject: FW: Term Sheet

Denny:

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Thanks, David

**David G. Beauchamp**

**CLARK HILL PLC**

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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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DenSco

**Beauchamp, David G.**

---

**From:** Beauchamp, David G.  
**Sent:** Friday, January 17, 2014 11:06 AM  
**To:** Scott Menaged; Denny Chittick  
**Cc:** jgoulder@stinson.com  
**Subject:** RE: Term Sheet

Wait. There seems to be a misunderstanding.

I deleted the phrase in paragraph 3 concerning the "which the Other Lenders intended to be in first lien position on the respective Property". I did not add that statement.

In paragraph 1, Denny's reference below is correct.

Thanks, David

**David G. Beauchamp**

CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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**Sent:** Friday, January 17, 2014 11:03 AM  
**To:** Denny Chittick  
**Cc:** Beauchamp, David G.; jgoulder@stinson.com  
**Subject:** Re: Term Sheet

Jeff? Please confirm

Sent from my iPhone

On Jan 17, 2014, at 10:57 AM, Denny Chittick <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)> wrote:

OK looks good to me, if Jeff says it's ok to sign, we are done.

jeff?

Scott below are the changes to paragraph 1 and 3

1. DenSco has advanced several loans to the Borrowers entities. These loans are secured by a Mortgage/Deed of Trust, which DensSco intended to be in first lien position on each of the properties owned by the Borrower. Borrower is currently in default for being delinquent in the payment of interest due DenSco for these loans.

2. Certain of Borrower's properties were used as security for loans from other lenders and for loans from DenSco.
3. Certain of these other lenders have retained Bryan Cave, LLP to represent them (the "Other Lenders") in connection with the liens of DenSco and the liens of these Other Lenders, which the Other Lenders intended to be in first lien position on the respective property (each a "Conflict Property" and collectively, the "Conflict Properties").

thx  
dc

DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)  
602-469-3001 C  
602-532-7737 f

---

From: "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)>  
To: "Denny J. Chittick ([dcmoney@yahoo.com](mailto:dcmoney@yahoo.com))" <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)>  
Cc: "[jgoulder@stinson.com](mailto:jgoulder@stinson.com)" <[jgoulder@stinson.com](mailto:jgoulder@stinson.com)>  
Sent: Friday, January 17, 2014 10:30 AM  
Subject: FW: Term Sheet

Denny:

Attached is a clean and a black-lined version of the Term Sheet with the revisions from my email last night. Based on Scott's email this morning, I believe that he and Jeff have approved it.

If you approve, please send it to Scott.

I am also sending it to Jeff by email for his reference.

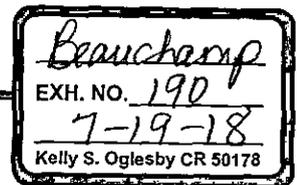
Please call me if you have questions.

Thanks, David

David G. Beauchamp

CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254

**Beauchamp, David G.**



**From:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Friday, January 17, 2014 11:08 AM  
**To:** Beauchamp, David G.; Scott Menaged  
**Cc:** jgoulder@stinson.com  
**Subject:** Re: Term Sheet

sorry, when i cut and paste the red line crossing it out did not copy over in email. i was just doing this because scott is reading this on his phone, i'm hoping jeff can read it in word and see the red line.  
dc

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

---

**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** Scott Menaged <smena98754@aol.com>; Denny Chittick <dcmoney@yahoo.com>  
**Cc:** "jgoulder@stinson.com" <jgoulder@stinson.com>  
**Sent:** Friday, January 17, 2014 11:05 AM  
**Subject:** RE: Term Sheet

Wait. There seems to be a misunderstanding.

I deleted the phrase in paragraph 3 concerning the "which the Other Lenders intended to be in first lien position on the respective Property". I did not add that statement.

In paragraph 1, Denny's reference below is correct.

Thanks, David

**David G. Beauchamp**

**CLARK HILL PLC**  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
dbeauchamp@clarkhill.com | www.clarkhill.com

---

**From:** Scott Menaged [mailto:smena98754@aol.com]  
**Sent:** Friday, January 17, 2014 11:03 AM  
**To:** Denny Chittick  
**Cc:** Beauchamp, David G.; jgoulder@stinson.com  
**Subject:** Re: Term Sheet

Jeff? Please confirm

Sent from my iPhone

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602-532-7737 f



DenSco!

**Beauchamp, David G.**

---

**From:** Scott Menaged <smena98754@aol.com>  
**Sent:** Friday, January 17, 2014 11:18 AM  
**To:** Beauchamp, David G.  
**Cc:** Denny Chittick; jgoulder@stinson.com  
**Subject:** Re: Term Sheet

Please send me the agreement for signature.

Sent from my iPhone

On Jan 17, 2014, at 11:05 AM, "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

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**David G. Beauchamp**

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480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Scott Menaged [<mailto:smena98754@aol.com>]  
**Sent:** Friday, January 17, 2014 11:03 AM  
**To:** Denny Chittick  
**Cc:** Beauchamp, David G.; [jgoulder@stinson.com](mailto:jgoulder@stinson.com)  
**Subject:** Re: Term Sheet

Jeff? Please confirm

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---

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
To: "Denny J. Chittick (dcmoney@yahoo.com)" <dcmoney@yahoo.com>  
Cc: "jqoulder@stinson.com" <jqoulder@stinson.com>  
Sent: Friday, January 17, 2014 10:30 AM  
Subject: FW: Term Sheet

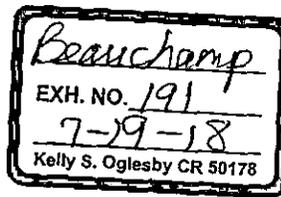
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If you approve, please send it to Scott.

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Please call me if you have questions.



DenSco

**Beauchamp, David G.**

---

**From:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Friday, January 17, 2014 11:24 AM  
**To:** Scott Menaged; Beauchamp, David G.  
**Cc:** jgoulder@stinson.com  
**Subject:** Re: Term Sheet  
**Attachments:** Proposed Term Sheet (5).docx

Attached is the final revision. I'm guessing jeff called/texted/email you directly and said it's a go.

thx  
dc

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

---

**From:** Scott Menaged <smena98754@aol.com>  
**To:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**Cc:** Denny Chittick <dcmoney@yahoo.com>; "jgoulder@stinson.com" <jgoulder@stinson.com>  
**Sent:** Friday, January 17, 2014 11:17 AM  
**Subject:** Re: Term Sheet

Please send me the agreement for signature.

Sent from my iPhone

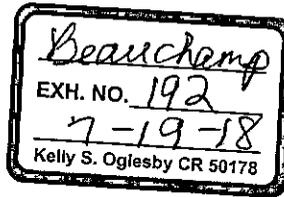
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In paragraph 1, Denny's reference below is correct.

Thanks, David



DenSco 1

## TERM SHEET

The provisions of this Term Sheet are intended only as an expression of intent on behalf of DenSco Investment Corporation ("DenSco") and Scott Menaged, Arizona Home Foreclosures, LLC, Easy Investments, LLC and possibly other entities owned by or under the control of Scott Menaged used to purchase real property from trustee sales (collectively, "Borrower"). These provisions are not intended to be legally binding on DenSco or Borrower and are expressly subject to the execution of an appropriate definitive agreement. DenSco and Borrower expressly acknowledge and agree that the contents of this Term Sheet are insufficient to constitute a legally binding agreement as to its subject matter and that there shall be no binding agreement between DenSco and Borrower until a definitive agreement is executed.

### TERMS

1. DenSco has advanced several loans to the Borrowers entities. These loans are secured by a Mortgage/Deed of Trust, which DenSco intended to be in first lien position on each of the properties owned by the Borrower. Borrower is currently in default for being delinquent in the payment of interest due DenSco for these loans.
2. Certain of Borrower's properties were used as security for loans from other lenders and for loans from DenSco.
3. Certain of these other lenders have retained Bryan Cave, LLP to represent them (the "Other Lenders") in connection with the liens of DenSco and the liens of these Other Lenders (each a "Conflict Property" and collectively, the "Conflict Properties").
4. DenSco and Borrower agree to cooperate and assist each other in connection with resolving the dispute with the Other Lenders concerning these Conflict Properties.
5. As each of the Conflict Properties are sold through an escrow, Borrower is to pay any shortfall of funds required to satisfy the liens of the Other Lenders and DenSco on or prior to the closing of the sale of such Conflict Property. Notwithstanding the Priority List defined and referenced below, the sale of such Conflict Properties to third parties are to proceed pursuant to the timing specified by the applicable purchaser of the Conflict Property, so long as the Other Lenders and DenSco are to be paid through such closing.
6. Borrower and DenSco will work with the Other Lenders to obtain a Priority List of the Conflict Properties from the Other Lenders (the "Priority List"). This Priority List will list the order in which the Other Lenders want each Conflict Property to be refinanced so that the respective Other Lender is paid in full for the loan secured by such Conflict Property and its corresponding lien will be released on such Conflict Property.
  - A. The Priority List will be submitted to Debbie Pihl at Magnus Title Agency ("Magnus"). Magnus will arrange for the necessary title work and verify the pay-off amounts for the Other Lender's loan and arrange for the closing of the additional funding from DenSco pursuant to a modification of its existing loan.

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B. Based on the pay-off amounts required to satisfy the loan of the applicable Other Lender, as determined by Magnus above, DenSco will submit funds to Magnus to modify and increase DenSco's outstanding loan to a LTV of approximately 95% of the applicable Conflict Property. Borrower will be required to deliver the balance of the required funds to pay-off and release the lien of the Other Lender on the applicable Conflict Property and to provide title insurance to DenSco showing DenSco in first lien position to secure its modified loan.

C. Borrower and DenSco have been assured by Debbie Pihl and Magnus that Magnus has sufficient resources to process the pay-offs of all of the loans from the Other Lenders associated with each of the Conflict Properties on or before February 28, 2014.

D. Borrower and DenSco agree to and will deliver adequate funds to Magnus to pay-off all of the loans from the Other Lenders on or before February 28, 2014.

E. After all of the loans of the Other Lenders (secured by any of the Conflict Properties) have been paid off and released by the Other Lenders as set forth in Section 5 and Section 6 A and 6 B above, DenSco and Borrower shall proceed to resolve the lien disputes between DenSco and with other similarly situated lenders pursuant to the procedures described in Section 5, Section 6 A and 6 B above.

7. Borrower agrees to the following:

A. Except for DenSco, Borrower agrees to continue to pay the interest due to each of the Other Lenders and any other similarly situated lender on a timely basis and to keep such loans current and in compliance with its terms;

B. Borrower has arranged for private outside financing in the amount of approximately \$1,000,000 (the "Outside Funds"), which is to be provided to Borrower on or before February 28, 2014. Such Outside Funds shall be used exclusively for the pay-off of the Other Lenders and any other similarly situated lender (and any balance to be paid to DenSco to reduce the amount of DenSco's additional loans to Borrower, as provided herein);

C. Borrower has agreed to inform DenSco of all of the terms of Borrower's transaction to obtain the Outside Funds and the security provided for such Outside Funds. DenSco agrees to keep such information on a confidential basis, provided, however, DenSco will be able to provide such terms and information to its investors, legal counsel, accountants and other applicable professionals;

D. Borrower agrees to provide any additional security to DenSco, as may be requested by DenSco, to secure Borrower's existing obligations to DenSco and to secure the additional obligations that DenSco is agreeing to provide pursuant to this forbearance / workout agreement;

E. Borrower agrees to reimburse all costs and expenses, including without limitation title reports, amendments or title insurance, investigation fees, and / or attorneys'

fees, incurred by DenSco in connection with this forbearance / workout agreement, or the existing and / or any future lien disputes with the Other Lenders or any other similarly situated lenders;

F. Borrower agrees to use its good faith efforts to: (i) liquidate other assets, which is expected to generate approximately 4 to 5 million US Dollars; (ii) apply all net proceeds from the rental of Borrower's homes, or the net proceeds from the acquisition and disposition of additional homes by Borrower, and (iii) apply all funds received from Borrower's continued good faith efforts to recover any other assets that can be recovered from the missing proceeds from the multiple loans that were advanced from DenSco and other lenders with respect to certain properties as referenced above. Any additional funds obtained and / or made available to Borrower pursuant this subsection shall be made available to and used by Borrower in connection with the resolution of the lien disputes between DenSco and other lenders as referenced above;

G. Borrower agrees to provide DenSco (and maintain in effect) a life insurance policy (from a life insurance carrier reasonably approved by DenSco) in the amount of \$10,000,000, insuring the life of Scott Managed with DenSco named as the sole beneficiary, until all obligations pursuant to the forbearance / workout agreement have been full satisfied; and

H. Borrower agrees to provide DenSco with a personal guaranty from Scott Managed, guaranteeing all of Borrower's obligations pursuant to the forbearance / workout agreement. Further, Borrower agrees to provide a re-affirmation and consent from Scott Managed to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees of DenSco's loans to Borrower, so that the terms and provisions of the forbearance / workout agreement will not cause or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of DenSco and Borrowers pursuant to the terms and provisions of the forbearance / workout agreement.

8. DenSco agrees to the following:

A. So long as each Borrower is in compliance with the terms of the workout agreement and any other agreement with DenSco, DenSco will forbear from taking any action to accelerate its loans to Borrower and to commence foreclosure action against the assets of Borrower;

B. DenSco will defer (but not waive) the collection of interest from the Borrowers on DenSco's loans to the Borrowers during the process to fund the amount due to the Other Lenders in connection with the Conflict Properties (All deferred interest on a particular note from Borrower to DenSco shall be paid to DenSco on or before the payoff of the applicable note);

C. DenSco will provide a new loan to Borrower in the amount up to One Million US Dollars, which loan is to provide for multiple advances, earn 3% annual interest to be secured by a first lien position against certain real property to be approved by DenSco in its sole discretion, and the obligation is to be personally guaranteed by Scott Menaged (the "Additional Loan"); and

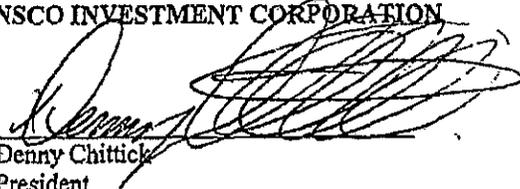
D. So long as each Borrower is in compliance with the terms of the forbearance and workout agreement and any other agreements with DenSco, DenSco agrees to comply with its obligations set forth elsewhere in this Term Sheet, including the obligation to modify its existing loans to the Borrower that are secured by the Conflict Properties, so that the amount of such loans shall be increased to 95% LTV as indicated above.

9. Borrower and DenSco acknowledge and agree that this forbearance/ workout agreement shall not constitute nor create a joint venture or partnership arrangement between or among DenSco and any of the Borrower.

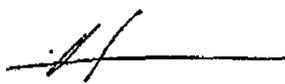
[Signature page to follow:]

The above terms are agreed to this \_\_\_ day of January, 2014 by the following.

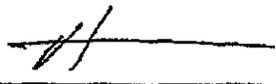
DENSCO INVESTMENT CORPORATION

By:   
Denny Chittick  
Its: President

ARIZONA HOME FORECLOSURES, LLC

By:   
Yomtov "Scott" Menaged  
Its: Member

EASY INVESTMENTS, LLC

By:   
Yomtov "Scott" Menaged  
Its: Member

  
YOMTOV "SCOTT" MENAGED, Individually

200112534.5 43820/170082

DIC0007525



Message

**From:** Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBeauchamp]  
**Sent:** 1/17/2014 10:45:31 AM  
**To:** Schenck, Daniel A. [dschenck@clarkhill.com]  
**Subject:** FW: the details  
**Attachments:** RIM Easy Investments.doc; DOT Easy Investments.doc; Note Easy Investment.doc; HUD Pratt 90k.pdf

Dan:

Attached are some of the DenSCO form documents, but these are taken from other transactions and are not complete

**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](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

**From:** Denny Chittick [mailto:dcmoney@yahoo.com]  
**Sent:** Tuesday, January 07, 2014 1:49 PM  
**To:** Beauchamp, David G.  
**Cc:** Yomtov Menaged  
**Subject:** the details

I thought i would give you something to read so that you are up to date and you can have questions for us when we arrive. i'm bringing Scott with me.

I've been lending to Scott Menaged through a few different LLC's and his name since 2007. i've lent him 50 million dollars and i have never had a problem with payment or issue that hasn't been resolved.

Sometime last year, his wife became ill with cancer. his cousin was working with him and took on a stronger day to day role as scott was distracted with his wife. Scott always was the one that determined what properties to buy, how much etc. his cousin was doing paperwork, checks and management of the day to day. At some point his cousin decided to take advantage of our relationship

and started to steal money. Scott would request a loan from me, his cousin would request a loan from another borrower (i would say there are as many as 1/2 dozen different lenders in total ) .

Because of our long term relationship, when Scott needed money, i would wire the money to his account and he would pay the trustee. I do this same thing with several borrowers and bidding co's. As an example, He would buy a property at auction for 100k, it's worth 145k, he would ask me for 80k. i would wire it to him, he would pay the trustee with my 80k and his 20k and he would sign the RM, which i've attached (all docs you have reviewed and have been reveiwed by a guy at your last law firm, maybe two firms ago in 2007). i've attached them. i would record the RM the day he paid for the property. then once the trustee's deed was recorded, which during the last few years has been at times 6 weeks from the auction date to the recorded date, i then would record my DOT. this is a practice that i have done for 14 years. it's recognized by all the escrow co's. Some title agents won't see anything before the trustee's deed recording as a valid lien, some look at the whole chain. for me to be covered, i would record the RM to muddy up title then record the DOT after the trustee's deed to ensure my first position lien. when the loan is paid off, i always send a release for both liens. when i say that some title officers request it and some don't , it seems to matter of opinion rather than a hard and fast law/requirement/demand/ or something of that nature. Again, this is what i do on every single auction property no matter who is the borrower.

What is cousin was doing was receiving the funds from me, then requesting them from the other lenders. these other lenders would cut a cashiers check for the agreed upon loan amount and then

take it to the trustee and receive the receipt. they would then record a DOT immediately, then after the trustee's deed is recorded, they would re-record their DOT. Sometimes i would record my RM first sometimes they would. then after the trustee's deed, sometimes i would record my DOT first sometimes they would.

The cousin absconded with the funds. Scott figured this out in mid November. He came to me and told me what was happening. he said he had talked to the other lenders and they agreed that this was a mess, and as long as they got their interest and were being paid off they wouldn't foreclose, sue or anything else.

Scott and i spent a great amount of time creating a plan to fix this. Our plan is simple, sell off the properties and pay off both liens with interest and make everyone whole. Because many of the houses were bought in the first half of last year. they are upside down, but not nearly as bad as you would think. if Scott paid 100k, i lent 80k and another lender lent 80k. the house is now worth 140k, it's upside down 20k. However there are some houses that are more upside down than this. Coming up with the short fall on all these houses is a challenge , but we believe it's doable. our plan is a combination of injecting capital and extending cheaper money, along with continuing the business as he's run it for years, by flipping homes which will generate profits.

#### The Plan:

1. all lenders will be paid their interest, except me, i'm allowing my interest to accrue.
2. i'm extending him a million dollars against a home at 3%
3. he is bringing in 4-5 million dollars over the next 120 days from

liquidating some assets as well as getting some money back that the cousin stole, and other sources.

4. he's got a majority of these houses rented, this brings in a lot of money every month.

5. the houses that he's buying now and will be flipping will bring in money every week starting next week or two.

6. as the houses become vacant either because of ending the lease or the tenant leaves, scott will fix up the house and sell it retail. this will drive the order in which the houses will be sold.

7. he also owns dozens of houses that only have one lien on them and have substantial equity in them, and he'll be selling these as the tenants vacate.

i've been over this plan 100 times and the numbers and i truly believe this is the right avenue to fix the problem. we have been proceeding with this plan since November and we've already cleared up about 10% of the total \$'s in question. that's in the slowest part of the selling season. We feel once things pick up seasonally we can speed this up

the gentleman that handed me the paperwork, believes because he physically paid the trustee that he is in first position, but agrees it's messy. he wants me to subordinate to him, no matter who recorded first. we have paid off one of his loans, you'll see on this list Pratt - paid in full, i've attached the hud-1 and you see that it shows me in first position versus his belief. now that's one title agents opinion, i understand that's not settling legal dispute on who's in first or second.

I know that i can't sign the subordination because that goes against

everything that i tell my investors. plus i can tell you there are several other lenders waiting to see what i do, if i sign with this group, they want to have me sign one for them too.

What we need is an agreement that as long as the other lenders are being paid their interest and payoffs continue to come, (we have 12 more houses in escrow currently, all planned to close in the next 30 days) , that no one initiates foreclosure for obvious reasons, which will give us time to execute our plan.

let me know any questions so that when we meet we can be productive as possible.

thx

dc

DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)  
602-469-3001 C  
602-532-7737 f

When recorded, mail to:

DenSco Investment  
6132 W. Victoria Place  
Chandler, AZ 85226

**MORTGAGE**

January 6, 2014

The undersigned borrower ("Borrower") acknowledges receipt of the proceeds of a loan from DenSco Investment Corporation ("Lender") in the sum of \$186,000.00, as evidenced by check payable to: Recontrust Company ("Trustee"). The loan was made to Borrower to purchase the Real Property legally described as: Lot 24, Subdivision Cooper Commons Parcel 8, according to the plat Book 448, of Maps, Page 44, & Certificate of Correction recorded in Doc No. 98-601977 & 01-0363100, in the plat record in the Recorder's Office of Maricopa County, Arizona. Address: 6341 S Kimberlee Way, Chandler, AZ 85249 At a trustee's sale conducted by Trustee, which took place on January 3, 2014, Borrower became the successful purchaser with the highest bid, and the loan is intended to fund all or part of the purchase price bid by Borrower at such trustee's sale.

Borrower has promised to pay Lender or assignee the full amount of the loan, with interest at the rate of 18% per annum from the date of this Receipt until paid in full, such amounts to be due and payable in full based on due date from promissory note.

Borrower hereby grants to Lender or assignee a first, prior and superior equitable lien and mortgage against the Real Property to secure payment of the loan. The undersigned principal of Borrower (who shall derive benefits from the loan, in order to induce Lender to extend the loan to Borrower) hereby irrevocably and unconditionally guarantees and promises to pay to Lender upon demand the full loan amount and all other sums payable or to become payable hereunder if Borrower fails to pay any such amounts when due. Borrower further agrees to execute, acknowledge and deliver to Lender such further documents as may be necessary to effectuate the intent of this transaction. Borrower has delivered to Lender a promissory note and deed of trust, and Borrower agrees that the deed of trust shall be recorded against the Real Property as a first, prior and superior lien and encumbrance simultaneously with the recording of the Trustee's Deed. Borrower further agrees to cause the undersigned principal of Borrower to execute, acknowledge and deliver a guaranty of the amounts lent by Lender under said promissory note.

**Borrower:** Arizona Home Foreclosures, LLC

**Name & Title of Principal Borrower:** Yomtov Scott Menaged, Managing Member of LLC

**Signature:** \_\_\_\_\_

State of Arizona     )  
  ) ss.  
County of Maricopa )  
Subscribed, sworn to and acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2014.  
By: Yomtov Scott Menaged \_\_\_\_\_  
Commission Expires: \_\_\_\_\_ Notary Public

**WHEN RECORDED MAIL TO:**

DenSco Investment  
6132 W. Victoria Place  
Chandler, AZ 85226

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

**DEED OF TRUST AND ASSIGNMENT OF RENTS**

Date: January 6, 2014

**TRUSTOR:** Arizona Home Foreclosures, LLC

Address: 7320 W Bell Rd., Glendale, AZ 85308

**BENEFICIARY:** DenSco Investment Corporation, an Arizona corporation ("Lender")

Address: 6132 W. Victoria Place, Chandler, AZ 85226

**TRUSTEE:** Recontrust Company

Address: 2380 Performand Dr., Richardson, TX 75082

**PROPERTY** in the County of Maricopa, State of Arizona, described as: Lot 24, Subdivision Cooper Commons Parcel 8, according to Book 448, of Maps, Page 44, & Certification recorded in Doc No. 98-601977 & 01-0363100, in the plat record in the Recorder's Office of Maricopa County, Arizona.

Street address: 6341 S Kimberlee Way, Chandler, AZ 85249

**WITNESSETH THAT** Borrower does hereby irrevocably grant, bargain, sell and convey to Trustee, in trust, with power of sale, the above-described real property;

**TOGETHER WITH** all the improvements now or hereafter erected on the Property, and all easements, appurtenances and fixtures now or hereafter a part of the Property, and all rents, issues and profits thereof, **SUBJECT, HOWEVER,** to the right, power and authority hereinafter given to and conferred upon Lender to collect and apply such rents, issues and profits. All replacements and additions also shall be covered by this Deed of Trust. All of the foregoing is referred to in this Deed of Trust as the "Property."

**FOR THE PURPOSE OF SECURING:**

A. Performance of each and every agreement of Borrower herein contained. B. Payment of the principal sum of \$186,000.00 (U.S. \$One Hundred Eighty-six Thousand Dollars and No Cents). This debt is evidenced by Borrower's NOTE or NOTES dated the same date as this DEED OF TRUST, and any extension or renewal thereof (collectively, if applicable, the "Note"). C. Payment of all additional sums and interest thereon which at any time now or hereafter are owed by Borrower to Lender, or its successors or assigns. D. Payment of any amounts hereafter advanced by Lender or paid on behalf of Borrower to perform any duties or obligations of Borrower hereunder, or otherwise to protect the Property or the lien of this Deed of Trust.

**TO PROTECT THE SECURITY OF THIS DEED OF TRUST, BORROWER AGREES:**

1. Borrower has the right to grant and convey the Property and that Property is unencumbered, except for encumbrances of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

2. Borrower shall promptly pay when due the principal of and interest on the debt evidenced by the Note and any prepayment and late charges due under the Note.

3. Unless applicable law provides otherwise, all payments received by Lender under Paragraph 2 shall be applied first in payment of any costs or charges, then to Default Interest (as defined in the Note) accrued, then to interest accrued, and then to reduce principal.

4. Borrower shall pay all taxes, assessments, charges, fines and impositions attributable to the Property which may attain priority over this Deed of Trust, and leasehold payments or ground rents, if any. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this Paragraph 4. Borrower shall promptly furnish to Lender receipts evidencing the payments.

5. Borrower shall promptly discharge any lien in which has priority over this Deed of Trust unless Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (b) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in Lender's opinion operate to prevent the enforcement of lien; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Deed of Trust. If Lender determines that any part of the Property is subject to a lien which may attain priority over this Deed of Trust, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy the lien or take one or more actions set forth within 10 days of the beginning of notice.

6. Borrower shall keep said Property in good condition and repair; not to remove or demolish any building thereon unless part of the construction plan approved in writing by Lender; to complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor; to comply with all laws affecting said Property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said Property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said Property may be reasonably necessary, the specific enumerations herein not excluding the general.

7. Borrower shall provide, maintain and deliver to Lender fire insurance and general liability insurance on the Property satisfactory to and with loss payable to Lender. The amount collected under any fire or other insurance policy may be applied by Borrower upon any indebtedness secured hereby and in such order as Borrower may determine, or at option of Borrower the entire amount so collected or any part thereof may be released to Lender. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

8. Borrower shall appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Lender or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorneys' fees in a reasonable sum, in any such action or proceeding in which Lender or Trustee may appear.

9. Borrower shall pay immediately and without demand all sums expended by Lender or Trustee pursuant to the provisions hereof, with interest from date of expenditure, at the rate of interest found on the Note.

10. Borrower shall not cause or permit the presence, use, disposal, storage or release of any Hazardous Substances on or in the Property. Borrower shall not do or allow anyone else to do, anything affecting the Property that is in violation of any Environmental Law. The preceding two sentences shall not apply to the presence, use or storage on the Property of small immaterial quantities of Hazardous Substances that are generally recognized to be appropriate to normal cleaning and maintenance purposes of a commercial or residential property. Borrower shall promptly give Lender written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property or any Hazardous Substance or Environmental Law of which Borrower has actual or constructive knowledge. If

Borrower learns, or is notified by any governmental or regulatory authority, that any removable or other remediation of any Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Laws. As used in this Paragraph 10, "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides or herbicides, volatile solvents, materials containing asbestos, formaldehyde or dioxins, and radioactive materials. As used in this Paragraph 10, "Environmental Law" means all federal laws and laws of the state, county and city of the jurisdiction where the Property is located that relates to health, safety or environmental protection.

**IT IS MUTUALLY AGREED:**

11. Should Borrower fail to make any payment or to do any act as herein provided, then Lender or Trustee, but without obligation so to do and without notice to or demand upon Borrower and without releasing Borrower from any obligation hereof, may: (a) make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Lender or Trustee being authorized to enter upon said Property for such purposes; (b) appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Lender or Trustee; (c) pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgement of either appears to be prior or superior hereto; and (d) in exercising any such powers, or in enforcing this Deed of Trust by foreclosure, pay necessary expenses, employ counsel and pay his reasonable fees. Any amounts dispersed by Lender under this Paragraph 11 shall become additional debt of Borrower's, secured by this Deed of Trust unless Borrower and Lender agree to other terms of payment, these amounts shall be payable, with interest, upon demand from Lender to Borrower.

12. Any award of damages in connection with any condemnation for public use of or injury to said Property or any part thereof is hereby assigned and shall be paid to Lender who may apply or release such monies received by it in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

13. TIME IS OF THE ESSENCE IN EACH COVENANT OF THIS DEED OF TRUST; and that by accepting payment of any sums secured hereby after its due date, Lender does not waive its right either to require prompt payment when due of all other sums so secured or to declare default for failure to pay.

14. At any time or from time to time, without liability therefor and without notice, upon written request of Lender and presentation of this Deed of Trust and said Note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: (a) reconvey all or any part of said Property; consent to the making of any map or plat thereof; (b) join in granting any easement thereon; or (c) join in any extension agreement or any agreement subordinating the lien or change hereof.

15. As additional security, Borrower hereby gives to, confers upon and assigns to Lender the right, power and authority during the continuance of these Trusts, to collect the rents, issues and profits of said Property, reserving unto Borrower the right, prior to any default by Lender payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Lender may at any time without notice, either in person, by agent or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said Property or any part hereof, in its own name sue for or otherwise collect such rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees, upon any indebtedness secured hereby, and in such order as Lender may determine. The entering upon and taking possession of said Property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

16. The failure of Borrower to comply fully with the terms of the Note or this Deed of Trust shall constitute an immediate default hereunder, and the occurrence of any default under any other notes or deeds of trust

between the parties securing any other indebtedness owed by Borrower to Lender shall also constitute a default under this Deed of Trust. Upon any such default, Lender shall have the right, at its election, to accelerate immediately any or all of the loans, and proceed to enforce all of Lender's rights, in accordance with Arizona law, including without limitation, the right to foreclose any or all of the deeds of trust and pursue a deficiency judgment(s).

If the Property is sold, assigned or transferred, whether voluntarily, involuntarily, or by operation of law, the entire principal balance together with accrued interest and all other charges shall become immediately due and payable.

17. Notice of sale having been given as then required by law, and not less than the time required by law having elapsed, Trustee, without demand on Borrower, shall sell said Property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee shall deliver to the purchaser its deed conveying the Property so sold, but without any covenant or warranty express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Borrower, Trustee or Lender, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title and reasonable attorneys' fees in connection with sale, Trustee shall apply the proceeds of sale to payment of; all sums then secured hereby and all other sums due under the terms hereof, with accrued interest; and all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto, or as provided in A.R.S. § 33-812. To the extent permitted by law, an action may be maintained by Lender to recover a deficiency judgment for any balance due hereunder. Lender may foreclose this Deed of Trust as a realty mortgage.

If Property under this Deed of Trust is located in more than one county, regardless of whether Property is contiguous or not, Trustee may sell all Property in any one of the counties in which part of Property is located; and unless Trustee receives contrary written instructions from Lender or Borrower, Trustee may sell all Property either in parcels or in whole.

If indebtedness secured hereby is secured by one or more other deeds of trust, the upon default of Borrower in payment of indebtedness or performance of any other agreement with Lender, Trustee may sell Property subject to this Deed of Trust and to any other deeds of trust securing said indebtedness at Trustee's sale conducted serially.

Trustee is not obligated to notify any party hereto of pending sale under any other deeds of trust, or of any action or proceeding in which Borrower, Lender or Trustee shall be a party, unless brought by Trustee.

18. This Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Lender shall mean the holder and owner of the Note secured hereby; or, if the Note has been pledged, the pledgee thereof. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

19. Lender may, for any reason or cause, from time to time remove Trustee and appoint a substitute/successor trustee to any Trustee appointed hereunder, and when any such substitution has been filed for record in the Office of the Recorder of the County in which the Property herein described is situated, it shall be conclusive evidence of the appointment of such trustee or trustees. Without conveyance to the Property, the successor trustee shall succeed to all the title, power and duties conferred upon Trustee herein and by applicable law.

20. The Note or a partial interest in the Note (together with this Deed of Trust) may be sold one or more times without notice to Borrower. A sale may result in the change of the person who collects monthly payments due under the Note and this Deed of Trust.

21. Borrower/mortgagor hereby waives, releases and discharges any homestead exemption claimed or declared against Property.

22. If any term or provision of this Deed of Trust is held invalid or unenforceable by a court or arbitrator of competent jurisdiction, such terms shall be reduced or otherwise modified by such court or arbitrator to the minimum extent necessary to make it valid and enforceable. If such term or provision cannot be so modified, it shall be severed and the remaining terms and provisions of this Deed of Trust shall be interpreted in such a way as to give maximum validity and enforceability to this Deed of Trust. The remaining terms and provisions hereof shall continue in full force and effect.

23. Upon payment of all sums secured by this Deed of Trust, Lender shall release this Deed of Trust without charge to Borrower, except that Borrower shall pay any recordation costs.

Upon written request of Lender stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and said Note to Trustee for cancellation and retention and upon payment of its fees, Trustee shall reconvey, without warranty, the Property then held thereunder. The recitals in any reconveyance executed under this Deed of Trust of any matters or facts shall be conclusive proof of the truthfulness thereof. Borrower in such reconveyance may be described as "the person or persons legally entitled thereto."

Request is hereby made that a copy of any notice of default and a copy of any notice of sale hereunder be mailed to Borrower at its/his/her address hereinbefore set forth.

**BORROWER:** Arizona Home Foreclosures, LLC

**NAME and Title of Principal Borrower:** Yomtov Scott Menaged, Managing Member of LLC

**SIGNATURE:** \_\_\_\_\_

STATE OF ARIZONA	)
	) ss.
COUNTY OF MARICOPA	)
<p>This Instrument was acknowledged before me this ____ day of _____, 2014.</p> <p>By: YomTov Menaged</p> <p>Commission Expires: _____</p> <p style="text-align: right;">_____ Notary</p>	

**NOTE SECURED BY DEED OF TRUST**

\$186,000.00

Phoenix, AZ (Date): January 6, 2014

Property Address: 6341 S Kimberlee Way, Chandler, AZ 85249

For value received, Arizona Home Foreclosures, LLC("Maker") promises to pay to the order of DenSco Investment Corporation or assigns (the "Holder"), at 6132 W. Victoria Place, Chandler, AZ 85226 (or at such other place as the Holder may designate in writing), in lawful U.S. money the principal sum of \$186,000.00(\$One Hundred Eighty-six Thousand Dollars and No Cents) plus interest calculated on the basis of a 360-day year and charged for the actual number of days elapsed, from the date hereof until paid on the principal balance from time to time outstanding.

Interest shall accrue on the principal sum outstanding at the rate of eighteen percent (18%) per annum, and shall be payable monthly commencing one month from the date hereof (provided, however, that if there is no comparable date in the following month to the date on which this Note is executed, monthly installments of interest hereunder shall be due and payable on the last day of each of the five succeeding months). The entire principal balance, together with all unpaid accrued interest, shall be due and payable as a balloon payment on July 6, 2014, the date six months from the date of funding under this Note, or upon any earlier acceleration (the "Maturity Date"). If any payment becomes past due for more than five calendar days, Maker shall pay to Holder, in addition to the amount of the overdue payment, a late charge equal to ten percent (10%) of the unpaid accrued interest element of such overdue payment.

In addition to any late charge on past due payments, interest will accrue at the rate of twenty-nine percent (29%) per annum ("Default Interest") on the unpaid principal balance upon the occurrence of a "Default" (hereafter defined). A "Default" shall occur (i) if any installment of accrued interest is not paid within 5 days of the date such payment was due, (ii) if the Note and all outstanding charges are not paid by the Maturity Date (for which no grace period is allowed), (iii) if there is a failure to comply with any of the terms of this Note or the Deed of Trust or guaranty which secures this Note, (iv) upon any bankruptcy, insolvency, dissolution or fraudulent conveyance by Maker, (v) upon any seizure, attachment or levy of Maker's assets, or (vi) upon the occurrence of any default under any other obligation of Maker to Holder. Further, at Holder's option after Default, all remaining unpaid principal and accrued interest shall become due and payable immediately without notice (other than any declaration prescribed in applicable sections of the agreements under which such events of default arose), presentment, demand or protest, all of which hereby are waived. TIME IS OF THE ESSENCE.

Maker agrees to an effective rate of interest that is the above rate, plus any additional rate of interest resulting from charges or benefits received by Holder which a court or governing agency deems to be in the nature of interest paid. All payments on this Note shall be applied first in payment of any costs, fees or charges incurred in connection with the indebtedness evidenced hereby, then to Default Interest accrued, then to interest accrued, and then to reduce principal. This Note is secured by a Deed of Trust executed contemporaneously herewith.

Maker waives demand, diligence and presentment for payment, protest, and notice of extension, dishonor, protest and nonpayment of this Note. If Default occurs, Maker promises to pay all costs of collection, court and foreclosure, including reasonable attorneys' fees. No renewal or extension of this Note, delay in enforcing any right of Holder under this Note, acceptance of any late payment, or assignment by Holder of this Note shall constitute a waiver of Holder's right to exercise any of its rights during the continuance of any Default or upon a subsequent Default, or otherwise limit the liability of Maker. All rights of Holder under this Note are cumulative and may be exercised concurrently or consecutively at Holder's option.

If any one or more of the provisions of this Note are determined to be unenforceable, in whole or in part, for any reason, the remaining provisions shall remain fully operative. This Note shall be construed in accordance with the laws of the State of Arizona, irrespective of its choice of law principles. This Note shall be binding upon Maker and its successors and assigns.

Signed this date: \_\_\_\_\_

Borrower: Arizona Home Foreclosures, LLC By: X

Name & Title: Yomtov S Menaged, managing member of LLC

Personally Guaranteed by: X Printed Name: X



A. Settlement Statement (HUD-1)

Magnus Title Agency
6991 E Camelback Rd, Ste C158
Scottsdale, AZ 85251

OMB Approval No. 2502-0265

ESTIMATED - Figures subject to change

HUD-1 Settlement Statement form with sections B through K. Section B includes loan type (FHA, VA, etc.), file and loan numbers, and mortgage insurance case number. Section C is a note. Sections D, E, F, G, and H provide borrower and seller information, lender details, and property location. Section I shows settlement, prepayment, funding, and disbursement dates. Section J is a summary of the borrower's transaction, and Section K is a summary of the seller's transaction. Both summaries list various amounts due, payments, and adjustments.

1. Settlement Charges				Paid From Borrower's Funds at Settlement	Paid From Seller's Funds at Settlement
<b>700. Total Real Estate Broker Fee</b>					
Division of commission (line 700) follows:					
701.	\$ 3,150.00	to Property Management			
702.	\$ 5,250.00	to Arizona Best Real Estate			
703.	Commission paid at settlement				8,400.00
704.					
<b>800. Items Payable in Connection with Loan</b>					
801.	Our origination charge	\$ 1,285.00	(from GFE #1)		
802.	Your credit or charge (points) for the specific interest rate chosen	\$	(from GFE #2)		
803.	Your adjusted origination charges		(from GFE A)	1,285.00	
804.	Appraisal fee to PL FBO Kitzmann Appraisal		(from GFE #3)	450.00	
805.	Credit report to PL FBO Kroll Factual Data		(from GFE #3)	21.13	
806.	Tax service to PrimeLending, a PlainsCapital Company		(from GFE #3)	90.00	
807.	Flood certification to PL FBO Corelogic Flood services		(from GFE #3)	9.50	
808.					
<b>900. Items Required by Lender to Be Paid in Advance</b>					
901.	Daily interest charges from 12/11/2013 to 01/01/2014 @ \$25.71/day		(from GFE #10)	539.91	
902.	Mortgage insurance premium for 0 months to		(from GFE #3)		
903.	Homeowner's insurance for 1 years to Safeco Insurance Compa		(from GFE #11)	560.00	
904.	VA Funding Fee to Veterans Administration			4,545.00	
<b>1000. Reserves Deposited with Lender</b>					
1001.	Initial deposit for your escrow account		(from GFE #9)	635.23	
1002.	Homeowner's insurance 3 months @ \$ 48.6600	\$ 139.98			
1003.	Mortgage insurance months @ \$	\$			
1004.	Property taxes 6 months @ \$ 105.8700	\$ 635.22			
1005.	months @ \$	\$			
1006.	months @ \$	\$			
1007.	Aggregate adjustment	\$ (139.97)			
<b>1100. Title Charges</b>					
1101.	Title services and lender's title insurance		(from GFE #4)	1,528.00	
1102.	Settlement or closing fee to Magnus Title Agency	\$ 660.00			590.00
1103.	Owner's title insurance to Magnus Title Agency	\$ 1,200.00	(from GFE #5)	1,200.00	
1104.	Lender's title insurance to Magnus Title Agency	\$ 868.00			
1105.	Lender's title policy limit \$214,515				
1106.	Owner's title policy limit \$210,000				
1107.	Agent's portion of the total title insurance premium to Magnus Title Agency	\$ 1,830.18			
1108.	Underwriter's portion of the total title insurance premium to First American Title Insurance Company	\$ 237.82			
<b>1200. Government Recording and Transfer Charges</b>					
1201.	Government recording charges		(from GFE #7)		
1202.	Deed \$ Mortgage \$ Release \$				
1203.	Transfer taxes		(from GFE #8)		
1204.	City/County tax/stamps	Deed \$ Mortgage \$			
1205.	State tax/stamps	Deed \$ Mortgage \$			
1206.	Excise Tax	Deed \$			
<b>1300. Additional Settlement Charges</b>					
1301.	Required services that you can shop for		(from GFE #6)		
1302.		\$			
1303.		\$			
1304.	Home Warranty to BPG Home Warranty				425.00
1305.	Homewise Servicing Fee to HomewiseDocs.com			30.00	
1306.	HOA Current Balance to Meridian Pointe HOA				660.50
1307.	HOA Pre-Paid Assess for 2014 to Meridian Pointe HOA			138.00	
1308.	HOA Disclosure Pkg to Brown Community Management				185.00
1309.	HOA Transfer Fee to Brown Community Management			92.50	
1310.	HOA 4th Qtr Fee to Meridian Pointe HOA				153.00
1311.	4040842 Trustee Fee to Magnus Title				698.00
1312.	4040842 Recording Fee to Magnus Title				18.00
1313.	4040842 Courier Fee to Magnus Title				30.00
1314.	Pest Inspection to Carefree Termite Protection				75.00
1315.	1st Half Of 2013 Taxes to Maricopa County Treasurer				652.17
<b>1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)</b>				11094.27	11971.17

POCB = Paid outside of closing by Borrower POCS = Paid outside of closing by Seller POCL = Paid outside of closing by Lender POCM = Paid outside of closing by Mortgage broker

Comparison of Good Faith Estimate (GFE) and HUD-1 Charges	
Charges That Cannot Increase	HUD-1 Line Number
Our origination charge	# 801
Your credit or charge (points) for the specific interest rate chosen	# 802
Your adjusted origination charges	# 803
Transfer taxes	# 1203
<b>Total</b>	

Good Faith Estimate	HUD-1
1,285.00	1,285.00
0.00	0.00
1,285.00	1,285.00
0.00	0.00
<b>1,285.00</b>	<b>1,285.00</b>

Charges That in Total Cannot Increase More Than 10%	
Government recording charges	# 1201
Appraisal fee	# 804
Credit report	# 805
Tax service	# 806
Flood certification	# 807
VA Funding Fee	# 904
<b>Total</b>	
<b>Increase between GFE and HUD-1 Charges</b>	

Good Faith Estimate	HUD-1
0.00	0.00
450.00	450.00
65.00	21.13
90.00	90.00
9.50	9.50
6,930.00	4,515.00
<b>7,544.50</b>	<b>5,085.63</b>
<b>\$ (2,458.87) or (48.59)%</b>	

Charges That Can Change	
Initial deposit for your escrow account	# 1001
Daily interest charges	# 901 \$25.71 /day
Homeowner's insurance	# 903
Title services and lender's title insurance	# 1101
Owner's title insurance	# 1103

Good Faith Estimate	HUD-1
635.23	635.23
546.00	539.91
700.00	560.00
725.00	1,528.00
<b>1,000.00</b>	<b>1,200.00</b>

**Loan Terms**

Your initial loan amount is	\$ 214,515.00
Your loan term is	30 years
Your initial interest rate is	4.375%
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ 1,071.04 includes <input type="checkbox"/> Principal <input checked="" type="checkbox"/> Interest <input type="checkbox"/> Mortgage Insurance
Can your interest rate rise?	<input checked="" type="checkbox"/> No. <input type="checkbox"/> Yes, it can rise to a maximum of _____%. The first change will be on _____ and can change again every _____ after _____. Every change date, your interest rate can increase or decrease by _____%. Over the life of the loan, your interest rate is guaranteed to never be lower than _____% or higher than _____%.
Even if you make payments on time, can your loan balance rise?	<input checked="" type="checkbox"/> No. <input type="checkbox"/> Yes, it can rise to a maximum of \$ _____.
Even if you make payments on time, can your monthly amount owed for principal, interest, and mortgage insurance rise?	<input checked="" type="checkbox"/> No. <input type="checkbox"/> Yes, the first increase can be on _____ and the monthly amount owed can rise to \$ _____. The maximum it can ever rise to is \$ _____.
Does your loan have a prepayment penalty?	<input checked="" type="checkbox"/> No. <input type="checkbox"/> Yes, your maximum prepayment penalty is \$ _____.
Does your loan have a balloon payment?	<input checked="" type="checkbox"/> No. <input type="checkbox"/> Yes, you have a balloon payment of \$ _____ due in _____ years on _____.
Total monthly amount owed including escrow account payments	<input type="checkbox"/> You do not have a monthly payment for items, such as property taxes and homeowner's insurance. You must pay these items directly yourself. <input checked="" type="checkbox"/> You have an additional monthly escrow payment of \$ 152.63 that results in a total initial monthly amount owed of \$ 1,223.67. This includes principal, interest, any mortgage insurance and any items checked below: <input checked="" type="checkbox"/> Property taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Flood Insurance <input type="checkbox"/> _____ <input type="checkbox"/> _____ <input type="checkbox"/> _____

Note: If you have any questions about the Settlement Charges and Loan Terms listed on this form, please contact your lender.

Breakdown For Hud Line 208		
Description	Buyer Amount	Seller Amount
Your adjusted origination charges	1,285.00	
Tax service	90.00	
Flood certification	9.50	
Homeowner's insurance	40.50	
<b>Total As Shown On HUD Line 208</b>	<b>1,425.00</b>	

Breakdown For Hud Line 608		
Description	Buyer Amount	Seller Amount
Your adjusted origination charges		1,285.00
Tax service		90.00
Flood certification		9.50
Homeowner's insurance		40.50
<b>Total As Shown On HUD Line 608</b>		<b>1,425.00</b>

Breakdown For Hud Line 803		
Description	Buyer Amount	Seller Amount
Underwriting Fee	450.00	
Closing Fee	175.00	
Processing Fee	500.00	
Wire Fee	35.00	
Doc Prep Fee	125.00	
<b>Total As Shown On HUD Line 803</b>	<b>1,285.00</b>	

Breakdown For Hud Line 1101		
Description	Buyer Amount	Seller Amount
Escrow Fee	462.50	
Courier/Overnight Mail Fee	120.00	
Recording Fee	37.50	
E-Doc Fee	40.00	
Lenders Title Policy	718.00	
Endorsements 8.1, PUD	150.00	
<b>Total As Shown On HUD Line 1101</b>	<b>1,528.00</b>	

Breakdown of Commission as shown on 701

Agent Information

Property Management  
Veronica Castro  
14100 N. 83rd Ave.  
  
Peoria, AZ 85383

Total Commission: \$3,150.00

Sub Agent Information: (being paid out of Total Commission)

Veronica Castro  
  
14100 N. 83rd Ave.  
  
Peoria, AZ 85383

Amount: \$2,890.00

Breakdown of Commission as shown on 702

Agent Information

Arizona Best Real Estate  
Pati Bell  
11333 N. Scottsdale Road, #100  
  
Scottsdale, AZ 85254

Total Commission: \$5,250.00

**Payoff Addendum**  
**BREAKDOWN OF PAYOFF ON HUD line 504**

Payoff to: DENSCO Investment Corporation  
6132 W Victoria Place  
Chandler, AZ 85226

Loan #: 4594

Description	Amount
Principal Balance	141,820.00
Interest	0.00
Good Thru 12/12/2013	70.00
Total Payoff	141,890.00
Total as shown on HUD line #504. 141,890.00	

**BREAKDOWN OF PAYOFF ON HUD line 505**

Payoff to: Geared Equity, LLC

Loan #: 13-6105

Description	Amount
Principal Balance	146,155.14
Interest	0.00
Good Thru 12/15/2013	0.00
Total Payoff	146,155.14
Total as shown on HUD line #505. 146,155.14	



Message

**From:** Denny Chittick [dcmoney@yahoo.com]  
**Sent:** 1/17/2014 11:12:17 AM  
**To:** Beauchamp, David G. [dbeauchamp@clarkhill.com]  
**Subject:** Re: DenSco's files  
**Attachments:** Bryan Cave request for Docs.pdf

Hopefully this covers it!  
dc

DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)  
602-469-3001 C  
602-532-7737 f

---

**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Friday, January 17, 2014 12:07 PM  
**Subject:** RE: DenSco's files

Please mark the additional files to be sent to me, sign, date and send it. You can send it to me first to review if you want.

**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](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

**From:** Denny Chittick [mailto:dcmoney@yahoo.com]  
**Sent:** Friday, January 17, 2014 12:01 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: DenSco's files

what do you want me to update?  
just re-date it?

DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)

602-469-3001 C

602-532-7737 f

---

**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** "Denny J. Chittick (dcmoney@yahoo.com)" <dcmoney@yahoo.com>  
**Sent:** Friday, January 17, 2014 11:59 AM  
**Subject:** DenSco's files

Denny:

Attached should be the original form concerning DenSco's files. This is what Bryan Cave wants you to update, to sign and to send to Katherine Velazquez.

**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](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

**From:** Denny Chittick [mailto:dcmoney@yahoo.com]  
**Sent:** Thursday, September 12, 2013 3:19 PM  
**To:** Daniels, Tina  
**Cc:** Velazquez, Katherine  
**Subject:** Re: David G. Beauchamp

here you go

thx

dc

DenSco Investment Corp

[www.denscoinvestment.com/](http://www.denscoinvestment.com/)

602-469-3001

602-532-7737 f

---

**From:** "Daniels, Tina" <tina.daniels@bryancave.com>  
**To:** 'Denny Chittick' <dcmoney@yahoo.com>  
**Cc:** "Velazquez, Katherine" <kdvelazquez@bryancave.com>  
**Sent:** Thursday, September 12, 2013 3:10 PM  
**Subject:** RE: David G. Beauchamp

Hi Denny,

Please return the letter we previously sent with your instructions (and signature) as to the file disposition. Our records department will then coordinate getting the requested files to you.

Thank you,

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
<del>C068584 - DenSco Investment Corp.</del>					
2007 Private Offering	0224518	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2008 Private Offering	0220098	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2009 Private Offering	0232360	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2011 Private Offering	0322546	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2013 Private Offering	0352992	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AZ Practice Review	0328715	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Blue Sky Issues	0235165	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Formation of affiliated entity w/partners	0323475	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Garnishments	0307850	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
General Corporate	0219815	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*1-17-14*



Message

**From:** Denny Chittick [dcmoney@yahoo.com]  
**Sent:** 1/17/2014 11:31:07 AM  
**To:** Beauchamp, David G. [dbeauchamp@clarkhill.com]  
**Subject:** Re: DenSco's files

done

DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)  
602-469-3001 C  
602-532-7737 f

---

**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Friday, January 17, 2014 12:25 PM  
**Subject:** RE: DenSco's files

Denny:

I think that should work. I apologize but Bryan Cave wants you to send it to Katherine directly.

**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](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

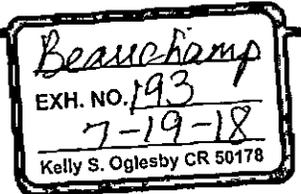
**From:** Denny Chittick [mailto:dcmoney@yahoo.com]  
**Sent:** Friday, January 17, 2014 12:12 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: DenSco's files

Hopefully this covers it!  
dc

DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)

Yan/Sio / work out

**Beauchamp, David G.**



**From:** Beauchamp, David G.  
**Sent:** Friday, January 17, 2014 11:56 AM  
**To:** Denny Chittick  
**Subject:** RE: can i send this email?

Denny:

A litigation attorney would tell you not to send it, because certain parts might be construed to work against you. However, I agree with every word you said and I think it is merely following up what you agreed to do. So, send it.

Best, David

**David G. Beauchamp**

CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.6602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Denny Chittick [<mailto:dcmoney@yahoo.com>]  
**Sent:** Friday, January 17, 2014 11:51 AM  
**To:** Beauchamp, David G.  
**Subject:** can i send this email?

Gentleman:

We have an agreed upon terms sheet for the work out that Scott and I are committed to performing on. I'm not sure what your status is with change of representation. However, i think we can use the same non-disclosure/confidentiality agreement and then we can forward over the terms sheet so you have confidence that we have a working plan in order.

There should be three more properties closing today, Debbie is working on getting that accomplished. Next week we plan to accelerate the number of payoffs.

We haven't been able to move as quickly as i hoped, Scott's wife is in Hospice, but he's been making himself available. He'll be mad i mentioned this, but i thought i would let you know one of the challenges.

Again, i want to reaffirm my commitment in getting you paid off as quickly as possible. i've done nothing but work towards this goal as expeditiously as possible. We are showing good faith by closing these even though i know you may still be uncomfortable without the terms sheet in hand, but that is not stopping us from doing what i told you from the first day i met, which is to get these paid off and return your principle and interest.

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602-469-3001 C  
602-532-7737 f

Beauchamp  
EXH. NO. 1941  
7-19-18  
Kelly S. Oglesby CR 50178

Den Sco / Wint

Beauchamp, David G.

**From:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Friday, January 17, 2014 12:00 PM  
**To:** diethelm@mindspring.com; cdcardon@benchequity.com; Lynn Hoebing  
**Subject:** Terms Sheet

Gentleman:

We have an agreed upon terms sheet that you requested for the work out that Scott and I are committed to performing on. I'm not sure what your status is with change of representation. However, i think we can use the same non-disclosure/confidentiality agreement and then we can forward over the terms sheet so you have confidence that we have a working plan in order.

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dc

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602-469-3001 C  
602-532-7737 f

---

**From:** Denny Chittick <dcmoney@yahoo.com>  
**To:** "diethelm@mindspring.com" <diethelm@mindspring.com>; "cdcardon@benchequity.com" <cdcardon@benchequity.com>; Lynn Hoebing <lynnhoebing@cox.net>  
**Sent:** Thursday, January 16, 2014 6:55 PM  
**Subject:** Non-disclosure/Confid

Daniel & Craig & Lynn:

i just received an email from Mr Miller saying that he and my attorney couldn't work out the conflict because of my prior association with Bryan Cave.

However, I can assure you that we have been working on the terms sheet for you. We have had some issues with availability between the lawyers, but we are down to a few words in two paragraphs. We should have that to you tomorrow, that is my goal.

I hope you saw the four payoffs from today, we are working on more next week.

Again my whole goal is to get you paid your principle and interest on these loans, Scott and i have been working on that since mid November. We will continue to do so.

I've attached the signed non-disclosure/confidentiality agreement. I hope we can continue to work on reaching the goal.

thx

dc

DenSco Investment Corp

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602-469-3001 C

602-532-7737 f

*Beauchamp*  
EXH. NO. 195  
7-19-18  
Kelly S. Oglesby CR 50178

*DenSco*

**Beauchamp, David G.**

**From:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Friday, January 17, 2014 1:58 PM  
**To:** Beauchamp, David G.  
**Cc:** Yomtov Menaged  
**Subject:** Fw: Terms Sheet

can i respond or no?

DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)  
602-469-3001 C  
602-532-7737 f

----- Forwarded Message -----

**From:** Dan Diethelm <diethelm@mindspring.com>  
**To:** Denny Chittick <dcmoney@yahoo.com>  
**Cc:** "cdcardon@benchequity.com" <cdcardon@benchequity.com>; Lynn Hoebing <lynnhoebing@cox.net>  
**Sent:** Friday, January 17, 2014 1:38 PM  
**Subject:** Re: Terms Sheet

Mr Chittick,

We did not ask for a plan, we asked for subordination. Please see our demand letter.

The fact exists that you and your attorney asked for more time, we gave it to you, and you have used that additional time to manufacture a false conflict as a legal tactic. Further despite our repeated requests for a meeting to resolve these issues in a business manner, you and your attorney have refused to meet. These tactics are antithetical to a productive resolution.

To the extent your actions force us to retain new counsel, we shall communicate with your counsel once new representation is engaged.

Daniel D. Diethelm

On Jan 17, 2014, at 11:59 AM, Denny Chittick <dcmoney@yahoo.com> wrote:

Gentleman:

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dc

DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)  
602-469-3001 C  
602-532-7737 f

From: Denny Chittick <dcmoney@yahoo.com>  
To: "diethelm@mindspring.com" <diethelm@mindspring.com>; "cdcardon@benchequity.com" <cdcardon@benchequity.com>; Lynn Hoebing <lynnhoebing@cox.net>  
Sent: Thursday, January 16, 2014 6:55 PM  
Subject: Non-disclosure/Confid

Daniel & Craig & Lynn:

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I've attached the signed non-disclosure/confidentiality agreement. I hope we can continue to work on reaching the goal.

thx

dc

DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)

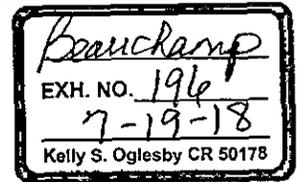
602-469-3001 C

602-532-7737 f

DenSco / workout

Beauchamp, David G.

**From:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Friday, January 17, 2014 2:25 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: Terms Sheet



ok i sent that.

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

---

**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** "dcmoney@yahoo.com" <dcmoney@yahoo.com>  
**Cc:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**Sent:** Friday, January 17, 2014 2:10 PM  
**Subject:** Re: Terms Sheet

Denny:

Try:

Your counsel advised our counsel that if a subordination was not possible, that you wanted to see how this could be resolved in the next 45 days. We have worked diligently toward that despite Scott's limited availability. If you are to be paid off before you could even get a hearing in court with respect to any litigation, why not explore that first.

I will call you when I get out of this meeting.

Best, David

David G. Beauchamp  
CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
dbeauchamp@clarkhill.com | www.clarkhill.com

---

**From:** Denny Chittick [mailto:dcmoney@yahoo.com]  
**Sent:** Friday, January 17, 2014 01:58 PM  
**To:** Beauchamp, David G.  
**Cc:** Yomtov Menaged <smena98754@aol.com>  
**Subject:** Fw: Terms Sheet

can i respond or no?

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www.denscoinvestment.com  
602-469-3001 C  
602-532-7737 f

----- Forwarded Message -----

From: Dan Diethelm <diethelm@mindspring.com>  
To: Denny Chittick <dcmoney@yahoo.com>  
Cc: "cdcardon@benchequity.com" <cdcardon@benchequity.com>; Lynn Hoebing <lynnhoebing@cox.net>  
Sent: Friday, January 17, 2014 1:38 PM  
Subject: Re: Terms Sheet

Mr Chittick,

We did not ask for a plan, we asked for subordination. Please see our demand letter.

The fact exists that you and your attorney asked for more time, we gave it to you, and you have used that additional time to manufacture a false conflict as a legal \_\_\_\_\_ tactic. Further despite our repeated requests for a meeting to resolve these issues in a business manner, you and your attorney have refused to meet. These tactics are antithetical to a productive resolution.

To the extent your actions force us to retain new counsel, we shall communicate with your counsel once new representation is engaged.

Daniel D. Diethelm

On Jan 17, 2014, at 11:59 AM, Denny Chittick <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)> wrote:

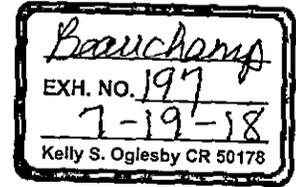
Gentleman:

We have an agreed upon terms sheet that you requested for the work out that Scott and I are committed to performing on. I'm not sure what your status is with change of representation. However, i think we can use the same non-disclosure/confidentiality agreement and then we can forward over the terms sheet so you have confidence that we have a working plan in order.

Den Sco/Workout

**Beauchamp, David G.**

**From:** Beauchamp, David G.  
**Sent:** Friday, January 17, 2014 8:25 PM  
**To:** Denny  
**Subject:** RE: Terms Sheet



Denny:

I have read his comments to be based on the Lobo (?) property and supposedly not having a valid lien, because the borrower does not own it.

I have not seen anything from the Other Lenders where they raise the first lien issue with Scott. That has only been raised with you.

Best, David

**David G. Beauchamp**

CLARK HILL PLC

14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Denny [mailto:[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)]  
**Sent:** Friday, January 17, 2014 8:22 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: Terms Sheet

I understand that, that is same as my docs, but they r current on interest. Unless they r saying because of the first lien position question. I don't know, I don't care. On their payoffs they r not requesting default interest

Sent from my iPad

On Jan 17, 2014, at 7:59 PM, "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

Denny:

The cross defaults are normally by borrower, so the cross default will only extend to loans from that lender to that borrower.

Cross default provides that if one loan is in default, then all loans from that lender to that same borrower are in default. However, their notes have a very high default interest rate. That could affect the numbers being used to calculate the pay off strategy.

Best, David

**David G. Beauchamp**

CLARK HILL PLC

14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

**From:** Denny Chittick [<mailto:dcmoney@yahoo.com>]  
**Sent:** Friday, January 17, 2014 6:58 PM  
**To:** Beauchamp, David G.  
**Subject:** Fw: Terms Sheet

seems like he would be thrilled to get it taken care of ,  
instead he's saying they are all in default, but if he's been  
paid interest, not sure how it can say they are in default.  
dc

DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)  
602-469-3001 C  
602-532-7737 f

----- Forwarded Message -----

**From:** Craig D. Cardon <[cddcardon@cardonhiatt.com](mailto:cddcardon@cardonhiatt.com)>  
**To:** Scott Menaged <[smena98754@aol.com](mailto:smena98754@aol.com)>  
**Cc:** Denny Chittick <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)>; Dan Diethelm <[diethelm@mindspring.com](mailto:diethelm@mindspring.com)>; Lynn  
Hoebing <[lynnhoebing@cox.net](mailto:lynnhoebing@cox.net)>  
**Sent:** Friday, January 17, 2014 5:12 PM  
**Subject:** Re: Terms Sheet

Having Lobo continue to be delayed does not work for us. Our loans are all  
cross defaulted. Causing all our remaining loans with you to be in default  
appears to be our only recourse for ensuring Lobo's repayment. In fact, each  
time we receive repayment of a loan other than Lobo, we step closer to that  
eventuality.

Craig D. Cardon  
Cardon Hiatt Companies  
(Sent from my mobile device. Please excuse any typos or brevity.)

On Jan 17, 2014, at 4:26 PM, "Scott Menaged" <[smena98754@aol.com](mailto:smena98754@aol.com)> wrote:

I will have that property paid off by the end of next week.

Sent from my iPhone

On Jan 17, 2014, at 4:22 PM, Denny Chittick  
<[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)> wrote:

Yes i remember you mentioning that  
property and the issue, that is one we will

work getting resolved quickly.  
thx  
dc

DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)  
602-469-3001 C  
602-532-7737 f

---

**From:** Craig D. Cardon <[cdcardon@cardonhiatt.com](mailto:cdcardon@cardonhiatt.com)>  
**To:** Denny Chittick <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)>  
**Cc:** Dan Diethelm <[diethelm@mindspring.com](mailto:diethelm@mindspring.com)>; Lynn Hoebing <[lynnhoebing@cox.net](mailto:lynnhoebing@cox.net)>  
**Sent:** Friday, January 17, 2014 4:13 PM  
**Subject:** Re: Terms Sheet

Denny,

As we discussed in our meeting, Lobo is in default as there is no collateral due to rescission. It needs to be paid off immediately.

Please advise.

Thanks.

Craig D. Cardon  
Cardon Hiatt Companies  
(Sent from my mobile device. Please excuse any typos or brevity.)

On Jan 17, 2014, at 2:27 PM, "Denny Chittick" <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)> wrote:

Your counsel advised my counsel that if a subordination was not possible, that you wanted to see how this could be resolved in the next 45

days. We have worked diligently toward that despite Scott's limited availability. If you are paid off before you could ever get a hearing in court with respect to litigation, why not explore that first?

dc

DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)  
602-469-3001 C  
602-532-7737 f

---

**From:** Dan Diethelm  
<[diethelm@mindspring.com](mailto:diethelm@mindspring.com)>  
**To:** Denny Chittick <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)>  
**Cc:** "cdcardon@benchequity.com"  
<[cdcardon@benchequity.com](mailto:cdcardon@benchequity.com)>; Lynn  
Hoebing <[lynnhoebing@cox.net](mailto:lynnhoebing@cox.net)>  
**Sent:** Friday, January 17, 2014 1:38 PM  
**Subject:** Re: Terms Sheet

Mr Chittick,

We did not ask for a plan, we asked for subordination. Please see our demand letter.

The fact exists that you and your attorney asked for more time, we gave it to you, and you have used that additional time to manufacture a false conflict as a legal tactic. Further despite our repeated requests for a meeting to resolve these issues in a business manner, you and your attorney have refused to meet. These tactics are antithetical to a productive resolution.

To the extent your actions force us to retain new counsel, we shall

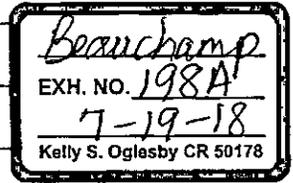
Dep Sco / without

Tow Denny Chittide (1/17/14)

602-469-3001

03

- Denny has heard nothing  
- just received another email



- \$8.8 MM - what total exposure was

\$7.7 MM - now currently over-funded

- Scott going to NY on Monday → to get \$1M - which will pay-off  
about half of their loans

Beauchamp  
EXH. NO. 198B  
7-19-18  
Kelly S. Oglesby CR 50178

DaSw1

**Beauchamp, David G.**

**From:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Tuesday, January 21, 2014 9:01 AM  
**To:** Beauchamp, David G.  
**Subject:** Re. Tomorrow morning

i talked to scott, he talked to debbie, she can't close these four or five until tomrrow and then more friday.

scott mentioned, we could show up with cashiers checks and just ask for releases directly from them and circumvent the whole title process. but i rather go through title so there is no question and everything is done, but worse case, it is an option.

dc

DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)  
602-469-3001 C  
602-532-7737 f

---

**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** "dcmoney@yahoo.com" <dcmoney@yahoo.com>  
**Cc:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**Sent:** Tuesday, January 21, 2014 8:42 AM  
**Subject:** Re: Tomorrow morning

Denny:

I have been on a 7:30 conf call. We just finished. Can we talk now?

Best, David

David G. Beauchamp  
CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

----- Original Message -----

From: Denny [mailto:[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)]

Sent: Tuesday, January 21, 2014 01:28 AM

To: Beauchamp, David G.

Subject: Tomorrow morning

I didn't call u all weekend because I didn't have a solution. Scott is in NY and after talking with him, he's raised a 1.5 million and now all we have to do is get dan off our back, we have a plan I just need ur blessing. Here r the basics

To use round numbers, let's say there r 50 loans from dans group, and a 100 from Greg. So with the dispute on all the liens as to who is in first, and we know the values. Again for easy math, they r encumbered at 120% of value. ( I lent 75k dan/Greg lent 70k, scott bought for a 100k worth 120k) All 150 loans r in this position. If I paid off the 50 that r dans group, and over encumbered the remaining 100 loans to 150%, ( some money going on Greg's loans , and then moving my LTV on dans old loans to 95%, I am in the exact same dollar position I am now. Yes at a higher LTV , but on less properties , but I have eliminated the Dan groups gun to my head. Greg will continue to receive his interest, he will be happy, dan is gone, and now scott and I can continue to work out the plan that we outlined before. As he brings in money from outside sources, sells properties, collects rent, use profits from his furniture stores, he keeps Greg current, and uses excess funds to payoff Greg's loans, which then puts me in first position, and then he sells those properties and pays me off.

I know this may take some time on the phone with u but I thought I would let u read it first. I need to know if under the work out agreement I have the flexibility to do this. Scott also said he would give me a UCC on two mil of inventory at his furniture business as additional security. I have gone over this a dozen times. I have confidence that scott will do what he says, it eliminates the problem with dans group it gives us time which is the most critical element in making this all work out. We have 20 properties in escrow right now, some r dans some r Greg's some r ones that have 20-30k gains in them. Given time on our hands, this will work out. If we don't pay dan off, I am told through Gregg, that dan wants to file by Friday. I cannot have enough money ready to pay dan off by Friday it might take me two or three weeks, but I can do as much as 2 to 2.5 mil this week. Nearly half of the loans. If dan files tomorrow , Friday or next week, this whole thing collapses and I am done. I see this is the only option. Plz call as early as is convenient for u

Sent from my iPad

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Den Sco / Workon

Message from Denny Chittick (1/21/14)

602-469-3001

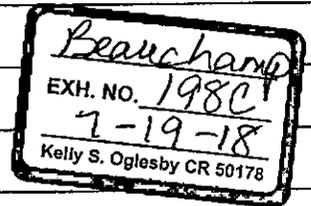
- please call

Tax Denny Chittick (1/21/14)

602-469-3001

~~Don~~ - 38 or 42 → Best case is by next week  
Greg - 85-95

- Scott is in NY  
- his guys will forward

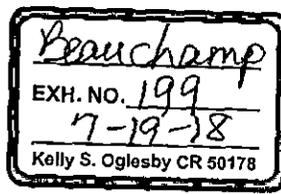


- Blanket Lien

- UCC-1

- need Security Agent

- one of hold-ups is title



Don Sco /

**Beauchamp, David G.**

---

**From:** Beauchamp, David G.  
**Sent:** Tuesday, January 21, 2014 9:26 AM  
**To:** 'dcmoney@yahoo.com'  
**Cc:** Beauchamp, David G.  
**Subject:** Fw: Tomorrow morning

Denny:

After we talked, I thought of a couple more questions for UCC. If the furniture company is a separate entity, we will its name, ownership and a guaranty from it in order to have an effective security agreement and a UCC.

Thanks, David

David G. Beauchamp  
CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

----- Original Message -----

**From:** Denny [mailto:dcmoney@yahoo.com]  
**Sent:** Tuesday, January 21, 2014 01:28 AM  
**To:** Beauchamp, David G.  
**Subject:** Tomorrow morning

I didn't call u all weekend because I didn't have a solution. Scott is in NY and after talking with him, he's raised a 1.5 million and now all we have to do is get dan off our back, we have a plan I just need ur blessing. Here r the basics To use round numbers, let's say there r 50 loans from dans group, and a 100 from Greg. So with the dispute on all the liens as to who is in first, and we know the values. Again for easy math, they r encumbered at 120% of value. ( I lent 75k dan/Greg lent 70k, scott bought for a 100k worth 120k) All 150 loans r in this position. If I paid off the 50 that r dans group, and over encumbered the remaining 100 loans to 150%, ( some money going on Greg's loans , and then moving my LTV on dans old loans to 95%, I am in the exact same dollar position I am now. Yes at a higher LTV , but on less properties , but I have eliminated the Dan groups gun to my head. Greg will continue to receive his interest, he will be happy, dan is gone, and now scott and I can continue to work out the plan that we outlined before. As he brings in money from outside sources, sells properties, collects rent, use profits from his furniture stores, he keeps Greg current, and uses excess funds to payoff Greg's loans, which then puts me in first positon, and then he sells those properties and pays me off.

I know this may take some time on the phone with u but I thought I would let u read it first. I need to know if under the work out agreement I have the flexibility to do this. Scott also said he would give me a UCC on two mil of inventory at his furniture business as additional security. I have gone over this a dozen times. I have confidence that scott will do what he says, it eliminates the problem with dans group it gives us time which is the most critical element in making this all work out. We have 20 properties in escrow right now, some r dans some r Greg's some r ones that have 20-30k gains in them. Given time on our hands, this will work out. If we don't pay dan off, I am told through Gregg, that dan wants to file by Friday. I cannot have enough money ready to pay dan off by Friday it might take me two or three weeks, but I can do as much as 2 to 2.5 mil this week. Nearly half of the loans. If dan files tomorrow , Friday or next week, this whole thing collapses and I am done. I see this is the only option. Plz call as early as is convienent for u



**Beauchamp, David G.**

---

**From:** Beauchamp, David G.  
**Sent:** Tuesday, January 21, 2014 9:31 AM  
**To:** Schenck, Daniel A.  
**Cc:** Beauchamp, David G.  
**Subject:** Re: Tomorrow morning

I already asked for that info and I agree that it is probable already encumbered.

Thanks, David

David G. Beauchamp  
CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

----- Original Message -----

From: Schenck, Daniel A.  
Sent: Tuesday, January 21, 2014 09:28 AM  
To: Beauchamp, David G.  
Subject: RE: Tomorrow morning

Do you know the names/state of organization of the entity that owns the furniture stores? (I can then do a UCC Search, but I'll VERY surprised if the inventory is not already encumbered.)

Daniel A. Schenck  
CLARK HILL PLC  
480.684.1118 (direct) | 480.684.1179 (fax)  
Licensed in Arizona, California, Utah and Nevada  
[dschenck@clarkhill.com](mailto:dschenck@clarkhill.com) | bio | [www.clarkhill.com](http://www.clarkhill.com)

-----Original Message-----

From: Beauchamp, David G.  
Sent: Tuesday, January 21, 2014 9:24 AM  
To: Schenck, Daniel A.  
Cc: Beauchamp, David G.  
Subject: Fw: Tomorrow morning

Dan:

In below email there is a reference to UCC on 2 mil in inventory. We will need a guaranty from furniture co. And a security agreement to support UCC. I will talk to you when I get in.

Thanks, David

David G. Beauchamp

CLARK HILL PLC

14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

----- Original Message -----

From: Denny [mailto:[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)]  
Sent: Tuesday, January 21, 2014 01:28 AM  
To: Beauchamp, David G.  
Subject: Tomorrow morning

I didn't call u all weekend because I didn't have a solution. Scott is in NY and after talking with him, he's raised a 1.5 million and now all we have to do is get dan off our back, we have a plan I just need ur blessing. Here r the basics To use round numbers, let's say there r 50 loans from dans group, and a 100 from Greg. So with the dispute on all the liens as to who is in first, and we know the values. Again for easy math, they r encumbered at 120% of value. ( I lent 75k dan/Greg lent 70k, scott bought for a 100k worth 120k) All 150 loans r in this position. If I paid off the 50 that r dans group, and over encumbered the remaining 100 loans to 150%, ( some money going on Greg's loans , and then moving my LTV on dans old loans to 95%, I am in the exact same dollar position I am now. Yes at a higher LTV , but on less properties , but I have eliminated the Dan groups gun to my head. Greg will continue to receive his interest, he will be happy, dan is gone, and now scott and I can continue to work out the plan that we outlined before. As he brings in money from outside sources, sells properties, collects rent, use profits from his furniture stores, he keeps Greg current, and uses excess funds to payoff Greg's loans, which then puts me in first position, and then he sells those properties and pays me off.

I know this may take some time on the phone with u but I thought I would let u read it first. I need to know if under the work out agreement I have the flexibility to do this. Scott also said he would give me a UCC on two mil of inventory at his furniture business as additional security. I have gone over this a dozen times. I have confidence that scott will do what he says, it eliminates the problem with dans group it gives us time which is the most critical element in making this all work out. We have 20 properties in escrow right now, some r dans some r Greg's some r ones that have 20-30k gains in them. Given time on our hands, this will work out. If we don't pay dan off, I am told through Gregg, that dan wants to file by Friday. I cannot have enough money ready to pay dan off by Friday it might take me two or three weeks, but I can do as much as 2 to 2.5 mil this week. Nearly half of the loans. If dan files tomorrow , Friday or next week, this whole thing collapses and I am done. I see this is the only option. Plz call as early as is convenient for u

Sent from my iPad



DenSco/Work

**Beauchamp, David G.**

---

**From:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Tuesday, January 21, 2014 9:40 AM  
**To:** Beauchamp, David G.  
**Subject:** Fw: ucc

here you go

DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)  
602-469-3001 C  
602-532-7737 f

----- Forwarded Message -----

**From:** Scott Meanged <smena98754@aol.com>  
**To:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Tuesday, January 21, 2014 9:35 AM  
**Subject:** Re: ucc

Furniture king llc

I am the only owner of the company

It should be a general ucc for inventory owned by the company

Sent from my iPhone

On Jan 21, 2014, at 9:28 AM, Denny Chittick <dcmoney@yahoo.com> wrote:

Denny:

After we talked, I thought of a couple more questions for UCC. If the furniture company is a separate entity, we will its name, ownership and a guaranty from it in order to have an effective security agreement and a UCC.

Thanks, David

DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)  
602-469-3001 C  
602-532-7737 f



**Beauchamp, David G.**

---

**From:** Beauchamp, David G.  
**Sent:** Tuesday, January 21, 2014 9:49 PM  
**To:** Anderson, Robert G.  
**Cc:** Schenck, Daniel A.  
**Subject:** FW: deferred interest

I think I forgot to include the dates for the deferred interest (below) in the Term Sheet.

Thanks, David

**David G. Beauchamp**

CLARK HILL PLC

14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Denny [mailto:[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)]  
**Sent:** Thursday, January 16, 2014 5:25 AM  
**To:** Beauchamp, David G.  
**Subject:** Re: deferred interest

Ok let's pick sept 30, same for the million dollars

Sent from my iPad

On Jan 16, 2014, at 1:47 AM, "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

Denny:

If we do not use a date to stop deferred interest, we will need a formula to determine adequate cash flow. I would also suggest an outside date.

It would also make sense to have the \$1 million note have an interest rate increase at some point if it is not paid off on or before \_\_\_(date).

Best, David

David G. Beauchamp  
CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Denny Chittick [mailto:[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)]  
**Sent:** Thursday, January 16, 2014 12:13 AM  
**To:** Yomtov Menaged <[smena98754@aol.com](mailto:smena98754@aol.com)>; Beauchamp, David G.  
**Subject:** deferred interest

instead of a time table, what we agreed to was that i would defer the interest until the property pays off. once we start turning these properties and cash starts coming in for scott he's going to try to make interest payments too. but that depends on cash flow not a date.

dc

DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)  
602-469-3001 C  
602-532-7737 f

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Message

**From:** Schenck, Daniel A. [DSchenck@ClarkHill.com]  
**Sent:** 1/21/2014 1:35:00 PM  
**To:** dcmoney@yahoo.com  
**CC:** Beauchamp, David G. [DBeauchamp@ClarkHill.com]; Anderson, Robert G. [RAnderson@ClarkHill.com]  
**Subject:** Furniture King  
**Attachments:** 3528\_001.pdf

Denny,

For your information, Scott's furniture store (Furniture King) has liens on its inventory. The UCC filings are attached. The UCC filings do not state the amount of the encumbrances, but it could be a fluid amount, based on a line of credit with a vendor.

On another matter, we need some documents to complete the forbearance agreement. Can you please send us a copy of the form(s) you used for (i) a loan agreement and (ii) a deed of trust. I know that you likely have dozens (if not hundreds) of loan agreements and deed of trusts, but if the same forms were used, we can review the forms to find the information we need. If multiple forms were used, please provide us a copy of each form. The forbearance agreement will refer to these documents, and will ideally detail how/where the debtor breached the terms of the agreement, but will include language regarding the lender's agreement to forbearance from pursuing its claims based on those breaches.

Thank you.

**Daniel A. Schenck**

CLARK HILL PLC

480.684.1118 (direct) | 480.684.1179 (fax)  
Licensed in Arizona, California, Utah and Nevada  
[dschenck@clarkhill.com](mailto:dschenck@clarkhill.com) | [bio](#) | [www.clarkhill.com](http://www.clarkhill.com)

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### Arizona Secretary of State - Ken Bennett

View Liens

Results from this search contain all UCC records filed on or prior to Wednesday, January 15, 2014

File Number:2011-166-8521-0      Origination: Nov 09,2011      Lien Type: Standard  
 Expires on: Nov 09,2016  
 Type: New Filing      Entered: Nov 10,2011      Pages: 1      View  
 Filed On: Nov 09,2011

Debtors	Secured Parties
FURNITURE KING LLC 7320 W BELL RD GLENDALE, AZ 85308	FOREST DESIGNS 3230 E ROESER RD #10 PHOENIX, AZ 85040

File Number:2012-168-6766-5      Origination: Mar 20,2012      Lien Type: Standard  
 Expires on: Mar 20,2017  
 Type: New Filing      Entered: Mar 20,2012      Pages: 1      View  
 Filed On: Mar 20,2012

Debtors	Secured Parties
FURNITURE KING LLC 7320 W BELL RD GLENDALE, AZ 85308	FURNITURE BRANDS INTERNATIONAL, INC. 1 N BRENTWOOD BLVD CLAYTON, MO 63105

Version: 1.0

K

SECRETARY OF STATE  
201116685210 2011 NOV -9 AM 11:15

FILED

11/09/2011 11:15 AM  
RECEIVED  
NOV 9 2011  
11:15 AM

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER (optional)  
RUBIN BLATTMAN 602-243-6004

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

RUBIN BLATTMAN  
FOREST DESIGNS  
3230 E ROESER ROAD #10  
PHOENIX, AZ 85040

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME (insert only one debtor name (1a or 1b) - do not abbreviate or combine names)

1a. ORGANIZATION'S NAME  
Furniture King LLC

OR  
1b. INDIVIDUAL'S LAST NAME

1c. MAILING ADDRESS  
7320 W. Bell Rd  
Glendale  
AZ 85308 USA

1d. SEE INSTRUCTIONS  
1e. ADD'L INFO RE ORGANIZATION DEBTOR  
1f. TYPE OF ORGANIZATION  
LLC  
1g. JURISDICTION OF ORGANIZATION  
Arizona  
1h. ORGANIZATIONAL ID #, if any  
 NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME (insert only one debtor name (2a or 2b) - do not abbreviate or combine names)

2a. ORGANIZATION'S NAME

OR  
2b. INDIVIDUAL'S LAST NAME

2c. MAILING ADDRESS

2d. CITY

2e. STATE

2f. POSTAL CODE

2g. COUNTRY

2h. SEE INSTRUCTIONS  
2i. ADD'L INFO RE ORGANIZATION DEBTOR  
2j. TYPE OF ORGANIZATION  
2k. JURISDICTION OF ORGANIZATION  
2l. ORGANIZATIONAL ID #, if any  
 NONE

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE or ASSIGNOR'S (P) - insert only one secured party name (3a or 3b))

3a. ORGANIZATION'S NAME  
FOREST DESIGNS

OR  
3b. INDIVIDUAL'S LAST NAME

3c. MAILING ADDRESS  
3230 EAST ROESER ROAD #10

3d. CITY  
PHOENIX

3e. STATE  
AZ

3f. POSTAL CODE  
85040

3g. COUNTRY

4. THIS FINANCING STATEMENT covers the following collateral:  
ALL FURNITURE, FURNITURE INVENTORY, INVENTORY, FIXTURES, EQUIPMENT, PROCEEDS AND PRODUCTS, ACCOUNTS RECEIVABLES, NOW OR HEREAFTER OWNED OR ACQUIRED BY DEBTOR, WHEREVER LOCATED.

5. ALTERNATIVE DESIGNATION (if applicable) | LESSEE/LESSOR | CONSIGNEE/CONSIGNOR | SALES/BALOR | SELLER/BUYER | AG. LIEN | NON-REG. FILING

6. THIS FINANCING STATEMENT is to be filed (or, record) (or, recorded) in the REAL ESTATE RECORDS | 7. CHECK TO REQUEST SEARCH REPORT (S) ON CREDIT | AR Debtors | Debtor 1 | Debtor 2

8. OPTIONAL FILER REFERENCE DATA

FILED  
ARIZONA SECRETARY OF STATE  
03/20/2012 09:54 AM  
201216867665

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER (optional)

B. SEND ACKNOWLEDGMENT TO: (Name and Address) ALH

Corporation Service Company  
801 ADLAI STEVENSON DRIVE  
Springfield, IL 62703

**ALH**



F u r n i t u r e   K i n g

136197-1

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME (insert only one debtor name (1a or 1b) - do not abbreviate or combine names)

1a. ORGANIZATION'S NAME  
FURNITURE KING, LLC

OR  
1b. INDIVIDUAL'S LAST NAME

FIRST NAME

MIDDLE NAME

SUFFIX

7c. MAILING ADDRESS

CITY

STATE

POSTAL CODE

COUNTRY

7320 W. Bell Rd.  
Glendale  
AZ 85308  
USA

2d. SEE INSTRUCTIONS

2e. TYPE OF ORGANIZATION

2f. JURISDICTION OF ORGANIZATION

2g. ORGANIZATIONAL ID #, if any

DEBTOR

LLC

AZ

L-1703844-9

NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME (insert only one debtor name (2a or 2b) - do not abbreviate or combine names)

2a. ORGANIZATION'S NAME

OR  
2b. INDIVIDUAL'S LAST NAME

FIRST NAME

MIDDLE NAME

SUFFIX

2c. MAILING ADDRESS

CITY

STATE

POSTAL CODE

COUNTRY

2d. SEE INSTRUCTIONS

2e. TYPE OF ORGANIZATION

2f. JURISDICTION OF ORGANIZATION

2g. ORGANIZATIONAL ID #, if any

DEBTOR

NONE

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR SPS - insert only one secured party name (3a or 3b))

3a. ORGANIZATION'S NAME  
Furniture Brands International, Inc.

OR  
3b. INDIVIDUAL'S LAST NAME

FIRST NAME

MIDDLE NAME

SUFFIX

3c. MAILING ADDRESS

CITY

STATE

POSTAL CODE

COUNTRY

1 N. Brentwood Blvd.  
Clayton  
MO 63105  
USA

4. This FINANCING STATEMENT covers the following collateral:

All inventory and other goods of the Debtor previously acquired from the Secured Party or hereafter acquired from the Secured Party as well as accounts, chattel paper, deposit accounts, insurance claims and proceeds and contractual rights relating to such goods and other proceeds from the sale or other disposition of such goods.

5. ALTERNATIVE DESIGNATION (if applicable)

6. THIS FINANCING STATEMENT is to be filed for record in the REAL ESTATE RECORDS. Attach Addendum

7. Check to REQUEST SEARCH REPORT on Debtor(s) (optional)

8. ADDITIONAL FEES

9. AG. LIEB

10. NON-UCC FILING

11. All Debts

12. Certain

13. Other

AZ-Secretary of State



Message

**From:** Denny Chittick [dcmoney@yahoo.com]  
**Sent:** 1/21/2014 11:02:46 AM  
**To:** Schenck, Daniel A. [dschenck@clarkhill.com]  
**CC:** Beauchamp, David G. [dbeauchamp@clarkhill.com]; Anderson, Robert G. [randerson@clarkhill.com]  
**Subject:** Re: Furniture King  
**Attachments:** DOT Easy Investments.doc; Note Easy Investment.doc; RM Easy Investments.doc

Attached are the deed and note and rm i use for every loan.

thx

dc

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

---

**From:** "Schenck, Daniel A." <DSchenck@ClarkHill.com>  
**To:** "dcmoney@yahoo.com" <dcmoney@yahoo.com>  
**Cc:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>; "Anderson, Robert G." <Randerson@ClarkHill.com>  
**Sent:** Tuesday, January 21, 2014 11:35 AM  
**Subject:** Furniture King

Denny,

For your information, Scott's furniture store (Furniture King) has liens on its inventory. The UCC filings are attached. The UCC filings do not state the amount of the encumbrances, but it could be a fluid amount, based on a line of credit with a vendor.

On another matter, we need some documents to complete the forbearance agreement. Can you please send us a copy of the form(s) you used for (i) a loan agreement and (ii) a deed of trust. I know that you likely have dozens (if not hundreds) of loan agreements and deed of trusts, but if the same forms were used, we can review the forms to find the information we need. If multiple forms were used, please provide us a copy of each form. The forbearance agreement will refer to these documents, and will ideally detail how/where the debtor breached the terms of the agreement, but will include language regarding the lender's agreement to forbearance from pursuing its claims based on those breaches.

Thank you.

**Daniel A. Schenck**

CLARK HILL PLC

---

480.684.1118 (direct) | 480.684.1179 (fax)  
Licensed in Arizona, California, Utah and Nevada  
[dschenck@clarkhill.com](mailto:dschenck@clarkhill.com) | [bio](http://bio) | [www.clarkhill.com](http://www.clarkhill.com)

**LEGAL NOTICE:** This e-mail is for the exclusive use of the intended recipient(s), and may contain privileged and confidential information. If you are not an intended recipient, please notify the sender, delete the e-mail from your computer and do not copy or disclose it to anyone else. Your receipt of this message is not intended to waive any applicable privilege. Neither this e-mail nor any attachment(s) establish an attorney-client relationship, constitute an electronic signature or provide consent to contract electronically, unless expressly so stated by a Clark Hill attorney in the body of this e-mail or an attachment.

**FEDERAL TAX ADVICE DISCLAIMER:** Under U. S. Treasury Regulations, we are informing you that, to the extent this message includes any federal tax advice, this message is not intended or written by the sender to be used, and cannot be used, for the purpose of avoiding federal tax penalties.

**WHEN RECORDED MAIL TO:**

DenSco Investment  
6132 W. Victoria Place  
Chandler, AZ 85226

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

**DEED OF TRUST AND ASSIGNMENT OF RENTS**

Date: January 17, 2014

**TRUSTOR:** Arizona Home Foreclosures, LLC

Address: 7320 W Bell Rd., Glendale, AZ 85308

**BENEFICIARY:** DenSco Investment Corporation, an Arizona corporation ("Lender")

Address: 6132 W. Victoria Place, Chandler, AZ 85226

**TRUSTEE:** Quality Loan Service Corp

Address: 2141 5<sup>th</sup> Ave., San Diego, CA 92101

**PROPERTY** in the County of Maricopa, State of Arizona, described as: Lot 276, Subdivision Sunset Vista, according to Book 695, of Maps, Page 24, in the plat record in the Recorder's Office of Maricopa County, Arizona.

Street address: 25863 W St. James Ave., Buckeye, AZ 85326

**WITNESSETH THAT** Borrower does hereby irrevocably grant, bargain, sell and convey to Trustee, in trust, with power of sale, the above-described real property;

**TOGETHER WITH** all the improvements now or hereafter erected on the Property, and all easements, appurtenances and fixtures now or hereafter a part of the Property, and all rents, issues and profits thereof, **SUBJECT, HOWEVER,** to the right, power and authority hereinafter given to and conferred upon Lender to collect and apply such rents, issues and profits. All replacements and additions also shall be covered by this Deed of Trust. All of the foregoing is referred to in this Deed of Trust as the "Property."

**FOR THE PURPOSE OF SECURING:**

A. Performance of each and every agreement of Borrower herein contained. B. Payment of the principal sum of \$43,500.00 (U.S. \$Forty-three Thousand Five Hundred Dollars and No Cents). This debt is evidenced by Borrower's NOTE or NOTES dated the same date as this DEED OF TRUST, and any extension or renewal thereof (collectively, if applicable, the "Note"). C. Payment of all additional sums and interest thereon which at any time now or hereafter are owed by Borrower to Lender, or its successors or assigns. D. Payment of any amounts hereafter advanced by Lender or paid on behalf of Borrower to perform any duties or obligations of Borrower hereunder, or otherwise to protect the Property or the lien of this Deed of Trust.

**TO PROTECT THE SECURITY OF THIS DEED OF TRUST, BORROWER AGREES:**

1. Borrower has the right to grant and convey the Property and that Property is unencumbered, except for encumbrances of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

2. Borrower shall promptly pay when due the principal of and interest on the debt evidenced by the Note and any prepayment and late charges due under the Note.

3. Unless applicable law provides otherwise, all payments received by Lender under Paragraph 2 shall be applied first in payment of any costs or charges, then to Default Interest (as defined in the Note) accrued, then to interest accrued, and then to reduce principal.

4. Borrower shall pay all taxes, assessments, charges, fines and impositions attributable to the Property which may attain priority over this Deed of Trust, and leasehold payments or ground rents, if any. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this Paragraph 4. Borrower shall promptly furnish to Lender receipts evidencing the payments.

5. Borrower shall promptly discharge any lien in which has priority over this Deed of Trust unless Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (b) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in Lender's opinion operate to prevent the enforcement of lien; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Deed of Trust. If Lender determines that any part of the Property is subject to a lien which may attain priority over this Deed of Trust, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy the lien or take one or more actions set forth within 10 days of the beginning of notice.

6. Borrower shall keep said Property in good condition and repair; not to remove or demolish any building thereon unless part of the construction plan approved in writing by Lender; to complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor; to comply with all laws affecting said Property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said Property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said Property may be reasonably necessary, the specific enumerations herein not excluding the general.

7. Borrower shall provide, maintain and deliver to Lender fire insurance and general liability insurance on the Property satisfactory to and with loss payable to Lender. The amount collected under any fire or other insurance policy may be applied by Borrower upon any indebtedness secured hereby and in such order as Borrower may determine, or at option of Borrower the entire amount so collected or any part thereof may be released to Lender. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

8. Borrower shall appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Lender or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorneys' fees in a reasonable sum, in any such action or proceeding in which Lender or Trustee may appear.

9. Borrower shall pay immediately and without demand all sums expended by Lender or Trustee pursuant to the provisions hereof, with interest from date of expenditure, at the rate of interest found on the Note.

10. Borrower shall not cause or permit the presence, use, disposal, storage or release of any Hazardous Substances on or in the Property. Borrower shall not do or allow anyone else to do, anything affecting the Property that is in violation of any Environmental Law. The preceding two sentences shall not apply to the presence, use or storage on the Property of small immaterial quantities of Hazardous Substances that are generally recognized to be appropriate to normal cleaning and maintenance purposes of a commercial or residential property. Borrower shall promptly give Lender written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property or any Hazardous Substance or Environmental Law of which Borrower has actual or constructive knowledge. If

Borrower learns, or is notified by any governmental or regulatory authority, that any removable or other remediation of any Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Laws. As used in this Paragraph 10, "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides or herbicides, volatile solvents, materials containing asbestos, formaldehyde or dioxins, and radioactive materials. As used in this Paragraph 10, "Environmental Law" means all federal laws and laws of the state, county and city of the jurisdiction where the Property is located that relates to health, safety or environmental protection.

**IT IS MUTUALLY AGREED:**

11. Should Borrower fail to make any payment or to do any act as herein provided, then Lender or Trustee, but without obligation so to do and without notice to or demand upon Borrower and without releasing Borrower from any obligation hereof, may: (a) make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Lender or Trustee being authorized to enter upon said Property for such purposes; (b) appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Lender or Trustee; (c) pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgement of either appears to be prior or superior hereto; and (d) in exercising any such powers, or in enforcing this Deed of Trust by foreclosure, pay necessary expenses, employ counsel and pay his reasonable fees. Any amounts dispersed by Lender under this Paragraph 11 shall become additional debt of Borrower's, secured by this Deed of Trust unless Borrower and Lender agree to other terms of payment, these amounts shall be payable, with interest, upon demand from Lender to Borrower.

12. Any award of damages in connection with any condemnation for public use of or injury to said Property or any part thereof is hereby assigned and shall be paid to Lender who may apply or release such monies received by it in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

13. **TIME IS OF THE ESSENCE IN EACH COVENANT OF THIS DEED OF TRUST;** and that by accepting payment of any sums secured hereby after its due date, Lender does not waive its right either to require prompt payment when due of all other sums so secured or to declare default for failure to pay.

14. At any time or from time to time, without liability therefor and without notice, upon written request of Lender and presentation of this Deed of Trust and said Note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: (a) reconvey all or any part of said Property; consent to the making of any map or plat thereof; (b) join in granting any easement thereon; or (c) join in any extension agreement or any agreement subordinating the lien or change hereof.

15. As additional security, Borrower hereby gives to, confers upon and assigns to Lender the right, power and authority during the continuance of these Trusts, to collect the rents, issues and profits of said Property, reserving unto Borrower the right, prior to any default by Lender payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Lender may at any time without notice, either in person, by agent or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said Property or any part hereof, in its own name sue for or otherwise collect such rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees, upon any indebtedness secured hereby, and in such order as Lender may determine. The entering upon and taking possession of said Property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

16. The failure of Borrower to comply fully with the terms of the Note or this Deed of Trust shall constitute an immediate default hereunder, and the occurrence of any default under any other notes or deeds of trust

between the parties securing any other indebtedness owed by Borrower to Lender shall also constitute a default under this Deed of Trust. Upon any such default, Lender shall have the right, at its election, to accelerate immediately any or all of the loans, and proceed to enforce all of Lender's rights, in accordance with Arizona law, including without limitation, the right to foreclose any or all of the deeds of trust and pursue a deficiency judgment(s).

If the Property is sold, assigned or transferred, whether voluntarily, involuntarily, or by operation of law, the entire principal balance together with accrued interest and all other charges shall become immediately due and payable.

17. Notice of sale having been given as then required by law, and not less than the time required by law having elapsed, Trustee, without demand on Borrower, shall sell said Property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee shall deliver to the purchaser its deed conveying the Property so sold, but without any covenant or warranty express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Borrower, Trustee or Lender, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title and reasonable attorneys' fees in connection with sale, Trustee shall apply the proceeds of sale to payment of; all sums then secured hereby and all other sums due under the terms hereof, with accrued interest; and all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto, or as provided in A.R.S. § 33-812. To the extent permitted by law, an action may be maintained by Lender to recover a deficiency judgment for any balance due hereunder. Lender may foreclose this Deed of Trust as a realty mortgage.

If Property under this Deed of Trust is located in more than one county, regardless of whether Property is contiguous or not, Trustee may sell all Property in any one of the counties in which part of Property is located; and unless Trustee receives contrary written instructions from Lender or Borrower, Trustee may sell all Property either in parcels or in whole.

If indebtedness secured hereby is secured by one or more other deeds of trust, the upon default of Borrower in payment of indebtedness or performance of any other agreement with Lender, Trustee may sell Property subject to this Deed of Trust and to any other deeds of trust securing said indebtedness at Trustee's sale conducted serially.

Trustee is not obligated to notify any party hereto of pending sale under any other deeds of trust, or of any action or proceeding in which Borrower, Lender or Trustee shall be a party, unless brought by Trustee.

18. This Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Lender shall mean the holder and owner of the Note secured hereby; or, if the Note has been pledged, the pledgee thereof. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

19. Lender may, for any reason or cause, from time to time remove Trustee and appoint a substitute/successor trustee to any Trustee appointed hereunder, and when any such substitution has been filed for record in the Office of the Recorder of the County in which the Property herein described is situated, it shall be conclusive evidence of the appointment of such trustee or trustees. Without conveyance to the Property, the successor trustee shall succeed to all the title, power and duties conferred upon Trustee herein and by applicable law.

20. The Note or a partial interest in the Note (together with this Deed of Trust) may be sold one or more times without notice to Borrower. A sale may result in the change of the person who collects monthly payments due under the Note and this Deed of Trust.

21. Borrower/mortgagor hereby waives, releases and discharges any homestead exemption claimed or declared against Property.

22. If any term or provision of this Deed of Trust is held invalid or unenforceable by a court or arbitrator of competent jurisdiction, such terms shall be reduced or otherwise modified by such court or arbitrator to the minimum extent necessary to make it valid and enforceable. If such term or provision cannot be so modified, it shall be severed and the remaining terms and provisions of this Deed of Trust shall be interpreted in such a way as to give maximum validity and enforceability to this Deed of Trust. The remaining terms and provisions hereof shall continue in full force and effect.

23. Upon payment of all sums secured by this Deed of Trust, Lender shall release this Deed of Trust without charge to Borrower, except that Borrower shall pay any recordation costs.

Upon written request of Lender stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and said Note to Trustee for cancellation and retention and upon payment of its fees, Trustee shall reconvey, without warranty, the Property then held thereunder. The recitals in any reconveyance executed under this Deed of Trust of any matters or facts shall be conclusive proof of the truthfulness thereof. Borrower in such reconveyance may be described as "the person or persons legally entitled thereto."

Request is hereby made that a copy of any notice of default and a copy of any notice of sale hereunder be mailed to Borrower at its/his/her address hereinbefore set forth.

**BORROWER:** Arizona Home Foreclosures, LLC

**NAME and Title of Principal Borrower:** Yomtov Scott Menaged, Managing Member of LLC

**SIGNATURE:** \_\_\_\_\_

STATE OF ARIZONA	)
	) ss.
COUNTY OF MARICOPA	)
<p>This Instrument was acknowledged before me this ____ day of _____, 2014.</p> <p>By: YomTov Menaged</p> <p>Commission Expires: _____</p> <p style="text-align: right;">_____ Notary</p>	

NOTE SECURED BY DEED OF TRUST

\$43,500.00

Phoenix, AZ (Date): January 17, 2014

Property Address: 25863 W St. James Ave., Buckeye, AZ 85326

For value received, Arizona Home Foreclosures, LLC("Maker") promises to pay to the order of DenSco Investment Corporation or assigns (the "Holder"), at 6132 W. Victoria Place, Chandler, AZ 85226 (or at such other place as the Holder may designate in writing), in lawful U.S. money the principal sum of \$43,500.00(Forty-Three Thousand Five Hundred Dollars and No Cents) plus interest calculated on the basis of a 360-day year and charged for the actual number of days elapsed, from the date hereof until paid on the principal balance from time to time outstanding.

Interest shall accrue on the principal sum outstanding at the rate of eighteen percent (18%) per annum, and shall be payable monthly commencing one month from the date hereof (provided, however, that if there is no comparable date in the following month to the date on which this Note is executed, monthly installments of interest hereunder shall be due and payable on the last day of each of the five succeeding months). The entire principal balance, together with all unpaid accrued interest, shall be due and payable as a balloon payment on March 12, 2014, the date six months from the date of funding under this Note, or upon any earlier acceleration (the "Maturity Date"). If any payment becomes past due for more than five calendar days, Maker shall pay to Holder, in addition to the amount of the overdue payment, a late charge equal to ten percent (10%) of the unpaid accrued interest element of such overdue payment.

In addition to any late charge on past due payments, interest will accrue at the rate of twenty-nine percent (29%) per annum ("Default Interest") on the unpaid principal balance upon the occurrence of a "Default" (hereafter defined). A "Default" shall occur (i) if any installment of accrued interest is not paid within 5 days of the date such payment was due, (ii) if the Note and all outstanding charges are not paid by the Maturity Date (for which no grace period is allowed), (iii) if there is a failure to comply with any of the terms of this Note or the Deed of Trust or guaranty which secures this Note, (iv) upon any bankruptcy, insolvency, dissolution or fraudulent conveyance by Maker, (v) upon any seizure, attachment or levy of Maker's assets, or (vi) upon the occurrence of any default under any other obligation of Maker to Holder. Further, at Holder's option after Default, all remaining unpaid principal and accrued interest shall become due and payable immediately without notice (other than any declaration prescribed in applicable sections of the agreements under which such events of default arose), presentment, demand or protest, all of which hereby are waived. TIME IS OF THE ESSENCE.

Maker agrees to an effective rate of interest that is the above rate, plus any additional rate of interest resulting from charges or benefits received by Holder which a court or governing agency deems to be in the nature of interest paid. All payments on this Note shall be applied first in payment of any costs, fees or charges incurred in connection with the indebtedness evidenced hereby, then to Default Interest accrued, then to interest accrued, and then to reduce principal. This Note is secured by a Deed of Trust executed contemporaneously herewith.

Maker waives demand, diligence and presentment for payment, protest, and notice of extension, dishonor, protest and nonpayment of this Note. If Default occurs, Maker promises to pay all costs of collection, court and foreclosure, including reasonable attorneys' fees. No renewal or extension of this Note, delay in enforcing any right of Holder under this Note, acceptance of any late payment, or assignment by Holder of this Note shall constitute a waiver of Holder's right to exercise any of its rights during the continuance of any Default or upon a subsequent Default, or otherwise limit the liability of Maker. All rights of Holder under this Note are cumulative and may be exercised concurrently or consecutively at Holder's option.

If any one or more of the provisions of this Note are determined to be unenforceable, in whole or in part, for any reason, the remaining provisions shall remain fully operative. This Note shall be construed in accordance with the laws of the State of Arizona, irrespective of its choice of law principles. This Note shall be binding upon Maker and its successors and assigns.

Signed this date: \_\_\_\_\_

Borrower: Arizona Home Foreclosures, LLC

By: X

Name & Title: Yomtov S Menaged, managing member of LLC

Personally Guaranteed by: X

Printed Name: X

When recorded, mail to:

**DenSco Investment  
6132 W. Victoria Place  
Chandler, AZ 85226**

**MORTGAGE**

January 17, 2014

The undersigned borrower ("Borrower") acknowledges receipt of the proceeds of a loan from DenSco Investment Corporation ("Lender") in the sum of \$169,000.00, as evidenced by check payable to: First American Title Ins Co ("Trustee"). The loan was made to Borrower to purchase the Real Property legally described as: Lot 217, Subdivision Monterey Point 11, according to the plat Book 363, of Maps, Page 48, in the plat record in the Recorder's Office of Maricopa County, Arizona. Address: 510 S Jackson St., Chandler, AZ 85225 At a trustee's sale conducted by Trustee, which took place on January 16, 2014, Borrower became the successful purchaser with the highest bid, and the loan is intended to fund all or part of the purchase price bid by Borrower at such trustee's sale.

Borrower has promised to pay Lender or assignee the full amount of the loan, with interest at the rate of 18% per annum from the date of this Receipt until paid in full, such amounts to be due and payable in full based on due date from promissory note.

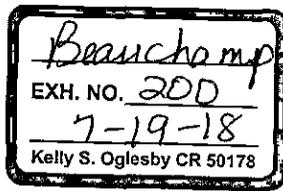
Borrower hereby grants to Lender or assignee a first, prior and superior equitable lien and mortgage against the Real Property to secure payment of the loan. The undersigned principal of Borrower (who shall derive benefits from the loan, in order to induce Lender to extend the loan to Borrower) hereby irrevocably and unconditionally guarantees and promises to pay to Lender upon demand the full loan amount and all other sums payable or to become payable hereunder if Borrower fails to pay any such amounts when due. Borrower further agrees to execute, acknowledge and deliver to Lender such further documents as may be necessary to effectuate the intent of this transaction. Borrower has delivered to Lender a promissory note and deed of trust, and Borrower agrees that the deed of trust shall be recorded against the Real Property as a first, prior and superior lien and encumbrance simultaneously with the recording of the Trustee's Deed. Borrower further agrees to cause the undersigned principal of Borrower to execute, acknowledge and deliver a guaranty of the amounts lent by Lender under said promissory note.

**Borrower:** Arizona Home Foreclosures, LLC

**Name & Title of Principal Borrower:** Yomtov Scott Menaged, Managing Member of LLC

**Signature:** \_\_\_\_\_

State of Arizona )	
) ss.	
County of Maricopa )	
Subscribed, sworn to and acknowledged before me this _____ day of _____, 2014.	
By: Yomtov Scott Menaged	_____
Commission Expires: _____	Notary Public



Dea Sco / Workout

602-469-3001

TCW Denny Chittich (1/21/14)

— Fidelity Title Ins

→ will try to use another title company as well

— 5026 tomorrow

— 5026 Friday & with another group at other title group

— talked to Scott — Scott will talk to Chris + others → to try  
& settle them down

— Lobo — will be one of pay-offs tomorrow



**Beauchamp, David G.**

---

**From:** Beauchamp, David G.  
**Sent:** Tuesday, January 21, 2014 3:26 PM  
**To:** Anderson, Robert G.  
**Cc:** Schenck, Daniel A.  
**Subject:** FW: update

I just confirmed with Denny that Scott and he agreed to ALSO use another title company to speed up the process. We will get the name of the escrow officer and the title company later today.

Thanks, David

**David G. Beauchamp**

CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Denny Chittick [mailto:[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)]  
**Sent:** Tuesday, January 21, 2014 2:13 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: update

ok we'll use another title office. i've confirmed it with Scott.  
dc

DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)  
602-469-3001 C  
602-532-7737 f

---

**From:** "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)>  
**To:** Denny Chittick <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)>  
**Sent:** Tuesday, January 21, 2014 1:57 PM  
**Subject:** RE: update

Denny:

If I knew the attorney that they are now using, I could try to confirm the timing. If you or Scott talk to Dan or the others, please try to get a name.

I understand the fine line that you are taking. I am just very concerned about the payoffs getting so far ahead of the documentation. I have authorized the preparation of the Forbearance Agreement and the related documents. Under normal circumstances, this should be finalized and signed before you

advance all of this additional money. We plan to get the documents to you and Scott later this week. Hopefully, we can get the documents signed later this week.

Best, David

**David G. Beauchamp**

CLARK HILL PLC

14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
dbeauchamp@clarkhill.com | www.clarkhill.com

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**From:** Denny Chittick [mailto:dcmoney@yahoo.com]  
**Sent:** Tuesday, January 21, 2014 1:50 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: update

we talked about that, she can run title for me and just tell me that i'm clear, she's also working with us to get the payoffs so we'll see how it works out, i understand the risk. i'm trying to walk a fine line between doing it right and doing it quickly! i know how to do it right, i just don't know how fast i have to do it to keep them at bay. i can do 2 million this week, which will cut it in 1/2 , with payoffs coming in through the end of the month, i should be able to have them completely paid off with in another 2 weeks , knocking some off a little at a time, i just dont' know if they'll give us that time...

DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)  
602-469-3001 C  
602-532-7737 f

---

**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Tuesday, January 21, 2014 1:42 PM  
**Subject:** RE: update

Denny:

If you do this outside escrow, you will probably not be eligible for title insurance. Under the circumstances, title insurance would be good to have to deal with the lien issues. You might want to ask Debbie what procedure you could use to expedite the pay-offs and still have her company be able to issue title insurance.

Would it make sense to split up the payoffs of these loans into two or three different escrows and title agencies?

Best, David

**David G. Beauchamp**

CLARK HILL PLC

14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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**From:** Denny Chittick [mailto:[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)]  
**Sent:** Tuesday, January 21, 2014 12:42 PM  
**To:** Beauchamp, David G.  
**Subject:** update

we are going to pay off 6 tomorrow, title can't work fast enough, the earliest we can do more through title is friday based on what debbie is saying. we may need to get payoff directly from them and just exchange checks and releases outside of title.

dc

**DenSco Investment Corp**  
[www.denscoinvestment.com](http://www.denscoinvestment.com)  
602-469-3001 C  
602-532-7737 f

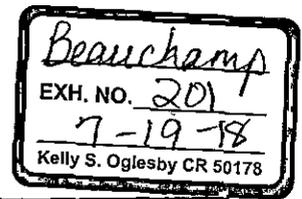
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Clark Hill attorney in the body of this e-mail or an attachment.

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**Beauchamp, David G.**

**From:** Denny <dcmoney@yahoo.com>  
**Sent:** Tuesday, January 21, 2014 8:56 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: Time

No he did it on his own becuz if he would have told me what he said, I would have tracked him down at the hospital and had him admitted! He admitted he was worried it wasn't going to work, but he said he couldn't live under this gun to ur head

I told him u r still working on all those docs , he said no prob he will sign away!

Sent from my iPad

> On Jan 21, 2014, at 8:49 PM, "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

>

> Denny:

>

> Congratulations!!! Did Scott handle the discussions by himself or were you involved too?

>

> Despite reaching this agreement, I still strongly recommend that we finalize the Forbearance Agreement to document the concessions, the guarantees, the additional security for you and the right to reimbursement for your costs. In addition, this will give you protection if any of your investors raise questions.

>

> Best, David

>

> David G. Beauchamp

> CLARK HILL PLC

> 14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254

> 480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)

> [dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

>

> -----Original Message-----

> From: Denny [mailto:[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)]

> Sent: Tuesday, January 21, 2014 8:45 PM

> To: Beauchamp, David G.

> Subject: Time

>

> We have our time. Scott was in a bad mood, tired, and a few other things pressuring him and he lost it while talking to the other side. Back and forth over several hours this evening, they agreed to this

> 6 paid off tomorrow

> 6 paid off Friday

> 5 a week there after until it is done

> This is very doable

> U shouldn't hear anything from anyone as long as I continue to perform.

> I will let u know if anything changes

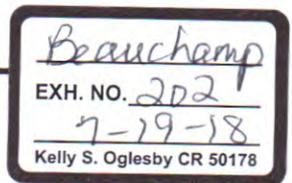
> Thx

>

> Sent from my iPad

Message

**From:** Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]  
**Sent:** 1/22/2014 1:53:00 PM  
**To:** 'dcmoney@yahoo.com' [dcmoney@yahoo.com]  
**CC:** Beauchamp, David G. [dbeauchamp@clarkhill.com]  
**Subject:** Re: update



Denny:

Thank you for update.

Best, David

David G. Beauchamp  
CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
dbeauchamp@clarkhill.com | www.clarkhill.com

**From:** Denny Chittick [mailto:dcmoney@yahoo.com]  
**Sent:** Wednesday, January 22, 2014 02:48 PM  
**To:** Beauchamp, David G.  
**Subject:** update

five were paid off, there was a screw up at title, so we'll do one more tomorrow and 5 or 6 more on friday.

after looking at some of these values, i'm not going to be at 150% ltv more like 130%, that's with my two loans and gregg's, once he pays off gregg, i'll only be at like 80% LTV, so he can sell the property and have more capital to pay off another loan. it looks ugly on the spread sheet, but in 60 days, we should be in much better shape.

dc



Message

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**From:** Anderson, Robert G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=RANDERSON]  
**Sent:** 1/23/2014 2:39:29 PM  
**To:** Beauchamp, David G. [dbeauchamp@clarkhill.com]  
**CC:** Schenck, Daniel A. [dschenck@clarkhill.com]  
**Subject:** Forbearance Ageement  
**Attachments:** 200131428\_1.doc

Needs a little polishing but it is close. Note this agreement is drafted for a single loan.

## FORBEARANCE AGREEMENT

**THIS FORBEARANCE AGREEMENT** ("Agreement") is executed on January \_\_, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company ("Borrower"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308, \*\*\* *Optional* [where loan is subject to Guaranty ("Guarantor")] and DenSco Investment Corporation, an Arizona corporation ("Lender"), whose address is 6132 W. Victoria Place, Chandler, Arizona 85226.

### Recitals

The following recitals of fact are a material part of this Agreement:

A. Borrower is indebted to Lender under the terms of a loan (the "Loan") evidenced by a certain promissory note dated January 17, 2014, in the original principal amount of \$43,500.00, executed by Borrower in favor of Lender (the "Note").

B. \*\*\* *OPTIONAL* [Guarantor guaranteed the payment and performance of the Loan pursuant to that certain \_\_\_\_\_ (the "Guaranty") dated January 17, 2014, executed by Guarantor in favor of Lender.]

C. The Loan is further evidenced and/or secured by various documents and instruments, including but not limited to that certain Deed of Trust and Assignment of Rents ("Deed of Trust") dated January 17, 2014, executed by Borrower in favor of Lender, which was recorded \_\_\_\_\_, 2014 at Recorder's No. 2014-\_\_\_\_\_, in the office of the Maricopa County Recorder. The Deed of Trust constitutes a lien on certain real property described therein ("Property"). The Note, Deed of Trust, [the Guaranty], the other document(s) described above and all other documents and instruments evidencing and/or securing the Loan, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "Loan Documents".

D. The Property was used as security for a loan from another lender ("Other Lender") and the Loan from Lender may not be in the first lien position as required by the Loan Documents.

E. The Loan is now in default and Lender has given any notice required under the Loan Documents concerning such default.

F. Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, but only so long as and on the conditions that (1) Borrower [and Guarantor] acknowledge the existing default under the Loan, (2) all liens, security interests, rights and remedies of Lender under the Loan Documents continue in full force and effect and (3) Borrower [and Guarantor] fulfill all conditions and comply with all terms and provisions set forth in this Agreement, and furnish all other documents and perform all other acts necessary to give effect to the agreements hereinafter set forth.

**NOW THEREFORE**, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. Loan Balance. The total sum now due and payable under the Loan is \$ \_\_\_\_\_, consisting of \$ \_\_\_\_\_ in principal, \$ \_\_\_\_\_ in accrued interest (through and including \_\_\_\_\_, 2014), \$ \_\_\_\_\_ advanced by Lender in payment of \_\_\_\_\_ as permitted under the Loan Documents and \$ \_\_\_\_\_ in costs and expenses incurred by Lender for collection and enforcement of the Loan. Interest continues to accrue under the Loan at the default rate of \_\_\_\_\_% per annum as provided in the Note.

2. Acknowledgment of Default. Borrower [and Guarantor] hereby acknowledge and agree that the Loan is in default, and that as a result of such default, Lender now has the right to pursue foreclosure and any and all other rights and remedies permitted to Lender under the Loan Documents and/or under applicable law.

3. Continued Effect of Loan Documents. Borrower [and Guarantor] further acknowledge and confirm that the Loan Documents have been duly authorized, executed and delivered to Lender and are valid, binding and enforceable against Borrower [and Guarantor] in accordance with their respective terms, and that all liens and security interests created in favor of Lender under the Loan Documents have been validly created and duly perfected as first and prior encumbrances upon all property and collateral of Borrower [and/or Guarantor] as described in the Loan Documents.

4. Forbearance by Lender on Conditions; Effect of Breach. Lender hereby agrees to forbear pursuit of its rights and remedies under the Loan Documents and/or under applicable law, but only so long as and on the conditions that Borrower [and Guarantor] pay all sums, perform all covenants and agreements and do all acts and things required of them hereunder. If Borrower [or Guarantor] fails to pay any sum or to perform any covenant, agreement or obligation owed to Lender under this Agreement or any Loan Document, Lender may cease such forbearance and may immediately commence and pursue any or all rights and remedies Lender may have under the Loan Documents and/or under applicable law as to any or all of the collateral or security for the Loan, all in such order and manner as Lender may elect from time to time in its sole discretion and without notice of any kind to Borrower, [Guarantor] or any other person, as if this Section 4 had never been agreed to by Lender. Lender's agreement herein to forego immediate pursuit of its rights and remedies constitutes a postponement and forbearance only, and does not in any event constitute a waiver of any such rights or remedies.

5. No Effect on Existing Default or Maturity. Neither the execution and delivery of this Agreement or any other document or instrument required hereunder nor the consummation of the transactions and agreements set forth in this Agreement shall in any manner rescind or cure any existing default under the Loan Documents, reinstate the Loan to a current status, constitute an accord and satisfaction or extend the maturity of the Loan.

6. Conditions to Effectiveness. This Agreement shall be effective only when this Agreement has been executed and delivered by each of the undersigned parties, and the following conditions have been fulfilled:

(A) Lender agrees to increase the Loan amount up to 95% of the loan-to-value ("LTV") ratio of the [fair market] value of the Property. The additional funds advance to Borrower shall be used to pay off the Other Lender and release its security interest in the Property.

(B) Lender will defer (but not waive) the collection of interest from the Borrower on the Loan to the Borrower during the process to fund the amount due to the Other Lender; and all deferred interest on the Note from Borrower shall be paid to Lender on or before the payoff of the Note.

(C) Borrower agrees to provide any additional security ("Additional Security") to Lender, as may be requested by Lender, to secure Borrower's existing obligations to Lender and to secure the additional obligations that Lender is agreeing to provide pursuant to this Agreement.

(D) Execution, delivery and filing or recording (with all costs thereof paid by Borrower) of all documents and instruments required to create first and prior liens upon and/or security interests in the Additional Collateral.

(E) Borrower agrees to reimburse all costs and expenses, including without limitation title reports, amendments or title insurance, investigation fees, and / or attorneys' fees, incurred by Lender in connection with this Agreement, or the existing and / or any future lien disputes with the Other Lender or any other similarly situated lenders.

(F) Borrower agrees to use its good faith efforts to: (i) liquidate other assets, which is expected to generate approximately 4 to 5 million US Dollars; (ii) apply all net proceeds from the rental of Borrower's homes, or the net proceeds from the acquisition and disposition of additional homes by Borrower, and (iii) apply all funds received from Borrower's continued good faith efforts to recover any other assets that can be recovered from the missing proceeds from the multiple loans that were advanced from Lender and other lenders with respect to certain properties as referenced above. Any additional funds obtained and / or made available to Borrower pursuant this subsection shall be made available to and used by Borrower in connection with the resolution of the lien disputes between Lender and other lenders as referenced above.

(G) Borrower agrees to provide Lender, and maintain in effect, a life insurance policy from a life insurance carrier reasonably approved by Lender, in the amount of \$10,000,000, insuring the life of Scott Managed with Lender named as the sole beneficiary, until all obligations pursuant to the Agreement have been full satisfied.

(H) Borrower agrees to provide Lender with a personal guaranty from Scott Managed, guaranteeing all of Borrower's obligations under the Loan Documents and this Agreement. Further, Borrower agrees to provide a re-affirmation and consent from Scott Managed to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees of Lender's loans to Borrower, so that the terms and provisions of this Agreement will not cause or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's

obligations, as such obligations may be increased by the actions of Lender and Borrower pursuant to the terms and provisions of this Agreement.

(I) Except for Lender, Borrower agrees to continue to pay the interest due to the Other Lender and any other similarly situated lender on a timely basis and to keep such loans current and in compliance with its terms.

(J) Borrower has arranged for private outside financing in the amount of approximately \$1,000,000 (the "Outside Funds"), which is to be provided to Borrower on or before February 28, 2014. Such Outside Funds shall be used exclusively for the pay-off of the Other Lenders and any other similarly situated lender (and any balance to be paid to DenSco to reduce the amount of DenSco's additional loans to Borrower, as provided herein);

(K) Borrower has agreed to inform DenSco of all of the terms of Borrower's transaction to obtain the Outside Funds and the security provided for such Outside Funds. DenSco agrees to keep such information on a confidential basis, provided, however, DenSco will be able to provide such terms and information to its investors, legal counsel, accountants and other applicable professionals.

(L) Lender will provide a new loan to Borrower in the amount up to One Million US Dollars, which loan is to provide for multiple advances, earn 3% annual interest to be secured by a first lien position against certain real property to be approved by Lender in its sole discretion, and the obligation is to be personally guaranteed by Scott Menaged (the "Additional Loan").

(M) Borrower and DenSco acknowledge and agree that this forbearance/ workout agreement shall not constitute nor create a joint venture or partnership arrangement between or among DenSco and any of the Borrower.

7. INTENTIONALLY DELETED

8. The entire principal sum and all accrued interest, costs, expenses, disbursements and fees due under the terms and provisions of the Note and all other sums payable under the Loan Documents shall be due and payable in full on \_\_\_\_\_, 2014 in any event, without notice or demand.

9. Additional Collateral Required. As one of the conditions to the effectiveness of this Agreement and of Lender's continued forbearance hereunder, the following additional collateral and security shall be furnished to Lender:

- (A) \_\_\_\_\_
- (B) \_\_\_\_\_
- (C) \_\_\_\_\_

10. Grace and Cure Periods Eliminated. All provisions of the Loan Documents requiring any notice to Borrower or any other person as a condition precedent to the existence of any breach, default or Event of Default or to any acceleration or other remedial action by Lender,

permitting any grace period during which non-payment does not constitute a default, or granting any period after the giving or receipt of any notice for the cure of any breach, default or Event of Default under the Loan Documents prior to acceleration or other remedial action by Lender are hereby deleted, and all Loan Documents are hereby modified accordingly.

11. Release of Lender; Waiver of Claims and Defenses. As a material part of the consideration for Lender's execution of this Agreement, Borrower and Guarantor each hereby unconditionally and irrevocably release and forever discharge Lender and all of its directors, officers, employees, agents, attorneys, affiliates and subsidiaries from all liabilities, obligations, actions, claims, causes of action, suits, proceedings, damages, demands, costs and expenses whatsoever arising from or relating to any alleged or actual act, occurrence, omission or transaction occurring or happening prior to or on the date of this Agreement, including but not limited to any of the foregoing relating to the making, administration or enforcement of the Loan. Without limiting the foregoing, Borrower and Guarantor hereby unconditionally and irrevocably waive any and all defenses and claims existing or arising (or based on facts or circumstances actually or allegedly existing or arising) prior to or on the date of this Agreement which might otherwise limit their unconditional joint and several liability for all sums due under the Loan.

12. Further Documents, Etc. Borrower and Guarantor each hereby agree to execute any and all further documents and instruments required by Lender and to do all other acts and things necessary to give effect to the terms and provisions of this Agreement and/or to create and perfect all liens and security interests granted to Lender under the Loan Documents or required under this Agreement.

13. Authorization of Agreement. The execution and delivery of this Agreement has been duly authorized by all necessary corporate or partnership action of Borrower and Guarantor (as applicable), and the individuals executing this Agreement on behalf of Borrower and/or Guarantor have been duly authorized and empowered to bind Borrower and/or Guarantor by such execution.

14. Costs and Expenses. Borrower hereby agrees to pay on demand any and all costs and expenses, including but not limited to attorneys' fees, incurred by Lender in connection with (A) the negotiation, preparation, filing and/or recording of this Agreement and all other documents and instruments required to give effect to this Agreement and/or to create and perfect the liens, security interests, assignments and/or pledges contemplated hereunder or under the Loan Documents and/or (B) the collection of the Loan and/or the enforcement of the Loan Documents, and Guarantor shall be liable for all of the foregoing pursuant to the Guaranty.

Borrower and Guarantor shall be solely responsible for the payment of all costs and expenses, including but not limited to attorneys' fees of their respective counsel, incurred by Borrower or Guarantor in connection with the negotiation, preparation, filing and/or recording of this Agreement or any other document required hereunder or relating to Lender's efforts to collect the Loan and enforce the Loan Documents, and Lender shall have no liability whatsoever for any of the foregoing.

15. Time of the Essence. Time is of the essence of all agreements contained herein.

16. Construction of Agreement. If any provision of this Agreement conflicts with any provision of any Loan Document, the applicable provision of this Agreement shall control.

As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa.

The titles and captions in this Agreement are used for convenience of reference only and do not define, limit or control the scope, intent or effect of any provisions of this Agreement.

No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted all or any portion of this Agreement, any other document required hereunder or any Loan Document.

17. Ratification and Agreements by Guarantor. Guarantor hereby acknowledges and consents to the terms of this Agreement, agrees to be bound by all terms and provisions hereof and of any and all documents and instruments executed by Borrower in connection with and/or as contemplated in this Agreement; acknowledges and confirms that Guarantor is and shall remain liable for all indebtedness and obligations now or hereafter owed by Borrower to Lender in connection with the Loan (pursuant to this Agreement and the Loan Documents or otherwise); agrees that Guarantor's said liability shall not be released, reduced or otherwise affected by the execution of this Agreement, by any changes in the effect of the Loan Documents under the terms of this Agreement, by Lender's receipt of any additional collateral for the Loan, by the consummation of any transactions relating hereto, or by any other existing fact or circumstance; ratifies the Guaranty as security for the Loan; and confirms that the Guaranty remains in full force and effect.

18. Entire Agreement; No Oral Agreements Concerning Loan. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, which agreement shall not be varied by any alleged or actual oral statements or parol evidence whatsoever. Lender has not promised or agreed in any manner to extend the maturity of the Loan, to restructure the Loan or any security therefor, to modify any terms of the Loan Documents or the effect thereof, to forbear in the commencement, exercise or pursuit of any right or remedy Lender has under the Loan Documents or applicable law, to release or adversely affect any lien or security interest previously or concurrently granted in favor of Lender, or to forego the benefit of any term, provision or condition of the Loan Documents, except as may be otherwise specifically provided in this Agreement and subject in all instances to strict compliance by Borrower and Guarantor with all terms and conditions of this Agreement. Lender has not agreed or become obligated, whether by negotiating or executing this Agreement or otherwise, to make any new loan or to extend any new credit to Borrower or Guarantor under any circumstances.

The following notice is included in this Agreement pursuant to Section 432.045, R. S. Mo.:

Oral agreements or commitments to loan money, extend credit or to forbear from enforcing repayment of a debt including promises

to extend or renew such debt are not enforceable. To protect the parties to this Agreement and the Loan Documents from misunderstanding or disappointment, any agreements the parties reach covering such matters are contained in this Agreement and the Loan Documents (as defined above), all of which shall be construed as one writing, which is the complete and exclusive statement of the agreement between the parties, except as the parties may later agree in writing to modify it.

The following notice is included in this Agreement pursuant to K.S.A. Section 16-118(b):

THIS AGREEMENT AND THE "LOAN DOCUMENTS" AS DEFINED HEREIN COLLECTIVELY CONSTITUTE THE WRITTEN CREDIT AGREEMENT WHICH IS THE COMPLETE AND FINAL EXPRESSION OF THE CREDIT AGREEMENT BETWEEN BORROWER AND LENDER WITH REGARD TO THE EXTENSION OF CREDIT AND/OR FINANCIAL ACCOMMODATION REFERRED TO HEREIN AS THE SAME EXIST TODAY AND SUCH WRITTEN CREDIT AGREEMENT MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR ORAL CREDIT AGREEMENT OR OF ANY CONTEMPORANEOUS ORAL CREDIT AGREEMENT BETWEEN BORROWER AND LENDER. BORROWER AGREES THAT ALL NONSTANDARD TERMS OF THE CREDIT AGREEMENT BETWEEN BORROWER AND LENDER WITH RESPECT TO THE EXTENSION OF CREDIT REFERRED TO HEREIN AND ALL PRIOR ORAL CREDIT AGREEMENTS AND CONTEMPORANEOUS ORAL CREDIT AGREEMENTS BETWEEN THEM WITH RESPECT TO THE EXTENSION OF CREDIT REFERRED TO HEREIN ARE SUFFICIENTLY SET FORTH HEREIN AND IN THE OTHER "LOAN DOCUMENTS", WITHOUT EXCEPTION. BY SIGNING AND/OR ACCEPTING THIS AGREEMENT, BORROWER AND LENDER AFFIRM THAT NO UNWRITTEN ORAL CREDIT AGREEMENT BETWEEN BORROWER AND LENDER WITH REGARD TO THE AFORESAID EXTENSION OF CREDIT OR OTHER FINANCIAL ACCOMMODATION EXISTS.

IN WITNESS WHEREOF, the undersigned parties have executed this Agreement on the date first above written.

Borrower:

\_\_\_\_\_

By: \_\_\_\_\_

Name:  
Title:

Guarantor:

---

Lender:

---

---

By:

Name:  
Title:

---





Message

**From:** Schenck, Daniel A. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DSCHENCK]  
**Sent:** 1/23/2014 5:00:16 PM  
**To:** Beauchamp, David G. [dbeauchamp@clarkhill.com]  
**CC:** Anderson, Robert G. [randerson@clarkhill.com]  
**Subject:** Forbearance Agreement  
**Attachments:** 200131428\_2.doc

David,

Attached is the revised Forbearance Agreement. This version can be used to apply to all of the loans between the parties.

Best,

**Daniel A. Schenck**

CLARK HILL PLC

480.684.1118 (direct) | 480.684.1179 (fax)  
Licensed in Arizona, California, Utah and Nevada  
[dschenck@clarkhill.com](mailto:dschenck@clarkhill.com) | [bio](#) | [www.clarkhill.com](http://www.clarkhill.com)

## FORBEARANCE AGREEMENT

**THIS FORBEARANCE AGREEMENT** (“Agreement”) is executed on January \_\_, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company (“AHF”), whose address is 7320 W. Bell Road, Glendale, Arizona 85308, Easy Investments, LLC, an Arizona limited liability company (“EI”), whose address is 7320 W. Bell Road, Glendale, Arizona 85308 (AHF and EI are collectively referred to as the (“Borrower”), Yomtov “Scott” Menaged (“Guarantor”), whose address is \_\_\_\_\_, and DenSco Investment Corporation, an Arizona corporation (“Lender”), whose address is 6132 W. Victoria Place, Chandler, Arizona 85226.

### Recitals

The following recitals of fact are a material part of this Agreement:

A. Borrower is indebted to Lender under the terms of certain Loans (the “Loans”), which are listed on the attached Exhibit A, which is incorporated into this Agreement by this reference, evidenced by a certain promissory notes, executed by Borrower in favor of Lender (the “Notes”).

B. Guarantor guaranteed the payment and performance of the Loans pursuant to the terms of the Loans and or Notes (the “Guaranty”), executed by Guarantor in favor of Lender.

C. The Loans are further evidenced and/or secured by various documents and instruments, including but not limited to certain Deeds of Trust and Assignment of Rents (“Deeds of Trust”), executed by Borrower in favor of Lender. The Deeds of Trust constitute a lien on the respective real properties described therein (“Properties”) and referenced in Exhibit A. The Note, Deeds of Trust, the Guaranty, the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the “Loans Documents”.

D. The Properties were used as security for one or more loans from another lender (“Other Lender”) and the Loans from Lender may not be in the first lien position as required by the Loans Documents.

E. The Loans are now in default and Lender has given any notice required under the Loans Documents concerning such default.

F. Borrower has requested that Lender forbear in the pursuit of Lender’s remedies, and Lender is willing to forbear such pursuit, but only so long as and on the conditions that (1) Borrower and Guarantor acknowledge the existing default under the Loans, (2) all liens, security interests, rights and remedies of Lender under the Loans Documents continue in full force and effect and (3) Borrower and Guarantor fulfill all conditions and comply with all terms and provisions set forth in this Agreement, and furnish all other documents and perform all other acts necessary to give effect to the agreements hereinafter set forth.

**NOW THEREFORE**, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. Loans Balance. The total sum now due and payable under the Loans, in aggregate, is \$ \_\_\_\_\_, consisting of \$ \_\_\_\_\_ in principal, \$ \_\_\_\_\_ in accrued interest (through and including \_\_\_\_\_, 2014), \$ \_\_\_\_\_ advanced by Lender in payment of \_\_\_\_\_ as permitted under the Loans Documents and \$ \_\_\_\_\_ in costs and expenses incurred by Lender for collection and enforcement of the Loans. Interest continues to accrue under the Loans at the default rate of \_\_\_\_\_% per annum as provided in the Notes.

2. Acknowledgment of Default. Borrower and Guarantor hereby acknowledge and agree that the Loans are in default, and that as a result of such default, Lender now has the right to pursue foreclosure and any and all other rights and remedies permitted to Lender under the Loans Documents and/or under applicable law.

3. Continued Effect of Loans Documents. Borrower and Guarantor further acknowledge and confirm that the Loans Documents have been duly authorized, executed and delivered to Lender and are valid, binding and enforceable against Borrower and Guarantor in accordance with their respective terms, and that to Borrower and Guarantor's knowledge, all liens and security interests created in favor of Lender under the Loans Documents have been validly created and duly perfected as first and prior encumbrances upon all Properties and collateral of Borrower and/or Guarantor as described in the Loans Documents. Borrower and Guarantor also acknowledge and confirm that the past practices of the parties included the recording of the Deeds of Trust as a first priority encumbrance of the respective Properties, pursuant to the terms of the Loan Documents, and that Borrower was not aware of any changes to that practice when the Loans were made to the Borrower.

4. Forbearance by Lender on Conditions; Effect of Breach. Lender hereby agrees to forbear pursuit of its rights and remedies under the Loans Documents and/or under applicable law, but only so long as and on the conditions that Borrower and Guarantor pay all sums, perform all covenants and agreements and do all acts and things required of them hereunder. If Borrower or Guarantor fails to pay any sum or to perform any covenant, agreement or obligation owed to Lender under this Agreement or any Loans Document, Lender may cease such forbearance and may immediately commence and pursue any or all rights and remedies Lender may have under the Loans Documents and/or under applicable law as to any or all of the collateral or security for the Loans, all in such order and manner as Lender may elect from time to time in its sole discretion and without notice of any kind to Borrower, Guarantor or any other person, as if this Section 4 had never been agreed to by Lender. Lender's agreement herein to forego immediate pursuit of its rights and remedies constitutes a postponement and forbearance only, and does not in any event constitute a waiver of any such rights or remedies.

5. No Effect on Existing Default or Maturity. Neither the execution and delivery of this Agreement or any other document or instrument required hereunder nor the consummation of the transactions and agreements set forth in this Agreement shall in any manner rescind or cure any existing default under the Loans Documents, reinstate the Loans to a current status, constitute an accord and satisfaction or extend the maturity of the Loans.

6. Continued Performance. Lender's continued performance of the terms of this Agreement is conditioned upon each of the following obligations being fulfilled:

(A) Lender agrees to increase the Loan amount of each of the Properties referenced in Exhibit A up to 95% of the loan-to-value ("LTV") ratio of the value of the respective Properties, based on a broker assessment. The additional funds advance to Borrower shall be used to pay off the Other Lender and release its security interest in the Property.

(B) Lender will defer (but not waive) the collection of interest from the Borrower on the Loans to the Borrower during the process to fund the amount due to the Other Lender; and all deferred interest on the Notes from Borrower shall be paid to Lender on or before the payoff of the subject Note.

(C) Borrower agrees to provide any additional security ("Additional Security") to Lender, as may be requested by Lender, to secure Borrower's existing obligations to Lender and to secure the additional obligations that Lender is agreeing to provide pursuant to this Agreement.

(D) Execution, delivery and filing or recording (with all costs thereof paid by Borrower) of all documents and instruments required to create first and prior liens, as applicable, upon and/or security interests in the Additional Collateral.

(E) Borrower agrees to reimburse all costs and expenses, including without limitation title reports, amendments or title insurance, investigation fees, and / or attorneys' fees, incurred by Lender in connection with this Agreement, or the existing and / or any future lien disputes with the Other Lender or any other similarly situated lenders.

(F) Borrower agrees to use its good faith efforts to: (i) liquidate other assets, which is expected to generate approximately 4 to 5 million US Dollars; (ii) apply all net proceeds from the rental of Borrower's homes, or the net proceeds from the acquisition and disposition of additional homes by Borrower, and (iii) apply all funds received from Borrower's continued good faith efforts to recover any other assets that can be recovered from the missing proceeds from the multiple Loans that were advanced from Lender and Other Lenders with respect to certain properties as referenced above. Any additional funds obtained and / or made available to Borrower pursuant this subsection shall be made available to and used by Borrower in connection with the resolution of the lien disputes between Lender and Other Lenders as referenced above.

(G) Borrower agrees to provide Lender, and maintain in effect, a life insurance policy from a life insurance carrier reasonably approved by Lender, in the amount of \$10,000,000, insuring the life of Guarantor with Lender named as the sole beneficiary, until all obligations pursuant to the Agreement have been full satisfied.

(H) Borrower agrees to provide Lender with a separate personal guaranty from Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents and this Agreement. Further, Borrower agrees to provide a re-affirmation and consent from Guarantor to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees of Lender's Loans to Borrower, so that the terms and provisions of this Agreement will not cause

or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of Lender and Borrower pursuant to the terms and provisions of this Agreement.

(I) Except for Lender, Borrower agrees to continue to pay the interest due to the Other Lender and any other similarly situated lender on a timely basis and to keep such Loans current and in compliance with its terms.

(J) Borrower has arranged for private outside financing in the amount of approximately \$1,000,000 (the "Outside Funds"), which is to be provided to Borrower on or before February 28, 2014. Such Outside Funds shall be used exclusively for the pay-off of the Other Lenders and any other similarly situated lender (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower, as provided herein);

(K) Borrower has agreed to inform Lender of all of the terms of Borrower's transaction to obtain the Outside Funds and the security provided for such Outside Funds. Lender agrees to keep such information on a confidential basis, provided, however, Lender will be able to provide such terms and information to its investors, legal counsel, accountants and other applicable professionals.

(L) Lender will provide a new loan to Borrower in the amount up to One Million US Dollars, which loan is to provide for multiple advances, earn 3% annual interest to be secured by a first lien position against certain real properties to be approved by Lender, in its sole discretion, and the obligation is to be personally guaranteed by Guarantor (the "Additional Loan").

(M) Borrower and DenSco acknowledge and agree that this forbearance/ workout agreement shall not constitute nor create a joint venture or partnership arrangement between or among DenSco and any of the Borrower.

7. INTENTIONALLY DELETED

8. The entire principal sum and all accrued interest, costs, expenses, disbursements and fees due under the terms and provisions of the Notes and all other sums payable under the Loans Documents shall be due and payable in full on \_\_\_\_\_, 2014 in any event, without notice or demand.

9. Additional Collateral Required. As one of the conditions to the effectiveness of this Agreement and of Lender's continued forbearance hereunder, the following additional collateral and security shall be furnished to Lender:

(A) \_\_\_\_\_

(B) \_\_\_\_\_

(C) \_\_\_\_\_

10. Grace and Cure Periods Eliminated. All provisions of the Loans Documents requiring any notice to Borrower or any other person as a condition precedent to the existence of

any breach, default or event of default or to any acceleration or other remedial action by Lender, permitting any grace period during which non-payment does not constitute a default, or granting any period after the giving or receipt of any notice for the cure of any breach, default or event of default under the Loans Documents prior to acceleration or other remedial action by Lender are hereby deleted, and all Loans Documents are hereby modified accordingly.

11. Release of Lender; Waiver of Claims and Defenses. As a material part of the consideration for Lender's execution of this Agreement, Borrower and Guarantor each hereby unconditionally and irrevocably release and forever discharge Lender and all of its directors, officers, employees, agents, attorneys, affiliates and subsidiaries from all liabilities, obligations, actions, claims, causes of action, suits, proceedings, damages, demands, costs and expenses whatsoever arising from or relating to any alleged or actual act, occurrence, omission or transaction occurring or happening prior to or on the date of this Agreement, including but not limited to any of the foregoing relating to the making, administration or enforcement of the Loans. Without limiting the foregoing, Borrower and Guarantor hereby unconditionally and irrevocably waive any and all defenses and claims existing or arising (or based on facts or circumstances actually or allegedly existing or arising) prior to or on the date of this Agreement which might otherwise limit their unconditional joint and several liability for all sums due under the Loans.

12. Further Documents, Etc. Borrower and Guarantor each hereby agree to execute any and all further documents and instruments required by Lender and to do all other acts and things necessary to give effect to the terms and provisions of this Agreement and/or to create and perfect all liens and security interests granted to Lender under the Loans Documents or required under this Agreement.

13. Authorization of Agreement. The execution and delivery of this Agreement has been duly authorized by all necessary corporate or partnership action of Borrower and Guarantor (as applicable), and the individuals executing this Agreement on behalf of Borrower and/or Guarantor have been duly authorized and empowered to bind Borrower and/or Guarantor by such execution.

14. Costs and Expenses. Borrower hereby agrees to pay on demand any and all costs and expenses, including but not limited to attorneys' fees, incurred by Lender in connection with (A) the negotiation, preparation, filing and/or recording of this Agreement and all other documents and instruments required to give effect to this Agreement and/or to create and perfect the liens, security interests, assignments and/or pledges contemplated hereunder or under the Loans Documents and/or (B) the collection of the Loans and/or the enforcement of the Loans Documents, and Guarantor shall be liable for all of the foregoing pursuant to the Guaranty.

Borrower and Guarantor shall be solely responsible for the payment of all costs and expenses, including but not limited to attorneys' fees of their respective counsel, incurred by Borrower or Guarantor in connection with the negotiation, preparation, filing and/or recording of this Agreement or any other document required hereunder or relating to Lender's efforts to collect the Loans and enforce the Loans Documents, and Lender shall have no liability whatsoever for any of the foregoing.

15. Time of the Essence. Time is of the essence of all agreements contained herein.

16. Construction of Agreement. If any provision of this Agreement conflicts with any provision of any Loans Document, the applicable provision of this Agreement shall control.

As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa.

The titles and captions in this Agreement are used for convenience of reference only and do not define, limit or control the scope, intent or effect of any provisions of this Agreement.

No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted all or any portion of this Agreement, any other document required hereunder or any Loans Document.

17. Ratification and Agreements by Guarantor. Guarantor hereby acknowledges and consents to the terms of this Agreement, agrees to be bound by all terms and provisions hereof and of any and all documents and instruments executed by Borrower in connection with and/or as contemplated in this Agreement; acknowledges and confirms that Guarantor is and shall remain liable for all indebtedness and obligations now or hereafter owed by Borrower to Lender in connection with the Loans (pursuant to this Agreement and the Loans Documents or otherwise); agrees that Guarantor's said liability shall not be released, reduced or otherwise affected by the execution of this Agreement, by any changes in the effect of the Loans Documents under the terms of this Agreement, by Lender's receipt of any additional collateral for the Loans, by the consummation of any transactions relating hereto, or by any other existing fact or circumstance; ratifies the Guaranty as security for the Loans; and confirms that the Guaranty remains in full force and effect.

18. Entire Agreement; No Oral Agreements Concerning Loans. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, which agreement shall not be varied by any alleged or actual oral statements or parol evidence whatsoever. Lender has not promised or agreed in any manner to extend the maturity of the Loans, to restructure the Loans or any security therefor, to modify any terms of the Loans Documents or the effect thereof, to forbear in the commencement, exercise or pursuit of any right or remedy Lender has under the Loans Documents or applicable law, to release or adversely affect any lien or security interest previously or concurrently granted in favor of Lender, or to forego the benefit of any term, provision or condition of the Loans Documents, except as may be otherwise specifically provided in this Agreement and subject in all instances to strict compliance by Borrower and Guarantor with all terms and conditions of this Agreement. Lender has not agreed or become obligated, whether by negotiating or executing this Agreement or otherwise, to make any new Loans or to extend any new credit to Borrower or Guarantor under any circumstances.

19. Ratification of WorkOut. The parties acknowledge and agree that the terms and conditions of the this Agreement are part of but not the entire body of a mutual workout arrangement between the parties for a resolution of a dispute regarding the Loans. Borrower and

Guarantor each hereby ratify, consent to, and agree to all of Lender's actions, from \_\_\_\_\_ to the date first stated above, regarding and or related to the Other Lender's claims alleging that the encumbrances for their loans were in first priority for the subject Properties; with the actions of the Lender including, without limitation, Lender lending Borrower an additional \$ \_\_\_\_\_, in the aggregate, with said funds being used towards satisfaction of certain loans from the Other Lenders. Borrower and Guarantor each ratify and agree that the Lender's loans for said Properties have increased by the amounts that Lender paid toward satisfaction of the Other Lender's loan for the subject Properties.

**IN WITNESS WHEREOF**, the undersigned parties have executed this Agreement on the date first above written.

**Borrower:**

ARIZONA HOME FORECLOSURES, LLC

By: \_\_\_\_\_  
Yomtov "Scott" Menaged  
Its: Member

EASY INVESTMENTS, LLC

By: \_\_\_\_\_  
Yomtov "Scott" Menaged  
Its: Member

**Guarantor:**

\_\_\_\_\_  
Yomtov "Scott" Menaged

**Lender:**

DENSCO INVESTMENT CORPORATION

By: \_\_\_\_\_  
Denny Chittick  
Its: President

**EXHIBIT A**

**LENDER LOANS AND ENCUMBERED PROPERTIES**

**ACKNOWLEDGMENTS**

STATE OF ARIZONA        )  
                                  ) SS  
COUNTY OF MARICOPA    )

On this day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the Manager of ARIZONA HOME FORECLOSURES, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_



**ACKNOWLEDGMENTS**

STATE OF ARIZONA        )  
                                  ) SS  
COUNTY OF MARICOPA    )

On this day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did acknowledged execution of the foregoing instrument as the Guarantor.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

**ACKNOWLEDGMENTS**

STATE OF ARIZONA     )  
  ) SS  
COUNTY OF MARICOPA )

On this day of \_\_\_\_\_, 2014, before me appeared Denny Chittick, to me personally known, who being by me duly sworn, did say that he/she is the President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, and said Denny Chittick acknowledged execution of the foregoing instrument to be the free act and deed of said corporation.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_



DenSco/workoil

**Beauchamp, David G.**

---

**From:** Beauchamp, David G.  
**Sent:** Thursday, January 23, 2014 8:44 PM  
**To:** Denny  
**Subject:** RE: Forbearance Agreement - Status Update

Denny:

The payoffs sounds great. Is Scott's hearing in Israel or here? Not sure I understood completely. How many of the 20 properties in escrow are on the list of Dan's group?

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](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Denny [<mailto:dcmoney@yahoo.com>]  
**Sent:** Thursday, January 23, 2014 8:40 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: Forbearance Agreement - Status Update

Paid 7 more off today. We 5 planned for next week but now some of them that we're just going through sale r closing too. Scott is flying to Israel tomorrow, he has a hearing with a judge on Monday about a company that received 2 million of his money that he is hoping to recover. **These guys r happy and quiet now. I will have them paid off in under three weeks. Scott has nearly 20 props in escrow, so that will help my situation as they star to close.**

Thx  
dc

Sent from my iPad

On Jan 23, 2014, at 8:32 PM, "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

Denny:

**We are still working on the draft of the Forbearance Agreement. It needs some additional revisions before we can send it to you. We will try to get it to you by late morning tomorrow.**

Anything new happen today?

Best, David

**David G. Beauchamp**

CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
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## CLARK HILL P.L.C.

DenSco Investment Corporation  
Work-out of lien issue  
February 17, 2014  
INVOICE # 528891  
Page 5

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

thing. I had a few payoffs today which helped my cash. I turned down some deals too. I have to get these assholes paid off so that we have the ability to work out our plan.

1-22

Scotts NY attitude worked, they agreed to 12 this week, and then 5 a week there after. Now we can breathe, we can operate and I can sleep. we closed 5 of them today, Debbie fucked up on one of them, so we'll do it tomorrow, the others on Friday. I funded two other deals, I had three payoffs and Steve wired in 500k more. I had to return 200k to Miller's for taxes. I was super busy all day, plus Mike and Rob came by for their quarterly meeting so I was behind a few hours. I am back to running a business now. When I was looking up some of these properties, they had appreciated quite a bit, so we aren't nearly as upside down on them as we thought after my 3<sup>rd</sup>, once Gregg is paid off, there is still equity in the property. Once Scott starts getting these recent purchases flipped and making money, things will march pretty quickly in the right direction. For the next 60 days, the spread sheet is going to be really fucking ugly, but it will improve nearly every week after that. As well as the interest will start to be paid.

1-23

I was so damn busy today, I funded three deals straight away. then Debbie had everything ready to go on seven deals today for the assholes so I did them. It takes me hours to do all the docs, recordings, wires, searching for a new property, comping, bookkeeping. I had a few payoffs which helped. Scott said he's flying to Israel, he's got a hearing with a judge to recover 2 million. Holly shit if we can get some of that soon, it would make a big difference. To my count we only have 28 loans left with these assholes, then Scott can mainly concentrate on flipping for profit and selling the ones that are free to do so.

1-24

I funded four deals, I had five payoff, which I need, because I need more money next week to payoff those assholes, plus I have Weiskopf wants 675k next week. plus I need to pay the investors. It's going to be a thin week for deals. We had our mom's meeting big turn out, I just blabbed the whole time. I'm glad this week is done. Scott left for Israel and hopefully he comes back with some damn money.

1-27

I was so busy today, I barely got it all done. I funded three deals, I had five payoff, I had a lot of payments. I returned 625k to Weiskopf. I did end of month over the weekend, all the payments will go out tomorrow. Scott says he thinks the judge is going to give him the order for the 2 million from this company, now it will be how quickly can he get the money out of them. I'm trying to raise some more money so that I can payoff more of these damn loans from the assholes group. I can do 5 this week, I pretty sure, I just need some more payoffs to come in to allow me to breathe a little bit.

1-28

Message

**From:** Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]  
**Sent:** 1/24/2014 10:50:28 AM  
**To:** Denny J. Chittick (dcmoney@yahoo.com) [dcmoney@yahoo.com]  
**Subject:** Draft Forbearance Agreement  
**Attachments:** Forbearance Agreement.doc

Denny:

As I indicated last night, I have made some clean up changes to this agreement. I separated the Borrower's obligations and the Lender's obligations so that the agreement is easier to read. I also added the New Guarantor (Furniture King). I thought those should be included before the draft circulated. There is also a question in section 9 if there is any other collateral that should be referenced in this agreement. If you want something referenced, please just let me know and we will get it added.

We will prepare and send you the other Guarantees, Security Agreement and other documents as soon as we know that this will get signed without major changes.

Best regards, David

**David G. Beauchamp**

CLARK HILL PLC

14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
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## FORBEARANCE AGREEMENT

THIS FORBEARANCE AGREEMENT ("Agreement") is executed on January \_\_, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company ("AHF"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308, Easy Investments, LLC, an Arizona limited liability company ("EI"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308 (AHF and EI are collectively referred to as the ("Borrower"), Yomtov "Scott" Menaged ("Guarantor"), whose address is \_\_\_\_\_, Furniture King, LLC, an Arizona limited liability Company ("New Guarantor"), whose address is 303 N. Central Avenue, Suite 603, Phoenix, AZ 85012, and DenSco Investment Corporation, an Arizona corporation ("Lender"), whose address is 6132 W. Victoria Place, Chandler, Arizona 85226, (collectively, the Borrower, the Guarantor, the New Guarantor, and Lender are each considered a "Party" hereunder and are collectively referred to as the "Parties").

### Recitals

The following recitals of fact are a material part of this Agreement:

A. Borrower is indebted to Lender under the terms of certain Loans (the "Loans"), which are listed on the attached Exhibit A, which is incorporated into this Agreement by this reference, and are evidenced by certain promissory notes, executed by Borrower in favor of Lender (the "Notes").

B. Guarantor guaranteed the payment and performance of each of the Loans as demonstrated on Loans and/or Notes (the "Guaranty"), executed by Guarantor in favor of Lender.

C. The Loans are further evidenced and/or secured by various documents and instruments, including but not limited to certain Deeds of Trust and Assignment of Rents ("Deeds of Trust"), executed by Borrower in favor of Lender. The Deeds of Trust constitute a lien on the respective real properties described therein (individually a "Property" and collectively, "Properties") and referenced in Exhibit A. The Note, Deeds of Trust, the Guaranty, the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "Loans Documents".

D. Certain of the Properties were also used as security for one or more loans from one or more other lenders (individually, the "Other Lender" and collectively, the "Other Lenders") and the Loans from Lender may not be in the first lien position on the respective Property, as required by the Loans Documents.

E. The Loans are now in default and Lender has provided Borrower with any and all notice required under the Loans Documents concerning such default.

F. Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, but only so long as and on the conditions that (1) Borrower and Guarantor acknowledge the existing default under the Loans, (2) all liens, security

interests, rights and remedies of Lender under the Loans Documents continue in full force and effect and (3) Borrower and Guarantor fulfill all conditions and comply with all terms and provisions set forth in this Agreement, and furnish all other documents and perform all other acts necessary to give effect to the agreements hereinafter set forth.

**NOW THEREFORE**, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. **Loans Balance.** The total sum now due and payable under the Loans, in aggregate, is approximately \$ \_\_\_\_\_, consisting of \$ \_\_\_\_\_ in principal, \$ \_\_\_\_\_ in accrued interest (through and including \_\_\_\_\_, 2014), \$ \_\_\_\_\_ advanced by Lender in payment of \_\_\_\_\_ as permitted under the Loans Documents and approximately \$ \_\_\_\_\_ in costs and expenses incurred by Lender for collection and enforcement of the Loans. Interest continues to accrue under the Loans at the rate of \_\_\_\_\_% per annum as provided in the Notes (as opposed to the default rate set forth in the Notes).

2. **Acknowledgment of Default.** Borrower and Guarantor hereby acknowledge and agree that the Loans are in default, and that as a result of such default, Lender now has the right to pursue foreclosure and any and all other rights and remedies permitted to Lender under the Loans Documents and/or under applicable law.

3. **Continued Effect of Loans Documents.** Borrower and Guarantor further acknowledge and confirm that the Loans Documents have been duly authorized, executed and delivered to Lender and are valid, binding and enforceable against Borrower and Guarantor in accordance with their respective terms, and that to Borrower and Guarantor's knowledge, all liens and security interests created in favor of Lender under the Loans Documents have been validly created and duly perfected as first and prior encumbrances upon all Properties and collateral of Borrower and/or Guarantor as described in the Loans Documents. Borrower and Guarantor also acknowledge and confirm that the past practices of the Parties included the loan being funded to Borrower for Borrower to pay the previous Trustee of each Property, the recording of the Deeds of Trust as a first priority encumbrance of the respective Properties, pursuant to the terms of each set of the Loans Documents, and that Borrower was not aware of any changes to that practice when the Loans were made to the Borrower.

4. **Forbearance by Lender on Conditions; Effect of Breach.** Lender hereby agrees to forbear pursuit of its rights and remedies under the Loans Documents and/or under applicable law, but only so long as and on the conditions that Borrower and Guarantor pay all sums, perform all covenants and agreements and do all acts and things required of them hereunder. If Borrower or Guarantor fails to pay any sum or to perform any covenant, agreement or obligation owed to Lender under this Agreement or any Loan Document, Lender may cease such forbearance and may immediately commence and pursue any or all rights and remedies Lender may have under the Loans Documents and/or under applicable law as to any or all of the collateral or security for the Loans, all in such order and manner as Lender may elect from time to time in its sole discretion and without notice of any kind to Borrower, Guarantor or any other person, as if this Section 4 had never been agreed to by Lender. Lender's agreement herein to

forego immediate pursuit of its rights and remedies constitutes a postponement and forbearance only, and does not in any event constitute a waiver of any such rights or remedies.

5. **No Effect on Existing Default or Maturity.** Neither the execution and delivery of this Agreement or any other document or instrument required hereunder nor the consummation of the transactions and agreements set forth in this Agreement shall in any manner rescind or cure any existing default under the Loans Documents, reinstate the Loans to a current status, constitute an accord and satisfaction or extend the maturity of the Loans.

6. **Borrower's Actions.** Lender's continued performance of the terms of this Agreement is conditioned upon each of the following obligations being fulfilled:

(A) Borrower agrees to use its good faith efforts to: (i) liquidate other assets, which is expected to generate approximately \$4 to \$5 million US Dollars; (ii) apply all net proceeds from the rental of Borrower's other real estate assets, or the net proceeds from the acquisition and disposition of other real estate or other assets by Borrower, and (iii) apply all funds received from Borrower's continued good faith efforts to recover any other asset that can be recovered from the missing proceeds from the multiple Loans that were advanced from Lender and Other Lenders with respect to certain properties as referenced above. Any additional funds obtained and / or made available to Borrower pursuant this subsection shall be made available to and used by Borrower in connection with the resolution of the lien disputes between Lender and Other Lenders as referenced above.

(B) Borrower agrees to provide Lender, and maintain in effect, a life insurance policy from a nationally-recognized life insurance carrier (with a rating of \_\_\_\_ or better from \_\_\_\_\_) and reasonably approved by Lender, in the amount of \$10,000,000, insuring the life of Guarantor with Lender named as the sole beneficiary, until all obligations pursuant to the Agreement have been full satisfied.

(C) Borrower agrees to provide Lender with a separate personal guaranty from Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents and this Agreement. Further, Borrower agrees to provide a re-affirmation and consent from Guarantor to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees of Lender's Loans to Borrower, so that the terms and provisions of this Agreement will not cause or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of Lender and Borrower pursuant to the terms and provisions of this Agreement.

(D) Borrower agrees to provide Lender with a separate personal guaranty from New Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents and this Agreement, to be secured by a lien against all of New Guarantor's inventory, accounts, and assets.

(E) Except for Lender, Borrower agrees to continue to pay the interest due to the Other Lenders for loans secured by any of the Properties, and any other similarly situated lender on a timely basis and to keep each of such loans current and in compliance with their respective terms.

(F) Borrower has arranged for private outside financing in the amount of approximately \$1,000,000 (the "Outside Funds"), which is to be provided to Borrower on or before February \_\_, 2014. Such Outside Funds shall be used exclusively for the pay-off of the Other Lenders and any other similarly situated lender (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower, as provided herein);

(G) Borrower has agreed to inform Lender of all of the terms of Borrower's transaction to obtain the Outside Funds and the security provided for such Outside Funds. Lender agrees to keep such information on a confidential basis, provided, however, Lender will be able to provide such terms and information to its investors, legal counsel, accountants and other applicable professionals on a confidential basis.

(H) Borrower, Guarantor and Lender acknowledge and agree that this Agreement shall not constitute nor create a joint venture or partnership arrangement between or among Lender and any of the Borrower or Guarantor.

(I) Borrower agrees to provide any additional collateral ("Additional Security") to Lender, as may be requested by Lender, to secure Borrower's existing obligations to Lender and to secure the additional obligations that Lender is agreeing to provide pursuant to this Agreement.

(J) Execution, delivery and filing or recording (with all costs thereof paid by Borrower) of all documents and instruments required to create first and prior liens, as applicable, upon and/or security interests in the Additional Collateral.

(K) Borrower agrees to reimburse all costs and expenses, including without limitation title reports, amendments or title insurance, investigation fees, and / or attorneys' fees, incurred by Lender in connection with this Agreement, or the existing and / or any future lien disputes with the Other Lenders or any other similarly situated lenders.

7. **Lender's Actions.** Subject to the full compliance of the Borrower, Guarantor, and New Guarantor to each of their respective obligations, as detailed in this Agreement, the Lender will perform the following obligations:

(A) Lender agrees to increase the Loan amount of each of the Properties referenced in Exhibit A up to 95% of the loan-to-value ("LTV") ratio of the value of the respective Properties, as determined by Lender. The additional funds advance to Borrower shall be used to pay off the Other Lender and release its security interest in that Property.

(B) Lender will defer (but not waive) the collection of interest from the Borrower on the Loans to the Borrower during the process to fund the amount due to the Other Lenders; and all deferred interest on the Notes from Borrower shall be paid to Lender on or before the payoff of the subject Note.

(C) Lender will provide a new loan to Borrower in the amount up to 1 Million US Dollars, which loan is to provide for multiple advances, earn 3% annual interest to be secured by a first lien position against certain real property or properties to be approved by Lender, in its

sole discretion, and the obligation is to be personally guaranteed by Guarantor (the "Additional Loan").

(D) Lender will defer (but not waive) the right to charge the default rate which is or may be permitted pursuant to the terms of the Loans Documents.

8. The entire principal sum and all accrued interest, costs, expenses, disbursements and fees due under the terms and provisions of the Notes and all other sums payable under the Loans Documents shall be due and payable in full on or before September 30, 2014 in any event, without notice or demand.

9. **Additional Collateral Required.** As one of the conditions to the effectiveness of this Agreement and of Lender's continued forbearance hereunder, the following additional collateral and security shall be furnished to Lender:

(A) Guaranty by Furniture King, LLC, secured by its assets;

(B) Life Insurance policy insuring the life of Guarantor, in the amount of \$10,000,000; and

(C) [what else should be included]

10. **Grace and Cure Periods Eliminated.** All provisions of the Loans Documents requiring any notice to Borrower or any other person as a condition precedent to the existence of any breach, default or event of default or to any acceleration or other remedial action by Lender, permitting any grace period during which non-payment does not constitute a default, or granting any period after the giving or receipt of any notice for the cure of any breach, default or event of default under the Loans Documents prior to acceleration or other remedial action by Lender are hereby deleted, and all Loans Documents are hereby modified accordingly.

11. **Release of Lender; Waiver of Claims and Defenses.** As a material part of the consideration for Lender's execution of this Agreement, Borrower and Guarantor each hereby unconditionally and irrevocably release and forever discharge Lender and all of its directors, officers, employees, agents, attorneys, affiliates and subsidiaries from all liabilities, obligations, actions, claims, causes of action, suits, proceedings, damages, demands, costs and expenses whatsoever arising from or relating to any alleged or actual act, occurrence, omission or transaction occurring or happening prior to or on the date of this Agreement, including but not limited to any of the foregoing relating to the making, administration or enforcement of the Loans. Without limiting the foregoing, Borrower and Guarantor hereby unconditionally and irrevocably waive any and all defenses and claims existing or arising (or based on facts or circumstances actually or allegedly existing or arising) prior to or on the date of this Agreement which might otherwise limit their unconditional joint and several liability for all sums due under the Loans.

12. **Further Documents.** Borrower, Guarantor, and New Guarantor each hereby agree to execute any and all further documents and instruments required by Lender and to do all other acts and things necessary to give effect to the terms and provisions of this Agreement

and/or to create and perfect all liens and security interests granted to Lender under the Loans Documents or required under this Agreement.

13. **Authorization of Agreement.** The execution and delivery of this Agreement has been duly authorized by all necessary corporate or partnership action of Borrower, Guarantor (as applicable) and New Guarantor, and the individuals executing this Agreement on behalf of Borrower, Guarantor and/or New Guarantor have been duly authorized and empowered to bind Borrower, Guarantor and/or New Guarantor by such execution.

14. **Costs and Expenses.** Borrower hereby agrees to pay on demand any and all costs and expenses, including but not limited to attorneys' fees, incurred by Lender in connection with (A) the negotiation, preparation, filing and/or recording of this Agreement and all other documents and instruments required to give effect to this Agreement and/or to create and perfect the liens, security interests, assignments and/or pledges contemplated hereunder or under the Loans Documents and/or (B) the collection of the Loans and/or the enforcement of the Loans Documents, and Guarantor and New Guarantor shall each be liable for all of their respective foregoing costs and expenses pursuant to their respective guarantees. Lender shall have no liability whatsoever for any of the foregoing.

15. **Time of the Essence.** Time is of the essence of all agreements and obligations contained herein.

16. **Construction of Agreement.** If any provision of this Agreement conflicts with any provision of any Loans Documents, the applicable provision of this Agreement shall control.

As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa.

The titles and captions in this Agreement are used for convenience of reference only and do not define, limit or control the scope, intent or effect of any provisions of this Agreement.

No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted all or any portion of this Agreement, any other document required hereunder or in connection with any Loans Documents.

17. **Ratification and Agreements by Guarantor.** Guarantor hereby acknowledges and consents to the terms of this Agreement, agrees to be bound by all terms and provisions hereof and of any and all documents and instruments executed by Borrower in connection with and/or as contemplated in this Agreement; acknowledges and confirms that Guarantor is and shall remain liable for all indebtedness and obligations now or hereafter owed by Borrower to Lender in connection with the Loans (pursuant to this Agreement and the Loans Documents or otherwise); agrees that Guarantor's said liability shall not be released, reduced or otherwise affected by the execution of this Agreement, by any changes in the effect of the Loans Documents under the terms of this Agreement, by Lender's receipt of any additional collateral for the Loans, by the consummation of any transactions relating hereto, or by any other existing fact or circumstance; ratifies the Guaranty as security for the Loans; and confirms that the Guaranty remains in full force and effect.

18. **Entire Agreement; No Oral Agreements Concerning Loans.** This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, which agreement shall not be varied by any alleged or actual oral statements or parol evidence whatsoever. Lender has not promised or agreed in any manner to extend the maturity of the Loans, to restructure the Loans or any security therefor, to modify any terms of the Loans Documents or the effect thereof, to forbear in the commencement, exercise or pursuit of any right or remedy Lender has under the Loans Documents or applicable law, to release or adversely affect any lien or security interest previously or concurrently granted in favor of Lender, or to forego the benefit of any term, provision or condition of the Loans Documents, except as may be otherwise specifically provided in this Agreement and subject in all instances to strict compliance by Borrower and Guarantor with all terms and conditions of this Agreement. Except as specifically provided in this Agreement (and so long as Borrower is in compliance with the terms of this Agreement), Lender has not agreed or become obligated, whether by negotiating or executing this Agreement or otherwise, to make any new Loans or to extend any new credit to Borrower or Guarantor under any circumstances.

19. **Ratification of Workout.** The parties acknowledge and agree that the terms and conditions of the this Agreement are part of but not the entire body of a mutual workout arraignment between the parties for a resolution of a dispute regarding the Loans. Borrower and Guarantor each hereby ratify, consent to, and agree to all of Lender's actions, from November \_\_\_\_, 2013, to the date first stated above, regarding and or related to the claims of the Other Lenders alleging that the encumbrances for their loans were in first priority for the subject Properties; with the actions of the Lender including, without limitation, Lender lending Borrower an additional \$ \_\_\_\_\_, in the aggregate, with said funds being used towards satisfaction of certain loans from the Other Lenders. Borrower and Guarantor each ratify and agree that the Lender's loans for said Properties have increased by the amounts that Lender paid toward satisfaction of the respective Other Lenders' loans for the subject Properties.

[signatures on following page]

IN WITNESS WHEREOF, the undersigned Parties have executed this Agreement on the date first above written.

**Borrower:**

ARIZONA HOME FORECLOSURES, LLC

By: \_\_\_\_\_  
Yomtov "Scott" Menaged  
Its: Member

EASY INVESTMENTS, LLC

By: \_\_\_\_\_  
Yomtov "Scott" Menaged  
Its: Member

**Guarantor:**

\_\_\_\_\_  
Yomtov "Scott" Menaged

**New Guarantor:**

FURNITURE KING, LLC

By: \_\_\_\_\_  
Yomtov "Scott" Menaged  
Its: Manager

**Lender:**

DENSCO INVESTMENT CORPORATION

By: \_\_\_\_\_  
Denny Chittick  
Its: President

**EXHIBIT A**

**LENDER LOANS AND ENCUMBERED PROPERTIES**

**ACKNOWLEDGMENTS**

STATE OF ARIZONA        )  
                                  ) SS  
COUNTY OF MARICOPA    )

On this \_\_\_ day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of ARIZONA HOME FORECLOSURES, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

ACKNOWLEDGMENTS

STATE OF ARIZONA )  
 ) SS  
COUNTY OF MARICOPA )

On this \_\_\_ day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of EASY INVESTMENTS, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

**ACKNOWLEDGMENTS**

STATE OF ARIZONA     )  
                                  ) SS  
COUNTY OF MARICOPA )

On this \_\_\_\_ day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did acknowledged execution of the foregoing instrument as the Guarantor.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:  
\_\_\_\_\_

**ACKNOWLEDGMENTS**

STATE OF ARIZONA     )  
  ) SS  
COUNTY OF MARICOPA )

On this \_\_\_\_ day of \_\_\_\_\_, 2014, before me appeared Yomotov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the Manager of FURNITURE KING, LLC, an Arizona limited liability company, and said Yomotov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said company.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

**ACKNOWLEDGMENTS**

STATE OF ARIZONA     )  
                                  ) SS  
COUNTY OF MARICOPA )

On this \_\_\_\_ day of \_\_\_\_\_, 2014, before me appeared Denny Chittick, to me personally known, who being by me duly sworn, did say that he/she is the President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, and said Denny Chittick acknowledged execution of the foregoing instrument to be the free act and deed of said corporation.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

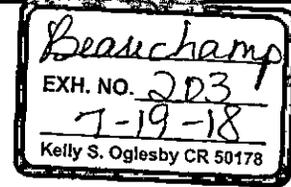
My Commission Expires:

\_\_\_\_\_

DenSco/Workout

**Beauchamp, David G.**

**From:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Friday, January 24, 2014 6:31 PM  
**To:** Beauchamp, David G.  
**Subject:** RE: Draft Forebearance Agreement



I never heard from anyone no news is good news  
I will read it this weekend and let u know if we need changes thx

Sent from Yahoo Mail for iPhone

---

**From:** Beauchamp, David G. <DBeauchamp@ClarkHill.com>;  
**To:** Denny <dcmoney@yahoo.com>;  
**Subject:** RE: Draft Forebearance Agreement  
**Sent:** Sat, Jan 25, 2014 12:28:40 AM

Denny:

Thank you.

Have a good weekend. Please call me on my mobile if anything comes up concerning these issues.

Did anyone hear anything more from the "Other Lenders"?

Did you review the draft Forbearance Agreement? If so, did you have any questions or anything that we missed? Anything else that you want to add?

All the best, David

**David G. Beauchamp**

CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

From: Denny [mailto:demoney@yahoo.com]  
Sent: Friday, January 24, 2014 5:25 PM  
To: Beauchamp, David G.  
Subject: Re: Draft Forebearance Agreement

Auto correct foiled me. I forwarded it to him

Thx

Sent from my iPad

On Jan 24, 2014, at 3:03 PM, "Beauchamp, David G." <DBeauchamp@ClarkHill.com> wrote:

Denny:

Not sure what you mean by "I will add I to him"?

Sorry, I know that you had wanted to get it to him before he left. We pushed as fast as we could but this agreement was reduced from about a 35 page agreement. I had to think through all of the other provisions to confirm that they were not needed. Unfortunately, removing sections from an agreement takes almost as much time as writing provisions to add.

Best, David

**David G. Beauchamp**

**CLARK HILL PLC**

14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
dbeauchamp@clarkhill.com | www.clarkhill.com

From: Denny Chittick [mailto:demoney@yahoo.com]  
Sent: Friday, January 24, 2014 3:00 PM  
To: Beauchamp, David G.  
Subject: RE: Draft Forebearance Agreement

Scott left about an hour ago to fly to Israel I will add I to him so he has some reading material for the trip

Sent from Yahoo Mail for iPhone

---

**From:** Beauchamp, David G. <DBeauchamp@ClarkHill.com>;  
**To:** Denny J. Chittick (dcmoney@yahoo.com) <dcmoney@yahoo.com>;  
**Subject:** Draft Forebearance Agreement  
**Sent:** Fri, Jan 24, 2014 6:50:28 PM

Denny:

As I indicated last night, I have made some clean up changes to this agreement. I separated the Borrower obligations and the Lender's obligations so that the agreement is easier to read. I also added the New Gu (Furniture King). I thought those should be included before the draft circulated. There is also a question section 9 if there is any other collateral that should be referenced in this agreement. If you want something referenced, please just let me know and we will get it added.

We will prepare and send you the other Guarantees, Security Agreement and other documents as soon as we know that this will get signed without major changes.

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) | 602.319.5692 (cell)  
dbeauchamp@clarkhill.com | [www.clarkhill.com](http://www.clarkhill.com)

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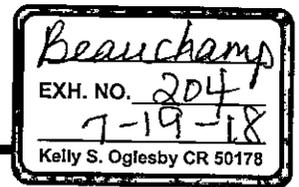
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**Beauchamp, David G.**

**From:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Saturday, January 25, 2014 3:19 AM  
**To:** Beauchamp, David G.  
**Subject:** Re: Draft Forebearance Agreement

the only thing i can see is the date, it might get moved out to 12/31/14, however, if our plan works as we hope too, a good portion of this will be cleared up in 6 months and he'll be back to paying interest on a regular basis etc, but i know we have to have a date.

i sent it ot him, we'll wait to see if he has changes, or his attorney wants to wordsmith some things.

thx  
dc

DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)  
602-469-3001 C  
602-532-7737 f

---

**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** "Denny J. Chittick (dcmoney@yahoo.com)" <dcmoney@yahoo.com>  
**Sent:** Friday, January 24, 2014 11:50 AM  
**Subject:** Draft Forebearance Agreement

Denny:

As I indicated last night, I have made some clean up changes to this agreement. I separated the Borrower's obligations and the Lender's obligations so that the agreement is easier to read. I also added the New Guarantor (Furniture King). I thought those should be included before the draft circulated. There is also a question in section 9 if there is any other collateral that should be referenced in this agreement. If you want something referenced, please just let me know and we will get it added.

We will prepare and send you the other Guarantees, Security Agreement and other documents as soon as we know that this will get signed without major changes.

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](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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## CLARK HILL P.L.C.

DenSco Investment Corporation  
Work-out of lien issue  
February 17, 2014  
INVOICE # 528891  
Page 5

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

thing. I had a few payoffs today which helped my cash. I turned down some deals too. I have to get these assholes paid off so that we have the ability to work out our plan

1-22

Scotts NY attitude worked, they agreed to 12 this week, and then 5 a week there after Now we can breath, we can operate and I can sleep. we closed 5 of them today, Debbie fucked up on one of them, so we'll do it tomorrow, the others on Friday. I funded two other deals, I had three payoffs and Steve wired in 500k more. I had to return 200k to Miller's for taxes. I was super busy all day, plus mike and Rob came by for their quarterly meeting so I was behind a few hours I am back to running a business now. When I was looking up some of these properties, they had appreciated quite a bit, so we aren't nearly as upside down on them as we thought after my 3<sup>rd</sup>, once Gregg is paid off, there is still equity in the property. Once scott starts getting these recent purchases flipped and making money, things will march pretty quickly in the right direction. For the next 60 days, tehspread sheet is going to be really fucking ugly, but it will improve nearly every week after that. As well as the interest will start to be paid.

1-23

I was so damn busy today, I funded three deals straight away. then Debbie had everything ready to go on seven deals today for the assholes so I did them. It takes me hours to do all the docs, recordings, wires, searching for a new property, comping, bookkeeping. I had a few payoffs which helped. Scott said he's flying to isreal, he's got a hearing with a judge to recover 2 million. Holly shit if we can get some of that soon, it would make a big difference. To my count we only have 28 loans left with these assholes, then scott can mainly concentrate on flipping for profit and selling the ones that are free to do so.

1-24

I funded four deals, I had five payoff, which I need, because I need more money next week to payoff those assholes, plus I have Weiskopf wants 675k next week. plus I need to pay the investors It's going to be a thin week for deals. We had our mom's meeting big turn out, I just blabbed the whole time. I'm glad this week is done. Scott left for Isreal and hopefully he comes back with some damn money.

1-27

I was so busy today, I barely got it all done. I funded three deals, I had five payoff, I had a lot of payments I returned 625k to Weiskopf. I did end of month over the weekend, all the payments will go out tomorrow. Scott says he thinks the judge is going to give him the order for the 2 million from this company, now it will be how quickly can he get the money out of them. I'm trying to raise some more money so that I can payoff more of these damn loans from the asholes group I can do 5 this week, I pretty sure, I just need some more payoffs to come in to allow me to breath a little bit.

1-28

Scott emailed me and said that he is getting 1.6 million March 13<sup>th</sup>, that goodness, that will help tremendocously! He's got a few million coming from NY and from Isreal besides this. It was a quiet day which was nice I funded one deal on an overage, which then paid off another deal. Scott sold a few properties and also got some money back from Trustee's so I got back three other payoffs I had a few payments too I'm waiting for my stack of deals to fund on Friday. I'm taking in 750k from an old borrower out of Utah, then john Schreiber called me and wants to give me 400k or so. I'm going to take it becaue he watns to give it to me, about when I have to give back a ton of money to my investors for taxes.

1-29

I had a quiet morning. I had a bunch of payoffs, scott ended up wholesaling a bunch of properties, plus some trustees returned checks on BK's. Kirk sent me 600k more too. I'll be getting 400k or in from the guys in UT. I'll be funding about 1 6 million tomorrow it looks like. I'll knock down just 5 more loans off the assholes list, but it's over a million dollars. Scott needs to come up with some cash soon to start paying some stuff off. I don't know if I can run overages over the rest of his properties to cover the dollar amounts I'm paying these guys off we just need to struggle to get them paid off and then scott can start working toward paying greg off.

1-30

I funded five more deals today. It was over a million dollars Scott says he's got about 20 in escrow, a combo of ones I've funded 95% and some of gregg's and some of that are clear I had a lot of payoffs today. Plus I had 400k come in from Ryan in UT I've got funds to know off some more next week. it was a really busy day I also drove up to Scottsdale to meet and look at this house that Sammy is working on. He thinks he can sell for 1.4, I hope for 1 I'm going to give him some more money against it because it's really far along. I hate doing these types of deals, but I think it's solid. Now to do statements.

1-31

It was a crazy busy day, which I't snot always like that for end of month. I funded four deals. I had six pay off , I might have more if Bennett pays off the two he said he would. He might deposit a check tnoight. I had a lot of payments. I lost about 100k this month. I never cashed the check from Scott for the interest. I hope next month the number of deals from him which will lower my risk and bring in some much needed interest. I have to try to pay off another 5-7 next week.

2-3

I had a really busy day, I funded three deals and started working on the 7 deals we are going to payoff this week. it's going to take me several hours to come up where to put all this money on other properties. Soon, Scott has to come up with cash himself to close these. I had a few payments, and I had one payoff. It was actually a return of an auction deal.

Message

---

**From:** Anderson, Robert G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=RANDERSON]  
**Sent:** 1/28/2014 7:32:26 AM  
**To:** Beauchamp, David G. [dbeauchamp@clarkhill.com]; Schenck, Daniel A. [dschenck@clarkhill.com]  
**Subject:** DenSco Forbearance Agreement  
**Attachments:** 200131428\_2.doc

David and Dan, only two minor comments, see Sec. 6 c & m. Let me know if I can be of additional help..

Bob

## FORBEARANCE AGREEMENT

**THIS FORBEARANCE AGREEMENT** ("Agreement") is executed on January \_\_, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company ("AHF"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308, Easy Investments, LLC, an Arizona limited liability company ("EI"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308 (AHF and EI are collectively referred to as the ("**Borrower**"), Yomtov "Scott" Menaged ("**Guarantor**"), whose address is \_\_\_\_\_, and DenSco Investment Corporation, an Arizona corporation ("**Lender**"), whose address is 6132 W. Victoria Place, Chandler, Arizona 85226.

### Recitals

The following recitals of fact are a material part of this Agreement:

A. Borrower is indebted to Lender under the terms of certain Loans (the "Loans"), which are listed on the attached Exhibit A, which is incorporated into this Agreement by this reference, evidenced by a certain promissory notes, executed by Borrower in favor of Lender (the "Notes").

B. Guarantor guaranteed the payment and performance of the Loans pursuant to the terms of the Loans and or Notes (the "Guaranty"), executed by Guarantor in favor of Lender.

C. The Loans are further evidenced and/or secured by various documents and instruments, including but not limited to certain Deeds of Trust and Assignment of Rents ("Deeds of Trust"), executed by Borrower in favor of Lender. The Deeds of Trust constitute a lien on the respective real properties described therein ("Properties") and referenced in Exhibit A. The Note, Deeds of Trust, the Guaranty, the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "Loans Documents".

D. The Properties were used as security for one or more loans from another lender ("Other Lender") and the Loans from Lender may not be in the first lien position as required by the Loans Documents.

E. The Loans are now in default and Lender has given any notice required under the Loans Documents concerning such default.

F. Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, but only so long as and on the conditions that (1) Borrower and Guarantor acknowledge the existing default under the Loans, (2) all liens, security interests, rights and remedies of Lender under the Loans Documents continue in full force and effect and (3) Borrower and Guarantor fulfill all conditions and comply with all terms and provisions set forth in this Agreement, and furnish all other documents and perform all other acts necessary to give effect to the agreements hereinafter set forth.

**NOW THEREFORE**, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. Loans Balance. The total sum now due and payable under the Loans, in aggregate, is \$ \_\_\_\_\_, consisting of \$ \_\_\_\_\_ in principal, \$ \_\_\_\_\_ in accrued interest (through and including \_\_\_\_\_, 2014), \$ \_\_\_\_\_ advanced by Lender in payment of \_\_\_\_\_ as permitted under the Loans Documents and \$ \_\_\_\_\_ in costs and expenses incurred by Lender for collection and enforcement of the Loans. Interest continues to accrue under the Loans at the default rate of \_\_\_\_\_% per annum as provided in the Notes.

2. Acknowledgment of Default. Borrower and Guarantor hereby acknowledge and agree that the Loans are in default, and that as a result of such default, Lender now has the right to pursue foreclosure and any and all other rights and remedies permitted to Lender under the Loans Documents and/or under applicable law.

3. Continued Effect of Loans Documents. Borrower and Guarantor further acknowledge and confirm that the Loans Documents have been duly authorized, executed and delivered to Lender and are valid, binding and enforceable against Borrower and Guarantor in accordance with their respective terms, and that to Borrower and Guarantor's knowledge, all liens and security interests created in favor of Lender under the Loans Documents have been validly created and duly perfected as first and prior encumbrances upon all Properties and collateral of Borrower and/or Guarantor as described in the Loans Documents. Borrower and Guarantor also acknowledge and confirm that the past practices of the parties included the recording of the Deeds of Trust as a first priority encumbrance of the respective Properties, pursuant to the terms of the Loan Documents, and that Borrower was not aware of any changes to that practice when the Loans were made to the Borrower.

4. Forbearance by Lender on Conditions: Effect of Breach. Lender hereby agrees to forbear pursuit of its rights and remedies under the Loans Documents and/or under applicable law, but only so long as and on the conditions that Borrower and Guarantor pay all sums, perform all covenants and agreements and do all acts and things required of them hereunder. If Borrower or Guarantor fails to pay any sum or to perform any covenant, agreement or obligation owed to Lender under this Agreement or any Loans Document, Lender may cease such forbearance and may immediately commence and pursue any or all rights and remedies Lender may have under the Loans Documents and/or under applicable law as to any or all of the collateral or security for the Loans, all in such order and manner as Lender may elect from time to time in its sole discretion and without notice of any kind to Borrower, Guarantor or any other person, as if this Section 4 had never been agreed to by Lender. Lender's agreement herein to forego immediate pursuit of its rights and remedies constitutes a postponement and forbearance only, and does not in any event constitute a waiver of any such rights or remedies.

5. No Effect on Existing Default or Maturity. Neither the execution and delivery of this Agreement or any other document or instrument required hereunder nor the consummation of the transactions and agreements set forth in this Agreement shall in any manner rescind or cure any existing default under the Loans Documents, reinstate the Loans to a current status, constitute an accord and satisfaction or extend the maturity of the Loans.

6. Continued Performance. Lender's continued performance of the terms of this Agreement is conditioned upon each of the following obligations being fulfilled:

(A) Lender agrees to increase the Loan amount of each of the Properties referenced in Exhibit A up to 95% of the loan-to-value ("LTV") ratio of the value of the respective Properties, based on a broker assessment. The additional funds advance to Borrower shall be used to pay off the Other Lender and release its security interest in the Property.

(B) Lender will defer (but not waive) the collection of interest from the Borrower on the Loans to the Borrower during the process to fund the amount due to the Other Lender; and all deferred interest on the Notes from Borrower shall be paid to Lender on or before the payoff of the subject Note.

(C) Borrower agrees to provide any additional security ("Additional Collateral") to Lender, as may be requested by Lender, to secure Borrower's existing obligations to Lender and to secure the additional obligations that Lender is agreeing to provide pursuant to this Agreement.

(D) Execution, delivery and filing or recording (with all costs thereof paid by Borrower) of all documents and instruments required to create first and prior liens, as applicable, upon and/or security interests in the Additional Collateral.

(E) Borrower agrees to reimburse all costs and expenses, including without limitation title reports, amendments or title insurance, investigation fees, and / or attorneys' fees, incurred by Lender in connection with this Agreement, or the existing and / or any future lien disputes with the Other Lender or any other similarly situated lenders.

(F) Borrower agrees to use its good faith efforts to: (i) liquidate other assets, which is expected to generate approximately 4 to 5 million US Dollars; (ii) apply all net proceeds from the rental of Borrower's homes, or the net proceeds from the acquisition and disposition of additional homes by Borrower, and (iii) apply all funds received from Borrower's continued good faith efforts to recover any other assets that can be recovered from the missing proceeds from the multiple Loans that were advanced from Lender and Other Lenders with respect to certain properties as referenced above. Any additional funds obtained and / or made available to Borrower pursuant this subsection shall be made available to and used by Borrower in connection with the resolution of the lien disputes between Lender and Other Lenders as referenced above.

(G) Borrower agrees to provide Lender, and maintain in effect, a life insurance policy from a life insurance carrier reasonably approved by Lender, in the amount of \$10,000,000, insuring the life of Guarantor with Lender named as the sole beneficiary, until all obligations pursuant to the Agreement have been full satisfied.

(H) Borrower agrees to provide Lender with a separate personal guaranty from Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents and this Agreement. Further, Borrower agrees to provide a re-affirmation and consent from Guarantor to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees of Lender's Loans to Borrower, so that the terms and provisions of this Agreement will not cause

or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of Lender and Borrower pursuant to the terms and provisions of this Agreement.

(I) Except for Lender, Borrower agrees to continue to pay the interest due to the Other Lender and any other similarly situated lender on a timely basis and to keep such Loans current and in compliance with its terms.

(J) Borrower has arranged for private outside financing in the amount of approximately \$1,000,000 (the "Outside Funds"), which is to be provided to Borrower on or before February 28, 2014. Such Outside Funds shall be used exclusively for the pay-off of the Other Lenders and any other similarly situated lender (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower, as provided herein);

(K) Borrower has agreed to inform Lender of all of the terms of Borrower's transaction to obtain the Outside Funds and the security provided for such Outside Funds. Lender agrees to keep such information on a confidential basis, provided, however, Lender will be able to provide such terms and information to its investors, legal counsel, accountants and other applicable professionals.

(L) Lender will provide a new loan to Borrower in the amount up to One Million US Dollars, which loan is to provide for multiple advances, earn 3% annual interest to be secured by a first lien position against certain real properties to be approved by Lender, in its sole discretion, and the obligation is to be personally guaranteed by Guarantor (the "Additional Loan").

(M) Borrower and Lender acknowledge and agree that this forbearance/ workout agreement shall not constitute nor create a joint venture or partnership arrangement between or among Lender and the Borrower.

7. INTENTIONALLY DELETED

8. The entire principal sum and all accrued interest, costs, expenses, disbursements and fees due under the terms and provisions of the Notes and all other sums payable under the Loans Documents shall be due and payable in full on \_\_\_\_\_, 2014 in any event, without notice or demand.

9. Additional Collateral Required. As one of the conditions to the effectiveness of this Agreement and of Lender's continued forbearance hereunder, the following additional collateral and security shall be furnished to Lender:

(A) \_\_\_\_\_

(B) \_\_\_\_\_

(C) \_\_\_\_\_

10. Grace and Cure Periods Eliminated. All provisions of the Loans Documents requiring any notice to Borrower or any other person as a condition precedent to the existence of

any breach, default or event of default or to any acceleration or other remedial action by Lender, permitting any grace period during which non-payment does not constitute a default, or granting any period after the giving or receipt of any notice for the cure of any breach, default or event of default under the Loans Documents prior to acceleration or other remedial action by Lender are hereby deleted, and all Loans Documents are hereby modified accordingly.

11. Release of Lender; Waiver of Claims and Defenses. As a material part of the consideration for Lender's execution of this Agreement, Borrower and Guarantor each hereby unconditionally and irrevocably release and forever discharge Lender and all of its directors, officers, employees, agents, attorneys, affiliates and subsidiaries from all liabilities, obligations, actions, claims, causes of action, suits, proceedings, damages, demands, costs and expenses whatsoever arising from or relating to any alleged or actual act, occurrence, omission or transaction occurring or happening prior to or on the date of this Agreement, including but not limited to any of the foregoing relating to the making, administration or enforcement of the Loans. Without limiting the foregoing, Borrower and Guarantor hereby unconditionally and irrevocably waive any and all defenses and claims existing or arising (or based on facts or circumstances actually or allegedly existing or arising) prior to or on the date of this Agreement which might otherwise limit their unconditional joint and several liability for all sums due under the Loans.

12. Further Documents, Etc. Borrower and Guarantor each hereby agree to execute any and all further documents and instruments required by Lender and to do all other acts and things necessary to give effect to the terms and provisions of this Agreement and/or to create and perfect all liens and security interests granted to Lender under the Loans Documents or required under this Agreement.

13. Authorization of Agreement. The execution and delivery of this Agreement has been duly authorized by all necessary corporate or partnership action of Borrower and Guarantor (as applicable), and the individuals executing this Agreement on behalf of Borrower and/or Guarantor have been duly authorized and empowered to bind Borrower and/or Guarantor by such execution.

14. Costs and Expenses. Borrower hereby agrees to pay on demand any and all costs and expenses, including but not limited to attorneys' fees, incurred by Lender in connection with (A) the negotiation, preparation, filing and/or recording of this Agreement and all other documents and instruments required to give effect to this Agreement and/or to create and perfect the liens, security interests, assignments and/or pledges contemplated hereunder or under the Loans Documents and/or (B) the collection of the Loans and/or the enforcement of the Loans Documents, and Guarantor shall be liable for all of the foregoing pursuant to the Guaranty.

Borrower and Guarantor shall be solely responsible for the payment of all costs and expenses, including but not limited to attorneys' fees of their respective counsel, incurred by Borrower or Guarantor in connection with the negotiation, preparation, filing and/or recording of this Agreement or any other document required hereunder or relating to Lender's efforts to collect the Loans and enforce the Loans Documents, and Lender shall have no liability whatsoever for any of the foregoing.

15. Time of the Essence. Time is of the essence of all agreements contained herein.

16. Construction of Agreement. If any provision of this Agreement conflicts with any provision of any Loans Document, the applicable provision of this Agreement shall control.

As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa.

The titles and captions in this Agreement are used for convenience of reference only and do not define, limit or control the scope, intent or effect of any provisions of this Agreement.

No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted all or any portion of this Agreement, any other document required hereunder or any Loans Document.

17. Ratification and Agreements by Guarantor. Guarantor hereby acknowledges and consents to the terms of this Agreement, agrees to be bound by all terms and provisions hereof and of any and all documents and instruments executed by Borrower in connection with and/or as contemplated in this Agreement; acknowledges and confirms that Guarantor is and shall remain liable for all indebtedness and obligations now or hereafter owed by Borrower to Lender in connection with the Loans (pursuant to this Agreement and the Loans Documents or otherwise); agrees that Guarantor's said liability shall not be released, reduced or otherwise affected by the execution of this Agreement, by any changes in the effect of the Loans Documents under the terms of this Agreement, by Lender's receipt of any additional collateral for the Loans, by the consummation of any transactions relating hereto, or by any other existing fact or circumstance; ratifies the Guaranty as security for the Loans; and confirms that the Guaranty remains in full force and effect.

18. Entire Agreement; No Oral Agreements Concerning Loans. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, which agreement shall not be varied by any alleged or actual oral statements or parol evidence whatsoever. Lender has not promised or agreed in any manner to extend the maturity of the Loans, to restructure the Loans or any security therefor, to modify any terms of the Loans Documents or the effect thereof, to forbear in the commencement, exercise or pursuit of any right or remedy Lender has under the Loans Documents or applicable law, to release or adversely affect any lien or security interest previously or concurrently granted in favor of Lender, or to forego the benefit of any term, provision or condition of the Loans Documents, except as may be otherwise specifically provided in this Agreement and subject in all instances to strict compliance by Borrower and Guarantor with all terms and conditions of this Agreement. Lender has not agreed or become obligated, whether by negotiating or executing this Agreement or otherwise, to make any new Loans or to extend any new credit to Borrower or Guarantor under any circumstances.

19. Ratification of WorkOut. The parties acknowledge and agree that the terms and conditions of the this Agreement are part of but not the entire body of a mutual workout arraignment between the parties for a resolution of a dispute regarding the Loans. Borrower and

Guarantor each hereby ratify, consent to, and agree to all of Lender's actions, from \_\_\_\_\_ to the date first stated above, regarding and or related to the Other Lender's claims alleging that the encumbrances for their loans were in first priority for the subject Properties; with the actions of the Lender including, without limitation, Lender lending Borrower an additional \$ \_\_\_\_\_, in the aggregate, with said funds being used towards satisfaction of certain loans from the Other Lenders. Borrower and Guarantor each ratify and agree that the Lender's loans for said Properties have increased by the amounts that Lender paid toward satisfaction of the Other Lender's loan for the subject Properties.

**IN WITNESS WHEREOF**, the undersigned parties have executed this Agreement on the date first above written.

**Borrower:**

ARIZONA HOME FORECLOSURES, LLC

By: \_\_\_\_\_  
Yomtov "Scott" Menaged

Its: Member

EASY INVESTMENTS, LLC

By: \_\_\_\_\_  
Yomtov "Scott" Menaged

Its: Member

**Guarantor:**

\_\_\_\_\_  
Yomtov "Scott" Menaged

**Lender:**

DENSCO INVESTMENT CORPORATION

By: \_\_\_\_\_  
Denny Chittick

Its: President

**EXHIBIT A**

**LENDER LOANS AND ENCUMBERED PROPERTIES**

**ACKNOWLEDGMENTS**

STATE OF ARIZONA        )  
                                  ) SS  
COUNTY OF MARICOPA    )

On this day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the Manager of ARIZONA HOME FORECLOSURES, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

**ACKNOWLEDGMENTS**

STATE OF ARIZONA     )  
  ) SS  
COUNTY OF MARICOPA )

On this day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the Manager of EASY INVESTMENTS, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

**ACKNOWLEDGMENTS**

STATE OF ARIZONA        )  
                                  ) SS  
COUNTY OF MARICOPA    )

On this day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did acknowledged execution of the foregoing instrument as the Guarantor.

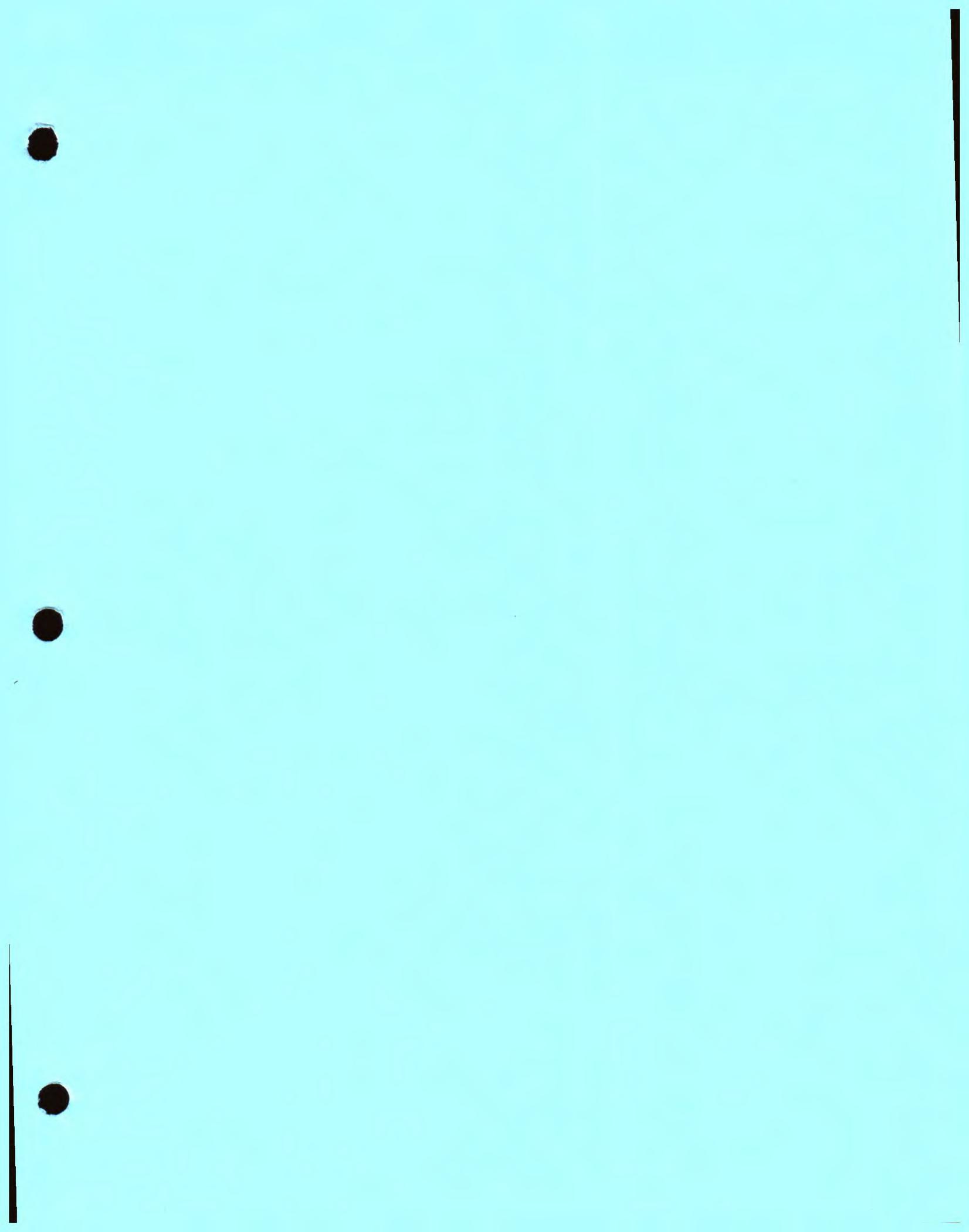
**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_





CLARK HILL P.L.C.

DenSco Investment Corporation  
Work-out of lien issue  
February 17, 2014  
INVOICE # 528891  
Page 6

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

Scott emailed me and said that he is getting 1.6 million March 13<sup>th</sup>, that goodness, that will help tremendously! He's got a few million coming from NY and from Isreal besides this. It was a quiet day which was nice I funded one deal on an overage, which then paid off another deal. Scott sold a few properties and also got some money back from Trustee's so I got back three other payoffs. I had a few payments too. I'm waiting for my stack of deals to fund on Friday I'm taking in 750k from an old borrower out of Utah, then John Schreiber called me and wants to give me 400k or so. I'm going to take it because he wants to give it to me, about when I have to give back a ton of money to my investors for taxes.

1-29

I had a quiet morning. I had a bunch of payoffs, Scott ended up wholesaling a bunch of properties, plus some trustees returned checks on BK's Kirk sent me 600k more too. I'll be getting 400k or in from the guys in UT. I'll be funding about 1.6 million tomorrow it looks like. I'll knock down just 5 more loans off the assholes list, but it's over a million dollars. Scott needs to come up with some cash soon to start paying some stuff off I don't know if I can run overages over the rest of his properties to cover the dollar amounts I'm paying these guys off. We just need to struggle to get them paid off and then Scott can start working toward paying Greg off.

1-30

I funded five more deals today. It was over a million dollars. Scott says he's got about 20 in escrow, a combo of ones I've funded 95% and some of Gregg's and some of that are clear I had a lot of payoffs today. Plus I had 400k come in from Ryan in UT. I've got funds to know off some more next week. It was a really busy day I also drove up to Scottsdale to meet and look at this house that Sammy is working on. He thinks he can sell for 1.4, I hope for 1 I'm going to give him some more money against it because it's really far along. I hate doing these types of deals, but I think it's solid. Now to do statements.

1-31

It was a crazy busy day, which I'm not always like that for end of month. I funded four deals. I had six pay off, I might have more if Bennett pays off the two he said he would. He might deposit a check tonight. I had a lot of payments. I lost about 100k this month. I never cashed the check from Scott for the interest. I hope next month the number of deals from him which will lower my risk and bring in some much needed interest. I have to try to pay off another 5-7 next week.

2-3

I had a really busy day, I funded three deals and started working on the 7 deals we are going to payoff this week. It's going to take me several hours to come up where to put all this money on other properties. Soon, Scott has to come up with cash himself to close these. I had a few payments, and I had one payoff. It was actually a return of an auction deal.

Tom Denny Chiffich (1/29/14)

(0.3)

- anything new
  - timing & status
  - Reminded Denny that he is not protected until Forbearance Agmt is signed
- Denny will send email to Scott + ash
- ~~Scott~~ Denny thinks Scott is to meet w/ his atty on Thurs
- Able to pay off another group
  - will hopefully be down to 15 left next week
- Several of these houses have been sold
- Scott won in Israel to get \$ in March



Appointment

---

**From:** Anderson, Robert G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=RANDERSON]  
**Sent:** 1/31/2014 9:53:53 AM  
**Subject:** DenSco loan doc review  
**Start:** 1/31/2014 3:00:00 PM  
**End:** 1/31/2014 3:30:00 PM  
**Show Time As:** Busy



Message

---

**From:** Denny Chittick [dcmoney@yahoo.com]  
**Sent:** 1/29/2014 10:45:14 AM  
**To:** Beauchamp, David G. [dbeauchamp@clarkhill.com]  
**Subject:** Fw: legal doc

read below

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

----- Forwarded Message -----

**From:** "SMena98754@aol.com" <SMena98754@aol.com>  
**To:** dcmoney@yahoo.com  
**Sent:** Wednesday, January 29, 2014 11:44 AM  
**Subject:** Re: legal doc

I am meeting with him tomorrow at 3

In a message dated 1/29/2014 11:44:15 A.M. US Mountain Standard Time, dcmoney@yahoo.com writes:

**did you hear back from your attorney yet?**  
dc

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602-469-3001 C  
602-532-7737 f



**Beauchamp, David G.**

---

**From:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Thursday, January 30, 2014 4:12 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: Fwd: Closings

not yet, it's in escrow too.  
dc

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602-469-3001 C  
602-532-7737 f

---

**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** "dcmoney@yahoo.com" <dcmoney@yahoo.com>  
**Cc:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**Sent:** Thursday, January 30, 2014 4:10 PM  
**Subject:** Re: Fwd: Closings

Denny:

Good list. Did the house with the issue concerning ownership get paid off yet?

Best, David

David G. Beauchamp  
CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Denny Chittick [mailto:dcmoney@yahoo.com]  
**Sent:** Thursday, January 30, 2014 03:44 PM  
**To:** Beauchamp, David G.  
**Subject:** Fw: Fwd: Closings

read below, we are moving in the right direction.  
dc

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602-469-3001 C  
602-532-7737 f

----- Forwarded Message -----

From: Scott Menaged <[smena98754@aol.com](mailto:smena98754@aol.com)>  
To: Denny Chittick <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)>  
Sent: Thursday, January 30, 2014 3:24 PM  
Subject: Fwd: Closings

Updated closings. I have not added a couple from the last few days I was gone yet. I think their are 12 more

Sent from my iPhone

Begin forwarded message:

From: Veronica Gutierrez <[veronicagutierrez@live.com](mailto:veronicagutierrez@live.com)>  
Date: January 30, 2014 at 1:26:51 PM MST  
To: Scott Menaged <[smena98754@aol.com](mailto:smena98754@aol.com)>  
Subject: Closings

2716 S Milburn Mesa 85209 COE 1/30/14 no docs yet  
15020 N 133rd Ln Surprise 85379 COE 2/14/14 (i had the wrong COE date)

5211 N 193rd Ave Litchfield Park COE 2/4 NOT magnus

5126 N 78th St Scottsdale  
85260 COE 02/06/14 ON HOLD  
126 S Hassett Ave COE 2/12  
1355 S Yale St COE 2/18  
18425 N 56th Ln COE 2/18  
8116 E Onza Mesa  
AZ COE 02/19/14  
4320 E Encinas Ave Gilbert COE 02/21/14  
2507 W BENT TREE DR COE

2/25

23687 W Wayland Dr Buckeye

AZ COE 02/27/14

8987 W Peck Dr Glendale COE 02/27/14

3014 W Rose Garden Ln COE 2/28

28730 N NOBEL RD PHX COE 3/19

6024 E Wetherfield Rd COE 3/28

*Be unstoppable today!!*

***Veronica Gutierrez***

*3030 N Central Ave #603*

*Phoenix, AZ 85012*

*1866-594 0087 efax*

*602-386-8586 cell*

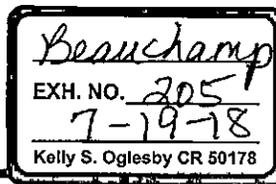
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Appointment

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**From:** Anderson, Robert G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=RANDERSON]  
**Sent:** 1/29/2014 7:22:42 PM  
**Subject:** David B, rev Densco loan docs and procedures re closing and 1st lien position, title co  
**Start:** 1/30/2014 3:30:00 PM  
**End:** 1/30/2014 4:00:00 PM  
**Show Time As:** Busy



DeSio / Walcott

**Beauchamp, David G.**

**From:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Friday, January 31, 2014 8:35 AM  
**To:** Beauchamp, David G.  
**Subject:** Re: Important - Attorney Client Privileged

i understand. i'll talk with scott.  
dc

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

---

**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** "dcmoney@yahoo.com" <dcmoney@yahoo.com>  
**Cc:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**Sent:** Friday, January 31, 2014 8:27 AM  
**Subject:** Important - Attorney Client Privileged

Denny:

Until you have the Forbearance Agreement and the other documents in place, you are not protected with respect to Scott OR your investors. You have no rights to any of the additional collateral that Scott has agreed to give you, until the Forbearance Agreement is signed and the other documents are also signed and filed as may be necessary.

Please remember that Scott also characterized the last issue with Jeff "as only a few word issues" and it was a major point that you were forced to concede. Unless Scott's signed documents are different than your regular form documents, he is required to have your lien be in first position, but Jeff would not agree to that. Jeff knows that he can argue you waived the timely payment of interest, so Jeff can get Scott out of being in default. That changes the whole dynamic of who is responsible to pay all of the costs to deal with this problem.

Best, David

David G. Beauchamp  
CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
dbeauchamp@clarkhill.com | www.clarkhill.com

**From:** Denny Chittick [mailto:dcmoney@yahoo.com]  
**Sent:** Friday, January 31, 2014 08:08 AM  
**To:** Beauchamp, David G.  
**Subject:** Re: Forbearance agreement

i talked to scott last night. he said that he adn jeff went over it. jeff had some wording he wanted changed, otherwise was fine with it. he told me jeff was going to call you and walk through the few changes and scott would sign.

i'll talk to scott today.

thx

dc

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www.denscoinvestment.com  
602-469-3001 C  
602-532-7737 f

---

**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** "dcmoney@yahoo.com" <dcmoney@yahoo.com>  
**Cc:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**Sent:** Friday, January 31, 2014 7:18 AM  
**Subject:** Fw: Forbearance agreement

Denny:

See email from Jeff below. Just as I previously indicated, Jeff is treating this as your problem and not that you are going out of your way to help Scott. Somehow you need to put pressure on Scott to get this relationship in the proper perspective. You are helping Scott not the other way around.

We should talk.

Best, David

David G. Beauchamp  
CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

----- Original Message -----

From: Goulder, Jeffrey [mailto:[jeffrey.goulder@stinsonleonard.com](mailto:jeffrey.goulder@stinsonleonard.com)]  
Sent: Friday, January 31, 2014 06:25 AM  
To: Beauchamp, David G.  
Subject: Forbearance agreement

David - I have spoken with Scott about the draft forbearance. I am traveling today, but I will get you comments next week. Thanks.

Jeffrey J. Goulder | Partner | Stinson Leonard Street LLP  
1850 N. Central Avenue, Suite 2100 | Phoenix, AZ 85004-4584  
T: 602.212.8531 | M: 602.999.4350 | F: 602.586.5217  
[jeffrey.goulder@stinsonleonard.com](mailto:jeffrey.goulder@stinsonleonard.com) | <http://www.stinsonleonard.com>

Stinson Leonard Street LLP is officially open for business! Please update your records to reflect the new email address and firm name.

ve spoken with Scott about the draft forbearance. I am traveling today, but I will get you comments next week. Thanks.

Jeffrey J. Goulder | Partner | Stinson Leonard Street LLP  
1850 N. Central Avenue, Suite 2100 | Phoenix, AZ 85004-4584  
T: 602.212.8531 | M: 602.999.4350 | F: 602.586.5217  
[jeffrey.goulder@stinsonleonard.com](mailto:jeffrey.goulder@stinsonleonard.com) | <http://www.stinsonleonard.com>

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Please consider the environment before printing this e-mail.

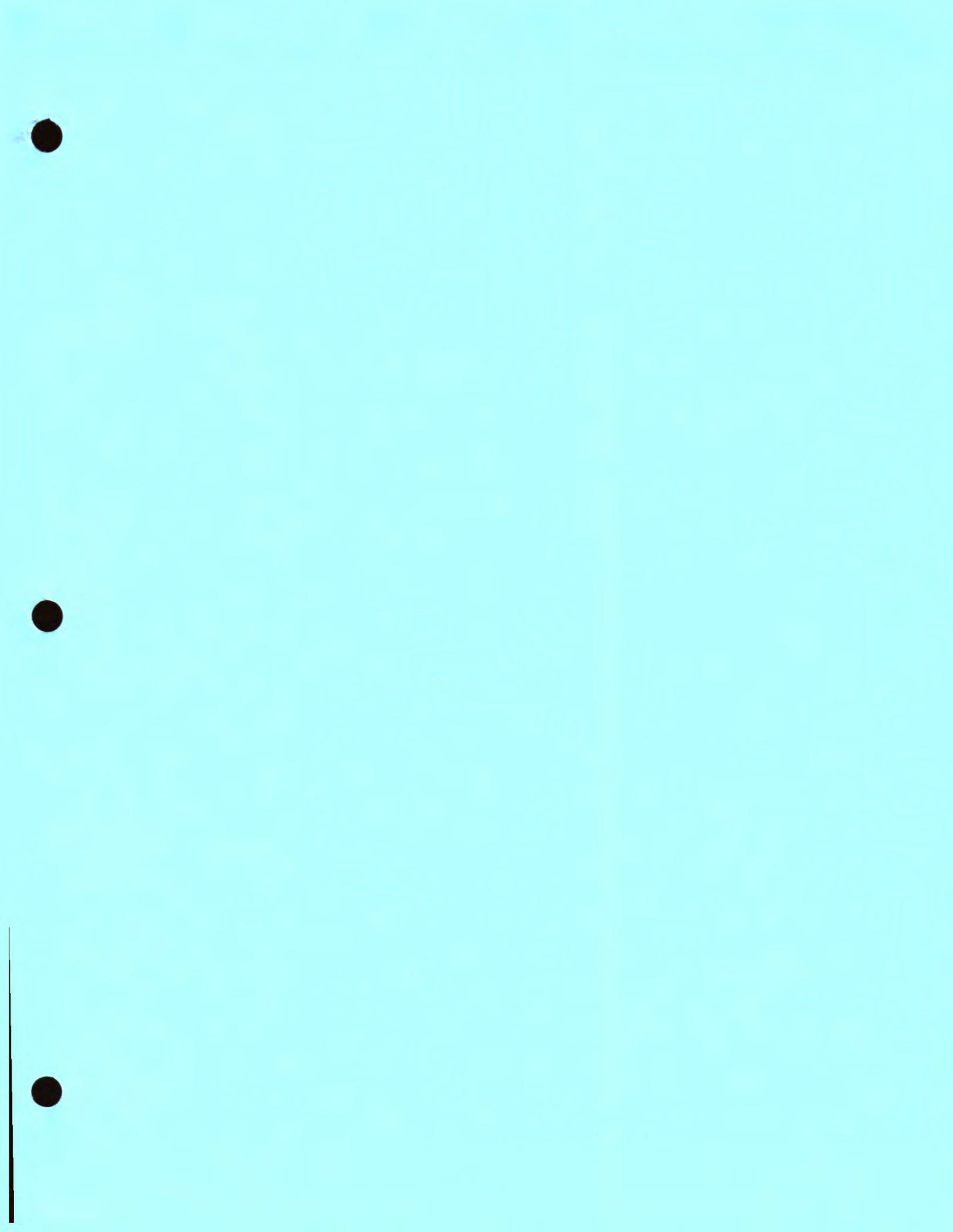
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DenSco/Workouts

**Beauchamp, David G.**

---

**From:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Friday, January 31, 2014 11:19 AM  
**To:** Beauchamp, David G.  
**Subject:** Re: Important - Attorney Client Privileged

I spoke with Scott, he didn't know that jeff was not going to be available today. scott flew back from isreal yesterday and went from the airport to his office to go over this document. he understands the importance. he was disappointed to hear he wasn't available. he assured me we'll take care of it next week.

thx  
dc

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

---

**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** "dcmoney@yahoo.com" <dcmoney@yahoo.com>  
**Cc:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**Sent:** Friday, January 31, 2014 8:27 AM  
**Subject:** Important - Attorney Client Privileged

Denny:

Until you have the Forbearance Agreement and the other documents in place, you are not protected with respect to Scott OR your investors. You have no rights to any of the additional collateral that Scott has agreed to give you, until the Forbearance Agreement is signed and the other documents are also signed and filed as may be necessary.

Please remember that Scott also characterized the last issue with Jeff "as only a few word issues" and it was a major point that you were forced to concede. Unless Scott's signed documents are different than your regular form documents, he is required to have your lien be in first position, but Jeff would not agree to that. Jeff knows that he can argue you waived the timely payment of interest, so Jeff can get Scott out of being in default. That changes the whole dynamic of who is responsible to pay all of the costs to deal with this problem.

Best, David



Message

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**From:** Denny Chittick [dcmoney@yahoo.com]  
**Sent:** 1/31/2014 10:19:51 AM  
**To:** Beauchamp, David G. [dbeauchamp@clarkhill.com]  
**Subject:** Fw:

here is what i just received  
thx  
dc

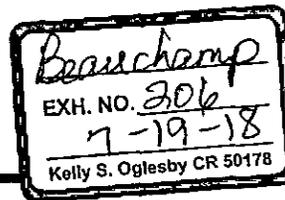
DenSco Investment Corp  
www.denscoinvestment.com  
602-469-3001 C  
602-532-7737 f

— Forwarded Message —

**From:** Scott Menaged <smena98754@aol.com>  
**To:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Friday, January 31, 2014 11:18 AM  
**Subject:**

Jeff said he may be able to meet Tuesday to get this resolved and signed. He will let me know Monday and will email Dave! I told him it important to get this done ASAP

Sent from my iPhone



Densco /

**Beauchamp, David G.**

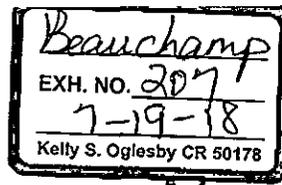
**From:** Shawna Heuer <2chittickboys2@gmail.com>  
**Sent:** Monday, August 01, 2016 10:16 AM  
**To:** Beauchamp, David G.  
**Subject:** Densco and Denny  
**Attachments:** Investors.docx

Hi, I doubt you'll receive anything in the mail today. we have found items that have not been mailed.

Here is the investor letter he wrote, edited, wanted sent out, changed his mind and asked me not to give it to anyone but you. Emails didn't go out, his wifi was down, so in case Robert didn't forward t his to you it is attached.

Can you read before we meet you today? Sorry for short notice, but realizing not everyone he intended to receive info got it.

Thanks,



DenSco  
(8/1/16) Wind-Down

Mtg w/ Shawna Heuer, Robert ~~Kochlear~~ Kochlear, Helen

(2.4)

- Divorce

- finalized in Summer 2012 or 2013  
↳ had been going on since 2009

- Shawna

- get Shawna appointed

\* Need to appoint

- Shawna - accountant, - works w/ communication/investors

- Tim Crown - has been trying to talk to Shawna about communicating

- Investor Letter:

→ Shawna sent last night to investors

- Brian

↳ neighbor across the street + DenSco's largest investors

- other neighbors are also large investors

Wed Communication: (DGB to do)

- Plan is being formulated

- ~~to~~ Probate filed so Shawna will be appointed to be Personal Rep + in control of DenSco's stock

- Shawna will conduct a shareholder Mtg + have

(DGB)

Email #2 (Wed Communication)

try to

- maximize return to investors
- plan to have an Advisory Bd of 5 Investors to work with and advise Shanna
- introduce Robert Kochler

(DGB)

Forensic Acctg

- provide 3 names

Shanna's  
emails

< 2 clipped by 2 @ gmail.com >

Never. shanna @ gmail.com

~~House:~~ House:

- Denny put a lien on his house
  - line of credit - secured by house
  - \$1,000,000 - acct - Denny maxed out his account
  - Denny indicated a broker
  - talk to Brian

- also talk to Brian about selling Tesla

Defined Benefit Plan for DenSco

→ CD at Bank

→ check w/ Bank to get copy of paperwork for Plan

[ Shawna DenSco @ gmail.com ]

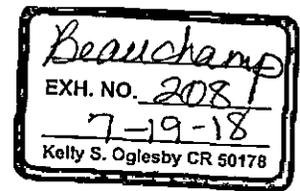
→ for investor letter

130 Accounts

103 Investors

87 or 88 emails

→ email list



Robert:

Sorry for this burden, I truly never believe it would come to this. I thank you for the time you will have to spend on this and sorry for the time that takes away from your kids. If you get here before my sister don't take my computer. She will need access to it. you have all the files you need in your dropbox. I'm giving you info to operate the collection of the remaining loans. I don't want to burden you with more than that. The long explanation on how I got here is with Dave Beauchamp 480-684-1100. You undoubtedly will be contacted for info in my files. I hope I've made it easy enough for you.

1. The spreadsheet I gave you are all the loans. The ones that aren't Scott save maybe the oldest 5, except Lobo are all good. At the end of this document is the contact info for all the borrowers in order of loans. Some of them a few loans with me, so I didn't duplicate them. I was going to email them all and say to contact you, but I rather you do that because the timing of my email to them and my demise may conflict. Just say "all payments on your DenSco loans should be continued as normal. Any checks s/b now mailed to XXXX. All direct deposits/wires, ACH and your bank deposits can continue as normal. The liens on these properties are still in place and valid. Honor your note, I'll will provide all payoff info when it's due. Have all escrow agents contact me. "Modify as you see fit. I think my spreadsheet of loans it easy enough to follow. I have the date I funded it, the numbers of days that are due until the next payment and number of days they have paid. So if the dated funded was 4/22 – need a payoff for August 6<sup>th</sup>. 76 days is the total, you'll see that they've paid 60 days, so you type in 16 days in the field marked "Days" and you look at the "total owed" that's what is due. The per diem is in Int Per Day column. Sorry if this is insulting. Oh ya, for it the days column to be right to calculate the number of days outstanding you have to change M145 to the current date.
2. The spreadsheet for the "investors list" is the detail of what each one of their investments were, dates, principle etc. I would say it's nearly 90% accurate in that regard. The dollar amounts are on the principle invested not the accumulated interest. You have to look at the DenSco Statement Spreadsheet to know what each person is owed. That has principle and interest on their notes. It ties with in pennies cents to the QuickBooks.
3. You have DenSco Properties, that's all open loans, second tab is closed loans, third tab is monthly payment reminder details for big borrowers, now it's just mike Moore, and the other tabs were scratch sheets. DenSco Cashflow that has the complete history of all transactions. It doesn't tie to QuickBooks anymore. There are lots of descriptions on why and what happened, but the detail is there. DenSco Trustee's – that's outstanding docs for the physical files. Should be just one left. I'll put all these key ones in one folder, so you don't have to hunt for them.
4. The closed physical files that have been one in the last 3 months are in the closet in my office, the older ones are in the basement. I got rid of the really old one's 2001-2008.
5. I'm not sure how this is going to be handled, if DenSco files Bk so it's in receivership or how it works. Just keep receiving the payoffs and payments. I'm sure at one point you

DIC0009489

can sell some of the notes to liquidate the portfolio. All the old loans that have been paying monthly forever are good loans, good loan to values from great borrowers. The newer loans are all solid too. I'm sure you'll be instructed on how to handle it. Just keep collecting money, giving out payoffs and let the cash build up. In the "payoff" folder, you find all the payoff statements I've sent out and the templates for all the title co's.

6. Scott owes 14 million from the bad debt of the double encumbered properties that I had to pay off back in 2013 and 2014. How this number is contrived out of the situation of double encumbered properties. Talk to Dave Beauchamp 602-319-5602, about the details. I sent him a long letter with exact details of how this all happened. Let's say I was owed 50k on a property, it's double encumbered. When he sold it the accumulated interest and principle is owed to me is 60k. But the property sold with a loan of another 50k on it from AFG. It sold for 80k. The payoff is 110k to both of us. I would wire in the 30k, and then I would be paid 60k. I would credit the loan off and add to this A/R the 30k. The reason for this was I didn't want to take a loss on my books for 30k. Because Scott was to pay me back if you look in that account you'll see he made payments to me to pay it down. Obviously he sold the properties faster and with more debt owed to me than he could pay me off, so that's why the 14 million got so big. It was partial principle and interest owed to me. If you look in the folder `dropbox/mydocuments/densco/myscans/easy`, you'll see all the hud's for the properties. And a spreadsheet that says Workout loan balance 5 million new. That was the latest and greatest of the breakdown of how I was accruing this a/r. when we had our agreement signed it was for 5 million. because of the tenants being in the properties much longer than was anticipated it took longer to sell the properties, more interest accrued, etc. I forgave some interest so we could work on principle but it still wasn't enough to pay it down quick enough.
7. The 28.1 million is the amount that is holding from the 'wholesale' transaction that Scott was doing. Again Dave knows about how this worked.
8. If you go in to `myscans/easy/`, you'll see checks and receipts files. These two will be important to any lawsuits filed. These are copies of the checks and the receipts I received for the wholesale deals up until late Sept when he started doing wires, then 2 weeks later that stopped.
9. My bank account at first bank 550-555-5264
10. The files in my desk match the valid loans; the files in the credenza are the ones Scott never returned the money on. He told me what day they paid off. but never returned the money to me. You may not need the physical files.
11. I have releases already done for every loan. I've sent these to your PO Box. You have all the info in the spreadsheets and QB to do the accounting, the physical releases will take care of escrow. You just have to compute the payoffs as requested.

12. Password for QuickBooks it's "20million". I put the latest back up in your directory in drop box, so you just open up QuickBooks and open file, restore and choose my file, you'll have all my info.
13. For login in to efirst bank wire site it's 110214515ddt, password 50\$dctr . If you are sending wires (which I can't imagine you will need to anytime soon) you'll need to download their dig pass app so that you can get the code to release the wire. If you have questions call Jennifer delory at 602-952-4003, [Jennifer.delory@firstbank.com](mailto:Jennifer.delory@firstbank.com) for tech help Kip at 303-626-6721 [kipton.wittmus@efirstbank.com](mailto:kipton.wittmus@efirstbank.com), he's great. I think you have to contact them to get the digi pass because of security. Worse case there are a stack of checks in my desk drawer for any bills, and refunds of over paid interest after receiving a payoff.
14. <https://www.efirstbank.com/icm2/logonload.do?SubmitTimestamp=1416435875872> this is the login to the bank wire site, use IE 11, the newest version won't work yet.
15. The spreadsheets you need are all in the dropbox folder.
16. The Arizona home foreclosure A/R of 1.4 is all legit except one of the lobo loan, that was a complete screw up with the trustee and him and so that's uncollectable. It was a rescinded sale, they sent the check back, but his cousin didn't tell him, I never got my money back and he was going to pay me off little by little, but he never did. But his mom's house, raintree, potter are all good. Probably best to foreclose on all of them to get them liquidated. On the spreadsheet, anything that is Arizona home foreclosures, are the remaining loans he never paid off on the wholesale side, that's the 28.1 million. The workout balances are what he owes me from the shorts on the 2nds. There are two, because I gave him a million against my house at 2.5% and then the rest was the accrued from all the short principles and interest on the 2nds as they paid off. If you go through the QuickBooks and cashflow spreadsheet you'll see. House sold for 100k. Had a balance owed of 175k. I wired in 75k, that amount went to the work out. Then I received back my wire of the original principle and interest of the loan I made. The transactions look different if there were two loans, from me and another lender vs. when there are two loans that are both mine. When I would pay off another lender to keep track of the amount, you would see another lien on the same property for that amount. Then when it sold, I would sometimes just take the loss. Or I would wire in the difference and say 75k and then they would wire me the whole 100k back and the difference would be on the a/r. all the huds are in the myscan file, easy / huds you'll see the transactions in the quickbooks and the cashflow spreadsheet. Now sure if anyone cares, but that's it. The physical paperwork is in the basement.

17. The key to the lock box outside my office. Sometimes I get docs and delivery in there, not that often. I've sent the key to you with the release. For the mail I sent you a key, maybe just take out what is DenSco payments and anything else you see fit and leave the rest.
18. I send out 5 day payment reminders to all my borrowers via mail. If you go in to my Dropbox/mydocuments/densco/monthly reminders you'll see all the reminders by loan number. You'll need to do Fridays which would be Number 7694. Then Monday the dates for the 5<sup>th</sup> and 6<sup>th</sup>, Tuesday do the 7<sup>th</sup>, etc. Some mail the checks to me, some deposit, some wire, ach, everything. The ones that mail the checks you'll need to get my mail until you can ensure they you're your po box or whatever you choose. To get in to my office, plz contact Ranasha. If you are an earlier riser please don't contact her until after 8 am today she is unaware until then, at least that is my plan. Need to make sure my boys are off to school first. I'm guessing you won't have to run down there today. But she'll get you in or a key. The mail box number 7, on the right hand side of the boxes. My sister I'm sure will be down, Shawna is her name 208-661-8491. You can coordinate with her getting in the house to access all the physical files in my office too. I'm not sure of timing. Boxes are in the closet. Gate code to enter my neighborhood #0214; have to hit the # first.
19. I've moved over my DenSco folder to the drop box it should be easier for you that way. I put the QuickBooks back up there, so you can just open it in your own QuickBooks if you need that. Everything is in there. I pulled out the most important spreadsheets so you didn't have to hunt for them. DenSco Properties, DenSco CashFlow, Trustee's - missing docs from files, trying to have this empty, DenSco Monthly Statement June, July I did but decided not to do the interest and everything so you can ignore that. You'll find a bunch of spreadsheets in myscans/easy files; those are for trying to figure out all sorts of things. The one that would helpful are the payments that created the 14.3 million work out total to what properties, that's Work Out Loan Balance 5 million New. All the huds are in this sub folder too
20. County recorder probably has a several hundred dollar balance, if not used, request back I guess.
21. The account hasn't been reconciled since Oct. that's when Scott quit sending me the money for the payoffs. It was perfect, until then. So the balance in QB is completely off now. It's a bit of a mess. I did record everything that was going. It's just not going to match the bank balance. The payoffs I put in there for his wholesale daily payoffs didn't actually come in and he wasn't sending me the difference that's why on the side of the cash flow day to day you see in/out and who owes how much. He never sent that either. That's why the bank balance the QB balance is out of wack. But the cash flow spreadsheet might help you. All the transactions are in there too.

22. My sister will be monitoring my phone; she'll pass along any emails vmail to you that are applicable. My sister will access to my email, she'll forward al the emails to you that have to do with DenSco.

23. You always have my month end statement those are in your directory too. Those are accurate to the penny to my QB, or a couple pennies, damn rounding in excel. I decided not to send the payments for July. I did the spreadsheet, didn't put it in QuickBooks or sent the payments. June is balance that is accurate. The "investors list" spreadsheet will match the files in my left hand drawer. Not the dollar amounts because I didn't put the accrual amounts in that spreadsheet, the month end spreadsheet and my QuickBooks are 100% accurate. Use the June balance. All of this was absolutely perfect until Scott dropped his fraud on me. It kills me that it fucked everything up I had working perfectly for all 13 years.

24. I look at it this way. I'm his largest debtor. He's in bk any thing that comes out of it DenSco will get. He claimed at one point 15million.i highly doubt that. I'd be thrilled with ½ of that. But I believe in time the recovery of the 28.1 million (31.2 with interest and reconciliation). I don't think we'll get much out of Scott. Maybe out of his BK. I hate for the people like yourself that never took a dollar out and let it compound, but you'll get most of it back, principle wise. The investors that have been paying taxes on the interest they never received can do an adjustment back and then I think they are going to get back a majority of their principle. I'm hoping 70- 80% or higher. Perhaps you see the position I've got myself in to and I'm in a corner no way out. I can spend the remaining money I have in my retirement accounts defending myself and still end up in jail for 25 years. Leaving nothing for my boys and my parents who I've financial devastated now. That would be even worse in my mind. I chose this out to preserve a something for them. I am truly sorry for all the pain and you'll have to put in to this. I'm really really sorry. I've typed this over days without much sleep, so I'm sure it's poorly articulated. It should only take about an hour a day to manage the requests payoffs, collect payments. I know you have your kids and your business and this will eat up a lot of time. Time is precious. I'm out of it.

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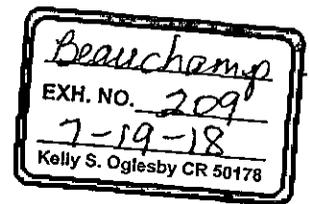
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***Andrew F Prete - this one should pay off on Friday.***

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## To Do List before you kill yourself

1. Copy files in to dropbox for Robert and create one folder for key spreadsheets, properties, cash flow, trustees, investors list, monthly statement and workout agreement spreadsheet.
2. Send him the releases and keys for mailbox, dropbox
3. Copy files in to iggy's drop box, dropvox too, QB back up in her directory too. Done
4. Ship docs to iggy with keys to mailbox, house and condo.
5. Email investors –give dave's contact and email dave the letter. I decided not to send this out to everyone. I figured that it would be on the news/web by 7am. By the time you read this I'll be dead. Plz summarize and get the info out to the investors somehow, they have the right to know. I don't know how you want to do this or the laws involved. My sister has a copy. I didn't send it to Robert Koehler, but I gave him some explanations of how the balances got to the numbers they did.
6. Email iggy list, delete doc, delete email sent
7. Put my quicken last backup file in iggy's dropbox DONE
8. Email Robert list
9. Email blonde, "go, you'll need the distraction"
10. Email squat
11. Email mom and dad I did what I thought was best as a parent and son, the sacrifice was worth it to me for the four of you.
12. FASCSLIB - email 1. DO NOT READ THIS OR DO ANYTHING UNTIL THE BOYS ARE OFF TO SCHOOL - I'm sorry for the way I titled the letter. I'm not thinking clearly. files in her garage cabinet closest to the back of the garage by the garage door on the top shelf. email her to after the boys go off to school. only look at it after the boys go to school only after!!!!
13. Second email to her "Read after you get the folder" – I decided not to send the investor letter out. Plz keep this private. Don't scan it or give it to anyone. I'm afraid it will be sent out on the internet and be publized on tv and paper.
14. Mail envelopes
15. Email Carla
16. Text mara
17. Order tramp
- 18.

Intro — transition from Sunday's email

- Introduce Robert Koehler
  - previous agent of Denny
  - in business
  - initial analysis to determine Good Loans + est value + time line to collect by Friday + identify the "Troubled Loans"

- Introduce Shawna

- she ~~was~~ is to be the Executor of DC's estate
- probate has been filed to get her authority to control DenSec + get authority to make decisions

Now this happened?

Plan → DC put every \$ he had to ~~keep~~ <sup>allow</sup> DenSec to continue to ~~operate~~ <sup>make interest</sup> payments after DenSec stopped receiving interest payments on the troubled loans last Oct

- Understand what DenSec owns

- good loans that should be paid off in another 6 months
- significant unsecured + secured loans in BK with Scott, which will take significant time to evaluate + analyze

through transactions that Scott managed + place

significant money tied up at Auction.com that will take 30-45 days to get assessment

Plan to have an ~~good~~ assessment of good loans by Friday

- Will need ~~approx~~ <sup>min of</sup> 2 weeks to get an assessment of the unsecured + secured loans in BK

Timing

- Auction.com — will need a min of 30-45 days to understand what is the transaction, who has \$ and what can be done to collect the \$

Going Forward

- Ask for 5 of Investors to volunteer to be part of "Advisory Comm" to Shawna as we proceed (would like a "cross-section" of investors to work w/ Shawna to help her evaluate decisions that need to be made)

explain BK costs

- All Bd intended to protect them from ○  
(not in full authority like Bd)
- explain <sup>any</sup> liability based upon this being an advisory position
  - please have each of the volunteers let me know if they are interested & confirm availability to participate in mtgs (in person <sup>or</sup> by phone)

In order to maximize the returns to all of the investors

Would like to keep <sup>debt</sup> this out of the courts (particularly BK)  
Based on studies, that if this goes into BCit, the return to investors will ~~be less than~~ <sup>be less than</sup> help due to the third party + professional costs & delays associated with the BK Cit - ~~for exam~~

of what they should have received

- In order to accomplish that, we understand that we need to communicate w/ you on a regular basis and we need to be open for 2-way communication - explain Advisory Bd)

As indicated above, we hope to have a more detailed analysis of the "Good Loans" by the end of Friday this week

Notes (8/2/16)

- Scott Managed
- check status of BK - personal
  - does Denny have BK counsel - any claims filed
- also look for BK filings for any entities referenced in  
(Forbearance Agmt)
  - AZ Home Foreclosures
- check status of liens on Furniture + Scott's house
- Research Auction.com
- Pull Forbearance + clarify loan balances - various loans

Dea Sco /

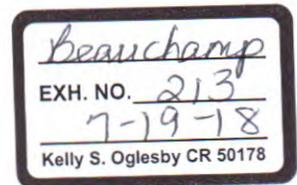
11:51 Message from <sup>Yusef</sup> ~~Field~~ Field (8/3/16)

480-258-8171

- "Angels Investment"
- one of Denny's investors
- ~~she~~ wants to know what is the action plan
- introduce himself

T w. Yusef (8/3/16)

- (2) - trying to find out how he can get his money
- explained process



**Beauchamp, David G.**

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**From:** Beauchamp, David G.  
**Sent:** Wednesday, August 03, 2016 11:35 PM  
**To:** acatejr@gmail.com; amydirks@hotmail.com; anthjen@yahoo.com; artnina@hotmail.com; Aztonysmith@aol.com; barryluchtel@gmail.com; bdirks5@cox.net; bji@cox.net; bjlocke64@yahoo.com; bjodenthal@frontier.com; brian.wenig@honeywell.com; burdett.anthony@gmail.com; butlerv@yahoo.com; carricks3@ak.net; czj528@hotmail.com; dariosdad@gmail.com; dave@prestoncpa.biz; davedubay@gmail.com; dhowze@cox.net; don-cindy@cableone.net; Doriann@cox.net; eileencohen@me.com; epcarrick@gmail.com; glenpdavis@gmail.com; greeraz@gmail.com; gsiegford@msn.com; hahnaz2@cox.net; hey.ralph01@gmail.com; hikthestik@aol.com; jackdds@myway.com; jamccoy32@gmail.com; jbhok@yahoo.com; jemmakopel@hotmail.com; jgsiegford@yahoo.com; jimmy@flytrapproductions.com; jimpatmc44@gmail.com; jkjetto@yahoo.com; Jphalen00@aol.com; jwalker113@cox.net; kayell121@cs.com; kaylene.moss@avnet.com; kennen1@yahoo.com; landonluchtel@gmail.com; lanka2000@yahoo.com; Laurieweiskopf@gmail.com; lkopel22@hotmail.com; mark.wenig@gmail.com; mbencekent@yahoo.com; mlminvestor@gmail.com; mrsbeasley68@verizon.net; mscroggin@me.com; nihad@yahoo.com; nswirtz@me.com; patsmiller21@gmail.com; Paul\_a\_kent@yahoo.com; pearces@mailhaven.com; Peter.Rzonca@Avnet.com; pldupper@gmail.com; quelalively@yahoo.com; ralph@kaisertile.net; rbrinkman@yahoo.com; rgriswold3@stny.rr.com; robertflawson@gmail.com; rzkoehler@yahoo.com; sdetota@yahoo.com; sdtuttle@gmail.com; smschloz@msn.com; steve@bunger.me; stewart.sherriff@gmail.com; switchback62@hotmail.com; terryleeAZ@comcast.net; thomasbyrne11@gmail.com; thompscg2@cox.net; trovita@gmail.com; uaflyor767@gmail.com; valeriepaxton@gmail.com; vimuscat@gmail.com; wadeunderwood@hotmail.com; wbush112@comcast.net; wjswirtz@me.com; wka@caribbeanpoolsaz.com; yusuf@comsiscomputer.com

**Subject:** Email to Investors of DenSCO Investment Corporation ("DenSCO")

Dear DenSCO Investors:

As a follow up to the email from Denny Chittick's Family that was distributed on Sunday, I met late Monday with Shawna Chittick Heuer (Denny's sister) to discuss Denny's unfortunate and untimely passing and the steps to resolve the obligations of DenSCO to each of you. The intent was to discuss what information we collectively had available concerning DenSCO and its outstanding loans and to determine the best procedure to close down DenSCO's business and to return the capital contributed by DenSCO's Investors. Each of us had already talked to a few people in the real estate investment business to discuss how we could obtain a preliminary analysis of DenSCO's current loans. Specifically, we wanted to determine what information might be in DenSCO's available files and records to indicate the likelihood of being able to collect the monies due DenSCO so we could proceed with the wind-down of DenSCO and the payments to the Investors..

Shawna was able to find someone familiar with certain aspects of the real estate investment business to do a very brief and superficial review of the loans to DenSCO's borrowers which paperwork was in DenSCO's files. This preliminary review will simply be to determine if DenSCO's records indicate which of DenSCO's loans seem to be fully secured and if DenSCO's records show timely payment of the past payments so that we can consider these to be "Good Loans." We also will try to identify the date due as specified in the respective promissory note for each of these Good Loans to have an indication when each such loan is to be paid off. This money will add to DenSCO's money that is anticipated to be returned to the Investors at the end of the wind-down process. We have also requested help to identify the "Troubled Loans," by reviewing the loan files and DenSCO's payment records to determine which loans are either unsecured, or the

Respective borrower is not current with its payments of interest or the principal, or if Denny's records indicate that these loans are owed by an entity currently in bankruptcy or are guaranteed by someone who is in personal bankruptcy. Unfortunately, there are also claims that DenSco has against either Auction.com or Scott Menaged (or some other parties) that we need to better understand. We believe that this preliminary review of the Good Loans will be done by Friday of this week and we will share that information with you. At the same time, we are also trying to get a good estimate of the balance of the principal amounts owed to Investors and any unpaid and accrued interest that is owed.

As part of the plan moving forward, we have filed the Will of Denny J. Chittick ("Denny's Will") and the necessary filings with the Probate Court to have Shawna designated as the Personal Representative of Denny's Estate, which is what Denny's Will provides. Shawna is an accountant and she has both the experience and the skill set from her every day position to work with the necessary people to recover proceeds owed to DenSco and to return the recovered proceeds to the Investors. The probate filing is necessary so that Shawna could have the necessary authority to control DenSco and to have the authority to make decisions on behalf of DenSco, with the input of Investors as we propose below. However, if we determine that DenSco's recoverable proceeds are likely to be significantly or materially insufficient to return the Investors' capital to the Investors, then Shawna is unlikely to assume the control of DenSco and we will work with the various state authorities to have a Receiver named for DenSco, and such Receiver will be responsible to come up with an acceptable plan to collect the proceeds owed to DenSco and to return as much of the Investor's money as possible.

This problem with DenSco's Troubled Loans developed over time and it will take some time to understand those Troubled Loans, how those loans came into existence as well as how to maximize the return on those loans to maximize the return of capital to the Investors. 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 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 a bankruptcy or a Receiver can reduce the amount to be paid to investors by almost half or even a much more significant reduction. Since many of the Troubled Loans stopped paying interest last October, DenSco has suffered a severe cash-flow problem. To resolve this cash-flow problem, Denny has taken every step available to him to try to enable DenSco to meet its obligations to Investors until he could find another solution to avoid significant losses to DenSco's Investors. Specifically, Denny previously liquidated or mortgaged all of his personal assets to loan money to DenSco to allow DenSco to continue to make its interest payments to its Investors until he had nothing left to put into DenSco.

As indicated above, the initial plan that we are trying to follow is intended for us to determine (and share with you): what does DenSco own; what is the current balance in DenSco's bank account; what loans are timely paying and when such loans are anticipated to be liquidated with the balance paid to DenSco. Initially, we believe that all of the Good Loans should be paid off within 6 months. We hope to have more specific information by Friday of this week.

There are also significant unsecured and secured loans that are subject to the personal bankruptcy of Yomtov "Scott" Menaged. These unsecured and secured loans to Scott Menaged need to be analyzed as well as the bankruptcy case so that we can determine what is likely to be paid to resolve these loans. In addition, to these loans, we also need to determine the status of the life insurance policy and other collateral that were to secure certain of the unsecured loans. Unfortunately, this will take more time than a couple days, but this information will be provided as soon as we can obtain and confirm it. This information should be available in a couple of weeks if third parties involved in the bankruptcy case timely provide the information that we have requested.

We also understand that there is a significant amount of money that is currently tied up with Auction.com that involves certain transactions involving Scott Menaged. Given the lack of initial information available concerning these transactions in Denny's office, it will take more time to understand these transactions and to determine what can be done to recover this amount of money. We will hopefully be able to have an understanding of these transactions, who has the money and what can be done to collect the money owed to DenSco. So this will likely take at least 45 days to obtain and confirm this information so that it can be shared with you.

In order to maximize the available return to all of the Investors, which is what Denny urged us to do in his last instructions, we 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. As we proceed, it may be necessary to have the final distribution and allocation to Investors approved by a court to satisfy any fiduciary duties for some Investors and that can be accommodated by a judicial review and approval of a settlement plan without a full bankruptcy proceeding. Again, if we determine that DenSco's recoverable proceeds are likely to be significantly or materially insufficient to return the Investors' capital to the Investors, then Shawna is unlikely to assume the control of DenSco and we will work with the various state authorities to have a Receiver named for DenSco, which Receiver will come up with an acceptable plan to collect the proceeds owed to DenSco and to return as much of the Investor's money as possible.

If we are going to proceed informally to keep costs down, we understand that we need to communicate with you on a regular basis and we need to be able to receive communication from you as the Investors. To have good and open communication, we would like to create an "Advisory Board" of 5 Investors to meet with and to advise DenSco with respect to the information obtained and how that information can best be used to cost-effectively help DenSco to recover funds that are owed to DenSco. We intend to structure this as an Advisory Board to protect the members of this Advisory Board from any potential liability based upon their role with DenSco. Specifically, the Advisory Board would only have an advisory position with DenSco as opposed to a full authority position, which is to distinguish this situation from having these Investors appointed to the Board of Directors. If you would be interested in participating on this Advisory Board, please let me know by return email and confirm that you would have the availability and willingness to participate in the necessary meetings (in person or by phone). Ideally, we would like to have a "cross-section of Investors" on this Advisory Board to help DenSco evaluate the information as it becomes available and to assist analyzing various decisions and the effect that such decisions would have on the Investors.

As indicated above, we hope to have a more detailed analysis of the Good Loans by the end of this week.

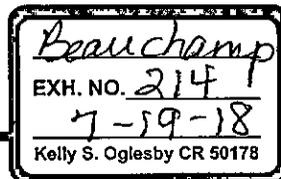
Sincerely, David

**David G. Beauchamp**

CLARK HILL PLC

14850 N Scottsdale Rd | Suite 500 | Scottsdale, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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**Beauchamp, David G.**

**From:** Beauchamp, David G.  
**Sent:** Wednesday, August 03, 2016 11:45 PM  
**To:** Heuer.Shawna@gmail.com  
**Cc:** rzkoehler@yahoo.com  
**Subject:** FW: Email to Investors of Densco Investment Corporation ("DenSco")

Shawna:

This is the revised and final email to DenSco's Investors with Robert's name completely deleted and your role being referenced as subject to what is determined after reviewing the loans. I did not copy you on this email to avoid anyone being able to get your email address. Under separate copy, I will send the original email to Gary Clapper at the AZ Securities Division. I left in the obligation to send an update on Friday, because that is what I had told several investors who had called me. If we can talk tomorrow afternoon to discuss what information we believe to be correct and how we want to present it, I would appreciate it.

Best regards, David

**David G. Beauchamp**

CLARK HILL PLC

14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1128 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
dbeauchamp@clarkhill.com | www.clarkhill.com

**From:** Beauchamp, David G.  
**Sent:** Wednesday, August 03, 2016 11:35 PM  
**To:** acatejr@gmail.com; amydirks@hotmail.com; anthjen@yahoo.com; artnina@hotmail.com; Aztonysmith@aol.com; barryluchtel@gmail.com; bdirks5@cox.net; bji@cox.net; bjlocke64@yahoo.com; bjodenthal@frontier.com; brian.wenig@honeywell.com; burdett.anthony@gmail.com; butlerv@yahoo.com; carricks3@ak.net; czj528@hotmail.com; dariosdad@gmail.com; dave@prestoncpa.biz; davedubay@gmail.com; dhowze@cox.net; don-cindy@cableone.net; Doriann@cox.net; eileencohen@me.com; epcarrick@gmail.com; glenpdavis@gmail.com; greeraz@gmail.com; gsiegford@msn.com; hahnaz2@cox.net; hey.raiph01@gmail.com; hikthestik@aol.com; jackdds@myway.com; jamccoy32@gmail.com; jbhok@yahoo.com; jemmakopel@hotmail.com; jgsiegford@yahoo.com; jimmy@flytrapproductions.com; jlimpatmc44@gmail.com; jkjetto@yahoo.com; Jphalen00@aol.com; jwalker113@cox.net; kayelli121@cs.com; kaylene.moss@avnet.com; kennel@yahoo.com; landonluchtel@gmail.com; lanka2000@yahoo.com; Laurieweiskopf@gmail.com; lkopel22@hotmail.com; mark.wenig@gmail.com; mbencekent@yahoo.com; mlminvestor@gmail.com; mrsbeasley68@verizon.net; mscroggin@me.com; nihad@yahoo.com; nswirtz@me.com; patsmiller21@gmail.com; Paul\_a\_kent@yahoo.com; pearces@mailhaven.com; Peter.Rzonca@Avnet.com; pidupper@gmail.com; quelalively@yahoo.com; ralph@kaisertile.net; rbrinkman@yahoo.com; rgriswold3@stny.rr.com; robertflawson@gmail.com; rzkoehler@yahoo.com; sdetota@yahoo.com; sdtuttle@gmail.com; smschloz@msn.com; steve@bunger.me; stewart.sherriff@gmail.com; switchback62@hotmail.com; terryleeAZ@comcast.net; thomasbyrne11@gmail.com; thompscg2@cox.net; trovita@gmail.com; uaflyor767@gmail.com; valeriepaxton@gmail.com; vimuscat@gmail.com; wadeunderwood@hotmail.com; wbush112@comcast.net; wjswirtz@me.com; wka@caribbeanpoolsaz.com; yusuf@comsiscomputer.com  
**Subject:** Email to Investors of Densco Investment Corporation ("DenSco")

Dear DenSco Investors:

As a follow up to the email from Denny Chittick's Family that was distributed on Sunday, I met late Monday with Shawna Chittick Heuer (Denny's sister) to discuss Denny's unfortunate and untimely passing and the steps to resolve the obligations of DenSco to each of you. The intent was to discuss what information we collectively had available concerning DenSco and its outstanding loans and to determine the best procedure to close down DenSco's business and

to return the capital contributed by DenSco's Investors. Each of us had already talked to a few people in the real estate investment business to discuss how we could obtain a preliminary analysis of DenSco's current loans. Specifically, we wanted to determine what information might be in DenSco's available files and records to indicate the likelihood of being able to collect the monies due DenSco so we could proceed with the wind-down of DenSco and the payments to the Investors..

Shawna was able to find someone familiar with certain aspects of the real estate investment business to do a very brief and superficial review of the loans to DenSco's borrowers which paperwork was in DenSco's files. This preliminary review will simply be to determine if DenSco's records indicate which of DenSco's loans seem to be fully secured and if DenSco's records show timely payment of the past payments so that we can consider these to be "Good Loans." We also will try to identify the date due as specified in the respective promissory note for each of these Good Loans to have an indication when each such loan is to be paid off. This money will add to DenSco's money that is anticipated to be returned to the Investors at the end of the wind-down process. We have also requested help to identify the "Troubled Loans," by reviewing the loan files and DenSco's payment records to determine which loans are either unsecured, or the respective borrower is not current with its payments of interest or the principal, or if Denny's records indicate that these loans are owed by an entity currently in bankruptcy or are guaranteed by someone who is in personal bankruptcy. Unfortunately, there are also claims that DenSco has against either Auction.com or Scott Menaged (or some other parties) that we need to better understand. We believe that this preliminary review of the Good Loans will be done by Friday of this week and we will share that information with you. At the same time, we are also trying to get a good estimate of the balance of the principal amounts owed to Investors and any unpaid and accrued interest that is owed.

As part of the plan moving forward, we have filed the Will of Denny J. Chittick ("Denny's Will") and the necessary filings with the Probate Court to have Shawna designated as the Personal Representative of Denny's Estate, which is what Denny's Will provides. Shawna is an accountant and she has both the experience and the skill set from her every day position to work with the necessary people to recover proceeds owed to DenSco and to return the recovered proceeds to the Investors. The probate filing is necessary so that Shawna could have the necessary authority to control DenSco and to have the authority to make decisions on behalf of DenSco, with the input of Investors as we propose below. However, if we determine that DenSco's recoverable proceeds are likely to be significantly or materially insufficient to return the Investors' capital to the investors, then Shawna is unlikely to assume the control of DenSco and we will work with the various state authorities to have a Receiver named for DenSco, and such Receiver will be responsible to come up with an acceptable plan to collect the proceeds owed to DenSco and to return as much of the Investor's money as possible.

This problem with DenSco's Troubled Loans developed over time and it will take some time to understand those Troubled Loans, how those loans came into existence as well as how to maximize the return on those loans to maximize the return of capital to the Investors. 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 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 a bankruptcy or a Receiver can reduce the amount to be paid to investors by almost half or even a much more significant reduction. Since many of the Troubled Loans stopped paying interest last October, DenSco has suffered a severe cash-flow problem. To resolve this cash-flow problem, Denny has taken every step available to him to try to enable DenSco to meet its obligations to Investors until he could find another solution to avoid significant losses to DenSco's Investors. Specifically, Denny previously liquidated or mortgaged all of his personal assets to loan money to DenSco to allow DenSco to continue to make its interest payments to its Investors until he had nothing left to put into DenSco.

As indicated above, the initial plan that we are trying to follow is intended for us to determine (and share with you): what does DenSco own; what is the current balance in DenSco's bank account; what loans are timely paying and when such loans are anticipated to be liquidated with the balance paid to DenSco. Initially, we believe that all of the Good Loans should be paid off within 6 months. We hope to have more specific information by Friday of this week.

There are also significant unsecured and secured loans that are subject to the personal bankruptcy of Yomtov "Scott" Menaged. These unsecured and secured loans to Scott Menaged need to be analyzed as well as the bankruptcy case so that we can determine what is likely to be paid to resolve these loans. In addition, to these loans, we also need to determine the status of the life insurance policy and other collateral that were to secure certain of the unsecured loans. Unfortunately, this will take more time than a couple days, but this information will be provided as soon as we can obtain and confirm it. This information should be available in a couple of weeks if third parties involved in the bankruptcy case timely provide the information that we have requested.

We also understand that there is a significant amount of money that is currently tied up with Auction.com that involves certain transactions involving Scott Menaged. Given the lack of initial information available concerning these transactions in Denny's office, it will take more time to understand these transactions and to determine what can be done to recover this amount of money. We will hopefully be able to have an understanding of these transactions, who has the money and what can be done to collect the money owed to DenSco. So this will likely take at least 45 days to obtain and confirm this information so that it can be shared with you.

In order to maximize the available return to all of the Investors, which is what Denny urged us to do in his last instructions, we 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. As we proceed, it may be necessary to have the final distribution and allocation to Investors approved by a court to satisfy any fiduciary duties for some investors and that can be accommodated by a judicial review and approval of a settlement plan without a full bankruptcy proceeding. Again, if we determine that DenSco's recoverable proceeds are likely to be significantly or materially insufficient to return the Investors' capital to the Investors, then Shawna is unlikely to assume the control of DenSco and we will work with the various state authorities to have a Receiver named for DenSco, which Receiver will come up with an acceptable plan to collect the proceeds owed to DenSco and to return as much of the Investor's money as possible.

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As indicated above, we hope to have a more detailed analysis of the Good Loans by the end of this week.

Sincerely, David

**David G. Beauchamp**

CLARK HILL PLC

14850 N Scottsdale Rd | Suite 500 | Scottsdale, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
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Denise /

TOW Robert Kochler. (8/3/16)

3

letter is okay — buys some time — but what else  
— wants to limit the reference to him

— add independent → successor

why not provide all info now?

— need to be able to deal w BK

DenSci /

Message from Robert Koehler (8/13/16)

602-330 4624

— please call

Talk Robert Koehler (8/13/16)

3

— only about \$6 M are good loans — \$7 if include some loans to SciH that are still paying

— huge amount of bad + troubled loans

— there is NO way to get 80% back to investors

— discussed info & status

— Robert already talked to Shawna

Den Sie /

Cw Shauna Heuer. (8/3/16).

3

- discussed info from Robert
- cannot understand how Denny could have thought that Den Sie could return 80% to investors
- status of letter to investors
  - cannot focus on defending Denny - just need to lay out the facts
- DGB to work on the email to investors & send to Shauna
  - Shauna has 8:00 pm flight - so will go to airport before 6:00

DenSco /

Tax Sharna Heuer (8/3/16)

2 - talked to Robert

- need to soften

↳ if accepts the position

Deneo /

Tel Robert Koehler (8/13/16)

11

got a call from another company:

Gary Klapper - SEC Division  
602-542-0152

Tel Gary Klapper (8/13/16)

602-542-0152

(09) - relayed info about investor calls

Wendy Coy

602-542-0633

↳ Director of Enforcement

wcoy@acc.gov

need to confirm whether or not a...

(next  
Wed 8/10) - send

CERTIFIED COPY

MICHAEL K. JEANES, CLERK  
BY B. RETH  
B. RETH FILED

16 AUG -4 AM 10:47

Clark Hill PLC  
Darra Lynn Rayndon, Bar No. 006146  
Michelle M. Tran, Bar No. 015893  
14850 N. Scottsdale Road Suite 500  
Scottsdale, Arizona 85254  
Telephone 480/684-1100  
Attorneys for Petitioner  
mtran@clarkhill.com

Beauchamp  
EXH. NO. 216  
7-19-18  
Kelly S. Oglesby CR 50178

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA  
IN AND FOR THE COUNTY OF MARICOPA

In the Matter of the  
Estate of

DENNY J. CHITTICK,

Deceased.

No. PB2016-051754

LETTERS OF APPOINTMENT OF  
PERSONAL REPRESENTATIVE AND  
ACCEPTANCE OF  
APPOINTMENT AS  
PERSONAL REPRESENTATIVE

LETTERS OF PERSONAL REPRESENTATIVE

SHAWNA C. HEUER is hereby appointed Personal Representative of the Estate of DENNY J. CHITTICK, to serve without bond. Said Personal Representative shall not exercise the following powers without prior order of the Court: None.

DATED AUG 04 2016, 2016.



MICHAEL K. JEANES  
Clerk of the Superior Court

By: B. RETH  
Deputy Clerk

B. RETH

ACCEPTANCE OF APPOINTMENT

STATE OF ARIZONA )  
 ) ss.  
County of Maricopa )

I accept the duties of Personal Representative of the Estate of the above-named

person who has died and do solemnly swear or affirm that I will perform the duties as Personal Representative according to law.

*Shawna C. Heuer*  
SHAWNA C. HEUER

Subscribed and sworn to or affirmed before me this 2 day of August

2016, by SHAWNA C. HEUER.

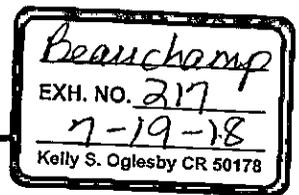
My Commission expires:

April 26, 2019

*Leslie Lopez*  
Notary Public



The foregoing instrument is a full, true and correct copy of the original on file in this office.  
I further certify that the Order/Statement appointing the ~~Personal Representative~~ Conservator ~~Guardian~~ was signed on AUG 03 2016 and that these letters have not been revoked.  
Attest AUG 04 2016  
MICHAEL K. JEANES, Clerk of the Superior Court of the State of Arizona, in and for the county of Maricopa.  
By [Signature] Deputy



Message

**From:** Wendy Coy [WC@azcc.gov]  
**Sent:** 8/4/2016 11:36:20 AM  
**To:** Beauchamp, David G. [dbeauchamp@clarkhill.com]  
**Subject:** Emailing - Scanned Document.pdf  
**Attachments:** Scanned Document.pdf

David –

Please see the attached letter. Thank you for speaking with us.

Wendy

**Wendy Coy**

Director of Enforcement  
Arizona Corporation Commission  
Securities Division  
1300 W. Washington, 3<sup>rd</sup> Floor  
Phoenix, Arizona 85007  
(602)542-0633

**COMMISSIONERS**  
DOUG LITTLE - Chairman  
BOB STUMP  
BOB BURNS  
TOM FORESE  
ANDY TOBIN

JODI JERICH  
EXECUTIVE DIRECTOR



MATTHEW J. NEUBERT  
DIRECTOR

SECURITIES DIVISION  
1300 West Washington, Third Floor  
Phoenix, AZ 85007  
TELEPHONE: (602) 542-4242  
FAX: (602) 744-8120  
E-MAIL: securitiesdiv@azcc.gov

ARIZONA CORPORATION COMMISSION

August 4, 2016

David Beauchamp, Esq.  
Clark Hill PLC  
14850 N. Scottsdale Rd  
Suite 500  
Scottsdale, AZ 85254

Re: Denny J. Chittick and Densco Investments Corporation

Dear Mr. Beauchamp:

Thank you for contacting the Securities Division yesterday. I appreciate your willingness to speak with us and to take control of a very sad and problematic situation. We look forward to working with you to resolve any issues that may arise.

As discussed yesterday, we have tentatively set a meeting for Wednesday, August 10, 2016, in the afternoon. Please confirm the meeting time and location.

In addition, we discussed that no assets should be dissipated until a receiver and/or a forensic accountant has reviewed the books and records of Densco Investments Corporation and a plan is in place regarding the business.

Please contact me if you have any further questions or information. I may be reached at the number listed below.

Sincerely,

A handwritten signature in cursive script that reads "Wendy Coy".

Wendy Coy  
Director of Enforcement  
Securities Division  
Arizona Corporation Commission

Beauchamp  
EXH. NO. 218  
7-19-18  
Kelly S. Oglesby CR 50178

**Beauchamp, David G.**

**From:** Beauchamp, David G.  
**Sent:** Thursday, August 04, 2016 4:27 PM  
**To:** Robert Koehler; 2chittickboys2@gmail.com  
**Subject:** RE: Densco info

Robert:

Thank you for taking the necessary time to do this review and to put this preliminary information together. This is a very clear statement of the problem.

Sorry for the phone call last night. I was wrong to push you so hard on the phone.

Best regards, David  
David G. Beauchamp

CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1128 (direct) | 480.684.1168 (fax) | 602.319.5602 (cell)  
dbeauchamp@clarkhill.com | www.clarkhill.com

**From:** Robert Koehler [mailto:rzkoehler@gmail.com]  
**Sent:** Thursday, August 04, 2016 1:58 PM  
**To:** 2chittickboys2@gmail.com  
**Cc:** Beauchamp, David G.  
**Subject:** Densco info

Hello Shawna,

As per your request, I have gathered some preliminary information in regards to the loans that Densco holds. These estimates are derived from the information that was provided after Denny's passing. Remember, these are estimates compiled in a very short period of time and all information provided will need to be revisited, reviewed and confirmed at a later date preferably by a 3rd party.

There are approximately 138 loans listed in the Densco portfolio.

50 of these 138 loans appear to be first position deeds of trust and to be available for liquidity within 0-6 months through normal business or the accelerated sale of notes  
The approx 50 loans with collectable deeds of trust comprise of roughly \$4,981,736.00 of principal and accrued interest (*principal \$4,925,614.31 interest \$56,121.69*) and continue to earn interest at the rate of 18% per annum.

5 of these 138 loans appear to be first position deeds of trust which will require collection via foreclosure or collection through bankruptcy court and appear to be related to Menaged in some form. The 5 loans are comprised of roughly \$2,533,000 of principal and interest (*principal \$1,980,000 and estimated collectable accrued interest \$553,000*)

The 83 remaining loans do not appear to be secured via first position Deed of Trust recordings. While they all do appear to have signed promissory notes and deeds of trust in each file, there is not evidence of recording and involve Arizona Home Foreclosures, LLC and Scott Menaged and comprise of approximately \$28,178,600

Additionally there appears to be accounts receivable (unsecured) to Menaged in an amount of \$14,339,339.79

summary

\$4,981,736 (secured and liquidable)

\$2,533,000 (secured and require collection/involve Menaged)

\$28,178,600 (unsure of security, require collection via courts/involve Menaged)

\$14,339,339 (appear to be unsecured and require collection via courts, involve Menaged)

\$1,000,000 *Estimating (Densco bank accounts) ?confirm?*

---

\$51,032,675.00

*Last stated investor balance per Denny's spreadsheet June 2016*

\$51,184,005.27

Beauchamp  
EXH. NO. 219  
7-19-18  
Kelly S. Oglesby CR 50178

**Beauchamp, David G.**

**From:** Beauchamp, David G.  
**Sent:** Thursday, August 04, 2016 5:29 PM  
**To:** Wendy Coy  
**Subject:** RE: Emailing - Scanned Document.pdf

Wendy:

Thank you for the letter. If possible, can we talk to discuss a few issues that arise from your letter. We can also confirm the meeting time and location for our meeting next Wednesday.

Best regards, David

**David G. Beauchamp**

CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1128 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Wendy Coy [<mailto:WC@azcc.gov>]  
**Sent:** Thursday, August 04, 2016 11:36 AM  
**To:** Beauchamp, David G.  
**Subject:** Emailing - Scanned Document.pdf

David -

Please see the attached letter. Thank you for speaking with us.

Wendy

**Wendy Coy**  
Director of Enforcement  
Arizona Corporation Commission  
Securities Division  
1300 W. Washington, 3<sup>rd</sup> Floor  
Phoenix, Arizona 85007  
(602)542-0633

DenSco

Message from Kurt Johnson (8/4/16)

602-505-8117

- please call - follow-up to email
- did not know

Text Kurt Johnson (8/4/16)

602-505-8117

(64)

- had accident 5 1/2 years ago - Sheil is paralyzed from neck down - so Kurt is her caregiver
- getting ready to start a 501(c)(3) -> so Sheil can share her story w/ others
- Kurt has not done anything since 2004 - simple corp work
- still statutory agent for DenSco
- has received various notices - but nothing for a couple of years
- email from Rob Brinkman (Insight Investor) -> wants to get a copy of the 2009 POM
- teaching Business Law + Business Ethics at AZ Christian University.

Tax Shawna Hewer (8/4/16)

(0.5)

email:

address

— need a new email for <sup>DenSec</sup> ~~email~~

Use

— 2 chitkick

email → just for Probits

— Robert said he sent email <sup>to DGB</sup> for the firm  
 — Robert leaving for vacation after today

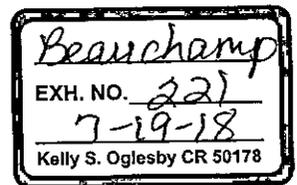
— money has continued to come into the account — but nothing has to go out of the account

— what about the other benefit plans (who are  
 Defined Benefit Plan → CD at First Bank  
 401 (K) — probably Vanguard

— got a lame answer from insurance agent about umbrella policy

(DGB) — send Forensic Accountants info  
 — Shawna will follow through

Wed @ 12:30 → for mtg

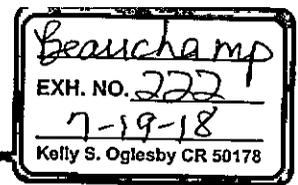


CLARK HILL P.L.C.

DenSco Investment Corporation  
Business Wind Down  
September 12, 2016  
INVOICE # 670634  
Page 3

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

DIC0010493



**Beauchamp, David G.**

**From:** Wendy Coy <WC@azcc.gov>  
**Sent:** Friday, August 05, 2016 6:12 AM  
**To:** Beauchamp, David G.  
**Subject:** RE: Emailing - Scanned Document.pdf

David –

I am in the office until about 3:00 today (8/5). Please call any time.

Wendy

**Wendy Coy**  
Director of Enforcement  
Arizona Corporation Commission  
Securities Division  
1300 W. Washington, 3<sup>rd</sup> Floor  
Phoenix, Arizona 85007  
(602)542-0633

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**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Thursday, August 04, 2016 5:29 PM  
**To:** Wendy Coy <WC@azcc.gov>  
**Subject:** RE: Emailing - Scanned Document.pdf

Wendy:

Thank you for the letter. If possible, can we talk to discuss a few issues that arise from your letter. We can also confirm the meeting time and location for our meeting next Wednesday.

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](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Wendy Coy [<mailto:WC@azcc.gov>]  
**Sent:** Thursday, August 04, 2016 11:36 AM  
**To:** Beauchamp, David G.  
**Subject:** Emailing - Scanned Document.pdf

David –

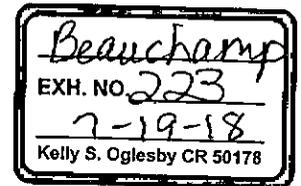
Please see the attached letter. Thank you for speaking with us.

Wendy

**Wendy Coy**

Director of Enforcement  
Arizona Corporation Commission  
Securities Division  
1300 W. Washington, 3<sup>rd</sup> Floor  
Phoenix, Arizona 85007  
(602)542-0633

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**Beauchamp, David G.**

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**From:** Beauchamp, David G.  
**Sent:** Friday, August 05, 2016 3:04 PM  
**To:** Shawna Heuer  
**Subject:** RE: DENSCO PAYOFF OUTSTANDING LOANS

Shawna:

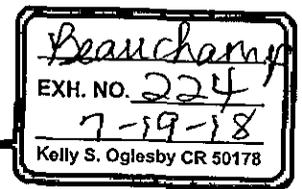
I know that you are not having a good day, but please let me know when we can talk. I just talked to Scott's bankruptcy attorney and what he said greatly upset me, so please be alone when we talk. If you want to wait to talk until this weekend, please let me know.

Best regards, David

**David G. Beauchamp**

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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

**Beauchamp, David G.**



**From:** Beauchamp, David G.  
**Sent:** Friday, August 05, 2016 6:25 PM  
**To:** Wendy Coy; Gary Clapper  
**Subject:** FW: Email to Investors of DenSCO Investment Corporation ("DenSCO")

Wendy and Gary:

Sorry for the delay. Here is the email that I sent to the DenSCO's Investors.

Regards, David

**David G. Beauchamp**

CLARK HILL PLC

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480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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**From:** Beauchamp, David G.  
**Sent:** Wednesday, August 03, 2016 11:35 PM  
**To:** acatejr@gmail.com; amydirks@hotmail.com; anthjen@yahoo.com; artnina@hotmail.com; Aztonysmith@aol.com; barryluchtel@gmail.com; bdirks5@cox.net; bji@cox.net; bjlocke64@yahoo.com; bjodenthal@frontier.com; brian.wenig@honeywell.com; burdett.anthony@gmail.com; butlernv@yahoo.com; carricks3@ak.net; czj528@hotmail.com; dariosdad@gmail.com; dave@prestoncpa.biz; davedubay@gmail.com; dhowze@cox.net; don-cindy@cableone.net; Doriann@cox.net; elleencohen@me.com; epcarrick@gmail.com; glenpdavis@gmail.com; greeraz@gmail.com; gsiegforsd@msn.com; hahnaz2@cox.net; hey.ralph01@gmail.com; hlkthestik@aol.com; jackdds@myway.com; jamccooy32@gmail.com; jbhok@yahoo.com; jemmakopel@hotmail.com; jgsiegforsd@yahoo.com; jimmy@flytrapproductions.com; jimpatmc44@gmail.com; jkjetto@yahoo.com; Jphalen00@aol.com; jwalker113@cox.net; kayell121@cs.com; kaylene.moss@avnet.com; kenneni@yahoo.com; landonluchtel@gmail.com; lanka2000@yahoo.com; Laurieweiskopf@gmail.com; lkopel22@hotmail.com; mark.wenig@gmail.com; mbencekent@yahoo.com; miminvestor@gmail.com; mrsbeasley68@verizon.net; mscroggin@me.com; nihad@yahoo.com; nswirtz@me.com; patmiller21@gmail.com; Paul\_a\_kent@yahoo.com; pearces@mailhaven.com; Peter.Rzonca@Avnet.com; pldupper@gmail.com; queialively@yahoo.com; ralph@kaisertile.net; rbrinkman@yahoo.com; rgriswold3@stny.rr.com; robertflawson@gmail.com; rzkoehler@yahoo.com; sdetota@yahoo.com; sdtuttle@gmail.com; smschloz@msn.com; steve@bunger.me; stewart.sherriff@gmail.com; switchback62@hotmail.com; terryleeAZ@comcast.net; thomasbyrne11@gmail.com; thompsc2@cox.net; trovita@gmail.com; uaflyor767@gmail.com; valeriepaxton@gmail.com; vimuscat@gmail.com; wadeunderwood@hotmail.com; wbush112@comcast.net; wjswirtz@me.com; wka@caribbeanpoolsaz.com; yusuf@comsiscomputer.com  
**Subject:** Email to Investors of DenSCO Investment Corporation ("DenSCO")

Dear DenSCO Investors:

As a follow up to the email from Denny Chittick's Family that was distributed on Sunday, I met late Monday with Shawna Chittick Heuer (Denny's sister) to discuss Denny's unfortunate and untimely passing and the steps to resolve the obligations of DenSCO to each of you. The intent was to discuss what information we collectively had available concerning DenSCO and its outstanding loans and to determine the best procedure to close down DenSCO's business and to return the capital contributed by DenSCO's Investors. Each of us had already talked to a few people in the real estate investment business to discuss how we could obtain a preliminary analysis of DenSCO's current loans. Specifically, we wanted to determine what information might be in DenSCO's available files and records to indicate the likelihood of being able to collect the monies due DenSCO so we could proceed with the wind-down of DenSCO and the payments to the Investors..

Shawna was able to find someone familiar with certain aspects of the real estate investment business to do a very brief and superficial review of the loans to DenSco's borrowers which paperwork was in DenSco's files. This preliminary review will simply be to determine if DenSco's records indicate which of DenSco's loans seem to be fully secured and if DenSco's records show timely payment of the past payments so that we can consider these to be "Good Loans." We also will try to identify the date due as specified in the respective promissory note for each of these Good Loans to have an indication when each such loan is to be paid off. This money will add to DenSco's money that is anticipated to be returned to the Investors at the end of the wind-down process. We have also requested help to identify the "Troubled Loans," by reviewing the loan files and DenSco's payment records to determine which loans are either unsecured, or the respective borrower is not current with its payments of interest or the principal, or if Denny's records indicate that these loans are owed by an entity currently in bankruptcy or are guaranteed by someone who is in personal bankruptcy. Unfortunately, there are also claims that DenSco has against either Auction.com or Scott Menaged (or some other parties) that we need to better understand. We believe that this preliminary review of the Good Loans will be done by Friday of this week and we will share that information with you. At the same time, we are also trying to get a good estimate of the balance of the principal amounts owed to Investors and any unpaid and accrued interest that is owed.

As part of the plan moving forward, we have filed the Will of Denny J. Chittick ("Denny's Will") and the necessary filings with the Probate Court to have Shawna designated as the Personal Representative of Denny's Estate, which is what Denny's Will provides. Shawna is an accountant and she has both the experience and the skill set from her every day position to work with the necessary people to recover proceeds owed to DenSco and to return the recovered proceeds to the Investors. The probate filing is necessary so that Shawna could have the necessary authority to control DenSco and to have the authority to make decisions on behalf of DenSco, with the input of Investors as we propose below. However, if we determine that DenSco's recoverable proceeds are likely to be significantly or materially insufficient to return the Investors' capital to the Investors, then Shawna is unlikely to assume the control of DenSco and we will work with the various state authorities to have a Receiver named for DenSco, and such Receiver will be responsible to come up with an acceptable plan to collect the proceeds owed to DenSco and to return as much of the Investor's money as possible.

This problem with DenSco's Troubled Loans developed over time and it will take some time to understand those Troubled Loans, how those loans came into existence as well as how to maximize the return on those loans to maximize the return of capital to the Investors. 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 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 a bankruptcy or a Receiver can reduce the amount to be paid to investors by almost half or even a much more significant reduction. Since many of the Troubled Loans stopped paying interest last October, DenSco has suffered a severe cash-flow problem. To resolve this cash-flow problem, Denny has taken every step available to him to try to enable DenSco to meet its obligations to Investors until he could find another solution to avoid significant losses to DenSco's Investors. Specifically, Denny previously liquidated or mortgaged all of his personal assets to loan money to DenSco to allow DenSco to continue to make its interest payments to its Investors until he had nothing left to put into DenSco.

As indicated above, the initial plan that we are trying to follow is intended for us to determine (and share with you): what does DenSco own; what is the current balance in DenSco's bank account; what loans are timely paying and when such loans are anticipated to be liquidated with the balance paid to DenSco. Initially, we believe that all of the Good Loans should be paid off within 6 months. We hope to have more specific information by Friday of this week.

There are also significant unsecured and secured loans that are subject to the personal bankruptcy of Yomtov "Scott" Menaged. These unsecured and secured loans to Scott Menaged need to be analyzed as well as the bankruptcy case so that we can determine what is likely to be paid to resolve these loans. In addition, to these loans, we also need to determine the status of the life insurance policy and other collateral that were to secure certain of the unsecured loans. Unfortunately, this will take more time than a couple days, but this information will be provided as soon as we

can obtain and confirm it. This information should be available in a couple of weeks if third parties involved in the bankruptcy case timely provide the information that we have requested.

We also understand that there is a significant amount of money that is currently tied up with Auction.com that involves certain transactions involving Scott Menaged. Given the lack of initial information available concerning these transactions in Denny's office, it will take more time to understand these transactions and to determine what can be done to recover this amount of money. We will hopefully be able to have an understanding of these transactions, who has the money and what can be done to collect the money owed to DenSco. So this will likely take at least 45 days to obtain and confirm this information so that it can be shared with you.

In order to maximize the available return to all of the Investors, which is what Denny urged us to do in his last instructions, we 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. As we proceed, it may be necessary to have the final distribution and allocation to Investors approved by a court to satisfy any fiduciary duties for some Investors and that can be accommodated by a judicial review and approval of a settlement plan without a full bankruptcy proceeding. Again, if we determine that DenSco's recoverable proceeds are likely to be significantly or materially insufficient to return the Investors' capital to the Investors, then Shawna is unlikely to assume the control of DenSco and we will work with the various state authorities to have a Receiver named for DenSco, which Receiver will come up with an acceptable plan to collect the proceeds owed to DenSco and to return as much of the Investor's money as possible.

If we are going to proceed informally to keep costs down, we understand that we need to communicate with you on a regular basis and we need to be able to receive communication from you as the Investors. To have good and open communication, we would like to create an "Advisory Board" of 5 Investors to meet with and to advise DenSco with respect to the information obtained and how that information can best be used to cost-effectively help DenSco to recover funds that are owed to DenSco. We intend to structure this as an Advisory Board to protect the members of this Advisory Board from any potential liability based upon their role with DenSco. Specifically, the Advisory Board would only have an advisory position with DenSco as opposed to a full authority position, which is to distinguish this situation from having these Investors appointed to the Board of Directors. If you would be interested in participating on this Advisory Board, please let me know by return email and confirm that you would have the availability and willingness to participate in the necessary meetings (in person or by phone). Ideally, we would like to have a "cross-section of Investors" on this Advisory Board to help DenSco evaluate the information as it becomes available and to assist analyzing various decisions and the effect that such decisions would have on the Investors.

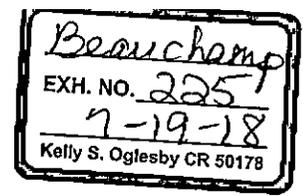
As indicated above, we hope to have a more detailed analysis of the Good Loans by the end of this week.

Sincerely, David

**David G. Beauchamp**

CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Scottsdale, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5802 (cell)  
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**Beauchamp, David G.**

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**From:** Beauchamp, David G.  
**Sent:** Friday, August 05, 2016 6:46 PM  
**To:** EILEEN COHEN  
**Subject:** RE: Concerning Densco

Eileen:

Thank you for the email. I have shared it with certain enforcement people at the AZ Corporation Commission, Securities Division. I have been working with them to get involved in this matter on behalf of the investors to go against the borrower who has allegedly defrauded DenSco. I believe that the power of the State of Arizona will be more effective and successful trying to track down the missing assets of that borrower and having those assets turned into cash for the investors. I sincerely hope that we will be successful in this effort.

Best regards, David

**David G. Beauchamp**

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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** EILEEN COHEN [mailto:eileencohen@me.com]  
**Sent:** Thursday, August 04, 2016 11:42 PM  
**To:** Beauchamp, David G.  
**Subject:** Concerning Densco

Dear David,

Thank you for your email. This was a total shock to me and so sorry to hear about Denny. I just spoke with him a few weeks back and I was counting on this income. My husband passed away in October and my life has changed. We invested \$250,000 with Denny and have had the money with him for 4 years. My children have told me that this investment is too risky for me at this point in my life. I am 70 years old and was planning on taking this money back as it was coming due. The first \$150,000 is due in September, \$50,000 in October and \$50,000 in November. I really need that \$2,500 per month or the capital to live on.

I sincerely hope that we can recoup the majority of our investment. My life has changed since the passing of my husband and my income has gone down. This is a real blow and I don't know what to do.

I'm sure his family is devastated - only 48 years old. I don't know any details and I am so sorry for their loss.

My understanding is that Denny only took a first on the properties and had a good loan to value on each of the homes.

I thought our investment was secure with his due diligence of each of the properties.

I'm looking forward to hearing what the outcome of all this will be. I just want to let you know that I was counting on this money every month and need to have the capital to make payments, if there's no more income to be dispersed.

Thank you,

Eileen Cohen

On Aug 3, 2016, at 11:34 PM, Beauchamp, David G.  
<[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

Dear DenSco Investors:

As a follow up to the email from Denny Chittick's Family that was distributed on Sunday, I met late Monday with Shawna Chittick Heuer (Denny's sister) to discuss Denny's unfortunate and untimely passing and the steps to resolve the obligations of DenSco to each of you. The intent was to discuss what information we collectively had available concerning DenSco and its outstanding loans and to determine the best procedure to close down DenSco's business and to return the capital contributed by DenSco's Investors. Each of us had already talked to a few people in the real estate investment business to discuss how we could obtain a preliminary analysis of DenSco's current loans. Specifically, we wanted to determine what information might be in DenSco's available files and records to indicate the likelihood of being able to collect the monies due DenSco so we could proceed with the wind-down of DenSco and the payments to the Investors..

Shawna was able to find someone familiar with certain aspects of the real estate investment business to do a very brief and superficial review of the loans to DenSco's borrowers which paperwork was in DenSco's files. This preliminary review will simply be to determine if DenSco's records indicate which of DenSco's loans seem to be fully secured and if DenSco's records show timely payment of the past payments so that we can consider these to be "Good Loans." We also will try to identify the date due as specified in the respective promissory note for each of these Good Loans to have an indication when each such loan is to be paid off. This money will add to DenSco's money that is anticipated to be returned to the Investors at the end of the wind-down process. We have also requested help to identify the "Troubled Loans," by reviewing the loan files and DenSco's payment records to determine which loans are either unsecured, or the respective borrower is not current with its payments of interest or the principal, or if Denny's records indicate that these loans are owed by an entity currently in bankruptcy or are guaranteed by someone who is in personal bankruptcy. Unfortunately, there are also claims that DenSco has against either [Auction.com](http://Auction.com) or Scott Menaged (or some other parties) that we need to better understand. We believe that this preliminary review of the Good Loans will be done by Friday of this week and we will share that information with you. At the same time, we are also trying to get a good estimate of the balance of the principal amounts owed to Investors and any unpaid and accrued interest that is owed.

As part of the plan moving forward, we have filed the Will of Denny J. Chittick ("Denny's Will") and the necessary filings with the Probate Court to have Shawna designated as the Personal Representative of Denny's Estate, which is what Denny's Will provides. Shawna is an accountant and she has both the experience and the skill set from her every day position to work with the necessary people to recover proceeds owed to DenSco and to return the recovered proceeds to the Investors. The probate filing is necessary so that Shawna could have the necessary authority to control DenSco and to have the authority to make decisions on behalf of DenSco, with the input of Investors as we propose below. However, if we determine that DenSco's recoverable proceeds are likely to be significantly or materially insufficient to return the Investors' capital to the Investors, then Shawna is unlikely to assume the control of DenSco and we will work with the various state authorities to have a Receiver named for DenSco, and

such Receiver will be responsible to come up with an acceptable plan to collect the proceeds owed to DenSco and to return as much of the Investor's money as possible.

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consume more than 35% of the available money that should or would otherwise be available to be returned to Investors. As we proceed, it may be necessary to have the final distribution and allocation to Investors approved by a court to satisfy any fiduciary duties for some Investors and that can be accommodated by a judicial review and approval of a settlement plan without a full bankruptcy proceeding. Again, if we determine that DenSco's recoverable proceeds are likely to be significantly or materially insufficient to return the Investors' capital to the Investors, then Shawna is unlikely to assume the control of DenSco and we will work with the various state authorities to have a Receiver named for DenSco, which Receiver will come up with an acceptable plan to collect the proceeds owed to DenSco and to return as much of the Investor's money as possible.

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As indicated above, we hope to have a more detailed analysis of the Good Loans by the end of this week.

Sincerely, David

**David G. Beauchamp**

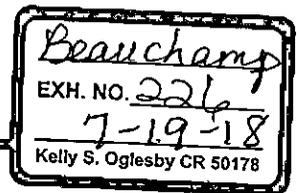
CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Scottsdale, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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**Beauchamp, David G.**



**From:** Beauchamp, David G.  
**Sent:** Friday, August 05, 2016 8:32 PM  
**To:** Wendy Coy; Gary Clapper  
**Subject:** FW: Additional DenSco Information

Wendy and Gary:

Please see the email to the DenSco's investors that I sent this evening with the updated (and bad) news.

Sincerely, David

**David G. Beauchamp**

**CLARK HILL PLC**

14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
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---

**From:** Beauchamp, David G.

**Sent:** Friday, August 05, 2016 8:29 PM

**To:** acatejr@gmail.com; amydirks@hotmail.com; anthjen@yahoo.com; artnina@hotmail.com; Aztonysmith@aol.com; aztonysmith@gmail.com; barryluchtel@gmail.com; bdirks5@cox.net; bji@cox.net; bjlocke64@yahoo.com; bjodenthal@frontier.com; brian.wenig@honeywell.com; burdett.anthony@gmail.com; butlerv@yahoo.com; carricks3@ak.net; czj528@hotmail.com; dariosdad@gmail.com; dave@prestoncpa.biz; davedubay@gmail.com; dhowze@cox.net; don-cindy@cableone.net; Doriann@cox.net; eileencohen@me.com; epcarrick@gmail.com; glenpdavis@gmail.com; greeraz@gmail.com; gsiegford@msn.com; hahnaz2@cox.net; hey.ralph01@gmail.com; hikthestik@aol.com; jackdds@myway.com; jamccoy32@gmail.com; jbhok@yahoo.com; jemmakopel@hotmail.com; jgsiegford@yahoo.com; jimmy@flytrapproductions.com; jimpatmc44@gmail.com; jkjetto@yahoo.com; Jphalen00@aol.com; jwalker113@cox.net; kayell121@cs.com; kaylene.moss@avnet.com; kenneni@yahoo.com; landonluchtel@gmail.com; lanka2000@yahoo.com; Laurieweiskopf@gmail.com; lkopel22@hotmail.com; mark.wenig@gmail.com; mbencekent@yahoo.com; mlminvestor@gmail.com; mrsbeasley68@verizon.net; mscroggin@me.com; nihad@yahoo.com; nswirtz@me.com; patsmiller21@gmail.com; Paul\_a\_kent@yahoo.com; pearces@mailhaven.com; Peter.Rzonca@Avnet.com; pldupper@gmail.com; quelalively@yahoo.com; ralph@kaisertile.net; rbrinkman@yahoo.com; rgriswold3@stny.rr.com; robertflawson@gmail.com; rzkoehler@yahoo.com; sdetota@yahoo.com; sdetota99@yahoo.com; sdtuttle@gmail.com; smschloz@msn.com; steve@bunger.me; stewart.sherriff@gmail.com; switchback62@hotmail.com; terryleeAZ@comcast.net; thomasbyrne11@gmail.com; thompsc2@cox.net; trovita@gmail.com; uaflyor767@gmail.com; valeriepaxton@gmail.com; vimuscat@gmail.com; wadeunderwood@hotmail.com; wbush1120@comcast.net; wjswirtz@me.com; wka@caribbeanpoolsaz.com; yusuf@comsiscomputer.com

**Subject:** Additional DenSco Information

DenSco Investors:

As I indicated in my email that was sent out to each of you late Wednesday, we have been working as fast as possible to go through DenSco's paper files and computer records. We are continuing our efforts to obtain as much information as possible concerning DenSco's outstanding loans to its borrowers and what assets might be available to recover on loans in default. Unfortunately, the information is not good. Accordingly, we have been in communication with the AZ Corporation Commission – Securities Division to work with that office to discuss the best plan to maximize the recovery of funds owed to DenSco. We will be meeting with the Director of Enforcement next Wednesday to work through the necessary steps so that the State of Arizona can lend its oversight, if not its direct assistance, in this effort to recover the money that is owed to DenSco and its Investors. We will be able to provide more information after that meeting.

In the interim, we have had someone quickly go through the boxes of files and other information in DenSco's office to help determine the exact status. Please understand that this is very preliminary information and it will be subject to further review and supplemental information that we hope to obtain. The following estimates are derived from the information that was found after Denny's passing. These estimates were compiled in a very short period of time and all information provided will need to be revisited, reviewed and confirmed at a later date preferably by a third party, but this is what we now believe to be the case. Obviously, further information will also need to be obtained concerning the bankruptcy of Scott Menaged and the various claims that he supposedly owes to DenSco.

DenSco has in excess of one million dollars in its bank accounts. As additional interest is collected on the paying loans, this amount should increase.

There are approximately 138 loans listed in the DenSco portfolio.

50 of these 138 loans appear to be secured by first position deeds of trust and the documents indicate that these loans should be available for liquidity within 0-6 months through normal business or the accelerated sale of notes. These 50 loans (secured by first position deeds of trust) represent roughly \$4,981,736.00 of principal and accrued interest (*principal \$4,925,614.31 interest \$56,121.69*) and continue to earn interest at the rate of 18% per annum.

An additional 5 of these 138 loans appear to be first position deeds of trust which will require collection via foreclosure or collection through bankruptcy court and appear to be related to Scott Menaged in some form. (One property with a deed of trust to secure one of these loans was supposedly released from the protections of the automatic stay of the bankruptcy court earlier this week.) These 5 loans represent roughly \$2,533,000 of principal and interest (*principal \$1,980,000 and estimated collectable accrued interest \$553,000*).

The 83 remaining loans do not appear to be secured via first position Deed of Trust recordings. While they all do appear to have signed promissory notes and deeds of trust in each file, there is no evidence of recording and involve Arizona Home Foreclosures, LLC and Scott Menaged and represent approximately \$28,178,600.

Additionally, there appears to be an unsecured note (accounts receivable) from Scott Menaged to DenSco in an approximate amount of \$14,339,339.79.

**Summary:**

\$4,981,736 notes that are believed to be secured by deeds of trust and should be liquidated in the near future;  
\$2,533,000 notes that are supposedly secured but require collection/involve Scott Menaged;  
\$28,178,600 that involve Scott Menaged but we are unsure of security, will require collection via courts;  
\$14,339,339 supposedly unsecured note from Scott Menaged, will require collection via courts, and  
\$1,000,000 (*Estimated in DenSco bank accounts*)

---

*\$51,032,675.00*

*Last stated investor balance per Denny's spreadsheet as of June 2016*  
*\$51,184,005.27*

As noted above and in my previous email to each of you, Scott Menaged is in personal bankruptcy and he claimed in his bankruptcy filing that he does not have any assets. According to third parties involved in Scott's bankruptcy, we have obtained the following information that we believe to be reliable. Scott filed his personal bankruptcy in April 2016 (proper, which means without legal counsel) and he failed to provide the necessary schedules of creditors and notices to the creditors as the bankruptcy law requires. The US Trustee appointed for this bankruptcy case, Jill H. Ford, took action to

require that Scott's bankruptcy estate retain legal counsel and comply with the bankruptcy requirements. The bankruptcy estate has now retained Cody Jess of Schian Walker, PLC as Debtor's legal counsel. Cody Jess informed me that he was retained in early July and that the notice to DenSco was mailed either late last Monday / early Tuesday, so Denny likely received the notice on Wednesday, which was Denny's first notice of the bankruptcy filing. Supposedly, Denny talked to Scott on Wednesday and Scott confirmed the information in the notice. Unfortunately, that probably led to Denny taking his life the next day on Thursday.

Cody Jess also claimed that both of Scott's other entities that are on the \$14,000,000 (+) unsecured note (or guaranteed that note) are not in the bankruptcy, but Arizona Home Foreclosure has conveyed all of its homes and it no longer has any assets. However, that is contrary to the information in DenSco's files. Further, Cody Jess also claimed that Furniture King is not in the bankruptcy, but it does not matter because it has no value due to the several liens already filed against it. Cody said that DenSco never filed a UCC-1 to secure its security interest in the assets of Furniture King. That UCC-1 was part of the forbearance package that we prepared in 2014. That package was supposed to be signed in my office, but Scott convinced Denny to not do the signing in my office. I gave all of the documents to Denny and told Denny to get them all signed (where the stickers were) and to have certain documents notarized and to have the UCC-1 filed with the Arizona Secretary of State. Denny subsequently told me that the UCC-1 had been filed. However, I checked today and that UCC-1 was never filed and made of record against Furniture King.

Based upon all of the new information set forth above, please understand that we now believe that a different strategy might be more effective with respect to the collection of the money owed to DenSco, the liquidation of DenSco and the return of funds to DenSco's Investors. That is why we have reached out to the State of Arizona to determine if the Securities Division can lend assistance in the collection of the money owed to DenSco.

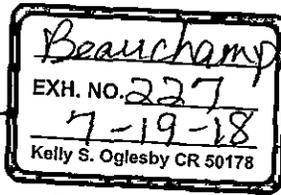
We will keep you informed as we obtain more information.

Sincerely, David

**David G. Beauchamp**

CLARK HILL PLC  
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480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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DenSco /

TCW ~~Shawna~~ Heuer (8/5/16) 208-661-8491

(0.9)

relayed call w/ Wendy Coy + Scott's atty (Cody Jess)

Shawna - talked to Chris Gorman - Gorman Consulting Group  
Chris willing to talk to DGB on Monday

- call Sean + warn him about atty's comments
  - computers
  - boxes of loans + documents
  - all other documents

- explained calls w/ investors

- keep track of the receipts for flying to + from

- Subpoena → will be rolling obligation to provide books + records

- send email <sup>allans</sup> corrections to
- DGB needs the list of investors <sup>names</sup> - Shawna will send to  
as DGB to pull info

- Shawna → was to meet w/ one of her bosses + his good friend who is an atty

Den Sco /

TCW Cody Jess (8/5/16)

602-277-1501

- left detailed message

Message from Cody Jess (8/5/16)

602-405-9906

- working remotely today

TCW Cody Jess (8/5/16)

602-405-9906

(68)

Day 7

- Scott Managed - fibed personally on his own in April 16  
- filing deficient - bad disclosures  
- Trustee appointed

- Trustee moved for 2004 exam

- Scott then retained counsel in early July

- working on appropriate disclosures + put all of records in order + consistent w/ Scott's disclosure (seemed strange)

- Den Sco <sup>Cody</sup> familiar w/ it

← saying this like something is wrong

- given Trustee bunch of info

- AZ Home Foreclosure

- Denay did not get notice until middle of last week

- Claim Bots Date - not yet set

- Small Assets in BK

- all of Scott's Membership Interests

- seen the Foreclosure Agent → has not seen the Security Agent or anything else

Scott said:

→ Deany had given <sup>Scott</sup> a couple of names who would be handling

— Any valuation of Scott's entities

— AZ Home Foreclosures → does not own any houses

— turned over bank records to the Trustee

— \$0 - balance

— AZ Home Foreclosures - does not own any houses

— Auction.com → first time that this entity has been discussed by Cody

— Mtg of Creditors - at Cody's office next week

Thurs Aug 11 @ 10:00 am

1850 N. Central Ave. Ste 900

Phx, AZ

DenSCO /

Tom Wendy Coy (8/5/16)

(014)

- relayed BK info

- Shauna can participate in Wed by phone (~~2:00~~ 2:00)

Deliver this  
on Monday

wants to subpoena DenSCO <sup>(DBS)</sup> to ~~turn~~ turn over all of the records

- can stipulate to pay certain costs

- Steven Brown

Steven Nemecet

(Steve Brown & Assoc, LLC)

- appears Denny did not file a claim (proof of claim)

filed for

- 2004 exam + production of  
Reddi Carpet - Timothy Barnes

- Wendy reviewed the Docket in BK

- claim that this is a "no-asset"

- deadline for . . . in Sept

- 341 mtg - was Aug 1

- Aug 1 - was joint mtg of creditors

- send email

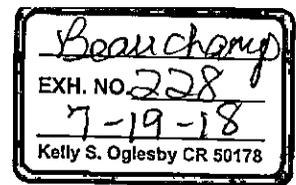
DenSec /

Tom Wayne Ledet (8/5/16)

405-824-3754

(0.3)

- Investor - about \$950,000 Roth IRA & cash account
- working as "bad people" - Wayne wants to make sure justice is served
- explained trying to get the State involved to represent the investors



**Beauchamp, David G.**

---

**From:** Beauchamp, David G.  
**Sent:** Saturday, August 06, 2016 12:39 AM  
**To:** Tony Smith  
**Subject:** Re: DENSCO

Tony:

I agree completely with your suggestions. Somehow my assistant did not find the UCC-1 when I asked her to quickly check today. I will need to find out how we missed it and why Cody Jess said it was not of record. We will need to confirm the filing sequence to see if this will be helpful to try to collect on the Furniture King guarantee of Menaged's obligations.

Best regards, David  
David Beauchamp

Sent from my iPhone. Please excuse any typos.

On Aug 5, 2016, at 10:28 PM, Tony Smith <[aztonysmith@gmail.com](mailto:aztonysmith@gmail.com)> wrote:

David,

Thank you for sending the email this evening as you indicated you would.

To state the obvious, there is something really wrong here besides the fact that practically all the money is gone. I can't see Denny lending this guy \$45 million of the company's money even with full security (forget about little or no security). Denny was too sharp to get taken by this guy in the manner that it appears that he did. Something else is at play here.

We need to have Menaged passport pulled (if he has one).

At this point, I think we need and want the Securities Division to get involved and do a deep dive and dedicate all resources possible into finding out what happened and where the money is. It would seem that Menaged has to have some money somewhere, even though he claims to have no assets.

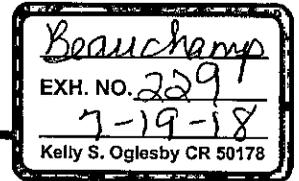
Also, please see the attached UCC1 filing that I found against Furniture King, LLC. I am guessing that this is Menaged company. Are you aware of this filing?

Thanks,

Tony Smith

<Untitled.pdf>

**Beauchamp, David G.**



**From:** Beauchamp, David G.  
**Sent:** Saturday, August 06, 2016 12:51 AM  
**To:** Kim & Russ Griswold  
**Subject:** Re: Additional DenSco Information

Mr. Griswold:

As far as I know, there were no creditors of DenSco about two years ago. I still need to find and review any of the documents for the money loaned to DenSco over the last few months to see if there were any special provisions in those documents.

Best regards,  
David Beauchamp

Sent from my iPhone. Please excuse any typos.

On Aug 5, 2016, at 9:36 PM, Kim & Russ Griswold <[rgriswold3@stny.rr.com](mailto:rgriswold3@stny.rr.com)> wrote:

Hello Mr. Beauchamp,

Does Densco owe money to any creditors? For example, you mentioned that Denny mortgaged everything he had and put the money into Densco to pay the interest to investors. If there are any creditors I would assume that they have a claim to Densco assets before the investors do.

Thanks

Russell T. Griswold

Beauchamp  
EXH. NO. 23D  
7-19-18  
Kelly S. Oglesby CR 50178

**Beauchamp, David G.**

**From:** Beauchamp, David G.  
**Sent:** Sunday, August 07, 2016 9:51 AM  
**To:** Brian Imdieke  
**Subject:** Re: DenSco - Scott Menaged Chapter 7

Brian:

Thank you.

Best regards, David Beauchamp

Sent from my iPhone. Please excuse any typos.

> On Aug 7, 2016, at 9:25 AM, Brian Imdieke <[bjj6173@gmail.com](mailto:bjj6173@gmail.com)> wrote:

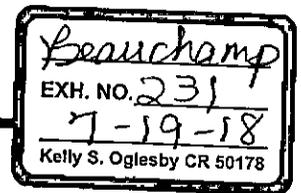
>  
> See attached.  
>  
> David,  
> I'm collecting DenSco mail and forwarding to Robert Koehler daily. However, Robert has been out of town for a couple days and I  
> thought you should get this document right away. I have also sent it to Robert along with the other mail...

> You've heard from.

> Brian Imdieke <[bjj6173@gmail.com](mailto:bjj6173@gmail.com)>

>  
>  
>  
> <Notice of motion for relief - Scott Menaged chapter 7.pdf>

**Beauchamp, David G.**



**From:** Anthony Burdett <burdett.anthony@gmail.com>  
**Sent:** Sunday, August 07, 2016 10:12 AM  
**To:** Beauchamp, David G.  
**Subject:** DenSco  
**Attachments:** Densco Analysis August 6, 2016.xlsx

Good Morning Mr. Beauchamp,

First, I want to thank you for being very professional and forthcoming in your communications with investors. You have met your deadlines to advise the investors as you said you would. Obviously, the news was not what we investors were hoping for.

From the "whatever it's worth department", this Menaged person seems like he's a perfect candidate for investigation by the IRS and FBI. Wouldn't it be reasonable to try and bring them on board and let their vast investigative capabilities be used in lieu of sending DenSco into receivership or bankruptcy.

I'm estimating 10%-12% return to investors based on an analysis of your latest letter (I've attached an Excel worksheet detailing my estimate. Basically, I'm just using the cash and 1st Deed notes).

The court appointed attorneys will significantly reduce that percentage.

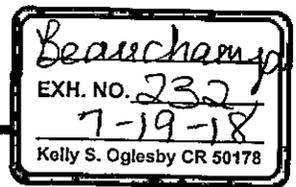
Again, thank you for your efforts.

Tony Burdett

ANTHONY & EVA M. BURDETT  
 DenSco Analysis  
 Saturday, August 06, 2016

		<u># of Loans</u>	<u>% on #</u>	<u>% on \$</u>	<u>Avg. Loan Per Prop</u>
Cash	1,000,000				
Builder Notes Secured by 1st Deeds	4,981,736	50	36.23%	9.76%	99,635
Notes Secured requiring Collection (Managed)	2,533,000	5	3.62%	4.95%	506,600
Unsecured Notes (Managed)	28,178,600	83	60.14%	55.22%	339,501
Unsecured Account Rec. (Managed)	14,339,339			28.10%	
<b>Total Builder Loans</b>	<b>51,032,675</b>	<b>138</b>	<b>100.00%</b>	<b>100.00%</b>	
Investor Notes - June, 2016	51,184,005				
Possible Return to Investors (Assuming Cash & Builders Notes Secured by 1st Deeds)	11.69%				
<b>Total Managed Loans</b>	<b>45,050,939</b>			<b>90.04%</b>	

**Beauchamp, David G.**



**From:** Beauchamp, David G.  
**Sent:** Sunday, August 07, 2016 11:53 AM  
**To:** Brian Imdieke  
**Cc:** Shawna Heuer  
**Subject:** Re: DenSco - Scott Menaged Chapter 7

Brian:

Sorry to bother you again on a Sunday, but Scott Menaged's attorney made a couple comments on the phone on Friday that really concern me. He said that he knows Denny's computer has all of DenSco's evidence against Scott. Further, that computer is still at Denny's house. When (not if) that computer disappears, all of DenSco's investors will be out of luck. I asked if that was a threat and he simply said that it was just common sense. However, Shawna agreed with me that we should let you know about these comments to keep an eye open.

Best regards, David

Sent from my iPhone. Please excuse any typos.

> On Aug 7, 2016, at 9:25 AM, Brian Imdieke <[bjj6173@gmail.com](mailto:bjj6173@gmail.com)> wrote:

>

> See attached.

>

> David,

> I'm collecting DenSco mail and forwarding to Robert Koehler daily. However, Robert has been out of town for a couple days and I

> thought you should get this document right away. I have also sent it to Robert along with the other mail....

>

>

> You've heard from.

> Brian Imdieke <[bjj6173@gmail.com](mailto:bjj6173@gmail.com)>

>

>

>

> <Notice of motion for relief - Scott Menaged chapter 7.pdf>

Beauchamp  
EXH. NO. 233  
7-19-18  
Kelly S. Oglesby CR 50178

**Beauchamp, David G.**

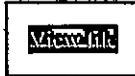
---

**From:** Shawna Heuer (via Dropbox) <no-reply@dropbox.com>  
**Sent:** Sunday, August 07, 2016 1:27 PM  
**To:** Beauchamp, David G.  
**Subject:** Shawna Heuer shared "DV-2016-07-25-142212.mp3" with you



Hi David,

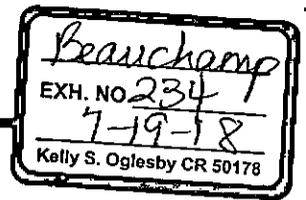
Shawna Heuer (bsheuer@msn.com) invited you to view the file "DV-2016-07-25-142212.mp3" on Dropbox.



Enjoy!  
The Dropbox team

© 2016 Dropbox

**Beauchamp, David G.**



**From:** Shawna Heuer <2chittickboys2@gmail.com>  
**Sent:** Sunday, August 07, 2016 1:28 PM  
**To:** Beauchamp, David G.  
**Subject:** Audio File

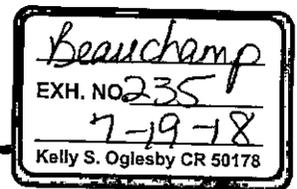
I just shared the audio file with you from dropbox from my old personal email address of:

[bsheuer@msn.com](mailto:bsheuer@msn.com)

Let me know if it came thru. Now you and I both have the audio file. Of course, it is on Denny's computer also.

Just trying to think ahead.

Beauchamp, David G.



**From:** Thomas Byrne <thomasbyrne11@gmail.com>  
**Sent:** Sunday, August 07, 2016 3:03 PM  
**To:** Beauchamp, David G.  
**Cc:** acatejr@gmail.com; amydirks@hotmail.com; anthjen@yahoo.com; artnina@hotmail.com; Aztonysmith@aol.com; aztonysmith@gmail.com; barryluchtel@gmail.com; bdirks5@cox.net; bji@cox.net; bjlocke64@yahoo.com; bjodenthal@frontier.com; brian.wenig@honeywell.com; burdett.anthony@gmail.com; butlerv@yahoo.com; carricks3@ak.net; czj528@hotmail.com; dariosdad@gmail.com; dave@prestoncpa.biz; davedubay@gmail.com; dhowze@cox.net; don-cindy@cableone.net; Doriann@cox.net; eileencohen@me.com; epcarrick@gmail.com; glenpdavis@gmail.com; greeraz@gmail.com; gsiegford@msn.com; hahnaz2@cox.net; hey.ralph01@gmail.com; hikthestik@aol.com; jackdds@myway.com; jamcco32@gmail.com; jbhok@yahoo.com; jemmakopel@hotmail.com; jgsiegford@yahoo.com; jimmy@flytrapproductions.com; jimpatmc44@gmail.com; jkjetto@yahoo.com; Jphalen00@aol.com; jwalker113@cox.net; kayell121@cs.com; kaylene.moss@avnet.com; kennent@yahoo.com; landonluchtel@gmail.com; lanka2000@yahoo.com; Laurieweiskopf@gmail.com; lkopel22@hotmail.com; mark.wenig@gmail.com; mbencekent@yahoo.com; mlinvestor@gmail.com; mrsbeasley68@verizon.net; mscroggin@me.com; nihad@yahoo.com; nswirtz@me.com; patsmiller21@gmail.com; Paul\_a\_kent@yahoo.com; pearces@mailhaven.com; Peter.Rzonca@Avnet.com; pldupper@gmail.com; quelalively@yahoo.com; ralph@kaisertile.net; rbrinkman@yahoo.com; rgriswold3@stny.rr.com; robertflawson@gmail.com; rzkoehler@yahoo.com; sdetota@yahoo.com; sdetota99@yahoo.com; sdtuttle@gmail.com; smschloz@msn.com; steve@bunger.me; stewart.sherriff@gmail.com; switchback62@hotmail.com; terryleeAZ@comcast.net; thompscg2@cox.net; trovita@gmail.com; uaflyor767@gmail.com; valeriepaxton@gmail.com; vimuscat@gmail.com; wadeunderwood@hotmail.com; wbush1120@comcast.net; wjswirtz@me.com; wka@caribbeanpoolsaz.com; yusuf@comsiscomputer.com

**Subject:** Re: Additional DenSco Information

David,

Just trying to process this like everyone else - the concentration of dollars out to one related person/entity is staggering - but trying to better understand why 83 loan documents (w deeds of trust) would not have been filed against those properties? How and why would this occur? without those secured claims being recorded, what claims (if any) does DenSco have to the properties? And thus does this put DenSco into an unsecured creditor position for that amount as well?

On Aug 5, 2016, at 8:29 PM, Beauchamp, David G. <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

DenSco Investors:

As I indicated in my email that was sent out to each of you late Wednesday, we have been working as fast as possible to go through DenSco's paper files and computer records. We are continuing our efforts to obtain as much information as possible concerning DenSco's outstanding loans to its borrowers and what assets might be available to recover on loans in default. Unfortunately, the information is not good. Accordingly, we have been in

communication with the AZ Corporation Commission – Securities Division to work with that office to discuss the best plan to maximize the recovery of funds owed to DenSco. We will be meeting with the Director of Enforcement next Wednesday to work through the necessary steps so that the State of Arizona can lend its oversight, if not its direct assistance, in this effort to recover the money that is owed to DenSco and its Investors. We will be able to provide more information after that meeting.

In the interim, we have had someone quickly go through the boxes of files and other information in DenSco's office to help determine the exact status. Please understand that this is very preliminary information and it will be subject to further review and supplemental information that we hope to obtain. The following estimates are derived from the information that was found after Denny's passing. These estimates were compiled in a very short period of time and all information provided will need to be revisited, reviewed and confirmed at a later date preferably by a third party, but this is what we now believe to be the case. Obviously, further information will also need to be obtained concerning the bankruptcy of Scott Menaged and the various claims that he supposedly owes to DenSco.

DenSco has in excess of one million dollars in its bank accounts. As additional interest is collected on the paying loans, this amount should increase.

There are approximately 138 loans listed in the DenSco portfolio.

50 of these 138 loans appear to be secured by first position deeds of trust and the documents indicate that these loans should be available for liquidity within 0-6 months through normal business or the accelerated sale of notes. These 50 loans (secured by first position deeds of trust) represent roughly \$4,981,736.00 of principal and accrued interest (*principal \$4,925,614.31 interest \$56,121.69*) and continue to earn interest at the rate of 18% per annum.

An additional 5 of these 138 loans appear to be first position deeds of trust which will require collection via foreclosure or collection through bankruptcy court and appear to be related to Scott Menaged in some form. (One property with a deed of trust to secure one of these loans was supposedly released from the protections of the automatic stay of the bankruptcy court earlier this week.) These 5 loans represent roughly \$2,533,000 of principal and interest (*principal \$1,980,000 and estimated collectable accrued interest \$553,000*).

The 83 remaining loans do not appear to be secured via first position Deed of Trust recordings. While they all do appear to have signed promissory notes and deeds of trust in each file, there is no evidence of recording and involve Arizona Home Foreclosures, LLC and Scott Menaged and represent approximately \$28,178,600.

Additionally, there appears to be an unsecured note (accounts receivable) from Scott Menaged to DenSco in an approximate amount of \$14,339,339.79.

Summary:

\$4,981,736 notes that are believed to be secured by deeds of trust and should be liquidated in the near future;

\$2,533,000 notes that are supposedly secured but require collection/involve Scott Menaged;

\$28,178,600 that involve Scott Menaged but we are unsure of security, will require collection via courts;

\$14,339,339 supposedly unsecured note from Scott Menaged, will require collection via courts, and

*\$1,000,000 (Estimated in DenSco bank accounts)*

\$51,032,675.00

*Last stated investor balance per Denny's spreadsheet as of June 2016*  
\$51,184,005.27

As noted above and in my previous email to each of you, Scott Menaged is in personal bankruptcy and he claimed in his bankruptcy filing that he does not have any assets. According to third parties involved in Scott's bankruptcy, we have obtained the following information that we believe to be reliable. Scott filed his personal bankruptcy in April 2016 (pro per, which means without legal counsel) and he failed to provide the necessary schedules of creditors and notices to the creditors as the bankruptcy law requires. The US Trustee appointed for this bankruptcy case, Jill H. Ford, took action to require that Scott's bankruptcy estate retain legal counsel and comply with the bankruptcy requirements. The bankruptcy estate has now retained Cody Jess of Schian Walker, PLC as Debtor's legal counsel. Cody Jess informed me that he was retained in early July and that the notice to DenSco was mailed either late last Monday / early Tuesday, so Denny likely received the notice on Wednesday, which was Denny's first notice of the bankruptcy filing. Supposedly, Denny talked to Scott on Wednesday and Scott confirmed the information in the notice. Unfortunately, that probably led to Denny taking his life the next day on Thursday.

Cody Jess also claimed that both of Scott's other entities that are on the \$14,000,000 (+) unsecured note (or guaranteed that note) are not in the bankruptcy, but Arizona Home Foreclosure has conveyed all of its homes and it no longer has any assets. However, that is contrary to the information in DenSco's files. Further, Cody Jess also claimed that Furniture King is not in the bankruptcy, but it does not matter because it has no value due to the several liens already filed against it. Cody said that DenSco never filed a UCC-1 to secure its security interest in the assets of Furniture King. That UCC-1 was part of the forbearance package that we prepared in 2014. That package was supposed to be signed in my office, but Scott convinced Denny to not do the signing in my office. I gave all of the documents to Denny and told Denny to get them all signed (where the stickers were) and to have certain documents notarized and to have the UCC-1 filed with the Arizona Secretary of State. Denny subsequently told me that the UCC-1 had been filed. However, I checked today and that UCC-1 was never filed and made of record against Furniture King.

Based upon all of the new information set forth above, please understand that we now believe that a different strategy might be more effective with respect to the collection of the money owed to DenSco, the liquidation of DenSco and the return of funds to DenSco's Investors. That is why we have reached out to the State of Arizona to determine if the Securities Division can lend assistance in the collection of the money owed to DenSco.

We will keep you informed as we obtain more information.

Sincerely, David  
**David G. Beauchamp**

CLARK HILL PLC

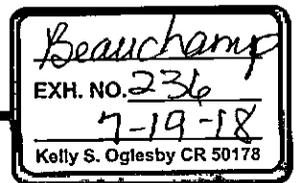
14850 N Scottsdale Rd | Suite 500 | Scottsdale, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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number shown above and take immediate steps to delete the message completely from your computer system. Thank you.

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**Beauchamp, David G.**



**From:** Beauchamp, David G.  
**Sent:** Sunday, August 07, 2016 6:56 PM  
**To:** Grove, Lindsay L.  
**Subject:** Fwd: Shawna Heuer shared "DV-2016-07-25-142212.mp3" with you

Lindsay:

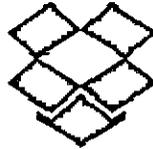
Shawna sent us some documents as well as a digital recording of Denny's conversation with Scott Menaged. Denny made several references to this recording so I hope it has some good information. Please have this recording saved so we can have a good back-up.

Thanks, David

Sent from my iPhone. Please excuse any typos.

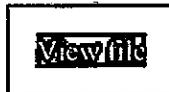
Begin forwarded message:

**From:** "Shawna Heuer (via Dropbox)" <no-reply@dropbox.com>  
**Date:** August 7, 2016 at 1:26:30 PM MST  
**To:** <dbeauchamp@clarkhill.com>  
**Subject:** Shawna Heuer shared "DV-2016-07-25-142212.mp3" with you  
**Reply-To:** <bsheuer@msn.com>



Hi David,

Shawna Heuer (bsheuer@msn.com) invited you to view the file "DV-2016-07-25-142212.mp3" on Dropbox.



Enjoy!

The Dropbox team

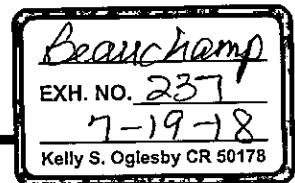
2



© 2016 Dropbox



**Beauchamp, David G.**



**From:** Beauchamp, David G.  
**Sent:** Sunday, August 07, 2016 10:01 PM  
**To:** Craig Brown  
**Cc:** Thomas Byrne; acatejr@gmail.com; amydirks@hotmail.com; anthjen@yahoo.com; artnina@hotmail.com; Aztonysmith@aol.com; aztonysmith@gmail.com; barryluchtel@gmail.com; bdirks5@cox.net; bji@cox.net; bjlocke64@yahoo.com; bjodenthal@frontier.com; brian.wenig@honeywell.com; burdett.anthony@gmail.com; butlerv@yahoo.com; carricks3@ak.net; czj528@hotmail.com; dariosdad@gmail.com; dave@prestoncpa.biz; davedubay@gmail.com; dhowze@cox.net; don-cindy@cableone.net; Doriann@cox.net; eileencohen@me.com; epcarrick@gmail.com; glenpdavis@gmail.com; greeraz@gmail.com; gsiegford@msn.com; hahnaz2@cox.net; hey.ralph01@gmail.com; hikthestik@aol.com; jackdds@myway.com; jamccoy32@gmail.com; jbhok@yahoo.com; jemmakopel@hotmail.com; jgsiegford@yahoo.com; jimmy@flytrapproductions.com; jimpatmc44@gmail.com; jkjetto@yahoo.com; Jphalen00@aol.com; jwalker113@cox.net; kayell121@cs.com; kaylene.moss@avnet.com; kennel@yahoo.com; landonluchtel@gmail.com; lanka2000@yahoo.com; Laurieweiskopf@gmail.com; lkopel22@hotmail.com; mark.wenig@gmail.com; mbencekent@yahoo.com; mlinvestor@gmail.com; mrsbeasley68@verizon.net; mscroggin@me.com; nihad@yahoo.com; nswirtz@me.com; patsmiller21@gmail.com; Paul\_a\_kent@yahoo.com; pearces@mailhaven.com; Peter.Rzonca@Avnet.com; pldupper@gmail.com; quelalively@yahoo.com; ralph@kaisertile.net; rbrinkman@yahoo.com; rgriswold3@stny.rr.com; robertflawson@gmail.com; rzkoehler@yahoo.com; sdetota@yahoo.com; sdetota99@yahoo.com; sdtuttle@gmail.com; smschloz@msn.com; steve@bunger.me; stewart.sherriff@gmail.com; switchback62@hotmail.com; terryleeAZ@comcast.net; thompsc2@cox.net; uaflyor767@gmail.com; valeriepaxton@gmail.com; vimuscat@gmail.com; wadeunderwood@hotmail.com; wbush1120@comcast.net; wjswirtz@me.com; wka@caribbeanpoolsaz.com; yusuf@comsiscomputer.com  
**Subject:** Re: Additional DenSco Information

Craig:

We have already interviewed a couple of forensic accountants, but the Director of Enforcement for the ACC Securities Division wants to be involved in the decision concerning who should be hired for this very important position. That should be discussed as part of the Wednesday meeting.

Regards,  
David Beauchamp

Sent from my iPhone. Please excuse any typos.

On Aug 7, 2016, at 9:12 PM, Craig Brown <[trovita@gmail.com](mailto:trovita@gmail.com)> wrote:

David Beauchamp

In speaking to another persons i know who is in the real estate business, he asked if we had considered hiring someone to do financial forensic work on this.

Apparently, experts can track movement of these home sales and follow the money as to see the shell game being played. what entities the money is moving from and to..

I don't know much about it, just conveying the question on to the experts

craig

480 322 8611

On Sun, Aug 7, 2016 at 3:03 PM, Thomas Byrne <[thomasbyrne11@gmail.com](mailto:thomasbyrne11@gmail.com)> wrote:  
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Sincerely, David

**David G. Beauchamp**

CLARK HILL PLC

14850 N Scottsdale Rd | Suite 500 | Scottsdale, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
dbeauchamp@clarkhill.com | www.clarkhill.com

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**COMMISSIONERS**  
DOUG LITTLE - Chairman  
BOB STUMP  
BOB BURNS  
TOM FORESE  
ANDY TOBIN

JODI JERICH  
EXECUTIVE DIRECTOR

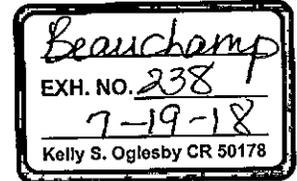


MATTHEW J. NEUBERT  
DIRECTOR

SECURITIES DIVISION  
1300 West Washington, Third Floor  
Phoenix, AZ 85007  
TELEPHONE: (602) 542-4242  
FAX: (602) 594-7470  
E-MAIL: securitiesdiv@azcc.gov

ARIZONA CORPORATION COMMISSION

Hand delivered



Custodian of Records  
DenSco Investment Corporation  
6132 W. Victoria Place  
Chandler, AZ 85226

Re: DenSco Investment Corporation

/File No. 8604

Dear Custodian of Records:

Enclosed you will find a Subpoena Duces Tecum which requires your appearance before the Securities Division on August 10<sup>th</sup>, 2016 at 10:00 AM. In lieu of personal appearance, you may provide the requested documents along with the enclosed Affidavit of Custodian of Records by the due date by mailing them to Gary Clapper, Securities Division, Arizona Corporation Commission, 1300 West Washington Street, Third Floor, Phoenix, Arizona 85007. Testimony concerning the documents will be scheduled at a later time, if necessary.

Should your company not have any documents responsive to the subpoena, please provide written confirmation to that effect.

Should you have any questions regarding this subpoena, please feel free to contact me at (602) 542-0152 or gclapper@azcc.gov.

Very truly yours,

A handwritten signature in cursive that reads "Gary Clapper".

Gary Clapper  
Chief Investigator

**SUBPOENA**  
SECURITIES DIVISION  
ARIZONA CORPORATION COMMISSION

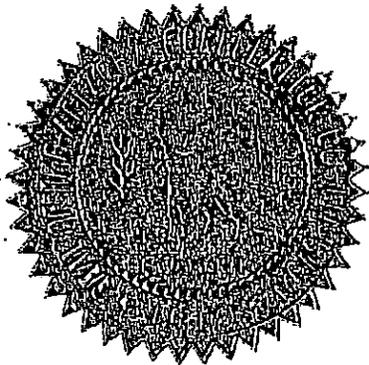
TO DenSco Investment Corporation  
Custodian of Records  
6132 W. Victoria Place  
Chandler, AZ 85226

In the matter of

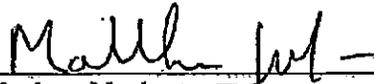
DenSco Investment Coproration file number 8604

involving possible violations of the Securities Act  
and/or Investment Management Act of Arizona.

PURSUANT TO A.R.S. § 44-1823 AND A.R.S. § 44-3133, YOU ARE HEREBY REQUIRED to  
appear before Gary Clapper of the Securities Division of the Arizona Corporation Commission at 1300 West  
Washington, Third Floor, Phoenix, Arizona 85007, on the 10<sup>th</sup> day of August, 2016 at 10:00 AM, to PRODUCE  
THE DOCUMENTS SPECIFIED IN EXHIBIT "A", which is attached and incorporated by reference.



The seal of the Arizona Corporation Commission is affixed hereto, and the undersigned, a member of said Arizona Corporation Commission, or an officer designated by it, has set his hand at Phoenix, Arizona this 8<sup>th</sup> day of August, 2016.

  
Matthew Neubert  
Securities Director  
Securities Division

Information and documents obtained by the Securities Division in the course of an investigation are confidential, unless made a matter of public record. The Securities Division may disclose the information or documents to a county attorney, the attorney general, a United States Attorney, or to law enforcement or regulatory officials to be used in any administrative, civil, or criminal proceeding. You may, in accordance with the rights guaranteed to you by the Fifth Amendment of the Constitution of the United States, refuse to give any information that might establish a direct link in a chain of evidence leading to your criminal conviction.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Shaylin A. Bernal, Executive Assistant to the Executive Director, voice phone number 602/542-3931, e-mail [sabernal@azcc.gov](mailto:sabernal@azcc.gov). Requests should be made as early as possible to allow time to arrange the accommodation.

Pursuant to A.R.S. § 44-1825 and A.R.S. § 44-3134, failure to comply with this subpoena may result in the application for a finding of contempt.

Pursuant to A.A.C. R14-4-304, any person required to appear at a formal interview may be represented by legal counsel.

DIC0009520

Exhibit "A"

From the period beginning January 1, 2007 to the present, all documents, records, books, and any other papers, whether stored on electronic media or otherwise, incident or relating to DENSCO INVESTMENT CORPORATION including, but not limited to:

1. Records of all pre-organization or corporate meetings, committee meetings, shareholder or member meetings, board of director meetings, or other business meetings, including minutes, resolutions adopted or proposed, agendas, and all information used or presented at these meetings;
2. All financial statements, annual and quarterly financial reports, whether audited or unaudited, with accompanying footnotes and any auditor's reports including any amendments;
3. All assets and liabilities currently held by or for the benefit of DENSCO INVESTMENT CORPORATION and/or DENNY J. CHITTICK;
4. All documents filed with any governmental agency related to the conduct of business, the formation of affiliated businesses, the renewal or maintenance of status as a legal entity, or the dissolution of the business;
5. All documents submitted for the purpose of compliance, reporting, or seeking exemptions from registration with any state or federal securities agency;
6. All state and federal tax returns, including any applications, forms, or correspondence;
7. All accounting records and books of original entry including but not limited to, cash receipts journal, cash disbursements journal, sales journals, general journal, subsidiary journals, general ledger, subsidiary ledgers, and chart of accounts;
8. All bank or other depository institution accounts in the name of, or for the benefit of, DENSCO INVESTMENT CORPORATION, whether open or closed, including:
  - (a) the name of the bank or depository institution and address of the branch at which the account is located;
  - (b) the name and number of each account; and
  - (c) the names of all signatories on each account;
9. All account statements, deposit receipts, canceled checks (both front and back), and wire transfers for all accounts requested in paragraph 8 above;

10. All advertisements, correspondence, circulars, offering memoranda, newsletters, prospectuses, tax opinions, legal opinions, reports, brochures, flyers, handouts, or any other records made available to potential or actual investors;
11. All advertisements, announcements, infomercials, or press releases that appeared in any media including, but not limited to, newspapers, trade journals, magazines, radio, television, or the internet;
12. All information provided through the internet including, but not limited to, copies of all web pages, addresses of web sites, news groups, and email addresses;
13. Names, addresses, and telephone numbers of all individuals or entities that have been offered or sold investments in DENSCO INVESTMENT CORPORATION;
14. Documents relating to each individual or entity listed in paragraph 13 including any contracts, forms, subscriptions, agreements, notes, questionnaires, records of investment status, checks, wire transfers, receipts, account statements, tax information, and any correspondence, updates, or other communications;
15. The amounts and dates of each investment for each individual or entity listed in paragraph 13;
16. The amounts and dates of any interest, earnings, distributions, dividends, stock splits, spin-offs, rescission, refund, or any other form of returns to each individual or entity listed in paragraph 13;
17. Records of all securities held, issued, purchased, or traded, including any brokers, underwriters, market makers, clearing firm, or other entities used in each transaction; and
18. All internal reports and any reports provided to shareholders, members, investors or partners.

DenSco /

TCW Wendy Coy (8/8/16)

(07)

- subpoena
- Wed mtg

→ Wed at 10:00 → Director wanted info

- do not want funds dispersed for any non-business expense - but I should be paid

- Investors can call Wendy or Gary

- can dep. Receivership Agmt for our review

- need 24 hour notice to get consent from Commissioners

- Creditor's Mtg § 341 → continued ~~until~~ <sup>until</sup> 8/11 at 10:00  
at Cody Jess' office

- Scott filed BK schedules himself

- Trustee + Trustee's Atty → schedules to be re-filed

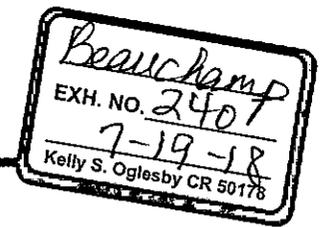
- Ex A to Document filed by Trustee

- 2004 exam of Scott - at a later date

- Wendy is out tomorrow - but Gary can reach Wendy

- atty has contacted Wendy - to indicate he will be representing investors going forward
- UCC-1 - against Furniture King

**Beauchamp, David G.**



**From:** Beauchamp, David G.  
**Sent:** Monday, August 08, 2016 3:13 PM  
**To:** Shawna Heuer  
**Subject:** RE: DENNY J CHITTICK PCL1611401B-16317174

Shawna:

Thank you.

I did receive a subpoena from the AZ Corporation Commission for DenSco and for Denny. I will forward it to you under separate cover. I also talked to Wendy Coy and she agreed that we will have more time than the 10:00 am deadline on Wednesday to provide all of the documents and information. I will follow up and confirm that with a letter and send a copy to you.

Wendy Coy also said that she did not want any of the Investors to be at this first meeting with her on Wednesday. Wendy wants this to be a meeting where all thoughts can be shared and she agreed with a suggestion that if Investors are present that might add a "chilling effect." I will send an email to each of the Investors who have asked to attend that meeting. There have been several of them who have asked. I would like to have Brian attend, but I do not see how we can have him attend and not have the others attend. If you have any suggestions, please let me know.

Wednesday's meeting is scheduled for 2:00 pm in my office. Will you be able to come prior to the meeting so that we can discuss some of the issues so I understand how you want some issues to be handled? As we discussed, we will need to provide as much of the financial information of DenSco as possible. We will also have to provide a list of names, addresses and email addresses for all of the investors in DenSco. (I will also need to have a list of the names of the investors for me to check for potential conflicts of interest so I can open a separate Wind Down matter for DenSco.) I have had several attorneys call me to get your personal contact information, but I have declined to provide it. I have offered to send you a message, but the attorneys have declined. I have told them that after Wednesday's meeting with the Director of Enforcement of the Securities Division, that you will be either retaining counsel for this or you will be turning everything over to the Securities Division and the Securities Division will be handling this going forward. Until that decision is made, there is no reason for them to talk to you. They have also asked for a mailing address for you, but I have indicated that it is not necessary for them to have that at this time.

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](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

**From:** Shawna Heuer [mailto:2chittickboys2@gmail.com]  
**Sent:** Monday, August 08, 2016 2:50 PM  
**To:** Beauchamp, David G.  
**Subject:** Fwd: DENNY J CHITTICK PCL1611401B-16317174

I realize this may not be anything you need and maybe Michelle can talk to me about it. It's Denny's umbrella policy.

Thanks!

----- Forwarded message -----

From: Duane Taylor <[dtaylor7@farmersagent.com](mailto:dtaylor7@farmersagent.com)>

Date: Mon, Aug 8, 2016 at 1:32 PM

Subject: Fwd: DENNY J CHITTICK PCL1611401B-16317174

To: [2chittickboys2@gmail.com](mailto:2chittickboys2@gmail.com)

HI Shawna, see attached from the umbrella company. Any questions just let me know.

Forwarded message is attached.

Duane Taylor

Farmers Insurance

2651 W Guadalupe Rd Ste 201

Mesa, AZ 85202-7238

[480-345-2331](tel:480-345-2331) (Office)

[480-345-2646](tel:480-345-2646) (Fax)

[dtaylor7@farmersagent.com](mailto:dtaylor7@farmersagent.com)

<http://www.farmersagent.com/dtaylor7>



----- Forwarded message -----

From: "Blackstone, Lauren M." <[LMBblackstone@burns-wilcox.com](mailto:LMBblackstone@burns-wilcox.com)>

To: "[dtaylor7@farmersagent.com](mailto:dtaylor7@farmersagent.com)" <[dtaylor7@farmersagent.com](mailto:dtaylor7@farmersagent.com)>

Cc:

Date: Mon, 8 Aug 2016 17:41:34 +0000

Subject: DENNY J CHITTICK PCL1611401B-16317174

Hi Dwayne,

I finally received confirmation from the carrier. As long as the underlying policies are in force and provide coverage for the estate, this umbrella policy will cover the estate as well. If at any point those policies are cancelled/do not provide coverage, then the coverage under the umbrella will not extend. If you have any other questions, do not hesitate to contact me.

Thank you,

Lauren M. Blackstone

Personal Lines Underwriter

Scottsdale Office

P: [+1.480.296.7118](tel:+14802967118) | F: [480.368.8147](tel:4803688147) | VOIP: 7.43.2202

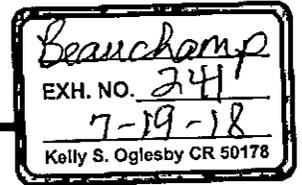
[LMBblackstone@burns-wilcox.com](mailto:LMBblackstone@burns-wilcox.com) | [www.burnsandwilcox.com](http://www.burnsandwilcox.com) |

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transmission in error, please notify us immediately by reply e-mail or by contacting us at 248-932-9000, and destroy the original transmission and its attachments without reading them or saving them to disk or otherwise.

**Beauchamp, David G.**



**From:** Beauchamp, David G.  
**Sent:** Monday, August 08, 2016 3:31 PM  
**To:** Shawna Heuer  
**Subject:** RE: Investor List

Shawna:

Your email came as I was sending the other email with the questions and update. Please see my notes below to answer your questions.

**David G. Beauchamp**

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480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

**From:** Shawna Heuer [<mailto:2chittickboys2@gmail.com>]  
**Sent:** Monday, August 08, 2016 3:06 PM  
**To:** Beauchamp, David G.  
**Subject:** Investor List

You asked me to send you the spreadsheet, I don't have it. It was in Roberts dropbox, and Denny's computer is at his house, so I don't have access to Denny's records right now. \*\*\*\* I understand. You had already explained that to me. If possible, we might want Robert to attend the first part of the meeting with Wendy Coy (or to be on the phone) to explain what is in the DenSco files and what we will have copied for us and provide the originals to them. (We can try to provide copies to them, but I do not think they will accept that.)

I met with an attorney here in town this morning, he is going to refer me to someone in Phoenix that can be my personal attorney and hold my hand thru this all. He was shocked to hear the story. I didn't even tell him all of it, if you could imagine. \*\*\*\* I talked to Kevin Merritt at Gammage & Burnham over the weekend to possibly represent you. His telephone # is 602-256-4481. He has an excellent reputation as a business finance and workout attorney. I think he would be able to provide very good representation for you. You can pass along his name to Peter or I give his contact information when I talk to Peter.

He may be calling you. His name is Peter Erbland, Lake City Law - he has your business card and I asked him to reach out to you if needed. I hope that is okay. \*\*\*\* Yes, that is okay. You will need legal counsel to keep the aggressive attorneys at bay, which is why I talked to Kevin Merritt..

Also, I wanted to know if you could contact Chris Gorman at Gorman Consulting LLC? He was the forensic accountant I spoke to on Friday. I told him you may reach out to communicate the situation we are faced with. \*\*\*\* I asked for his telephone number and I thought you were going to send it to me for me to call him. If you can send that, it would help.

I am on a plane tomorrow afternoon, won't get there until 11pm tomorrow night, but will be at my brothers with Sean soon after. \*\*\*\* Have a safe flight and let me know when we can talk

Email or call me with what we should do next about the records and computer. \*\*\*\* Just let me know what can be readily downloaded (or printed) and provided to the Securities Division. The rest will need to be provided as we can reasonably locate it, verify it and provide copies of it.

Did you receive the dropbox link I sent? It has that audio file Denny left us.\*\*\*\* Yes, I did receive it, but I had to get a new password for some reason. The password in my file did not work. So we did not get into it until today.

Okay, thank you.

Best regards, David

Den Sco /

4:13 Message from Larry Skultz (8/8/16)

480 620 6122

- Larry has been directed to DGB, who is handling Den Sco + Denny's financial affairs

- friend of Denny

- also a Borrower for 2 properties → needs pay-off info to get the properties released + sold

TW Larry Skultz (8/8/16)

480-620-6122

(3)

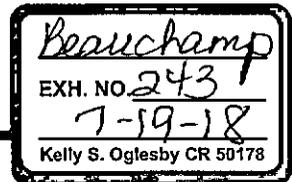
- explained timing + position that we are scrambling to collect info

suggested talk to

- Robert Koehler - back in town - either Tues or Wed - not sure if he can provide the pay-off info

- explained timing of info

- Larry does not really know much about Scott



**Beauchamp, David G.**

**From:** Beauchamp, David G.  
**Sent:** Monday, August 08, 2016 4:20 PM  
**To:** Shawna Heuer (2chittickboys2@gmail.com)  
**Subject:** Subpoena  
**Attachments:** ACC Subpoena.PDF

Shawna:

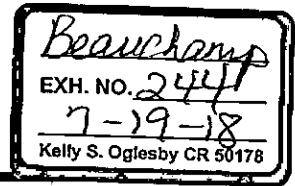
Attached is the very comprehensive subpoena from the AZ Securities Division of the AZ Corporation Commission that was served on me for DenSco. It also asks for Denny's financial records and I will advise them that I am only authorized to accept a subpoena on behalf of DenSco and not Denny's Estate. Obviously, this subpoena goes far beyond what I would have expected for the initial inquiry.

Best regards, David

**David G. Beauchamp**

CLARK HILL PLC  
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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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**Beauchamp, David G.**

**From:** Shawna Heuer <2chittickboys2@gmail.com>  
**Sent:** Monday, August 08, 2016 5:28 PM  
**To:** Beauchamp, David G.  
**Cc:** perbland@lclattorneys.com  
**Subject:** Re: Investor List

Hi David,

Thank you for the reference of Kevin Merritt. I'll talk with Peter and we will figure out who I should contact right away.

Peter Erbland - Phone #208.664.8115 - email is perbland@lclattorneys.com - I know I gave you this earlier but wanted you to have his phone number too. I'm tired, sorry if I repeat myself.

Chris Gorman - phone #602.845.1416 or chris@gcgaz.com - Cell is (602) 850-5111 - Forensic Accountant

So yes, the extensive subpoena was concerning. I guess I'll have to read it to clarify what exactly is required and what isn't. I would hate to lose his computer, being so personal with all his photos, journals etc on it. But I didn't follow Denny's directions and destroy it, so it's still here.

I would love to bring the file boxes in Denny's basement to your office to get them away from the house. Once Sean leaves on Thursday, I don't want to stay at the house by myself. My team of support had to return to their lives.

Does the request include all history - so all boxes? Or just from the fraud forward? I'll take an inventory once I arrive Tuesday night, I am sure Denny has shredded whatever years he was legally allowed to, he had Dave Preston, CPA tell him what to keep and what to shred.

Do you assume people want my address to send me lawsuit paperwork? I know many of the investors want to talk to me, but I feel confident that you should be the connection. I don't know enough about this process to be helpful.

I had a thought that came over me yesterday. Denny's records will provide the answers or clues to the answers that he couldn't figure out. I know time is not on our side, but I think eventually we'll know the truth behind how the fraud was perpetuated and continued without Denny knowing. I am starting to think Scott had a partner/girlfriend at an escrow office, title company that received money to file false documents, etc. It just seems too inconceivable to have happened under Denny's nose, without him catching it. These are just my thoughts.

So, from your email, do I assume I am to be in another room on the phone, or I should be in this meeting with Wendy? You told me you before I shouldn't be? Peter thought I shouldn't be unless I had a representative with me. Please explain.

Do you have a tech savvy young person in your office that could look at Denny's computer, take off the Audio Dropvox file and all the other Dropbox records that he has for Robert?

I'm technically challenged when it comes to that, I might have already told you.

I think I answered your questions. I'll call you Wed morning. We (my parents & nephews) plan to view Denny's body on Wed morning, they released his body today. Death certificate pending.

I think that is all for now, I'll email tomorrow after I read the subpoena.

Thanks David!

On Mon, Aug 8, 2016 at 3:31 PM, Beauchamp, David G. <[DBeauchamp@clarkhill.com](mailto:DBeauchamp@clarkhill.com)> wrote:

Shawna:

Your email came as I was sending the other email with the questions and update. Please see my notes below to answer your questions.

**David G. Beauchamp**

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14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

**From:** Shawna Heuer [<mailto:2chittickboys2@gmail.com>]

**Sent:** Monday, August 08, 2016 3:06 PM

**To:** Beauchamp, David G.

**Subject:** Investor List

You asked me to send you the spreadsheet, I don't have it. It was in Roberts dropbox, and Denny's computer is at his house, so I don't have access to Denny's records right now. \*\*\*\* I understand. You had already explained that to me. If possible, we might want Robert to attend the first part of the meeting with Wendy Coy (or to be on the phone) to explain what is in the DenSco files and what we will have copied for us and provide the originals to them. (We can try to provide copies to them, but I do not think they will accept that.)

I met with an attorney here in town this morning, he is going to refer me to someone in Phoenix that can be my personal attorney and hold my hand thru this all. He was shocked to hear the story. I didn't even tell him all of it, if you could imagine. \*\*\*\* I talked to Kevin Merritt at Gammage & Burnham over the weekend to possibly represent you. His telephone # is 602-256-4481. He has an excellent reputation as a business finance and workout attorney. I think he would be able to provide very good representation for you. You can pass along his name to Peter or I give his contact information when I talk to Peter.

He may be calling you. His name is Peter Erbland, Lake City Law - he has your business card and I asked him to reach out to you if needed. I hope that is okay. \*\*\*\* Yes, that is okay. You will need legal counsel to keep the aggressive attorneys at bay, which is why I talked to Kevin Merritt..

Also, I wanted to know if you could contact Chris Gorman at Gorman Consulting LLC? He was the forensic accountant I spoke to on Friday. I told him you may reach out to communicate the situation we are faced with. \*\*\*\* I asked for his telephone number and I thought you were going to send it to me for me to call him. If you can send that, it would help.

I am on a plane tomorrow afternoon, won't get there until 11pm tomorrow night, but will be at my brothers with Sean soon after. \*\*\*\* Have a safe flight and let me know when we can talk

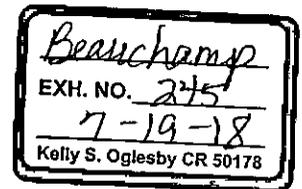
Email or call me with what we should do next about the records and computer. \*\*\*\* Just let me know what can be readily downloaded (or printed) and provided to the Securities Division. The rest will need to be provided as we can reasonably locate it, verify it and provide copies of it.

Did you receive the dropbox link I sent? It has that audio file Denny left us.\*\*\*\* Yes, I did receive it, but I had to get a new password for some reason. The password in my file did not work. So we did not get into it until today.

Okay, thank you.

Best regards, David

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**Beauchamp, David G.**

---

**From:** Beauchamp, David G.  
**Sent:** Monday, August 08, 2016 7:01 PM  
**To:** Kurt Johnson  
**Subject:** RE: DenSCO Investment Corporation  
  
**Sensitivity:** Confidential

Kurt:

I have very limited representation of the company until Wednesday when I turn over everything to the ACC Securities Division. There is no officer or director of the company. The Family has been advised by other counsel not to have any family member to become an officer or director of DenSCO.

The ACC will have to decide how they want to proceed. So far, they are not sharing their thoughts with me.

Best regards, David

**David G. Beauchamp**

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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Kurt Johnson [<mailto:kj@kurtjohnsonlaw.com>]  
**Sent:** Monday, August 08, 2016 6:57 PM  
**To:** Beauchamp, David G.  
**Subject:** DenSCO Investment Corporation  
**Sensitivity:** Confidential

David,

Do you represent the corporation or the family or both? If you represent the corporation, then I can mail my resignation as statutory agent to you. Otherwise, I will need to mail to Denny as his last address even though the family will receive it.

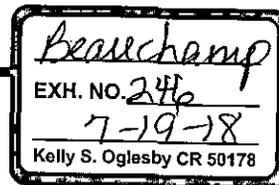
Warm regards,

Kurt

Law Office of Kurt Johnson  
tel. 602.505.8117  
fax 602.892.0034  
[KJ@KurtJohnsonLaw.com](mailto:KJ@KurtJohnsonLaw.com)

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**Beauchamp, David G.**



**From:** hikthestik@aol.com  
**Sent:** Monday, August 08, 2016 7:03 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: Additional DenSco Information

David,  
Thank you for your work to date. It appears that you will be involved for a while.

I'm sure that a forensic account would consider this one of the first things to do, but a review of any sizable redemptions during the timeframe of the issues with DenSco would be appropriate and might ease any concerns of the investors.

As information has evolved in the past several days, it appears that the Advisory Committee is not needed. However, I stand ready to assist in any capacity that I can provide.  
Dale Hickman

Sent from Windows Mail

---

**From:** Beauchamp, David G.  
**Sent:** Monday, August 8, 2016 6:48 PM  
**To:** Craig Brown, Thomas Byrne  
**Cc:** acateir@gmail.com, amydirks@hotmail.com, anthjen@yahoo.com, artnina@hotmail.com, Aztonysmith@aol.com, aztonysmith@gmail.com, barryluchtel@gmail.com, bdirks5@cox.net, bji@cox.net, bjlocke64@yahoo.com, bjodenthal@frontier.com, brian.wenig@honeywell.com, burdett.anthony@gmail.com, butlerv@yahoo.com, carricks3@ak.net, czj528@hotmail.com, dariosdad@gmail.com, dave@prestoncpa.biz, davedubay@gmail.com, dhowze@cox.net, doncindy@cableone.net, Doriann@cox.net, eileencohen@me.com, epcarrick@gmail.com, glenpdavis@gmail.com, greeraz@gmail.com, gsiegford@msn.com, hahnaz2@cox.net, hev.ralph01@gmail.com, hikthestik@aol.com, jackdds@myway.com, jamccoy32@gmail.com, jbhok@yahoo.com, jemmakopel@hotmail.com, jgsiegford@yahoo.com, jimmy@flytrapproductions.com, jimpatmc44@gmail.com, jkietto@yahoo.com, jphalen00@aol.com, jwalker113@cox.net, kayell121@cs.com, kaylene.moss@avnet.com, kennen1@yahoo.com, landonluchtel@gmail.com, lanka2000@yahoo.com, Laurieweiskopf@gmail.com, lkopel22@hotmail.com, mark.wenig@gmail.com, mbencekent@yahoo.com, mlminvestor@gmail.com, Carol Wellman, mscroggin@me.com, nihad@yahoo.com, nswirtz@me.com, patsmiller21@gmail.com, Paul a kent@yahoo.com, pearces@mailhaven.com, Peter.Rzonca@Avnet.com, pldupper@gmail.com, Eldon Chittick, ralph@kaisertile.net, rbrinkman@yahoo.com, rgriswold3@stny.rr.com, robertflawson@gmail.com, rzkoehler@yahoo.com, sdetota@yahoo.com, sdetota99@yahoo.com, sdtuttle@gmail.com, smschloz@msn.com, steve@bunger.me, stewart.sherriff@gmail.com, switchback62@hotmail.com, terryleeAZ@comcast.net, thompscg2@cox.net, uaflyor767@gmail.com, valeriepaxton@gmail.com, vimuscat@gmail.com, wadeunderwood@hotmail.com, wbush1120@comcast.net, wiswirtz@me.com, wka@caribbeanpoolsaz.com, yusuf@comsiscomputer.com

Craig:

We have already engaged in conversations with forensic accountants to help us track down the money and to put together the case against the people who have the money. My understanding is that the appointment of a forensic accountant is to be discussed in the meeting with the Director of Enforcement of the AZ Corporation Commission, Securities Division and an Assistant Attorney General on Wednesday afternoon. Hopefully, we will have more information to share with everyone after that meeting.

Sincerely, David

**David G. Beauchamp**

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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

**From:** Craig Brown [mailto:trovita@gmail.com]

**Sent:** Sunday, August 07, 2016 9:12 PM

**To:** Thomas Byrne

**Cc:** Beauchamp, David G.; acatejr@gmail.com; amydirks@hotmail.com; anthjen@yahoo.com; artnina@hotmail.com; Aztonysmith@aol.com; aztonysmith@gmail.com; barryluchtel@gmail.com; bdirks5@cox.net; bji@cox.net; bjlocke64@yahoo.com; bjodenthal@frontier.com; brian.wenig@honeywell.com; burdett.anthony@gmail.com; butlerv@yahoo.com; carricks3@ak.net; czj528@hotmail.com; dariosdad@gmail.com; dave@prestoncpa.biz; davedubay@gmail.com; dhowze@cox.net; don-cindy@cableone.net; Doriann@cox.net; eileencohen@me.com; epcarrick@gmail.com; glenpdavis@gmail.com; greeraz@gmail.com; gsiegford@msn.com; hahnaz2@cox.net; hey.ralph01@gmail.com; hikthestik@aol.com; jackdds@myway.com; jamecoy32@gmail.com; jbhok@yahoo.com; jemmakopel@hotmail.com; jgsiegford@yahoo.com; jimmy@flytrapproductions.com; jimpatmc44@gmail.com; jkjetto@yahoo.com; Jphalen00@aol.com; jwalker113@cox.net; kayell121@cs.com; kaylene.moss@avnet.com; kennel@yahoo.com; landonluchtel@gmail.com; lanka2000@yahoo.com; Laurieweiskopf@gmail.com; lkopel22@hotmail.com; mark.wenig@gmail.com; mbencekent@yahoo.com; mlminvestor@gmail.com; mrsbeasley68@verizon.net; mscroggin@me.com; nihad@yahoo.com; nswirtz@me.com; patsmiller21@gmail.com; Paul\_a\_kent@yahoo.com; pearces@mailhaven.com; Peter.Rzonca@Avnet.com; pidupper@gmail.com; quelalively@yahoo.com; ralph@kaisertile.net; rbrinkman@yahoo.com; rgriswold3@stny.rr.com; robertflawson@gmail.com; rzkoehler@yahoo.com; sdetota@yahoo.com; sdetota99@yahoo.com; sdtuttle@gmail.com; smschloz@msn.com; steve@bunger.me; stewart.sherriff@gmail.com; switchback62@hotmail.com; terryleeAZ@comcast.net; thompsc2@cox.net; uaflyor767@gmail.com; valeriepaxton@gmail.com; vimuscat@gmail.com; wadeunderwood@hotmail.com; wbush1120@comcast.net; wjswirtz@me.com; wka@caribbeanpoolsaz.com; yusuf@comsiscomputer.com

**Subject:** Re: Additional DenSco Information

David Beauchamp

In speaking to another persons i know who is in the real estate business, he asked if we had considered hiring someone to do financial forensic work on this.

Apparently, experts can tract movement of these home sales and follow the money as to see the shell game being played. what entities the money is moving from and to..

I don't know much about it, just conveying the question on to the experts

craig

480 322 8611

On Sun, Aug 7, 2016 at 3:03 PM, Thomas Byrne <[thomasbyrne11@gmail.com](mailto:thomasbyrne11@gmail.com)> wrote:  
David,

Just trying to process this like everyone else - the concentration of dollars out to one related person/entity is staggering - but trying to better understand why 83 loan documents (w deeds of trust) would not have been filed against those properties? How and why would this occur? without those secured claims being recorded, what claims (if any) does DenSco have to the properties? And thus does this put DenSco into an unsecured creditor position for that amount as well?

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DenSco Investors:

As I indicated in my email that was sent out to each of you late Wednesday, we have been working as fast as possible to go through DenSco's paper files and computer records. We are continuing our efforts to obtain as much information as possible concerning DenSco's outstanding loans to its borrowers and what assets might be available to recover on loans in default. Unfortunately, the information is not good. Accordingly, we have been in communication with the AZ Corporation Commission - Securities Division to work with that office to discuss the best plan to maximize the recovery of funds owed to DenSco. We will be meeting with the Director of Enforcement next Wednesday to work through the necessary steps so that the State of Arizona can lend its oversight, if not its direct assistance, in this effort to recover the money that is owed to DenSco and its Investors. We will be able to provide more information after that meeting.

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*\$1,980,000 and estimated collectable accrued interest \$553,000).*

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We will keep you informed as we obtain more information.

Sincerely, David  
**David G. Beauchamp**

CLARK HILL PLC

14850 N Scottsdale Rd | Suite 500 | Scottsdale, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
dbeauchamp@clarkhill.com | www.clarkhill.com

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Beauchamp  
EXH. NO. 2471  
7-19-18  
Kelly S. Oglesby CR 50178

**Beauchamp, David G.**

**From:** Beauchamp, David G.  
**Sent:** Monday, August 08, 2016 7:15 PM  
**To:** Craig and Samantha Hood  
**Cc:** Craig Brown; Thomas Byrne; acatejr@gmail.com; amydirks@hotmail.com; anthjen@yahoo.com; artnina@hotmail.com; Aztonysmith@aol.com; aztonysmith@gmail.com; barryuhtel@gmail.com; bdirks5@cox.net; bji@cox.net; bjlocke64@yahoo.com; bjodenthal@frontier.com; brian.wenig@honeywell.com; burdett.anthony@gmail.com; butlerv@yahoo.com; carricks3@ak.net; czj528@hotmail.com; dariosdad@gmail.com; dave@prestoncpa.biz; davedubay@gmail.com; dhowze@cox.net; don-cindy@cableone.net; Dorriann@cox.net; eileencohen@me.com; epcarrick@gmail.com; glenpdavis@gmail.com; gsiegford@msn.com; hahnaz2@cox.net; hey.ralph01@gmail.com; hikthestik@aol.com; jackdds@myway.com; jamccoy32@gmail.com; jbhok@yahoo.com; jemmakopel@hotmail.com; jgsiegford@yahoo.com; jimmy@flytrapproductions.com; jimpatmc44@gmail.com; jkjetto@yahoo.com; Jphalen00@aol.com; jwalker113@cox.net; kayell121@cs.com; kaylene.moss@avnet.com; kenneni@yahoo.com; landonluchtel@gmail.com; lanka2000@yahoo.com; Laurieweiskopf@gmail.com; lkopel22@hotmail.com; mark.wenig@gmail.com; mbencekent@yahoo.com; mlminvestor@gmail.com; mrsbeasley68@verizon.net; mscroggin@me.com; nihad@yahoo.com; nswirtz@me.com; patsmiller21@gmail.com; Paul\_a\_kent@yahoo.com; pearces@mailhaven.com; Peter.Rzonca@Avnet.com; pldupper@gmail.com; quelalively@yahoo.com; ralph@kaisertile.net; rbrinkman@yahoo.com; rgriswold3@stny.rr.com; robertflawson@gmail.com; rzkoehier@yahoo.com; sdetota@yahoo.com; sdetota99@yahoo.com; sdtuttle@gmail.com; smschloz@msn.com; steve@bunger.me; stewart.sherriff@gmail.com; switchback62@hotmail.com; terryleeAZ@comcast.net; thompscg2@cox.net; uaflyor767@gmail.com; valeriepaxton@gmail.com; vimuscat@gmail.com; wadeunderwood@hotmail.com; wbush1120@comcast.net; wjswirtz@me.com; wka@caribbeanpoolsaz.com; yusuf@comsiscomputer.com  
**Subject:** RE: Additional DenSCO Information

**Craig:**

The Securities Division has made it clear that they would like to have a Receiver appointed with its own legal counsel and they will handle all of the communication with the Investors going forward.

With respect to your question concerning the Wednesday meeting, the Director of Enforcement had someone from her office relay a message to me that they do not want any investors (or attorneys for investors) at the Wednesday meeting. They seem to have a very specific agenda and they want as few people there as possible so that they can keep to their agenda. Since they have declined to share their agenda prior to the meeting, I am not exactly sure what all is to be covered.

Best regards, David  
**David G. Beauchamp**

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---

**From:** Craig and Samantha Hood [mailto:greeraz@gmail.com]

**Sent:** Monday, August 08, 2016 7:04 PM

**To:** Beauchamp, David G.

**Cc:** Craig Brown; Thomas Byrne; acatejr@gmail.com; amydirks@hotmail.com; anthjen@yahoo.com; artnina@hotmail.com; Aztonysmith@aol.com; aztonysmith@gmail.com; barryluchtel@gmail.com; bdirks5@cox.net; bji@cox.net; bjlocke64@yahoo.com; bjodenthal@frontier.com; brian.wenig@honeywell.com; burdett.anthony@gmail.com; butlerv@yahoo.com; carricks3@ak.net; czj528@hotmail.com; dariosdad@gmail.com; dave@prestoncpa.biz; davedubay@gmail.com; dhowze@cox.net; don-cindy@cableone.net; Doriann@cox.net; eileencohen@me.com; epcarrick@gmail.com; glenpdavis@gmail.com; gsiegford@msn.com; hahnaz2@cox.net; hey.ralph01@gmail.com; hikthestik@aol.com; jackdds@myway.com; jamccoy32@gmail.com; jbhok@yahoo.com; jemmakopel@hotmail.com; jgsiegford@yahoo.com; jimmy@flytrapproductions.com; jimpatmc44@gmail.com; jkjetto@yahoo.com; Jphalen00@aol.com; jwalker113@cox.net; kayell121@cs.com; kaylene.moss@avnet.com; kennel@yahoo.com; landonluchtel@gmail.com; lanka2000@yahoo.com; Laurieweiskopf@gmail.com; lkopel22@hotmail.com; mark.wenig@gmail.com; mbencekent@yahoo.com; mlminvestor@gmail.com; mrsbeasley68@verizon.net; mscroggin@me.com; nihad@yahoo.com; nswirtz@me.com; patsmiller21@gmail.com; Paul\_a\_kent@yahoo.com; pearces@mailhaven.com; Peter.Rzonca@Avnet.com; pldupper@gmail.com; quelalively@yahoo.com; ralph@kaisertile.net; rbrinkman@yahoo.com; rgriswold3@stny.rr.com; robertflawson@gmail.com; rzkoehler@yahoo.com; sdetota@yahoo.com; sdetota99@yahoo.com; sdtuttle@gmail.com; smschloz@msn.com; steve@buniger.me; stewart.sherriff@gmail.com; switchback62@hotmail.com; terryleeAZ@comcast.net; thompsc2@cox.net; uaflyor767@gmail.com; valeriepaxton@gmail.com; vimuscat@gmail.com; wadeunderwood@hotmail.com; wbush1120@comcast.net; wjswirtz@me.com; wka@caribbeanpoolsaz.com; yusuf@comsiscomputer.com

**Subject:** Re: Additional DenSco Information

Thanks David. I am anxious to hear how that goes. Will any investors be present at that meeting?

I appreciate your help in this matter. Please understand that my suggestion for this website is to help our group focus our voice, our efforts, and provide a private forum to communicate together.

Speaking for myself, I can't simply sit idly by and expect the best outcome. I also know that together we are stronger than any one of us individually.

I'm simply offering an online "meeting place" for us all. If you see potential issues with that please let us know.

Lastly, I'm open to a less anger-inspired domain name.

Thanks,

Craig Hood

On Aug 8, 2016, at 6:48 PM, Beauchamp, David G. <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

Craig:

We have already engaged in conversations with forensic accountants to help us track down the money and to put together the case against the people who have the money. My understanding is that the appointment of a forensic accountant is to be discussed in the meeting with the Director of Enforcement of the AZ Corporation Commission, Securities Division and an Assistant Attorney General on Wednesday afternoon. Hopefully, we will have more information to share with everyone after that meeting.

Sincerely, David

David G. Beauchamp

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**From:** Craig Brown [mailto:trovita@gmail.com]

**Sent:** Sunday, August 07, 2016 9:12 PM

**To:** Thomas Byrne

**Cc:** Beauchamp, David G.; [acatejr@gmail.com](mailto:acatejr@gmail.com); [amydirks@hotmail.com](mailto:amydirks@hotmail.com); [anthjen@yahoo.com](mailto:anthjen@yahoo.com); [artnina@hotmail.com](mailto:artnina@hotmail.com); [Aztonysmith@aol.com](mailto:Aztonysmith@aol.com); [aztonysmith@gmail.com](mailto:aztonysmith@gmail.com); [barryluchtel@gmail.com](mailto:barryluchtel@gmail.com); [bdirks5@cox.net](mailto:bdirks5@cox.net); [bjj@cox.net](mailto:bjj@cox.net); [bjlocke64@yahoo.com](mailto:bjlocke64@yahoo.com); [bjodenthal@frontier.com](mailto:bjodenthal@frontier.com); [brian.wenig@honeywell.com](mailto:brian.wenig@honeywell.com); [burdett.anthony@gmail.com](mailto:burdett.anthony@gmail.com); [buterv@yahoo.com](mailto:buterv@yahoo.com); [carricks3@ak.net](mailto:carricks3@ak.net); [cj528@hotmail.com](mailto:cj528@hotmail.com); [dariosdad@gmail.com](mailto:dariosdad@gmail.com); [dave@prestoncpa.biz](mailto:dave@prestoncpa.biz); [davedubay@gmail.com](mailto:davedubay@gmail.com); [dhowze@cox.net](mailto:dhowze@cox.net); [don-cindy@cableone.net](mailto:don-cindy@cableone.net); [Doriann@cox.net](mailto:Doriann@cox.net); [eileencohen@me.com](mailto:eileencohen@me.com); [epcarrick@gmail.com](mailto:epcarrick@gmail.com); [glenpdavis@gmail.com](mailto:glenpdavis@gmail.com); [greeraz@gmail.com](mailto:greeraz@gmail.com); [gsiegford@msn.com](mailto:gsiegford@msn.com); [hahnaz2@cox.net](mailto:hahnaz2@cox.net); [hey.ralph01@gmail.com](mailto:hey.ralph01@gmail.com); [hikthestik@aol.com](mailto:hikthestik@aol.com); [jackdds@myway.com](mailto:jackdds@myway.com); [jamccoy32@gmail.com](mailto:jamccoy32@gmail.com); [jbhok@yahoo.com](mailto:jbhok@yahoo.com); [jemmakopel@hotmail.com](mailto:jemmakopel@hotmail.com); [jgsiegford@yahoo.com](mailto:jgsiegford@yahoo.com); [jimmy@flytrapproductions.com](mailto:jimmy@flytrapproductions.com); [jimpatmc44@gmail.com](mailto:jimpatmc44@gmail.com); [jketto@yahoo.com](mailto:jketto@yahoo.com); [jphalen00@aol.com](mailto:jphalen00@aol.com); [jwalker113@cox.net](mailto:jwalker113@cox.net); [kayell121@cs.com](mailto:kayell121@cs.com); [kaylene.moss@avnet.com](mailto:kaylene.moss@avnet.com); [kennenl@yahoo.com](mailto:kennenl@yahoo.com); [landoniuchtel@gmail.com](mailto:landoniuchtel@gmail.com); [lanka2000@yahoo.com](mailto:lanka2000@yahoo.com); [Laurieweiskopf@gmail.com](mailto:Laurieweiskopf@gmail.com); [lkopel22@hotmail.com](mailto:lkopel22@hotmail.com); [mark.wenig@gmail.com](mailto:mark.wenig@gmail.com); [mbencekent@yahoo.com](mailto:mbencekent@yahoo.com); [miminvestor@gmail.com](mailto:miminvestor@gmail.com); [mrsbeasley68@verizon.net](mailto:mrsbeasley68@verizon.net); [mscroggin@me.com](mailto:mscroggin@me.com); [nihad@yahoo.com](mailto:nihad@yahoo.com); [nswirtz@me.com](mailto:nswirtz@me.com); [patsmiller21@gmail.com](mailto:patsmiller21@gmail.com); [Paul\\_a\\_kent@yahoo.com](mailto:Paul_a_kent@yahoo.com); [pearces@mailhaven.com](mailto:pearces@mailhaven.com); [Peter.Rzonca@Avnet.com](mailto:Peter.Rzonca@Avnet.com); [pldupper@gmail.com](mailto:pldupper@gmail.com); [quelalively@yahoo.com](mailto:quelalively@yahoo.com); [ralph@kaisertile.net](mailto:ralph@kaisertile.net); [rbrinkman@yahoo.com](mailto:rbrinkman@yahoo.com); [rgriswold3@stny.rr.com](mailto:rgriswold3@stny.rr.com); [robertflawson@gmail.com](mailto:robertflawson@gmail.com); [rzkoehler@yahoo.com](mailto:rzkoehler@yahoo.com); [sdetota@yahoo.com](mailto:sdetota@yahoo.com); [sdetota99@yahoo.com](mailto:sdetota99@yahoo.com); [sdtuttle@gmail.com](mailto:sdtuttle@gmail.com); [smschloz@msn.com](mailto:smschloz@msn.com); [steve@bunger.me](mailto:steve@bunger.me); [stewart.sherriff@gmail.com](mailto:stewart.sherriff@gmail.com); [switchback62@hotmail.com](mailto:switchback62@hotmail.com); [terryleeAZ@comcast.net](mailto:terryleeAZ@comcast.net); [thompscq2@cox.net](mailto:thompscq2@cox.net); [uafivor767@gmail.com](mailto:uafivor767@gmail.com); [valeriepaxton@gmail.com](mailto:valeriepaxton@gmail.com); [vimuscat@gmail.com](mailto:vimuscat@gmail.com); [wadeunderwood@hotmail.com](mailto:wadeunderwood@hotmail.com); [wbush1120@comcast.net](mailto:wbush1120@comcast.net); [wjswirtz@me.com](mailto:wjswirtz@me.com); [wka@caribbeanpoolsaz.com](mailto:wka@caribbeanpoolsaz.com); [yusuf@comsiscomputer.com](mailto:yusuf@comsiscomputer.com)

**Subject:** Re: Additional DenSco Information

David Beauchamp

In speaking to another persons i know who is in the real estate business, he asked if we had considered hiring someone to do financial forensic work on this.

Apparently, experts can tract movement of these home sales and follow the money as to see the shell game being played. what entities the money is moving from and to..

I don't know much about it, just conveying the question on to the experts

craig

480 322 8611

On Sun, Aug 7, 2016 at 3:03 PM, Thomas Byrne <[thomasbyrne11@gmail.com](mailto:thomasbyrne11@gmail.com)> wrote:  
David,

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*\$1,000,000 (Estimated in DenSco bank accounts)*

---

*\$51,032,675.00*

*Last stated investor balance per Denny's spreadsheet as of June 2016*

*\$51,184,005.27*

As noted above and in my previous email to each of you, Scott Menaged is in personal bankruptcy and he claimed in his bankruptcy filing that he does not have any assets. According to third parties involved in Scott's bankruptcy, we have obtained the following information that we believe to be reliable. Scott filed his personal bankruptcy in April 2016 (pro per, which means without legal counsel) and he failed to provide the necessary schedules of creditors and notices to the creditors as the bankruptcy law requires. The US Trustee appointed for this bankruptcy case, Jill H. Ford, took action to require that Scott's bankruptcy estate retain legal counsel and comply with the bankruptcy requirements. The bankruptcy estate has now retained Cody Jess of Schian Walker, PLC as Debtor's legal counsel. Cody Jess informed me that he was retained in early July and that the notice to DenSco was mailed either late last Monday / early Tuesday, so Denny likely received the notice on Wednesday, which was Denny's first notice of the bankruptcy filing. Supposedly, Denny talked to Scott on Wednesday and Scott confirmed the information in the notice. Unfortunately, that probably led to Denny taking his life the next day on Thursday.

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Denny to not do the signing in my office. I gave all of the documents to Denny and told Denny to get them all signed (where the stickers were) and to have certain documents notarized and to have the UCC-1 filed with the Arizona Secretary of State. Denny subsequently told me that the UCC-1 had been filed. However, I checked today and that UCC-1 was never filed and made of record against Furniture King.

Based upon all of the new information set forth above, please understand that we now believe that a different strategy might be more effective with respect to the collection of the money owed to DenSco, the liquidation of DenSco and the return of funds to DenSco's Investors. That is why we have reached out to the State of Arizona to determine if the Securities Division can lend assistance in the collection of the money owed to DenSco.

We will keep you informed as we obtain more information.

Sincerely, David

**David G. Beauchamp**

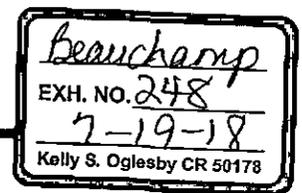
CLARK HILL PLC

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**Beauchamp, David G.**



**From:** Tony Smith <aztonysmith@gmail.com>  
**Sent:** Monday, August 08, 2016 8:31 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: Additional DenSco Information

David,

Thanks for the detailed email.

It sounds like the Securities Division is going all in.

I will await your report from the meeting on Wednesday.

Thanks again,

Tony

I will await your report on the meeting.

On Aug 8, 2016, at 8:15 PM, "Beauchamp, David G." <DBeauchamp@ClarkHill.com> wrote:

Investors:

I have received over 300 emails from all of the Investors since Saturday. I am sorry, but I cannot answer each and every one of them.

1. Based on a quick review of Denny's notes and emails, it appears that Denny did not know that the \$28.1 million to Auction.com was just an obligation of Scott Menaged until the day before he died. He had thought that Scott was merely a provider of homes and that DenSco was to receive its money upon the liquidation of the houses by a hedge fund. Denny's files also indicate that Denny did not think that the \$14.5 million note from Scott Menaged was totally unsecured. Denny believed that there were several hundred homes still owned by one of Scott's companies and Denny had a first lien on those houses. This obligation was also guaranteed by Scott's furniture company, Furniture King, LLC, and the UCC-1 Financing Statement has been found and it should provide some financial protection. We have put a call into the attorney for the US Trustee of Scott's bankruptcy to ask for her help to prevent the transfer of any assets to a new furniture company that Scott just created.

2. We have received well over 40 self-nominations or nominations of others to serve on the Advisory Board. That large of a group will not be practical. The Securities Division has indicated that they do not want an Advisory Committee to be appointed at this time. Right now, they want to just focus on information collection. We have been assured that there will be Investor involvement, but I am not sure what structure the Securities Division will use for that.

3. The Wednesday meeting is not an official meeting where the open meetings law will apply. It is a meeting to have the Securities Division obtain information and to give us direction. No minutes of the meeting will be kept and no final decisions will be made. However, we will undoubtedly receive demands from the Securities Division, including what

information they want and when they want it. Like the subpoena served today that asks for tax records going back to the beginning of DenSco, all investor information going back to the start of DenSco and all loans of DenSco from inception by Wednesday morning. The AZ Corporate Commission cannot take any official action without a meeting of the full AZ Corporation Commission and a public hearing. Unfortunately, the Securities Division has instructed us that they do not want any investor (nor any attorney for an investor) to attend the Wednesday meeting.

4. We have asked the Securities Division to avail itself of the FBI or any other public investigatory body that has subpoena power to research and uncover the potential fraud in this case. However, the Securities Division is pushing this matter on its own. We will have to continue to push for the FBI or other investigatory body to get involved as this progresses.

5. Specific questions concerning personal tax issues and IRA issues and other individual investor questions cannot be researched and answered right now. The Securities Divisions has made it clear that I am only to collect information for the Securities Division and to keep the investors informed. They do not want me to be taking any other action for DenSco or its investors right now.

Sincerely, David

**David G. Beauchamp**

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**From:** Kennen Burkhardt [mailto:kennen@yahoo.com]

**Sent:** Monday, August 08, 2016 7:41 PM

**To:** Beauchamp, David G.; Craig and Samantha Hood

**Cc:** Craig Brown; Thomas

Byrne; acatejr@gmail.com; amydirks@hotmail.com; anthjen@yahoo.com; artnina@hotmail.com; Aztonysmith@aol.com; a  
ztonysmith@gmail.com; barryluchtel@gmail.com; bdirks5@cox.net; bji@cox.net; bjlocke64@yahoo.com; bjodenthal@front  
ier.com; brian.wenig@honeywell.com; burdett.anthony@gmail.com; butlerv@yahoo.com; carricks3@ak.net; czj528@hotm  
ail.com; dariosdad@gmail.com; dave@prestoncpa.biz; davedubay@gmail.com; dhowze@cox.net; don-  
cindy@cableone.net; Doriann@cox.net; eileencohen@me.com; epcarrick@gmail.com; glenpdavis@gmail.com; gsiegford@  
msn.com; hahnaz2@cox.net; hey.ralph01@gmail.com; hikthestik@aol.com; jackdds@myway.com; jamccoy32@gmail.com  
;jbhok@yahoo.com; jemmakopel@hotmail.com; jgsiegford@yahoo.com; jimmy@flytrapproductions.com; jimpatmc44@g  
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andonluchtel@gmail.com; lanka2000@yahoo.com; Laurieweiskopf@gmail.com; lkopel22@hotmail.com; mark.wenig@gma  
il.com; mbencekent@yahoo.com; mlminvestor@gmail.com; mrsbeasley68@verizon.net; mscroggin@me.com; nihad@yaho  
o.com; nswirtz@me.com; patsmiller21@gmail.com; Paul\_a\_kent@yahoo.com; pearces@mailhaven.com; Peter.Rzonca@Av  
net.com; pldupper@gmail.com; quelalively@yahoo.com; ralph@kaisertile.net; rbrinkman@yahoo.com; rgriswold3@stny.rr  
.com; robertflawson@gmail.com; rzkoehler@yahoo.com; sdetota@yahoo.com; sdetota99@yahoo.com; sdtuttle@gmail.co  
m; smschloz@msn.com; steve@bunger.me; stewart.sherriff@gmail.com; switchback62@hotmail.com; terryleeAZ@comcas  
t.net; thompscg2@cox.net; uaflyor767@gmail.com; valeriepaxton@gmail.com; vimuscat@gmail.com; wadeunderwood@h  
otmail.com; wbush1120@comcast.net; wjswirtz@me.com; wka@caribbeanpoolsaz.com; yusuf@comsiscomputer.com

**Subject:** Re: Additional DenSco Information

David,

I am having a hard time understanding how a meeting such the one on Wednesday, which financially impacts so many people, does not allow any representatives of those peoples nor does it provide an agenda. As mentioned before, I am not versed at all in these matters. Will we be provided a summary of the outcome and if so, what is the timing of that summary? I apologize if you have already outlined what this meeting is trying to accomplish - I will re-read the email threads.

Thank you  
Kennen

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
To: Craig and Samantha Hood <greeraz@gmail.com>  
Cc: Craig Brown <trovita@gmail.com>; Thomas Byrne <thomasbyrne11@gmail.com>; "acatejr@gmail.com" <acatejr@gmail.com>; "amydirks@hotmail.com" <amydirks@hotmail.com>; "anthjen@yahoo.com" <anthjen@yahoo.com>; "artnina@hotmail.com" <artnina@hotmail.com>; "Aztonysmith@aol.com" <Aztonysmith@aol.com>; "aztonysmith@gmail.com" <aztonysmith@gmail.com>; "barryluchtel@gmail.com" <barryluchtel@gmail.com>; "bdirks5@cox.net" <bdirks5@cox.net>; "bjj@cox.net" <bjj@cox.net>; "bjlocke64@yahoo.com" <bjlocke64@yahoo.com>; "bjodenthal@frontier.com" <bjodenthal@frontier.com>; "brian.wenig@honeywell.com" <brian.wenig@honeywell.com>; "burdett.anthony@gmail.com" <burdett.anthony@gmail.com>; "butlerv@yahoo.com" <butlerv@yahoo.com>; "carricks3@ak.net" <carricks3@ak.net>; "czj528@hotmail.com" <czj528@hotmail.com>; "dariosdad@gmail.com" <dariosdad@gmail.com>; "dave@prestoncpa.biz" <dave@prestoncpa.biz>; "davedubay@gmail.com" <davedubay@gmail.com>; "dhowze@cox.net" <dhowze@cox.net>; "don-cindy@cableone.net" <don-cindy@cableone.net>; "Doriann@cox.net" <Doriann@cox.net>; "eileencohen@me.com" <eileencohen@me.com>; "epcarrick@gmail.com" <epcarrick@gmail.com>; "glenpdavis@gmail.com" <glenpdavis@gmail.com>; "gsiegford@msn.com" <gsiegford@msn.com>; "hahnaz2@cox.net" <hahnaz2@cox.net>; "hey.ralph01@gmail.com" <hey.ralph01@gmail.com>; "hikthestik@aol.com" <hikthestik@aol.com>; "jackdds@myway.com" <jackdds@myway.com>; "jamccoy32@gmail.com" <jamccoy32@gmail.com>; "jbhok@yahoo.com" <jbhok@yahoo.com>; "jemmakopel@hotmail.com" <jemmakopel@hotmail.com>; "jgsiegford@yahoo.com" <jgsiegford@yahoo.com>; "jimmy@flytrapproductions.com" <jimmy@flytrapproductions.com>; "jimpatmc44@gmail.com" <jimpatmc44@gmail.com>; "jkjetto@yahoo.com" <jkjetto@yahoo.com>; "Jphalen00@aol.com" <Jphalen00@aol.com>; "jwalker113@cox.net" <jwalker113@cox.net>; "kayell121@cs.com" <kayell121@cs.com>; "kaylene.moss@avnet.com" <kaylene.moss@avnet.com>; "kennenl@yahoo.com" <kennenl@yahoo.com>; "landonluchtel@gmail.com" <landonluchtel@gmail.com>; "lanka2000@yahoo.com" <lanka2000@yahoo.com>; "Laurieweiskopf@gmail.com" <Laurieweiskopf@gmail.com>; "lkopel22@hotmail.com" <lkopel22@hotmail.com>; "mark.wenig@gmail.com" <mark.wenig@gmail.com>; "mbencekent@yahoo.com" <mbencekent@yahoo.com>; "mlinvestor@gmail.com" <mlinvestor@gmail.com>; "mrsbeasley68@verizon.net" <mrsbeasley68@verizon.net>; "mscroggin@me.com" <mscroggin@me.com>; "nihad@yahoo.com" <nihad@yahoo.com>; "nswirtz@me.com" <nswirtz@me.com>; "patsmiller21@gmail.com" <patsmiller21@gmail.com>; "Paul\_a\_kent@yahoo.com" <Paul\_a\_kent@yahoo.com>; "pearces@mailhaven.com" <pearces@mailhaven.com>; "Peter.Rzonca@Avnet.com" <Peter.Rzonca@Avnet.com>; "pldupper@gmail.com" <pldupper@gmail.com>; "quelalively@yahoo.com" <quelalively@yahoo.com>; "ralph@kaisertile.net" <ralph@kaisertile.net>; "rbrinkman@yahoo.com" <rbrinkman@yahoo.com>; "rgriswold3@stny.rr.com" <rgriswold3@stny.rr.com>; "robertflawson@gmail.com" <robertflawson@gmail.com>; "rzkoehler@yahoo.com" <rzkoehler@yahoo.com>; "sdetota@yahoo.com" <sdetota@yahoo.com>; "sdtuttle@gmail.com" <sdtuttle@gmail.com>; "smschloz@msn.com" <smschloz@msn.com>; "steve@bunger.me" <steve@bunger.me>; "stewart.sherriff@gmail.com" <stewart.sherriff@gmail.com>; "switchback62@hotmail.com" <switchback62@hotmail.com>; "terryleeAZ@comcast.net" <terryleeAZ@comcast.net>; "thompsc2@cox.net" <thompsc2@cox.net>; "uafiyor767@gmail.com" <uafiyor767@gmail.com>; "valeriepaxton@gmail.com" <valeriepaxton@gmail.com>; "vimuscat@gmail.com" <vimuscat@gmail.com>; "wadeunderwood@hotmail.com" <wadeunderwood@hotmail.com>; "wbush1120@comcast.net" <wbush1120@comcast.net>; "wjswirtz@me.com" <wjswirtz@me.com>; "wka@caribbeanpoolsaz.com" <wka@caribbeanpoolsaz.com>; "yusuf@comsiscomputer.com" <yusuf@comsiscomputer.com>

Sent: Monday, August 8, 2016 7:14 PM  
Subject: RE: Additional DenSco Information

Craig:

The Securities Division has made it clear that they would like to have a Receiver appointed with its own legal counsel and they will handle all of the communication with the investors going forward.

With respect to your question concerning the Wednesday meeting, the Director of Enforcement had someone from her office relay a message to me that they do not want any investors (or attorneys for investors) at the Wednesday meeting. They seem to have a very specific agenda and they want as few people there as possible so that they can keep to their agenda. Since they have declined to share their agenda prior to the meeting, I am not exactly sure what all is to be covered.

Best regards, David

David G. Beauchamp

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From: Craig and Samantha Hood [mailto:greeraz@gmail.com]

Sent: Monday, August 08, 2016 7:04 PM

To: Beauchamp, David G.

Cc: Craig Brown; Thomas

Byrne; acatejr@gmail.com; amydirks@hotmail.com; anthjen@yahoo.com; artnina@hotmail.com; Aztonysmith@aol.com; aztonysmith@gmail.com; barryluchtel@gmail.com; bdirks5@cox.net; bji@cox.net; bjlocke64@yahoo.com; bjodenthal@frontier.com; brian.wenig@honeywell.com; burdett.anthony@gmail.com; butlerv@yahoo.com; carricks3@ak.net; czj528@hotmail.com; dariosdad@gmail.com; dave@prestoncpa.biz; davedubay@gmail.com; dhowze@cox.net; don-cindy@cableone.net; Doriann@cox.net; eileencohen@me.com; epcarrick@gmail.com; glenpdavis@gmail.com; gsiegford@msn.com; hahnaz2@cox.net; hey.ralph01@gmail.com; hikthestik@aol.com; jackdds@myway.com; jamccoy32@gmail.com; jbhok@yahoo.com; jemmakopel@hotmail.com; jgsiegford@yahoo.com; jimmy@flytrapproductions.com; jimpatmc44@gmail.com; jkjetto@yahoo.com; Jphalen00@aol.com; jwalker113@cox.net; kayell121@cs.com; kaylene.moss@avnet.com; kennenl@yahoo.com; landonluchtel@gmail.com; lanka2000@yahoo.com; Laurieweiskopf@gmail.com; lkopel22@hotmail.com; mark.wenig@gmail.com; mbencekent@yahoo.com; mlinvestor@gmail.com; mrsbeasley68@verizon.net; mscroggin@me.com; nihad@yahoo.com; nswirtz@me.com; patsmiller21@gmail.com; Paul\_a\_kent@yahoo.com; pearces@mailhaven.com; Peter.Rzonca@Avnet.com; pldupper@gmail.com; quelalively@yahoo.com; ralph@kaisertile.net; rbrinkman@yahoo.com; rgriswold3@stny.rr.com; robertflawson@gmail.com; rzkoehler@yahoo.com; sdetota@yahoo.com; sdetota99@yahoo.com; sdtuttle@gmail.com; smschioz@msn.com; steve@bunger.me; stewart.sherriff@gmail.com; switchback62@hotmail.com; terryleeAZ@comcast.net; thompsc2@cox.net; uaflyor767@gmail.com; valeriepaxton@gmail.com; vimuscat@gmail.com; wadeunderwood@hotmail.com; wbush1120@comcast.net; wjswirtz@me.com; wka@caribbeanpoolsaz.com; yusuf@comsiscomputer.com

Subject: Re: Additional DenSco Information

Thanks David. I am anxious to hear how that goes. Will any investors be present at that meeting?

I appreciate your help in this matter. Please understand that my suggestion for this website is to help our group focus our voice, our efforts, and provide a private forum to communicate together.

Speaking for myself, I can't simply sit idly by and expect the best outcome. I also know that together we are stronger than any one of us individually.

I'm simply offering an online "meeting place" for us all. If you see potential issues with that please let us know.

Lastly, I'm open to a less anger-inspired domain name.

Thanks,

Craig Hood

On Aug 8, 2016, at 6:48 PM, Beauchamp, David G. <DBeauchamp@ClarkHill.com> wrote:

Craig:

We have already engaged in conversations with forensic accountants to help us track down the money and to put together the case against the people who have the money. My understanding is that the appointment of a forensic accountant is to be discussed in the meeting with the Director of Enforcement of the AZ Corporation Commission, Securities Division and an Assistant Attorney General on Wednesday afternoon. Hopefully, we will have more information to share with everyone after that meeting.

Sincerely, David

David G. Beauchamp

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From: Craig Brown [mailto:trovita@gmail.com]

Sent: Sunday, August 07, 2016 9:12 PM

To: Thomas Byrne

Cc: Beauchamp, David

G.; acatejr@gmail.com; amydirks@hotmail.com; anthjen@yahoo.com; artnina@hotmail.com; Aztonysmith@aol.com; azto  
nysmith@gmail.com; barryluchtel@gmail.com; bdirks5@cox.net; bjl@cox.net; bjlocke64@yahoo.com; bjodenthal@frontier  
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com; dariosdad@gmail.com; dave@prestoncpa.biz; davedubay@gmail.com; dhowze@cox.net; don-  
cindy@cableone.net; Doriann@cox.net; eileencohen@me.com; epcarrick@gmail.com; glenpdavis@gmail.com; greeraz@  
gmail.com; gsiegford@msn.com; hahnaz2@cox.net; hey.ralph01@gmail.com; hikthestik@aol.com; jackdds@myway.com  
; jamccoy32@gmail.com; jbhok@yahoo.com; jemmakopel@hotmail.com; jgsiegford@yahoo.com; jimmy@flytrapproductio  
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com; lkopel22@hotmail.com; mark.wenig@gmail.com; mbencekent@yahoo.com; mlminvestor@gmail.com; mrsbeasley68  
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.com; pearces@mailhaven.com; Peter.Rzonca@Avnet.com; pldupper@gmail.com; quelalively@yahoo.com; ralph@kaiser  
tile.net; rbrinkman@yahoo.com; rgriswold3@stny.rr.com; robertflawson@gmail.com; rzkoehler@yahoo.com; sdetota@yah  
oo.com; sdetota99@yahoo.com; sdtuttle@gmail.com; smschloz@msn.com; steve@bunger.me; stewart.sherriff@gmail.co  
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Subject: Re: Additional DenSco Information

David Beauchamp

In speaking to another persons i know who is in the real estate business, he asked if we had considered hiring someone to do financial forensic work on this.

Apparently, experts can tract movement of these home sales and follow the money as to see the shell game being played. what entities the money is moving from and to..

I don't know much about it, just conveying the question on to the experts

craig

480 322 8611

On Sun, Aug 7, 2016 at 3:03 PM, Thomas Byrne <thomasbyrne11@gmail.com> wrote:  
David,

Just trying to process this like everyone else - the concentration of dollars out to one related person/entity is staggering - but trying to better understand why 83 loan documents (w deeds of trust) would not have been filed against those properties? How and why would this occur? without those secured claims being recorded, what claims (if any) does DenSco have to the properties? And thus  
Does this put DenSco into an unsecured creditor position for that amount as well?

On Aug 5, 2016, at 8:29 PM, Beauchamp, David G. <DBeauchamp@ClarkHill.com> wrote:

DenSco Investors:

As I indicated in my email that was sent out to each of you late Wednesday, we have been working as fast as possible to go through DenSco's paper files and computer records. We are continuing our efforts to obtain as much information as possible concerning DenSco's outstanding loans to its borrowers and what assets might be available to recover on loans in default. Unfortunately, the information is not good. Accordingly, we have been in communication with the AZ Corporation Commission – Securities Division to work with that office to discuss the best plan to maximize the recovery of funds owed to DenSco. We will be meeting with the Director of Enforcement next Wednesday to work through the necessary steps so that the State of Arizona can lend its oversight, if not its direct assistance, in this effort to recover the money that is owed to DenSco and its Investors. We will be able to provide more information after that meeting.

In the interim, we have had someone quickly go through the boxes of files and other information in DenSco's office to help determine the exact status. Please understand that this is very preliminary information and it will be subject to further review and supplemental information that we hope to obtain. The following estimates are derived from the information that was found after Denny's passing. These estimates were compiled in a very short period of time and all information provided will need to be revisited, reviewed and confirmed at a later date preferably by a third party, but this is what we now believe to be the case. Obviously, further information will also need to be obtained concerning the bankruptcy of Scott Menaged and the various claims that he supposedly owes to DenSco.

DenSco has in excess of one million dollars in its bank accounts. As additional interest is collected on the paying loans, this amount should increase.

There are approximately 138 loans listed in the DenSco portfolio.

50 of these 138 loans appear to be secured by first position deeds of trust and the documents indicate that these loans should be available for liquidity within 0-6 months through normal business or the accelerated sale of notes. These 50 loans (secured by first position deeds of trust) represent roughly \$4,981,736.00 of principal and accrued interest (*principal \$4,925,614.31 interest \$56,121.69*) and continue to earn interest at the rate of 18% per annum.

An additional 5 of these 138 loans appear to be first position deeds of trust which will require collection via foreclosure or collection through bankruptcy court and appear to be related to Scott Menaged in some form. (One property with a deed of trust to secure one of these loans was supposedly released from the protections of the automatic stay of the bankruptcy court earlier this week.) These 5 loans represent roughly \$2,533,000 of principal and interest (*principal \$1,980,000 and estimated collectable accrued interest \$553,000*).

The 83 remaining loans do not appear to be secured via first position Deed of Trust recordings. While they all do appear to have signed promissory notes and deeds of trust

in each file, there is no evidence of recording and involve Arizona Home Foreclosures, LLC and Scott Menaged and represent approximately \$28,178,600.

Additionally, there appears to be an unsecured note (accounts receivable) from Scott Menaged to DenSco in an approximate amount of \$14,339,339.79.

**Summary:**

\$4,981,736 notes that are believed to be secured by deeds of trust and should be liquidated in the near future;

\$2,533,000 notes that are supposedly secured but require collection/involve Scott Menaged;

\$28,178,600 that involve Scott Menaged but we are unsure of security, will require collection via courts;

\$14,339,339 supposedly unsecured note from Scott Menaged, will require collection via courts, and

\$1,000,000 (*Estimated in DenSco bank accounts*)

---

**\$51,032,675.00**

*Last stated investor balance per Denny's spreadsheet as of June 2016*

**\$51,184,005.27**

As noted above and in my previous email to each of you, Scott Menaged is in personal bankruptcy and he claimed in his bankruptcy filing that he does not have any assets. According to third parties involved in Scott's bankruptcy, we have obtained the following information that we believe to be reliable. Scott filed his personal bankruptcy in April 2016 (pro per, which means without legal counsel) and he failed to provide the necessary schedules of creditors and notices to the creditors as the bankruptcy law requires. The US Trustee appointed for this bankruptcy case, Jill H. Ford, took action to require that Scott's bankruptcy estate retain legal counsel and comply with the bankruptcy requirements. The bankruptcy estate has now retained Cody Jess of Schian Walker, PLC as Debtor's legal counsel. Cody Jess informed me that he was retained in early July and that the notice to DenSco was mailed either late last Monday / early Tuesday, so Denny likely received the notice on Wednesday, which was Denny's first notice of the bankruptcy filing. Supposedly, Denny talked to Scott on Wednesday and Scott confirmed the information in the notice. Unfortunately, that probably led to Denny taking his life the next day on Thursday.

Cody Jess also claimed that both of Scott's other entities that are on the \$14,000,000 (+) unsecured note (or guaranteed that note) are not in the bankruptcy, but Arizona Home Foreclosure has conveyed all of its homes and it no longer has any assets. However, that is contrary to the information in DenSco's files. Further, Cody Jess also claimed that Furniture King is not in the bankruptcy, but it does not matter because it has no value due to the several liens already filed against it. Cody said that DenSco never filed a UCC-1 to secure its security interest in the assets of Furniture King. That UCC-1 was part of the forbearance package that we prepared in 2014. That package was supposed to be signed in my office, but Scott convinced Denny to not do the signing in my office. I gave all of the documents to Denny and told Denny to get them all signed (where the stickers were) and to have certain documents notarized and to have the UCC-1 filed with the Arizona Secretary of State. Denny subsequently told

me that the UCC-1 had been filed. However, I checked today and that UCC-1 was never filed and made of record against Furniture King.

Based upon all of the new information set forth above, please understand that we now believe that a different strategy might be more effective with respect to the collection of the money owed to DenSco, the liquidation of DenSco and the return of funds to DenSco's Investors. That is why we have reached out to the State of Arizona to determine if the Securities Division can lend assistance in the collection of the money owed to DenSco.

We will keep you informed as we obtain more information.

Sincerely, David  
David G. Beauchamp

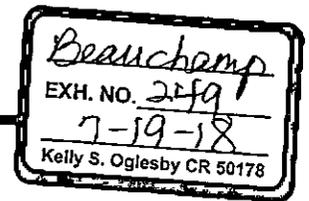
CLARK HILL PLC

14850 N Scottsdale Rd | Suite 500 | Scottsdale, Arizona 85254  
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dbeauchamp@clarkhill.com | www.clarkhill.com

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**Beauchamp, David G.**



**From:** Beauchamp, David G.  
**Sent:** Monday, August 08, 2016 11:02 PM  
**To:** Brian Imdieke  
**Subject:** RE: Additional DenSco Information

Brian:

Thank you.

I agree with what your email. Many of them are calling me too.

Best regards, David

**David G. Beauchamp**

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---

**From:** Brian Imdieke [mailto:[bj16173@gmail.com](mailto:bj16173@gmail.com)]  
**Sent:** Monday, August 08, 2016 8:32 PM  
**To:** Beauchamp, David G.  
**Subject:** RE: Additional DenSco Information

I understand. If I can be of some kind of service, please let me know. A number of investors are panicking and every one of them is absolutely positive that he/she knows exactly what needs to be done.....right now. It's crazy. I've tried to reason with some of them, but it's not happening. Good luck....

---

**From:** Beauchamp, David G. [mailto:[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)]  
**Sent:** Monday, August 08, 2016 6:41 PM  
**To:** Brian Imdieke  
**Subject:** RE: Additional DenSco Information

Brian:

The tone of the meeting has changed from what had been described to me as a simple exchange of ideas and information. We received a very extensive subpoena earlier today that directs us to provide significant financial and other records going back to the beginning of DenSco. It also asks for a significant amount of information concerning the investors and the loans to the borrowers. It also wants all of this information by 10:00 am on Wednesday morning, prior to the Wednesday afternoon meeting. Needless to say, we have not been able to locate all of those records and we do not have the time to locate and make those records available by Wednesday morning.

In addition, the Director of Enforcement made it very clear in a telephone conversation today that she is running the meeting and she has an agenda for the meeting that has to be followed. However, she declined several times to share the agenda prior to the meeting. That sounds a lot more confrontational than what was initially described to us. She has also had someone from her office get back to me late today and state that no investors (or their attorneys) should

be at the meeting. According to her office, it will be too difficult to keep to the agenda if there are too many other people there. I will have to report back to you after the meeting.

Sincerely, David

**David G. Beauchamp**

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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Brian Imdieke [<mailto:bjj6173@gmail.com>]  
**Sent:** Sunday, August 07, 2016 8:40 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: Additional DenSco Information

Thanks much David. I really would like to attend, if possible.

Brian Imdieke,  
Sent from my iPhone

On Aug 7, 2016, at 6:42 PM, Beauchamp, David G. <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

Brian:

Although we had asked for a meeting, this meeting has been turned into a meeting that the Director of enforcement for the Securities Division has decided to take over and run. I will check to see if the Director has any problem with a few Investors attending the meeting and let you know.

Best regards, David

Sent from my iPhone. Please excuse any typos.

On Aug 7, 2016, at 4:14 PM, Brian Imdieke <[bjj6173@gmail.com](mailto:bjj6173@gmail.com)> wrote:

I see that you have a meeting with someone from the AZ corporation commission on Wednesday. Is that a meeting that a couple of us investors can attend on behalf of the investor group?

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Friday, August 05, 2016 8:29 PM  
**To:** [acatejr@gmail.com](mailto:acatejr@gmail.com); [amydirks@hotmail.com](mailto:amydirks@hotmail.com); [anthjen@yahoo.com](mailto:anthjen@yahoo.com); [artnina@hotmail.com](mailto:artnina@hotmail.com); [Aztonysmith@aol.com](mailto:Aztonysmith@aol.com); [aztonysmith@gmail.com](mailto:aztonysmith@gmail.com); [barryluchtel@gmail.com](mailto:barryluchtel@gmail.com); [bdirks5@cox.net](mailto:bdirks5@cox.net); [bjj@cox.net](mailto:bjj@cox.net); [bjlocke64@yahoo.com](mailto:bjlocke64@yahoo.com); [bjodenthal@frontier.com](mailto:bjodenthal@frontier.com); [brian.wenig@honeywell.com](mailto:brian.wenig@honeywell.com); [burdett.anthony@gmail.com](mailto:burdett.anthony@gmail.com); [butlerv@yahoo.com](mailto:butlerv@yahoo.com); [carricks3@ak.net](mailto:carricks3@ak.net); [czj528@hotmail.com](mailto:czj528@hotmail.com); [dariosdad@gmail.com](mailto:dariosdad@gmail.com); [dave@prestoncpa.biz](mailto:dave@prestoncpa.biz); [davedubay@gmail.com](mailto:davedubay@gmail.com); [dhowze@cox.net](mailto:dhowze@cox.net); [don-cindy@cableone.net](mailto:don-cindy@cableone.net); [Doriann@cox.net](mailto:Doriann@cox.net); [eileencohen@me.com](mailto:eileencohen@me.com); [epcarrick@gmail.com](mailto:epcarrick@gmail.com); [glenpdavis@gmail.com](mailto:glenpdavis@gmail.com); [greeraz@gmail.com](mailto:greeraz@gmail.com); [gsiegford@msn.com](mailto:gsiegford@msn.com); [hahnaz2@cox.net](mailto:hahnaz2@cox.net); [hey.raiph01@gmail.com](mailto:hey.raiph01@gmail.com); [hikthestik@aol.com](mailto:hikthestik@aol.com); [jackdds@myway.com](mailto:jackdds@myway.com); [jamcco32@gmail.com](mailto:jamcco32@gmail.com); [jbhok@yahoo.com](mailto:jbhok@yahoo.com); [jemmakopel@hotmail.com](mailto:jemmakopel@hotmail.com); [jsiegford@yahoo.com](mailto:jsiegford@yahoo.com); [jimmy@flytrapproductions.com](mailto:jimmy@flytrapproductions.com); [jimpatmc44@gmail.com](mailto:jimpatmc44@gmail.com); [ikjetto@yahoo.com](mailto:ikjetto@yahoo.com); [Jphalen00@aol.com](mailto:Jphalen00@aol.com); [jwalker113@cox.net](mailto:jwalker113@cox.net); [kayell121@cs.com](mailto:kayell121@cs.com); [kaylene.moss@avnet.com](mailto:kaylene.moss@avnet.com); [kennenl@yahoo.com](mailto:kennenl@yahoo.com); [landonluchtel@gmail.com](mailto:landonluchtel@gmail.com);

[lanka2000@yahoo.com](mailto:lanka2000@yahoo.com); [Laurieweiskopf@gmail.com](mailto:Laurieweiskopf@gmail.com); [lkopel22@hotmail.com](mailto:lkopel22@hotmail.com);  
[mark.wenig@gmail.com](mailto:mark.wenig@gmail.com); [mbencekent@yahoo.com](mailto:mbencekent@yahoo.com); [miminvestor@gmail.com](mailto:miminvestor@gmail.com);  
[mrsbeasley68@verizon.net](mailto:mrsbeasley68@verizon.net); [mscroggin@me.com](mailto:mscroggin@me.com); [nihad@yahoo.com](mailto:nihad@yahoo.com); [nswirtz@me.com](mailto:nswirtz@me.com);  
[patsmiller21@gmail.com](mailto:patsmiller21@gmail.com); [Paul\\_a\\_kent@yahoo.com](mailto:Paul_a_kent@yahoo.com); [pearces@mailhaven.com](mailto:pearces@mailhaven.com);  
[Peter.Rzonca@Avnet.com](mailto:Peter.Rzonca@Avnet.com); [pldupper@gmail.com](mailto:pldupper@gmail.com); [quelalively@yahoo.com](mailto:quelalively@yahoo.com);  
[ralph@kaisertile.net](mailto:ralph@kaisertile.net); [rbrinkman@yahoo.com](mailto:rbrinkman@yahoo.com); [rgriswold3@stry.rr.com](mailto:rgriswold3@stry.rr.com);  
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[stewart.sherriff@gmail.com](mailto:stewart.sherriff@gmail.com); [switchback62@hotmail.com](mailto:switchback62@hotmail.com); [terryleeAZ@comcast.net](mailto:terryleeAZ@comcast.net);  
[thomasbyrne11@gmail.com](mailto:thomasbyrne11@gmail.com); [thompscq2@cox.net](mailto:thompscq2@cox.net); [trovita@gmail.com](mailto:trovita@gmail.com);  
[uaflyor767@gmail.com](mailto:uaflyor767@gmail.com); [valeriepaxton@gmail.com](mailto:valeriepaxton@gmail.com); [vimuscat@gmail.com](mailto:vimuscat@gmail.com);  
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[wka@caribbeanpoolsaz.com](mailto:wka@caribbeanpoolsaz.com); [yusuf@comsiscomputer.com](mailto:yusuf@comsiscomputer.com)

**Subject:** Additional DenSco Information

#### DenSco Investors:

As I indicated in my email that was sent out to each of you late Wednesday, we have been working as fast as possible to go through DenSco's paper files and computer records. We are continuing our efforts to obtain as much information as possible concerning DenSco's outstanding loans to its borrowers and what assets might be available to recover on loans in default. Unfortunately, the information is not good. Accordingly, we have been in communication with the AZ Corporation Commission – Securities Division to work with that office to discuss the best plan to maximize the recovery of funds owed to DenSco. We will be meeting with the Director of Enforcement next Wednesday to work through the necessary steps so that the State of Arizona can lend its oversight, if not its direct assistance, in this effort to recover the money that is owed to DenSco and its Investors. We will be able to provide more information after that meeting.

In the interim, we have had someone quickly go through the boxes of files and other information in DenSco's office to help determine the exact status. Please understand that this is very preliminary information and it will be subject to further review and supplemental information that we hope to obtain. The following estimates are derived from the information that was found after Denny's passing. These estimates were compiled in a very short period of time and all information provided will need to be revisited, reviewed and confirmed at a later date preferably by a third party, but this is what we now believe to be the case. Obviously, further information will also need to be obtained concerning the bankruptcy of Scott Menaged and the various claims that he supposedly owes to DenSco.

DenSco has in excess of one million dollars in its bank accounts. As additional interest is collected on the paying loans, this amount should increase.

There are approximately 138 loans listed in the DenSco portfolio.

50 of these 138 loans appear to be secured by first position deeds of trust and the documents indicate that these loans should be available for liquidity within 0-6 months through normal business or the accelerated sale of notes. These 50 loans (secured by first position deeds of trust) represent roughly \$4,981,736.00 of principal and accrued interest (*principal \$4,925,614.31 interest \$56,121.69*) and continue to earn interest at the rate of 18% per annum.

An additional 5 of these 138 loans appear to be first position deeds of trust which will require collection via foreclosure or collection through bankruptcy court and appear to be related to Scott Menaged in some form. (One property with a deed of trust to secure one of these loans was supposedly released from the protections of the automatic stay of the bankruptcy court earlier this week.) These 5 loans represent roughly \$2,533,000 of principal and interest (*principal \$1,980,000 and estimated collectable accrued interest \$553,000*).

The 83 remaining loans do not appear to be secured via first position Deed of Trust recordings. While they all do appear to have signed promissory notes and deeds of trust in each file, there is no evidence of recording and involve Arizona Home Foreclosures, LLC and Scott Menaged and represent approximately \$28,178,600.

Additionally, there appears to be an unsecured note (accounts receivable) from Scott Menaged to DenSco in an approximate amount of \$14,339,339.79.

Summary:

\$4,981,736 notes that are believed to be secured by deeds of trust and should be liquidated in the near future;  
\$2,533,000 notes that are supposedly secured but require collection/involve Scott Menaged;  
\$28,178,600 that involve Scott Menaged but we are unsure of security, will require collection via courts;  
\$14,339,339 supposedly unsecured note from Scott Menaged, will require collection via courts, and  
\$1,000,000 (*Estimated in DenSco bank accounts*)

---

\$51,032,675.00

*Last stated investor balance per Denny's spreadsheet as of June 2016*  
\$51,184,005.27

As noted above and in my previous email to each of you, Scott Menaged is in personal bankruptcy and he claimed in his bankruptcy filing that he does not have any assets. According to third parties involved in Scott's bankruptcy, we have obtained the following information that we believe to be reliable. Scott filed his personal bankruptcy in April 2016 (pro per, which means without legal counsel) and he failed to provide the necessary schedules of creditors and notices to the creditors as the bankruptcy law requires. The US Trustee appointed for this bankruptcy case, Jill H. Ford, took action to require that Scott's bankruptcy estate retain legal counsel and comply with the bankruptcy requirements. The bankruptcy estate has now retained Cody Jess of Schian Walker, PLC as Debtor's legal counsel. Cody Jess informed me that he was retained in early July and that the notice to DenSco was mailed either late last Monday / early Tuesday, so Denny likely received the notice on Wednesday, which was Denny's first notice of the bankruptcy filing. Supposedly, Denny talked to Scott on Wednesday and Scott confirmed the information in the notice. Unfortunately, that probably led to Denny taking his life the next day on Thursday.

Cody Jess also claimed that both of Scott's other entities that are on the \$14,000,000 (+) unsecured note (or guaranteed that note) are not in the bankruptcy, but Arizona Home Foreclosure has conveyed all of its homes and it no longer has any assets. However, that is contrary to the information in DenSco's files. Further, Cody Jess also claimed that Furniture King is not in the bankruptcy, but it does not matter because it has no value due to the several liens already filed against it. Cody said that DenSco never filed a UCC-1 to secure its security interest in the assets of Furniture King. That UCC-1 was part of the forbearance package that we prepared in 2014. That package was supposed to be signed in my office, but Scott convinced Denny to not do the signing in my office. I gave all of the documents to Denny and told Denny to get them all signed (where the stickers were) and to have certain documents notarized and to have the UCC-1 filed with the Arizona Secretary of State. Denny subsequently told me that the UCC-1 had been filed. However, I checked today and that UCC-1 was never filed and made of record against Furniture King.

Based upon all of the new information set forth above, please understand that we now believe that a different strategy might be more effective with respect to the collection of the money owed to DenSco, the liquidation of DenSco and the return of funds to DenSco's investors. That is why we have reached out to the State of Arizona to determine if the Securities Division can lend assistance in the collection of the money owed to DenSco.

We will keep you informed as we obtain more information.

Sincerely, David

**David G. Beauchamp**

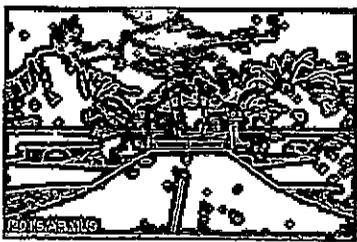
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*Beauchamp*  
 EXH. NO. 250  
 7-19-18  
 Kelly S. Oglesby CR 50178



100 E SUNNYSIDE DR, SCOTTSDALE, AZ 85219-2918

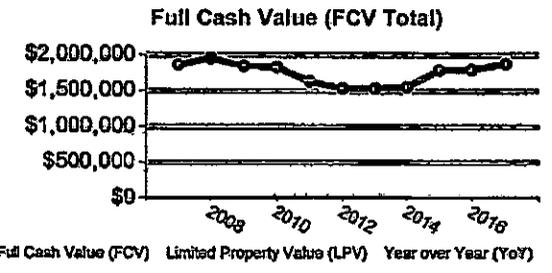
APN:217-27-040-B

Last Sold 02/14/2013	Year Built 1996	Construction FRAME WOOD
Last Price \$2,200,000	SqFt 7154	Roof CONCRETE TILE
Owner SCOTT MENAGED	Pool 639 sqft	A/C REFRIGERATION
Mailing 10510 E Sunnyside Dr Scottsdale, AZ 85259-2918	Stories 1	Heat YES
Lot 1.56 acres / 67763 sqft	Parking GARAGE & CARPORT 9	Fixtures 21
	Rooms 12	Improvement Count 1
	Patio COVERED	Land Premium 0
	Added Area 3,449 sqft	Added Value 0

Class CLASS R6, CUSTOM  
 Quality EXCELLENT

County Zone	City Zone Scottsdale
[R-43] RESIDENTIAL WITH 43,000 SF MINIMUM	100% [R1-43] Single-Family Residential 100%

Tax Assessment	2014 Final	2015 Final	2016 Prelim	2017 Prelim
FCV Improved	\$1,244,900	\$1,431,100	\$1,439,800	\$1,506,400
FCV Land	\$311,200	\$357,700	\$359,900	\$376,600
FCV Total	\$1,556,100	\$1,788,800	\$1,799,700	\$1,883,000
YoY Change(%)	1%	15%	1%	5%
Assessed FCV	\$1,556,100	\$1,633,905	\$1,715,600	\$1,801,380
LPV Total	\$155,610	\$178,880	\$179,970	\$188,300
State Aid	\$600	\$600	\$0	\$0
Tax Amount	\$13,854	\$14,258	\$0	\$0

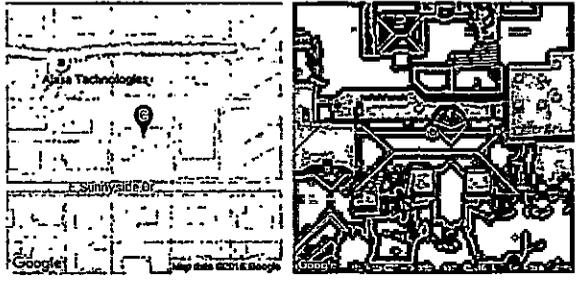


Deed History

Sale Date	Buyer	Seller	Sale Price	Down	Mortgage	Deed	Financing	Transaction	Doc #
03/20/2014	Scott Menaged	Arizona Home Foreclosures Llc	\$0	\$0	\$0	Correction			20140178879
03/20/2014	Yomtov Menaged	Arizona Home Foreclosures Llc	\$0	\$0	\$0	Quit Claim			20140178599
02/14/2013	Arizona Home Foreclosures Llc	Gary L & Linda R Sanford	\$2,200,000	\$2,200,000	\$0	Warranty	All Cash	Normal Sale	20130145855
08/08/2007	Gary L & Linda R Sanford	Gary L & Linda R Sanford	\$0	\$0	\$0	Special Warranty			20070897506
02/07/1994	Kenneth R & Mary A Bergeron	Devlin	\$150,000	\$50,000	\$100,000	Joint Tenancy	Seller Carryback		19940105219

Flood Zone X  
 Flood Panel 04013C1780L  
 (Zone SubType: 0.2 PCT ANNUAL CHANCE FLOOD HAZARD); Zone Description: Areas outside the one-percent annual chance floodplain, areas of 1% annual chance sheet flow flooding where average depths are less than 1 foot, areas of 1% annual chance stream flooding where the contributing drainage area is less than 1 square mile, or areas protected from the 1% annual chance flood by levees. No Base Flood Elevations or depths are shown within this zone. Insurance purchase is not required in these zones.

Parcel 217-27-040-B Maricopa County  
 MCR Number 000000  
 Municipality Scottsdale  
 Section 21 Township 3N / Range 5E  
 Block Lot  
 Census Tract 216836 # Census Block 1000 #  
 Tax Area 481400  
 Latitude / Longitude 33.5938451442425, -111.854132785495  
 Property Type SFR GRADE 010-6 URBAN SUBDIV  
 Legal Class OWNER OCCUPIED RESID  
 School Districts Scottsdale Unified District #43



Description W 217.74F OF LOT 8 (AKA S2 SE4 NW4 NW4 SEC 21) EX NLY 4F OF WLY 210F TH/OF & EX S 10F RD

The data within this report is compiled by The Information Market from public and private sources. If desired, the accuracy of the data contained herein can be independently verified by the recipient of this report with the applicable county or municipality.



DIC0010976

DenSco

TCW Pete Erdland (9/19/16)

208-664-8115

(0.7)

- Pete has known Shawna for years

- Shawna explained the saga

- Pete looked up Kevin Merritt

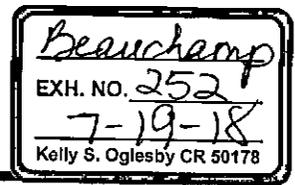
- Rec: Kevin to represent Shawna as Personal Rep

TOW Kevin Merritt (8/9/16)

DenSci  
602-256-4481

— relayed info ~~from~~ from Peter Eiblman (family friend of  
Shawna Heuer)

— he wants to talk to Kevin about representing Shawna  
& the Estate with respect to claims from DenSci investors



**Beauchamp, David G.**

**From:** Kevin R. Merritt <KMerritt@qblaw.com>  
**Sent:** Tuesday, August 09, 2016 2:48 PM  
**To:** Beauchamp, David G.  
**Subject:** RE: Shawna

OK. We (I asked JFP to join me since we both had extensive experience in the Mortgages Ltd debacle) had a productive conversation with Peter. He's going to communicate with Shawna, and we're going to schedule to meet with her later this week when she's in town. So, if I needed to clear conflicts, since you said there were about 80 investors, I just thought I'd see if that was a possibility.

Thanks.

Best wishes,

Kevin

**Kevin R. Merritt**  
602.256.4481 Direct | [KMerritt@qblaw.com](mailto:KMerritt@qblaw.com)

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Tuesday, August 09, 2016 2:33 PM  
**To:** Kevin R. Merritt  
**Subject:** RE: Shawna

I am still waiting for the list. They only sent me the list of email addresses. Supposedly, it is still on Denny's computer. When I get it, I will forward it to you.

Best regards, David

**David G. Beauchamp**

CLARK HILL PLC  
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480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Kevin R. Merritt [<mailto:KMerritt@qblaw.com>]  
**Sent:** Tuesday, August 09, 2016 1:24 PM  
**To:** Beauchamp, David G.  
**Subject:** Shawna

Talking to Peter @ 1:30. I would assume all of the investors will be adverse parties. If that goes OK, you could get me a list to run conflicts?

**Kevin R. Merritt**  
602.256.4481 Direct | [KMerritt@qblaw.com](mailto:KMerritt@qblaw.com) | [Profile](#)



Beauchamp  
EXH. NO. 253  
7-19-18  
Kelly S. Oglesby CR 50178

Den Sco /

3:19 Message from Chris Gorma (8/9/16)

→ Managed Bankruptcy

Sept 30 deadline for 727 + 523 complaints.

→ call US Trustee to see if can get us some more time

→ Creditor Mtg (8/11)

Talk Chris Gorman (8/9/16)

DenSco /

602-845-1416

- explained status of DenSco.
  - Accounting firm → certified fraud examiner
- Chris just finished one of these → factory receivables
- Chris will talk to Chris LaVoy at Tiffany & Bosco
- let Securities Division know to contact Chris Gorman after the Wed mtg
- confirm the name of the title company that Scott Managed was using (escrow officer)
- Julie Scott - US Trustee for BK
- Acctg firm ~~that~~ <sup>that</sup> did the tax work.

**Beauchamp, David G.**

**From:** Google <chris@gcgaz.com>  
**Sent:** Tuesday, August 09, 2016 3:24 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: Densco Investments

David,

Left a v-mail. You should let the US Trustee know in the Menaged case that we are going to need more time. Looks like they have a meeting of creditors scheduled for 8/11/16, and 9/30/2016 deadline for 727 & 523 complaints. They probably have no idea about Densco issues and actions may need to be pursued. I would think Trustee would understand based on what has occurred in the past week.

Chris

> On Aug 9, 2016, at 1:04 PM, Chris J. Gorman <[chris@gcgaz.com](mailto:chris@gcgaz.com)> wrote:

>  
> David,  
> Attached are C.V.s for the firm and a information sheet. Tiffany & Bosco is running a conflict check, Amy Sells and Chris Lavoy will most likely be Receivership Counsel if cleared. I noticed that T&B is Trustee on stuff, but I don't foresee that as a conflict yet. If that does not work I have some other firms I can go to. HSL Income Investments, under Judge Hanna, was just concluded and we can use the Order Appointing Receiver with some changes.

>  
> Sincerely,

>  
> Chris Gorman

>  
>  
>  
>  
>  
>  
>  
>  
> <<http://www.gormanconsultinggroup.com/>>

> Gorman Consulting Group, LLC  
> 7204 N. 16th Street Suite 100, Phoenix, AZ 85020  
> Cell: 602.690.4269 <<tel:602.690.4269>>  
> Office: 602.850.5111 <<tel:602.850.5111>>

>  
> <<http://www.linkedin.com/in/gormancfe>>

>  
>  
>  
>

# GORMAN Consulting Group L.L.C.

Valuation • Damages • Forensics • Receivership



## Chris J. Gorman, CFE

Certified Fraud Examiner  
Partner

O: 602.850.5111  
C: 602.690.4269  
E: Chris@gcgaz.com

### About

Mr. Gorman is a Certified Fraud Examiner who performs the extensive document review, research, interviewing and other various work involved in accounting litigation matters. He is a graduate of Arizona State University with a Bachelors in Justice Studies and a Post-Baccalaureate in Accountancy. Chris is well versed in accounting as it relates to fraud and fraud investigations, and he understands the underlying factors that motivate individuals to commit fraud. Chris has provided expert testimony regarding tracing, fraud, and forensic accounting, and has assisted as a court-appointed receiver and special master in various situations.

### Experience

- Assisted counsel in analysis of financial records and forensic fraud analysis pertaining to marital dissolution and business management matters.
- Assisted counsel in calculation of economic damages arising from personal injury claims and wrongful termination.
- Assisted counsel in analysis of financial records to determine lost profits.
- Assisted in the valuation of various closely held businesses in connection with dissenting shareholder cases, government compliance and divorce proceedings.
- Special Master overseeing management of various apartment complexes.
- Assisted Receiver with managing case involving multi-location truck stops with various environmental contamination and remediation issues.
- Assisted Receiver for multiple entities dealing with fraud investigation and litigation regarding investors, prior management, and auditors, with lost assets of \$20 million plus.

### Education

Arizona State University, Bachelors of Science in Justice Studies  
Arizona State University, Post Baccalaureate Certificate in Accountancy

DIC0010993

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**Background**

**Partner and Director of Fraud Examination**  
Gorman Consulting Group, LLC (formerly Gorman Litigation Support Services)  
August 2001 – Present

**Designations**

Certified Fraud Examiner (CFE) the Association of Certified Fraud Examiners (ACFE)

**Teaching**

State Bar of Arizona Family Law Institute: How to Look Behind the Tax Return, Where to Find Assets.

State Bar of Arizona Family Law Institute: Waste Not, Want Not, Presenting claims when community funds are used in ways that don't benefit the community.

Arizona Society of Certified Public Accountants: Determining Inaccurate Information and How It Affects Valuations.

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Chris J. Gorman, CFE

Testimony

Issue	Case Name	Case Number	Service	Attorney
Propriety of legal fees and costs	Melody Baker, et al. v. Motorola, Inc., et al.	Maricopa County (AZ) Superior Court No. CV 92-02603	Special Master	The Honorable Judge Steven Sheldon
Child Support	Sotelo v. Goraieb	Maricopa County (AZ) Superior Court No. FC 2004-012230	Special Master	The Honorable Judge Steven Sheldon
Marital Dissolution	White v. White	Maricopa County (AZ) Superior Court No. FN 2006-004487	Expert Witness	Mr. Charles A. Kellers
Marital Dissolution	Jaworski v. Jaworski	Maricopa County (AZ) Superior Court No. CV 92-02603	Special Master	The Honorable Judge Peter Reinstein
Marital Dissolution	Koolman v. Koolman	Maricopa County (AZ) Superior Court No. FC2004-009262	Expert Witness	Mr. Robert Schwartz
Marital Dissolution	Brooks v. Brooks	Maricopa County (AZ) Superior Court No. FC2007-001173	Expert Witness	Mr. Robert Schwartz
Forensic Accounting	GQR v. Armel	Navajo County (AZ) Superior Court No. CV2006-0169	Expert Witness	Mr. Thomas A. Stoops
Forensic Accounting	Rudolph v. Rudolph	Maricopa County (AZ) Superior Court No. FN2001-001220	Expert Witness	Ms. Teresa Thayer
Receiver Plaintiff	HSL Capital Fund I, LP et al. v. Masstricht, CPA et al.	Maricopa County (AZ) Superior Court No. CV 2011-017669	Receiver Plaintiff	Mr. Robert Mitchell
Forensic Accounting	Pacifico v. Pacifico	Maricopa County (AZ) Superior Court No. FC2013-000357	Expert Witness	Ms. Deean Gillespie
Forensic Accounting	Hall v. Bates, The Audrey S. Myers Revocable Trust	Maricopa County (AZ) Superior Court No. PB2013-002004	Expert Witness	Ms. Vera Stiesmeyer
Tracing / Marital Dissolution	Stabler v. Stabler	Maricopa County (AZ) Superior Court No. FN2012-004014	Expert Witness	Mr. Colin Jared
Marital Dissolution	Lihosit v. Lihosit	Maricopa County (AZ) Superior Court No. FC2012-091551	Expert Witness	Mr. Keith Evans
Child Support	Rossi v. Ball	Maricopa County (AZ) Superior Court No. FC2005-012182	Expert Witness	Pro Per Ms. Ball

DIC0010995

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Issue	Case Name	Case Number	Service	Attorney
Marital Dissolution	Hendricks v. Hendricks	Maricopa County (AZ) Superior Court No. FC2013-008628 Moved to Arbitration	Expert Witness	Mr. Daniel Zanon

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**Mark R. Hughes, CPA, ABV, CFF**

Certified Public Accountant  
Accredited In Business Valuation  
Certified In Financial Forensics  
Partner

O: 602.850.5111  
C: 480.823.0397  
E: Mark@gcgaz.com

**About**

Mr. Hughes is an Arizona Certified Public Accountant who has performed over 500 business valuation and litigation support engagements over the past ten years. Mark has assisted counsel in areas of financial dispute ranging from valuing professional practices for marital dissolution purposes to the restructuring of large corporations in bankruptcy proceedings. His expertise includes preparation of valuations of small to medium-sized businesses for a variety of purposes including marital dissolutions, business acquisition or sales and dispute resolution. Mark also provides expert opinions bankruptcy, loss of earnings calculations and other economic damage issues.

**Selected Experience**

- Provided expert testimony in Maricopa County Superior Court and Pima County Superior Court at trial in 16 cases over the past three years.
- Provided expert testimony at deposition in 5 cases over the past three years.
- Conducted forensic procedures in connection with business valuations for marital dissolution, shareholder disputes, and purchase price litigation.
- Performed before and after valuations of a medical practice to determine financial damages pursuant to a waste claim in a marital dissolution.
- Provided litigation support services in Federal Bankruptcy court in an earn-out compensation dispute involving \$10 million in damages.
- Performed forensic accounting analyses with respect to the comingling of funds and asset misappropriation in connection with a shareholder dispute.
- Experience in working with debtors in possession on budgeting and plan development throughout the Chapter 11 restructuring process.
- Experience performing preference analyses in connection with one of the largest bankruptcies in Arizona history.
- Significant experience in economic damages calculations and lost profits analyses with a focus in healthcare related practices.
- Significant experience in mediation and arbitration settings.

**GORMAN** | Consulting Group L.L.C.  
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**Education**

Butler University, Bachelors of Science in Accounting, Cum Laude

**Designations**

Certified Public Accountant (CPA)  
Accredited in Business Valuation (ABV) by AICPA  
Certified in Financial Forensics (CFF) by AICPA

**Background**

**Partner – Managing Director of Business Valuation**  
Gorman Consulting Group, LLC (Formerly Gorman Litigation Support Services)  
March 2012 – Present

*Senior Valuation Analyst*  
Henry & Home, LLP  
September 2010 – March 2012

*Senior Valuation Analyst*  
Kotzin Valuation Partners  
September 2008 – September 2010

*Senior Valuation Analyst*  
Greenwalt Sponsel & Co., Inc.  
May 2006 – September 2008

*Tax Staff*  
BKD, LLP  
August 2004 – May 2006

**Memberships**

American Institute of Certified Public Accountants (AICPA)  
Arizona Society of Certified Public Accountants (ASCPA)  
ASCPA Business Valuation Committee  
ASCPA Business Valuation Conference Committee  
Associate Member of Association of Certified Fraud Examiners (ACFE)

**Teaching**

**Articles:**  
The Rueschenberg Passive Rate of Return  
AZ CPA Society E-Newsletter October 2013

Walsh Appellate Ruling Series Part I  
AZ CPA Society E-Newsletter October 2013

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Walsh Appellate Ruling Series Part II  
*AZ CPA Society E-Newsletter November 2013*

Personal vs. Enterprise Goodwill  
*AZ CPA Journal, March/April 2012* Published by the Arizona Society of Certified Public Accountants

Articles In Henry & Horne Publication *Perspective*  
Integrating Excel and Access – Responding to Clients' Needs for Data Analysis January 18, 2012

Preference Analysis – the Median Absolute Deviation Method (Part 2)  
January 10, 2012

Preference Analysis – the Median Absolute Deviation Method (Part 1)  
November 9, 2011

IRS Publishes Official Version of the Discount for Lack of Marketability Job Aid  
September 26, 2011

Preference Analysis – The Pillowtex Decision  
September 20, 2011

U.S. Debt Downgrade and the Risk-Free Rate  
September 7, 2011

Phoenix Business Valuation in Uncertain Times  
August 30, 2011

How the Stock Market Affects the Valuation of Privately Held Companies – Part II  
August 11, 2011

How the Stock Market Affects the Valuation of Privately Held Companies – Part I  
August 9, 2011

**Classes:**

Arizona Society of Certified Public Accountants: Business Valuation Conference 2013: Moderator of Rueschenberg and Walsh Panel

Arizona Divorce Conference: A Detailed Look at Valuation Concepts 2015: Presenter and Panelist

**GORMAN Consulting Group L.L.C.**  
Valuation • Damages • Forensics • Receivership

Mark R. Hughes, CPA, ABV, CFF

Testimony

Issue	Case Name	Case Number	Forum	Attorney
Business Valuation	Castillo v. Castillo	Maricopa County (AZ) Superior Court No. FC 2011-091286	Trial	Matthew Schultz / Bruce Brown
Business Valuation	Villasenor v. Bergman	Maricopa County (AZ) Superior Court No. FC 2011-051992	Trial	James Schmillen / Bruce Brown
Business Valuation	Grover v. Grover	Maricopa County (AZ) Superior Court No. FC 2011-053478	Trial	Cynthia Best
Income Determination	Ruthem v. Ruthem	Maricopa County (AZ) Superior Court No. FC 2010-053636	Trial	Teresa Thayer
Business Valuation	Mortensen v. Mortensen	Maricopa County (AZ) Superior Court No. FN 2011-091456	Trial	Michael Delgado
Business Valuation	Keaggy v. Keaggy	Maricopa County (AZ) Superior Court No. FN 2012-002771	Trial	Michael Hurley / DeeAn Gillespie Strub
Income Determination	Goodstein v. Goodstein	Pima County (AZ) Superior Court No. D -2004 3244	Trial	Guy Bluff
Business Valuation	Barnet v. Medical Management Resources Group, LLC et al.	Maricopa County (AZ) Superior Court No. CV 2011-020543	Deposition	Joseph Schenk
Business Valuation	Schultz v. Schultz	Maricopa County (AZ) Superior Court No. FC 2012-090815	Trial	Guy Bluff
Business Valuation	Boekenoogen v. Samaras	Maricopa County (AZ) Superior Court No. FN 2009-091307	Trial	Richard Seyffer
Economic Damages	MT Properties, LLC v. Chicago Title Insurance Co.	Maricopa County (AZ) Superior Court No. CV 2013-002183	Deposition	Nathaniel Rose
Business Valuation	Hansen v. Hansen	Maricopa County (AZ) Superior Court No. FN 2013-091770	Trial	Frederick Thompson
Business Valuation	Kruja v. Kruja	Maricopa County (AZ) Superior Court No. FC 2013-053190	Trial	Joseph Collins / David Goldfarb
Business Valuation	Archuleta v. Paglia	Maricopa County (AZ) Superior Court No. FN 2013-092072	Trial	Mark Shields / Matthew Liszewski

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Issue	Case Name	Case Number	Forum	Attorney
Economic Damages	Valley Laundries, LLC v. John Cao, et al.	Maricopa County (AZ) Superior Court No. CV2014-095432	Deposition	David Larkin
Income Determination	Hirsch v. Fraser	Maricopa County (AZ) Superior Court No. FN 2013-052612	Trial	Yvette Ansel
Forensic Accounting	Edenholm v. Bolden	Maricopa County (AZ) Superior Court No. FC 2014-007670	Trial	Catherine Creighton
Business Valuation	Sadlon v. Sadlon	Maricopa County (AZ) Superior Court No. FC 2013-009941	Trial	Holly Bartee
Business Valuation/ Income Determination	Whipple v. Whipple	Maricopa County (AZ) Superior Court No. FC 2014-052405	Trial	Steve Ellsworth / Heath McWhorter
Business Valuation	Klein v. Klein	Maricopa County (AZ) Superior Court No. FC 2014-094095	Deposition	Ronee Steiner/Dorian Eden
Business Valuation	Williams v. Williams	Maricopa County (AZ) Superior Court No. FN2013-051684	Deposition	Dorian Eden
Business Valuation	Ely v. Ely	Maricopa County (AZ) Superior Court No. FN2015-052029	Trial	Dustin Dudley / Matthew Schultz

DIC0011001

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**David S. Foster, CPA, ABV, CFE**

Certified Public Accountant  
Accredited in Business Valuation  
Certified Fraud Examiner  
Senior Analyst

O: 602.850.5111  
C: 480.242.3957  
E: David@gcgaz.com

**About**

Mr. Foster performs the extensive document review, research, interviewing and other various work involved in accounting litigation matters. He is a graduate of Arizona State University with a Bachelors of Science in Accountancy and a Masters of Accountancy. He has assisted with over 200 business valuations and litigation support engagements over the past three years.

**Experiiece**

- Performed appraisals of partnership, membership, and shareholder interests for estate and gift tax purposes.
- Performed valuations of operating companies for Employee Stock Ownership Plans and for estate and gift tax purposes.
- Performed valuations of undivided interests in real property for estate and gift tax purposes.
- Performed valuation analyses related to shareholder disputes, management performance, and marital dissolution.
- Provided litigation support services, forensic accounting services with respect to the comingling of funds and asset misappropriation.

**Education**

Arizona State University, Masters of Accountancy  
Arizona State University, Bachelors of Science in Accountancy

**Designations**

Certified Public Accountant (CPA)  
Accredited in Business Valuation (ABV)  
Certified Fraud Examiner (CFE)

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**Background**

**Senior Valuation Analyst**

Gorman Consulting Group, LLC (formerly Gorman Litigation Support Services)  
October 2013 – Present

Valuation Analyst  
Henry & Home, LLP  
May 2011 - October 2013

*Intern/ Volunteer*  
Phoenix Police Department, Document Crimes  
August 2009 - May 2011

*Lead Pharmacy Technician*  
CVS Caremark Corporation  
May 2001 - May 2010

**Memberships**

Affiliate Member of American Institute of Certified Public Accountants (AICPA)  
Association of Certified Fraud Examiners (ACFE)

**GORMAN** | Consulting Group L.L.C.  
Valuation • Damages • Forensics • Receivership



**Eric R. Wolf**

Director - Valuation

O: 602.850.5111

C: 480.221.2602

E: Eric@gcgaz.com

**About**

Mr. Wolf has provided valuation and litigation support services for over seven years. Specific areas of expertise and interest include the valuation of complex securities for financial reporting and tax purposes, development of quantitative models, and assisting clients in the automation of valuation processes. Additionally, he has provided valuation services related to intangible assets, fresh start accounting, mergers and acquisitions, estate and gift tax, marital dissolution, economic damages, and commercial bankruptcy.

**Experience**

- Utilized option pricing models and probability-weighted models to value phantom stock units, profits interest units, common stock, options, and warrants for privately-held companies with complex capital structures in accordance with ASC 718 and IRC 409A.
- Valued intangible assets for purchase price allocation purposes for publicly-traded and privately-held companies in accordance with ASC 805.
- Performed business valuations for several of the largest privately-held companies in Arizona for estate and gift tax purposes.
- Provided litigation support services related to marital dissolution, lost profits, shareholder disputes, and economic damages.
- Conducted goodwill impairment testing for public and private companies in accordance with ASC 350.
- Prepared lattice and Monte Carlo simulation models for purposes of valuing restricted stock units, stock options, and other equity awards issued by publicly-traded companies in accordance with ASC 718 and IRC 409A.
- Assisted private and public companies in the impairment of finite lived intangible assets in accordance with ASC 360.
- Constructed simulation models for use in the valuation of equity securities containing market conditions for private equity and venture capital backed companies in accordance with ASC 718 and IRC 409A.

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- Developed Monte Carlo simulation models for purposes of valuing relative total stock return (RTSR) performance units issued by publicly-traded companies.
- Created probability weighted expected return and Monte Carlo simulation models for purposes of valuing contingent consideration (earnouts) and equity clawbacks.
- Utilized Monte Carlo simulation models to value structured products, including power reverse dual-currency notes and customized warrants.
- Assisted hedge funds and private equity firms in the valuation of illiquid assets including equity securities, debt instruments, and tax liens.
- Experienced working with numerous audit firms including Deloitte, McGladrey, PriceWaterhouseCoopers, Ernst & Young, KPMG, Grant Thornton, CliftonLarsonAllen, Moss Adams, BDO, and Eide Bailly.
- Provided bankruptcy litigation consulting services related to the cram down of interest rates and the determination of preference payments.
- Assisted clients in the mergers and acquisitions process by preparing cash flow forecasts, feasibility analyses, and valuation models.

**Education**

Arizona State University – Barrett Honors College  
Bachelors of Science in Finance  
Bachelors of Science in Economics

**Background**

*Director - Valuation*  
Gorman Consulting Group  
August 2014 – Present

*Manager*  
Kotzin Valuation Partners  
January 2010 – August 2014

*Associate*  
Ringel Kotzin Valuation  
May 2007 – December 2009

Beauchamp  
EXH. NO. 255  
7-19-18  
Kelly S. Oglesby CR 50178

**Beauchamp, David G.**

**From:** Beauchamp, David G.  
**Sent:** Tuesday, August 09, 2016 5:39 PM  
**To:** Kevin R. Merritt  
**Cc:** Trinity Osborne; James F. Polese  
**Subject:** RE: DenSco Investment

Kevin:

Did Peter send you that or did you talk to someone at the Securities Division or the AZ Corporation Commission?

On Monday afternoon, I talked to Wendy Coy, Director of Enforcement at the Securities Division, but I have not filed anything or even sent a letter yet. Wendy is to meet with us Wednesday afternoon and she wanted the information before the meeting. Since the information is locked up in Denny's house and nobody will have access to DenSco's files until after 9:00 tomorrow morning, I will not even be able to review the boxes of files to look for the requested information until after the deadline has passed. Accordingly, it is not possible to meet the deadline. I do not know what information is currently available or what information will be in the file boxes and when it might be available to be copied and delivered to the Securities Division. I had told the Securities Division that on Friday, but somehow that did not get inserted into the subpoena.

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) | 602.319.5692 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Kevin R. Merritt [<mailto:KMerritt@qblaw.com>]  
**Sent:** Tuesday, August 09, 2016 5:18 PM  
**To:** Beauchamp, David G.  
**Cc:** Trinity Osborne; James F. Polese  
**Subject:** DenSco Investment

David,

I just received a copy of the Subpoena from the Securities Division. I see that the date and time for production is tomorrow at 10:00 am. Has your office responded to seek an extension?

Best,

Kevin

**Kevin R. Merritt**

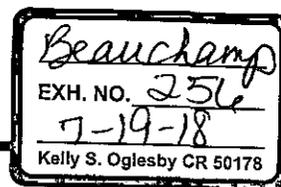
602.256.4481 Direct | [KMerritt@qblaw.com](mailto:KMerritt@qblaw.com) | [Profile](#)

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Beauchamp, David G.



**From:** Beauchamp, David G.  
**Sent:** Tuesday, August 09, 2016 8:02 PM  
**To:** Craig and Samantha Hood  
**Cc:** acatejr@gmail.com; amydirks@hotmail.com; anthjen@yahoo.com; artnina@hotmail.com; Aztonysmith@aol.com; aztonysmith@gmail.com; barryluchtel@gmail.com; bdirks5@cox.net; bji@cox.net; bjlocke64@yahoo.com; bjodenthal@frontier.com; brian.wenig@honeywell.com; burdett.anthony@gmail.com; butlerv@yahoo.com; carricks3@ak.net; czj528@hotmail.com; dariosdad@gmail.com; dave@prestoncpa.biz; davedubay@gmail.com; dhowze@cox.net; don-cindy@cableone.net; Doriann@cox.net; eileencohen@me.com; epcarrick@gmail.com; glenpdavis@gmail.com; gsiegford@msn.com; hahnaz2@cox.net; hey.ralph01@gmail.com; hikthestik@aol.com; jackdds@myway.com; jamccoy32@gmail.com; jbhok@yahoo.com; jemmakopel@hotmail.com; jgsiegford@yahoo.com; jimmy@flytrapproductions.com; jimpatmc44@gmail.com; jkjetto@yahoo.com; Jphalen00@aol.com; jwalker113@cox.net; kayell121@cs.com; kaylene.moss@avnet.com; kennel@yahoo.com; landonluchtel@gmail.com; lanka2000@yahoo.com; Laurieweiskopf@gmail.com; lkopel22@hotmail.com; mark.wenig@gmail.com; mbencekent@yahoo.com; mlminvestor@gmail.com; mrsbeasley68@verizon.net; mscroggin@me.com; nihad@yahoo.com; nswirtz@me.com; patsmiller21@gmail.com; Paul\_a\_kent@yahoo.com; pearces@mailhaven.com; Peter.Rzonca@Avnet.com; pldupper@gmail.com; quelalively@yahoo.com; ralph@kaisertile.net; rbrinkman@yahoo.com; rgriswold3@stny.rr.com; robertflawson@gmail.com; rzkoehler@yahoo.com; sdetota@yahoo.com; sdetota99@yahoo.com; sdtuttle@gmail.com; smschloz@msn.com; steve@bunger.me; stewart.sherriff@gmail.com; switchback62@hotmail.com; terryleeAZ@comcast.net; thomasbyrne11@gmail.com; thompsc2@cox.net; trovita@gmail.com; uaflyor767@gmail.com; valeriepaxton@gmail.com; vimuscat@gmail.com; wadeunderwood@hotmail.com; wbush1120@comcast.net; wjswirtz@me.com; wka@caribbeanpoolsaz.com; yusuf@comsiscomputer.com

**Subject:** RE: Additional DenSco Information

Craig:

I do not think that the state has talked to anywhere near 40 Investors. I think the State is probably aggregating all calls into every state agency concerning this matter, which would obviously include duplicates and other people interested in seeing what opportunities they might find. However, the Securities Division is keeping track of all of the time that anyone in the Division is spending on this matter.

In other cases, Investors have been able work with state agencies to draw upon the resources and skills of the state investigators to reduce cost and to improve results. I think we need to keep pushing that, but not at the expense that the Securities Division uses DenSco funds to subsidize the Divisions funds for its employees. It is fine line that we need to walk. We need to be willing but not overly anxious to turn it over to the Securities Division. Several people in government made names and careers with the Mortgages Ltd. matter and we do not want this to turn into anything like that.

Note: In a fraud case, DenSco and its Investors would be entitled to receive (at the discretion of the court) reasonable attorneys' fees, its costs and investigation costs. So long as sufficient assets of the person who committed the fraud are available to satisfy DenSco its Investors and DenSco's other costs, then I have no problem with paying these costs. I just do not want the costs to become a priority over the right of the Investors to get their money back.

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](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Craig and Samantha Hood [mailto:greeraz@gmail.com]

**Sent:** Tuesday, August 09, 2016 7:44 PM

**To:** Beauchamp, David G.

**Cc:** Thomas Byrne; Craig Brown; [acatejr@gmail.com](mailto:acatejr@gmail.com); [amydirks@hotmail.com](mailto:amydirks@hotmail.com); [anthjen@yahoo.com](mailto:anthjen@yahoo.com); [artnina@hotmail.com](mailto:artnina@hotmail.com); [Aztonysmith@aol.com](mailto:Aztonysmith@aol.com); [aztonysmith@gmail.com](mailto:aztonysmith@gmail.com); [barryluchtel@gmail.com](mailto:barryluchtel@gmail.com); [bdirks5@cox.net](mailto:bdirks5@cox.net); [bjj@cox.net](mailto:bjj@cox.net); [bjlocke64@yahoo.com](mailto:bjlocke64@yahoo.com); [bjodenthal@frontier.com](mailto:bjodenthal@frontier.com); [brian.wenig@honeywell.com](mailto:brian.wenig@honeywell.com); [burdett.anthony@gmail.com](mailto:burdett.anthony@gmail.com); [butlerv@yahoo.com](mailto:butlerv@yahoo.com); [carricks3@ak.net](mailto:carricks3@ak.net); [czj528@hotmail.com](mailto:czj528@hotmail.com); [dariosdad@gmail.com](mailto:dariosdad@gmail.com); [dave@prestoncpa.biz](mailto:dave@prestoncpa.biz); [davedubay@gmail.com](mailto:davedubay@gmail.com); [dhowze@cox.net](mailto:dhowze@cox.net); [don-cindy@cableone.net](mailto:don-cindy@cableone.net); [Doriann@cox.net](mailto:Doriann@cox.net); [eileencohen@me.com](mailto:eileencohen@me.com); [epcarrick@gmail.com](mailto:epcarrick@gmail.com); [glenpdavis@gmail.com](mailto:glenpdavis@gmail.com); [gsiegford@msn.com](mailto:gsiegford@msn.com); [hahnaz2@cox.net](mailto:hahnaz2@cox.net); [hey.ralph01@gmail.com](mailto:hey.ralph01@gmail.com); [hikthestik@aol.com](mailto:hikthestik@aol.com); [jackdds@myway.com](mailto:jackdds@myway.com); [jamccoy32@gmail.com](mailto:jamccoy32@gmail.com); [jbhok@yahoo.com](mailto:jbhok@yahoo.com); [jemmakopel@hotmail.com](mailto:jemmakopel@hotmail.com); [jgsiegford@yahoo.com](mailto:jgsiegford@yahoo.com); [jimmy@flytrapproductions.com](mailto:jimmy@flytrapproductions.com); [jimpatmc44@gmail.com](mailto:jimpatmc44@gmail.com); [jkjetto@yahoo.com](mailto:jkjetto@yahoo.com); [Jphalen00@aol.com](mailto:Jphalen00@aol.com); [jwalker113@cox.net](mailto:jwalker113@cox.net); [kayell121@cs.com](mailto:kayell121@cs.com); [kaylene.moss@avnet.com](mailto:kaylene.moss@avnet.com); [kennenl@yahoo.com](mailto:kennenl@yahoo.com); [landonluchtel@gmail.com](mailto:landonluchtel@gmail.com); [lanka2000@yahoo.com](mailto:lanka2000@yahoo.com); [Laurieweiskopf@gmail.com](mailto:Laurieweiskopf@gmail.com); [lkopel22@hotmail.com](mailto:lkopel22@hotmail.com); [mark.wenig@gmail.com](mailto:mark.wenig@gmail.com); [mbencekent@yahoo.com](mailto:mbencekent@yahoo.com); [mminvestor@gmail.com](mailto:mminvestor@gmail.com); [mrsbeasley68@verizon.net](mailto:mrsbeasley68@verizon.net); [mscroggin@me.com](mailto:mscroggin@me.com); [nihad@yahoo.com](mailto:nihad@yahoo.com); [nswirtz@me.com](mailto:nswirtz@me.com); [patsmiller21@gmail.com](mailto:patsmiller21@gmail.com); [Paul\\_a\\_kent@yahoo.com](mailto:Paul_a_kent@yahoo.com); [pearces@mailhaven.com](mailto:pearces@mailhaven.com); [Peter.Rzonca@Avnet.com](mailto:Peter.Rzonca@Avnet.com); [pldupper@gmail.com](mailto:pldupper@gmail.com); [quelalively@yahoo.com](mailto:quelalively@yahoo.com); [ralph@kaisertile.net](mailto:ralph@kaisertile.net); [rbrinkman@yahoo.com](mailto:rbrinkman@yahoo.com); [rgriswold3@stny.rr.com](mailto:rgriswold3@stny.rr.com); [robertflawson@gmail.com](mailto:robertflawson@gmail.com); [rzkoehler@yahoo.com](mailto:rzkoehler@yahoo.com); [sdetota@yahoo.com](mailto:sdetota@yahoo.com); [sdetota99@yahoo.com](mailto:sdetota99@yahoo.com); [sdtuttle@gmail.com](mailto:sdtuttle@gmail.com); [smschloz@msn.com](mailto:smschloz@msn.com); [steve@bunger.me](mailto:steve@bunger.me); [stewart.sherriff@gmail.com](mailto:stewart.sherriff@gmail.com); [switchback62@hotmail.com](mailto:switchback62@hotmail.com); [terryleeAZ@comcast.net](mailto:terryleeAZ@comcast.net); [thompsc2@cox.net](mailto:thompsc2@cox.net); [uaflyor767@gmail.com](mailto:uaflyor767@gmail.com); [valeriepaxton@gmail.com](mailto:valeriepaxton@gmail.com); [vimuscat@gmail.com](mailto:vimuscat@gmail.com); [wadeunderwood@hotmail.com](mailto:wadeunderwood@hotmail.com); [wbush1120@comcast.net](mailto:wbush1120@comcast.net); [wjswirtz@me.com](mailto:wjswirtz@me.com); [wka@caribbeanpoolsaz.com](mailto:wka@caribbeanpoolsaz.com); [yusuf@comsiscomputer.com](mailto:yusuf@comsiscomputer.com)

**Subject:** Re: Additional DenSco Information

It's odd. I spoke to Bill the main investigator around 1:30pm and he said we were the 2nd investor to call in. It will take them 13 hours to speak to 40 people - simple math...

Also in our 20 min interview they didn't ask anything about whether or not we preferred they took on the investigation. Not sure it matters but it's all too strange. I wonder if we're paying you to read this email?

And we are going to pay to investigate and prosecute the criminals who defrauded us and stole our money (allegedly)?

Thanks,

Craig Hood

On Aug 9, 2016, at 6:58 PM, Beauchamp, David G. <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

Thomas:

Shawna will be there or she will be on the phone. I agree that it is not optimum to have limited resources at this meeting, but we need to see how the Securities Division will play their hand. This is supposed to simply be an informed discussion. If they tell us that they will charge DenSco for the time and fees of the investigators and other staff of the Securities Division and the Assistant Attorney General assigned to this matter as well as the Receiver, the Receiver's

attorneys, and the Receiver's accountants, then we will need to say that we have to discuss this with the Investors. However, the Director of the Enforcement Division has stated that the Securities Division has talked to almost 40 of the Investors and all favor the state taking over the investigation and administration of this matter. I think that statement is a stretch, but we will need to listen to them and we then will be able to respond. I think the Securities Division has the resources to more effectively investigate and pursue the claims against Menaged and anyone who worked with him to pull off the alleged fraud.

Best regards, David

**David G. Beauchamp**

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**From:** Thomas Byrne [<mailto:thomasbyrne11@gmail.com>]

**Sent:** Tuesday, August 09, 2016 7:37 AM

**To:** Beauchamp, David G.

**Cc:** Craig and Samantha Hood; Craig Brown; [acatejr@gmail.com](mailto:acatejr@gmail.com); [amydirks@hotmail.com](mailto:amydirks@hotmail.com); [anthjen@yahoo.com](mailto:anthjen@yahoo.com); [artnina@hotmail.com](mailto:artnina@hotmail.com); [Aztonysmith@aol.com](mailto:Aztonysmith@aol.com); [aztonysmith@gmail.com](mailto:aztonysmith@gmail.com); [barryluchtel@gmail.com](mailto:barryluchtel@gmail.com); [bdirks5@cox.net](mailto:bdirks5@cox.net); [bjii@cox.net](mailto:bjii@cox.net); [bjlocke64@yahoo.com](mailto:bjlocke64@yahoo.com); [bjodenthal@frontier.com](mailto:bjodenthal@frontier.com); [brian.wenig@honeywell.com](mailto:brian.wenig@honeywell.com); [burdett.anthony@gmail.com](mailto:burdett.anthony@gmail.com); [butlerv@yahoo.com](mailto:butlerv@yahoo.com); [carricks3@ak.net](mailto:carricks3@ak.net); [czi528@hotmail.com](mailto:czi528@hotmail.com); [dariosdad@gmail.com](mailto:dariosdad@gmail.com); [dave@prestoncpa.biz](mailto:dave@prestoncpa.biz); [davedubay@gmail.com](mailto:davedubay@gmail.com); [dhowze@cox.net](mailto:dhowze@cox.net); [don-cindy@cableone.net](mailto:don-cindy@cableone.net); [Doriann@cox.net](mailto:Doriann@cox.net); [eileencohen@me.com](mailto:eileencohen@me.com); [epcarrick@gmail.com](mailto:epcarrick@gmail.com); [glenpdavis@gmail.com](mailto:glenpdavis@gmail.com); [gsiegford@msn.com](mailto:gsiegford@msn.com); [hahnaz2@cox.net](mailto:hahnaz2@cox.net); [hey.ralph01@gmail.com](mailto:hey.ralph01@gmail.com); [hikthestik@aol.com](mailto:hikthestik@aol.com); [jackdds@myway.com](mailto:jackdds@myway.com); [jamccoy32@gmail.com](mailto:jamccoy32@gmail.com); [jbhok@yahoo.com](mailto:jbhok@yahoo.com); [jemmakopel@hotmail.com](mailto:jemmakopel@hotmail.com); [jgsiegford@yahoo.com](mailto:jgsiegford@yahoo.com); [jimmy@flytrapproductions.com](mailto:jimmy@flytrapproductions.com); [jimpatmc44@gmail.com](mailto:jimpatmc44@gmail.com); [jkietto@yahoo.com](mailto:jkietto@yahoo.com); [Jphalen00@aol.com](mailto:Jphalen00@aol.com); [jwalker113@cox.net](mailto:jwalker113@cox.net); [kayell121@cs.com](mailto:kayell121@cs.com); [kaylene.moss@avnet.com](mailto:kaylene.moss@avnet.com); [kennenl@yahoo.com](mailto:kennenl@yahoo.com); [landonluchtel@gmail.com](mailto:landonluchtel@gmail.com); [lanka2000@yahoo.com](mailto:lanka2000@yahoo.com); [Laurieweiskopf@gmail.com](mailto:Laurieweiskopf@gmail.com); [lkopel22@hotmail.com](mailto:lkopel22@hotmail.com); [mark.wenig@gmail.com](mailto:mark.wenig@gmail.com); [mbencekent@yahoo.com](mailto:mbencekent@yahoo.com); [mlminvestor@gmail.com](mailto:mlminvestor@gmail.com); [mrsbeasley68@verizon.net](mailto:mrsbeasley68@verizon.net); [mscroggin@me.com](mailto:mscroggin@me.com); [nihad@yahoo.com](mailto:nihad@yahoo.com); [nswirtz@me.com](mailto:nswirtz@me.com); [patsmiller21@gmail.com](mailto:patsmiller21@gmail.com); [Paul\\_a\\_kent@yahoo.com](mailto:Paul_a_kent@yahoo.com); [pearces@mailhaven.com](mailto:pearces@mailhaven.com); [Peter.Rzonca@Avnet.com](mailto:Peter.Rzonca@Avnet.com); [pldupper@gmail.com](mailto:pldupper@gmail.com); [quelalively@yahoo.com](mailto:quelalively@yahoo.com); [ralph@kaisertile.net](mailto:ralph@kaisertile.net); [rbrinkman@yahoo.com](mailto:rbrinkman@yahoo.com); [rgriswold3@stny.rr.com](mailto:rgriswold3@stny.rr.com); [robertflawson@gmail.com](mailto:robertflawson@gmail.com); [rskoehler@yahoo.com](mailto:rskoehler@yahoo.com); [sdetota@yahoo.com](mailto:sdetota@yahoo.com); [sdetota99@yahoo.com](mailto:sdetota99@yahoo.com); [sdtuttle@gmail.com](mailto:sdtuttle@gmail.com); [smschloz@msn.com](mailto:smschloz@msn.com); [steve@bunger.me](mailto:steve@bunger.me); [stewart.sherriff@gmail.com](mailto:stewart.sherriff@gmail.com); [switchback62@hotmail.com](mailto:switchback62@hotmail.com); [terryleeAZ@comcast.net](mailto:terryleeAZ@comcast.net); [thompscq2@cox.net](mailto:thompscq2@cox.net); [uaflyor767@gmail.com](mailto:uaflyor767@gmail.com); [valeriepaxton@gmail.com](mailto:valeriepaxton@gmail.com); [vimuscat@gmail.com](mailto:vimuscat@gmail.com); [wadeunderwood@hotmail.com](mailto:wadeunderwood@hotmail.com); [wbush1120@comcast.net](mailto:wbush1120@comcast.net); [wiswirtz@me.com](mailto:wiswirtz@me.com); [wka@caribbeanpoolsaz.com](mailto:wka@caribbeanpoolsaz.com); [yusuf@comsiscomputer.com](mailto:yusuf@comsiscomputer.com)

**Subject:** Re: Additional DenSco Information

David,

So just so it is clear - who in addition to you do we anticipate having at this meeting? Would seem to me that it would be at least prudent to have one or two other people, even if it was just another pair of ears tasked to listen so we can capture and debrief re the situation.

Tom

On Mon, Aug 8, 2016 at 7:14 PM, Beauchamp, David G. <[DBeauchamp@clarkhill.com](mailto:DBeauchamp@clarkhill.com)> wrote:

Craig:

The Securities Division has made it clear that they would like to have a Receiver appointed with its own legal counsel and they will handle all of the communication with the Investors going forward.

With respect to your question concerning the Wednesday meeting, the Director of Enforcement had someone from her office relay a message to me that they do not want any investors (or attorneys for investors) at the Wednesday meeting. They seem to have a very specific agenda and they want as few people there as possible so that they can keep to their agenda. Since they have declined to share their agenda prior to the meeting, I am not exactly sure what all is to be covered.

Best regards, David

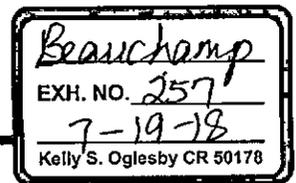
**David G. Beauchamp**

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Beauchamp, David G.



**From:** Beauchamp, David G.  
**Sent:** Tuesday, August 09, 2016 8:45 PM  
**To:** acatejr@gmail.com; amydirks@hotmail.com; anthjen@yahoo.com; artnina@hotmail.com; Aztonysmith@aol.com; aztonysmith@gmail.com; barryluchtel@gmail.com; bdirks5@cox.net; bji@cox.net; bjlocke64@yahoo.com; bjodenthal@frontier.com; brian.wenig@honeywell.com; burdett.anthony@gmail.com; butlerv@yahoo.com; carricks3@ak.net; czj528@hotmail.com; dariosdad@gmail.com; dave@prestoncpa.biz; davedubay@gmail.com; dhowze@cox.net; don-cindy@cableone.net; Doriann@cox.net; eileencohen@me.com; epcarrick@gmail.com; glenpdavis@gmail.com; greeraz@gmail.com; gsiegforsd@msn.com; hahnaz2@cox.net; hey.ralph01@gmail.com; hikthestik@aol.com; jackdds@myway.com; jamccooy32@gmail.com; jbhok@yahoo.com; jemmakopel@hotmail.com; jgsiegforsd@yahoo.com; jimmy@flytrapproductions.com; jimpatmc44@gmail.com; jkjetto@yahoo.com; Jphalen00@aol.com; jwalker113@cox.net; kayell121@cs.com; kaylene.moss@avnet.com; kennel@yahoo.com; landonluchtel@gmail.com; lanka2000@yahoo.com; Laurieweiskopf@gmail.com; lkopel22@hotmail.com; mark.wenig@gmail.com; mbencekent@yahoo.com; mlminvestor@gmail.com; mrsbeasley68@verizon.net; mscroggin@me.com; nihad@yahoo.com; nswirtz@me.com; patsmiller21@gmail.com; Paul\_a\_kent@yahoo.com; pearces@mailhaven.com; Peter.Rzonca@Avnet.com; pldupper@gmail.com; quelalively@yahoo.com; ralph@kaisertile.net; rbrinkman@yahoo.com; rgriswold3@stny.rr.com; robertflawson@gmail.com; rzkoehler@yahoo.com; sdetota@yahoo.com; sdetota99@yahoo.com; sdtuttle@gmail.com; smschloz@msn.com; steve@bunger.me; stewart.sherriff@gmail.com; switchback62@hotmail.com; terryleeAZ@comcast.net; thomasbyrne11@gmail.com; thompsc2@cox.net; trovita@gmail.com; uaflyor767@gmail.com; valeriepaxton@gmail.com; vimuscat@gmail.com; wadeunderwood@hotmail.com; wbush1120@comcast.net; wjswirtz@me.com; wka@caribbeanpoolsaz.com; yusuf@comsiscomputer.com  
**Subject:** Additional DenSco Information

DenSco Investors:

Set forth below are some questions that an Investor sent to me (several other Investors had similar questions). So I believe the questions and answers should be shared with all of the Investors.

Please understand that I am not the financial or bankruptcy expert to evaluate the potential recovery from Scott Menaged or the other unsecured claims. I have asked a couple of people for help to provide you with some direction, but they were not comfortable to even make an educated guess. Despite the fact that I am not an expert in these types of matters and I am not qualified to make any projections, please see my preliminary thoughts below. However, please understand that these preliminary thoughts could be proven to be completely wrong if we are able to obtain better information.

.....

We need to know realistically what to expect so we can plan the rest of our lives. \*\*\*\* Until I know what the Securities Division plans to do, I do not know what chance DenSco has to go after Scott Menaged and to recover the substantial majority of the Investors' money. If I had to guess, I believe a Receiver will be appointed, but the Receiver is not to pursue a fraud or collection case/action until the Receiver has sufficient evidence for the Receiver to believe that the fraud case is more likely than not to be successful and that the defendant has sufficient available assets to satisfy any

judgment that may be obtained. Since the Menaged bankruptcy case was filed as a "no asset" bankruptcy, that does not look promising, but the US Trustee has taken actions to bring assets into that case that Scott Menaged had tried to exclude. That sounds promising, but I have no idea as to the value of those additional assets. Again, only time and investigation can clarify the answers to these questions.

I need you best-guess answer on:

What are the chances of getting any money at all back in the future? \*\*\*\* I do not know how much you previously invested, but any return to investors is generally done on a pro-rata basis based on the amount you had invested. According to a preliminary review of DenSco's records, there is approximately \$51 + million invested. So you should receive a percentage of any assets recovered and not needed for the costs of the Receivership or its collection efforts, calculated as follows: (Available DenSco proceeds) multiplied by the percentage determined by: (the amount you invested) divided by (\$51 million.)

Will the money from Densco's bank account and good loans go to pay legal fees in the future? \*\*\*\* That will be the decision of the Receiver so long as the Receiver can demonstrate that there is a greater likelihood of success in the collection efforts as noted above. Normally, a good portion of the initially available funds are applied to investigation costs and the pursuit of potential recovery.

If there is a chance of getting any money back; if so how long in the future would you think it would be? \*\*\*\* In these types of matters, they can last two to three years or longer. In this case, I believe that the anticipated problems to collect all of DenSco's assets from Scott Menaged and Auction.com, I believe it will be longer than 3 years. If sufficient funds are collected and available, there is sometimes (rare but it happens) an interim distribution before all of the potential assets are collected.

Do any lawyers, forensic auditors, and anyone else that you hire get paid hourly or on a contingency basis? \*\*\*\*In some collection cases, there are modified contingency fees negotiated by the Receiver, but fraud actions (with questionable assets for collection) are difficult cases to get attorneys to take on a contingency fee basis.

We really appreciate your efforts so far and hopefully the results turn out well.

Thanks again for what you are doing.

\*\*\*\*\*

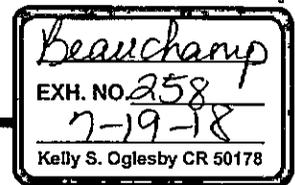
**David G. Beauchamp**

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**Beauchamp, David G.**



**From:** Beauchamp, David G.  
**Sent:** Friday, August 12, 2016 3:54 PM  
**To:** SHawna Heuer  
**Cc:** Kevin R. Merritt; James F. Polese  
**Subject:** RE: DenSco Investment Corporation

Shawna:

Except for the new information about the old computer, your comments concerning Denny's computer are exactly what you said on Wednesday. It is also what I have repeated to Wendy when she asked today.

Have a safe trip home!

Best regards, David

**David G. Beauchamp**

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**From:** SHawna Heuer [mailto:shawnaseverest@gmail.com]  
**Sent:** Friday, August 12, 2016 3:49 PM  
**To:** James F. Polese  
**Cc:** Wendy Coy; Gary Clapper; Kevin R. Merritt; Beauchamp, David G.  
**Subject:** Re: DenSco Investment Corporation

I am going to answer the question regarding Denny's laptop.

His laptop (that is in David's office) is the only Densco computer and his only personal computer that has been used in the last few years. He has an old laptop in his office he does not use, with an old operating system, that he told me took 30 minutes to warm up and only had old family photos on it. e had transferred all files to his new laptop. This old laptop was replaced with the one in David's office.

Yes, there is personal and Densco information on the computer in David's office. I was clear in the meeting on Wednesday expressing that. Wendy or Gary, mentioned "taking a ghost copy" of the hard drive. I would like Jim and Kevin to decide how best to get the information to you from the laptop.

Hope this clears up any confusion about his computer.

Thank you,

Shawna

On Fri, Aug 12, 2016 at 3:01 PM, James F. Polese <[jpolese@gblaw.com](mailto:jpolese@gblaw.com)> wrote:

Ms. Coy:

I think we can get our list of acceptable receivers by Monday afternoon. I may not have CVs but you will have the list.

I don't think we need further colloquy on the issue of the production. As I am sure you are aware when you have a one person entity. Differentiating between what is personal and what is corporate becomes blurry. I know of only the single laptop that was used for both. Who actually is the owner – I don't know.

I do want to reiterate that our client has instructed us to work as cooperatively as possible with you and with investors in the effort to unravel this mess. It remains our view at this point in time from what we have seen that DenSco and Mr. Chittick were the victims of a fraud, not the perpetrators.

**James F. Polese**

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jpolese@qblaw.com

---

**From:** Wendy Coy [mailto:[WC@azcc.gov](mailto:WC@azcc.gov)]

**Sent:** Friday, August 12, 2016 2:49 PM

**To:** James F. Polese

**Cc:** '[shawnaseverest@gmail.com](mailto:shawnaseverest@gmail.com)'; Gary Clapper; Kevin R. Merritt; '[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com)'

**Subject:** RE: DenSco Investment Corporation

Mr. Polese –

Thank you for your prompt response. The Securities Division needed to clarify the representation of the DenSco. Also, I wanted to address a couple of points in your email.

It is my understanding that Mr. Chittick's personal laptop is also the corporate computer and contains corporate records. If there is a separate corporate computer, please let us know. The Securities Division does not need or want any of the personal information of Mr. Chittick. However, if there is corporate information within the personal information, I believe that would be covered by the subpoena.

I believe I indicated to Mr. Beauchamp that I understood the position stated by counsel on the documents.

As to the appointment of the receiver, I appreciate the position that the estate is willing to work with the Securities Division on the appointment of a receiver. I did discuss two possible receivers with Mr. Beauchamp last Wednesday. Both have worked with this office before and have good reputations for controlling expenses. The Securities Division believes either would be appropriate to appoint on this matter. I am able to forward their CV's and fee schedules if you would like the information. We are more than willing to consider any one you suggest.

Due to the precarious situation DenSco is in, the sooner we can move forward with a receiver the better. With that being said, if possible would you be able to provide me your receiver suggestions by Monday afternoon?

I would be willing to discuss any of these issues with you in person or over the phone at any time. I will be checking emails throughout the weekend. I plan to be in the office Saturday morning.

If there is anything else, please let me know.

Wendy Coy

**Wendy Coy**

Director of Enforcement

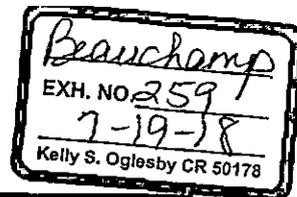
Arizona Corporation Commission

Securities Division

1300 W. Washington, 3<sup>rd</sup> Floor

Phoenix, Arizona 85007

(602)542-0633



**Beauchamp, David G.**

**From:** Glen Davis <glenpdavis@gmail.com>  
**Sent:** Wednesday, August 10, 2016 8:41 AM  
**To:** Mike Scroggin  
**Cc:** Ralph Kaiser; Thomas Byrne; Beauchamp, David G.; acatejr@gmail.com; amydirks@hotmail.com; anthjen@yahoo.com; artnina@hotmail.com; Aztonysmith@aol.com; aztonysmith@gmail.com; barryluchtel@gmail.com; bdirks5@cox.net; bji@cox.net; bjlocke64@yahoo.com; bjodenthal@frontier.com; brian.wenig@honeywell.com; burdett.anthony@gmail.com; butlerv@yahoo.com; carricks3@ak.net; czj528@hotmail.com; dariosdad@gmail.com; dave@prestoncpa.biz; davedubay@gmail.com; dhowze@cox.net; don-cindy@cableone.net; Doriann@cox.net; eileencohen@me.com; epcarrick@gmail.com; greeraz@gmail.com; gsiegford@msn.com; hahnaz2@cox.net; hey.ralph01@gmail.com; hikthestik@aol.com; jackdds@myway.com; jamccoy32@gmail.com; jbhok@yahoo.com; jemmakopel@hotmail.com; jgsiegford@yahoo.com; jimmy@flytrapproductions.com; jimpatmc44@gmail.com; jkjetto@yahoo.com; Jphalen00@aol.com; jwalker113@cox.net; kayell121@cs.com; kaylene.moss@avnet.com; kennenl@yahoo.com; landonluchtel@gmail.com; lanka2000@yahoo.com; Laurieweiskopf@gmail.com; lkopel22@hotmail.com; mark.wenig@gmail.com; mbencekent@yahoo.com; mlminvestor@gmail.com; mrsbeasley68@verizon.net; nihad@yahoo.com; nswirtz@me.com; patsmiller21@gmail.com; Paul\_a\_kent@yahoo.com; pearces@mailhaven.com; Peter.Rzonca@Avnet.com; pldupper@gmail.com; quelalively@yahoo.com; rbrinkman@yahoo.com; rgriswold3@stry.rr.com; robertflawson@gmail.com; rzkoehler@yahoo.com; sdetota@yahoo.com; sdetota99@yahoo.com; sdtuttle@gmail.com; smschloz@msn.com; steve@bunger.me; stewart.sherriff@gmail.com; switchback62@hotmail.com; terryleeAZ@comcast.net; thompsc92@cox.net; trovita@gmail.com; uaflyor767@gmail.com; valeriepaxton@gmail.com; vimuscat@gmail.com; wadeunderwood@hotmail.com; wbush1120@comcast.net; wjswirtz@me.com; wka@caribbeanpoolsaz.com; yusuf@comsiscomputer.com

**Subject:** Re: Additional DenSCO Information

For what it's worth, I agree with the thoughts in this email trail. I believe that the major fact-finding will occur with the Securities/Criminal investigations and see no reason to spend the limited remaining dollars on an attorney-led mission unless the target of such a civil fact-finding is materially different from anything being researched in the (potential) government investigation(s).

Logic would dictate that the civil "side" would advantage the information brought forth from the government investigation(s) and, if appropriate target(s) of civil action (with potential funds to attempt to recover were discovered), then move on them at that time.

The key question in this trail for me is "Who makes decisions for DenSCO and the note holders?" At some point soon, a "Common Interest Agreement" will have to be negotiated and agreed among the noteholders.

David, we are all very much looking forward to your after action notes from today's ACC meeting and trust that you will make effort to represent all parties in this case. Thank you for continuing to keep us abreast of activities.

Best Regards,

Glen Davis  
602.692.5862

LinkedIn

On Wed, Aug 10, 2016 at 8:24 AM, Mike Scroggin <[miscroggin@me.com](mailto:miscroggin@me.com)> wrote:  
These are my worries exactly. It's a long way to my wife's and my death hopefully and something now is better than maybe something in the future.

Thanks,

Mike Scroggin

On Aug 10, 2016, at 10:09 AM, Ralph Kaiser <[ralph@kaisertile.net](mailto:ralph@kaisertile.net)> wrote:

I agree with Tom. There needs to be a limit on \$\$ spent chasing a possible dead end.

What are our rights? Who will make this decision? It needs to be in writing and deciding quickly or all our \$\$ will go the lawyers / accountants / etc

<image001.jpg>

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From: Thomas Byrne [<mailto:thomasbyrne11@gmail.com>]

Sent: Wednesday, August 10, 2016 8:00 AM

To: Beauchamp, David G. <[DBeauchamp@clarkhill.com](mailto:DBeauchamp@clarkhill.com)>

Cc: [acatejr@gmail.com](mailto:acatejr@gmail.com); [amydirks@hotmail.com](mailto:amydirks@hotmail.com); [anthjen@yahoo.com](mailto:anthjen@yahoo.com); [artnina@hotmail.com](mailto:artnina@hotmail.com); [Aztonysmith@aol.com](mailto:Aztonysmith@aol.com); [aztonysmith@gmail.com](mailto:aztonysmith@gmail.com); [barryluchtel@gmail.com](mailto:barryluchtel@gmail.com); [bdirks5@cox.net](mailto:bdirks5@cox.net); [bjl@cox.net](mailto:bjl@cox.net); [bjlocke64@yahoo.com](mailto:bjlocke64@yahoo.com); [biodenthal@frontier.com](mailto:biodenthal@frontier.com); [brian.wenig@honeywell.com](mailto:brian.wenig@honeywell.com); [burdett.anthony@gmail.com](mailto:burdett.anthony@gmail.com); [butlerv@yahoo.com](mailto:butlerv@yahoo.com); [carricks3@ak.net](mailto:carricks3@ak.net); [czi528@hotmail.com](mailto:czi528@hotmail.com); [dariosdad@gmail.com](mailto:dariosdad@gmail.com); [dave@prestoncpa.biz](mailto:dave@prestoncpa.biz); [davedubay@gmail.com](mailto:davedubay@gmail.com); [dhowze@cox.net](mailto:dhowze@cox.net); [doncindy@cableone.net](mailto:doncindy@cableone.net); [Doriann@cox.net](mailto:Doriann@cox.net); [eileencohen@me.com](mailto:eileencohen@me.com); [epcarrick@gmail.com](mailto:epcarrick@gmail.com); [glenpdavis@gmail.com](mailto:glenpdavis@gmail.com); [greeraz@gmail.com](mailto:greeraz@gmail.com); [gsiegford@msn.com](mailto:gsiegford@msn.com); [hahnaz2@cox.net](mailto:hahnaz2@cox.net); [hey.ralph01@gmail.com](mailto:hey.ralph01@gmail.com); [hikthestik@aol.com](mailto:hikthestik@aol.com); [jackdds@myway.com](mailto:jackdds@myway.com); [jamccoy32@gmail.com](mailto:jamccoy32@gmail.com); [jbhok@yahoo.com](mailto:jbhok@yahoo.com); [jemmakopel@hotmail.com](mailto:jemmakopel@hotmail.com); [jgsiegford@yahoo.com](mailto:jgsiegford@yahoo.com); [jimmy@flytrapproductions.com](mailto:jimmy@flytrapproductions.com); [jimpatmc44@gmail.com](mailto:jimpatmc44@gmail.com); [jkjetto@yahoo.com](mailto:jkjetto@yahoo.com); [jphalen00@aol.com](mailto:jphalen00@aol.com); [jwalker113@cox.net](mailto:jwalker113@cox.net); [kayell121@cs.com](mailto:kayell121@cs.com); [kaylene.moss@avnet.com](mailto:kaylene.moss@avnet.com); [kennenl@yahoo.com](mailto:kennenl@yahoo.com); [landonluchtel@gmail.com](mailto:landonluchtel@gmail.com); [lanka2000@yahoo.com](mailto:lanka2000@yahoo.com); [Laurieweiskopf@gmail.com](mailto:Laurieweiskopf@gmail.com); [lkopel22@hotmail.com](mailto:lkopel22@hotmail.com); [mark.wenig@gmail.com](mailto:mark.wenig@gmail.com); [mbencekent@yahoo.com](mailto:mbencekent@yahoo.com); [miminvestor@gmail.com](mailto:miminvestor@gmail.com); [mrsbeasley68@verizon.net](mailto:mrsbeasley68@verizon.net); [miscroggin@me.com](mailto:miscroggin@me.com); [nihad@yahoo.com](mailto:nihad@yahoo.com); [nswirtz@me.com](mailto:nswirtz@me.com); [patsmiller21@gmail.com](mailto:patsmiller21@gmail.com); [Paul\\_a\\_kent@yahoo.com](mailto:Paul_a_kent@yahoo.com); [pearces@mailhaven.com](mailto:pearces@mailhaven.com); [Peter.Rzonca@Avnet.com](mailto:Peter.Rzonca@Avnet.com); [pldupper@gmail.com](mailto:pldupper@gmail.com); [quelalively@yahoo.com](mailto:quelalively@yahoo.com); Ralph Kaiser <[Ralph@kaisertile.net](mailto:Ralph@kaisertile.net)>; [rbrinkman@yahoo.com](mailto:rbrinkman@yahoo.com); [rgriswoid3@stny.rr.com](mailto:rgriswoid3@stny.rr.com); [robertflawson@gmail.com](mailto:robertflawson@gmail.com); [rzkoehler@yahoo.com](mailto:rzkoehler@yahoo.com); [sdetota@yahoo.com](mailto:sdetota@yahoo.com); [sdetota99@yahoo.com](mailto:sdetota99@yahoo.com); [sdtuttle@gmail.com](mailto:sdtuttle@gmail.com); [smeschloz@msn.com](mailto:smeschloz@msn.com); [steve@bunger.me](mailto:steve@bunger.me); [stewart.sherriff@gmail.com](mailto:stewart.sherriff@gmail.com); [switchback62@hotmail.com](mailto:switchback62@hotmail.com); [2](mailto:terryleeAZ@com</a></p></div><div data-bbox=)

cast.net; thompsc2@cox.net; trovita@gmail.com; uaflvor767@gmail.com; valeriepaxton@gmail.com; v  
imuscat@gmail.com; wadeunderwood@hotmail.com; wbush1120@comcast.net; wiswartz@me.com; wk  
a@caribbeanpoolsaz.com; yusuf@comsiscomputer.com  
Subject: Re: Additional DenSco Information

David,

Thanks for the answers. While the path outline above might be acceptable to some investors, it will be important that we potentially consider alternative additional options together as a group (and/or allow for some individual investor choice).

My biggest challenge with the above path is it seems to allocate 100% of the potentially good funds (lets call it \$10 million) to the efforts related to recovering what is unsecured/uncertain/legally complicated funds. And it also allows hourly-paid lawyers, advisors, accountants, etc to consume those funds without an clear / easy way to control.

An alternative path could be to allow investors to take all or some of the good funds in exchange for releasing their claim on the unrecovered funds. Thus those that might want to take the 20 cents (on the dollar) payment now (on all or a portion of their investment in Denesco) could do so now and at least have some piece of mind that hourly legal/other bills aren't going to take their ultimate recovery to zero.

And if that is too complicated, we could alternatively agree as a group to allocate some amount (say \$500k) to a legal recovery fund for the benefit of all and distribute the remaining good funds (say \$9.5 million). Then the legal recovery costs would be quantified.

At this point, I have very little (zero really) clarity and comfort that recovery of additional assets will be possible. And thus, if asked to make a decision at this point, I would not personally be inclined to put significant existing dollars against a costly 2-3 year complex legal process with at vague outcome at best.

And lastly, prior to putting \$\$'s against a protracted legal pursuit, it is going to paramount to be absolutely clear what Denesco (and hence us investors) have, if anything, more than an unsecured claim. Was any valid security interest or real property lien filing ever done on the assets Denesco loaned funds against related to Menaged (and related entities)?

thx, Tom

On Tue, Aug 9, 2016 at 8:44 PM, Beauchamp, David G. <[DBeauchamp@clarkhill.com](mailto:DBeauchamp@clarkhill.com)> wrote:

DenSco Investors:

Set forth below are some questions that an Investor sent to me (several other Investors had similar questions). So I believe the questions and answers should be shared with all of the Investors.

Please understand that I am not the financial or bankruptcy expert to evaluate the potential recovery from Scott Menaged or the other unsecured claims. I have asked a couple of people for help to provide you with some direction, but they were not comfortable to even make an educated guess. Despite the fact that I am not an expert in these types of matters and I am not qualified to make any projections, please see my preliminary thoughts below. However, please

understand that these preliminary thoughts could be proven to be completely wrong if we are able to obtain better information.

.....

We need to know realistically what to expect so we can plan the rest of our lives. \*\*\*\* Until I know what the Securities Division plans to do, I do not know what chance DenSco has to go after Scott Menaged and to recover the substantial majority of the Investors' money. If I had to guess, I believe a Receiver will be appointed, but the Receiver is not to pursue a fraud or collection case/action until the Receiver has sufficient evidence for the Receiver to believe that the fraud case is more likely than not to be successful and that the defendant has sufficient available assets to satisfy any judgment that may be obtained. Since the Menaged bankruptcy case was filed as a "no asset" bankruptcy, that does not look promising, but the US Trustee has taken actions to bring assets into that case that Scott Menaged had tried to exclude. That sounds promising, but I have no idea as to the value of those additional assets. Again, only time and investigation can clarify the answers to these questions.

I need you best-guess answer on:

What are the chances of getting any money at all back in the future? \*\*\*\* I do not know how much you previously invested, but any return to investors is generally done on a pro-rata basis based on the amount you had invested. According to a preliminary review of DenSco's records, there is approximately \$51 + million invested. So you should receive a percentage of any assets recovered and not needed for the costs of the Receivership or its collection efforts, calculated as follows: (Available DenSco proceeds) multiplied by the percentage determined by: (the amount you invested) divided by (\$51 million.)

Will the money from DenSco's bank account and good loans go to pay legal fees in the future? \*\*\*\* That will be the decision of the Receiver so long as the Receiver can demonstrate that there is a greater likelihood of success in the collection efforts as noted above. Normally, a good portion of the initially available funds are applied to investigation costs and the pursuit of potential recovery.

If there is a chance of getting any money back; if so how long in the future would you think it would be? \*\*\*\* In these types of matters, they can last two to three years or longer. In this case, I believe that the anticipated problems to collect all of DenSco's assets from Scott Menaged and Auction.com, I believe it will be longer than 3 years. If sufficient funds are collected and available, there is sometimes (rare but it happens) an interim distribution before all of the potential assets are collected.

Do any lawyers, forensic auditors, and anyone else that you hire get paid hourly or on a contingency basis? \*\*\*\* In some collection cases, there are modified contingency fees negotiated by the Receiver, but fraud actions (with questionable assets for collection) are difficult cases to get attorneys to take on a contingency fee basis.

We really appreciate your efforts so far and hopefully the results turn out well.

Thanks again for what you are doing.

\*\*\*\*\*

**David G. Beauchamp**

**CLARK HILL PLC**

14860 N Scottsdale Rd | Suite 500 | Scottsdale, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
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Beauchamp  
EXH. NO. 260  
7-19-18  
Kelly S. Oglesby CR 50178

Message from Shawn Heier (9/10/16)

~~4:30~~  
2:08 667-8491

- please call  
- need directions re: boxes

Tan Shauna Heuer (8/10/16)

(0.4)

51 Banker boxes to be transported → via truck + car  
(Sean's friend is also going to help)

— Shauna talked to Robert today  
— he has those other files

— sister left for Scotland

— other sister went home

— Sean will be leaving for home tomorrow

— prep for mtg w Wendy Coy

— Memorial / Celebration of Life — pushed back to limits on Shauna's  
time availability

— status of inventors

Letter to Wendy Coy

→ explain delay in response to subpoena

check w/ Michelle RE: email / letter asserting a claim against the Estate.

DenSo /

mtg w/ Wendy Coy, Gary Clapper,  
Bill Woerner

(8/10/16)

(2.5)

(Shauna Heun - on phone)

Subpoena

- stay in communication
- ~~two~~ investors have contacted Wendy
- investors.

(DGB)

Personal Representative → send copies of paperwork

Shauna

Dave Brestin → DenSo + Denny's acct  
 ↳ electronic copy of tax returns

Investor File

- current files from file cabinet at house - still there

51 boxes

- need to inventory these boxes

Computer - all electronic records for DenSo

- good info on computer
- want original hard drive

## Securities Division :

- Authority
- investigate, regulate, ~~investigate~~, examine, etc. → of AZ security
- can go in + verify AZ securities law was complied w/

## Confidentiality Law/Rule

- all info obtained is kept confidential unless legal action is filed + then it has to be redacted

Shawna - "out of our hands" - Sec Div has statutory authority pursuant to statute  
→ Shawna has to do it

Shawna - Denny's original intent  
- Robert Koehler + Denny Chittick had a reciprocal agreement - to collect notes for each other's company

- (Denny left a detailed chronological history of the fraud  
→ letter to investors

## Den Sco Bank Accounts :

- First Bank → personal + business

Wendy — Transition to Going Forward:

— met w/ Director & Asst Director of Securities

① — right to petition Superior Court to have Receivership created → if there is a violation of the Securities Act, so would need to file a complaint alleging violation

② — DenSeco can file for this

③ — Securities Division & DenSeco → can consent through a stipulation

→ POM → all loans were to be 1st Lien position

— violation of Securities Act by DenSeco → fraud allegation  
Stipulation → DenSeco can file

— Preliminary Injunction

— Appnt of Receiver in best interest of DenSeco, ~~State~~ Investors

— Court to ask for a report in 60 to 90 days

Possible Receivers:

① Peter Davis — Simon Consulting → represented by Ryan Anderson  
↳ will give gov note

② Jim Sell — Red → represented by Larry Wilk  
↳ will give gov note

- sample receivership documents

- computer list

→ shows DenSec as a member of other entities

Shawna  
to call

- Dave Preston - mobile 602-369-4418 mobile

Shawna  
to call

- Robert Kochler - mobile-602-330-4624

RLS Capital, Inc. - office-480-945-2799

Gary <sup>Luill</sup> ~~Luill~~ to pick up the 4 boxes at RLS tomorrow

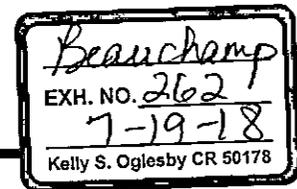
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- Drop Box - access for financial info

- Computer - access

- Kevin <sup>Merritt</sup> ~~Sanage~~ can call Wendy w/ any questions

- Detective Moffitt → has not finished police report because Police  
need results from autopsy & death certificate  
→ have Detective Duncan's supplement to police report



**Beauchamp, David G.**

**From:** Tony Smith <aztonysmith@gmail.com>  
**Sent:** Wednesday, August 10, 2016 11:32 AM  
**To:** Stan Schloz  
**Cc:** Thomas Byrne; Beauchamp, David G.; acatejr@gmail.com; amydirks@hotmail.com; anthjen@yahoo.com; artnina@hotmail.com; baryluchtel@gmail.com; bdirks5@cox.net; bji@cox.net; bjlocke64@yahoo.com; bjodenthal@frontier.com; brian.wenig@honeywell.com; burdett.anthony@gmail.com; butlerv@yahoo.com; carricks3@ak.net; czj528@hotmail.com; dariosdad@gmail.com; dave@prestoncpa.biz; davedubay@gmail.com; dhowze@cox.net; don-cindy@cableone.net; Doriann@cox.net; eileencohen@me.com; epcarrick@gmail.com; glenpdavis@gmail.com; greeraz@gmail.com; gsiegforsd@msn.com; hahnaz2@cox.net; hey.ralph01@gmail.com; hikthestik@aol.com; jackdds@myway.com; jamccoy32@gmail.com; jbhok@yahoo.com; jemmakopel@hotmail.com; jgsiegforsd@yahoo.com; jimmy@flytrapproductions.com; jimpatmc44@gmail.com; jkjetto@yahoo.com; Jphalen00@aol.com; jwalker113@cox.net; kayell121@cs.com; kaylene.moss@avnet.com; kennel@yahoo.com; landonluchtel@gmail.com; lanka2000@yahoo.com; Laurieweiskopf@gmail.com; lkopel22@hotmail.com; mark.wenig@gmail.com; mbencekent@yahoo.com; mlminvestor@gmail.com; mrsbeasley68@verizon.net; mscroggin@me.com; nihad@yahoo.com; nswirtz@me.com; patsmiller21@gmail.com; Paul\_a\_kent@yahoo.com; pearces@mailhaven.com; Peter.Rzonca@Avnet.com; pldupper@gmail.com; quelalively@yahoo.com; ralph@kaisertile.net; rbrinkman@yahoo.com; rgriswold3@stny.rr.com; robertflawson@gmail.com; rzkoehler@yahoo.com; sdetota@yahoo.com; sdetota99@yahoo.com; sdtuttle@gmail.com; steve@bunger.me; stewart.sherriff@gmail.com; switchback62@hotmail.com; terryleeAZ@comcast.net; thompscg2@cox.net; trovita@gmail.com; uaflyor767@gmail.com; valeriepaxton@gmail.com; vimuscat@gmail.com; wadeunderwood@hotmail.com; wbush1120@comcast.net; wjswirtz@me.com; wka@caribbeanpoolsaz.com; yusuf@comsiscomputer.com

**Subject:** Re: Additional DenSco Information

I think everything will become a little more clear for all of us after the meeting that David attends with the Securities Enforcement Division today.

As we all know, David will be reporting in the meeting that basically there is \$6 million in cash and recoverable loans out of \$51+ million (if that hasn't been communicated already). I doubt that the Securities Enforcement Division is going to take the position that everything looks good and let DenSco continue running as is.

The most likely scenario today (and I believe what David pointed out in one of his recent emails), the Securities Enforcement Division will be stepping in and then a Receiver will be appointed for the company and that the Receiver will have their own legal counsel (meaning not David).

This is not to imply that David has not been open and honest and kept us informed to a great extent, but as was pointed out by Coralee, David is the attorney for DensCo and Denny.

Of course, if DenSco followed its stated lending practices and fraud was perpetrated on DenSco, then DenSco and the investors interest are closely related. If that was the case, then the primary issue that would separate investors and DenSco would be the lack of disclosure of the situation to investors. I would not worry to much about this right now as the facts and the details will come out in the near future.

If the Securities Enforcement Division steps in and a Receiver is appointed, we will be dealing with another person who is in charge of DenSco and the assets in the near future. At that point in time, as investors, we will want to proceed in a unified position and try to effectively and efficiently communicate and work with the Receiver.

It is possible that we, as investors, may find it necessary and beneficial to have our own legal representation at some point in time. At this point, however, we need to wait and see what actions the Securities Enforcement Division take and if a Receiver is appointed. If a Receiver is appointed, then we should meet with the Receiver to see if we (investors) are on common ground with the Receiver and are on the same page in a number of different areas.

The one thing we can all start thinking about and working towards is a Common Interest Agreement. I believe that this agreement would contain the position on a number of issues that we could present to whomever is running DenSco in the future. We may need a lawyer to help us through the completion of this agreement.

Tony Smith

On Aug 10, 2016, at 9:12 AM, Stan Schloz <[SMSCHLOZ@msn.com](mailto:SMSCHLOZ@msn.com)> wrote:

I totally agree with Mr. Byrne's analysis. It seems to me we need to come to a group decision on the options Thomas outlined ASAP. In that process I hope Densco, the family and the investors can come together with a common strategy with David as the attorney. Big order! I have little hope of having any funds available other than the good funds identified to date. I would support any of the Byrne options. My goal is get what we can as soon as we can. David, would appreciate you taking the lead on this. Appreciate your effort and responsiveness.  
Stan Schloz

---

**From:** Thomas Byrne <[thomasbyrne11@gmail.com](mailto:thomasbyrne11@gmail.com)>

**Sent:** Wednesday, August 10, 2016 7:59 AM

**To:** Beauchamp, David G.

**Cc:** [acatejr@gmail.com](mailto:acatejr@gmail.com); [amvdirks@hotmail.com](mailto:amvdirks@hotmail.com); [anthien@yahoo.com](mailto:anthien@yahoo.com); [artnina@hotmail.com](mailto:artnina@hotmail.com); [Aztonysmith@aol.com](mailto:Aztonysmith@aol.com); [aztonysmith@gmail.com](mailto:aztonysmith@gmail.com); [barryluchtel@gmail.com](mailto:barryluchtel@gmail.com); [bdirks5@cox.net](mailto:bdirks5@cox.net); [bjj@cox.net](mailto:bjj@cox.net); [bilocke64@yahoo.com](mailto:bilocke64@yahoo.com); [biodenthal@frontier.com](mailto:biodenthal@frontier.com); [brian.wenig@honeywell.com](mailto:brian.wenig@honeywell.com); [burdett.anthony@gmail.com](mailto:burdett.anthony@gmail.com); [butlerv@yahoo.com](mailto:butlerv@yahoo.com); [carricks3@ak.net](mailto:carricks3@ak.net); [czi528@hotmail.com](mailto:czi528@hotmail.com); [dariosdad@gmail.com](mailto:dariosdad@gmail.com); [dave@prestoncpa.biz](mailto:dave@prestoncpa.biz); [davedubay@gmail.com](mailto:davedubay@gmail.com); [dhowze@cox.net](mailto:dhowze@cox.net); [doncindy@cableone.net](mailto:doncindy@cableone.net); [Doriann@cox.net](mailto:Doriann@cox.net); [eileencohen@me.com](mailto:eileencohen@me.com); [epcarrick@gmail.com](mailto:epcarrick@gmail.com); [glenpdavis@gmail.com](mailto:glenpdavis@gmail.com); [greeraz@gmail.com](mailto:greeraz@gmail.com); [gsiegford@msn.com](mailto:gsiegford@msn.com); [hahnaz2@cox.net](mailto:hahnaz2@cox.net); [hey.ralph01@gmail.com](mailto:hey.ralph01@gmail.com); [hikthestik@aol.com](mailto:hikthestik@aol.com); [jackdds@myway.com](mailto:jackdds@myway.com); [jamccoy32@gmail.com](mailto:jamccoy32@gmail.com); [jbhok@yahoo.com](mailto:jbhok@yahoo.com); [jemmakopel@hotmail.com](mailto:jemmakopel@hotmail.com); [jgsiegford@yahoo.com](mailto:jgsiegford@yahoo.com); [jimmy@flytrapproductions.com](mailto:jimmy@flytrapproductions.com); [jimpatmc44@gmail.com](mailto:jimpatmc44@gmail.com); [jkietto@yahoo.com](mailto:jkietto@yahoo.com); [jphalen00@aol.com](mailto:jphalen00@aol.com); [jwalker113@cox.net](mailto:jwalker113@cox.net); [2](mailto:kavell121@cs.c</a></p></div><div data-bbox=)

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Subject: Re: Additional DenSco Information

David,

Thanks for the answers. While the path outline above might be acceptable to some investors, it will be important that we potentially consider alternative additional options together as a group (and/or allow for some individual investor choice).

My biggest challenge with the above path is it seems to allocate 100% of the potentially good funds (lets call it \$10 million) to the efforts related to recovering what is unsecured/uncertain/legally complicated funds. And it also allows hourly-paid lawyers, advisors, accountants, etc to consume those funds without an clear / easy way to control.

An alternative path could be to allow investors to take all or some of the good funds in exchange for releasing their claim on the unrecovered funds. Thus those that might want to take the 20 cents (on the dollar) payment now (on all or a portion of their investment in Densco) could do so now and at least have some piece of mind that hourly legal/other bills aren't going to take their ultimate recovery to zero.

And if that is too complicated, we could alternatively agree as a group to allocate some amount (say \$500k) to a legal recovery fund for the benefit of all and distribute the remaining good funds (say \$9.5 million). Then the legal recovery costs would be quantified.

At this point, I have very little (zero really) clarity and comfort that recovery of additional assets will be possible. And thus, if asked to make a decision at this point, I would not personally be inclined to put significant existing dollars against a costly 2-3 year complex legal process with at vague outcome at best.

And lastly, prior to putting \$\$'s against a protracted legal pursuit, it is going to paramount to be absolutely clear what Densco (and hence us investors) have, if anything, more than an unsecured claim. Was any valid security interest or real property lien filing ever done on the assets Densco loaned funds against related to Menaged (and related entities)?

thx, Tom

On Tue, Aug 9, 2016 at 8:44 PM, Beauchamp, David G. <[DBeauchamp@clarkhill.com](mailto:DBeauchamp@clarkhill.com)> wrote:

DenSco Investors:

Set forth below are some questions that an Investor sent to me (several other Investors had similar questions). So I believe the questions and answers should be shared with all of the Investors.

Please understand that I am not the financial or bankruptcy expert to evaluate the potential recovery from Scott Menaged or the other unsecured claims. I have asked a couple of people for help to provide you with some direction, but they were not comfortable to even make an educated guess. Despite the fact that I am not an expert in these types of matters and I am not qualified to make any projections, please see my preliminary thoughts below. However, please understand that these preliminary thoughts could be proven to be completely wrong if we are able to obtain better information.

.....

We need to know realistically what to expect so we can plan the rest of our lives. \*\*\*\* Until I know what the Securities Division plans to do, I do not know what chance DenSco has to go after Scott Menaged and to recover the substantial majority of the Investors' money. If I had to guess, I believe a Receiver will be appointed, but the Receiver is not to pursue a fraud or collection case/action until the Receiver has sufficient evidence for the Receiver to believe that the fraud case is more likely than not to be successful and that the defendant has sufficient available assets to satisfy any judgment that may be obtained. Since the Menaged bankruptcy case was filed as a "no asset" bankruptcy, that does not look promising, but the US Trustee has taken actions to bring assets into that case that Scott Menaged had tried to exclude. That sounds promising, but I have no idea as to the value of those additional assets. Again, only time and investigation can clarify the answers to these questions.

I need you best-guess answer on:

What are the chances of getting any money at all back in the future? \*\*\*\* I do not know how much you previously invested, but any return to investors is generally done on a pro-rata basis based on the amount you had invested. According to a preliminary review of DenSco's records, there is approximately \$51 + million invested. So you should receive a percentage of any assets recovered and not needed for the costs of the Receivership or its collection efforts, calculated as follows: (Available DenSco proceeds) multiplied by the percentage determined by: (the amount you invested) divided by (\$51 million.)

Will the money from Densco's bank account and good loans go to pay legal fees in the future? \*\*\*\* That will be the decision of the Receiver so long as the Receiver can demonstrate that there is a greater likelihood of success in the collection efforts as noted above. Normally, a good portion of the initially available funds are applied to investigation costs and the pursuit of potential recovery.

If there is a chance of getting any money back; if so how long in the future would you think it would be? \*\*\*\* In these types of matters, they can last two to three years or longer. In this case, I believe that the anticipated problems to collect all of DenSco's assets from Scott Menaged and Auction.com, I believe it will be longer than 3 years. If sufficient funds are collected and available, there is sometimes (rare but it happens) an interim distribution before all of the potential assets are collected.

Do any lawyers, forensic auditors, and anyone else that you hire get paid hourly or on a contingency basis? \*\*\*\*In some collection cases, there are modified contingency fees negotiated by the Receiver, but fraud actions (with questionable assets for collection) are difficult cases to get attorneys to take on a contingency fee basis.

We really appreciate your efforts so far and hopefully the results turn out well.

Thanks again for what you are doing.

\*\*\*\*\*

**David G. Beauchamp**

**CLARK HILL PLC**

4850 N Scottsdale Rd | Suite 500 | Scottsdale, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
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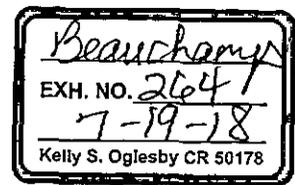
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Deauchamp  
EXH. NO 263  
7-19-18  
Kelly S. Oglesby CR 50178

Den Seal

TWO Mark Sifferman (8/10/16)

Mark Winkler  
Receiver for Mortgages Ltd



**Beauchamp, David G.**

**From:** Beauchamp, David G.  
**Sent:** Wednesday, August 10, 2016 7:26 PM  
**To:** acatejr@gmail.com; amydirks@hotmail.com; anthjen@yahoo.com; artnina@hotmail.com; Aztonysmith@aol.com; aztonysmith@gmail.com; barryluchtel@gmail.com; bdirks5@cox.net; bji@cox.net; bjlocke64@yahoo.com; bjodenthal@frontier.com; brian.wenig@honeywell.com; burdett.anthony@gmail.com; butlerv@yahoo.com; carricks3@ak.net; czj528@hotmail.com; dariosdad@gmail.com; dave@prestoncpa.biz; davedubay@gmail.com; dhowze@cox.net; don-cindy@cableone.net; Doriann@cox.net; eileencohen@me.com; epcarrick@gmail.com; glenpdavis@gmail.com; greeraz@gmail.com; gsiegforsd@msn.com; hahnaz2@cox.net; hey.ralph01@gmail.com; hikthestik@aol.com; jackdds@myway.com; jamccoy32@gmail.com; jbhok@yahoo.com; jemmakopel@hotmail.com; jgsiegforsd@yahoo.com; jimmy@flytrapproductions.com; jimpatmc44@gmail.com; jkjetto@yahoo.com; Jphalen00@aol.com; jwalker113@cox.net; kayell121@cs.com; kaylene.moss@avnet.com; kenneni@yahoo.com; landonluchtel@gmail.com; lanka2000@yahoo.com; Laurieweiskopf@gmail.com; lkopel22@hotmail.com; mark.wenig@gmail.com; mbencekent@yahoo.com; mlminvestor@gmail.com; mrsbeasley68@verizon.net; mscroggin@me.com; nihad@yahoo.com; nswirtz@me.com; patsmiller21@gmail.com; Paul\_a\_kent@yahoo.com; pearces@mailhaven.com; Peter.Rzonca@Avnet.com; pldupper@gmail.com; quelalively@yahoo.com; ralph@kaisertile.net; rbrinkman@yahoo.com; rgriswold3@stny.rr.com; robertflawson@gmail.com; rzkoehler@yahoo.com; sdetota@yahoo.com; sdetota99@yahoo.com; sdtuttle@gmail.com; smschloz@msn.com; steve@bunger.me; stewart.sherriff@gmail.com; switchback62@hotmail.com; terryleeAZ@comcast.net; thomasbyrne11@gmail.com; thompscog2@cox.net; trovita@gmail.com; uaflyor767@gmail.com; valeriepaxton@gmail.com; vimuscat@gmail.com; wadeunderwood@hotmail.com; wbush1120@comcast.net; wjswirtz@me.com; wka@caribbeanpoolsaz.com; yusuf@comsiscomputer.com  
**Subject:** RE: Additional DenSco Information

**DenSco Investors:**

I am sorry that I will not be able to separately answer each of the emails that I have received in the last 24 hours. I appreciate your interest and the difficulty that this situation is causing each of you. You have clearly expressed that in the many emails that I have received (well over a hundred) in the last 24 hours. I am trying to provide answers to the most common questions in this email.

**I. Today's Meeting with the Securities Division:** Today's meeting ran much longer than was expected. There was a lot of discussion concerning what loan records, investor records and other financial records were available to satisfy DenSco's obligation pursuant to the Subpoena that the Securities Division served on DenSco. Since there are more than 51 boxes of records from Denny's house, we agreed upon a procedure and process to make these records available for the Securities Division. We also discussed the other records requested and how those records (i.e tax records and current loan files) will be obtained for the Securities Division from other sources.

Based on information from Denny's notes and files, we were able to provide the Securities Division a preliminary assessment of how the perceived fraud occurred and the timing of such fraud. We believe this information will help the Securities Division as it works to sort out all of the necessary information. This outline and the information in DenSco's files will hopefully provide some direction to the Securities Division as to which transactions and which third parties are suspect and who we believe should be reviewed by the Securities Division or other investigators. The information we

provided supplemented the information that many of the DenSco Investors have already shared with the investigators for the Securities Division. Given the high volume of calls being received, the investigators did ask for your understanding and patience as they go through all of the messages and get back to you as quickly as they can. The Securities Division suggested that anyone who might have some valuable information to help their investigation, please call Gary Clapper at 602-542-0152.

We also discussed the various options to proceed. As I was concerned might be the case, the Securities Division is likely to take charge of this matter under its statutory authorization given the high level of interest and concern that has been expressed by the DenSco Investors and by the representatives of the Investors. Although nothing conclusive was decided in today's meeting, the representatives from the Securities Division will take the information from today's meeting and discuss all of the information obtained with the Director of the Securities Division. However, the amount of concern that has been expressed was referenced several times in our meeting, which is likely to cause the Securities Division to unilaterally file an action with the AZ Superior Court to have a Receiver appointed to collect the money owed to DenSco and oversee the distribution of the money to the Investors. That will take this matter out of our hands, but we (**with the Investors**) might have some input into the final decision of the court or in the instructions given to the Receiver by the court. I will analyze last night's and today's emails from several of the DenSco Investors to determine which suggestions might be compatible with the plans of the Securities Division to collect the assets and money owed to DenSco while keeping the professional costs to a minimum. We will then try to introduce those suggestions into the process for the Receiver.

2. **Tax Issues.** As many of the Investors have noted, there are some potential tax savings that can offset the losses that the Investors are likely to incur. We have discussed with certain tax advisors those suggestions as well as other ideas that I have used for other clients to use losses to offset other income. If any Receiver is appointed, we will try to make sure that the Receiver understands these potential tax benefits and the decisions that need to be made to help the Investors use these tax savings as soon as possible.

3. **Early Distribution of Assets to some Investors.** Some Investors have indicated that they cannot wait the expected time frame (possible 3 to 5 years) for the Receiver to do a full investigation and to pursue legal action to collect the money owed to DenSco. Some have even expressed a willingness to take a discount of the total amount owed to them in exchange for an early distribution to them. Although this concept will be very difficult to structure and probably even more difficult to obtain the consent of most of the Investors to this approach, we will relay this information to the Receiver, if one is appointed.

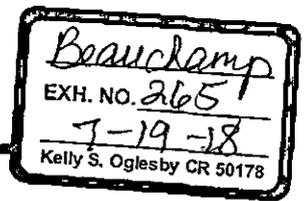
Sincerely,

David Beauchamp

**David G. Beauchamp**

CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Scottsdale, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
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**Beauchamp, David G.**

**From:** Beauchamp, David G.  
**Sent:** Wednesday, August 10, 2016 7:32 PM  
**To:** Wendy Coy; Gary Clapper  
**Subject:** FW: Additional DenSco Information

Wendy and Gary:

Thank you again for taking the time to come to my office and to discuss DenSco, the status and some options to deal with this matter.

As I agreed to do, please see the email that I just sent to the DenSco Investors. I tried to answer several of the specific questions from the Investors about the meeting while trying to keep the email general. Difficult balancing act.

Best regards, David

**David G. Beauchamp**

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Sincerely,

David Beauchamp

David G. Beauchamp

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Conf call w/ Shawna Heuer, Tim Poles, Kevin Merritt (8/15/16)

(0.8)

Big Issue

whether the originals should be released to Security Division

- get the documents copied, "date stamped" + delivered to the

- inventoried + then make a privilege log

2011 - + prior - can be

2012 + forward - need to be

- jpoles e.g. law

Tau Robert Kochler (8/11/16)

DenSco /  
602-330-4624

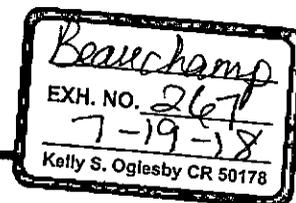
- Robert talked to Shauna last night

- 1 property - needs a payoff

- have boxes locked up & waiting for them to pick them up.

- Rob Brinkman → explained that he may call

**Beauchamp, David G.**



**From:** Beauchamp, David G.  
**Sent:** Thursday, August 11, 2016 5:46 PM  
**To:** Gary Clapper  
**Cc:** Kevin R. Merritt (kmerritt@gblaw.com); James F. Polese (jpolese@gblaw.com); Sifferman, Mark S.; Wendy Coy  
**Subject:** RE: Densco

Gary:

I just talked to Shawna's new attorneys, Jim Polese and Kevin Merritt, and they agree with the statements from a couple of the attorneys for the Investors and attorneys for other related parties. All of them want us to follow a different procedure with respect to the DenSco documents. Jim Polese will be sending a letter to you with the specifics of the procedure that we would like to follow concerning the documents and information that has been requested, including what has already been provided.

First, I have now been informed that the boxes you already have from Robert Koehler contain more than just the documents evidencing the "good" loans to the borrowers who are current in their payments. Those files also contain some of the loans connected with Scott Menaged and his entities, as well as some communication with legal counsel that should have been removed and added to a privilege log. We request that we be allowed to have those files picked up by a service to make copies of the documents, "bate stamp" the copies and allow us to review the documents for potentially privileged communications, and then have the copies (without the privileged documents) sent to you along with the privilege log. In addition to the concern about possibly privileged communications, we are also concerned that original lien release documents are in these files and we will need to be able to deliver the applicable release documents to a title company upon a pay-off of current loans. Otherwise, DenSco could be liable to the applicable borrowers during this interim time period until the Receiver is appointed who will then be able to handle these business obligations for DenSco.

Second, I have also now been informed that the approximately 51 boxes in my office do contain more than just the previous loans that have been paid off. We would like to retain the applicable boxes for the time period since 2011 to the present, so that we can review those boxes for privileged communications and to prepare a privilege log. We will have the documents in the boxes for 2011 to the present copied and "bate stamped" so that the copies (without the privileged documents") can be delivered to you along with the privileged log. The boxes with documents applicable to the period prior to 2011 will be available for pick-up tomorrow as you requested.

Third, the investor files at the house of Denny Chittick will need to be reviewed for privileged communications and to prepare a privilege log. The documents will then be copied and "bate stamped" and delivered to your office (without the privileged documents") along with the privileged log.

Fourth, the computer used by Denny Chittick does not only contain personal information, but it contains many emails that are appropriately deemed to contain privileged communications on several matters. We will need to review the material on the computer and prepare the necessary privilege log. As we discussed yesterday, we believe that Denny Chittick downloaded the current financial information of DenSco and its outstanding loans to the borrowers in a file in Drop Box, as well as a list of the names, email addresses and mailing addresses of DenSco's current investors. We are making arrangements to have the information on the files in Drop Box forwarded to you as soon as possible. We will also work with a computer expert to have the non-privileged communications and DenSco files downloaded and provided to you on one or more computer disks along with a privileged log.

Please know that I have tried to get back to you as soon as I could after obtaining the instructions of the relevant parties in this matter. If you have any questions, please let me know.

Sincerely, David

**David G. Beauchamp**

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**From:** Gary Clapper [<mailto:GRC@azcc.gov>]  
**Sent:** Thursday, August 11, 2016 3:42 PM  
**To:** Beauchamp, David G.  
**Subject:** RE: Densco

I can use our evidence sheets that we use when we do search warrants if that is acceptable. I will bring the boxes for the records at the house.

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**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Thursday, August 11, 2016 3:40 PM  
**To:** Gary Clapper <[GRC@azcc.gov](mailto:GRC@azcc.gov)>  
**Subject:** RE: Densco

Gary:

If you have one that can be readily used, that would help. I have a message into one of our legal assistants for this, but he is not available this afternoon. Since we do not know specifically what is in the boxes, this is really a formality.

Thanks, David

**David G. Beauchamp**

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**From:** Gary Clapper [<mailto:GRC@azcc.gov>]  
**Sent:** Thursday, August 11, 2016 3:38 PM  
**To:** Beauchamp, David G.  
**Subject:** RE: Densco

Sounds good. Are you doing the receipt for us to sign or do you want me to do one?

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**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Thursday, August 11, 2016 3:36 PM  
**To:** Gary Clapper <[GRC@azcc.gov](mailto:GRC@azcc.gov)>  
**Cc:** Lavender, Sandy J. <[SLavender@ClarkHill.com](mailto:SLavender@ClarkHill.com)>; PHX Office Services <[PHXOfficeServices2@ClarkHill.com](mailto:PHXOfficeServices2@ClarkHill.com)>  
**Subject:** RE: Densco

Gary:

I have reached out to Shawna but I have not yet been able to talk to her. With respect to the boxes in my office, those boxes will be available after 8:00 am tomorrow morning.

I need to receive confirmation from Shawna or her attorney concerning the computer and her availability at the house for the investor files. When you are able to get the files from Shawna, please bring boxes, because I forgot to give banker's boxes to Shawna yesterday. In addition, we will need signed receipts signed to evidence your receipt of the boxes and the files from Shawna (and hopefully the computer).

Regards, David

**David G. Beauchamp**

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**From:** Gary Clapper [<mailto:GRC@azcc.gov>]  
**Sent:** Thursday, August 11, 2016 2:28 PM  
**To:** Beauchamp, David G.  
**Subject:** Densco

Hi David,

He have the files Robert Koehler had. I remember Shawna saying the investor files were still at the house in a drawer. We would like to get those before she leaves. I can meet her at the house to make is easy for her. Can you contact her and see what she wants to do please. Is tomorrow morning good to pick up the boxes from your office? Has any decision been made regarding the computer. I would like to pick that up at the same time if possible. Thank you for all your help with this matter.

**LEGAL NOTICE:** This e-mail, along with any attachment(s), is considered confidential and may be legally privileged. If you have received it in error, please notify us immediately by reply e-mail and then delete this message from your system. Please do not copy it or use it for any purposes, or disclose its contents to any other person. Thank you for your cooperation.

**Beauchamp, David G.**

*Beauchamp*  
EXH. NO. 268  
7-19-18  
Kelly S. Oglesby CR 50178

**From:** Beauchamp, David G.  
**Sent:** Thursday, August 11, 2016 11:31 PM  
**To:** acatejr@gmail.com; amydirks@hotmail.com; anthjen@yahoo.com; artnina@hotmail.com; Aztonysmith@aol.com; aztonysmith@gmail.com; baryluchtel@gmail.com; bdirks5@cox.net; bji@cox.net; bjlocke64@yahoo.com; bjodenthal@frontier.com; brian.wenig@honeywell.com; burdett.anthony@gmail.com; butlerv@yahoo.com; carricks3@ak.net; czj528@hotmail.com; dariosdad@gmail.com; dave@prestoncpa.biz; davedubay@gmail.com; dhowze@cox.net; don-cindy@cableone.net; Doriann@cox.net; eileencohen@me.com; epcarrick@gmail.com; glenpdavis@gmail.com; greeraz@gmail.com; gsiegford@msn.com; hahnaz2@cox.net; hey.ralph01@gmail.com; hikthestik@aol.com; jackdds@myway.com; jamccoy32@gmail.com; jbhok@yahoo.com; jemmakopel@hotmail.com; jgsiegford@yahoo.com; jimmy@flytrapproductions.com; jimpatmc44@gmail.com; jkjetto@yahoo.com; Jphalen00@aol.com; jwalker113@cox.net; kayell121@cs.com; kaylene.moss@avnet.com; kenneni@yahoo.com; landonlyuchtel@gmail.com; lanka2000@yahoo.com; Laurieweiskopf@gmail.com; lkopel22@hotmail.com; mark.wenig@gmail.com; mbencekent@yahoo.com; mlminvestor@gmail.com; mrsbeasley68@verizon.net; mscroggin@me.com; nihad@yahoo.com; nswirtz@me.com; patsmillier21@gmail.com; Paul\_a\_kent@yahoo.com; pearces@mailhaven.com; Peter.Rzonca@Avnet.com; pldupper@gmail.com; quelalively@yahoo.com; ralph@kaisertile.net; rbrinkman@yahoo.com; rgriswold3@stny.rr.com; robertflawson@gmail.com; rzkoehler@yahoo.com; sdetota@yahoo.com; sdetota99@yahoo.com; sdtuttle@gmail.com; smschloz@msn.com; steve@bunger.me; stewart.sherriff@gmail.com; switchback62@hotmail.com; terryleeAZ@comcast.net; thomasbyrne11@gmail.com; thompscq2@cox.net; trvita@gmail.com; uaflyor767@gmail.com; valeriepaxton@gmail.com; vimuscat@gmail.com; wadeunderwood@hotmail.com; wbush1120@comcast.net; wjswirtz@me.com; wka@caribbeanpoolsaz.com; yusuf@comsiscomputer.com  
**Subject:** FW: Additional DenSco Information

Sorry, another email that should have been copied to all investors. Tom raised a good question that everyone should have the benefit of understanding.

Best regards, David

**David G. Beauchamp**

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**From:** Beauchamp, David G.  
**Sent:** Thursday, August 11, 2016 11:00 PM  
**To:** Thomas Byrne  
**Cc:** Stan Schloz  
**Subject:** RE: Additional DenSco Information

Tom:

Good catch. This also goes to the amount of independent review that needs to be done with the DenSco files for the bad loans. There are over 60 banker's boxes of DenSco files and information from Denny's house. I was trying to get information to the Investors as fast as I could. Since I did not have access to the files with the outstanding loans, I had to rely upon numbers and information that was either in the summary of the DenSco files that were electronically sent to me or the information that was prepared by the real estate person who did a quick review of the current loan files. In both instances, I used and relied upon this information without doing any independent review. In reviewing my notes from the information I was provided, I believe that I compounded the misinformation by referencing information taken from two different places even though each of the references had been calculated using two slightly different methods.

Specifically, some of the deeds of trust as security for the outstanding loans were sent to the title company to be recorded in connection with the purchase of the property by the borrower. Other deeds of trust were recorded in connection with a loan from DenSco to the existing owner of the property after the owner already owned the property. I believe that in the files notes, there was a reference that 83 deeds of trust were not showing as being current liens on properties related to Scott despite the fact that those houses were supposed to be collateral in favor of DenSco. I referenced those deeds of trust as not being recorded, but I should have referenced those liens as not currently being shown as effective liens on these properties. I do not know for sure if these deeds of trust were not recorded or were somehow "circumvented". These are some of the questions that will need to be reviewed after the non-current loans are reviewed in depth.

This review will be part of the forensic review, which review will also have to include a detailed title review for the properties that were supposed to secure notes but no longer show a lien in favor of DenSco on the property. For example, we will need more than a current title report to show if a loan secured by a deed of trust on a property was "circumvented. As an example, a borrower has sometimes been able to record a quit claim deed to convey a property to an affiliate and then that affiliate subsequently conveys the property to a third party (or gets a new loan on that property) with the new owner or new lender relying upon a title report that only reviews the title records for the last owner of the property. Specifically, this title report only shows liens that were recorded against the affiliate as the owner and do not show the lien recorded against the property when the original borrower used that property as collateral for the loan. (I believe that is the situation with the loan that was to be secured by Scott's house at 10510 East Sunnyside Drive in Scottsdale.) Normally, a title company's review of the title for a property is supposed to go beyond a quit claim deed (to the prior owner) to see if the quit claim deed was used to circumvent a recorded obligation to a third party. Again this can happen and has happened particularly when no title insurance is ordered with the quit claim deed, but I have been told that this often requires help from someone at the title company in order to be successful.

I apologize for any confusing information that I have shared, but I have tried to get the best information out to the investors as quickly as I could. Unfortunately, the loans in question will need to be investigated more thoroughly than I could do over the last week without access to current title data.

Sincerely, David

David G. Beauchamp

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**From:** Thomas Byrne [<mailto:thomasbyrne11@gmail.com>]

**Sent:** Thursday, August 11, 2016 5:15 AM

**To:** Beauchamp, David G.

**Cc:** Stan Schloz

**Subject:** Re: Additional DenSco Information

David,

In your original summary, you said the 83 deeds of trust (related to Scott / his entities) were not recorded. Below you mention "certain deeds of trust were circumvented", can you be clear - how many deeds of trust of these 83 were recorded on a timely fashion or at all?

Tom

On Aug 10, 2016, at 7:55 PM, Beauchamp, David G. <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

Stan:

I appreciate you asking for a vote on this approach. However, the Securities Division was pretty definite (confirmed by our legal research) that the Division (on behalf of the AZ Corporation Commission) can ask the Superior Court to approve the appointment of a Receiver without any input from the company or the Investors. If that is the approach that the Securities Division elects to pursue, I would encourage that we talk to Mr. Byrne and modify the options so that we can present the options as instructions for the court to give to the Receiver, if any is appointed. It should be persuasive to the court to include specific instructions if a substantial number of Investors vote in favor of the instructions.

With respect to Mr. Byrne's question concerning the rights of DenSco to certain assets, it appears that certain deeds of trust were circumvented by having the real property transferred by quit claim deed right before the deed of trust was recorded. I understand that is not conclusive, but it does show a pattern of conduct that seems to infer an intent to defraud DenSco.

Just a suggestion. Please let me know if you think a different approach makes more sense.

Sincerely,

David Beauchamp

**David G. Beauchamp**

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**From:** Stan Schloz [<mailto:SMSCHLOZ@msn.com>]  
**Sent:** Wednesday, August 10, 2016 9:12 AM  
**To:** Thomas Byrne; Beauchamp, David G.  
**Cc:** [acatejr@gmail.com](mailto:acatejr@gmail.com); [amydirks@hotmail.com](mailto:amydirks@hotmail.com); [anthjen@yahoo.com](mailto:anthjen@yahoo.com); [artnina@hotmail.com](mailto:artnina@hotmail.com); [Aztonysmith@aol.com](mailto:Aztonysmith@aol.com); [aztonysmith@gmail.com](mailto:aztonysmith@gmail.com); [barryluchtel@gmail.com](mailto:barryluchtel@gmail.com); [bdirks5@cox.net](mailto:bdirks5@cox.net); [bjj@cox.net](mailto:bjj@cox.net); [bjlocke64@yahoo.com](mailto:bjlocke64@yahoo.com); [bjodenthal@frontier.com](mailto:bjodenthal@frontier.com); [brian.wenig@honeywell.com](mailto:brian.wenig@honeywell.com); [burdett.anthony@gmail.com](mailto:burdett.anthony@gmail.com); [butlerv@yahoo.com](mailto:butlerv@yahoo.com); [carricks3@ak.net](mailto:carricks3@ak.net); [czi528@hotmail.com](mailto:czi528@hotmail.com); [dariosdad@gmail.com](mailto:dariosdad@gmail.com); [dave@prestoncpa.biz](mailto:dave@prestoncpa.biz); [davedubay@gmail.com](mailto:davedubay@gmail.com); [dhowze@cox.net](mailto:dhowze@cox.net); [don-cindy@cableone.net](mailto:don-cindy@cableone.net); [Doriann@cox.net](mailto:Doriann@cox.net); [eileencohen@me.com](mailto:eileencohen@me.com); [epcarrick@gmail.com](mailto:epcarrick@gmail.com); [glenpdavis@gmail.com](mailto:glenpdavis@gmail.com); [greeraz@gmail.com](mailto:greeraz@gmail.com); [gsiegford@msn.com](mailto:gsiegford@msn.com); [hahnaz2@cox.net](mailto:hahnaz2@cox.net); [hey.ralph01@gmail.com](mailto:hey.ralph01@gmail.com); [hikthestik@aol.com](mailto:hikthestik@aol.com); [jackdds@myway.com](mailto:jackdds@myway.com); [jamccoy32@gmail.com](mailto:jamccoy32@gmail.com); [jbhok@yahoo.com](mailto:jbhok@yahoo.com); [jemmakopel@hotmail.com](mailto:jemmakopel@hotmail.com); [jgsiegford@yahoo.com](mailto:jgsiegford@yahoo.com); [jimmy@flytrapproductions.com](mailto:jimmy@flytrapproductions.com); [jimpatmc44@gmail.com](mailto:jimpatmc44@gmail.com); [jkjetto@yahoo.com](mailto:jkjetto@yahoo.com); [Jphalen00@aol.com](mailto:Jphalen00@aol.com); [jwalker113@cox.net](mailto:jwalker113@cox.net); [kayell121@cs.com](mailto:kayell121@cs.com); [kaylene.moss@aynet.com](mailto:kaylene.moss@aynet.com); [kennenl@yahoo.com](mailto:kennenl@yahoo.com); [landonluchtel@gmail.com](mailto:landonluchtel@gmail.com); [lanka2000@yahoo.com](mailto:lanka2000@yahoo.com); [Laurieweiskopf@gmail.com](mailto:Laurieweiskopf@gmail.com); [lkopel22@hotmail.com](mailto:lkopel22@hotmail.com); [mark.wenig@gmail.com](mailto:mark.wenig@gmail.com); [mbencekent@yahoo.com](mailto:mbencekent@yahoo.com); [mminvestor@gmail.com](mailto:mminvestor@gmail.com); [mrsbeasley68@verizon.net](mailto:mrsbeasley68@verizon.net); [mscroggin@me.com](mailto:mscroggin@me.com); [nihad@yahoo.com](mailto:nihad@yahoo.com); [nswirtz@me.com](mailto:nswirtz@me.com); [patsmiller21@gmail.com](mailto:patsmiller21@gmail.com); [Paul\\_a\\_kent@yahoo.com](mailto:Paul_a_kent@yahoo.com);

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**Subject:** Re: Additional DenSco Information

I totally agree with Mr. Byrne's analysis. It seems to me we need to come to a group decision on the options Thomas outlined ASAP. In that process I hope Densco, the family and the investors can come together with a common strategy with David as the attorney. Big order! I have little hope of having any funds available other than the good funds identified to date. I would support any of the Byrne options. My goal is get what we can as soon as we can. David, would appreciate you taking the lead on this. Appreciate your effort and responsiveness.  
Stan Schloz

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**From:** Thomas Byrne <[thomasbyrne11@gmail.com](mailto:thomasbyrne11@gmail.com)>

**Sent:** Wednesday, August 10, 2016 7:59 AM

**To:** Beauchamp, David G.

**Cc:** [acatejr@gmail.com](mailto:acatejr@gmail.com); [amydirks@hotmail.com](mailto:amydirks@hotmail.com); [anthjen@yahoo.com](mailto:anthjen@yahoo.com); [artnina@hotmail.com](mailto:artnina@hotmail.com); [Aztonysmith@aol.com](mailto:Aztonysmith@aol.com); [aztonysmith@gmail.com](mailto:aztonysmith@gmail.com); [barryluchtel@gmail.com](mailto:barryluchtel@gmail.com); [bdirks5@cox.net](mailto:bdirks5@cox.net); [bjj@cox.net](mailto:bjj@cox.net); [bjlocke64@yahoo.com](mailto:bjlocke64@yahoo.com); [bjodenthal@frontier.com](mailto:bjodenthal@frontier.com); [brian.wenig@honeywell.com](mailto:brian.wenig@honeywell.com); [burdett.anthony@gmail.com](mailto:burdett.anthony@gmail.com); [butlerv@yahoo.com](mailto:butlerv@yahoo.com); [carricks3@ak.net](mailto:carricks3@ak.net); [cj528@hotmail.com](mailto:cj528@hotmail.com); [dariosdad@gmail.com](mailto:dariosdad@gmail.com); [dave@prestoncpa.biz](mailto:dave@prestoncpa.biz); [davedubay@gmail.com](mailto:davedubay@gmail.com); [dhowze@cox.net](mailto:dhowze@cox.net); [doncindy@cableone.net](mailto:doncindy@cableone.net); [Doriann@cox.net](mailto:Doriann@cox.net); [eileencohen@me.com](mailto:eileencohen@me.com); [epcarrick@gmail.com](mailto:epcarrick@gmail.com); [glenpdavis@gmail.com](mailto:glenpdavis@gmail.com); [greeraz@gmail.com](mailto:greeraz@gmail.com); [gsiegford@msn.com](mailto:gsiegford@msn.com); [hahnaz2@cox.net](mailto:hahnaz2@cox.net); [hey.raiph01@gmail.com](mailto:hey.raiph01@gmail.com); [hikthestik@aol.com](mailto:hikthestik@aol.com); [jackdds@myway.com](mailto:jackdds@myway.com); [jamccoy32@gmail.com](mailto:jamccoy32@gmail.com); [jbhok@yahoo.com](mailto:jbhok@yahoo.com); [jemmakopel@hotmail.com](mailto:jemmakopel@hotmail.com); [jgsiegford@yahoo.com](mailto:jgsiegford@yahoo.com); [jimmy@flytrapproductions.com](mailto:jimmy@flytrapproductions.com); [jimpatmc44@gmail.com](mailto:jimpatmc44@gmail.com); [jkjetto@yahoo.com](mailto:jkjetto@yahoo.com); [jphalen00@aol.com](mailto:jphalen00@aol.com); [jwalker113@cox.net](mailto:jwalker113@cox.net); [kayell121@cs.com](mailto:kayell121@cs.com); [kaylene.moss@avnet.com](mailto:kaylene.moss@avnet.com); [kennenl@yahoo.com](mailto:kennenl@yahoo.com); [landonluchtel@gmail.com](mailto:landonluchtel@gmail.com); [lanka2000@yahoo.com](mailto:lanka2000@yahoo.com); [Laurieweiskopf@gmail.com](mailto:Laurieweiskopf@gmail.com); [lkopel22@hotmail.com](mailto:lkopel22@hotmail.com); [mark.wenig@gmail.com](mailto:mark.wenig@gmail.com); [mbencekent@yahoo.com](mailto:mbencekent@yahoo.com); [miminvestor@gmail.com](mailto:miminvestor@gmail.com); [mrsbeasley68@verizon.net](mailto:mrsbeasley68@verizon.net); [mscroggin@me.com](mailto:mscroggin@me.com); [nihad@yahoo.com](mailto:nihad@yahoo.com); [nswirtz@me.com](mailto:nswirtz@me.com); [patsmiller21@gmail.com](mailto:patsmiller21@gmail.com); [Paul\\_a\\_kent@yahoo.com](mailto:Paul_a_kent@yahoo.com); [pearces@mailhaven.com](mailto:pearces@mailhaven.com); [Peter.Rzonca@Avnet.com](mailto:Peter.Rzonca@Avnet.com); [pldupper@gmail.com](mailto:pldupper@gmail.com); [quelalively@yahoo.com](mailto:quelalively@yahoo.com); [ralph@kaisertile.net](mailto:ralph@kaisertile.net); [rbrinkman@yahoo.com](mailto:rbrinkman@yahoo.com); [rgriswold3@stny.rr.com](mailto:rgriswold3@stny.rr.com); [robertflawson@gmail.com](mailto:robertflawson@gmail.com); [rzkoehler@yahoo.com](mailto:rzkoehler@yahoo.com); [sdetota@yahoo.com](mailto:sdetota@yahoo.com); [sdetota99@yahoo.com](mailto:sdetota99@yahoo.com); [sdtuttle@gmail.com](mailto:sdtuttle@gmail.com); [smschloz@msn.com](mailto:smschloz@msn.com); [steve@bunger.me](mailto:steve@bunger.me); [stewart.sherriff@gmail.com](mailto:stewart.sherriff@gmail.com); [switchback62@hotmail.com](mailto:switchback62@hotmail.com); [terryleeAZ@comcast.net](mailto:terryleeAZ@comcast.net); [thompsc2@cox.net](mailto:thompsc2@cox.net); [trovita@gmail.com](mailto:trovita@gmail.com); [uaflyor767@gmail.com](mailto:uaflyor767@gmail.com); [valeriepaxton@gmail.com](mailto:valeriepaxton@gmail.com); [vimuscat@gmail.com](mailto:vimuscat@gmail.com); [wadeunderwood@hotmail.com](mailto:wadeunderwood@hotmail.com); [wbush1120@comcast.net](mailto:wbush1120@comcast.net); [wjswirtz@me.com](mailto:wjswirtz@me.com); [wka@caribbeanpoolsaz.com](mailto:wka@caribbeanpoolsaz.com); [yusuf@comsiscomputer.com](mailto:yusuf@comsiscomputer.com)  
**Subject:** Re: Additional DenSco Information

David,

Thanks for the answers. While the path outline above might be acceptable to some investors, it will be important that we potentially consider alternative additional options together as a group (and/or allow for some individual investor choice).

My biggest challenge with the above path is it seems to allocate 100% of the potentially good funds (lets call it \$10 million) to the efforts related to recovering what is unsecured/uncertain/legally complicated funds. And it also allows hourly-paid lawyers, advisors, accountants, etc to consume those funds without an clear / easy way to control.

An alternative path could be to allow investors to take all or some of the good funds in exchange for releasing their claim on the unrecovered funds. Thus those that might want to take the 20 cents (on the dollar) payment now (on all or a portion of their investment in Densco) could do so now and at least have some piece of mind that hourly legal/other bills aren't going to take their ultimate recovery to zero.

And if that is too complicated, we could alternatively agree as a group to allocate some amount (say \$500k) to a legal recovery fund for the benefit of all and distribute the remaining good funds (say \$9.5 million). Then the legal recovery costs would be quantified.

At this point, I have very little (zero really) clarity and comfort that recovery of additional assets will be possible. And thus, if asked to make a decision at this point, I would not personally be inclined to put significant existing dollars against a costly 2-3 year complex legal process with at vague outcome at best.

And lastly, prior to putting \$\$'s against a protracted legal pursuit, it is going to paramount to be absolutely clear what Densco (and hence us investors) have, if anything, more than an unsecured claim. Was any valid security interest or real property lien filing ever done on the assets Densco loaned funds against related to Menaged (and related entities)?

thx, Tom

On Tue, Aug 9, 2016 at 8:44 PM, Beauchamp, David G.  
<[DBeauchamp@clarkhill.com](mailto:DBeauchamp@clarkhill.com)> wrote:

DenSco Investors:

Set forth below are some questions that an Investor sent to me (several other Investors had similar questions). So I believe the questions and answers should be shared with all of the Investors.

Please understand that I am not the financial or bankruptcy expert to evaluate the potential recovery from Scott Menaged or the other unsecured claims. I have asked a couple of people for help to provide you with some direction, but they were not comfortable to even make an educated guess. Despite the fact that I am not an expert in these types of matters and I am not qualified to make any projections, please see my preliminary thoughts below. However, please understand that these preliminary thoughts could be proven to be completely wrong if we are able to obtain better information.

.....

We need to know realistically what to expect so we can plan the rest of our lives. \*\*\*\* Until I know what the Securities Division plans to do, I do not know what chance DenSco has to go after Scott Menaged and to recover the substantial majority of the Investors' money. If I had to guess, I believe a Receiver will be appointed, but the Receiver is not to pursue a fraud or collection case/action until the Receiver has sufficient evidence for the Receiver to believe that the fraud case is more likely than not to be successful and that the defendant has sufficient available assets to satisfy any judgment that may be obtained. Since the Menaged bankruptcy case was filed as a "no asset" bankruptcy, that does not look promising, but the US Trustee has taken actions to bring assets into that case that Scott Menaged had tried to exclude. That sounds promising, but I have no idea as to the value of those additional assets. Again, only time and investigation can clarify the answers to these questions.

I need you best-guess answer on:

What are the chances of getting any money at all back in the future? \*\*\*\* I do not know how much you previously invested, but any return to investors is generally done on a pro-rata basis based on the amount you had invested. According to a preliminary review of DenSco's records, there is approximately \$51 + million invested. So you should receive a percentage of any assets recovered and not needed for the costs of the Receivership or its collection efforts, calculated as follows: (Available DenSco proceeds) multiplied by the percentage determined by: (the amount you invested) divided by (\$51 million.)

Will the money from Densco's bank account and good loans go to pay legal fees in the future? \*\*\*\* That will be the decision of the Receiver so long as the Receiver can demonstrate that there is a greater likelihood of success in the collection efforts as noted above. Normally, a good portion of the initially available funds are applied to investigation costs and the pursuit of potential recovery.

If there is a chance of getting any money back; if so how long in the future would you think it would be? \*\*\*\* In these types of matters, they can last two to three years or longer. In this

case, I believe that the anticipated problems to collect all of DenSco's assets from Scott Menaged and Auction.com, I believe it will be longer than 3 years. If sufficient funds are collected and available, there is sometimes (rare but it happens) an interim distribution before all of the potential assets are collected.

Do any lawyers, forensic auditors, and anyone else that you hire get paid hourly or on a contingency basis? \*\*\*\*\*In some collection cases, there are modified contingency fees negotiated by the Receiver, but fraud actions (with questionable assets for collection) are difficult cases to get attorneys to take on a contingency fee basis.

We really appreciate your efforts so far and hopefully the results turn out well.

Thanks again for what you are doing.

\*\*\*\*\*

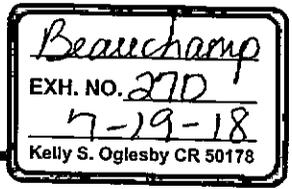
**David G. Beauchamp**

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**Beauchamp, David G.**

**From:** Beauchamp, David G.  
**Sent:** Friday, August 12, 2016 8:09 AM  
**To:** Thomas Byrne  
**Cc:** acatejr@gmail.com; amydirks@hotmail.com; anthjen@yahoo.com; artnina@hotmail.com; Aztonysmith@aol.com; aztonysmith@gmail.com; baryluchtel@gmail.com; bdirks5@cox.net; bji@cox.net; bjlocke64@yahoo.com; bjodenthal@frontier.com; brian.wenig@honeywell.com; burdett.anthony@gmail.com; butlerv@yahoo.com; carricks3@ak.net; czj528@hotmail.com; dariosdad@gmail.com; dave@prestoncpa.biz; davedubay@gmail.com; dhowze@cox.net; don-cindy@cableone.net; Doriann@cox.net; eileencohen@me.com; epcarrick@gmail.com; glenpdavis@gmail.com; greeraz@gmail.com; gsiegford@msn.com; hahnaz2@cox.net; hey.ralph01@gmail.com; hikthestik@aol.com; jackdds@myway.com; jamccoy32@gmail.com; jbhok@yahoo.com; jemmakopel@hotmail.com; jgsiegford@yahoo.com; jimmy@flytrapproductions.com; jimpatmc44@gmail.com; jkjetto@yahoo.com; Jphalen00@aol.com; jwalker113@cox.net; kayell121@cs.com; kaylene.moss@avnet.com; kenneni@yahoo.com; landonluchtel@gmail.com; lanka2000@yahoo.com; Laurieweiskopf@gmail.com; lkopel22@hotmail.com; mark.wenig@gmail.com; mbencekent@yahoo.com; mlminvestor@gmail.com; mrsbeasley68@verizon.net; mscroggin@me.com; nihad@yahoo.com; nswirtz@me.com; patsmiller21@gmail.com; Paul\_a\_kent@yahoo.com; pearces@mailhaven.com; Peter.Rzonca@Avnet.com; pldupper@gmail.com; quelalively@yahoo.com; ralph@kaisertile.net; rbrinkman@yahoo.com; rgriswold3@stny.rr.com; robertflawson@gmail.com; rzkoehler@yahoo.com; sdetota@yahoo.com; sdetota99@yahoo.com; sdtuttle@gmail.com; smschloz@msn.com; steve@bunger.me; stewart.sherriff@gmail.com; switchback62@hotmail.com; terryleeAZ@comcast.net; thompsc2@cox.net; trovita@gmail.com; uaflyor767@gmail.com; valeriepaxton@gmail.com; vimuscat@gmail.com; wadeunderwood@hotmail.com; wbush1120@comcast.net; wjswirtz@me.com; wka@caribbeanpoolsaz.com; yusuf@comsiscomputer.com

**Subject:** Re: Additional DenSco Information

Tom:

In your previous email, I thought you were asking for me to explain the discrepancy in my previous comments. Basically, I do not know how many of the 80+ deeds of trust were timely and properly recorded. I never was involved in any of the loan closings. I have not had access to the current loan files to look that up. All I have had access to are a couple of brief summaries of those files. One prepared by Denny and one by the outside real estate professional after Denny's death. The Securities Division has those files now and I am trying to get those files.

I have copied all of the Investors in my email last night and the morning. So you should have the email addresses of all of the investors. I currently do not have a list of the names of all of the Investors. I am in the process of getting that information and I will share that when I get that. I would encourage the Investors to communicate and coordinate your efforts. You have had very definite influence with the Securities Division and you should be able to continue that.

Sincerely, David Beauchamp

Sent from my iPhone. Please excuse any typos.

On Aug 12, 2016, at 7:28 AM, Thomas Byrne <[thomasbyrne11@gmail.com](mailto:thomasbyrne11@gmail.com)> wrote:

David,

Your response really did not answer my question. So I will ask it directly - how many, if any, of the deed of trust documents (that were related to any of the "not good loans" - which seem to number something approaching 80+) were properly and timely filed against the real property?

Secondly, I would like to ask that we get a list of names and emails of all known Investor's in DenSco so that we can take the opportunity to discuss matters independently amongst ourselves.

Tom

On Aug 12, 2016, at 12:30 AM, Beauchamp, David G. <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

Sorry, another email that should have been copied to all Investors. Tom raised a good question that everyone should have the benefit of understanding.

Best regards, David

**David G. Beauchamp**

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**From:** Beauchamp, David G.  
**Sent:** Thursday, August 11, 2016 11:00 PM  
**To:** Thomas Byrne  
**Cc:** Stan Schloz  
**Subject:** RE: Additional DenSco Information

Tom:

Good catch. This also goes to the amount of independent review that needs to be done with the DenSco files for the bad loans. There are over 60 banker's boxes of DenSco files and information from Denny's house. I was trying to get information to the Investors as fast as I could. Since I did not have access to the files with the outstanding loans, I had to rely upon numbers and information that was either in the summary of the DenSco files that were electronically sent to me or the information that was prepared by the real estate person who did a quick review of the current loan files. In both instances, I used and relied upon this information without doing any independent review. In reviewing my notes from the information I was provided, I believe that I compounded the misinformation by referencing information taken from two different places even though each of the references had been calculated using two slightly different methods.

Specifically, some of the deeds of trust as security for the outstanding loans were sent to the title company to be recorded in connection with the purchase of the property by the borrower. Other deeds of trust were recorded in connection with a loan from DenSco to the existing owner of the property after the owner already owned the property. I believe that in the files notes, there was a reference that 83 deeds of trust were not showing as being current liens on properties related to Scott despite the fact that those houses were supposed to be collateral in favor of DenSco. I referenced those deeds of trust as not being recorded, but I should have referenced those liens as not currently being shown as effective liens on these properties. I do not know for sure if these deeds of trust were not recorded or were somehow "circumvented". These are some of the questions that will need to be reviewed after the non-current loans are reviewed in depth.

This review will be part of the forensic review, which review will also have to include a detailed title review for the properties that were supposed to secure notes but no longer show a lien in favor of DenSco on the property. For example, we will need more than a current title report to show if a loan secured by a deed of trust on a property was "circumvented. As an example, a borrower has sometimes been able to record a quit claim deed to convey a property to an affiliate and then that affiliate subsequently conveys the property to a third party (or gets a new loan on that property) with the new owner or new lender relying upon a title report that only reviews the title records for the last owner of the property. Specifically, this title report only shows liens that were recorded against the affiliate as the owner and do not show the lien recorded against the property when the original borrower used that property as collateral for the loan. (I believe that is the situation with the loan that was to be secured by Scott's house at 10510 East Sunnyside Drive in Scottsdale.) Normally, a title company's review of the title for a property is supposed to go beyond a quit claim deed (to the prior owner) to see if the quit claim deed was used to circumvent a recorded obligation to a third party. Again this can happen and has happened particularly when no title insurance is ordered with the quit claim deed, but I have been told that this often requires help from someone at the title company in order to be successful.

I apologize for any confusing information that I have shared, but I have tried to get the best information out to the Investors as quickly as I could. Unfortunately, the loans in question will need to be investigated more thoroughly than I could do over the last week without access to current title data.

Sincerely, David

David G. Beauchamp

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**From:** Thomas Byrne [mailto:thomasbyrne11@gmail.com]

**Sent:** Thursday, August 11, 2016 5:15 AM

**To:** Beauchamp, David G.

**Cc:** Stan Schloz

**Subject:** Re: Additional DenSco Information

David,

In your original summary, you said the 83 deeds of trust (related to Scott / his entities) were not recorded. Below you mention "certain deeds of trust were circumvented", can you be clear - how many deeds of trust of these 83 were recorded on a timely fashion or at all?

Tom

On Aug 10, 2016, at 7:55 PM, Beauchamp, David G.  
<[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

Stan:

I appreciate you asking for a vote on this approach. However, the Securities Division was pretty definite (confirmed by our legal research) that the Division (on behalf of the AZ Corporation Commission) can ask the Superior Court to approve the appointment of a Receiver without any input from the company or the investors. If that is the approach that the Securities Division elects to pursue, I would encourage that we talk to Mr. Byrne and modify the options so that we can present the options as instructions for the court to give to the Receiver, if any is appointed. It should be persuasive to the court to include specific instructions if a substantial number of investors vote in favor of the instructions.

With respect to Mr. Byrne's question concerning the rights of DenSco to certain assets, it appears that certain deeds of trust were circumvented by having the real property transferred by quit claim deed right before the deed of trust was recorded. I understand that is not conclusive, but it does show a pattern of conduct that seems to infer an intent to defraud DenSco.

Just a suggestion. Please let me know if you think a different approach makes more sense.

Sincerely,

David Beauchamp

**David G. Beauchamp**

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**From:** Stan Schloz [<mailto:SMSCHLOZ@msn.com>]

**Sent:** Wednesday, August 10, 2016 9:12 AM

**To:** Thomas Byrne; Beauchamp, David G.

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**Subject:** Re: Additional DenSco Information

I totally agree with Mr. Byrne's analysis. It seems to me we need to come to a group decision on the options Thomas outlined ASAP. In that process I hope DenSco, the family and the investors can come together with a common strategy with David as the attorney. Big order! I have little hope of having any funds available other than the good funds identified to date. I would support any of the Byrne options. My goal is get what we can as soon as we can. David, would appreciate you taking the lead on this. Appreciate your effort and responsiveness.  
Stan Schloz

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**From:** Thomas Byrne <[thomasbyrne11@gmail.com](mailto:thomasbyrne11@gmail.com)>  
**Sent:** Wednesday, August 10, 2016 7:59 AM  
**To:** Beauchamp, David G.  
**Cc:** [acatejr@gmail.com](mailto:acatejr@gmail.com); [amydirks@hotmail.com](mailto:amydirks@hotmail.com); [anthien@yahoo.com](mailto:anthien@yahoo.com);  
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[aztonysmith@gmail.com](mailto:aztonysmith@gmail.com); [barryluchtel@gmail.com](mailto:barryluchtel@gmail.com); [bdirks5@cox.net](mailto:bdirks5@cox.net);  
[bjj@cox.net](mailto:bjj@cox.net); [bilocke64@yahoo.com](mailto:bilocke64@yahoo.com); [bjodenthal@frontier.com](mailto:bjodenthal@frontier.com);  
[brian.wenig@honeywell.com](mailto:brian.wenig@honeywell.com); [burdett.anthony@gmail.com](mailto:burdett.anthony@gmail.com);  
[butlerv@yahoo.com](mailto:butlerv@yahoo.com); [carricks3@ak.net](mailto:carricks3@ak.net); [czj528@hotmail.com](mailto:czj528@hotmail.com);

dariosdad@gmail.com; dave@prestoncpa.biz; davedubay@gmail.com;  
dhowze@cox.net; don-cindy@cableone.net; Doriann@cox.net;  
eileencohen@me.com; epcarrick@gmail.com; glenpdavis@gmail.com;  
greeraz@gmail.com; gsiegford@msn.com; hahnaz2@cox.net;  
hev.ralph01@gmail.com; hikthestik@aol.com; jackdds@myway.com;  
jamccoy32@gmail.com; jbhok@yahoo.com;  
jemmakopel@hotmail.com; jsiegford@yahoo.com;  
jimmy@flytrapproductions.com; jimpatmc44@gmail.com;  
jkietto@yahoo.com; Jphalen00@aol.com; jwalker113@cox.net;  
kayell121@cs.com; kaylene.moss@avnet.com; kennel@yahoo.com;  
landonluchtel@gmail.com; lanka2000@yahoo.com;  
Laurieweiskopf@gmail.com; lkopel22@hotmail.com;  
mark.wenig@gmail.com; mbencekent@yahoo.com;  
mlminvestor@gmail.com; mrsbeasley68@verizon.net;  
mscroggin@me.com; nihad@yahoo.com; nswirtz@me.com;  
patsmiller21@gmail.com; Paul\_a\_kent@yahoo.com;  
pearces@mailhaven.com; Peter.Rzonca@Avnet.com;  
pldupper@gmail.com; quelalively@yahoo.com; ralph@kaisertile.net;  
rbrinkman@yahoo.com; rgriswold3@stny.rr.com;  
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sdetota@yahoo.com; sdetota99@yahoo.com; sdtuttle@gmail.com;  
smschloz@msn.com; steve@bunger.me; stewart.sherriff@gmail.com;  
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thompsc2@cox.net; trovita@gmail.com; uaflyor767@gmail.com;  
valeriepaxton@gmail.com; vimuscat@gmail.com;  
wadeunderwood@hotmail.com; wbush1120@comcast.net;  
wiswirtz@me.com; wka@caribbeanpoolsaz.com;  
yusuf@comsiscomputer.com

Subject: Re: Additional DenSco Information

David,

Thanks for the answers. While the path outline above might be acceptable to some investors, it will be important that we potentially consider alternative additional options together as a group (and/or allow for some individual investor choice).

My biggest challenge with the above path is it seems to allocate 100% of the potentially good funds (lets call it \$10 million) to the efforts related to recovering what is unsecured/uncertain/legally complicated funds. And it also allows hourly-paid lawyers, advisors, accountants, etc to consume those funds without an clear / easy way to control.

An alternative path could be to allow investors to take all or some of the good funds in exchange for releasing their

claim on the unrecovered funds. Thus those that might want to take the 20 cents (on the dollar) payment now (on all or a portion of their investment in Densco) could do so now and at least have some piece of mind that hourly legal/other bills aren't going to take their ultimate recovery to zero.

And if that is too complicated, we could alternatively agree as a group to allocate some amount (say \$500k) to a legal recovery fund for the benefit of all and distribute the remaining good funds (say \$9.5 million). Then the legal recovery costs would be quantified.

At this point, I have very little (zero really) clarity and comfort that recovery of additional assets will be possible. And thus, if asked to make a decision at this point, I would not personally be inclined to put significant existing dollars against a costly 2-3 year complex legal process with at vague outcome at best.

And lastly, prior to putting \$\$'s against a protracted legal pursuit, it is going to paramount to be absolutely clear what Densco (and hence us investors) have, if anything, more than an unsecured claim. Was any valid security interest or real property lien filing ever done on the assets Densco loaned funds against related to Menaged (and related entities)?

thx, Tom

On Tue, Aug 9, 2016 at 8:44 PM, Beauchamp, David G. <[DBeauchamp@clarkhill.com](mailto:DBeauchamp@clarkhill.com)> wrote:

DenSco Investors:

Set forth below are some questions that an Investor sent to me (several other Investors had similar questions). So I believe the questions and answers should be shared with all of the Investors.

Please understand that I am not the financial or bankruptcy expert to evaluate the potential recovery from Scott Menaged or the other

unsecured claims. I have asked a couple of people for help to provide you with some direction, but they were not comfortable to even make an educated guess. Despite the fact that I am not an expert in these types of matters and I am not qualified to make any projections, please see my preliminary thoughts below. However, please understand that these preliminary thoughts could be proven to be completely wrong if we are able to obtain better information.

.....

We need to know realistically what to expect so we can plan the rest of our lives. \*\*\*\* Until I know what the Securities Division plans to do, I do not know what chance DenSco has to go after Scott Menaged and to recover the substantial majority of the Investors' money. If I had to guess, I believe a Receiver will be appointed, but the Receiver is not to pursue a fraud or collection case/action until the Receiver has sufficient evidence for the Receiver to believe that the fraud case is more likely than not to be successful and that the defendant has sufficient available assets to satisfy any judgment that may be obtained. Since the Menaged bankruptcy case was filed as a "no asset" bankruptcy, that does not look promising, but the US Trustee has taken actions to bring assets into that case that Scott Menaged had tried to exclude. That sounds promising, but I have no idea as to the value of those additional assets. Again, only time and investigation can clarify the answers to these questions.

I need you best-guess answer on:

What are the chances of getting any money at all back in the future? \*\*\*\* I do not know how much you previously invested, but any return to investors is generally done on a pro-rata basis based on the amount you had invested. According to a preliminary review of DenSco's records, there is approximately \$51 + million invested. So you should receive a percentage of any assets recovered and not needed for the costs of the Receivership or its collection efforts, calculated as follows: (Available DenSco proceeds) multiplied by the percentage determined by: (the amount you invested) divided by (\$51 million.)

Will the money from Densco's bank account and good loans go to pay legal fees in the future? \*\*\*\* That will be the decision of the Receiver so long as the Receiver can demonstrate that there is a greater likelihood of success in the collection efforts as noted

above. Normally, a good portion of the initially available funds are applied to investigation costs and the pursuit of potential recovery.

If there is a chance of getting any money back; if so how long in the future would you think it would be? \*\*\*\* In these types of matters, they can last two to three years or longer. In this case, I believe that the anticipated problems to collect all of DenSco's assets from Scott Menaged and Auction.com, I believe it will be longer than 3 years. If sufficient funds are collected and available, there is sometimes (rare but it happens) an interim distribution before all of the potential assets are collected.

Do any lawyers, forensic auditors, and anyone else that you hire get paid hourly or on a contingency basis? \*\*\*\*In some collection cases, there are modified contingency fees negotiated by the Receiver, but fraud actions (with questionable assets for collection) are difficult cases to get attorneys to take on a contingency fee basis.

We really appreciate your efforts so far and hopefully the results turn out well.

Thanks again for what you are doing.

\*\*\*\*\*

\*

**David G. Beauchamp**

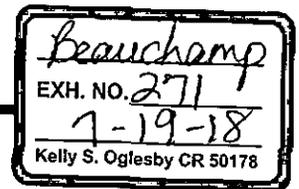
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**Beauchamp, David G.**



**From:** Kevin R. Merritt <KMerritt@gblaw.com>  
**Sent:** Friday, August 12, 2016 9:30 AM  
**To:** Beauchamp, David G.  
**Cc:** James F. Polese; Trinity Osborne  
**Subject:** RE: Densco

David,

I just spoke with Shawna. She tells me that Robert has expressed concerns because several loans, she mentioned 5 or so, are in the process of pay-off, so your question below in red is pertinent. Any reply from Gary?

Thanks.

Kevin

**Kevin R. Merritt**

602.256.4481 Direct | [KMerritt@gblaw.com](mailto:KMerritt@gblaw.com)

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**From:** Beauchamp, David G. [mailto:DBeauchamp@ClarkHill.com]  
**Sent:** Thursday, August 11, 2016 5:46 PM  
**To:** Gary Clapper  
**Cc:** Kevin R. Merritt; James F. Polese; Sifferman, Mark S.; Wendy Coy  
**Subject:** RE: Densco

Gary:

I just talked to Shawna's new attorneys, Jim Polese and Kevin Merritt, and they agree with the statements from a couple of the attorneys for the Investors and attorneys for other related parties. All of them want us to follow a different procedure with respect to the DenSco documents. Jim Polese will be sending a letter to you with the specifics of the procedure that we would like to follow concerning the documents and information that has been requested, including what has already been provided.

First, I have now been informed that the boxes you already have from Robert Koehler contain more than just the documents evidencing the "good" loans to the borrowers who are current in their payments. Those files also contain some of the loans connected with Scott Menaged and his entities, as well as some communication with legal counsel that should have been removed and added to a privilege log. We request that we be allowed to have those files picked up by a service to make copies of the documents, "bate stamp" the copies and allow us to review the documents for potentially privileged communications, and then have the copies (without the privileged documents) sent to you along with the privilege log. In addition to the concern about possibly privileged communications, we are also concerned that original lien release documents are in these files and we will need to be able to deliver the applicable release documents to a title company upon a pay-off of current loans. Otherwise, DenSco could be liable to the applicable borrowers during this interim time period until the Receiver is appointed who will then be able to handle these business obligations for DenSco.

Second, I have also now been informed that the approximately 51 boxes in my office do contain more than just the previous loans that have been paid off. We would like to retain the applicable boxes for the time period since 2011 to the present, so that we can review those boxes for privileged communications and to prepare a privilege log. We will have the documents in the boxes for 2011 to the present copied and "bate stamped" so that the copies (without the

privileged documents") can be delivered to you along with the privileged log. The boxes with documents applicable to the period prior to 2011 will be available for pick-up tomorrow as you requested.

Third, the investor files at the house of Denny Chittick will need to be reviewed for privileged communications and to prepare a privilege log. The documents will then be copied and "bated stamped" and delivered to your office (without the privileged documents") along with the privileged log.

Fourth, the computer used by Denny Chittick does not only contain personal information, but it contains many emails that are appropriately deemed to contain privileged communications on several matters. We will need to review the material on the computer and prepare the necessary privilege log. As we discussed yesterday, we believe that Denny Chittick downloaded the current financial information of DenSco and its outstanding loans to the borrowers in a file in Drop Box, as well as a list of the names, email addresses and mailing addresses of DenSco's current investors. We are making arrangements to have the information on the files in Drop Box forwarded to you as soon as possible. We will also work with a computer expert to have the non-privileged communications and DenSco files downloaded and provided to you on one or more computer disks along with a privileged log.

Please know that I have tried to get back to you as soon as I could after obtaining the instructions of the relevant parties in this matter. If you have any questions, please let me know.

Sincerely, David

**David G. Beauchamp**

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**From:** Gary Clapper [<mailto:GRC@azcc.gov>]

**Sent:** Thursday, August 11, 2016 3:42 PM

**To:** Beauchamp, David G.

**Subject:** RE: Densco

I can use our evidence sheets that we use when we do search warrants if that is acceptable. I will bring the boxes for the records at the house.

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]

**Sent:** Thursday, August 11, 2016 3:40 PM

**To:** Gary Clapper <[GRC@azcc.gov](mailto:GRC@azcc.gov)>

**Subject:** RE: Densco

Gary:

If you have one that can be readily used, that would help. I have a message into one of our legal assistants for this, but she is not available this afternoon. Since we do not know specifically what is in the boxes, this is really a formality.

Thanks, David

**David G. Beauchamp**

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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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**From:** Gary Clapper [<mailto:GRC@azcc.gov>]  
**Sent:** Thursday, August 11, 2016 3:38 PM  
**To:** Beauchamp, David G.  
**Subject:** RE: Densco

Sounds good. Are you doing the receipt for us to sign or do you want me to do one?

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Thursday, August 11, 2016 3:36 PM  
**To:** Gary Clapper <[GRC@azcc.gov](mailto:GRC@azcc.gov)>  
**Cc:** Lavender, Sandy J. <[SLavender@ClarkHill.com](mailto:SLavender@ClarkHill.com)>; PHX Office Services <[PHXOfficeServices2@ClarkHill.com](mailto:PHXOfficeServices2@ClarkHill.com)>  
**Subject:** RE: Densco

Gary:

I have reached out to Shawna but I have not yet been able to talk to her. With respect to the boxes in my office, those boxes will be available after 8:00 am tomorrow morning.

I need to receive confirmation from Shawna or her attorney concerning the computer and her availability at the house for the investor files. When you are able to get the files from Shawna, please bring boxes, because I forgot to give banker's boxes to Shawna yesterday. In addition, we will need signed receipts signed to evidence your receipt of the boxes and the files from Shawna (and hopefully the computer).

Regards, David

David G. Beauchamp

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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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**From:** Gary Clapper [<mailto:GRC@azcc.gov>]  
**Sent:** Thursday, August 11, 2016 2:28 PM  
**To:** Beauchamp, David G.  
**Subject:** Densco

Hi David,

He have the files Robert Koehler had. I remember Shawna saying the investor files were still at the house in a drawer. We would like to get those before she leaves. I can meet her at the house to make is easy for her. Can you contact her and see what she wants to do please. Is tomorrow morning good to pick up the boxes from your office? Has any decision been made regarding the computer. I would like to pick that up at the same time if possible. Thank you for all your help with this matter.

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Densco /

9:56 Message from Wendy Coy (8/12/16)

COE-542-0633

(11)

got email yesterday

whether or not we can agree upon a possible Receiver  
— will we stipulate

New Wendy Coy (8/12/16)

(13)

writing a response to letter from Jim Polee & ~~Kevin~~  
Marritt

who represents the Company? the Subpoena was

What are we willing to do??

Joint Filing for Receiver  
Stip

DenSco /

10:50 message from Kevin Merritt (8/12/16) 602-256-4481

(3)

— sent list of investor names to DGB — for DGB to run conflicts

if need additional info ask Kevin

— Kevin has a bunch of additional info — but does not feel that it

— Kevin talked to Robert Koehler — about Gen release

→ who is to sign for DenSco → is Shawna going to appoint someone new

— copying service — Tim Pless is trying to get

— has DGB talked to Gary at Securities Div

— talk later

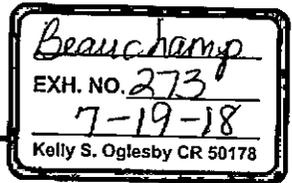
11:13 Message from Patti

(8/12/16)

602 256-4480

→ works for Tim Polese  
→ calling about boxes

→ has to arrange for copy



Message

**From:** Patti Meloserdoff [pmeloserdoff@gblaw.com]  
**on behalf of** James F. Polese [jpolese@gblaw.com]  
**Sent:** 8/12/2016 11:56:42 AM  
**To:** 'wcoy@azcc.gov' [wcoy@azcc.gov]; 'gclapper@azcc.gov' [gclapper@azcc.gov]  
**CC:** James F. Polese [jpolese@gblaw.com]; 'shawnaseverest@gmail.com' [shawnaseverest@gmail.com]; Beauchamp, David G. [dbeauchamp@clarkhill.com]; Kevin R. Merritt [KMerritt@gblaw.com]  
**Subject:** DenSco Investment Corporation  
**Attachments:** LTT W. Coy & G. Clapper.pdf

Ms. Coy and Mr. Clapper, please see the attached letter from James Polese.

**Patti Meloserdoff**  
Legal Assistant  
602.256.4480 Direct | [pmeloserdoff@gblaw.com](mailto:pmeloserdoff@gblaw.com)

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JAMES F. POLESE  
jpolese@gblaw.com

August 12, 2016

*Sent Via Email*  
[wcoy@azcc.gov](mailto:wcoy@azcc.gov)

Ms. Wendy L. Coy  
Director of Securities Enforcement  
Arizona Corporation Commission  
1300 W. Washington Street, 3rd Floor  
Phoenix, Arizona 85007

*Sent Via Email*  
[gclapper@azcc.gov](mailto:gclapper@azcc.gov)

Mr. Gary R. Clapper  
Chief Investigator, Securities Division  
Arizona Corporation Commission  
1300 W. Washington Street, 3rd Floor  
Phoenix, Arizona 85007

RE: DenSco Investment Corporation ("DenSco")  
Subpoena Duces Tecum  
Your File No. 8604

Dear Ms. Coy and Mr. Clapper:

From David Beauchamp's email to you, you have been advised that we have been retained as legal counsel for Ms. Shawna Heuer, the personal representative for the Estate of Denny J. Chittick, deceased. We are replacing the firm of Clark Hill PLC ("Clark Hill").

We have been advised of the delivery of a subpoena duces tecum to Ms. Heuer for what appears to be a substantial portion of the business records of DenSco as well as personal files of Mr. Chittick. We have advised our client that, while we appreciate and applaud her desire to cooperate with the Securities Division, delivery of any records on such short notice cannot occur because the files must first be reviewed to protect against disclosure of any attorney/client communications or other privilege that belongs to either the company or Mr. Chittick and which now passes to the Estate.

Wendy Coy  
Gary R. Clapper  
August 12, 2016  
Page 2

Accordingly, we have advised Clark Hill not to deliver any post-2011 documents to you. Since your subpoena asked for all documents and was not time-specific, we have strived to focus on documents that would be germane to any true investigation. We have been advised that pre-2011 documents are historical in nature. While such documents may well contain attorney/client privilege materials, we are prepared to allow the release of these documents to the Division on the express understanding that, if a subsequent review of the files discloses the existence of attorney/client or other privileged materials, the Division will immediately return them and acknowledge that, as protected documents, they cannot be used in any proceeding for any purpose without an appropriate waiver.

We cannot be as accommodating with respect to post-2011 documents. We will be taking possession of roughly 41 banker boxes of documents currently in Clark Hill's possession in order to review their contents for any attorney/client communications. A privilege log will be provided listing any documents that might otherwise be within the scope of the subpoena that will be withheld. We will strive to get this review done as quickly as possible but, since we do not yet have possession of the boxes, we cannot commit to a specific time when the review will be completed.

Once the review is completed and the privilege log prepared, we will proceed to have the post-2011 documents scanned and bates-stamped. In the interest of costs, rather than delivering actual photocopies, we plan on delivering searchable CDs that will contain the documents. The original documents, however, must remain in our client's control pending delivery to the likely to-be-appointed receiver.

We have been advised that it will take approximately 10 days to have the contents of all the boxes bates-stamped and scanned onto CDs. The copy service needs to inspect the boxes and hopes to do so today in order to finalize a quote and estimate of timing.

We have also learned that original corporate documents were tendered by Mr. Robert Koehler. These files contained in four (4) banker boxes, referred to as "Investor Files," are particularly sensitive. As Mr. Beauchamp pointed out to you in his email, they contain original documents that would need to be recorded once a loan is satisfied. The corporation would have liability if it were not in a position to promptly record a deed of release of a deed of trust. Accordingly, I would like to arrange to have these banker boxes picked up by a copy service and have the bates-stamped copies thereof returned to you. They would also need to be reviewed for privileged communications and the preparation of a privilege log.

In addition to these documents, our client advises us that she has located additional investor-type files and these will be delivered to us for a review for privileged materials and reproduction.

In addition to documents, you have requested that the original computer of Mr. Chittick be turned over to you. We cannot honor that request until we have the opportunity to have its

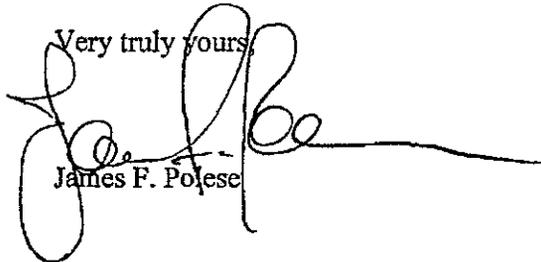
Wendy Coy  
Gary R. Clapper  
August 12, 2016  
Page 3

files scanned for any attorney/client communications. We understand that the computer contains a number of encrypted files and we may well need to retain a computer specialist to access those files. I cannot give you a date by which we will be ready to deliver the computer, but rest assured that we wish to assist the Division in any way possible to expedite its investigation.

In should go without saying that we will insist on a written understanding concerning any materials delivered to the Division. While we hope that our privilege review of documents is thorough, I want the assurance that, if we subsequently discover that attorney/client communications were inadvertently included in the production of any materials delivered to the Division – whether by Clark Hill, Mr. Koehler or this firm – the Division would agree that such document continues to retain its privileged nature notwithstanding its inadvertent production; to destroy that document and any copies made thereof; and agree that it could not be used in any court proceeding, absent an order of the court or waiver of the privilege.

Please feel free to contact me if you have any questions concerning the foregoing.

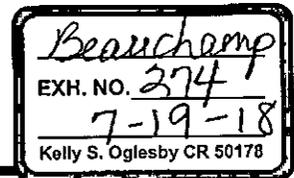
Very truly yours,



James F. Poiese

JFP/pm

e-cc: David G. Beauchamp, Esq.  
Ms. Shawna Heuer  
Kevin R. Merritt, Esq.



**Beauchamp, David G.**

**From:** Beauchamp, David G.  
**Sent:** Friday, August 12, 2016 1:41 PM  
**To:** Patti Meloserdoff  
**Subject:** RE: DenSco / Shawna Heuer

Patty:

These are 51 total boxes. Were you only thinking about taking a portion of the boxes? Please have Kevin call me to confirm.

Our firm's General Counsel wants me to get a Receipt signed for the boxes, so I have a document trail.

Thanks, David

**David G. Beauchamp**

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**From:** Patti Meloserdoff [<mailto:pmeloserdoff@qblaw.com>]

**Sent:** Friday, August 12, 2016 1:38 PM

**To:** Beauchamp, David G.

**Subject:** RE: DenSco / Shawna Heuer

Dave, Jason Corsco with a company called D4 will be at Clark Hill between 2:30 and 3:00 today to pick up the 41 boxes. I gave him your name as the contact. Is there anything else you need to know?

**Patti Meloserdoff**

602.256.4480 Direct | [pmeloserdoff@qblaw.com](mailto:pmeloserdoff@qblaw.com)

---

**From:** Patti Meloserdoff

**Sent:** Friday, August 12, 2016 11:29 AM

**To:** 'dbeauchamp@clarkhill.com'

**Subject:** DenSco / Shawna Heuer

**Importance:** High

Hi Dave, I left you a voicemail message earlier instead of an e-mail because our outside e-mail was out of service until just a few minutes ago. I need to send over a man named Justin Corso from D4 to look at the 41 boxes so he can give us an estimate of what it will cost to scan and bates-stamp all those pieces of paper. Is there someone he can call to coordinate with? We're trying to get him out there today, so please get back to me as soon as you can.

Thanks, and hope all is well with you.

**Patti Meloserdoff**

Legal Assistant

602.256.4480 Direct | [pmeloserdoff@qblaw.com](mailto:pmeloserdoff@qblaw.com)

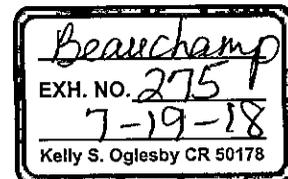
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**Beauchamp, David G.**

**From:** James F. Polese <jpolese@gblaw.com>  
**Sent:** Friday, August 12, 2016 1:53 PM  
**To:** 'Wendy Coy'  
**Cc:** 'shawnaseverest@gmail.com'; Gary Clapper; Kevin R. Merritt; Beauchamp, David G.  
**Subject:** RE: DenSCO Investment Corporation

Ms. Coy:

As my letter made clear, we are counsel for the estate. As we understand it, Mr. Beauchamp remains as counsel for DenSCO, if for no other reason than there is no mechanism in place to make any change.

Your email states that the subpoena is directed to DenSCO but in your meeting with our client you apparently stated that you intended any documents that were personal to Mr. Chittick relating to investors, whether or not corporate records, to be within the scope of the subpoena, including his personal laptop.

Even if your subpoena sought only corporate documents, our involvement would nonetheless be mandated. DenSCO had a single owner, officer and director. With his death the only owner of the company is the estate. While our client has no interest in running the company pending the appointment of a receiver, matters must be addressed, such as the Division's subpoena.

The reason the estate has taken the lead with respect to compliance with the subpoena is that Mr. Beauchamp and Clark Hill find themselves in somewhat of an awkward position, given the wild allegations being made. Mr. Beauchamp is caught between continued representation and not wishing to be accused of acting in a way that compromises the company in any way, such as the loss of the attorney client privilege. Accordingly, whether this firm takes the lead or Clark Hill, the procedures for the review of the corporate records for attorney client privilege, the preparation of the privilege log and the delivery of disks that contain the responsive documents of the corporation to the subpoena is going to be followed and the expense thereof will be borne by the corporation – a fact to which you acknowledged in your conversation with David Beauchamp today.

We anticipate that the boxes containing the post-2011 documents will be delivered either late today or Monday. As I noted in my letter, we will do the review for privilege and arrange for the production as expeditiously as possible.

I trust this addresses the matters raised in your email.

We have had further discussions with Mr. Beauchamp about his conversation with you today about the appointment of a receiver. As my letter to you inferred, we fully expect that a receiver will be appointed. We wish that it would be otherwise since, in my experience, a receiver is both incredibly inefficient and expensive and in the final analysis of little benefit to the investors. But our client has neither the time, inclination nor experience to step into the role of active management. She recognizes that a receiver will be needed.

I understand that you asked David if the estate would stipulate to the appointment of a receiver if we had input into the appointment. Although we have not expressly discussed this with our client, we believe that the estate would be willing to enter into such a stipulation provided that receiver was one with whom the estate was comfortable. In that regard, I will tender to you a list of individuals early next week that I think would be acceptable to the estate.

Please let me know if you have any further questions.

**James F. Polese**

602.256.4499 Direct | 602.405.3807 Mobile  
[jpolese@gblaw.com](mailto:jpolese@gblaw.com)

---

**From:** Wendy Coy [<mailto:WC@azcc.gov>]  
**Sent:** Friday, August 12, 2016 12:31 PM  
**To:** James F. Polese; Kevin R. Merritt; 'dbeauchamp@clarkhill.com'  
**Cc:** 'shawnaseverest@gmail.com'; Gary Clapper  
**Subject:** RE: DenSco Investment Corporation

Mr. Polese, Mr. Merritt and Mr. Beauchamp –

Thank you for your correspondence. Mr. Polese you indicate that you have been retained by Ms. Heuer, the personal representative for the Estate of Denny J. Chittick, deceased. However, you fail to indicate if you also represent the entity, DenSco Investment Corporation. The subpoena was directed to the Custodian of Records for DenSco Investment Corporation. Please advise if you have been retained as DenSco's. If not, please notify me who represents DenSco.

Thank you.

**Wendy Coy**

Director of Enforcement  
Arizona Corporation Commission  
Securities Division  
1300 W. Washington, 3<sup>rd</sup> Floor  
Phoenix, Arizona 85007  
(602)542-0633

---

**From:** Patti Meloserdoff [<mailto:pmeloserdoff@gblaw.com>] On Behalf Of James F. Polese  
**Sent:** Friday, August 12, 2016 11:57 AM  
**To:** Wendy Coy <[WC@azcc.gov](mailto:WC@azcc.gov)>; Gary Clapper <[GRC@azcc.gov](mailto:GRC@azcc.gov)>  
**Cc:** James F. Polese <[jpolese@gblaw.com](mailto:jpolese@gblaw.com)>; 'shawnaseverest@gmail.com' <[shawnaseverest@gmail.com](mailto:shawnaseverest@gmail.com)>; 'dbeauchamp@clarkhill.com' <[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com)>; Kevin R. Merritt <[KMerritt@gblaw.com](mailto:KMerritt@gblaw.com)>  
**Subject:** DenSco Investment Corporation

Ms. Coy and Mr. Clapper, please see the attached letter from James Polese.

**Patti Meloserdoff**

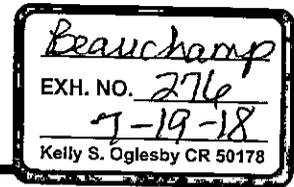
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**Beauchamp, David G.**

**From:** Wendy Coy <WC@azcc.gov>  
**Sent:** Friday, August 12, 2016 2:49 PM  
**To:** James F. Polese  
**Cc:** 'shawnaseverest@gmail.com'; Gary Clapper; Kevin R. Merritt; Beauchamp, David G.  
**Subject:** RE: DenSco Investment Corporation

Mr. Polese –

Thank you for your prompt response. The Securities Division needed to clarify the representation of the DenSco. Also, I wanted to address a couple of points in your email.

It is my understanding that Mr. Chittick's personal laptop is also the corporate computer and contains corporate records. If there is a separate corporate computer, please let us know. The Securities Division does not need or want any of the personal information of Mr. Chittick. However, if there is corporate information within the personal information, I believe that would be covered by the subpoena.

I believe I indicated to Mr. Beauchamp that I understood the position stated by counsel on the documents.

As to the appointment of the receiver, I appreciate the position that the estate is willing to work with the Securities Division on the appointment of a receiver. I did discuss two possible receivers with Mr. Beauchamp last Wednesday. Both have worked with this office before and have good reputations for controlling expenses. The Securities Division believes either would be appropriate to appoint on this matter. I am able to forward their CV's and fee schedules if you would like the information. We are more than willing to consider any one you suggest.

Due to the precarious situation DenSco is in, the sooner we can move forward with a receiver the better. With that being said, if possible would you be able to provide me your receiver suggestions by Monday afternoon?

I would be willing to discuss any of these issues with you in person or over the phone at any time. I will be checking emails throughout the weekend. I plan to be in the office Saturday morning.

If there is anything else, please let me know.

Wendy Coy

**Wendy Coy**  
Director of Enforcement  
Arizona Corporation Commission  
Securities Division  
1300 W. Washington, 3<sup>rd</sup> Floor  
Phoenix, Arizona 85007  
(602)542-0633

---

**From:** James F. Polese [mailto:jpolese@gbllaw.com]  
**Sent:** Friday, August 12, 2016 1:53 PM  
**To:** Wendy Coy <WC@azcc.gov>  
**Cc:** 'shawnaseverest@gmail.com' <shawnaseverest@gmail.com>; Gary Clapper <GRC@azcc.gov>; Kevin R. Merritt

<KMerritt@qblaw.com>; 'dbeauchamp@clarkhill.com' <dbeauchamp@clarkhill.com>

**Subject:** RE: DenSco Investment Corporation

Ms. Coy:

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I understand that you asked David if the estate would stipulate to the appointment of a receiver if we had input into the appointment. Although we have not expressly discussed this with our client, we believe that the estate would be willing to enter into such a stipulation provided that receiver was one with whom the estate was comfortable. In that regard, I will tender to you a list of individuals early next week that I think would be acceptable to the estate.

Please let me know if you have any further questions.

**James F. Polese**

602.256.4499 Direct | 602.405.3807 Mobile  
[jpolese@qblaw.com](mailto:jpolese@qblaw.com)

---

**From:** Wendy Coy [<mailto:WC@azcc.gov>]

**Sent:** Friday, August 12, 2016 12:31 PM

**To:** James F. Polese; Kevin R. Merritt; 'dbeauchamp@clarkhill.com'

Cc: 'shawnaseverest@gmail.com'; Gary Clapper  
Subject: RE: DenSco Investment Corporation

Mr. Polese, Mr. Merritt and Mr. Beauchamp --

Thank you for your correspondence. Mr. Polese you indicate that you have been retained by Ms. Heuer, the personal representative for the Estate of Denny J. Chittick, deceased. However, you fail to indicate if you also represent the entity, DenSco Investment Corporation. The subpoena was directed to the Custodian of Records for DenSco Investment Corporation. Please advise if you have been retained as DenSco's. If not, please notify me who represents DenSco.

Thank you.

**Wendy Coy**  
Director of Enforcement  
Arizona Corporation Commission  
Securities Division  
1300 W. Washington, 3<sup>rd</sup> Floor  
Phoenix, Arizona 85007  
(602)542-0633

---

**From:** Patti Meloserdoff [<mailto:pmeloserdoff@qblaw.com>] On Behalf Of James F. Polese  
**Sent:** Friday, August 12, 2016 11:57 AM  
**To:** Wendy Coy <[WC@azcc.gov](mailto:WC@azcc.gov)>; Gary Clapper <[GRC@azcc.gov](mailto:GRC@azcc.gov)>  
**Cc:** James F. Polese <[jpolese@qblaw.com](mailto:jpolese@qblaw.com)>; 'shawnaseverest@gmail.com' <[shawnaseverest@gmail.com](mailto:shawnaseverest@gmail.com)>;  
'dbeauchamp@clarkhill.com' <[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com)>; Kevin R. Merritt <[KMerritt@qblaw.com](mailto:KMerritt@qblaw.com)>  
**Subject:** DenSco Investment Corporation

Ms. Coy and Mr. Clapper, please see the attached letter from James Polese.

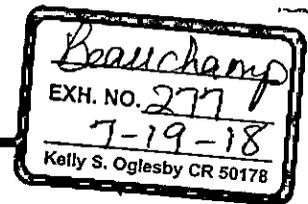
**Patti Meloserdoff**  
Legal Assistant  
602.256.4480 Direct | [pmeloserdoff@qblaw.com](mailto:pmeloserdoff@qblaw.com)

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**Beauchamp, David G.**



**From:** James F. Polese <jpolese@gblaw.com>  
**Sent:** Friday, August 12, 2016 3:22 PM  
**To:** Beauchamp, David G.; Kevin R. Merritt  
**Cc:** Trinity Osborne  
**Subject:** RE: Densco

Yes we want the laptop

**James F. Polese**

602.256.4499 Direct | 602.405.3807 Mobile  
jpolese@gblaw.com

---

**From:** Beauchamp, David G. [mailto:DBeauchamp@ClarkHill.com]  
**Sent:** Friday, August 12, 2016 3:13 PM  
**To:** Kevin R. Merritt  
**Cc:** James F. Polese; Trinity Osborne  
**Subject:** RE: Densco

Kevin:

Robert is sending me a list of the addresses for the houses to have lien releases filed. I am then to send that list to Wendy and Gary for them to find the signed releases and to make them available for us to pick-up. Then we are to send them to the applicable Escrow Agents to record when the pay-off amount is funded to DenSco. Now the problem is to get someone with the financial records to calculate the correct pay-off amount. It would have been much easier if we were just given those boxes back.

The person picking up the boxes just left. I forgot to ask if you also wanted me to send Denny's laptop with the boxes.

Thanks, David

**David G. Beauchamp**

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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:** Kevin R. Merritt [mailto:KMerritt@gblaw.com]  
**Sent:** Friday, August 12, 2016 9:30 AM  
**To:** Beauchamp, David G.  
**Cc:** James F. Polese; Trinity Osborne  
**Subject:** RE: Densco

David,

I just spoke with Shawna. She tells me that Robert has expressed concerns because several loans, she mentioned 5 or so, are in the process of pay-off, so your question below in red is pertinent. Any reply from Gary?

Thanks.

Kevin

**Kevin R. Merritt**

602.256.4481 Direct | [KMerritt@oblaw.com](mailto:KMerritt@oblaw.com)

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Thursday, August 11, 2016 5:46 PM  
**To:** Gary Clapper  
**Cc:** Kevin R. Merritt; James F. Polese; Sifferman, Mark S.; Wendy Coy  
**Subject:** RE: Densco

Gary:

I just talked to Shawna's new attorneys, Jim Polese and Kevin Merritt, and they agree with the statements from a couple of the attorneys for the Investors and attorneys for other related parties. All of them want us to follow a different procedure with respect to the DenSco documents. Jim Polese will be sending a letter to you with the specifics of the procedure that we would like to follow concerning the documents and information that has been requested, including what has already been provided.

First, I have now been informed that the boxes you already have from Robert Koehler contain more than just the documents evidencing the "good" loans to the borrowers who are current in their payments. Those files also contain some of the loans connected with Scott Menaged and his entities, as well as some communication with legal counsel that should have been removed and added to a privilege log. We request that we be allowed to have those files picked up by a service to make copies of the documents, "bate stamp" the copies and allow us to review the documents for potentially privileged communications, and then have the copies (without the privileged documents) sent to you along with the privilege log. In addition to the concern about possibly privileged communications, we are also concerned that original lien release documents are in these files and we will need to be able to deliver the applicable release documents to a title company upon a pay-off of current loans. Otherwise, DenSco could be liable to the applicable borrowers during this interim time period until the Receiver is appointed who will then be able to handle these business obligations for DenSco.

Second, I have also now been informed that the approximately 51 boxes in my office do contain more than just the previous loans that have been paid off. We would like to retain the applicable boxes for the time period since 2011 to the present, so that we can review those boxes for privileged communications and to prepare a privilege log. We will have the documents in the boxes for 2011 to the present copied and "bate stamped" so that the copies (without the privileged documents) can be delivered to you along with the privileged log. The boxes with documents applicable to the period prior to 2011 will be available for pick-up tomorrow as you requested.

Third, the Investor files at the house of Denny Chittick will need to be reviewed for privileged communications and to prepare a privilege log. The documents will then be copied and "bate stamped" and delivered to your office (without the privileged documents) along with the privileged log.

Fourth, the computer used by Denny Chittick does not only contain personal information, but it contains many emails that are appropriately deemed to contain privileged communications on several matters. We will need to review the material on the computer and prepare the necessary privilege log. As we discussed yesterday, we believe that Denny Chittick downloaded the current financial information of DenSco and its outstanding loans to the borrowers in a file in Drop Box, as well as a list of the names, email addresses and mailing addresses of DenSco's current investors. We are making arrangements to have the information on the files in Drop Box forwarded to you as soon as possible. We will also work with a computer expert to have the non-privileged communications and DenSco files downloaded and provided to you on one or more computer disks along with a privileged log.

Please know that I have tried to get back to you as soon as I could after obtaining the instructions of the relevant parties in this matter. If you have any questions, please let me know.

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](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Gary Clapper [<mailto:GRC@azcc.gov>]  
**Sent:** Thursday, August 11, 2016 3:42 PM  
**To:** Beauchamp, David G.  
**Subject:** RE: Densco

I can use our evidence sheets that we use when we do search warrants if that is acceptable. I will bring the boxes for the records at the house.

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Thursday, August 11, 2016 3:40 PM  
**To:** Gary Clapper <[GRC@azcc.gov](mailto:GRC@azcc.gov)>  
**Subject:** RE: Densco

Gary:

If you have one that can be readily used, that would help. I have a message into one of our legal assistants for this, but she is not available this afternoon. Since we do not know specifically what is in the boxes, this is really a formality.

Thanks, David

**David G. Beauchamp**

CLARK HILL PLC

14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Gary Clapper [<mailto:GRC@azcc.gov>]  
**Sent:** Thursday, August 11, 2016 3:38 PM  
**To:** Beauchamp, David G.  
**Subject:** RE: Densco

Sounds good. Are you doing the receipt for us to sign or do you want me to do one?

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Thursday, August 11, 2016 3:36 PM  
**To:** Gary Clapper <[GRC@azcc.gov](mailto:GRC@azcc.gov)>  
**Cc:** Lavender, Sandy J. <[SLavender@ClarkHill.com](mailto:SLavender@ClarkHill.com)>; PHX Office Services <[PHXOfficeServices2@ClarkHill.com](mailto:PHXOfficeServices2@ClarkHill.com)>  
**Subject:** RE: Densco

Gary:

I have reached out to Shawna but I have not yet been able to talk to her. With respect to the boxes in my office, those boxes will be available after 8:00 am tomorrow morning.

I need to receive confirmation from Shawna or her attorney concerning the computer and her availability at the house for the investor files. When you are able to get the files from Shawna, please bring boxes, because I forgot to give banker's boxes to Shawna yesterday. In addition, we will need signed receipts signed to evidence your receipt of the boxes and the files from Shawna (and hopefully the computer).

Regards, David

**David G. Beauchamp**

CLARK HILL PLC

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480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
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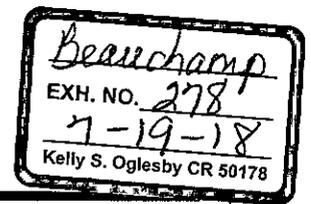
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**From:** Gary Clapper [<mailto:GRC@azcc.gov>]  
**Sent:** Thursday, August 11, 2016 2:28 PM  
**To:** Beauchamp, David G.  
**Subject:** Densco

Hi David,

He have the files Robert Koehler had. I remember Shawna saying the investor files were still at the house in a drawer. We would like to get those before she leaves. I can meet her at the house to make is easy for her. Can you contact her and see what she wants to do please. Is tomorrow morning good to pick up the boxes from your office? Has any decision been made regarding the computer. I would like to pick that up at the same time if possible. Thank you for all your help with this matter.

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**Beauchamp, David G.**

**From:** Beauchamp, David G.  
**Sent:** Friday, August 12, 2016 3:38 PM  
**To:** James F. Polese  
**Cc:** Kevin R. Merritt (kmerritt@gblaw.com)  
**Subject:** RE: DenSco Investment Corporation

Jim:

Good set of emails!

Thank you.

Best regards, David

**David G. Beauchamp**

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---

**From:** James F. Polese [<mailto:jpolese@gblaw.com>]  
**Sent:** Friday, August 12, 2016 3:02 PM  
**To:** 'Wendy Coy'  
**Cc:** 'shawnaseverest@gmail.com'; Gary Clapper; Kevin R. Merritt; Beauchamp, David G.  
**Subject:** RE: DenSco Investment Corporation

Ms. Coy:

I think we can get our list of acceptable receivers by Monday afternoon. I may not have CVs but you will have the list.

I don't think we need further colloquy on the issue of the production. As I am sure you are aware when you have a one person entity. Differentiating between what is personal and what is corporate becomes blurry. I know of only the single laptop that was used for both. Who actually is the owner – I don't know.

I do want to reiterate that our client has instructed us to work as cooperatively as possible with you and with investors in the effort to unravel this mess. It remains our view at this point in time from what we have seen that DenSco and Mr. Chittick were the victims of a fraud, not the perpetrators.

**James F. Polese**  
602.256.4499 Direct | 602.405.3807 Mobile  
[jpolese@gblaw.com](mailto:jpolese@gblaw.com)

---

**From:** Wendy Coy [<mailto:WC@azcc.gov>]  
**Sent:** Friday, August 12, 2016 2:49 PM  
**To:** James F. Polese  
**Cc:** 'shawnaseverest@gmail.com'; Gary Clapper; Kevin R. Merritt; 'dbeauchamp@clarkhill.com'  
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If there is anything else, please let me know.

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**Wendy Coy**  
Director of Enforcement  
Arizona Corporation Commission  
Securities Division  
1300 W. Washington, 3<sup>rd</sup> Floor  
Phoenix, Arizona 85007  
(602)542-0633

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From: James F. Polese [mailto:jpolese@gblaw.com]

Sent: Friday, August 12, 2016 1:53 PM

To: Wendy Coy <WC@azcc.gov>

Cc: 'shawnaseverest@gmail.com' <shawnaseverest@gmail.com>; Gary Clapper <GRC@azcc.gov>; Kevin R. Merritt <KMerritt@gblaw.com>; 'dbeauchamp@clarkhill.com' <dbeauchamp@clarkhill.com>

Subject: RE: DenSco Investment Corporation

Ms. Coy:

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602.256.4499 Direct | 602.405.3807 Mobile  
jpolese@qblaw.com

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**Subject:** RE: DenSco Investment Corporation

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Thank you.

**Wendy Coy**

Director of Enforcement  
Arizona Corporation Commission  
Securities Division  
1300 W. Washington, 3<sup>rd</sup> Floor  
Phoenix, Arizona 85007  
(602)542-0633

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**From:** Patti Meloserdoff [<mailto:pmeloserdoff@gblaw.com>] **On Behalf Of** James F. Polese  
**Sent:** Friday, August 12, 2016 11:57 AM  
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**Subject:** DenSco Investment Corporation

Ms. Coy and Mr. Clapper, please see the attached letter from James Polese.

**Patti Meloserdoff**

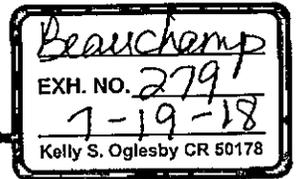
Legal Assistant  
602.256.4480 Direct | [pmeloserdoff@gblaw.com](mailto:pmeloserdoff@gblaw.com)

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**Beauchamp, David G.**



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**James F. Polese**  
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I would be willing to discuss any of these issues with you in person or over the phone at any time. I will be checking emails throughout the weekend. I plan to be in the office Saturday morning.

If there is anything else, please let me know.

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Arizona Corporation Commission

Securities Division

1300 W. Washington, 3<sup>rd</sup> Floor

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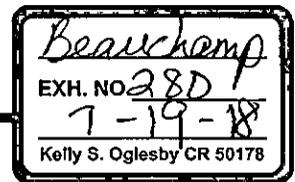
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**Beauchamp, David G.**



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**Sent:** Friday, August 12, 2016 3:54 PM  
**To:** SHawna Heuer  
**Cc:** Kevin R. Merritt; James F. Polese  
**Subject:** RE: DenSco Investment Corporation

Shawna:

Except for the new information about the old computer, your comments concerning Denny's computer are exactly what you said on Wednesday. It is also what I have repeated to Wendy when she asked today.

Have a safe trip home!

Best regards, David

**David G. Beauchamp**

CLARK HILL PLC  
14850 N. Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1128 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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### Patti Meloserdoff

Legal Assistant

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Den5co

TOW Kevin Merritt (8/13/16)

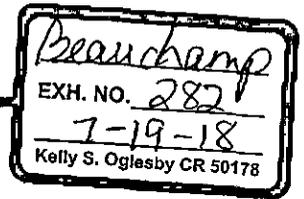
(8.14)

- Shawna dropped off some mail from the House
- Kevin Blakely - found Scott Menaged's bankruptcy
- Kurt Johnson - some notices sent to him as statutory agent
- computer - when to give it to Kevin
- Monday morning. → text Kevin who to ask for

B/C  
Gus Schneider  
Michael Dvoren  
Ray Burgen

CH  
Daniel Scherck  
DGB  
Robert Anderson

**Beauchamp, David G.**

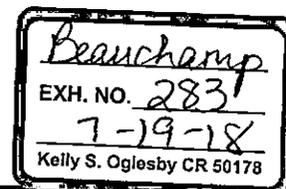


**From:** Gary Clapper <GRC@azcc.gov>  
**Sent:** Monday, August 15, 2016 7:54 AM  
**To:** Beauchamp, David G.  
**Subject:** Densco

Hi David,

We are getting the documents together on the files you requested and hope to get them to you this morning. A couple of questions. Can we please get a copy of the forbearance agreement. Since the offering document is updated every two years can we please get copies of all of them. Please give me a call if you have any questions.

Gary Clapper  
(602) 542-0152



**Beauchamp, David G.**

**From:** Beauchamp, David G.  
**Sent:** Monday, August 15, 2016 9:36 AM  
**To:** Gary Clapper  
**Subject:** Re: Densco

I am in a meeting.

Sent from my iPhone. Please excuse any typos.

On Aug 15, 2016, at 9:23 AM, Gary Clapper <[GRC@azcc.gov](mailto:GRC@azcc.gov)> wrote:

We have a copy of the offering document from 2009 and 2011 from investors. Did you prepare the ones before those? What is your number and I will call you.

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**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Monday, August 15, 2016 9:21 AM  
**To:** Gary Clapper <[GRC@azcc.gov](mailto:GRC@azcc.gov)>  
**Subject:** Re: Densco

Gary:

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 finalized. 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.

Sincerely, David Beauchamp

Sent from my iPhone. Please excuse any typos.

On Aug 15, 2016, at 7:54 AM, Gary Clapper <[GRC@azcc.gov](mailto:GRC@azcc.gov)> wrote:

Hi David,

We are getting the documents together on the files you requested and hope to get them to you this morning. A couple of questions. Can we please get a copy of the forbearance agreement. Since the offering document is updated every two years can we please get copies of all of them. Please give me a call if you have any questions.

Gary Clapper  
(602) 542-0152

**LEGAL NOTICE:** This e-mail, along with any attachment(s), is considered confidential and may be legally privileged. If you have received it in error, please notify us immediately by reply e-mail and then delete this message from your system. Please do not copy it or use it for any purposes, or disclose its contents to any other person. Thank you for your cooperation.

**Beauchamp, David G.**

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**From:** Gary Clapper <GRC@azcc.gov>  
**Sent:** Monday, August 15, 2016 9:24 AM  
**To:** Beauchamp, David G.  
**Subject:** RE: Densco

We have a copy of the offering document from 2009 and 2011 from investors. Did you prepare the ones before those? What is your number and I will call you.

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Monday, August 15, 2016 9:21 AM  
**To:** Gary Clapper <[GRC@azcc.gov](mailto:GRC@azcc.gov)>  
**Subject:** Re: Densco

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Gary Clapper  
(602) 542-0152

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○ **Beauchamp, David G.**

---

**From:** Beauchamp, David G.  
**Sent:** Monday, August 15, 2016 9:21 AM  
**To:** Gary Clapper  
**Subject:** Re: Densco

Gary:

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○ Gary Clapper  
(602) 542-0152

Beauchamp  
EXH. NO. 284  
7-19-18  
Kelly S. Oglesby CR 50178

Denise /

Message from Gary Clapper (8/15/16)

602-542-0152

- has a couple questions
- please

Tell Gary Clapper (8/15/16)

602-542-0152

Forbearance Agent <sup>leave</sup> → at front desk

status

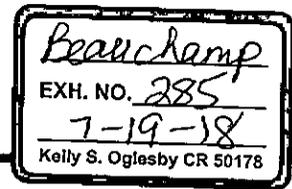
DenSci

11:24. Message from Kevin Merritt (8/15/16)

- on way to office to pick up the computer
- DCS needs to let Kevin know who to ask for

Call Kevin Merritt (8/15/16)

→ left message



**Beauchamp, David G.**

**From:** James F. Polese <jpolese@gbllaw.com>  
**Sent:** Monday, August 15, 2016 12:44 PM  
**To:** 'Wendy Coy'  
**Cc:** 'shawnaseverest@gmail.com'; Gary Clapper; Kevin R. Merritt; Beauchamp, David G.  
**Subject:** RE: DenSco Investment Corporation  
**Attachments:** Resume - TJG.PDF

Ms. Coy:

I have spent a fair amount of time talking to counsel -- both in house and outside -- as to the suitable fit for receiver. I have also spoken with a number of possible choices as well.

It seems to me that the receiver should be one who is more focused on real estate mortgage instruments and collecting and liquidating the portfolio rather than accounting expertise; I do not believe this case is going to be similar to Mortgages Limited with records that are a mess or where things were hidden to hid a fraud; we understand that the records of DenSco are quite good from a bookkeeping standpoint. Besides, a receiver can farm out any needed forensic accounting work.

You had suggested Peter Davis or James Sell. Neither of these individuals would be acceptable to the estate. I have a low regard for Mr. Davis and Mr. Sell's expertise is much more focused on forensic accounting and I have heard that he has had some issues with billing.

The estate would be comfortable and in fact would recommend that the stipulated receiver be Mr. Thomas Giallanza. His CV is attached. He is a former deputy superintendent for the Arizona Department of Financial Institutions and most important he has been the receiver in the Landmarc Capital case -- the facts of which are strikingly similar to the issues that will be faced with respect to DenSco.

Almost as important is his philosophy. He would be much more focused on collecting on the loans that are outstanding and collectible rather than "juicing up" the investors with unrealistic promises of litigation, etc. While litigation may be selected as an option that needs to be pursued, that is not his "default" reflex. That is how he has operated in the Landmarc Capital case and as a result the investors recovered a very large portion of their investment.

Since Mr. Giallanza's CV does not recite his billing rate he indicated to me that it would be no more than \$185/hour -- a rate that is substantially less than almost every other candidate that I have considered. I have asked him to email a confirmation of his hourly rate and will remit to you when received.

Finally, neither I nor this firm - to my knowledge - has any prior relationship with Mr. Giallanza.

Thus the estate is prepared to enter into a stipulation for the appointment of Mr. Giallanza as the receiver for DenSco.

Please advise me if you have any objection to his appointment and the reasons therefore. If need be, we could discuss alternatives but I do want to make clear that I believe he is best suited for the role of receiver.

There are a couple of other issues that I believe should be part of any stipulation for the appointment of receiver:

1. **Privilege.** It is my view and that of Dave Beauchamp, Denny viewed David as both his company attorney and personal attorney. Therefore both the receiver and the estate should be recognized to have standing to assert any attorney client privilege with respect to documents that were delivered to the State or which may be involved in any litigation. Thus, the receiver must agree that the receiver will not have the ability to unilaterally

waive privilege with respect to any matter which the estate believes is also a personal privilege to Denny Chittick or the estate.

2. **Claims Against Managed.** We understand that the current view is that Scott Managed is the culprit with respect to the losses suffered by DenSCO and thus the receiver must understand that he must promptly file a claim in the Managed bankruptcy to assert a creditor's claim and more importantly take the necessary steps to contest the dischargability of Managed.

Please let me know your thoughts on any of the foregoing.

**James F. Polese**

602.256.4499 Direct | 602.405.3807 Mobile

[jpolese@qblaw.com](mailto:jpolese@qblaw.com) | [Profile](#)

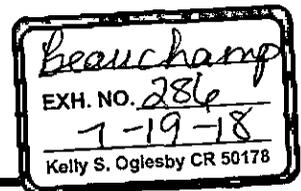
**GAMMAGE & BURNHAM**

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602.256.0566 | 602.256.4475 Fax | [www.qblaw.com](http://www.qblaw.com)

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**Beauchamp, David G.**

**From:** Beauchamp, David G.  
**Sent:** Monday, August 15, 2016 2:06 PM  
**To:** CHyman@ATSAAZ.com  
**Cc:** Gary Clapper; Tran, Michelle M.; Kevin R. Merritt (kmerritt@gblaw.com); James F. Polese (jpolese@gblaw.com)  
**Subject:** FW: Ongoing business with Densco (for payoffs ect)

Chris:

Your email to Michelle Tran in my office was forwarded to me. Given the need to move quickly on certain items, we only represented the Estate so that a Personal Representative would be appointed for The Estate right away. Due to potential conflicts of interest, we have resigned as counsel to the Estate and new counsel has been appointed or is being appointed for the Estate. Jim Polese and Kevin Merritt of Gammage & Burnham will be representing the Estate going forward.

Since I have previously represented DenSco Investment Corporation ("DenSco"), I have been asked to continue to work on behalf of DenSco with respect to certain administrative matters on an interim basis until a Receiver is appointed for the company. Based upon requests from Borrowers looking to pay-off existing loans from DenSco, I have requested and received a few of the current loan files of DenSco from the Securities Division of the AZ Corporation Commission which has taken possession of those files. Upon receiving an email request, I will try to coordinate that the necessary loan pay-off amounts are provided to your office as well as the release documents.

Sincerely, David Beauchamp

**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](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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**From:** Chris Hyman [<mailto:CHyman@ATSAAZ.com>]  
**Sent:** Monday, August 15, 2016 8:48 AM  
**To:** Tran, Michelle M.  
**Subject:** Ongoing business with Densco (for payoffs ect)

Good Morning

After researching the Superior Court Records I see that you are representing the personal representative of Denny Chittick's estate. Denny was very much loved and highly respected by the people in our industry and his passing is truly a tragedy.

Since Densco made so many loans I was wondering if the personal rep has put something in place wherein those in our industry can continue to get loan payoffs and releases when paid.

Since I know that this was totally unexpected I want to keep contacts from our staff here to a minimum so as not to bother the personal rep. Any information or guidance you could provide would be most helpful.

Respectfully

Chris Hyman  
Executive Vice President  
American Title Service Agency  
2929 East Camelback Road # 218  
Phoenix Arizona 85016  
602 424 7200 Phone  
602 424-7210 Fax  
602 499-1667 Cell  
[chyman@atsaaz.com](mailto:chyman@atsaaz.com)

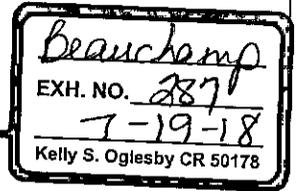
<image001.jpg>

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American Title Service Agency of Arizona



**Beauchamp, David G.**

**From:** Beauchamp, David G  
**Sent:** Monday, August 15, 2016 1:36 PM  
**To:** Grove, Lindsay L.  
**Subject:** FW: DENSCO  
**Attachments:** Untitled.pdf

UCC-1 for the file and to include as a copy in the package for the Securities Division.

Thanks David

**David G. Beauchamp**

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14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com) Division.

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**From:** Tony Smith [<mailto:aztonysmith@gmail.com>]  
**Sent:** Friday, August 05, 2016 10:29 PM  
**To:** Beauchamp, David G.  
**Subject:** DENSCO

David,

Thank you for sending the email this evening as you indicated you would.

To state the obvious, there is something really wrong here besides the fact that practically all the money is gone. I can't see Denny lending this guy \$45 million of the company's money even with full security (forget about little or no security). Denny was too sharp to get taken by this guy in the manner that it appears that he did. Something else is at play here.

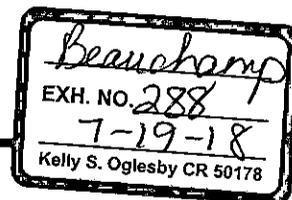
We need to have Menaged passport pulled (if he has one).

At this point, I think we need and want the Securities Division to get involved and do a deep dive and dedicate all resources possible into finding out what happened and where the money is. It would seem that Menaged has to have some money somewhere, even though he claims to have no assets.

Also, please see the attached UCC1 filing that I found against Furniture King, LLC. I am guessing that this is Menaged company. Are you aware of this filing?

Thanks,

Tony Smith



**Beauchamp, David G.**

**From:** Bill jean Locke <bjlocke64@yahoo.com>  
**Sent:** Monday, August 15, 2016 4:40 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: e mails

thank you, david!

---

**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** Bill jean Locke <bjlocke64@yahoo.com>  
**Sent:** Monday, August 15, 2016 1:40 PM  
**Subject:** RE: e mails

Jean:

You are on the list of email addresses to receive the emails. So you should have received all of the emails. I will be sending less emails as this matter is starting to transition to a Receiver.

Sincerely, David

**David G. Beauchamp**

CLARK HILL PLC  
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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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**From:** Bill jean Locke [mailto:bjlocke64@yahoo.com]  
**Sent:** Monday, August 15, 2016 12:47 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: e mails

perhaps we missed an email.

we would like to be included to receive any emails, as we are investors too.

we have to rely on the powers that be as we are unable to do much---handicapped and dementia.

please help keep us informed.

jean locke

---

**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** Craig Hood <greeraz@gmail.com>  
**Cc:** "acateir@gmail.com" <acateir@gmail.com>; "amydirks@hotmail.com" <amydirks@hotmail.com>; "anthjen@yahoo.com" <anthjen@yahoo.com>; "artnina@hotmail.com" <artnina@hotmail.com>; "Aztonysmith@aol.com" <Aztonysmith@aol.com>; "aztonysmith@gmail.com" <aztonysmith@gmail.com>; "barryluchtel@gmail.com" <barryluchtel@gmail.com>; "bdirks5@cox.net" <bdirks5@cox.net>; "bil@cox.net" <bil@cox.net>; "bjlocke64@yahoo.com" <bjlocke64@yahoo.com>; "bjodenthal@frontier.com" <bjodenthal@frontier.com>; "brian.wenig@honeyswell.com" <brian.wenig@honeyswell.com>; "burdett.anthony@gmail.com" <burdett.anthony@gmail.com>; "butlerv@yahoo.com" <butlerv@yahoo.com>; "carricks3@ak.net" <carricks3@ak.net>; "czj528@hotmail.com" <czj528@hotmail.com>; "dariosdad@gmail.com" <dariosdad@gmail.com>;

"dave@prestoncpa.biz" <dave@prestoncpa.biz>; "davedubay@gmail.com" <davedubay@gmail.com>;  
"dhowze@cox.net" <dhowze@cox.net>; "don-cindy@cableone.net" <don-cindy@cableone.net>; "Doriann@cox.net"  
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<rbrinkman@yahoo.com>; "rgriswold3@stny.rr.com" <rgriswold3@stny.rr.com>; "robertflawson@gmail.com"  
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<wadeunderwood@hotmail.com>; "wbush1120@comcast.net" <wbush1120@comcast.net>; "wiswartz@me.com"  
<wiswartz@me.com>; "wka@caribbeanpoolsaz.com" <wka@caribbeanpoolsaz.com>; "yusuf@comsiscomputer.com"  
<yusuf@comsiscomputer.com>

Sent: Friday, August 12, 2016 1:12 AM

Subject: RE: Question about Densco Legal Fees?

Craig:

You are raising good questions.

1. Unfortunately, I am the only person who is still able to represent DenSco and the Investors to deal with the current issues. Denny was the only Director and officer of DenSco. After Denny died, there is no other Director or officer of DenSco who can retain legal counsel for DenSco for these matters. We had previously planned that if Denny had died to simply have his Will filed with the Probate Court and have the Personal Representative of Denny's Estate be granted the authority to act with respect to the DenSco stock because Denny was the sole shareholder. Unfortunately, the current financial position of DenSco creates too much personal liability for anyone to become a director or officer of DenSco at this time. On the other hand, if a court appoints a Receiver for DenSco or if DenSco is put into bankruptcy, then the court can appoint legal counsel for DenSco or authorize the Receiver or the Bankruptcy Trustee to appoint legal counsel for DenSco. I was asked to stay on for the interim time by a couple of Investors, the Chittick Family, and this decision was discussed with and consented to by the Securities Division as the best approach under the circumstances. This decision was agreed to as the best way to proceed so that there would be someone who would be responsible for DenSco and be the "custodian of records" to gather and help protect DenSco's records, assets and to be able to respond to its current legal matters until someone could be appointed to take over. The current legal matters include responding to the Subpoena from the Securities Division, to finish the investigation of the AZ Department of Financial Institutions ("ADFI") which is almost complete (with hopefully no fines being assessed against DenSco) and most importantly to protect and preserve any rights of DenSco in the Scott Menaged bankruptcy case. With respect to the legal fees, the decision to allow DenSco to pay for these legal services was based on the procedures used by AZ with respect to banks prior to going into Receivership (by ADFI) and companies prior to a Receivership being appointed in connection with alleged

securities violations (Securities Division). In those situations, the reasonable legal fees and costs incurred prior to the transition to the Receiver are paid from the remaining assets of the entity (in this case that is DenSco).

2. I will have to get back to you with respect to a current estimate. (Our accounting office is closed for the day and the time for this week has not yet been included. There are also outstanding invoices for my work with respect to resolving the ADFI audit, but I believe that is less than \$4,000.) I have tried to be as diligent and limit my time as much as possible in this matter, but I have become the person to receive all of DenSco's files and information until the Securities Division decides what to do with DenSco or a bankruptcy petition is filed to take control of DenSco. My telephone number has somehow been circulated to several outside parties who have called me to try to use half-truths to take some of DenSco's assets without paying full consideration. More importantly, I have been asked to keep the Investors informed as the information has become available and what are the next steps for decisions. As you have seen from my emails, I have limited my answers to Investors to commonly asked questions and to issues that had to be addressed in the investigation by the AZ Securities Division. A significant portion of our work has been focused on dealing with the Securities Division, including working on response to the extensive Subpoena served on DenSco to provide all of DenSco's documents and records since its inception. Further, we have had to obtain and need to review several of the documents in connection with the Scott Menaged bankruptcy so that we can take the necessary steps to preserve DenSco's claims in that bankruptcy. Unfortunately, there are key deadlines in that bankruptcy that will pass before a Receiver can be appointed, and have the necessary time to review the information to understand DenSco's claims. We have to step in and take action to preserve DenSco's claims against Menaged's assets. We do not intend to file a claim, but only take actions to preserve DenSco's rights to pursue a claim if the Receiver (hopefully with the input of the Investors) decides that there is sufficient proof to substantiate the claims and that there are sufficient assets to justify the costs to obtain a judgment. We will not take any action which will require DenSco to proceed with any claim, but we need to preserve DenSco's ability to make a claim if the facts justify it.

I have worked with the Securities Division to try to limit that document production request in order to limit the costs to DenSco. Even after working to limit this Subpoena, the remaining documents and information to be assembled and provided is a major undertaking. Currently there are approximately 60 banker's boxes of information as well as one or more computers with documents and communications on them that need to be reviewed for confidential information and the non-confidential documents and emails will need to be delivered to the Securities Division along with a privilege log of the confidential documents. Some of the attorneys for individual Investors have rightfully demanded that the boxes of materials be copied and be reviewed for confidential material BEFORE having the boxes simply turned over to the Securities Division. Normally only copies of documents and other material are provided so that the original documents and other key material is retained by the company in case it should be needed. This is very important in this instance where several of the original documents will be necessary to collect the Good Loans as well as to be evidence to establish the alleged fraud as opposed to taking the risk that these documents could become "lost" at the Securities Division. Unfortunately, key documents have been previously lost in state investigations, including in several matters at the AZ Corporation Commission. Further, these files also contain confidential information and material that should not necessarily be provided and become part of the record that others could examine. Some of this confidential material was delivered to DenSco under confidentiality agreements, which would subject DenSco to liability if these are turned over and become public information without DenSco first attempting to protect the information. We do not need to create any more liability to third parties for DenSco.

The full estimate of legal fees will depend on the length of time before the Receiver is appointed. The estimated time line for the Receiver to be appointed is approximately 4 weeks or longer. Even using that as a time line for an estimate, it is very hard to give an estimate of our total fees to respond to the Subpoena until I know what the Securities Division will accept as being an adequate response to the Subpoena. In addition, we have not had an opportunity to have more than have a few telephone calls and to review a few documents from the more than 11 page docket summary of the Menaged Bankruptcy case. As I indicated above, the deadlines to preserve DenSco's rights to assert claims will expire in a few weeks unless we are able to either convince the Bankruptcy Judge to grant our request for an extension of the deadline in the current schedule or to obtain consents from the Bankruptcy Trustee for this case and the Debtor's counsel. Either option will

require that we do enough research to be able to demonstrate that DenSco likely has a successful claim against Scott Menaged. The claim against Scott under his personal guarantee should be sufficient to allow DenSco to make a claim, but we will need to be able to provide evidence concerning the other claims that involve fraud. If there is a bankruptcy court finding of fraud by Menaged, that should be sufficient to prevent DenSco's claims against Menaged from being discharged at the end of his bankruptcy case. If those claims are not discharged, then DenSco will still be able to assert its claims against Menaged and anything he owns in the future.

3. As indicated above, I and a few other attorneys who are helping me are working on behalf of DenSco (and the Investors) on several matters. We are billing our time when we have performed legal services on behalf of DenSco or the Investors. That includes my time preparing the email updates to the Investors, which is why I have tried to not respond to questions in individual emails, unless the same question appears in a number of emails. We are working on behalf of DenSco and the Investors with respect to obtaining, reviewing and otherwise dealing with the DenSco records, working with the Securities Division and responding to its Subpoena, and working to preserve DenSco's rights in connection with the Scott Menaged bankruptcy. All of that time is properly billable.

Sincerely, David

David G. Beauchamp

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From: Craig Hood [<mailto:greeraz@gmail.com>]

Sent: Thursday, August 11, 2016 12:39 PM

To: Beauchamp, David G.

Subject: Question about Densco Legal Fees?

Hello David, thanks for the meeting update from yesterday!

I have a few questions about the legal expense aspects of this situation that the entire group is interested in knowing:

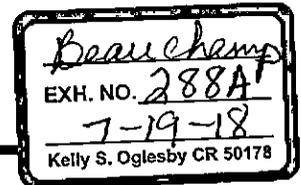
1. I'm assuming that you are being paid for your current work by Densco. Can you please confirm this?
2. Assuming you are not doing this pro bono, how much in legal fees have been accrued related to this event? Can you estimate the expense as proceedings continue?
3. If 1 & 2 are true, are you billing to answer individual investor emails and phone calls, respond to group emails, provide email updates on the situation, and attend meetings?

For the sake of everyone's time, especially yours, we want to be efficient in our communication. However, as a group, we need to understand how to preserve as much of our remaining equity as possible, and be conscious of anything, or any expense that might diminish that.

Best,

Craig Hood

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**Beauchamp, David G.**

**From:** Beauchamp, David G.  
**Sent:** Monday, August 15, 2016 2:06 PM  
**To:** CHyman@ATSAAZ.com  
**Cc:** Gary Clapper; Tran, Michelle M.; Kevin R. Merritt (kmerritt@gblaw.com); James F. Polese (jpolese@gblaw.com)  
**Subject:** FW: Ongoing business with Densco (for payoffs ect)

Chris:

Your email to Michelle Tran in my office was forwarded to me. Given the need to move quickly on certain items, we only represented the Estate so that a Personal Representative would be appointed for The Estate right away. Due to potential conflicts of interest, we have resigned as counsel to the Estate and new counsel has been appointed or is being appointed for the Estate. Jim Polese and Kevin Merritt of Gammage & Burnham will be representing the Estate going forward.

Since I have previously represented DenSco Investment Corporation ("DenSco"), I have been asked to continue to work on behalf of DenSco with respect to certain administrative matters on an interim basis until a Receiver is appointed for the company. Based upon requests from Borrowers looking to pay-off existing loans from DenSco, I have requested and received a few of the current loan files of DenSco from the Securities Division of the AZ Corporation Commission which has taken possession of those files. Upon receiving an email request, I will try to coordinate that the necessary loan pay-off amounts are provided to your office as well as the release documents.

Sincerely, David Beauchamp

**David G. Beauchamp**

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**From:** Chris Hyman [<mailto:CHyman@ATSAAZ.com>]  
**Sent:** Monday, August 15, 2016 8:48 AM  
**To:** Tran, Michelle M.  
**Subject:** Ongoing business with Densco (for payoffs ect)

Good Morning

After researching the Superior Court Records I see that you are representing the personal representative of Denny Chittick's estate. Denny was very much loved and highly respected by the people in our industry and his passing is truly a tragedy.

Since Densco made so many loans I was wondering if the personal rep has put something in place wherein those in our industry can continue to get loan payoffs and releases when paid.

Since I know that this was totally unexpected I want to keep contacts from our staff here to a minimum so as not to bother the personal rep. Any information or guidance you could provide would be most helpful.

Respectfully

Chris Hyman  
Executive Vice President  
American Title Service Agency  
2929 East Camelback Road # 218  
Phoenix Arizona 85016  
602 424 7200 Phone  
602 424-7210 Fax  
602 499-1667 Cell  
[chyman@atsaaz.com](mailto:chyman@atsaaz.com)

<image001.jpg>

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American Title Service Agency of Arizona

**Beauchamp, David G.**

---

**From:** Bill jean Locke <bjlocke64@yahoo.com>  
**Sent:** Monday, August 15, 2016 4:40 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: e mails

thank you, david!

---

**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** Bill jean Locke <bjlocke64@yahoo.com>  
**Sent:** Monday, August 15, 2016 1:40 PM  
**Subject:** RE: e mails

Jean:

You are on the list of email addresses to receive the emails. So you should have received all of the emails. I will be sending less emails as this matter is starting to transition to a Receiver.

Sincerely, David

**David G. Beauchamp**

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---

**From:** Bill jean Locke [mailto:bjlocke64@yahoo.com]  
**Sent:** Monday, August 15, 2016 12:47 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: e mails

perhaps we missed an email.

we would like to be included to receive any emails, as we are investors too.

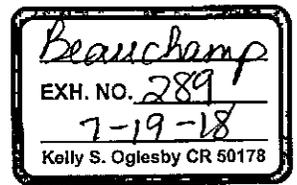
we have to rely on the powers that be as we are unable to do much—handicapped and dementia.

please help keep us informed.

jean locke

---

**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** Craig Hood <greeraz@gmail.com>  
**Cc:** "acatejr@gmail.com" <acatejr@gmail.com>; "amydirks@hotmail.com" <amydirks@hotmail.com>; "anthjen@yahoo.com" <anthjen@yahoo.com>; "artnina@hotmail.com" <artnina@hotmail.com>; "Aztonysmith@aol.com" <Aztonysmith@aol.com>; "aztonysmith@gmail.com" <aztonysmith@gmail.com>; "barryluchtel@gmail.com" <barryluchtel@gmail.com>; "bdirks5@cox.net" <bdirks5@cox.net>; "bji@cox.net" <bji@cox.net>; "bjlocke64@yahoo.com" <bjlocke64@yahoo.com>; "bjodenthal@frontier.com" <bjodenthal@frontier.com>; "brian.wenig@honeywell.com" <brian.wenig@honeywell.com>; "burdett.anthony@gmail.com" <burdett.anthony@gmail.com>; "butlerv@yahoo.com" <butlerv@yahoo.com>; "carricks3@ak.net" <carricks3@ak.net>; "czj528@hotmail.com" <czj528@hotmail.com>; "dariosdad@gmail.com" <dariosdad@gmail.com>;



**Beauchamp, David G.**

---

**From:** Beauchamp, David G.  
**Sent:** Tuesday, August 16, 2016 2:01 PM  
**To:** Kevin R. Merritt  
**Cc:** Trinity Osborne; Patti Meloserdoff  
**Subject:** RE: Densco

Kevin:

I have not seen any insurance policies except for one note in a loan file that the required property insurance was obtained.

Yes, I will have the watered down Forbearance Agreement copied for you. Do you want to have someone pick it up or just get it to you when we have other things to provide? Note: The Forbearance Agreement was finalized three times and each time Scott balked at signing based on his attorney's advice. So Denny made more concessions even though it was against my advice to him.

Please know that trying to identify when the fraud occurred will be difficult. For example, (this is from memory) Scott recorded a quit claim of his house from AZ Home Foreclosures, LLC to himself personally without dealing with the deed of trust that DenSco had recorded against the house with one of Scott's wholly-owned entities, AZ Home Foreclosures, LLC as the owner. Then a few months after the Forbearance Agreement was signed, Scott obtained a loan (for approx. \$1.5 million) from the US Bank (?) and used his "now unsecured" house as collateral, even though the deed of trust in favor of DenSco was supposedly still of record. Denny did not know that until Scott threw that in Denny's face when everything blew up just before the suicide. In addition, it appears from Denny's notes that the full \$28.1 million to Auction.com was a fraud, but I did not know anything about that transaction until after Denny's death. Scott's bankruptcy counsel has also said that AZ Home Foreclosures, LLC had transferred all of its homes to Scott and Scott's other entities over a period of time and that needs to be checked, because it also appears that many of the homes owned by AZ Home Foreclosures, LLC were still encumbered by deeds of trust in favor of DenSco.

Thanks, David

**David G. Beauchamp**

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---

**From:** Kevin R. Merritt [mailto:KMerritt@gblaw.com]  
**Sent:** Tuesday, August 16, 2016 1:16 PM  
**To:** Beauchamp, David G.  
**Cc:** Trinity Osborne; Patti Meloserdoff  
**Subject:** RE: Densco

Jim Polese = JFP. So, correct. No request for a discount.

Would you have copies of insurance policies for Densco? I'm guessing not, and that they're either on the computer or in one of the boxes, but worth asking.

Can we get a copy of the settlement/workout agreement with Scott? Trying to understand when the real fraud developed, so that we don't spend a bunch of money copying tons of old, cold loan files that could be produced to the Securities Division.

**Kevin R. Merritt**

602.256.4481 Direct | [KMerritt@qblaw.com](mailto:KMerritt@qblaw.com)

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]

**Sent:** Tuesday, August 16, 2016 1:07 PM

**To:** Kevin R. Merritt

**Subject:** RE: Densco

Kevin:

You said that Barry spoke to JFP, do you mean Jim Polese? Barry Luchtel is trying to find someone who will allow him to not pay interest on these loans since Denny's death. I have told him "no" that we are not authorized to do that. I just want to make sure that we are consistent.

Thanks, David

**David G. Beauchamp**

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---

**From:** Kevin R. Merritt [<mailto:KMerritt@qblaw.com>]

**Sent:** Tuesday, August 16, 2016 12:32 PM

**To:** Beauchamp, David G.

**Cc:** Trinity Osborne; Patti Meloserdoff

**Subject:** RE: Densco

Thanks. I'm going to have Shawna advise the gentleman for 6713 E. Palm Lane (Barry L) that we have a deed of release. I'll ask for information as to the escrow/title company. Barry spoke to JFP, and apparently there are 2 loans he's asking about. I'd say to contact Robert and ask him to communicate if he needs info.

I'll also have Shawna ask for more details.

Best,

**Kevin R. Merritt**

602.256.4481 Direct | [KMerritt@qblaw.com](mailto:KMerritt@qblaw.com)

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**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]

**Sent:** Tuesday, August 16, 2016 12:25 PM

**To:** Kevin R. Merritt

**Subject:** RE: Densco

Kevin:

Yes, 6713 E. Palm Lane is one of the files that I received from the Securities Division. Is the Deed of Release to be sent to a Title company? Has the pay-off amount been calculated and sent to the borrower, who seems to be a company controlled by Barry Luchtel. Should I contact Robert Koehler about these questions?

Under separate cover, Lindsay should have sent the letter from the Securities Division to you concerning the restrictions imposed on the DenSco account.

Your statement as to responding on an ad hoc basis as issues arise is very accurate.

Thanks, David

David G. Beauchamp

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---

**From:** Kevin R. Merritt [<mailto:KMerritt@qblaw.com>]  
**Sent:** Tuesday, August 16, 2016 8:07 AM  
**To:** Beauchamp, David G.  
**Cc:** James F. Polese; Trinity Osborne; Patti Meloserdoff  
**Subject:** Denesco

David,

Shawna has received a payoff request for a pending sale, property located at 6713 East Palm Lane. Is that a file you retrieved from the Securities Division yesterday?

Also, she has a request from an investor as to who is running the company (for the moment, I presume that is "No one as such, but we're responding to matters *ad hoc* as they arise"), and what is happening to the cash in the bank. I recall hearing a statement that Denesco's assets had been frozen. Is this literally true? Does the ACC have an order in place freezing bank accounts, etc.? I want to give a precise response, and if the statement was only made colloquially, then what would be the precise status?

Thanks.

Kevin

**Kevin R. Merritt**

602.256.4481 Direct | [KMerritt@qblaw.com](mailto:KMerritt@qblaw.com) | [Profile](#)

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Beauchamp  
EXH. NO. 290  
7-19-18  
Kolly S. Oglesby CR 50178



**CHANDLER POLICE DEPARTMENT  
GENERAL OCCURRENCE HARDCOPY**

GO-NUM# CH 2016-85279 PENDING  
LABORATORY

0001-0 DEATH INVESTIGATION

**General Offense Information**

Operational status: PENDING LABORATORY  
Reported on: Jul-28-2016 (Thu.) 1700  
Occurred between: Jul-27-2016 (Wed.) 735 and Jul-28-2016 (Thu.) 1700  
Approved on: Jul-29-2016 (Fri.) by: 3740 - RAYMOND KIEFFER #S84  
Report submitted by: 9697 - BRAD HOCKING #733  
Org unit: Satellite FTO  
Address: 6132 W VICTORIA PL  
Municipality: CHANDLER  
District: 1 Beat: 1 Grid: E03  
Bias: None (No Bias)  
Family violence: NO

**Offenses (Completed/Attempted)**

Offense: # 1 0001-0 DEATH INVESTIGATION - COMPLETED  
Location: Residence/Home  
Offender suspected of using: Not Applicable

**Related Event(s)**

CP CH2016-85279

**Related Person(s)**

**1. Reportee # 1 - CHITTICK, RANASHA**

**(Case Specific Information)**

Sex: Female  
Race: Black  
Date of birth: Mar-07-1975  
Address: 16620 S 48 ST Apartment: 29  
Municipality: PHOENIX, Arizona 85048-  
Phone Numbers  
Cellular: (480) 432-7001

**Particulars**

Height: 5'04 Weight: 145 lbs.  
Eye color: BROWN  
Hair color: BLACK

**Master Name Index Reference**

Name: CHITTICK, RANASHA  
Sex: Female  
Race: Black  
Date of birth: Mar-07-1975  
Address: 16620 S 48 ST Apartment: 29  
Municipality: PHOENIX, Arizona 85048-



**CHANDLER POLICE DEPARTMENT**

**GENERAL OCCURRENCE HARDCOPY**

GO-NUM# CH 2016-85279 PENDING  
LABORATORY

0001-0 DEATH INVESTIGATION

**Phone numbers**

Home:

Business:

Cellular: (480) 432-7001

**Linkage factors**

Resident status : Nonresident of Chandler

Age range : 30-49 Years

Access to firearm : NO

**2. Contact # 1 - CHITTICK, ELDON**

**(Case Specific Information)**

Sex: Male

Race: White

Date of birth: Jul-14-1939

Address: 3131 E LEGACY DR Apartment: 1107

Municipality: PHOENIX, Arizona 85042

**Phone Numbers**

Cellular: (208) 661-2669

**Particulars**

**Master Name Index Reference**

Name: CHITTICK, ELDON

Sex: Male

Race: White

Date of birth: Jul-14-1939

Address: 3131 E LEGACY DR Apartment: 1107

Municipality: PHOENIX, Arizona 85042

**Phone numbers**

Cellular: (208) 661-2669

**Linkage factors**

Resident status : Nonresident of Chandler

Age range : 65-98 Years

**3. Contact # 2 - CHITTICK, CARLENE**

**(Case Specific Information)**

Sex: Female

Race: White

Date of birth: May-25-1942

Address: 3131 E LEGACY DR Apartment: 1107

Municipality: PHOENIX, Arizona 85042

**Phone Numbers**

Cellular: (208) 661-2669

**Particulars**



**CHANDLER POLICE DEPARTMENT  
GENERAL OCCURRENCE HARDCOPY**

GO-NUM# CH 2016-85279 PENDING  
LABORATORY

0001-0 DEATH INVESTIGATION

Master Name Index Reference

Name: **CHITTICK, CARLENE**  
Sex: **Female**  
Race: **White**  
Date of birth: **May-25-1942**  
Address: **3131 E LEGACY DR Apartment: 1107**  
Municipality: **PHOENIX, Arizona 85042**  
Phone numbers  
Cellular: **(208) 661-2669**

Linkage factors

Resident status : **Nonresident of Chandler**  
Age range : **65-98 Years**

**4. Deceased # 1 - CHITTICK, DENNY**

**(Case Specific Information)**

Sex: **Male**  
Race: **White**  
Date of birth: **Jan-10-1968**  
Address: **6132 W VICTORIA PL**  
Municipality: **CHANDLER, Arizona**  
District: **1 Beat: 1 Grid: E03**

Particulars

Height: **5'09** Weight: **160 lbs.**  
Eye color: **GREEN**  
Hair color: **BROWN**

Master Name Index Reference

Name: **CHITTICK, DENNY**  
Sex: **Male**  
Race: **White**  
Date of birth: **Jan-10-1968**  
Address: **6132 W VICTORIA PL**  
Municipality: **CHANDLER, Arizona**  
District: **1 Beat: 1 Grid: E03**

Linkage factors

Resident status : **Resident of Chandler**  
Age range : **30-49 Years**  
Access to firearm : **NO**

**5. JUV-REPORTE # 2 - CHITTICK, TY**

**(Case Specific Information)**

Sex: **Male**  
Race: **Black**



**CHANDLER POLICE DEPARTMENT  
GENERAL OCCURRENCE HARDCOPY**

GO-NUM# CH 2016-85279 PENDING  
LABORATORY

0001-0 DEATH INVESTIGATION

Year of birth: 2006  
Approximate age: 10  
Address: 16620 S 48TH ST  
Municipality: PHOENIX, Arizona 85048-

**Particulars**

Height: 4'00 Weight: 70 lbs.  
Eye color: BROWN  
Hair color: BLACK

**Linkage factors**

Resident status : Nonresident of Chandler  
Age range : 9-11 Years  
Access to firearm : NO

**6. JUV-REPORTE # 3 - CHITTICK, DILLON**

**(Case Specific Information)**

Sex: Male  
Race: Black  
Year of birth: 2005  
Approximate age: 11  
Address: 16620 S 48TH ST  
Municipality: PHOENIX, Arizona 85048-

**Particulars**

Height: 4'06 Weight: 85 lbs.  
Eye color: BROWN  
Hair color: BLACK

**Master Name Index Reference**

Name: CHITTICK, DILLON  
Sex: Male  
Race: Black  
Born in: 2005 Approximate age: 11  
Address: 16620 S 48TH ST  
Municipality: PHOENIX, Arizona 85048-

**Linkage factors**

Resident status : Nonresident of Chandler  
Age range : 9-11 Years  
Access to firearm : NO



CHANDLER POLICE DEPARTMENT  
GENERAL OCCURRENCE HARDCOPY

GO-NUM# CH 2016-85279 PENDING  
LABORATORY

0001-0 DEATH INVESTIGATION

Related Text Page(s)

Document: Narrative

Author: 9697 - BRAD HOCKING #733

Related date/time: Jul-28-2016 (Thu.) 1700

Synopsis:

On 7-28-2016 at about 1700 hour Denny Chittick was found dead at 6132 W. Victoria Pl. by his ex-wife Ranasha Chittick and his sons Ty Chittick and Dylan Chittick.

This case is open pending investigation to Robbery/Homicide.

Narrative:

On 7-28-2016 at about 1700 hours Ty Chittick and Dylan found Denny Chittick dead at 6132 W. Victoria Pl. Ty and Dylan's mother, Ranasha Chittick, called 911 and waited at 6152 W. Victoria Pl. for police and fire to arrive.

Prior to accessing the residence I contacted Ranasha, Dylan, and Ty at 6152 W. Victoria Pl. Ranasha, Ty, and Dylan were sitting together while I asked them questions.

Ranasha said she had text Denny on 7-27-2016 at about 0735 hours asking if she could drop Ty and Dylan off for the weekend. Ranasha said Denny never returned her text. Ranasha said this was not like Denny to not return her messages. On 7-28-2016 when Denny still had not returned her message she decided to try and contact Denny at his house.

Ranasha said they did not have a key to get into the house and Denny was not answering the door.

Ranasha said Ty and Dylan jumped over the fence to the rear of the house trying to gain access to the house and discovered their father hanging.

Ranasha, Ty, and Dylan did not enter the house.

Ty and Dylan said they damaged the gate on the West side of the house after finding Denny deceased.

Denny was discovered in the back yard of his residence. Denny was found hanging in a open air stairway that lead to a lower patio that lead into the basement of the house.

Denny was facing West. Denny's head was pointed out away from his body



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in a neutral position. Denny's left arm hung down with his hand resting on the front of his left leg with the hand closed. Denny's left leg was slightly bent resting on a step in the stairs with his foot was flat, with the toes pointing out in front of him. Denny's right arm hung down to his side with the hand closed to his right side. Denny's right leg was bent with the knee going out to the right side and his right foot curled under to the right with the bottom of the right foot touching the heel of the left foot.

There were no obvious signs of forced entry to the house or trauma to Denny.

There was what appeared to be body fluids coming from Denny's nose and mouth.

Denny had on a white tee-shirt and gray shorts with green sandals. Denny had a ligature around his neck that lead up a few feet to a wooden pole that was braced against a railing that ran around the top of the lower patio. The ligature had a plastic claps that went around the wooden poll and a loop at the other end Denny placed around his neck.

Denny's shirt was cut by Fire upon their arrival.

The call was dispatched at about 1700 hours.

Fire arrived on scene at about 1707 hours.

Fire pronounced death at about 1709 hours.

A search was conducted of the residence. Inside the kitchen dishes were found with names written on post it notes on the dishes. Inside the master bedroom closest a note was found on a shirt for Ty and Dylan. On the desk inside the office was found keys with notes to what the keys opened. On some keys notes were found with direction for what should be done with the keys. There were stacks of papers with documents for bank accounts, titles, and letters with notes attached describing what Denny would like done with them.

At about 1742 Detective Moffit arrived on scene and took control of the scene.

The medical examiner was called to the scene and arrived at about 2105 hours and left with Denny at about 2227 hours.

Examiner Telles badge number 62 responded. Medical Examiner case number 16-5671, tag number 0006989.



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The residence was secured at about 2227 hours.

This case is open pending investigation to Robbery/Homicide.



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Follow Up Report # CH 1

Follow Up Report # CH 1

Assignment Information

Assigned to: 8964 - AARON LITTLE #680 Rank:  
Capacity: Supplemental Org unit: Patrol Team 4  
Assigned on: Jul-28-2016 (Thu.) 111 by: 8964 - AARON LITTLE #680  
Report due on: Jul-29-2016 (Fri.)

Submission Information

Submitted on: Jul-28-2016 (Thu.) 2347  
Approved on: Jul-28-2016 (Thu.) by: 3876 - DANIEL GREENE #S70  
Follow Up Conclusion  
Follow Up concluded: YES

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Narrative Text Report # 1

Document: Narrative  
Author: 8964 - AARON LITTLE #680  
Subject: SUPPLEMENT  
Related date/time: Jul-28-2016 (Thu.) 2210

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On 07/28/16 at approximately 1700 hours Officers were dispatched to a suicide report. While on scene I assisted in the initial search of the residence. I was also instructed to create a crime scene log while on scene. At approximately 1921 hours I passed the crime scene log to Officer Hockins #733.

This concluded my involvement in this case.

No further action.

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**CHANDLER POLICE DEPARTMENT  
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GO-NUM# CH 2016-85279 PENDING  
LABORATORY

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Follow Up Report # CH 2

**Follow Up Report # CH 2**

**Assignment Information**

Assigned to: 4954 - NATHAN DUNCAN #443 Rank:  
Capacity: Supplemental Org unit: Robbery & Homicide Unit  
Assigned on: Aug-01-2016 (Mon.) 1700 by: 4954 - NATHAN DUNCAN #443  
Report due on: Aug-01-2016 (Mon.)

**Submission Information**

Submitted on: Aug-01-2016 (Mon.) 1700  
Checked by: 2187 - JESUS BOGGS #S22  
Approved on: Aug-03-2016 (Wed.) by: 2187 - JESUS BOGGS #S22  
Follow Up Conclusion  
Follow Up concluded: YES

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**Narrative Text Report # 1**

Document: Supplemental  
Author: 4954 - NATHAN DUNCAN #443  
Related date/time: Aug-01-2016 (Mon.)

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The following is a supplemental report to original report #16-85279.

On 07/28/2016 at 1742 hours, I assisted Detective Moffat with a death investigation at 6132 West Victoria Place in Candler. Upon my arrival, Detective Moffat informed me that Denny Chittick was found hanging from a staircase in the backyard of his residence located at 6132 West Victoria Place. He was discovered by his two sons Dillon (11 years old) and Ty (10 years old). After making this discovery, they ran from the backyard breaking slats in the RV gate as they ran to inform their mother (Ranasha Chittick) who was waiting in the car. Ranasha then went to a neighbor's house where she was currently waiting to be interviewed.

I was guided into the residence located at 6152 West Victoria Place by a Chandler Fire Department Crisis Response Team member. Once inside, I was introduced to Ranasha Chittick and her sons Dillon and Ty. All were very emotional and were being comforted by the neighbor who opened their residence to them. I informed Ranasha that I wanted to get some information from her regarding Denny and she agreed to speak with me. My conversation with Ranasha was digitally recorded and downloaded under this case number. The following is a synopsis of my interview with Ranasha Chittick.

**INTERVIEW WITH RANASHA CHITTICK:**

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Ranasha informed me that she was married to Denny Chittick from 2000 to 2012. They divorced in 2012 after years of being unable to resolve the differences in their relationship. During this time, they had two sons (Dillon and Ty). Ranasha informed me that after their divorce, they remained friends and co-parented their sons. She added that many of their friends were envious of how they got along despite being divorced. Ranasha stated that Denny was self employed and owned a real estate investment company by the name of DENSCO. Denny worked from his home at 6132 West Victoria Place. Denny was very successful and reported no financial hardships.

Ranasha stated that Denny was in good health. He would go to the doctor regularly for routine exams. He was not prescribed any medications and had no reported medical ailments. Denny had no reported psychiatric history and no suicidal attempts or ideations during the time that Ranasha and Denny were married. Ranasha did indicate that Denny's grandfather killed himself when his mother was young. Ranasha stated that Denny did not use illicit drugs or alcohol. He indicated that he was a family man and was very private.

Ranasha stated that Denny was living alone at 6132 West Victoria Place. Ranasha was currently living at 16620 South 48th Street #29 in Phoenix. Ranasha informed me that Denny's parents would be his next of kin. She added that they lived in a condo in Phoenix but were currently in Idaho visiting Denny's sister. Ranasha stated that after discovering Denny was dead she called her mother. Her mother then went to notify Denny's parents. Ranasha identified Denny's parents as Eldon and Carlene Chittick.

I asked Ranasha to discuss her last communication with Denny. She stated that she last saw Denny on 07/27/2016 between 0730 and 0800 hours. Denny came by her residence and brought some items over for the boys. On 07/27/2016 between 2030 and 2100 hours, Denny "Facetimed" with the boys before they went to bed. She stated that this is something that they did religiously. During their communications with each other, Denny did not lead on that he was in distress. She stated that his death came as a complete surprise to her. Ranasha indicated that on 07/28/2016 at 1100 hours, she sent Denny a text message asking if he could take their boys for the weekend so she could travel to Yuma to teach at a cheer camp. Ranasha stated that Denny was very prompt in returning messages but he never replied to this text. After not hearing from Denny, she took her sons and drove by his house on Victoria Place to see if he was there. Her boys got out of the car while she waited. They went to the front door and nobody answered. She stated that they would usually use the passcode on the garage to see if his car was there. Unfortunately, they went into the backyard and discovered their father hanging near the staircase.

CONTINUING INVESTIGATION:



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After speaking to Ranasha, I left her in the care of the Chandler Fire Department Crisis Response employee. I then met with Detective Moffat at 6132 West Victoria Place. I entered the backyard where I observed the body of Denny Chittick hanging from a luggage strap. One end of the strap was attached to a tree stake and the other end around his neck. The tree stake was on the west side of the metal fence which allowed the strap to support Denny's weight as he hung from the east side of the fence against a block wall. I met with Detective Moffat and informed him of my conversation with Ranasha. During this conversation with Detective Moffat, I was informed that Denny left a note inside his office. The note was addressed to "Iggy" whom Ranasha identified as Denny's sister. The note asked Iggy to go to the condo in Phoenix where she would find a box in the dryer that would explain everything. In this note, Denny also mentioned that he was ashamed of what he did. Ranasha was able to provide an address to Eldon and Carlene Chittick's condo in Phoenix. Denny had left the garage door opener and a key on his office desk to this condo which was located at 3131 East Legacy Drive #1107 in Phoenix.

After speaking with Detective Moffat, I contacted Eldon and Carlene Chittick using a telephone number provided by Ranasha. Carlene put the phone on speaker phone so Eldon could hear the conversation as well. I provided details of the investigation to Eldon and Carlene. I explained that based on our observations, there was no indications of foul play at the scene. Furthermore, Denny had left all of his personal effects in order and provided passwords and instructions for his surviving family members. I informed Eldon and Carlene that Denny also left a note to his sister indicating that there was something in the dryer at their condo that would explain everything. I asked Eldon and Carlene for their permission to go to their condo and look at this item. I further added that if it were something illegal that we would obviously seize it. However, if it were a note or other personal effects then we would photograph this item and leave it there. Eldon informed me that we had his permission to enter his condo and look at the item Denny left in his dryer. Eldon and Carlene stated that they were on their way back to Arizona after they received the news of Denny's death and they asked that I keep them updated.

After speaking with Eldon and Carlene, Detective Moffat and I responded to 3131 East Legacy Drive #1107 in Phoenix. We were accompanied by Crime Scene Technician A. Sexson. We entered the residence through the garage door at approximately 1945 hours. Prior to entering, overall photographs were taken by CST Sexson.

Once inside the residence, Detective Moffat opened the dryer that was located on the bottom floor just inside the garage door. Inside the dryer was a small cardboard box that was sealed with clear tape. After photographing the box inside the dryer, the box was removed and then opened. Lying on top of the box was a letter addressed to Iggy. This letter was in a white mailing envelope and lying on top of a washcloth. Underneath the washcloth was a large amount of US currency that consisted of mainly \$100 bills.

The letter addressed to Iggy was opened and photographed. The letter was read and nothing in the letter indicated why Denny took his own life. The letter simply provided Iggy with instructions on what to do with the money. I contacted Eldon and Carlene at 2015 hours and explained our findings to them. This conversation was audio recorded and downloaded under this report number. I explained to them that a large amount of money was found within a box in their dryer. I informed them that there was no legal reason for the police to seize



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this money and that it was not removed from the box and counted. I added that if we seized the money for safekeeping that it would have to be impounded and would probably not be available to him right away. Eldon asked that we seal the box up and leave it in the dryer as it was found.

It should be noted that Detective Moffat, CST Sexon and myself were never left alone with the money after it was discovered. In addition, we never counted the money to verify the value of the currency left inside the box. After speaking with Eldon and Carlene, we photographed the box, sealed with clear tape and then evidence tape. The evidence tape was then signed by Detective Moffat and myself. It was placed back inside the dryer and hand towels were placed on top to hide the box. I contacted Eldon and Carlene and informed them that we did not seize anything from the residence and only photographs were taken. Eldon informed me that they were unable to catch a flight out of Idaho and would be flying out early on the 29th. I asked that they contact me with any questions or concerns.

During my conversations with Eldon and Carlene, they indicated that they talked to Denny about a week before his death. They did not report any suspicious behavior or concerns. As with Ranasha, Denny's death came as a surprise to them.

This concluded my involvement in this case.



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Follow Up Report # CH 3

**Follow Up Report # CH 3**

**Assignment Information**

Assigned to: 5560 - NATHAN MOFFAT #493 Rank: Officer  
Capacity: Lead Investigator Org unit: Robbery & Homicide Unit  
Assigned on: Aug-02-2016 (Tue.) 1320 by: 2187 - JESUS BOGGS #S22  
Report due on: Oct-31-2016 (Mon.)

**Submission Information**

Submitted on: Aug-11-2016 (Thu.) 1607  
Checked by: 2187 - JESUS BOGGS #S22  
Approved on: Aug-11-2016 (Thu.) by: 2187 - JESUS BOGGS #S22  
Follow Up Conclusion  
Follow Up concluded: YES

**Narrative Text Report # 1**

Document: Supplemental  
Author: 5560 - NATHAN MOFFAT #493  
Related date/time: Aug-11-2016 (Thu.) 1600

This is a supplemental report to case number 16-85279.

On 07/28/16 at about 1730 hours, Detective Sergeant Minor contacted me and request I respond to 6132 West Victoria Place in regards to a death investigation. Sergeant Minor informed me patrol officers had responded to the location and found a male hanging by the neck from a staircase at the residence. I learned the male had been pronounced dead at the scene at 1709 hours. I responded to the residence where I contacted Sergeant Greene in front of the residence. Sergeant Greene informed me that Officer Cohen and his Officer in Training, Officer Hooking were in the backyard of the residence. A Crime Scene Technician (CST) was requested to the location, and CST Sexson responded to the scene to assist. CST Sexson photographed the residence and yard. See CST Sexson's supplemental report or the photographs for further information. Detective Duncan responded to the scene to assist. I had Detective Duncan interview the decedent's ex-wife while I investigated the scene. See Detective Duncan's supplemental report for further information.

**Scene:**

The residence was a single family residence on the north side of Victoria with the front door facing south. There was an attached garage on the west side of the residence with those doors facing west. There was an RV gate west of the residence that led to the backyard. The gate had what appeared to be recent damage to one of the slats. I was advised by officers on scene that the decedent's son had broken the slat after he observed his father deceased in the backyard. On the north side of the house there was a pool, Jacuzzi and large covered patio. There was a stair case that led from the back patio down to a sub ground level patio. The decedant was observed to be hanging by the neck from the railing of those stairs. I observed the decedent to be a white male between the



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ages of 45 and 50 wearing a white shirt that had been cut by the fire department, gray shorts, and green flip flops. Upon further examination of the shirt, I observed it to be screen printed with the decedent's children's pictures on it. There were medical leads on the decedent's chest from the fire department. The decedent's feet were on the ten steps down from the top stair. I observed what appeared to be a popped blister on the right side of the decedent's chest and abdomen which was most likely a result of the decedent being in direct sunlight for a decent period of time. There was a small amount of blood or purge coming from the decedent's nose. The decedent's hands also had dark colored lividity on them.

On the banister above the decedent was a round wooden pole similar to a long tree stake that was between the bottom horizontal bar and the cement pony wall the banister was attached to. Attached around the wooden pole was what appeared to be a black nylon webbed strap possibly from a suitcase. The nylon strap had a plastic clip that was attached around the pole at the back of it. As the black nylon strap ran down the wall, I observed it to be tied to another brown nylon strap that ran around the decedent's neck.

Upon entering the home, I observed several notes throughout the house. There was a note on the kitchen island that stated "Turn AC off". There was a bag with a note in front of it labeled for Jason Podany and Tupperware containers with a note labeled Julie Kent's on the kitchen counter east of the island. Patrol officers advised they had also located handwritten notes in the office. I went to the office which was on the south side of the residence near the front door. Upon entering the room, I observed there to be desk with several items on top. Among the items was a garage door opener labeled condo opener and a house key with a tag labeled 1107. There was a hand written note that was addressed to Iggy and stated:

"Iggy,

Go to Mom and Dad's condo first, alone. Look in dryer I had to do something. Don't tell anyone, not even Dad & Mom. They will have guilt. I think my note in the box explains everything. I could write it again but I think I covered it all. I'm sorry I love you Denny"

Upon examining the items on the desk there were several other post-it notes including his mail box key and location. There were several sealed letters to family members with a note on it stating "I decided I could not trust the postal dept". The letters were not opened by us on scene. The envelopes were photographed individually. Also in the pile of papers was paperwork for Densco, the decedent's company. There was also a vehicle title that had been notarized the day prior to this incident and signed over to Shauna Hauer. Also on the desk was a copy of the decedent's Last Will and Testament, citizenship paperwork and his social security card. In the office, I also located the decedent's wallet which included his Arizona Driver license which confirmed the decedent's identity as Denny Jeff Chittick. In the desk drawer were several checks and cashier's checks written to Densco investments. I examined the rest of the residence and it appeared to be unremarkable to this case. The only other item noted was a note similar to the other ones left behind on a shirt in Chittick's closet. The note made reference to one of Chittick's son and wearing the shirt to an event at his school.

While processing the scene, I contacted the Maricopa County Medical Examiner's office and requested they respond to the scene to assist. I was advised by the ME's office that they had an extended response time and an investigator would contact me. While waiting for the ME's office to contact me, Detective Duncan spoke with



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Denny Chittick's father, Eldon Chittick. Detective Duncan obtained permission from Eldon to go to his condo and investigate the package left by Denny as referenced in the note.

Detective Duncan, CST Sexson, and I responded to Eldon Chittick's residence at 3131 East Legacy #1107 in Phoenix. Using the garage door opener that was left on Denny's deck and the door key we were able to make entry in to the condo. After knocking and announcing, we swept the residence and confirmed it was unoccupied. We then focused in the drier. CST Sexson photographed the drier and its content prior to us examining it further. Once the drier was photographed I removed a cardboard box from it and placed it on the counter to be photographed again. I then opened the box and observed a letter in an envelope on the top of the box and under it was a white wash cloth and I observed US Currency under the envelope. I moved the wash cloth and observed a very large amount of US Currency that appeared to be predominantly one hundred dollar bills. I then opened the note which was addressed to Iggy. The letter consisted of two pages and stated:

"Iggy, I'm sorry I know this seems dirty but I had to do something now that I have ruined mom and dad. Give Mike and Joan their principle back. You can have your back rent to Mo and Sam. Feel free to use trust money to help them too. I know this isn't enough to cover their loss. It's a pain in the ass too. Buy gift cards, get money orders, make small deposits. I don't know, give to your boss, he can give you a bonus. I really don't know what else to do. I am not thinking clear. You may have to drive home w/ this. You can't fly or ship it. Drug dogs will sniff it out. Not that it's drug money. But I have no idea where it's been before I got it! Go buy a car for cash. Then sell it for a cashier's check. I know this is crazy but you don't have to do it all tomorrow. I didn't have time to do something better. I'm sorry. I hope you be good to my boys they will need you, Denny.

After reading the note, and seeing to content of the package, I contacted Detective Sergeant Minor. I informed him of our investigation and asked for guidance on what to do with the package. Sergeant Minor advised he was going to contact the department's legal advisor. Sergeant Minor called me back a short time later and advised to contact Eldon Chittick and explain our findings. Sergeant Minor said to let Eldon decide if he wanted us to collect the money or if Eldon wanted the money left at the residence. Detective Duncan contacted Eldon and informed him of this and Eldon requested the money be left at the residence. The box was then repackaged including the rag and envelope. Photographs were taken of the package. The box was then secured with evidence tape and initialed by Detective Duncan and I. I placed the box back in the drier and covered it with towels from the top of the drier. The residence was then secured and we cleared the residence.

I then returned to Denny's residence at 6132 West Victoria Place. Upon my arrival, I contacted Maricopa County Medical Investigator Telles #62 who had just completed his on scene investigation. Investigator Telles provided me with their case number which is 16-5671. I entered the residence and left the key and garage door opener for the condo on the desk where they were found. Myself and Officer Hosking then secured Denny's residence and exited through the garage door.

This case is pending labs until the Medical Examiner's office rules on this matter.



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**Clearance Information**

Agency: Chandler PD  
Cleared status: Not Applicable - Not Applicable  
Cleared on: Jul-28-2016 (Thu.)  
Cleared by Officer 1: 5560 - NATHAN MOFFAT #493  
Org Unit: RBHM - Robbery & Homicide Unit  
Complainant/Victim notified: NO



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**Related Attachment(s) - Lab Results CPD**

Attachment Description: 0001

Reference Number:



**CHANDLER POLICE DEPARTMENT**  
250 East Chicago Street, Chandler AZ 85225  
480-782-4500



**FORENSIC EXAMINATION REPORT**

LIMS Number	Request #	Report Requested	
2016-085279	0001	Crime Scene Analysis	
Report Number	2016-085279	Report Date	07/29/2016
Incident Type	DEATH INVESTIGATION	Page	Page 1 of 2
Department	Chandler Police Department 250 E. Chicago Street, Chandler AZ 85225	Approved By	I223
Requester	OFFICER NATHAN MOFFAT, #493		

**EVIDENCE ITEMS COLLECTED:**

- 001 (280) Scene Photos
- 002 (23) Scene Photos

**RESULTS / INTERPRETATIONS**

On 7/28/16, at approximately 1747 hours, I was dispatched to 8132 W. Victoria Place, in reference to a death investigation report.

Upon my arrival, at approximately 1757 hours, I met Detective Moffat, #493, who requested that I take photographs of the scene.

There were notes on the kitchen counter, there were notes, letters and various paperwork in the office. Photographs were taken of an Arizona driver's license with the name Denny Chittick, DOB: 1/10/1966. Mr. Chittick was hanging from a railing in the backyard. He was wearing a cut t-shirt, a pair of shorts, and sandals. There was damage to a gate to the backyard.

A total of two hundred and eighty (280) digital photographs were taken at this location.

This location was cleared at 1823 hours.

I then responded to 3134 E. Legacy Dr. #1107, Phoenix, where I met Detective Moffat, #493, who requested that I take photographs of a dryer.

Photographs were taken of the box before it was opened and after the box was resealed. There was a box in the dryer. Inside the box was a letter addressed to Iggy, a wash cloth and money.

*Andrea Saxon*

Andrea Saxon, I234  
Crime Scene Technician II

Laboratory Accredited by ASCLD/LAB - International (ISO)

Any notes, photographs, charts, or graphs generated during the examination are retained in the laboratory.



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**Chandler • Azleona**

**Sean Duppa  
Chief of Police**

**CHANDLER POLICE DEPARTMENT**

260 East Chicago Street, Chandler AZ 85225  
480-782-4500



**CALZA  
Accredited**

**FORENSIC EXAMINATION REPORT**

**LIMS Number  
2016-085279**

**Request #  
0001**

**- continuation -**

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A total of twenty-three (23) digital photographs were taken at this location.

This location was cleared at 2129 hours.

End of supplement.

*Andrea Saxson*

**Andrea Saxson, 1234  
Crime Scene Technician II**

Laboratory Accredited by ASCLD/LAB - International (ISO)

Any notes, photographs, charts, or graphs generated during the examination are retained in the laboratory.



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**\*\*\* END OF HARDCOPY \*\*\***

Beauchamp  
EXH. NO. 291  
7-19-18  
Kelly S. Oglesby CR 50178

Den Sco /

Message from Patricia Crawford (8/17/16)

480-675-4979

1

- w Chicago Title  
- need pay-off

- 1218 W. 15th St  
- have  
28th Ave

- will also send email

TCW Patricia Crawford (8/17/16)

480-675-4979

3

→ email w pay-off info

Deed of Release → copy + put original at front desk

28th Ave → send email to Wendy Coy

MICHAEL K. JEANES  
Clerk of the Superior Court  
By Joan Lewis, Deputy  
Date 08/17/2016 Time 13:11:57

Description	Amount
CASE# CV2016-014142	
CIVIL NEW COMPLAINT	319.00 W
TOTAL AMOUNT	0.00

Receipt# 25423746

1 ARIZONA CORPORATION COMMISSION  
Wendy Coy, #013195  
2 1300 West Washington, 3<sup>rd</sup> Floor  
Phoenix, Arizona 85007  
3 Attorney for Plaintiff  
Telephone: (602)542-0633  
4 wcoy@azcc.gov

5  
6 STATE OF ARIZONA

7 MARICOPA COUNTY SUPERIOR COURT

8 ARIZONA CORPORATION COMMISSION

9 Plaintiff

10 v.

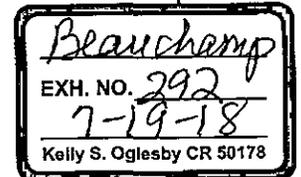
11 DENSCO INVESTMENT CORPORATION, an

12 Arizona corporation

13 Defendant.

No. CV CV 2016-014142

VERIFIED COMPLAINT



15  
16 For its Complaint against Defendant, Plaintiff, the Arizona Corporation Commission,  
17 pleads as follows:

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

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

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

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

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

26

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

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

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

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

19           10.       The Lending Guidelines listed on DenSco's website specifically state "First  
20 Position ONLY!" The Lending Guidelines further stated that DenSco would lend up to 60% to  
21 70% of the value of the property. DenSco represented to investors that borrowers were required  
22 to put at least 20% down on the home purchase and DenSco would have a first position security  
23 interest in the real estate. Therefore the investors are protected even if the borrower defaults.

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

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

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

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

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

16           16.    According to company records, as of about July 28, 2016, DenSco had 138 loans  
17 outstanding. DenSco's assets are as follows<sup>1</sup>:

- 18                   • 50 of the loans appear to be secured with first position deeds of trust and will be  
19 liquidated within 60 days. The value is about \$4.9 million.
- 20                   • 5 of the loans appear to be secured with first position deeds of trust but will  
21 require foreclosure or collection. The value is about \$1.9 million.
- 22                   • 83 of the loans appear to be unsecured and to one borrower. The value of these  
23 loans is about \$28 million.
- 24                   • There is a loan of over \$14 million that is unsecured from the same borrower.

25  
26 <sup>1</sup> 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.

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- 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;

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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.

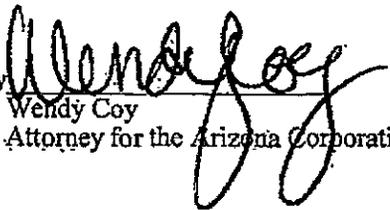
3. Order DenSco to take affirmative action to correct the conditions resulting from its acts, practices or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;

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 17<sup>th</sup> day of August, 2016.

ARIZONA CORPORATION COMMISSION

By   
Wendy Coy  
Attorney for the Arizona Corporation Commission

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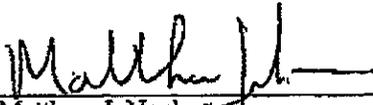
VERIFICATION

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

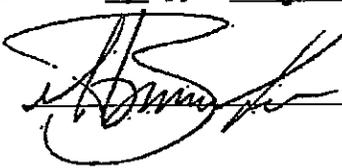
2. I have read the Complaint and to the best of my knowledge, and based upon the records and information gathered by the Securities Division, believe the allegations contained therein to be true and correct.

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



Beauchamp  
EXH. NO. 293  
7-19-18  
Kelly S. Oglesby CR 50178

Dennis /

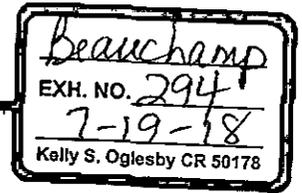
Taw Wendy Coy (8/17/16)

2

planning to serve Kurt Johnson but ~~cannot~~ do not know ~~the~~ a good address

gave

**Beauchamp, David G.**



**From:** Kevin R. Merritt <KMerritt@gblaw.com>  
**Sent:** Wednesday, August 17, 2016 1:46 PM  
**To:** Beauchamp, David G.  
**Subject:** RE: Densco Receivership

When can we discuss this?

**Kevin R. Merritt**  
602.256.4481 Direct | [KMerritt@gblaw.com](mailto:KMerritt@gblaw.com)

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Wednesday, August 17, 2016 11:16 AM  
**To:** Kevin R. Merritt  
**Subject:** Re: Densco Receivership

Kevin:

I will call you to discuss your conversation with the Securities Division. Wendy Coy had previously said that she would provide a draft to me to review before it was finalized. Has that changed? We should also discuss the service of process issue as well. I have about another 30 min in this mtg.

Best, David

Sent from my iPhone. Please excuse any typos.

On Aug 17, 2016, at 10:46 AM, Kevin R. Merritt <[KMerritt@gblaw.com](mailto:KMerritt@gblaw.com)> wrote:

David,

We spoke with the Securities Division yesterday. We're given to believe that the complaint in this matter will be filed shortly. You told me that Densco's stat agent resigned. I presume no replacement has been appointed. Do you believe that you're in a position to accept service of the complaint, since the Division has asked you to continue as corporate counsel for this interim period, or do we need to have Shawna authorize us to accept service on the corporation's behalf?

Thanks.

Kevin

**Kevin R. Merritt**  
602.256.4481 Direct | [KMerritt@gblaw.com](mailto:KMerritt@gblaw.com) | [Profile](#)

<image001.png>  
2 North Central Ave., 15th Floor | Phoenix, AZ 85004  
602.256.0566 | 602.256.4475 Fax | [www.gblaw.com](http://www.gblaw.com)

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Den 50 /

Taw Kevin Merrit (8/17/16)

3 - let Kevin know if I need anything else  
- payoffs + procedure

- Act at Bank

- Jim Sell → is out of town

- Polase has 5 excerpts from court records alleging  
that Jim Sell has overcharged

Other  
Receiver

- has not done a fraud matter or a securities  
matter

DenSco /

Conf Call Jim Polese + Kevin Merritt (8/17/16)

(4)

Wendy filed Complaint

up to the time of 2015, DOB was providing advice to DenSco + to Denny as an officer + Director of the Company

files in Denny's desk have subscription docs - but not the POM

Wendy disagrees + believes that the Receiver can waive the Company's right to assert the Atty-Client Privilege

will send an Affidavit / Declaration for DOB to sign + return - needs to be reviewed by CH in-house Gen Counsel

Wendy will serve Kurt Johnson on behalf of DenSco because his

DenSca /

Message from Wendy Coy (8/17/14)

602-542-0633

— please call

TOW Wendy Coy (8/17/14)

602-542-0633

(0.4)

— in process of getting documents together from beginning.  
— ACC authorized them to file

— Wendy will talk to the Investors + their attorneys

— will need to ask the Judge to rule on the Attorney-Client privilege

— did file based upon a violation of the AZ Securities Act

§1991 AZ Securities Statute

DenSco /

Tow Gary Clapper [8/17/16]

mobile 602-679-0441

(14)

filed <sup>revised</sup> Complaint; motion for expedited hearing; etc.

hearing set for tomorrow (Thursday 8/18 at 10:00 am)

in Judge Bustamante's Court Rm 811

East Court Bldg

Rm 811

want DGB to accept service on behalf of the Company

wanted to talk to Wendy - finally gave up

Beauchamp  
EXH. NO. 296  
7-19-18  
Kelly S. Oglesby CR 50178

Dea. Sec

**Beauchamp, David G.**

**From:** Beauchamp, David G.  
**Sent:** Wednesday, August 17, 2016 4:06 PM  
**To:** Google  
**Subject:** RE: Densco

Chris:

The AZ Securities Division did not approve you as we had recommended. Gammage & Burnham, as successor counsel to the Estate of Denny Chittick, and the state each have agreed to submit names to the court and let the court decide. I am now out of the loop in this matter.

Best regards, David

**David G. Beauchamp**

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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Google [<mailto:chris@gcgaz.com>]  
**Sent:** Wednesday, August 17, 2016 4:03 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: Densco

David,

Just checking in, please let me know if I can be of any assistance.

Sincerely,  
Chris

On Aug 10, 2016, at 7:39 PM, Beauchamp, David G. <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

Chris:

The meeting involved the sharing of information and a lot of discussion of that information. The Securities Division is to go over the information with the Director and decide what to do. Hopefully, we will know soon.

Regards, David

**David G. Beauchamp**

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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

**From:** Chris Gorman [mailto:[chris@gegaz.com](mailto:chris@gegaz.com)]  
**Sent:** Wednesday, August 10, 2016 5:51 PM  
**To:** Beauchamp, David G.  
**Subject:** Densco

Any update from your meeting today?

Sent from my iPhone

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1 James F. Polese, Esq. (Bar No. 003451).  
2 Christopher Herring, Esq., (Bar No. 028169)  
3 Gammage & Burnham, PLC  
4 2 North Central Avenue  
5 15<sup>th</sup> Floor  
6 Phoenix, Arizona 85004-4607  
7 [jpolese@gblaw.com](mailto:jpolese@gblaw.com)  
8 [cherring@gblaw.com](mailto:cherring@gblaw.com)

9 **IN THE SUPERIOR COURT OF THE STATE OF ARIZONA**  
10 **IN AND FOR THE COUNTY OF MARICOPA**

11 ARIZONA CORPORATION COMMISSION, No. CV2016-1014142

12 Plaintiff,

13 v.

14 DENSCO INVESTMENT CORPORATION,  
15 an Arizona corporation,

16 Defendant.

**DECLARATION OF DAVID G.  
BEAUCHAMP**

(Assigned to the Honorable Lori  
Bustamonte)

17  
18 I make the following declaration under penalty of perjury:

19 1. I am an attorney licensed to practice in the State of Arizona since 1981 and  
20 have continuously practiced law since that time.

21 2. Beginning in approximately 2003, I was retained by Denny Chittick, the  
22 sole shareholder, President and director of DenSco Investment Corporation, an Arizona  
23 corporation. ("DenSco") in connection with the preparation of a securities offering for  
24 investors. To my knowledge he was the sole employee of DenSco.

25 3. Over the years, I have prepared, at Mr. Chittick's direction, several Private  
26 Offering Memoranda ("POMs") to be distributed to investors of DenSco in compliance  
27 with Arizona and federal security laws. In addition, I was retained to undertake the  
28

1 needed securities law filings. My engagement included numerous communications with  
2 Mr. Chittick concerning the POMs and recommendations for amended or additional  
3 POMs in keeping with the investments being made or contemplated by DenSco.

4 4. The POMs routinely stated that I was acting as counsel for not only DenSco  
5 but its president Mr. Chittick and that I was not the counsel for any investors who were  
6 all urged to seek separate legal counsel.

7 5. During my involvement with Mr. Chittick and DenSco, I understood that  
8 Mr. Chittick considered that I was his counsel as well as counsel for DenSco, even  
9 though all billings were tendered to and paid by DenSco.

10 6. In connection with my representation, it would be impossible for me to  
11 segregate what advice I tendered or what attorney-client communications were solely  
12 corporate only and what were personal to Mr. Chittick as the President of DenSco.

13 7. In late 2014 or 2015, I ended my formal relationship with Mr. Chittick and  
14 DenSco. In late 2015 or early 2016, I was reengaged by Mr. Chittick and DenSco in  
15 connection with an audit by the Arizona Department of Financial Institutions which  
16 concerned whether Mr. Chittick was required to have a mortgage broker license. I was  
17 counsel to him and DenSco in this limited capacity at the time of his death on July 28,  
18 2016.

19  
20 I declare under penalty of perjury that the foregoing is true and correct.

21 EXECUTED this 17<sup>th</sup> day of August 2016 at Scottsdale, Arizona.

22  
23 David G. Beauchamp  
24 David G. Beauchamp  
25  
26  
27  
28

**Beauchamp, David G.**

---

**From:** Sifferman, Mark S.  
**Sent:** Wednesday, August 17, 2016 6:08 PM  
**To:** Beauchamp, David G.  
**Subject:** RE: POM-DenSco

Yes. What judge is the hearing in front of?

**Mark S. Sifferman**

**CLARK HILL PLC**

14850 North Scottsdale Road | Suite 500 | Scottsdale, AZ 85254  
480.684.1103 (direct) | 480.684.1163 (fax) | 602.405.2443 (Cell)  
[msifferman@clarkhill.com](mailto:msifferman@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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**From:** Beauchamp, David G.  
**Sent:** Wednesday, August 17, 2016 5:39 PM  
**To:** Sifferman, Mark S.  
**Subject:** FW: POM-DenSco

Sorry for the delay in forwarding this to you. The hearing concerning the Receiver and whether the Receiver can waive the attorney-client privilege with respect to all communications with Denny Chittick is tomorrow at 10:00.

Since I have now been told to expect to be called as witness, would you be able to attend with me tomorrow?

Thanks, David

**David G. Beauchamp**

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---

**From:** James F. Polese [<mailto:jpolese@gblaw.com>]  
**Sent:** Wednesday, August 17, 2016 3:31 PM  
**To:** Beauchamp, David G.; Kevin R. Merritt  
**Subject:** RE: POM-DenSco

David

Here is the draft of the declaration. Please review and make whatever changes you think appropriate.

**James F. Polese**

---

**From:** Beauchamp, David G. [mailto:DBeauchamp@ClarkHill.com]  
**Sent:** Wednesday, August 17, 2016 2:27 PM  
**To:** Kevin R. Merritt; James F. Polese  
**Subject:** POM-DenSco

Jim and Kevin:

Attached is the POM from July 2011 for DenSco. Please see the reference on page 30 under the Risk Factor Section, which indicates that Legal Counsel for DenSco represents the President and DenSco, but not the Investors.

Hope this helps.

Best, David

**David G. Beauchamp**

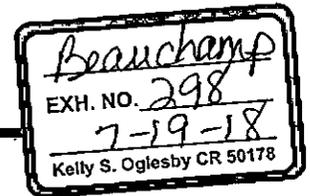
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**Beauchamp, David G.**



**From:** Beauchamp, David G.  
**Sent:** Wednesday, August 17, 2016 9:06 PM  
**To:** Mannino, Jennifer  
**Subject:** Re: REscheduling

Yomtov "Scott" Menaged

Sent from my iPhone. Please excuse any typos.

On Aug 17, 2016, at 8:50 PM, Mannino, Jennifer <[Jennifer.Mannino@us.gt.com](mailto:Jennifer.Mannino@us.gt.com)> wrote:

Tragic, his sister is lucky to have you take care. Who is the borrower, Scott Gould?

**Jenn Mannino**  
Grant Thornton LLP  
D +1 602 474 4998  
E [jennifer.mannino@us.gt.com](mailto:jennifer.mannino@us.gt.com)

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Wednesday, August 17, 2016 8:39 PM  
**To:** Mannino, Jennifer <[Jennifer.Mannino@us.gt.com](mailto:Jennifer.Mannino@us.gt.com)>  
**Subject:** RE: REscheduling

Denny had been a friend for over 20 years. It is very sad.

All the best, David

**David G. Beauchamp**

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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Mannino, Jennifer [<mailto:Jennifer.Mannino@us.gt.com>]  
**Sent:** Wednesday, August 17, 2016 8:38 PM  
**To:** Beauchamp, David G.  
**Subject:** RE: REscheduling

Thanks for quick reply! I looked up the company. Was Denny your friend? I saw the obituary from July. Very sad...

**Jenn Mannino**  
Grant Thornton LLP  
D +1 602 474 4998  
E [jennifer.mannino@us.gt.com](mailto:jennifer.mannino@us.gt.com)

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Wednesday, August 17, 2016 8:23 PM  
**To:** Mannino, Jennifer <[Jennifer.Mannino@us.gt.com](mailto:Jennifer.Mannino@us.gt.com)>  
**Subject:** RE: REscheduling

Jenn:

Of the \$51 million invested with this company, there appears to be almost \$42 million directly or indirectly loaned to an individual and his companies in a series of loans, which loans were to be secured by houses as the collateral for each loan. He now claims in his personal bankruptcy that neither he nor any of his applicable entities have any assets. Fortunately, the US Trustee has taken an interest in the case, which should help delay any discharge until the assets and liabilities and fraud is confirmed and can be proven to the court.

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](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Mannino, Jennifer [<mailto:Jennifer.Mannino@us.gt.com>]  
**Sent:** Wednesday, August 17, 2016 2:36 PM  
**To:** Beauchamp, David G.  
**Subject:** RE: REScheduling

Confidentially, how massive is the alleged scheme?

---

**From:** Mannino, Jennifer  
**Sent:** Wednesday, August 17, 2016 11:42 AM  
**To:** 'Beauchamp, David G.' <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)>  
**Subject:** RE: REScheduling

Aha! You did mention that. Thanks David! Let me know how I can help you at this end.

**Jenn Mannino**  
Grant Thornton LLP  
D +1 602 474 4998  
E [jennifer.mannino@us.gt.com](mailto:jennifer.mannino@us.gt.com)

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Wednesday, August 17, 2016 11:41 AM  
**To:** Mannino, Jennifer <[Jennifer.Mannino@us.gt.com](mailto:Jennifer.Mannino@us.gt.com)>  
**Subject:** Re: REScheduling

The Receiver has not yet been appointed. I gave your contact info for GT to the AZ Securities Division to include with its request for a Receiver.

Have a great day!

Sent from my iPhone. Please excuse any typos.

On Aug 17, 2016, at 11:36 AM, Mannino, Jennifer <[Jennifer.Mannino@us.gt.com](mailto:Jennifer.Mannino@us.gt.com)> wrote:

Is it worth my introducing GT to the Receiver (without mention of Clark Hill of course)? I just thought with our having a corporate intelligence/asset tracing division it will set us apart from the other forensic accountants. Food for thought ☺

Have a wonderful day!!

**Jenn Mannino**  
Grant Thornton LLP  
D +1 602 474 4998  
E [jennifer.mannino@us.gt.com](mailto:jennifer.mannino@us.gt.com)

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Tuesday, August 16, 2016 12:00 PM  
**To:** Mannino, Jennifer <[Jennifer.Mannino@us.gt.com](mailto:Jennifer.Mannino@us.gt.com)>  
**Subject:** Re: REscheduling

Jenn:

If the reporter wants to discuss the DenSCO case, please know that I have submitted your name to be appointed Receiver in that matter. I was going to give you background over lunch.

Best regards, David

Sent from my iPhone. Please excuse any typos.

On Aug 16, 2016, at 11:42 AM, Mannino, Jennifer  
<[Jennifer.Mannino@us.gt.com](mailto:Jennifer.Mannino@us.gt.com)> wrote:

Sorry... I have to get on a call with a reporter who wants to interview me for asset manager fraud case...

**Jenn Mannino**  
Grant Thornton LLP  
D +1 602 474 4998  
E [jennifer.mannino@us.gt.com](mailto:jennifer.mannino@us.gt.com)

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Tuesday, July 26, 2016 4:57 PM  
**To:** Mannino, Jennifer <[Jennifer.Mannino@us.gt.com](mailto:Jennifer.Mannino@us.gt.com)>  
**Subject:** RE: Jennifer Mannino heads Corporate Intelligence practice

Jenn:

Would lunch on either that Tuesday (8/16) or Wednesday (8/17) or Friday (8/19) work for you? My office is in North Scottsdale by Kierland, so we should either pick a place in between or pick a day where one of will be near the other's office. Let me know what works and if you have any ideas.

All the best, David

**David G. Beauchamp**

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---

**From:** Mannino, Jennifer [<mailto:Jennifer.Mannino@us.gt.com>]  
**Sent:** Tuesday, July 26, 2016 4:52 PM  
**To:** Beauchamp, David G.  
**Subject:** RE: Jennifer Mannino heads Corporate Intelligence practice.

Anytime after 8/15 is open. What works for you?

**Jenn Mannino**  
Grant Thornton LLP  
D +1 602 474 4998  
E [jennifer.mannino@us.gt.com](mailto:jennifer.mannino@us.gt.com)

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Tuesday, July 26, 2016 4:30 PM  
**To:** Mannino, Jennifer <[Jennifer.Mannino@us.gt.com](mailto:Jennifer.Mannino@us.gt.com)>  
**Subject:** FW: Jennifer Mannino heads Corporate Intelligence practice

Jennifer:

Congratulations (again) on your new position! This sounds wonderful for you. (and great for Grant Thornton) Let me know when you might have a few minutes between billable hours to grab a cup of coffee so I can hear what brought about all of this change.

All the best, David

**David G. Beauchamp**

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---

**From:** Corporate Intelligence [<mailto:CorporateIntelligence@us.gt.com>]  
**Sent:** Tuesday, July 26, 2016 8:56 AM  
**To:** Corporate Intelligence  
**Subject:** Jennifer Mannino heads Corporate Intelligence practice

## Jennifer Mannino joins Grant Thornton LLP's Phoenix office

<image002.jpg> Jennifer Mannino has joined Grant Thornton LLP as a director in the firm's national Forensic, Investigative and Dispute Services practice, based in Phoenix, Arizona. She will be responsible for building on and strengthening the firm's global corporate intelligence initiatives. She specializes in international and domestic intelligence gathering and investigative strategy in support of third-party risk compliance and business consulting, complex litigation and investigative due diligence. Prior to joining Grant Thornton, Mannino worked extensively on investigations for multi-national organizations in matters concerning third-party due diligence, Know Your Customer (KYC) compliance, litigation support, asset

investigations, identifying conflicts of interest and vetting contestants of proxy fights. She also investigated the backgrounds of board members, investment managers and C-Suite teams involved in alternative investment transactions.

Mannino is a certified Leading Professional in Ethics and Compliance and is certified in Change Management under the Prosci ADKAR® Model. She has been published in multiple industry publications and volunteers her time as a leader through Genesis Academy Alternative School, a nonprofit organization that serves at risk youth in the downtown Phoenix area. Mannino received a master's of business administration degree in Global Management from the University of Phoenix and a bachelor's degree in communications from Fordham University. She is currently pursuing her doctoral degree in organizational leadership through Grand Canyon University.

Contact details:  
2398 East Camelback Road, Suite 600  
Phoenix, Arizona 85016  
T: +1 602 474 4998  
M: +1 602 349 8900  
E: [jennifer.mannino@us.gt.com](mailto:jennifer.mannino@us.gt.com)



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Dauchamp  
EXH. NO. 299  
7-59-18  
Kelly S. Oglesby CR 50178

Den Sw /

Message from Bev Edwards (8/17/16)

913-663-0727

11 - Main Star Trust - communication to account holders

- please call

11 - Bev Edwards (8/17/16)

913-663-0727

- left detailed message

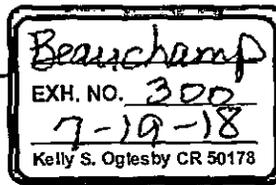
12:30

11 - Bev Edwards (8/17/16)

913 663-0727

- Central Time Zone

- sent email



DenSci

MgW Kevin Merritt (8/18/16)

~~1720 E. Windsor~~ ~~Deed of Release & Reconveyance~~

Attorney-Client Privilege issues

TCW Theresa Hall (8/18/16)

Re: Deed of Release & Reconveyance

1720 E. Windsor

DenSec/

Tew Theresa Hall (8/18/16)

- left message

Tew Theresa Hall (8/18/16)

- explained process for Deal of Release

- Denny signed & put in file - it is notarized

- nobody is authorized to sign

Tew Theresa Hall (8/19/16)

- Theresa talked to her branch manager & will follow instructions

- has DenSec's acct. info

Beauchamp  
EXH. NO. 301  
7-19-18  
Kelly S. Oglesby CR 50178

**Beauchamp, David G.**

**From:** Sifferman, Mark S.  
**Sent:** Wednesday, August 17, 2016 6:08 PM  
**To:** Beauchamp, David G.  
**Subject:** RE: POM-DenSco

Yes. What judge is the hearing in front of?

**Mark S. Sifferman**

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480.684.1103 (direct) | 480.684.1163 (fax) | 602.405.2443 (Cell)  
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**From:** Beauchamp, David G.  
**Sent:** Wednesday, August 17, 2016 5:39 PM  
**To:** Sifferman, Mark S.  
**Subject:** FW: POM-DenSco

Sorry for the delay in forwarding this to you. The hearing concerning the Receiver and whether the Receiver can waive the attorney-client privilege with respect to all communications with Denny Chittick is tomorrow at 10:00.

Since I have now been told to expect to be called as witness, would you be able to attend with me tomorrow?

Thanks, David

**David G. Beauchamp**

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---

**From:** James F. Polese [<mailto:jpolese@gblaw.com>]  
**Sent:** Wednesday, August 17, 2016 3:31 PM  
**To:** Beauchamp, David G.; Kevin R. Merritt  
**Subject:** RE: POM-DenSco

David

Here is the draft of the declaration. Please review and make whatever changes you think appropriate.

**James F. Polese**

---

**From:** Beauchamp, David G. [mailto:DBeauchamp@ClarkHill.com]  
**Sent:** Wednesday, August 17, 2016 2:27 PM  
**To:** Kevin R. Merritt; James F. Polese  
**Subject:** POM-DenSco

Jim and Kevin:

Attached is the POM from July 2011 for DenSco. Please see the reference on page 30 under the Risk Factor Section, which indicates that Legal Counsel for DenSco represents the President and DenSco, but not the Investors.

Hope this helps.

Best, David

**David G. Beauchamp**

CLARK HILL PLC

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*Beauchamp*  
EXH. NO. 302  
7-19-18  
Kelly S. Oglesby CR 50178

1 James F. Polese #003451  
2 Christopher L. Hering #028169  
3 **GAMMAGE & BURNHAM, P.L.C.**  
4 TWO NORTH CENTRAL AVENUE  
5 15TH FLOOR  
6 PHOENIX, AZ 85004  
7 TELEPHONE (602) 256-0566  
8 FAX (602) 256-4475  
9 EMAIL: JPOLESE@GBLAW.COM  
10 CHERING@GBLAW.COM

11 *Attorneys for Estate of Denny Chittick, Deceased*

12 **SUPERIOR COURT OF ARIZONA**  
13 **MARICOPA COUNTY**

14 ARIZONA CORPORATION COMMISSION,

No. CV2016-014142

15 Plaintiff,

16 vs.

**RECOMMENDATIONS RE  
RECEIVER AND  
ATTORNEY/CLIENT  
PRIVILEGE**

17 DENSCO INVESTMENT CORPORATION,  
18 an Arizona corporation,

(Assigned to the Honorable  
Lori Bustamante)

19 Defendant.

20 Counsel undersigned represents the Estate of Denny Chittick (the "Estate"). Mr.  
21 Chittick, recently deceased, the founder, sole employee, officer, director and shareholder  
22 of DenSco Investment Corporation ("DenSco"). The Estate appears in this matter on  
23 DenSco's behalf as the entity with control over DenSco since no corporate officers have  
24 yet been named.

25 The Estate does not object to the appointment of a receiver for DenSco as is being  
26 requested by the Arizona Corporation Commission ("ACC") with this action. However,  
the Estate has two concerns about the ACC's proposed course of action in seeking a  
receiver. First, the Estate has recommends that the Court appoint Thomas Giallanza

1 ("Giallanza") as receiver<sup>1</sup>. As further articulated herein, Giallanza seems the perfect  
2 person to act as receiver. However, the ACC has been adamant in its refusal to consent to  
3 his appointment and instead intends to ask the Court to appoint Jim Sell ("Sell") as  
4 DenSco's receiver, because the ACC "works well with him" and has never worked with  
5 Giallanza. The role of the receiver is not to be a sycophant of the Division but to be  
6 utterly independent and answerable only to the Court.

7         Second, the Estate has asked the ACC to acknowledge that Mr. David Beauchamp,  
8 who the decedent considered his attorney as well as that of DenSco (a point that Mr.  
9 Beauchamp has acknowledged) was indeed attorney for both and thus the receiver could  
10 not be allowed to waive the attorney client privilege with respect to communications  
11 between the deceased and Mr. Beauchamp unless the Estate also agreed to such a waiver.  
12 For reasons not articulate, the ACC has refused to include such a proscription in its  
13 proposed order for the appointment of the receiver. The Estate believes that it is essential  
14 that the Court's receivership order must preserve the attorney-client privilege as to  
15 communications between Denny Chittick ("Chittick") and his lawyer, David Beauchamp  
16 ("Beauchamp").

17         **I. The Court should appoint Giallanza, not Sell, as DenSco's receiver.**

18         Giallanza is a lawyer with extensive experience in real estate, financial  
19 institutions, and receiverships. A copy of Giallanza's curriculum vitae is attached as  
20 Exhibit 1. On point here is Giallanza's experience as deputy receiver for Landmarc  
21 Capital and Investment Company ("Landmarc"), a company that, like DenSco, made  
22 loans secured by real property. As deputy receiver, Giallanza identified and disposed of  
23 hundreds of loan assets and disbursed the proceeds to hundreds of claimants. The

24 \_\_\_\_\_  
25 <sup>1</sup> As the ACC knows, the undersigned has already averred that neither he nor to his  
26 knowledge anyone at Gammage & Burnham, PLC has ever had any relationship with Mr.  
Giallanza. The Estate has recommended him solely because, after investigation of  
suitable candidates, the Estate believes he is the best person for the position.

1 Landmark receivership has recovered a substantial portion of the investor funds at  
2 minimal cost and expense.

3 Giallanza charges \$185 per hour for his services, and Sell charges \$250 per hour.  
4 Giallanza's lower hourly rate, by itself, justifies appointing Giallanza, and not Sell, as  
5 DenSco's receiver.

6 The ACC has claimed that Sell is a better choice than Giallanza for a multitude of  
7 reasons, all of which are either irrelevant or untrue. The ACC first contends that Sell  
8 already has a receiver's bond, but Giallanza does not. However, Giallanza is an  
9 experienced receiver who can quickly obtain and file a receiver's bond and the ACC does  
10 not dispute that fact.

11 The ACC claims the Sell has more receivership experience, but both Sell and  
12 Giallanza are experienced receivers. A court does not select a receiver by simply  
13 comparing the number of prior receiverships each candidate has handled. What is  
14 important is relevance of the prior receiverships to the present situation and on that basis  
15 there is no disputing that Giallanza has the most relevant prior experience.

16 The ACC claims that Sell has more experience testifying in court, but this is  
17 simply untrue. Giallanza has extensive experience in giving sworn testimony as a former  
18 assistant superintendent for the Arizona Department of Financial Institutions. While such  
19 testimony was not in the capacity of receiver, that seems utterly irrelevant. What matters  
20 is that he is articulate and can competently and credibly testify if needed and the ACC  
21 does not argue that he would not be able to do so.

22 The ACC then plays up particular aspects of Sell's experience that are either not  
23 relevant or ignore Giallanza's comparable experience. Although Sell is a Certified Public  
24 Accountant and Giallanza is not, accounting work can be easily subcontracted through  
25 competitive bidding. Indeed, there is no present evidence that forensic accounting will be  
26 a large component in this receivership. By all accounts the books and records of DenSco

1 are well maintained. This is not a situation where accounting will be the primary focus.  
2 Rather it will be in resolving real estate issues – an expertise possessed by Mr. Giallanza  
3 and not Mr. Sell.

4 The ACC says it has never worked with Giallanza and has worked with Sell with  
5 whom they have a comfortable working relationship. This is perhaps one of the most  
6 troubling bases to reject an otherwise qualified receiver. The receiver admittedly needs  
7 to have a good working relationship with all parties and there is not a scintilla of evidence  
8 that Giallanza would not have good rapport with all. The ACC apparently wants someone  
9 who will be beholden to it and thus have a compliant receiver. Given the issue of the  
10 attorney-client privilege, one could assume that the ACC would press the receiver to  
11 waive any privilege, irrespective of the rights of others. As noted, the ACC is not entitled  
12 to retain as sycophant as receiver.

13 The ACC points to the back office staffing possessed by Sell and his organization  
14 and the fact that Giallanza is a “one man show”. The Estate would assert that this is a  
15 positive and not a negative. As noted, to the extent that outside help is needed it can be  
16 bid out to the lowest bidder expeditiously. Any suggestion that this would be “time  
17 consuming is simply bogus. Second, any contracted accounting or other services would  
18 not need to be defended as in house work product. Giallanza would not need to  
19 reflectively back the accounting work that was performed.

20 The ACC contends that Sell has experience with fraud issues in receivership and  
21 there were not in Landmarc Capital. First, the ACC is incorrect in its assertion as to  
22 Landmarc Capital. Mr. Giallanza would testify that he deliberately avoided any allegation  
23 of fraud not because there was not fraudulent activities but because he wanted to preserve  
24 the right to insurance policy benefits that would be lost since the policy excluded fraud.  
25 He successful did so and recovered on the policy, repeating substantial benefits for the  
26 investors.

1           Moreover, as noted herein, there is no evidence that DenSco will involve any  
2 allegation of fraudulent activities by DenSco or the decedent.<sup>2</sup>

3           Finally, the ACC wrongly claims that Sell is experienced in securities matters and  
4 Giallanza is not. Again, Giallanza has been the deputy receiver for Landmarc, an entity  
5 in the same line of business as DenSco—secured lending on real property.

6           Not only does the side by side comparison of the two individuals strongly favor  
7 Mr. Giallanza over Mr. Sell, Mr. Sell has some unpleasant baggage that makes his  
8 appointment problematic.

9           In one receivership matter, the U.S. Department of Justice questioned Sell's bill of  
10 \$95,000 for pre-engagement fees, \$15,000 over Sell's proposed budget. See Exhibit 2.  
11 Sell was later accused of devaluing the receivership's assets by holding them during a  
12 declining economy in an effort to boost his fees. Indeed, many of the receivership's  
13 creditors disagreed with Sell's strategies and disposition of the receivership's assets.  
14 Exhibit 3. Ultimately, Sell received an exorbitant sum of *\$7.5 million* in fees for  
15 handling the receivership. Exhibit 4.

16           In light of these facts, the Court should be troubled by the ACC's aggressive  
17 conduct in seeking Sell's appointment over that of Mr. Giallanza.

18           The Court should appoint Giallanza as DenSco's receiver because he would be  
19 cheaper and has the most relevant real estate background and experience.

20           **II. The Court's receivership order must preserve privileged conversations**  
21 **between Chittick and his lawyer, Beauchamp.**

22           Chittick retained Beauchamp on behalf of both DenSco *and* himself in his  
23 individual capacity. Beauchamp Dec'1 (Exhibit 5) at ¶ 5. Chittick never specified or

24 \_\_\_\_\_  
25 <sup>2</sup> The undersigned has not had time to digest the extensive complaint that has been filed  
26 that once the company records are fully reviewed there will be no missing  
documentation.

1 delineated which communications were on DenSco's behalf and which were on his own  
2 behalf, and it is next to impossible to determine which client a particular communication  
3 involved. Beauchamp Dec'l at ¶ 6.

4       After Chittick's death, the Estate steps into Chittick's shoes and holds the  
5 attorney-client privilege as to Chittick's communications with Beauchamp. DenSco's  
6 receiver will hold the attorney-client privilege as to DenSco. The receivership order must  
7 therefore ensure that DenSco's receiver cannot impair the attorney-client privilege held  
8 by the Estate.

9       When a lawyer jointly represents two or more clients, either co-client's  
10 communication with the jointly-retained lawyer is privileged from disclosure to third  
11 parties. *Restatement (Third) of the Law Governing Lawyers* § 75(1). One co-client may  
12 waive the privilege with respect to its own communications with the jointly-retained  
13 lawyer *only* if the communications relate solely "to the communicating and waiving  
14 client." *Id.* cmt. e. In other words, one co-client may *not* waive the privilege for  
15 communications relating to the other co-client without prior consent. *Id.*

16       Consistent with Restatement § 75, the Court should presume that all  
17 communications between Chittick and Beauchamp are privileged. The receivership order  
18 should provide that DenSco's receiver may *not* waive the attorney-client privilege as to  
19 Chittick's communications with Beauchamp without the Estate's consent. The order  
20 should further provide that the receiver must obtain court approval before waiving the  
21 privilege as to DenSco if the Estate does not consent to the waiver. These mechanisms  
22 are the only way the Estate's communications with Beauchamp can remain confidential  
23 and privileged.

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RESPECTFULLY SUBMITTED this 18<sup>th</sup> day of August, 2016.

GAMMAGE & BURNHAM, P.L.C.

By /s/ Christopher L. Hering  
James F. Polese  
Christopher L. Hering  
Two North Central Avenue, 15<sup>th</sup> Floor  
Phoenix, Arizona 85004  
*Attorneys for DenSco Investment Corporation*

ORIGINAL of the foregoing e-filed  
this 18<sup>th</sup> day of August, 2016, with:

Maricopa County Superior Court  
Phoenix, Arizona.

COPY of foregoing mailed this  
this 18<sup>th</sup> day of August, 2016, to:

Wendy Coy  
Arizona Corporation Commission  
1300 West Washington, 3<sup>rd</sup> Floor  
Phoenix, Arizona 85007  
*Attorneys for Plaintiff*

/s/ Dawn M. McCombs

# EXHIBIT 1

**THOMAS J. GALLANZA**

Phone: 602-791-7456

**QUALIFICATIONS**

A seasoned business professional with depth in real estate, title insurance, condominium and residential development, escrow services, property management, business liquidation and receivership activities.

**PROFESSIONAL EXPERIENCE**

**LANDMARC CAPITAL & INVESTMENT COMPANY**

Deputy Receiver, June 24, 2009 - Present

- Responsible for identification, safekeeping and disposition of over 380 loan assets
- Negotiate sale contracts for disposition of commercial, residential and vacant land assets
- Primary contact for over four hundred beneficial owners and claimants
- Responsible for title clearance, closing and disposition of proceeds for Court approved sales

**ARIZONA DEPARTMENT OF FINANCIAL INSTITUTIONS**

Deputy Superintendent, October 2009 - January 2010

**ARIZONA DEPARTMENT OF FINANCIAL INSTITUTIONS**

Assistant Superintendent, November 2007 - September 2009

**NATIONAL TITLE MANAGERS, Phoenix, Arizona**

Owner, June 2007 - October 2007

- Provide commercial title and escrow services for national clients.

**TITLE MANAGEMENT AGENCY OF ARIZONA, L.L.C., Phoenix, Arizona**

Senior Vice President & National Underwriter, October 2003 - May 2007

- Developed a successful title insurance agency and escrow company from start-up to two branches with over 40 employees. Developed an Arizona residential and commercial client base with local, national and international title and escrow services.

**NATIONAL TITLE SERVICES, Westport, Connecticut**

Owner, May 2001 - September 2003

- Provided national commercial title and escrow services for national clients.

**NATIONAL TITLE MANAGEMENT, Stamford, Connecticut**  
Vice President, March 1996—April 2001

- Implemented national commercial title and escrow services for large, securitized real estate transactions.

**CHICAGO TITLE INSURANCE COMPANY, New York, New York**  
Vice President, New York National Business Group, May 1990 - February 1996

- Managed Chicago Title's largest national business group consisting of 12 real estate attorneys and 35 escrow and title closing specialists.

#### **EDUCATION**

**LOYOLA UNIVERSITY SCHOOL OF LAW, Chicago, Illinois**  
Juris Doctor, 1971 \*

**LOYOLA UNIVERSITY, Chicago, Illinois**  
Bachelor of Science, 1971 \*

#### **ADMISSIONS & ASSOCIATIONS**

Attorney Registration and Disciplinary Commission, Illinois Supreme Court, 1971  
Illinois State Bar Association, 1971  
American Bar Association, 1973

\* Both degrees were awarded on the same date.

# EXHIBIT 2

1 ALAN M. SIMPSON, P.C.  
2 Attorneys at Law  
3 7301 E. Sundance Trail, Suite B201  
4 P.O. Box 2976  
5 Carefree, Arizona 85377  
6 (480)488-1119 Fax (480) 772-4606  
7 Alan M. Simpson, State Bar No. 006203  
8 e-mail: [alan@alansimpson.net](mailto:alan@alansimpson.net)  
9 Sean R. Forrester, State Bar No. 027469  
10 e-mail: [sean@alansimpson.net](mailto:sean@alansimpson.net)

11 Attorneys for Brent Williams, defendant.

12 UNITED STATES DISTRICT COURT  
13 DISTRICT OF ARIZONA

14 United States of America,

15 Plaintiff,

16 v.

17 Duane Hamblin Slade, et al.,

18 Defendants.

No. CR 09-1492-PHX-ROS

DEFENDANT BRENT WILLIAMS  
REQUEST FOR ADDITIONAL  
INFORMATION FROM  
CONSERVATOR SELL

19 Brent Williams requests that the Court direct Conservator James Sell to provide the  
20 following information:

- 21 1. Asset Valuation as of April 5, 2005.
- 22 2. Costs expended in foreclosing on collateral.
- 23 3. Costs of the Conservator investigating Mathon, and investigating and managing its  
24 assets.
- 25 4. Costs of the Conservator associated with litigation, other than that associated with Item  
26 2 above.

27 This request is supported by the accompanying memorandum of points and authorities.

MEMORANDUM OF POINTS AND AUTHORITIES

The court should credit Brent Williams with the fair market value of the collateral as of the date on which the Conservator had the right to dispose of the asset/s. The information sought above will permit a valuation of assets as of the date of the takeover, Item 1, less costs incurred in the process under which the Conservator stepped into a position to dispose of assets, Item 2. This information is needed to comply with the plain directive of 18 U.S.C. § 3663(b)(1)(B)(ii) to order restitution in the amount of the victim's loss "less the value (as of the date the property is returned) of any part of the property that is returned." The 9<sup>th</sup> Circuit holds this plain language requires property to be valued as of the date the victim took control of the property. *United States v. Smith*, 944 F.2d 618, 624-625 (9<sup>th</sup> Cir. 1991). Items 3 and 4 are categories of costs and expense which should not be assessed against the defendants.

In *Smith*, the defendant was convicted of conspiracy and bank fraud for five fraudulent loans wherein he duped a lending institution into believing he was a controlling stockholder (which he was not) and used that influence to get the entity to make five loans to shell corporations controlled by him. The five loans were secured by collateral. Ultimately, the five loans defaulted and teased the scheme to the surface resulting in his indictment and conviction. *Id.* at 620. At Smith's sentencing some of the collateral had been sold, but not all. The district court calculated restitution by deducting from the total loss "(1) the amount realized from the disposition of collateral properties, or the fair market value of those properties at the time of the disposition, if higher; and (2) the fair market value of the unsold collateral on the date of the restitution order." *Id.* at 625.

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1 On review the 9<sup>th</sup> Circuit rejected the district court's valuation of collateral as of the  
2 date it was sold for purposes calculating restitution. The court of appeals in *Smith* held the  
3 defendant should receive credit against the restitution amount for the value of the collateral  
4 property as of the date title to the property was transferred to the new owner. As of that date,  
5 the reviewing court observed, the new owner had the power to dispose of the property and  
6 receive compensation. *Id.* The court reasoned that:  
7

8 [T]he victims in this case "receive[d] compensation" when they  
9 received title to the property and the corresponding ability to sell it for  
10 cash; the value of the compensation should therefore be measured and  
11 deducted from the total loss figure as of the date title was transferred. 18  
12 U.S.C. § 3663(e)(1). Because the law is clear, to do otherwise would be an  
13 abuse of discretion. *Id.*, at 625-26.

14 The court in *Smith* cited to its earlier decision in *United States v. Tyler*, 767 F.2d 1350  
15 (9th Cir.1985) as an illustration of the principle. In *Tyler*, the defendant pleaded guilty to theft  
16 of timber and was ordered to pay restitution under the MVRA. The district court calculated  
17 the amount of restitution as the difference between the value of the timber at the time of  
18 sentencing and the higher value at the time of theft. *Id.* at 1351. But, because the government  
19 recovered the timber on the day of the theft, the court concluded that "[a]ny reduction in its  
20 value stems from the government's decision to hold the timber during a period of declining  
21 prices, not from the [defendant's] criminal acts." *Id.* at 1352. The court held that the date the  
22 property was "returned" was the appropriate time to place a value on the property.  
23

24 The Ninth Circuit returned to this principle in *United States v. Divoudi*, 172 F.3d 1130  
25 (9<sup>th</sup> Cir. 1999). In *Divoudi*, the defendant was convicted of defrauding banks by overstating  
26 his income on several loan applications. Divoudi made fraudulent applications to Home  
27

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1 Savings of America (HSA), Guardians Savings and Loan, and Downey Savings and Loan  
2 Association. Divoudi defaulted on each of these loans.

3  
4 The loan Divoudi obtained from HSA was used to refinance property he had in Bel  
5 Air. To determine restitution owed to HSA, the district court used the value of the property at  
6 the time it was sold years later to third party. The Ninth Circuit held the district court's  
7 valuation was incorrect. *Id.* at 1134. To properly calculate the amount of restitution owed to  
8 HSA, the 9<sup>th</sup> Circuit held that, "Under *Smith* and its progeny the district court should have  
9 based the restitution to HSA on the fair market value of the Bel Air property at the time HSA  
10 'had the power to dispose of the property' as it wished." *Id.* at 1135. The court remanded the  
11 HSA restitution issue to the district court for reconsideration "[b]ecause it is possible that the  
12 proper valuation of the property might lead the district court to conclude that HSA suffered a  
13 smaller loss or no loss whatsoever." *Id.* See also *United States v. Yeung*, 672 F.3d 594, 604-  
14 605 (9th Cir. 2012) agreeing with defendant's position that the property returned must be  
15 valued "as of the date the victim took control of the property" citing *Davoudi* and remanding  
16 for recalculation.  
17  
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19

20 The proper application of the § 3663 requires a valuation of the collateral property at  
21 the point the Conservator had the power to dispose. The initial report of the conservator  
22 valued the assets at \$60M. Exhibit 1, attached. This should be the starting point absent  
23 materials responsive to Defendant's Request No. 1. The defense observes that the  
24 conservator has offered to investors tables reciting his high / low valuations, and amounts  
25  
26  
27

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Cave Creek, Arizona 85377

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1 collected. See, Exhibit 2<sup>1</sup>. The basis for these estimates was available in the past and should  
2 be available to the Court to assist in this significant determination. Having once established  
3 the value at the time of the takeover, adjustments may be made to reflect the costs incurred in  
4 bringing the conservator to the position to be able to sell the collateral property. This would  
5 be in harmony with the teachings of *Tyler*, supra. These amounts should be represented in  
6 Item 2.  
7

8  
9 The defense seeks Items 3 and 4 because these amounts are expected to be significant  
10 but should not be charged against the defendants. The purpose of restitution under the MVRA  
11 is not punishment but is to make the victim/s whole by restoring to him/her the value of the  
12 losses suffered as a result of the defendant's crime. *United States v. Hunter*, 618 F.3d 1062,  
13 1064 (9th Cir. 2010)(internal citations omitted). The sums associated with Items 3 and 4 stem  
14 from the conservator's unilateral conduct. For example, any devaluation of the assets due to a  
15 decision to hold assets during a declining economy, initiate civil litigation, and pay himself  
16 exorbitant fees. To illustrate, a Mathon Investor Committee Financial Status Report from  
17 November 2007, Exhibit 3, shows Sell taking a fee of \$147,262 for the month, paying legal  
18 fees in the amount of \$185,723, all while making zero distributions to investors. This report  
19 also notes that \$0 went to expenses relating to assets.<sup>2</sup> All of these monies, presumably, were  
20 skimmed from the gross sale of the assets and the reduced amount was reflected in the  
21 conservator's chart attached to the PSR. The expenses computed under Items 3 and 4  
22  
23  
24

25 <sup>1</sup> Mathon Investor Committee Financial Status Report dated 1/30/2008. Note also Item 9, Slade /  
26 Williams Commitment has absent collected amount. Curiously, this commitment was an agreed  
turnover of assets that was completed in 2005 yet as of 2008 remained unaccounted for in the Report.

27 <sup>2</sup> Defense counsel is aware these numbers are estimates, as there is a disclaimer saying so at the top of  
the document.

1 effectively represent added punishment for the acts, decisions and/or omissions of James Sell  
2 since his takeover. The expenses are costs beyond the defendant's control.

3  
4 Restitution should be the \$67 million total loss, less the higher of the \$60M initial  
5 evaluation of the later high / low evaluation and amount received, and then adjusted upward  
6 for the costs needed to permit the conservator to have the ability to dispose of the assets. The  
7 items requested here will permit this calculation.

8  
9 Dated: October 11, 2013.

10  
11 Respectfully Submitted,  
12 Alan M. Simpson, PC  
13 Attorneys at Law

14  
15 By, /s/ Alan Simpson  
16 Counsel for Brent Williams

17  
18 **Certificate of Service**

19 I hereby certify that on October 11, 2013,  
20 I electronically transmitted the attached  
21 document to the Clerk's Office using the  
22 CM/ECF System for filing and transmittal  
23 of a Notice of Electronic Filing to the following  
24 CM/ECF registrants:

25  
26 Dominic Lanza, Esq.  
27 Peter Sexton, Esq.  
Kevin Rapp, Esq.  
Stephen Dichter, Esq.  
Michael Kimerer, Erq.

By: /s/ Adriana Monroy

ALAN M. SIMPSON, P.C.  
7301 E. Sundance Trail, Suite B201  
Carefree, Arizona 85377  
(480) 488-1119

**Mathon Investor Committee Financial Status Report**

January 07, 2008

The following information and data is intended for the use of Mathon investors only. This document represents estimates only and is not intended to imply accounting or actual results. It is prepared by the Investor Committee to convey current information to the best of our knowledge, gathered from multiple sources, but may be neither current nor accurate in all cases.

November 2007's Cash Flow Activity	
Beginning Balance of Cash Accounts:	\$ 5,788,004
<b>plus cash inflows</b>	
Interest Income	27,587
Borrower payment	-
Rent Income	-
Return of Capital / Settlement	-
Sale of Asset	-
	\$ 27,587
<b>less cash expenses</b>	
Meyer Hendricks, PLLC	38,461
Michael Carmel	-
Stinson Morrison Hecker	-
Robert Hubbard, P.C.	-
Jaburg & Wilk, P.C.	-
James C. Seif, CPA, CFE	147,262
David Goldman, CPA	-
Legal Fees - other law firms	-
0	-
0	-
Expenses Relating to Assets	-
Consultant	8,000
Payroll & office expense	8,981
Utilities - Biddle Ashland	-
0	-
0	-
0	-
0	-
0	-
Distributions to investors	-
	\$ 202,704
Estimated Ending Balance of Cash Accounts:	\$ 5,612,887
Actual Ending Balance of Cash Accounts:	\$ 5,612,887

# EXHIBIT 3

1 JOHN S. LEONARDO  
United States Attorney  
2 District of Arizona

3 PETER SEXTON, AUSA (Arizona State Bar No. 011089, [peter.sexton@usdoj.gov](mailto:peter.sexton@usdoj.gov))  
4 KEVIN M. RAPP, AUSA (Arizona State Bar No. 14249, [kevin.rapp@usdoj.gov](mailto:kevin.rapp@usdoj.gov))  
DOMINIC LANZA, AUSA (Cal. State Bar No. 225989, [dominic.lanza@usdoj.gov](mailto:dominic.lanza@usdoj.gov))  
5 Two Renaissance Square  
40 N. Central Avenue, Suite 1200  
6 Phoenix, Arizona 85004-4408  
Telephone (602) 514-7500

7  
8 IN THE UNITED STATES DISTRICT COURT  
9 FOR THE DISTRICT OF ARIZONA

10 United States of America,  
11 Plaintiff,

12 vs.

13 Duane Hamblin Slade, et al.  
14 Defendants.

CR-09-1492-PHX-ROS (DKD)

**UNITED STATES' RESPONSE TO THE  
WILLIAMS DEFENDANTS'  
REQUESTS FOR ADDITIONAL  
RESTITUTION-RELATED  
INFORMATION**

15  
16 **RESPONSE TO DEFENSE REQUESTS FOR ADDITIONAL INFORMATION**

17 Before sentencing, Conservator Sell prepared a spreadsheet showing that Mathon  
18 investors had suffered an aggregate loss of \$47.7 million.

19 At the beginning of the sentencing hearing, Mr. Sell was sworn as a witness and  
20 then questioned by the Court and counsel about how he'd calculated this figure. He  
21 explained that he'd first determined the "net loss" (\$77.0 million) that investors had  
22 suffered as of April 5, 2005, *i.e.*, the date on which he assumed control of the Mathon  
23 entities, and then subtracted the amount of money (\$29.3 million) he'd been able to  
24 distribute to Mathon's investors since April 5, 2005, through the sale of collateral and the  
25 settlement of lawsuits. He further explained that, although the spreadsheet was accurate  
26 as of June 30, 2013, he planned to make further distributions to victim-investors in the  
27 latter half of 2013.  
28

1           Based on this clarification, the Court decided to postpone the issuance of a  
2           restitution order for 90 days and asked Mr. Sell to provide updated disbursement  
3           information by December 16, 2013. Finally, the Court also invited the parties to submit  
4           briefing on whether Mr. Sell should be required to identify any additional categories of  
5           information that might be relevant for restitution-offset purposes. *See* CR 1456 (“Some  
6           counsel expressed interest in having Sell[] provide additional information. Any counsel  
7           wishing additional information shall file a request with this Court by October 14, 2013.”).

8           The Williams defendants have now filed memoranda in support of their request for  
9           more information. *See* CR 1467 (B. Williams); CR 1468 (G. Williams). In a nutshell,  
10          both defendants’ position is that the collateral-related offset should be based on the  
11          estimated market value (*i.e.*, \$60 million) of the Mathon collateral on the date that Mr.  
12          Sell took over the Mathon entities, not the amount of money (*i.e.*, \$29.3 million) he was  
13          ultimately able to return to victim-investors through his post-takeover liquidation efforts.  
14          This outcome is warranted, they contend, because Mr. Sell failed to obtain top dollar for  
15          Mathon’s collateral following his appointment in 2005—they fault him for not selling the  
16          assets before the market decline of the late 2000s and accuse him of paying exorbitant  
17          fees to himself and others. Finally, they contend that 18 U.S.C. § 3663(b)(1)(B)(ii), as  
18          well as several Ninth Circuit decisions construing that statute, provide legal support for  
19          their position.<sup>1</sup>

20          The Court should reject the defendants’ arguments and decline to order Mr. Sell to  
21          supply any categories of information beyond those already contained in his spreadsheet.  
22          The authorities cited by the defendants stand for the common-sense proposition that, if a  
23          victim in a fraud case is able to reacquire a piece of property from the defendant before  
24          sentencing and then chooses to hold onto the property (rather than selling it) during a  
25          subsequent market decline, the victim isn’t entitled to restitution for the post-

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27                   <sup>1</sup>           The cases are *United States v. Yeung*, 672 F.3d 594 (9th Cir. 2012), *United*  
28           *States v. Divoudi*, 172 F.3d 1130 (9th Cir. 1999), *United States v. Smith*, 944 F.2d 618  
                  (9th Cir. 1991), and *United States v. Tyler*, 767 F.2d 1350 (9th Cir. 1985).

1 reacquisition decline in value. After all, such losses aren't caused by the defendant—  
2 they are caused by the victim's own choices. *See, e.g., Smith*, 944 F.2d at 625 (“Any  
3 reduction in value after Smith lost title to the property stems from a decision by the new  
4 owners to hold on to the property; to make Smith pay restitution for that business loss is  
5 improper.”); *Tyler*, 767 F.2d at 1352 (“Tyler’s conduct did not ‘cause’ the loss sustained  
6 by the government in this case. The timber was restored to the government on the day of  
7 the theft. Any reduction in its value stems from the government’s decision to hold the  
8 timber during a period of declining prices, not from Tyler’s criminal act.”).

9 Accordingly, if this were a case where the hundreds of victims of the defendants’  
10 crimes had obtained title to Mathon’s assets in April 2005 and thereafter possessed the  
11 unfettered right to sell (or not sell) their proportional interests in those assets, the United  
12 States would agree that the offset should be based on the market value of the assets in  
13 April 2005. That, however, is not what occurred in this case. Here, a Maricopa County  
14 Superior Judge granted an *ex parte* application—filed by the Arizona Corporation  
15 Commission—to appoint Mr. Sell as the receiver of the Mathon entities. (His title was  
16 later changed to conservator.) Once appointed, Mr. Sell exercised his own independent  
17 judgment concerning whether, when, and for what price to sell Mathon’s assets. *See*  
18 Exhibit A (order appointing receiver, paragraphs 2 and 18, noting that “the Receiver shall  
19 have complete and exclusive control, possession, and custody of all Receivership Assets”  
20 and that “[t]he Receiver is authorized to liquidate Receivership Assets, as may in his  
21 discretion be advisable”). In contrast, the victim-investors did not have the power to  
22 individually or unilaterally sell Mathon’s assets during the conservancy. Indeed, many  
23 victims disagreed with Mr. Sell’s strategy and choices.

24 Given these unusual facts, the Court should decline to hold the victims responsible  
25 for any diminution in the market value of Mathon’s assets that may have occurred  
26 between 2005 and the present. Under Ninth Circuit law, such responsibility is triggered  
27 only when a “victim” takes “control of” and “title to” property that was previously owned  
28 by the defendant and thereafter has “the power” to sell the property. *Yeung*, 672 F.2d at

1 601 ("The lender does not take control of the collateral merely by triggering the  
2 foreclosure process. Rather, the lender generally takes control on the date the lender  
3 either (1) receives the net proceeds from the sale of the collateral to a third party at the  
4 foreclosure sale, or (2) takes title to the real estate collateral at the foreclosure sale, at  
5 which time the new owner had the power to dispose of the property and receive  
6 compensation.") (citations omitted). *See also United States v. Gossi*, 608 F.3d 574, 578  
7 (9th Cir. 2010) ("Contrary to Gossi's contention, the district court could not have set the  
8 value of the property based on appraisals prior to foreclosure simply because NCMC did  
9 not have 'the power to dispose of the property and receive compensation' before  
10 foreclosure. . . . Nothing in the record indicates that NCMC 'had the power to dispose of  
11 the property as it wished' prior to foreclosure."). Because such triggering events never  
12 occurred in this case, the victim-investors should be awarded the full amount of money  
13 they actually lost: \$47.7 million, minus whatever distributions Mr. Sell makes between  
14 June 30, 2013, and December 16, 2013.

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1 Finally, although the Court—for the reasons discussed above— need not consider  
2 or make any findings concerning the actual “market value” of Mathon’s collateral in  
3 April 2005, the United States disagrees with the defendants’ assertion that the value at  
4 that time can be pegged at \$60 million. The estimated market value of \$60 million that  
5 Mr. Sell provided soon after his appointment was just that—an estimate—yet the  
6 defendants would have the Court enshrine it as an established fact. This approach  
7 ignores the practical realities posed in a case involving hundreds of victims and collateral  
8 of unclear ownership, value, and marketability. The years and expense it has taken to  
9 convert that collateral into tangible funds is proof that Mr. Sell’s initial estimate was too  
10 high and that the true market value of the collateral was virtually indiscernible at the time  
11 of the takeover.

12 Respectfully submitted this 16th day of October, 2013.

13 JOHN S. LEONARDO  
14 United States Attorney  
District of Arizona

15 */s/ Dominic Lanza*  
16 DOMINIC LANZA  
Assistant U.S. Attorney

17  
18 I hereby certify that on this date, I electronically transmitted the attached document to the  
19 Clerk’s Office using the CM/ECF system for filing and transmittal of a Notice of  
20 Electronic Filing to the following CM/ECF registrants: Stephen Dichter, Alan Simpson,  
21 Michael Kimerer, David Eisenberg.  
22  
23  
24  
25  
26  
27  
28

EXHIBIT 4

1 James C. Sell, Conservator  
2 Mathon Management Company, LLC et al  
3 6328 N. 181<sup>st</sup> Avenue  
4 Waddell, Arizona 85355  
5 (623) 478-8889  
6 FAX (623) 478-8893  
7 eMail: info@forensic-cpa.com  
8 Web Site: www.mathonconservatorship.com

FILED       LODGED  
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DEC 18 2013  
CLERK U S DISTRICT COURT  
DISTRICT OF ARIZONA  
BY \_\_\_\_\_ M. DEPUTY

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IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF ARIZONA  
PHOENIX DIVISION

United States of America                    )  
  )  
  )      Case No. 2.09 CR 1492 – ROS  
  )      RESPONSE TO ORDER  
  )  
vs    )      REQUEST FOR  
  )      ADDITIONAL INFORMATION  
Duane Hamblin Slade, et al,                )      FROM CONSERVATOR  
  )      JAMES C. SELL  
  )      JUDGE JACK ZOUHARY  
Defendants    )

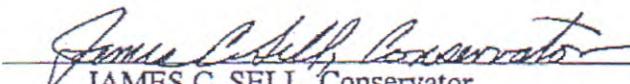
I was appointed Receiver on April 5, 2005. The original Receivership Order included 30 named entities. The Receivership Order provided the Receiver file an Initial Report within 30 days of the Receivership Order. The Receivership order was subsequently modified to be a Conservatorship Order and the modified order reissued on April 14, 2005. Two Mathon entities filed for Bankruptcy protection on November 13, 2005 and a plan of reorganization was confirmed on November 7, 2006. When the Bankruptcy Plan was filed, 52 separate Mathon related entities were identified and subsequently consolidated. The Conservator's Initial Report was filed with the court on May 20, 2005. Paragraph 2 of the report stated, "Our analysis of the assets of Mathon indicates a value of approximately \$60,000,000". The statement was based on internal Mathon documents (MAT 000109-113) that had been prepared by Mathon employees (Exhibit A). During my review of the internal asset analysis with the Mathon staff, I added some hand written notes related to the collectability of the American Astronautics \$1.2 million loan, the

Mathon Participating Trust  
Source and Use of Funds as of 12/16/13

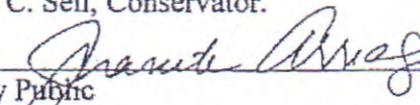
SOURCE OF FUNDS	Real Estate & Investments	Settlements
Beginning Cash		\$ 124,045.90
Net Winner Settlements		\$ 3,456,358.96
Forfeited Investments (Non-Cash)	-	662,513.47
Insider Investments Excluded (Non-Cash)	-	408,302.24
Settlements Received		3,332,624.38
Settlements Received from Slade and Williams		750,000.00
Sale of Assets	\$ 35,494,958.15	
Sale of Assets - Slade and Williams		1,627,554.66
Contributions from Investors		65,000.00
Borrower Payments Received	339,494.60	
Interest Income	1,312,396.25	
Dividend Income	52,082.48	
Other Income	137,540.35	
Rental Income	243,867.04	
Refunds	25,570.52	
	\$ 37,605,909.59	\$ 10,302,353.71
Total Real Estate & Investments and Settlements		\$ 47,908,263.30
Total Source of Funds		\$ 48,032,309.20
 <b>USE OF FUNDS</b>		
Distributions		\$ 28,861,093.18
<u>Real Estate and Investments:</u>		
Settlements Paid		\$ 1,281,250.00
Legal Fees		1,170,748.76
Receiver Fees		1,837,269.66
Professional Fees		139,972.28
Overhead Costs		15,771.68
Other Expenses		2,076,215.30
Total Real Estate and Investments		\$ 6,521,227.68
<u>Litigation</u>		
Legal Fees		\$ 1,514,806.39
Receiver Fees		4,732,571.33
Professional Fees		361,353.92
Overhead Costs		20,156.52
Other Expenses		67,908.06
Total Litigation		\$ 6,696,796.22
<u>Bankruptcy</u>		
Legal Fees		\$ 1,519,992.60
Receiver Fees		1,065,423.44
Professional Fees		135,067.20
Overhead Costs		8,644.37
Other Expenses		122,876.07
Total Real Bankruptcy		\$ 2,872,003.68
<u>Receivership</u>		
Legal Fees		\$ 1,293,457.81
Receiver Fees		150,459.24
Professional Fees		230,949.04
Overhead Costs		5,111.82
Other Expenses		244,204.14
Total Receivership		\$ 1,924,182.05
Total Use of Funds		\$ 46,875,302.81
Ending Cash		\$ 86,190.68
Ending Non-Cash		\$ 1,070,815.71

1  
2 Few Mathon or Conservator employees worked exclusively in any given category.  
3 Further, employee reductions and the remaining employee tasks evolved over time. The initial  
4 effort involved determination of net investment, identification and evaluation of assets and  
5 historic transaction analysis. As time progressed, the effort focused on recovery of assets from  
6 net winners, insiders, third parties and litigation. Litigation related expenses involved Mathon  
7 assets, Conservator/ Bankruptcy proceedings and recovery from insiders, net winners and third  
8 parties. There was no Conservatorship or Bankruptcy Court requirement to record time or cost  
9 data in the categories requested by the defendants. Therefore, the analysis we performed  
10 necessarily required the use of estimates. The time charges allocated to the related categories  
11 have been made in a good faith effort, during the time available, to reasonable accounting for  
12 those activities.

13  
14 RESPECTFULLY SUBMITTED this 16<sup>th</sup> day of December, 2013.

15  
16   
17 JAMES C. SELL, Conservator

18  
19 SUBSCRIBED AND SWORN to before me this 16th day of December 2013 by  
20 James C. Sell, Conservator.

21  
22   
23 Notary Public

24  
25 6/29/17  
26 My Commission Expires:



# EXHIBIT 5

1 James F. Polese, Esq. (Bar No. 003451)  
2 Christopher Herring, Esq., (Bar No. 028169)  
3 Gammage & Burnham, PLC  
4 2 North Central Avenue  
5 15<sup>th</sup> Floor  
6 Phoenix, Arizona 85004-4607  
7 [jpolese@gblaw.com](mailto:jpolese@gblaw.com)  
8 [cherring@gblaw.com](mailto:cherring@gblaw.com)

9 IN THE SUPERIOR COURT OF THE STATE OF ARIZONA  
10 IN AND FOR THE COUNTY OF MARICOPA

11 ARIZONA CORPORATION COMMISSION, No. CV2016-1014142

12 Plaintiff,

13 v.

14 DENSCO INVESTMENT CORPORATION,  
15 an Arizona corporation,

16 Defendant.

DECLARATION OF DAVID G.  
BEAUCHAMP

(Assigned to the Honorable Lori  
Bustamonte)

17  
18 I make the following declaration under penalty of perjury:

19 1. I am an attorney licensed to practice in the State of Arizona since 1981 and  
20 have continuously practiced law since that time.

21 2. Beginning in approximately 2003, I was retained by Denny Chittick, the  
22 sole shareholder, President and director of DenSco Investment Corporation, an Arizona  
23 corporation. ("DenSco") in connection with the preparation of a securities offering for  
24 investors. To my knowledge he was the sole employee of DenSco.

25 3. Over the years, I have prepared, at Mr. Chittick's direction, several Private  
26 Offering Memoranda ("POMs") to be distributed to investors of DenSco in compliance  
27 with Arizona and federal security laws. In addition, I was retained to undertake the  
28

1 needed securities law filings. My engagement included numerous communications with  
2 Mr. Chittick concerning the POMs and recommendations for amended or additional  
3 POMs in keeping with the investments being made or contemplated by DenSco.

4 4. The POMs routinely stated that I was acting as counsel for not only DenSco  
5 but its president Mr. Chittick and that I was not the counsel for any investors who were  
6 all urged to seek separate legal counsel.

7 5. During my involvement with Mr. Chittick and DenSco, I understood that  
8 Mr. Chittick considered that I was his counsel as well as counsel for DenSco, even  
9 though all billings were tendered to and paid by DenSco.

10 6. In connection with my representation, it would be impossible for me to  
11 segregate what advice I tendered or what attorney-client communications were solely  
12 corporate only and what were personal to Mr. Chittick as the President of DenSco.

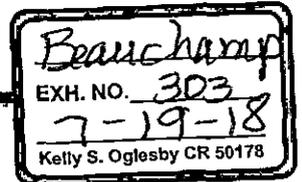
13 7. In late 2014 or 2015, I ended my formal relationship with Mr. Chittick and  
14 DenSco. In late 2015 or early 2016, I was reengaged by Mr. Chittick and DenSco in  
15 connection with an audit by the Arizona Department of Financial Institutions which  
16 concerned whether Mr. Chittick was required to have a mortgage broker license. I was  
17 counsel to him and DenSco in this limited capacity at the time of his death on July 28,  
18 2016.

19  
20 I declare under penalty of perjury that the foregoing is true and correct.

21 EXECUTED this 17<sup>th</sup> day of August 2016 at Scottsdale, Arizona.

22  
23 David G. Beauchamp  
24 David G. Beauchamp  
25  
26  
27  
28

Beauchamp, David G.



From: Beauchamp, David G.  
Sent: Thursday, August 18, 2016 1:51 PM  
To: Grove, Lindsay L.  
Subject: Fwd: Additional DenSco Information

Please confirm. I believe they are listed based on the number of previous emails from them.

Thanks, David

Sent from my iPhone. Please excuse any typos.

Begin forwarded message:

**From:** "jphalen00@aol.com" <jphalen00@aol.com>  
**Date:** August 18, 2016 at 1:44:28 PM MST  
**To:** <DBeauchamp@ClarkHill.com>  
**Subject:** Re: Additional DenSco Information

David,  
I just wanted to ensure we are on the investor list, Phalen Family Trust, Jeff Phalen or Cindy Phalen.  
Thx.  
Jeff Phalen 520-909-1018

-----Original Message-----

From: Beauchamp, David G. <DBeauchamp@ClarkHill.com>  
To: Thomas Byrne <thomasbyrne11@gmail.com>  
Cc: acatejr <acatejr@gmail.com>; amydirks <amydirks@hotmail.com>; anthjen <anthjen@yahoo.com>; arlnina <arlnina@hotmail.com>; Aztonysmith <Aztonysmith@aol.com>; aztonysmith <aztonysmith@gmail.com>; barryluchtel <barryluchtel@gmail.com>; bdirks5 <bdirks5@cox.net>; bji <bjj@cox.net>; bjlocke64 <bjlocke64@yahoo.com>; bjodenthal <bjodenthal@frontier.com>; brian.wenig <brian.wenig@honeywell.com>; burdett.anthony <burdett.anthony@gmail.com>; butlerv <butlerv@yahoo.com>; carricks3 <carricks3@ak.net>; czj528 <czj528@hotmail.com>; dariosdad <dariosdad@gmail.com>; dave <dave@prestoncpa.biz>; davedubay <davedubay@gmail.com>; dhowze <dhowze@cox.net>; don-cindy <don-cindy@cablone.net>; Doriann <Doriann@cox.net>; eileencohen <eileencohen@me.com>; epcarrick <epcarrick@gmail.com>; glenpdavis <glenpdavis@gmail.com>; greeraz <greeraz@gmail.com>; gsiegford <gsiegford@msn.com>; hahnaz2 <hahnaz2@cox.net>; hey.ralph01 <hey.ralph01@gmail.com>; hikthestik <hikthestik@aol.com>; jackdds <jackdds@myway.com>; jamccoy32 <jamccoy32@gmail.com>; jbhok <jbhok@yahoo.com>; jemmakopel <jemmakopel@hotmail.com>; jgsiegford <jgsiegford@yahoo.com>; jimmy <jimmy@flytrapproductions.com>; jimpatmc44 <jimpatmc44@gmail.com>; jkjetto <jkjetto@yahoo.com>; Jphalen00 <Jphalen00@aol.com>; jwalker113 <jwalker113@cox.net>; kayell121 <kayell121@cs.com>; kaylene.moss <kaylene.moss@avnet.com>; kenneni <kenneni@yahoo.com>; Landonluchtel <Landonluchtel@gmail.com>; lanka2000 <lanka2000@yahoo.com>; Laurieweiskopf <Laurieweiskopf@gmail.com>; lkopel22 <lkopel22@hotmail.com>; mark.wenig <mark.wenig@gmail.com>; mbencekent <mbencekent@yahoo.com>; mlminvestor <mlminvestor@gmail.com>; mrsbeasley68 <mrsbeasley68@verizon.net>; mscroggin <mscroggin@me.com>; nihad <nihad@yahoo.com>; nswirtz <nswirtz@me.com>; patsmiller21 <patsmiller21@gmail.com>; Paul\_a\_kent <Paul\_a\_kent@yahoo.com>; pearces <pearces@mailhaven.com>; Peter.Rzonca <Peter.Rzonca@Avnet.com>; pidupper <pidupper@gmail.com>; quelalively <quelalively@yahoo.com>; ralph <ralph@kaisertile.net>; rbrinkman <rbrinkman@yahoo.com>; rgriswold3 <rgriswold3@stny.rr.com>; robertflawson <robertflawson@gmail.com>; rzkoehler <rzkoehler@yahoo.com>; sdetota <sdetota@yahoo.com>;

sdetota99 <sdetota99@yahoo.com>; sdtuttle <sdtuttle@gmail.com>; smschloz <smschloz@msn.com>;  
stève <stève@bunger.me>; stewart.sherriff <stewart.sherriff@gmail.com>; switchback62  
<switchback62@hotmail.com>; terryleeAZ <terryleeAZ@comcast.net>; thompscg2  
<thompscg2@cox.net>; trovita <trovita@gmail.com>; uaflyor767 <uaflyor767@gmail.com>; valeriepaxton  
<valeriepaxton@gmail.com>; vimuscat <vimuscat@gmail.com>; wadeunderwood  
<wadeunderwood@hotmail.com>; wbush1120 <wbush1120@comcast.net>; wjswirtz  
<wjswirtz@me.com>; wka <wka@caribbeanpoolsaz.com>; yusuf <yusuf@comsiscomputer.com>  
Sent: Fri, Aug 12, 2016 8:09 am  
Subject: Re: Additional DenSco Information

Tom:

In your previous email, I thought you were asking for me to explain the discrepancy in my previous comments. Basically, I do not know how many of the 80+ deeds of trust were timely and properly recorded. I never was involved in any of the loan closings. I have not had access to the current loan files to look that up. All I have had access to are a couple of brief summaries of those files. One prepared by Denny and one by the outside real estate professional after Denny's death. The Securities Division has those files now and I am trying to get those files.

I have copied all of the Investors in my email last night and the morning. So you should have the email addresses of all of the investors. I currently do not have a list of the names of all of the investors. I am in the process of getting that information and I will share that when I get that. I would encourage the investors to communicate and coordinate your efforts. You have had very definite influence with the Securities Division and you should be able to continue that.

Sincerely, David Beauchamp

Sent from my iPhone. Please excuse any typos.

On Aug 12, 2016, at 7:28 AM, Thomas Byrne <thomasbyrne11@gmail.com> wrote:

David,

Your response really did not answer my question. So I will ask it directly - how many, if any, of the deed of trust documents (that were related to any of the "not good loans" - which seem to number something approaching 80+) were properly and timely filed against the real property?

Secondly, I would like to ask that we get a list of names and emails of all known Investor's in DenSco so that we can take the opportunity to discuss matters independently amongst ourselves.

Tom

On Aug 12, 2016, at 12:30 AM, Beauchamp, David G. <DBeauchamp@ClarkHill.com> wrote:

Sorry, another email that should have been copied to all investors. Tom raised a good question that everyone should have the benefit of understanding.

Best regards, David

**David G. Beauchamp**

CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254

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**From:** Beauchamp, David G.  
**Sent:** Thursday, August 11, 2016 11:00 PM  
**To:** Thomas Byrne  
**Cc:** Stan Schloz  
**Subject:** RE: Additional DenSco Information

Tom:

Good catch. This also goes to the amount of independent review that needs to be done with the DenSco files for the bad loans. There are over 60 banker's boxes of DenSco files and information from Denny's house. I was trying to get information to the Investors as fast as I could. Since I did not have access to the files with the outstanding loans, I had to rely upon numbers and information that was either in the summary of the DenSco files that were electronically sent to me or the information that was prepared by the real estate person who did a quick review of the current loan files. In both instances, I used and relied upon this information without doing any independent review. In reviewing my notes from the information I was provided, I believe that I compounded the misinformation by referencing information taken from two different places even though each of the references had been calculated using two slightly different methods.

Specifically, some of the deeds of trust as security for the outstanding loans were sent to the title company to be recorded in connection with the purchase of the property by the borrower. Other deeds of trust were recorded in connection with a loan from DenSco to the existing owner of the property after the owner already owned the property. I believe that in the files notes, there was a reference that 83 deeds of trust were not showing as being current liens on properties related to Scott despite the fact that those houses were supposed to be collateral in favor of DenSco. I referenced those deeds of trust as not being recorded, but I should have referenced those liens as not currently being shown as effective liens on these properties. I do not know for sure if these deeds of trust were not recorded or were somehow "circumvented". These are some of the questions that will need to be reviewed after the non-current loans are reviewed in depth.

This review will be part of the forensic review, which review will also have to include a detailed title review for the properties that were supposed to secure notes but no longer show a lien in favor of DenSco on the property. For example, we will need more than a current title report to show if a loan secured by a deed of trust on a property was "circumvented. As an example, a borrower has sometimes been able to record a quit claim deed to convey a property to an affiliate and then that affiliate subsequently conveys the property to a third party (or gets a new loan on that property) with the new owner or new lender relying upon a title report that only reviews the title records for the last owner of the property. Specifically, this title report only shows liens that were recorded against the affiliate as the owner and do not show the lien

recorded against the property when the original borrower used that property as collateral for the loan. (I believe that is the situation with the loan that was to be secured by Scott's house at 10510 East Sunnyside Drive in Scottsdale.) Normally, a title company's review of the title for a property is supposed to go beyond a quit claim deed (to the prior owner) to see if the quit claim deed was used to circumvent a recorded obligation to a third party. Again this can happen and has happened particularly when no title insurance is ordered with the quit claim deed, but I have been told that this often requires help from someone at the title company in order to be successful.

I apologize for any confusing information that I have shared, but I have tried to get the best information out to the investors as quickly as I could. Unfortunately, the loans in question will need to be investigated more thoroughly than I could do over the last week without access to current title data.

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](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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**From:** Thomas Byrne [<mailto:thomasbyrne11@gmail.com>]  
**Sent:** Thursday, August 11, 2016 5:15 AM  
**To:** Beauchamp, David G.  
**Cc:** Stan Schloz  
**Subject:** Re: Additional DenSco Information

David,

In your original summary, you said the 83 deeds of trust (related to Scott / his entities) were not recorded. Below you mention "certain deeds of trust were circumvented", can you be clear - how many deeds of trust of these 83 were recorded on a timely fashion or at all?

Tom

On Aug 10, 2016, at 7:55 PM, Beauchamp, David G.  
<[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

Stan:

I appreciate you asking for a vote on this approach. However, the Securities Division was pretty definite (confirmed by our legal research) that the Division (on behalf of the AZ Corporation Commission) can ask the Superior Court to approve the appointment of a Receiver without any input from the company or the investors. If that is the approach that the Securities Division elects to pursue, I would encourage that we talk to Mr. Byrne and modify the options so that we can present the options as instructions for the court to give

to the Receiver, if any is appointed. It should be persuasive to the court to include specific instructions if a substantial number of investors vote in favor of the instructions.

With respect to Mr. Byrne's question concerning the rights of DenSco to certain assets, it appears that certain deeds of trust were circumvented by having the real property transferred by quit claim deed right before the deed of trust was recorded. I understand that is not conclusive, but it does show a pattern of conduct that seems to infer an intent to defraud DenSco.

Just a suggestion. Please let me know if you think a different approach makes more sense.

Sincerely,

David Beauchamp

**David G. Beauchamp**

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---

**From:** Stan Schloz [<mailto:SMSCHLOZ@msn.com>]  
**Sent:** Wednesday, August 10, 2016 9:12 AM  
**To:** Thomas Byrne; Beauchamp, David G.  
**Cc:** [acatejr@gmail.com](mailto:acatejr@gmail.com); [amydirks@hotmail.com](mailto:amydirks@hotmail.com);  
[anthjen@yahoo.com](mailto:anthjen@yahoo.com); [artnina@hotmail.com](mailto:artnina@hotmail.com);  
[Aztonysmith@aol.com](mailto:Aztonysmith@aol.com); [aztonysmith@gmail.com](mailto:aztonysmith@gmail.com);  
[barryluchtel@gmail.com](mailto:barryluchtel@gmail.com); [bdlrks5@cox.net](mailto:bdlrks5@cox.net); [bjl@cox.net](mailto:bjl@cox.net);  
[bjlocke64@yahoo.com](mailto:bjlocke64@yahoo.com); [bjodenthal@frontier.com](mailto:bjodenthal@frontier.com);  
[brian.wenig@honeywell.com](mailto:brian.wenig@honeywell.com);  
[burdett.anthony@gmail.com](mailto:burdett.anthony@gmail.com); [butlerv@yahoo.com](mailto:butlerv@yahoo.com);  
[carricks3@ak.net](mailto:carricks3@ak.net); [czi528@hotmail.com](mailto:czi528@hotmail.com);  
[dariosdad@gmail.com](mailto:dariosdad@gmail.com); [dave@prestoncpa.biz](mailto:dave@prestoncpa.biz);  
[davedubay@gmail.com](mailto:davedubay@gmail.com); [dhowze@cox.net](mailto:dhowze@cox.net); [don-cindy@cableone.net](mailto:don-cindy@cableone.net); [Doriann@cox.net](mailto:Doriann@cox.net);  
[eileencohen@me.com](mailto:eileencohen@me.com); [epcarrick@gmail.com](mailto:epcarrick@gmail.com);  
[glenpdavis@gmail.com](mailto:glenpdavis@gmail.com); [greeraz@gmail.com](mailto:greeraz@gmail.com);  
[gsiegford@msn.com](mailto:gsiegford@msn.com); [hahnaz2@cox.net](mailto:hahnaz2@cox.net);  
[hey.ralph01@gmail.com](mailto:hey.ralph01@gmail.com); [hikthestik@aol.com](mailto:hikthestik@aol.com);  
[jackdds@myway.com](mailto:jackdds@myway.com); [jamccoy32@gmail.com](mailto:jamccoy32@gmail.com);  
[jbhok@yahoo.com](mailto:jbhok@yahoo.com); [jemmakopel@hotmail.com](mailto:jemmakopel@hotmail.com);  
[jgsiegford@yahoo.com](mailto:jgsiegford@yahoo.com); [jimmy@flytrapproductions.com](mailto:jimmy@flytrapproductions.com);  
[jimpatmc44@gmail.com](mailto:jimpatmc44@gmail.com); [jkjetto@yahoo.com](mailto:jkjetto@yahoo.com);  
[jphalen00@aol.com](mailto:jphalen00@aol.com); [jwalker113@cox.net](mailto:jwalker113@cox.net);  
[kayell121@cs.com](mailto:kayell121@cs.com); [kaylene.moss@avnet.com](mailto:kaylene.moss@avnet.com);  
[kennenl@yahoo.com](mailto:kennenl@yahoo.com); [landonluchtel@gmail.com](mailto:landonluchtel@gmail.com);  
[lanka2000@yahoo.com](mailto:lanka2000@yahoo.com); [Laurieweiskopf@gmail.com](mailto:Laurieweiskopf@gmail.com);  
[lkopel22@hotmail.com](mailto:lkopel22@hotmail.com); [mark.wenig@gmail.com](mailto:mark.wenig@gmail.com);  
[mbencekent@yahoo.com](mailto:mbencekent@yahoo.com); [miminvestor@gmail.com](mailto:miminvestor@gmail.com);  
[mrsbeasley68@verizon.net](mailto:mrsbeasley68@verizon.net); [mrcroggin@me.com](mailto:mrcroggin@me.com);

nihad@yahoo.com; nswirtz@me.com;  
patsmiller21@gmail.com; Paul a kent@yahoo.com;  
pearces@mailhaven.com; Peter.Rzonca@Avnet.com;  
pidupper@gmail.com; quealively@yahoo.com;  
ralph@kaisertile.net; rbrinkman@yahoo.com;  
rgriswold3@stny.rr.com; robertflawson@gmail.com;  
rzkoehler@yahoo.com; sdetota@yahoo.com;  
sdetota99@yahoo.com; sdtuttle@gmail.com;  
steve@bunger.me; stewart.sherriff@gmail.com;  
switchback62@hotmail.com; terryleeAZ@comcast.net;  
thompscq2@cox.net; trovita@gmail.com;  
uaflyor767@gmail.com; valeriepaxton@gmail.com;  
vimuscat@gmail.com; wadeunderwood@hotmail.com;  
wbush1120@comcast.net; wjswirtz@me.com;  
wka@caribbeanpoolsaz.com;  
yusuf@comsiscomputer.com

**Subject:** Re: Additional DenSco Information

I totally agree with Mr. Byrne's analysis. It seems to me we need to come to a group decision on the options Thomas outlined ASAP. In that process I hope Densco, the family and the investors can come together with a common strategy with David as the attorney. Big order! I have little hope of having any funds available other than the good funds identified to date. I would support any of the Byrne options. My goal is get what we can as soon as we can. David, would appreciate you taking the lead on this. Appreciate your effort and responsiveness.  
Stan Schloz

---

**From:** Thomas Byrne <thomasbyrne11@gmail.com>  
**Sent:** Wednesday, August 10, 2016 7:59 AM  
**To:** Beauchamp, David G.  
**Cc:** acateir@gmail.com; amydirks@hotmail.com;  
anthjen@yahoo.com; artnina@hotmail.com;  
Aztonysmith@aol.com; aztonysmith@gmail.com;  
barryluchtel@gmail.com; bdirks5@cox.net;  
bji@cox.net; bilocke64@yahoo.com;  
biodenthal@frontier.com;  
brian.wenig@honeywell.com;  
burdett.anthony@gmail.com; butlerv@yahoo.com;  
carricks3@ak.net; czj528@hotmail.com;  
dariosdad@gmail.com; dave@prestoncpa.biz;  
davedubay@gmail.com; dhowze@cox.net; don-

cindy@cableone.net; Doriann@cox.net;  
eileencohen@me.com; epcarrick@gmail.com;  
glendpavis@gmail.com; greeraz@gmail.com;  
gsiegford@msn.com; hahnaz2@cox.net;  
hey.ralph01@gmail.com; hikthestik@aol.com;  
jackdds@myway.com; jamccoy32@gmail.com;  
jbhok@yahoo.com; jemmakopel@hotmail.com;  
jsiegford@yahoo.com;  
jimmy@flytrapproductions.com;  
jimpatmc44@gmail.com; jkietto@yahoo.com;  
jphalen00@aol.com; jwalker113@cox.net;  
kavell121@cs.com; kaylene.moss@avnet.com;  
kennenl@yahoo.com; landonluchtel@gmail.com;  
lanka2000@yahoo.com; Laurieweiskopf@gmail.com;  
lkopel22@hotmail.com; mark.wenig@gmail.com;  
mbencekent@yahoo.com; mlinvestor@gmail.com;  
mrsbeasley68@verizon.net; mscroggin@me.com;  
nihad@yahoo.com; nswirtz@me.com;  
patsmiller21@gmail.com; Paul a kent@yahoo.com;  
pearces@mailhaven.com; Peter.Rzonca@Avnet.com;  
pldupper@gmail.com; quelalively@yahoo.com;  
ralph@kalsertile.net; rbrinkman@yahoo.com;  
rgriswold3@stny.rr.com; robertflawson@gmail.com;  
rzkoehler@yahoo.com; sdetota@yahoo.com;  
sdetota99@yahoo.com; sdtuttle@gmail.com;  
smschloz@msn.com; steve@bunger.me;  
stewart.sherriff@gmail.com;  
switchback62@hotmail.com; terryleeAZ@comcast.net;  
thompscø2@cox.net; trovita@gmail.com;  
uafivor767@gmail.com; valeriepaxton@gmail.com;  
vimuscat@gmail.com; wadeunderwood@hotmail.com;  
wbush1120@comcast.net; wiswirtz@me.com;  
wka@caribbeanpoolsaz.com;  
yusuf@comsiscomputer.com

Subject: Re: Additional DenSco Information

David,

Thanks for the answers. While the path outline above might be acceptable to some investors, it will be important that we potentially consider alternative additional options together as a group (and/or allow for some individual investor choice).

My biggest challenge with the above path is it seems to allocate 100% of the potentially good funds (lets call it \$10

million) to the efforts related to recovering what is unsecured/uncertain/legally complicated funds. And it also allows hourly-paid lawyers, advisors, accountants, etc to consume those funds without an clear / easy way to control.

An alternative path could be to allow investors to take all or some of the good funds in exchange for releasing their claim on the unrecovered funds. Thus those that might want to take the 20 cents (on the dollar) payment now (on all or a portion of their investment in Densco) could do so now and at least have some piece of mind that hourly legal/other bills aren't going to take their ultimate recovery to zero.

And if that is too complicated, we could alternatively agree as a group to allocate some amount (say \$500k) to a legal recovery fund for the benefit of all and distribute the remaining good funds (say \$9.5 million). Then the legal recovery costs would be quantified.

At this point, I have very little (zero really) clarity and comfort that recovery of additional assets will be possible. And thus, if asked to make a decision at this point, I would not personally be inclined to put significant existing dollars against a costly 2-3 year complex legal process with at vague outcome at best.

And lastly, prior to putting \$\$'s against a protracted legal pursuit, it is going to paramount to be absolutely clear what Densco (and hence us investors) have, if anything, more than an unsecured claim. Was any valid security interest

or real property lien filing ever done on the assets DenSCO loaned funds against related to Menaged (and related entities)?

thx, Tom

On Tue, Aug 9, 2016 at 8:44 PM,  
Beauchamp, David G.  
<[DBeauchamp@clarkhill.com](mailto:DBeauchamp@clarkhill.com)> wrote:

DenSCO Investors:

Set forth below are some questions that an Investor sent to me (several other Investors had similar questions). So I believe the questions and answers should be shared with all of the Investors.

Please understand that I am not the financial or bankruptcy expert to evaluate the potential recovery from Scott Menaged or the other unsecured claims. I have asked a couple of people for help to provide you with some direction, but they were not comfortable to even make an educated guess. Despite the fact that I am not an expert in these types of matters and I am not qualified to make any projections, please see my preliminary thoughts below. However, please understand that these preliminary thoughts could be proven to be completely wrong if we are able to obtain better information.

.....

We need to know realistically what to expect so we can plan the rest of our lives. \*\*\*\* Until I know what the Securities Division plans to do, I do not know what chance DenSCO has to go after Scott Menaged and to recover the substantial majority of the Investors' money. If I had to guess, I believe a Receiver will be appointed, but the Receiver is not to pursue a fraud or collection case/action until the Receiver has sufficient evidence for the Receiver to believe that the fraud case is more likely than not to be successful and that the defendant has sufficient available assets to satisfy any judgment that may be obtained. Since the Menaged bankruptcy case was filed as a "no asset" bankruptcy, that does not look promising, but the US Trustee has taken actions to bring assets into that case that Scott Menaged had tried to exclude. That sounds promising, but I have no idea as to the value of those additional assets. Again, only time and investigation can clarify the answers to these questions.

I need your best-guess answer on:

What are the chances of getting any money at all back in the future? \*\*\*\* I do not know how much you previously invested, but any return to investors is generally done on a pro-rata basis based on the amount you had invested. According to a preliminary review of DenSco's records, there is approximately \$51 + million invested. So you should receive a percentage of any assets recovered and not needed for the costs of the Receivership or its collection efforts, calculated as follows: (Available DenSco proceeds) multiplied by the percentage determined by: (the amount you invested) divided by (\$51 million.)

Will the money from Densco's bank account and good loans go to pay legal fees in the future? \*\*\*\* That will be the decision of the Receiver so long as the Receiver can demonstrate that there is a greater likelihood of success in the collection efforts as noted above. Normally, a good portion of the initially available funds are applied to investigation costs and the pursuit of potential recovery.

If there is a chance of getting any money back; if so how long in the future would you think it would be? \*\*\*\* In these types of matters, they can last two to three years or longer. In this case, I believe that the anticipated problems to collect all of DenSco's assets from Scott Menaged and Auction.com, I believe it will be longer than 3 years. If sufficient funds are collected and available, there is sometimes (rare but it happens) an interim distribution before all of the potential assets are collected.

Do any lawyers, forensic auditors, and anyone else that you hire get paid hourly or on a contingency basis? \*\*\*\*In some collection cases, there are modified contingency fees negotiated by the Receiver, but fraud actions (with questionable assets for collection) are difficult cases to get attorneys to take on a contingency fee basis.

We really appreciate your efforts so far and hopefully the results turn out well.

Thanks again for what you are doing.

\*\*\*\*\*

**David G. Beauchamp**

CLARK HILL PLC

14850 N Scottsdale Rd | Suite 500 | Scottsdale, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
dbeauchamp@clarkhill.com | www.clarkhill.com

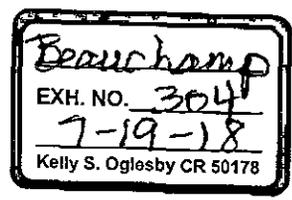
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Den Sco / Wind Down

**Beauchamp, David G.**

**From:** James F. Polese <jpolese@gblaw.com>  
**Sent:** Thursday, August 18, 2016 3:47 PM  
**To:** Beauchamp, David G.  
**Subject:** FW: Arizona Corp. Comm v. DenSCO Investment Corporation.  
**Attachments:** CV2016-014142-022-08182016.docx



fyi

**James F. Polese**  
602.256.4499 Direct | 602.405.3807 Mobile  
[jpolese@gblaw.com](mailto:jpolese@gblaw.com)

---

**From:** James F. Polese  
**Sent:** Thursday, August 18, 2016 3:46 PM  
**To:** Kevin R. Merritt; Chris Hering; 'shawnaseverest@gmail.com' ([shawnaseverest@gmail.com](mailto:shawnaseverest@gmail.com))  
**Cc:** 'Ryan Anderson'; [tgiallanza@lcmortgage.com](mailto:tgiallanza@lcmortgage.com)  
**Subject:** FW: Arizona Corp. Comm v. DenSCO Investment Corporation.

She went with Peter Davis. Well at least it was not Sell

**James F. Polese**  
602.256.4499 Direct | 602.405.3807 Mobile  
[jpolese@gblaw.com](mailto:jpolese@gblaw.com)

---

**From:** Bernadette Camacho - SUPCRTX [<mailto:camachob@superiorcourt.maricopa.gov>]  
**Sent:** Thursday, August 18, 2016 3:39 PM  
**To:** [wcoy@azcc.gov](mailto:wcoy@azcc.gov); James F. Polese  
**Subject:** Arizona Corp. Comm v. DenSCO Investment Corporation.

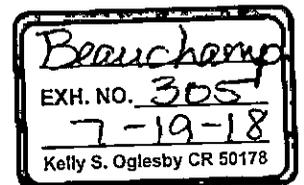
Counsel,

I have attached Judge Bustamante's Ruling from todays hearing . Thank you.

---

**From:** Maite Patrick - COSCX  
**Sent:** Thursday, August 18, 2016 3:35 PM  
**To:** Bernadette Camacho - SUPCRTX  
**Subject:** Here you go!

Maite Patrick  
Civil Courtroom Clerk  
Clerk of the Superior Court  
Maricopa County  
602.506.0318



**Beauchamp, David G.**

**From:** Beauchamp, David G.  
**Sent:** Sunday, August 21, 2016 11:54 AM  
**To:** Rob Brinkman  
**Cc:** Scott A. Swinson  
**Subject:** Re: DenSco Statement June (Paperwork Request)

Mr. Brinkman:

I believe that the Confidential Private Offering Memorandum ("POM") for 2011 was prepared and sent to Denny. I also believe it was shared with investors. 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. After that issue, I only was asked to help DenSco with the audit by the AZ Department of Financial Institutions.

Sincerely,  
David Beauchamp

Sent from my iPhone. Please excuse any typos.

On Aug 20, 2016, at 7:29 PM, Rob Brinkman <[rbrinkman@yahoo.com](mailto:rbrinkman@yahoo.com)> wrote:

Mr. Beauchamp:

I've gone back through my records and have noticed that the most current (2015 and 2016) Subscription Agreements (Notes) all reference the Private Offering Memorandum of July 1, 2009. However, I received by email DenSco's 2011 Private Offering Memorandum in which Denny states he updates the memorandum every two years:

I update this memorandum every two years. I work with David Beauchamp (securities attorney) to review all statues 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 that legislators like to change from time to time. After our near financial collapse there have been more than usual. I also give an updated summary of the number of transactions and dollars that I have completed since the last update. This time, Warren Bush, a long time investor, volunteered (like a 3<sup>rd</sup> grader that knows the answer that no one else does) to review and give input from an investors point of view. I appreciate his help and his recommendations were invaluable.

Can you please let me know if there was a POM for 2013 and 2015 or if 2011 was the last POM?

—  
Thanks,  
rb

On Aug 11, 2016, at 11:07 AM, Beauchamp, David G.  
<[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

Mr. Brinkman:

Unfortunately, the DenSco records of its investors have been sealed and either already picked up or are to be picked up momentarily by the ACC Securities Division. Those records were never at my office.

With respect to copies of the previous offering documents, those are in the electronic records of DenSco that has also been turned over to the Securities Division. (Denny should have sent you an electronic copy for your records and review). Copies are also in the files at my previous law firm, but Denny Chittick did not elect to have those records forwarded to me. That law firm wants either a Subpoena or someone authorized to sign for DenSco to sign a release for those files. Until the Receiver is appointed (if appointed), nobody is authorized to have those files released and made available.

Sorry for the difficulty in obtaining this information.

Sincerely, David Beauchamp

Sent from my iPhone. Please excuse any typos.

On Aug 11, 2016, at 10:21 AM, Rob Brinkman <[rbrinkman@yahoo.com](mailto:rbrinkman@yahoo.com)> wrote:

Mr. Beauchamp:

In reviewing my paperwork as investor in DenSCO I cannot find the note dated 10/23/2015 that would be in the amount of approximately \$70,000. Could you please forward to me by email from the DenSCO records? Additionally, the only Private Offering Memorandum I have is dated June 1, 2007. It is my understanding there is a more current POM dated July 1, 2009. Could you please confirm that is the most recent and forward a copy as well?

—  
Thanks,  
rb  
Robert Brinkman  
64 Cortland  
Irvine, CA 92620  
(949) 202-6111

cc: Scott Swinson, PA

Begin forwarded message:

**From:** "Denny Chittick" <dennychittick@cox.net>  
**Subject:** DenSco Statement June  
**Date:** June 29, 2016 at 7:22:18 AM PDT  
**To:** <rbrinkman@yahoo.com>

Investors: Rob

Attached is your statement.

I'm sending these out a little early. We are headed to Idaho for the 4<sup>th</sup>.

I've updated my newsletter: (or it should be soon)

<http://denscoinvestment.com/newsletter.html>

I've updated the sample photos of houses

<http://denscoinvestment.com/properties.htm>

Have a great 4<sup>th</sup> of July!

Thx

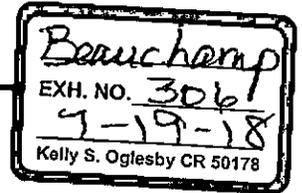
dc

<Statement\_3.pdf>

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Message

**From:** Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]  
**Sent:** 8/21/2016 4:21:10 PM  
**To:** Rob Brinkman [rbrinkman@yahoo.com]  
**Subject:** Re: DenSco Statement June (Paperwork Request)



Me. Brinkman:

I have received in excess of 40 requests from investors for various documents, including copies of POMs, Notes and subscription agreements. That information is in the DenSco records. My records and what I have from DenSco are boxed up to be provided to the Receiver. I have been advised that the Receiver has taken over the responsibility to provide all of the information to the investors.

According to my previous review of Mr. Chittick's records (before they were taken by the AZ Securities Division and the attorneys for Mr. Chittick's Estate), those records show (by date) that he provided each investor with an electronic or a hard copy of the applicable POM. I know that some investors have found the applicable POM after doing a search of old emails from Mr. Chittick.

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Thanks,  
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Robert Brinkman  
64 Cortland  
Irvine, CA 92620  
(949) 202-6111

cc: Scott Swinson, PA

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**Subject:** DenSco Statement June  
**Date:** June 29, 2016 at 7:22:18 AM PDT  
**To:** <[rbrinkman@yahoo.com](mailto:rbrinkman@yahoo.com)>

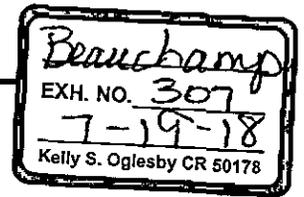
Investors: Rob  
Attached is your statement.  
I'm sending these out a little early. We are headed to Idaho for the 4<sup>th</sup>.  
I've updated my newsletter: (or it should be soon)  
[http://denscoinvestment.com/newsletter.htm!](http://denscoinvestment.com/newsletter.htm)  
I've updated the sample photos of houses  
[http://denscoinvestment.com/properties.html!](http://denscoinvestment.com/properties.html)  
Have a great 4<sup>th</sup> of July!  
Thx  
dc

<Statement\_3.pdf>

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**From:** Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]  
**Sent:** 8/21/2016 5:22:36 PM  
**To:** Rob Brinkman [rbrinkman@yahoo.com]  
**CC:** scott@swinsonlawaz.com  
**Subject:** Re: DenSco Statement June (Paperwork Request)



Mr. Brinkman:

I am trying to be as cooperative as I can. I changed law firms in 2013. Despite my requests, Mr. Chittick did not request all of the files and the electronic versions of the major documents to be sent to me. We had to scan and re-enter the relevant portions of the old documents at my new firm so that we could work on the 2013 draft POM.

The 2013 POM was never finalized due to attorney client protected issues that I have been instructed not to discuss. I do not have the 2009 or the 2011 version on my computer system. The hard copy of the 2011 version that I have has significant attorney notes on it. Accordingly, I cannot provide without spending a significant amount of unpaid time trying to redact and white out the attorney notes.

I did not ignore your request, I was going to see if I could get the Receiver to get it from my old firm for you and others. FYI. I believe that Denny prepared the subscription documents for 2011 based on the 2009 form to save money.

Sincerely, David Beauchamp

Sent from my iPhone. Please excuse any typos.

On Aug 21, 2016, at 4:31 PM, Rob Brinkman <rbrinkman@yahoo.com> wrote:  
Mr. Beauchamp,

As DenSco counsel you would know that Denny did not provide electronic (email) copies of the POMs until the 2011 version, which I have. However, the current Subscription Agreements that were used, and I expect were drafted by you or your firm, reference the 2009 version for which I do not have and highly doubt was ever provided by DenSco since it was to be delivered in hard copy. I would expect you have a soft copy of the 2009 POM that you could email.

Additionally, I asked for specifics to be provided of the Forbearance Agreement with Menaged, which you reference in your earlier email. You did not provide nor address my request for such Agreement.

I find it hard to believe that your firm doesn't have electronic copies of these agreements.

Please respond accordingly.

Thanks,  
rob

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rb

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Mr. Beauchamp:

I've gone back through my records and have noticed that the most current (2015 and 2016) Subscription Agreements (Notes) all reference the Private Offering Memorandum of July 1, 2009. However, I received by email DenSco's 2011 Private Offering Memorandum in which Denny states he updates the memorandum every two years:

I update this memorandum every two years. I work with David Beauchamp (securities attorney) to review all statues 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 that legislators like to change from time to time. After our near financial collapse there have been more than usual. I also give an updated summary of the number of transactions and dollars that I have completed since the last update. This time, Warren Bush, a long time investor, volunteered (like a 3<sup>rd</sup> grader that knows the answer that no one else does) to review and give input from an investors point of view. I appreciate his help and his recommendations were invaluable.

Can you please let me know if there was a POM for 2013 and 2015 or if 2011 was the last POM?

—

Thanks,  
rb

On Aug 11, 2016, at 11:07 AM, Beauchamp, David G. <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

Mr. Brinkman:

Unfortunately, the DenSco records of its investors have been sealed and either already picked up or are to be picked up momentarily by the ACC Securities Division. Those records were never at my office.

With respect to copies of the previous offering documents, those are in the electronic records of DenSco that has also been turned over to the Securities Division. (Denny should have sent you an electronic copy for your records and review). Copies are also in the files at my previous law firm, but Denny Chittick did not elect to have those records forwarded to me. That law firm wants either a Subpoena or someone authorized to sign for DenSco to sign a release for those files. Until the Receiver is appointed (if appointed), nobody is authorized to have those files released and made available.

Sorry for the difficulty in obtaining this information.

Sincerely, David Beauchamp

Sent from my iPhone. Please excuse any typos.

On Aug 11, 2016, at 10:21 AM, Rob Brinkman <[rbrinkman@yahoo.com](mailto:rbrinkman@yahoo.com)> wrote:

Mr. Beauchamp:

In reviewing my paperwork as an investor in Densco I cannot find the note dated 10/23/2015 that would be in the amount of approximately \$70,000. Could you please forward to me by email from the Densco records? Additionally, the only Private Offering Memorandum I have is dated June 1, 2007. It is my understanding there is a more current POM dated July 1, 2009. Could you please confirm that is the most recent and forward a copy as well?

—  
Thanks,  
rb  
Robert Brinkman  
64 Cortland  
Irvine, CA 92620  
(949) 202-6111

cc: Scott Swinson, PA

Begin forwarded message:

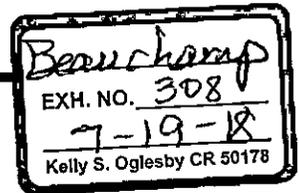
**From:** "Denny Chittick" <dennychittick@cox.net>  
**Subject:** DenSco Statement June  
**Date:** June 29, 2016 at 7:22:18 AM PDT  
**To:** <rbrinkman@yahoo.com>

Investors: Rob  
Attached is your statement.  
I'm sending these out a little early. We are headed to Idaho for the 4<sup>th</sup>.  
I've updated my newsletter: (or it should be soon)  
<http://denscoinvestment.com/newsletter.html>  
I've updated the sample photos of houses  
<http://denscoinvestment.com/properties.html>  
Have a great 4<sup>th</sup> of July!  
Thx  
dc

<Statement\_3.pdf>

LEGAL NOTICE: This e-mail, along with any attachment(s), is considered confidential and may be legally privileged. If you have received it in error, please notify us immediately by reply e-mail and then delete this message from your system. Please do not copy it or use it for any purposes, or disclose its contents to any other person. Thank you for your cooperation.

\*Beauchamp, David G.



**From:** Beauchamp, David G.  
**Sent:** Monday, August 22, 2016 5:15 PM  
**To:** Ryan Anderson  
**Cc:** Kevin R. Merritt (kmerritt@gblaw.com)  
**Subject:** RE: DenSco Records

Ryan:

I did not receive a letter from Denny Chittick. He had indicated in a couple of letters and notes to others that he would be sending me a letter, but I did not receive a letter from him. In addition, his sister and Personal Representative did not find a letter to me on his computer. Denny did prepare and send his sister an email that contained information that she was to give to me. (It appears that as Denny was running out of time, he combined my letter with the letter to his sister and Personal Representative so he could finish both letters as one letter. I think that might be what is being referred to in Denny's notes and in his letter to Robert Koehler. I know that Shawna, Robert and I spent some time trying to find this letter, but I am not aware that anyone found it.

As far as the letter that was sent to Shawna to be shared with me, there is a considerable amount of personal information in that letter concerning his boys and how he wants them protected from his suicide. Denny also wanted to shelter his boys from the anticipated DenSco litigation that Denny anticipated would be extremely negative concerning Denny and the fact that he fell for a fraud and lost so much of his money and the money of DenSco's investors. I have been advised to discuss any request to share this letter with Kevin Merritt at Gammage before I share my portion with anyone. I believe that a portion of the letter is not applicable to anyone except his sister as his Estate's Personal Representative but there is a portion that is applicable to DenSco. Unfortunately, the DenSco portion does not go into the detail that I had hoped would fully explain the situation with Auction .com and Scott Menaged. The DenSco portion also includes incorrect statements and references as to the legal advice that I had provided to him and fails to properly reference why I was not providing any further securities advice to him and DenSco.

Please let me discuss this with Kevin Merritt and we will get back to you. Please know that I have already redacted portions of the letter to the Personal Representative, on the instructions of the Personal Representative. These portions redacted only pertain to Denny's passwords to his computer, passwords to his personal bank account, to his 401K from his career at Insight, and to DenSco's account to authorize wire instructions from the DenSco account as well as a few other confidential items.

Regards, David

David G. Beauchamp

CLARK HILL PLC

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480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Ryan Anderson [mailto:randerson@gamlaw.com]  
**Sent:** Monday, August 22, 2016 9:47 AM  
**To:** Beauchamp, David G.  
**Subject:** RE: DenSco Records

David,

Mr. Chittick's letter to Robert Koehler references a lengthy explanation [perhaps a letter] to you from Mr. Chittick regarding DenSco's dealings with Scott Menaged. Do you have this letter or explanation? If so, please send me a copy of it. If there is some reason that it can't be disclosed, please let me know.

**Ryan W. Anderson**

Guttilla Murphy Anderson

City North

5415 E. High St., Suite 200

Phoenix, AZ 85054

(480) 304-8300

(480) 304-8301 (facsimile)

[randerson@gamlaw.com](mailto:randerson@gamlaw.com)

[www.guttillamurphyanderson.com](http://www.guttillamurphyanderson.com)

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]

**Sent:** Sunday, August 21, 2016 4:24 PM

**To:** Ryan Anderson

**Cc:** Wendy Coy; Kevin R. Merritt; [jpolese@gbllaw.com](mailto:jpolese@gbllaw.com)

**Subject:** Re: DenSco Records

Ryan:

Thank you for the information and the clarification. I will count the boxes in the morning and let you know.

Best regards, David

Sent from my iPhone. Please excuse any typos.

On Aug 21, 2016, at 12:14 PM, Ryan Anderson <[randerson@gamlaw.com](mailto:randerson@gamlaw.com)> wrote:

David,

Thanks for the e-mail and clarification. The Receiver has an agreement with Jim and Kevin on the DenSco records in their possession.

With respect to the DenSco records in your possession, the Receiver intends to recover them and have them digitized and bates stamped. Once digitized and bates stamped, an electronic copy will be made for you and the ACC. The original paper records will remain with the Receiver. We believe that this arrangement will satisfy the outstanding subpoena and everyone's concerns about having a copy of the records.

With respect to attorney client privilege and the DenSco records in your possession, Mr. Polese has suggested that the DenSco records in your possession are unlikely to have any privileged materials, however if they do and that record was inadvertently disclosed through this process, Mr. Polese has asked that any claim of privilege would not be waived. The Receiver has agreed with this proposal as it clearly is what the Court intended in her handwritten note at the end of the Receivership Order regarding the inability of the privilege to be waived without Court approval.

Wendy, are these arrangements and agreements regarding the DenSco records acceptable to the Arizona Corporation Commission?

David, if the Arizona Corporation Commission is agreeable, we'd like to recover the records as soon as possible. Can you give me a rough idea of the number of boxes?

Thanks!

**Ryan W. Anderson**

Guttilla Murphy Anderson

City North

5415 E. High St., Suite 200

Phoenix, AZ 85054

(480) 304-8300

(480) 304-8301 (facsimile)

[randerson@gamlaw.com](mailto:randerson@gamlaw.com)

[www.guttillamurphyanderson.com](http://www.guttillamurphyanderson.com)

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]

**Sent:** Saturday, August 20, 2016 4:32 PM

**To:** Ryan Anderson

**Cc:** Wendy Coy; Kevin R. Merritt

**Subject:** Re: DenSco Records

Ryan:

The bulk of the old loan and other records (I think 2011 ? to present) delivered to my office has been transferred to Gammage & Burnham for a review for a privilege log. The records less the privilege items are then to be copied with the copies and privilege log delivered to the AZ Securities Division. If the copies should be delivered to the Receiver, please have the AZ Securities Division modify the Subpoena. I just want to make sure we are in compliance.

With respect to DenSco's old loan and other records prior to 2011(?), I believe they are still at my office and can be delivered to you or the AZ Securities Division if we get the Subpoena clarified.

The DenSco Investor records (current records I think) are at Gammage & Burnham.

The current loan records were transferred from Robert Kochler to the AZ Securities Division less about 6 or 8 that were sent to me to coordinate payoff.

Please let me know how we should proceed given the outstanding Subpoena and the attorney-client review that needs to be completed.

Sincerely,  
David G. Beauchamp

Sent from my iPhone. Please excuse any typos.

On Aug 20, 2016, at 3:47 PM, Ryan Anderson <[randerson@gamlaw.com](mailto:randerson@gamlaw.com)> wrote:

David,

Thanks for the e-mails and initial information. As promised, attached is a copy of the Receivership Order, it was docketed yesterday afternoon.

The Receiver is working through initial issues and he has been advised that certain records of DenSco are in your possession, specifically pre-2011 [or 2012] DenSco records were delivered to your offices by the PR.

As set forth in the attached, the Receiver needs to gather and maintain the DenSco records, can you give me an idea of the volume of records [how many boxes] and when is a good time to arrange the receiver's recovery of them from your offices?

Thanks in advance.

**Ryan W. Anderson**  
Guttilla Murphy Anderson  
City North  
5415 E. High St., Suite 200  
Phoenix, AZ 85054  
(480) 304-8300  
(480) 304-8301 (facsimile)  
[randerson@gamlaw.com](mailto:randerson@gamlaw.com)  
[www.guttillamurphyanderson.com](http://www.guttillamurphyanderson.com)

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Friday, August 19, 2016 6:35 PM  
**To:** Ryan Anderson  
**Subject:** FW: 1720 E Windsong Dr, Phoenix- Deed of Release

Ryan:

As I indicated in our conversation, this email chain has the type of information that I have shared with each borrower and each Escrow Agent concerning the loan payoff to DenSco. IN this one, I had to also correct the Deed of Release which referenced an incorrect address.

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](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Hall, Theresa [<mailto:TheresaHall@ltic.com>]  
**Sent:** Friday, August 19, 2016 9:36 AM  
**To:** Beauchamp, David G.  
**Cc:** Equiworth, LLC ([equiworthhomes@gmail.com](mailto:equiworthhomes@gmail.com)); Gary Clapper; Kevin R. Merritt ([kmerritt@gblaw.com](mailto:kmerritt@gblaw.com)); [rzkoehler@yahoo.com](mailto:rzkoehler@yahoo.com)  
**Subject:** RE: 1720 E Windsong Dr, Phoenix- Deed of Release

Thank you David, I will make that correction.  
We are ALL SET now with the pay off figure and the release.

Thank you for your help!

*Theresa Hall*  
Lawyers Title

17100 N 67TH AVE, BLDG 2-200, GLENDALE, AZ 85308

Phone: 623 979 6060

Fax: 623 979 0428

Email: [theresahall@ltic.com](mailto:theresahall@ltic.com)

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]

**Sent:** Thursday, August 18, 2016 7:24 PM

**To:** Hall, Theresa

**Cc:** Equiworth, LLC ([equiworthhomes@gmail.com](mailto:equiworthhomes@gmail.com)); Gary Clapper; Kevin R. Merritt ([kmerritt@qblaw.com](mailto:kmerritt@qblaw.com)); [rzkoehler@yahoo.com](mailto:rzkoehler@yahoo.com)

**Subject:** RE: 1720 E Windsong Dr, Phoenix- Deed of Release

Theresa:

I just looked at the copy of the Deed of Release that I made prior to giving the original to your messenger. It appears that the legal description is correct, but the Deed of Release appears to reference the wrong street address in the middle of the document. You are authorized to have that reference corrected to reflect the actual street address of 1720 E. Windsong Dr. as is set forth in the DenSco's files.

Thank you.

Sincerely, David

**David G. Beauchamp**

CLARK HILL PLC

14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Hall, Theresa [<mailto:TheresaHall@ltic.com>]

**Sent:** Thursday, August 18, 2016 2:42 PM

**To:** Beauchamp, David G.

**Cc:** Equiworth, LLC

**Subject:** RE: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Instructions listed below will be followed by Lawyers Title.

Upon closing of escrow – loan pay off funds will be wired to DENSCO bank account.

Thank you, Theresa

*Theresa Hall*  
Lawyers Title

17100 N 67TH AVE, BLDG 2-200, GLENDALE, AZ 85308

Phone: 623 979 6060  
Fax: 623 979 0428  
Email: [theresahall@ltic.com](mailto:theresahall@ltic.com)

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Wednesday, August 17, 2016 8:13 PM  
**To:** Hall, Theresa  
**Cc:** Equiworth, LLC  
**Subject:** RE: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Theresa:

The payoff information that I have concerning this loan is as follows:

loan no. 7964  
1720 Windsong  
Borrower: Equiworth LLC  
Principal Due: \$216,000  
Interest due from 7-13-16 through 8-17-16 \$3,780.00  
interest per diem starting 8-18-16 through actual payoff date \$108.00

I also have a signed and notarized Deed of Release and Reconveyance for this loan.

Please note that as I indicated in my previous email, we do not have any information concerning any payments into DenSco's bank accounts on or after July 27. Accordingly, this payoff might not include any monthly interest payments that were received after that date. We have been advised by the AZ Securities Division that we can only authorize Deeds of Release and Reconveyance to be recorded in exchange for full payoffs. If there is a missing interest payment, the borrower will be able to submit a reimbursement claim to the Receiver who will be authorized by the court to pay any duplicate payments back to the borrower, which will be after the Receiver can audit the payments made to the DenSco account on or after July 27.

The original Deed of Release and Reconveyance is available to be picked at my office by the Title Company. You are authorized to hold this Deed of Release until such time as you have sufficient and readily available funds in your possession to fund the payoff amount for this loan. At that time, you may record that Deed of Release and Reconveyance when you are in position to pay the above payoff amount to DenSco's account. If you have previously made payments to DenSco in the last year, please use the same account information. If you do not have that information, please let me know and we will provide that information. If for any reason the DenSco account cannot receive the payoff payment, please advise me and hold such amount until the Receiver is appointed and the Receiver can make arrangements to receive such payment directly.

Please contact me with any questions.

Sincerely, David

**David G. Beauchamp**

CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254

---

**From:** Beauchamp, David G.  
**Sent:** Wednesday, August 17, 2016 8:03 PM  
**To:** Equiworth, LLC  
**Cc:** [theresahall@ltic.com](mailto:theresahall@ltic.com)  
**Subject:** RE: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Larry:

According to the AZ Securities Division, I do not have authority to make any adjustments from the payoff numbers that are being calculated based upon DenSco's financial numbers that Denny prepared on or before July 27. The Receiver will be authorized by the court to make any adjustments after the Receiver is able to update and reconcile DenSco's financial numbers for any payments after that date. You will need to submit your evidence of payment along with a request for a refund to the Receiver.

Sincerely, David

**David G. Beauchamp**

CLARK HILL PLC  
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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Equiworth, LLC [<mailto:equiworthhomes@gmail.com>]  
**Sent:** Wednesday, August 17, 2016 7:22 PM  
**To:** Beauchamp, David G.  
**Cc:** Theresa Hall  
**Subject:** 1720 E Windsong Dr, Phoenix- Last Payment in July.

Attached is a copy of the last payment made for 1720 E Windsong Dr, Phoenix.

The Escrow Officer is Theresa Hall, Lawyers Title, 602-993-4545. I've cc's her in on this email.

Please let me know that you got this ok.

Thanks.

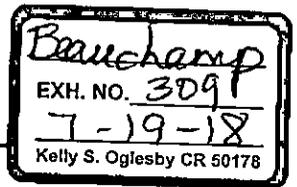
Larry Schultz  
Equiworth, LLC  
480-620-6122  
Email: [equiworthhomes@gmail.com](mailto:equiworthhomes@gmail.com)

<image001.jpg>

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NOTICE: The information contained in this message is proprietary and/or confidential and may be privileged. If you are not the intended recipient of this communication, you are hereby notified to: (i) delete the message and all copies; (ii) do not disclose, distribute or use the message in any manner; and (iii) notify the sender immediately.

<2016 8-18 Order Appointing Receiver.pdf>



Message

**From:** Ryan Anderson [randerson@gamlaw.com]  
**Sent:** 8/23/2016 12:30:21 PM  
**To:** jpolese@gblaw.com; Kevin R. Merritt (KMerritt@gblaw.com) [KMerritt@gblaw.com]  
**CC:** 'pdavis@simonconsulting.net' [pdavis@simonconsulting.net]; Beauchamp, David G. [dbeauchamp@clarkhill.com]  
**Subject:** FW: DenSco Records

Jim/Kevin,

Thanks for all your help in getting us up to speed in this case. I wanted to take a moment to recap the pending issues and ask for your indulgence on another issue:

First, the Receiver is awaiting the "green light" to pick-up and start the process of digitizing the records in your possession. Please let me know when the boxes of records are ready to be released.

Second, we've agreed to meet on Thursday to transition the cash to the Receiver and meet with the PR. Given the unique issues with the cash, I am hoping that we can have a clear plan of action. I am working to get details from the Receiver's bank about how they will manage the cash deposit. In that vein, if there are expectations from the PR regarding this transfer, please let me know. [i.e.- do you want a receipt?, watch the funds being counted?]

Third, we'd really like to meet with the PR and explore some basic issues that have been made known to us by the ACC. These issues include alleged DenSco checks and funds that were in Mr. Chittick's home and desk.

Finally, as you know we are initially working very hard to devise and implement a comprehensive strategy to use the powers of the Receivership to maximize recoveries for the investor victims. A big part of that strategy relates to Mr. Menaged's activities to defraud DenSco. What is complicating our efforts is that we do not have a concise representation from Mr. Chittick [or anyone] that sets forth the allegations underlying the fraud scheme perpetrated on DenSco. As you know we've asked for the "letter" that purportedly explains this from Mr. Chittick's side of the story, but are now aware of that the "story" is embedded in a letter or e-mail that contains other statements that may not be relevant to Mr. Menaged. I don't want to press too hard, but given the sensitive nature of these issues, but it has become clear that to quickly move ahead against Mr. Menaged's assets, we will need to know the allegations of fraud from this letter and may need to use some of these representations in pleadings filed in the Receivership Court. Moreover, given the concerns and Mr. Menaged being a flight risk, we are hoping to move before the Friday meeting of creditors in Mr. Menaged's Bankruptcy case.

Is it possible to get a copy of the sections of this letter that deal with Mr. Menaged today?

Please advise.

**Ryan W. Anderson**  
Guttilla Murphy Anderson  
City North  
5415 E. High St., Suite 200  
Phoenix, AZ 85054  
(480) 304-8300

(480) 304-8301 (facsimile)

[randerson@gamlaw.com](mailto:randerson@gamlaw.com)

[www.guttillamurphyanderson.com](http://www.guttillamurphyanderson.com)

**From:** Beauchamp, David G. [mailto:DBeauchamp@ClarkHill.com]

**Sent:** Monday, August 22, 2016 5:15 PM

**To:** Ryan Anderson

**Cc:** Kevin R. Merritt (kmerritt@gblaw.com)

**Subject:** RE: DenSco Records

Ryan:

I did not receive a letter from Denny Chittick. He had indicated in a couple of letters and notes to others that he would be sending me a letter, but I did not receive a letter from him. In addition, his sister and Personal Representative did not find a letter to me on his computer. Denny did prepare and send his sister an email that contained information that she was to give to me. (It appears that as Denny was running out of time, he combined my letter with the letter to his sister and Personal Representative so he could finish both letters as one letter. I think that might be what is being referred to in Denny's notes and in his letter to Robert Koehler. I know that Shawna, Robert and I spent some time trying to find this letter, but I am not aware that anyone found it.

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Regards, David

**David G. Beauchamp**

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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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**Sent:** Monday, August 22, 2016 9:47 AM

**To:** Beauchamp, David G.  
**Subject:** RE: DenSco Records

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**Ryan W. Anderson**

Guttilla Murphy Anderson

City North

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Phoenix, AZ 85054

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[randerson@gamlaw.com](mailto:randerson@gamlaw.com)

[www.guttillamurphyanderson.com](http://www.guttillamurphyanderson.com)

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]

**Sent:** Sunday, August 21, 2016 4:24 PM

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**Cc:** Wendy Coy; Kevin R. Merritt; [jpolese@qblaw.com](mailto:jpolese@qblaw.com)

**Subject:** Re: DenSco Records

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Best regards, David

Sent from my iPhone. Please excuse any typos.

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inadvertently disclosed through this process, Mr. Polese has asked that any claim of privilege would not be waived. The Receiver has agreed with this proposal as it clearly is what the Court intended in her handwritten note at the end of the Receivership Order regarding the inability of the privilege to be waived without Court approval.

Wendy, are these arrangements and agreements regarding the DenSco records acceptable to the Arizona Corporation Commission?

David, if the Arizona Corporation Commission is agreeable, we'd like to recover the records as soon as possible. Can you give me a rough idea of the number of boxes?

Thanks!

**Ryan W. Anderson**

Guttilla Murphy Anderson

City North

5415 E. High St., Suite 200

Phoenix, AZ 85054

(480) 304-8300

(480) 304-8301 (facsimile)

[randerson@gamlaw.com](mailto:randerson@gamlaw.com)

[www.guttillamurphyanderson.com](http://www.guttillamurphyanderson.com)

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]

**Sent:** Saturday, August 20, 2016 4:32 PM

**To:** Ryan Anderson

**Cc:** Wendy Coy; Kevin R. Merritt

**Subject:** Re: DenSco Records

Ryan:

The bulk of the old loan and other records (I think 2011 ? to present) delivered to my office has been transferred to Gammage & Burnham for a review for a privilege log. The records less the privilege items are then to be copied with the copies and privilege log delivered to the AZ Securities Division. If the copies should be delivered to the Receiver, please have the AZ Securities Division modify the Subpoena. I just want to make sure we are in compliance.

With respect to DenSco's old loan and other records prior to 2011(?), I believe they are still at my office and can be delivered to you or the AZ Securities Division if we get the Subpoena clarified.

The DenSco Investor records (current records I think) are at Gammage & Burnham.

The current loan records were transferred from Robert Koehler to the AZ Securities Division less about 6 or 8 that were sent to me to coordinate payoff.

Please let me know how we should proceed given the outstanding Subpoena and the attorney-client review that needs to be completed.

Sincerely,  
David G. Beauchamp

Sent from my iPhone. Please excuse any typos.

On Aug 20, 2016, at 3:47 PM, Ryan Anderson <[randerson@gamlaw.com](mailto:randerson@gamlaw.com)> wrote:  
David,

Thanks for the e-mails and initial information. As promised, attached is a copy of the Receivership Order, it was docketed yesterday afternoon.

The Receiver is working through initial issues and he has been advised that certain records of DenSco are in your possession, specifically pre-2011 [or 2012] DenSco records were delivered to your offices by the PR.

As set forth in the attached, the Receiver needs to gather and maintain the DenSco records, can you give me an idea of the volume of records [how many boxes] and when is a good time to arrange the receiver's recovery of them from your offices?

Thanks in advance.

**Ryan W. Anderson**

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[www.guttillamurphyanderson.com](http://www.guttillamurphyanderson.com)

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]

**Sent:** Friday, August 19, 2016 6:35 PM

**To:** Ryan Anderson

**Subject:** FW: 1720 E Windsong Dr, Phoenix- Deed of Release

Ryan:

As I indicated in our conversation, this email chain has the type of information that I have shared with each borrower and each Escrow Agent concerning the loan payoff to DenSco. IN this one, I had to also correct the Deed of Release which referenced an incorrect address.

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](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

**From:** Hall, Theresa [<mailto:TheresaHall@ltic.com>]  
**Sent:** Friday, August 19, 2016 9:36 AM  
**To:** Beauchamp, David G.  
**Cc:** Equiworth, LLC ([equiworthhomes@gmail.com](mailto:equiworthhomes@gmail.com)); Gary Clapper; Kevin R. Merritt ([kmerritt@oblaw.com](mailto:kmerritt@oblaw.com)); [rkoebler@yahoo.com](mailto:rkoebler@yahoo.com)  
**Subject:** RE: 1720 E Windsong Dr, Phoenix- Deed of Release

Thank you David, I will make that correction.  
We are ALL SET now with the pay off figure and the release.

Thank you for your help!

*Theresa Hall*  
Lawyers Title

17100 N 67TH AVE, BLDG 2-200, GLENDALE, AZ 85308

Phone: 623 979 6060

Fax: 623 979 0428

Email: [theresahall@ltic.com](mailto:theresahall@ltic.com)

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Thursday, August 18, 2016 7:24 PM  
**To:** Hall, Theresa  
**Cc:** Equiworth, LLC ([equiworthhomes@gmail.com](mailto:equiworthhomes@gmail.com)); Gary Clapper; Kevin R. Merritt ([kmerritt@oblaw.com](mailto:kmerritt@oblaw.com)); [rkoebler@yahoo.com](mailto:rkoebler@yahoo.com)  
**Subject:** RE: 1720 E Windsong Dr, Phoenix- Deed of Release

Theresa:

I just looked at the copy of the Deed of Release that I made prior to giving the original to your messenger. It appears that the legal description is correct, but the Deed of Release appears to reference the wrong street address in the middle of the document. You are authorized to have that reference corrected to reflect the actual street address of 1720 E. Windsong Dr. as is set forth in the DenSco's files.

Thank you.

Sincerely, David

**David G. Beauchamp**

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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

**From:** Hall, Theresa [<mailto:TheresaHall@ltic.com>]  
**Sent:** Thursday, August 18, 2016 2:42 PM

**To:** Beauchamp, David G.  
**Cc:** Equiworth, LLC  
**Subject:** RE: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Instructions listed below will be followed by Lawyers Title.

Upon closing of escrow – loan pay off funds will be wired to DENSCO bank account.

Thank you, Theresa

*Theresa Hall*  
Lawyers Title

17100 N 67TH AVE, BLDG 2-200, GLENDALE, AZ 85308

Phone: 623 979 6060  
Fax: 623 979 0428  
Email: [theresahall@ltic.com](mailto:theresahall@ltic.com)

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Wednesday, August 17, 2016 8:13 PM  
**To:** Hall, Theresa  
**Cc:** Equiworth, LLC  
**Subject:** RE: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Theresa:

The payoff information that I have concerning this loan is as follows:

loan no. 7964  
1720 Windsong  
Borrower: Equiworth LLC  
Principal Due: \$216,000  
Interest due from 7-13-16 through 8-17-16 \$3,780.00  
interest per diem starting 8-18-16 through actual payoff date \$108.00

I also have a signed and notarized Deed of Release and Reconveyance for this loan.

Please note that as I indicated in my previous email, we do not have any information concerning any payments into DenSco's bank accounts on or after July 27. Accordingly, this payoff might not include any monthly interest payments that were received after that date. We have been advised by the AZ Securities Division that we can only authorize Deeds of Release and Reconveyance to be recorded in exchange for full payoffs. If there is a missing interest payment, the borrower will be able to submit a reimbursement claim to the Receiver who will be authorized by the court to pay any duplicate payments back to the borrower, which will be after the Receiver can audit the payments made to the DenSco account on or after July 27.

The original Deed of Release and Reconveyance is available to be picked at my office by the Title Company. You are authorized to hold this Deed of Release until such time as you have sufficient and readily available funds in your possession to fund the payoff amount for this loan. At that time, you may record that Deed of Release and

Reconveyance when you are in position to pay the above payoff amount to DenSco's account. If you have previously made payments to DenSco in the last year, please use the same account information. If you do not have that information, please let me know and we will provide that information. If for any reason the DenSco account cannot receive the payoff payment, please advise me and hold such amount until the Receiver is appointed and the Receiver can make arrangements to receive such payment directly.

Please contact me with any questions.

Sincerely, David

**David G. Beauchamp**

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14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

**From:** Beauchamp, David G.  
**Sent:** Wednesday, August 17, 2016 8:03 PM  
**To:** Equiworth, LLC  
**Cc:** [theresahall@itic.com](mailto:theresahall@itic.com)  
**Subject:** RE: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Larry:

According to the AZ Securities Division, I do not have authority to make any adjustments from the payoff numbers that are being calculated based upon DenSco's financial numbers that Denny prepared on or before July 27. The Receiver will be authorized by the court to make any adjustments after the Receiver is able to update and reconcile DenSco's financial numbers for any payments after that date. You will need to submit your evidence of payment along with a request for a refund to the Receiver.

Sincerely, David

**David G. Beauchamp**

CLARK HILL PLC

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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

**From:** Equiworth, LLC [<mailto:equiworthhomes@gmail.com>]  
**Sent:** Wednesday, August 17, 2016 7:22 PM  
**To:** Beauchamp, David G.  
**Cc:** Theresa Hall  
**Subject:** 1720 E Windsong Dr, Phoenix- Last Payment in July.

Attached is a copy of the last payment made for 1720 E Windsong Dr, Phoenix.

The Escrow Officer is Theresa Hall, Lawyers Title, 602-993-4545. I've cc's her in on this email.

Please let me know that you got this ok.



Thanks.

Larry Schultz  
Equiworth, LLC  
480-620-6122  
Email: [equiworthhomes@gmail.com](mailto:equiworthhomes@gmail.com)

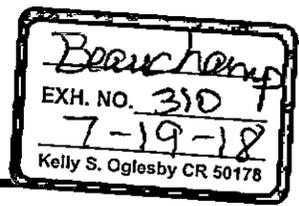
<image001.jpg>

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<2016 8-18 Order Appointing Receiver.pdf>



Beauchamp, David G.

**From:** James F. Polese <jpolese@gblaw.com>  
**Sent:** Tuesday, August 23, 2016 12:48 PM  
**To:** 'Ryan Anderson'; Kevin R. Merritt  
**Cc:** 'pdavis@simonconsulting.net'; Beauchamp, David G.; 'shawnaseverest@gmail.com' (shawnaseverest@gmail.com); Chris Hering  
**Subject:** RE: DenSco Records

Ryan:

See comments below

**James F. Polese**

602.256.4499 Direct | 602.405.3807 Mobile  
jpolese@gblaw.com

---

**From:** Ryan Anderson [mailto:randerson@gamlaw.com]  
**Sent:** Tuesday, August 23, 2016 12:30 PM  
**To:** James F. Polese; Kevin R. Merritt  
**Cc:** 'pdavis@simonconsulting.net'; dbeauchamp@clarkhill.com  
**Subject:** FW: DenSco Records

Jim/Kevin,

Thanks for all your help in getting us up to speed in this case. I wanted to take a moment to recap the pending issues and ask for your indulgence on another issue:

First, the Receiver is awaiting the "green light" to pick-up and start the process of digitizing the records in your possession. Please let me know when the boxes of records are ready to be released.

Kevin and I just spoke on the delivery of documents. We want clarification from Wendy on the issue of inadvertent disclosure of any attorney client privilege matter. Kevin is in the process of clarifying that point in a separate email to you

Second, we've agreed to meet on Thursday to transition the cash to the Receiver and meet with the PR. Given the unique issues with the cash, I am hoping that we can have a clear plan of action. I am working to get details from the Receiver's bank about how they will manage the cash deposit. In that vein, if there are expectations from the PR regarding this transfer, please let me know. [i.e.- do you want a receipt?, watch the funds being counted?]

The vault is in Tempe and you indicated that you wanted to get that transfer accomplished first thing, 10 AM Thurs seems to make sense. I will confirm with my client and give you the particulars for the jeweler. We would want a receipt for the cash and would accompany you and the receiver from the vault to the bank to have the funds counted so that the receiver can give us a receipt. Once we have that we are done with that issue. So to answer your question the personal representative will take the funds with Peter to the bank and have the funds counted there so she can get the receipt.

As I noted we assume but do not know for sure that the funds are corporate funds. The estate will tender the funds on that assumption. If however an audit reflects that the funds are not all corporate then we would want assurance

from the receiver that any non-corporate monies would be returned promptly. (while I think this highly unlikely I would be remiss if I did not cover this eventuality).

Third, we'd really like to meet with the PR and explore some basic issues that have been made known to us by the ACC. These issues include alleged DenSco checks and funds that were in Mr. Chittick's home and desk.

You will meet the Personal Representative at the vault. I suggest that following that exercise we reconvene here at our offices so that we can have a face to face with the receiver and personal representative and spend whatever time you believe needed to pose your questions.

Finally, as you know we are initially working very hard to devise and implement a comprehensive strategy to use the powers of the Receivership to maximize recoveries for the investor victims. A big part of that strategy relates to Mr. Menaged's activities to defraud DenSco. What is complicating our efforts is that we do not have a concise representation from Mr. Chittick [or anyone] that sets forth the allegations underlying the fraud scheme perpetrated on DenSco. As you know we've asked for the "letter" that purportedly explains this from Mr. Chittick's side of the story, but are now aware of that the "story" is embedded in a letter or e-mail that contains other statements that may not be relevant to Mr. Menaged. I don't want to press too hard, but given the sensitive nature of these issues, but it has become clear that to quickly move ahead against Mr. Menaged's assets, we will need to know the allegations of fraud from this letter and may need to use some of these representations in pleadings filed in the Receivership Court. Moreover, given the concerns and Mr. Menaged being a flight risk, we are hoping to move before the Friday meeting of creditors in Mr. Menaged's Bankruptcy case.

We are as anxious as you to preserve any claims against Menaged and his web of entities and want to fully cooperate. As far as how the scam by Menaged worked, I am not sure that anyone knows and to my knowledge Mr. Chittick did not detail precisely the scam worked or was perpetrated in any letter or memo. I speaking with David at the hearing, he seemed to have only a general sense of what occurred but I will ask – via this response – to indicate if he can shed further light on what transpired.

Is it possible to get a copy of the sections of this letter that deal with Mr. Menaged today?

I will get with our client and see how we might be able to accommodate you and the receiver.

Please advise.

**Ryan W. Anderson**

Guttilla Murphy Anderson

City North

5415 E. High St., Suite 200

Phoenix, AZ 85054

(480) 304-8300

(480) 304-8301 (facsimile)

[randerson@gamlaw.com](mailto:randerson@gamlaw.com)

[www.guttillamurphyanderson.com](http://www.guttillamurphyanderson.com)

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]

**Sent:** Monday, August 22, 2016 5:15 PM

**To:** Ryan Anderson

**Cc:** Kevin R. Merritt ([kmerritt@gblaw.com](mailto:kmerritt@gblaw.com))

**Subject:** RE: DenSco Records

Ryan:

\*I did not receive a letter from Denny Chittick. He had indicated in a couple of letters and notes to others that he would be sending me a letter, but I did not receive a letter from him. In addition, his sister and Personal Representative did not find a letter to me on his computer. Denny did prepare and send his sister an email that contained information that she was to give to me. (It appears that as Denny was running out of time, he combined my letter with the letter to his sister and Personal Representative so he could finish both letters as one letter. I think that might be what is being referred to in Denny's notes and in his letter to Robert Koehler. I know that Shawna, Robert and I spent some time trying to find this letter, but I am not aware that anyone found it.

As far as the letter that was sent to Shawna to be shared with me, there is a considerable amount of personal information in that letter concerning his boys and how he wants them protected from his suicide. Denny also wanted to shelter his boys from the anticipated DenSco litigation that Denny anticipated would be extremely negative concerning Denny and the fact that he fell for a fraud and lost so much of his money and the money of DenSco's investors. I have been advised to discuss any request to share this letter with Kevin Merritt at Gammage before I share my portion with anyone. I believe that a portion of the letter is not applicable to anyone except his sister as his Estate's Personal Representative but there is a portion that is applicable to DenSco. Unfortunately, the DenSco portion does not go into the detail that I had hoped would fully explain the situation with Auction .com and Scott Menaged. The DenSco portion also includes incorrect statements and references as to the legal advice that I had provided to him and fails to properly reference why I was not providing any further securities advice to him and DenSco.

Please let me discuss this with Kevin Merritt and we will get back to you. Please know that I have already redacted portions of the letter to the Personal Representative, on the instructions of the Personal Representative. These portions redacted only pertain to Denny's passwords to his computer, passwords to his personal bank account, to his 401K from his career at Insight, and to DenSco's account to authorize wire instructions from the DenSco account as well as a few other confidential items.

Regards, David

**David G. Beauchamp**

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---

**From:** Ryan Anderson [<mailto:randerson@gamllaw.com>]  
**Sent:** Monday, August 22, 2016 9:47 AM  
**To:** Beauchamp, David G.  
**Subject:** RE: DenSco Records

David,

Mr. Chittick's letter to Robert Koehler references a lengthy explanation [perhaps a letter] to you from Mr. Chittick regarding DenSco's dealings with Scott Menaged. Do you have this letter or explanation? If so, please send me a copy of it. If there is some reason that it can't be disclosed, please let me know.

**Ryan W. Anderson**  
Guttilla Murphy Anderson  
City North  
5415 E. High St., Suite 200  
Phoenix, AZ 85054  
(480) 304-8300  
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[randerson@gamlaw.com](mailto:randerson@gamlaw.com)

[www.guttillamurphyanderson.com](http://www.guttillamurphyanderson.com)

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]

**Sent:** Sunday, August 21, 2016 4:24 PM

**To:** Ryan Anderson

**Cc:** Wendy Coy; Kevin R. Merritt; [jpolese@qblaw.com](mailto:jpolese@qblaw.com)

**Subject:** Re: DenSco Records

Ryan:

Thank you for the information and the clarification. I will count the boxes in the morning and let you know.

Best regards, David

Sent from my iPhone. Please excuse any typos.

On Aug 21, 2016, at 12:14 PM, Ryan Anderson <[randerson@gamlaw.com](mailto:randerson@gamlaw.com)> wrote:

David,

Thanks for the e-mail and clarification. The Receiver has an agreement with Jim and Kevin on the DenSco records in their possession.

With respect to the DenSco records in your possession, the Receiver intends to recover them and have them digitized and bates stamped. Once digitized and bates stamped, an electronic copy will be made for you and the ACC. The original paper records will remain with the Receiver. We believe that this arrangement will satisfy the outstanding subpoena and everyone's concerns about having a copy of the records.

With respect to attorney client privilege and the DenSco records in your possession, Mr. Polese has suggested that the DenSco records in your possession are unlikely to have any privileged materials, however if they do and that record was inadvertently disclosed through this process, Mr. Polese has asked that any claim of privilege would not be waived. The Receiver has agreed with this proposal as it clearly is what the Court intended in her handwritten note at the end of the Receivership Order regarding the inability of the privilege to be waived without Court approval.

Wendy, are these arrangements and agreements regarding the DenSco records acceptable to the Arizona Corporation Commission?

David, if the Arizona Corporation Commission is agreeable, we'd like to recover the records as soon as possible. Can you give me a rough idea of the number of boxes?

Thanks!

**Ryan W. Anderson**  
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[randerson@gamlaw.com](mailto:randerson@gamlaw.com)  
[www.guttillamurphyanderson.com](http://www.guttillamurphyanderson.com)

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Saturday, August 20, 2016 4:32 PM  
**To:** Ryan Anderson  
**Cc:** Wendy Coy; Kevin R. Merritt  
**Subject:** Re: DenSco Records

Ryan:

The bulk of the old loan and other records (I think 2011 ? to present) delivered to my office has been transferred to Gammage & Burnham for a review for a privilege log. The records less the privilege items are then to be copied with the copies and privilege log delivered to the AZ Securities Division. If the copies should be delivered to the Receiver, please have the AZ Securities Division modify the Subpoena. I just want to make sure we are in compliance.

With respect to DenSco's old loan and other records prior to 2011(?), I believe they are still at my office and can be delivered to you or the AZ Securities Division if we get the Subpoena clarified.

The DenSco Investor records (current records I think) are at Gammage & Burnham.

The current loan records were transferred from Robert Koehler to the AZ Securities Division less about 6 or 8 that were sent to me to coordinate payoff.

Please let me know how we should proceed given the outstanding Subpoena and the attorney-client review that needs to be completed.

Sincerely,  
David G. Beauchamp

Sent from my iPhone. Please excuse any typos.

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The Receiver is working through initial issues and he has been advised that certain records of DenSco are in your possession, specifically pre-2011 [or 2012] DenSco records were delivered to your offices by the PR.

As set forth in the attached, the Receiver needs to gather and maintain the DenSco records, can you give me an idea of the volume of records [how many boxes] and when is a good time to arrange the receiver's recovery of them from your offices?

Thanks in advance.

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[www.guttillamurphvanderson.com](http://www.guttillamurphvanderson.com)

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**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Friday, August 19, 2016 6:35 PM  
**To:** Ryan Anderson  
**Subject:** FW: 1720 E Windsong Dr, Phoenix- Deed of Release

Ryan:

As I indicated in our conversation, this email chain has the type of information that I have shared with each borrower and each Escrow Agent concerning the loan payoff to DenSco. IN this one, I had to also correct the Deed of Release which referenced an incorrect address.

Sincerely, David

**David G. Beauchamp**

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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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**From:** Hall, Theresa [<mailto:TheresaHall@ltic.com>]  
**Sent:** Friday, August 19, 2016 9:36 AM  
**To:** Beauchamp, David G.  
**Cc:** Equiworth, LLC ([equiworthhomes@gmail.com](mailto:equiworthhomes@gmail.com)); Gary Clapper; Kevin R. Merritt ([kmerritt@gblaw.com](mailto:kmerritt@gblaw.com)); [rskoehler@yahoo.com](mailto:rskoehler@yahoo.com)  
**Subject:** RE: 1720 E Windsong Dr, Phoenix- Deed of Release

Thank you David, I will make that correction.  
We are ALL SET now with the pay off figure and the release.

Thank you for your help!

*Theresa Hall*  
Lawyers Title

17100 N 67TH AVE, BLDG 2-200, GLENDALE, AZ 85308

Phone: 623 979 6060  
Fax: 623 979 0428  
Email: [theresahall@ltic.com](mailto:theresahall@ltic.com)

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Thursday, August 18, 2016 7:24 PM

**To:** Hall, Theresa  
**Cc:** Equiworth, LLC ([equiworthhomes@gmail.com](mailto:equiworthhomes@gmail.com)); Gary Clapper; Kevin R. Merritt ([kmerritt@qblaw.com](mailto:kmerritt@qblaw.com)); [rzkoehler@yahoo.com](mailto:rzkoehler@yahoo.com)  
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Theresa:

I just looked at the copy of the Deed of Release that I made prior to giving the original to your messenger. It appears that the legal description is correct, but the Deed of Release appears to reference the wrong street address in the middle of the document. You are authorized to have that reference corrected to reflect the actual street address of 1720 E. Windsong Dr. as is set forth in the DenSco's files.

Thank you.

Sincerely, David

**David G. Beauchamp**

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**Sent:** Thursday, August 18, 2016 2:42 PM  
**To:** Beauchamp, David G.  
**Cc:** Equiworth, LLC  
**Subject:** RE: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Instructions listed below will be followed by Lawyers Title.

Upon closing of escrow – loan pay off funds will be wired to DENSCO bank account.

Thank you, Theresa

*Theresa Hall*  
Lawyers Title

17100 N 67TH AVE, BLDG 2-200, GLENDALE, AZ 85308

Phone: 623 979 6060  
Fax: 623 979 0428  
Email: [theresahall@ltic.com](mailto:theresahall@ltic.com)

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Wednesday, August 17, 2016 8:13 PM  
**To:** Hall, Theresa  
**Cc:** Equiworth, LLC  
**Subject:** RE: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Theresa:

The payoff information that I have concerning this loan is as follows:

loan no. 7964  
1720 Windsong  
Borrower: Equiworth LLC  
Principal Due: \$216,000  
Interest due from 7-13-16 through 8-17-16 \$3,780.00  
interest per diem starting 8-18-16 through actual payoff date \$108.00

I also have a signed and notarized Deed of Release and Reconveyance for this loan.

Please note that as I indicated in my previous email, we do not have any information concerning any payments into DenSco's bank accounts on or after July 27. Accordingly, this payoff might not include any monthly interest payments that were received after that date. We have been advised by the AZ Securities Division that we can only authorize Deeds of Release and Reconveyance to be recorded in exchange for full payoffs. If there is a missing interest payment, the borrower will be able to submit a reimbursement claim to the Receiver who will be authorized by the court to pay any duplicate payments back to the borrower, which will be after the Receiver can audit the payments made to the DenSco account on or after July 27.

The original Deed of Release and Reconveyance is available to be picked at my office by the Title Company. You are authorized to hold this Deed of Release until such time as you have sufficient and readily available funds in your possession to fund the payoff amount for this loan. At that time, you may record that Deed of Release and Reconveyance when you are in position to pay the above payoff amount to DenSco's account. If you have previously made payments to DenSco in the last year, please use the same account information. If you do not have that information, please let me know and we will provide that information. If for any reason the DenSco account cannot receive the payoff payment, please advise me and hold such amount until the Receiver is appointed and the Receiver can make arrangements to receive such payment directly.

Please contact me with any questions.

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](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Beauchamp, David G.  
**Sent:** Wednesday, August 17, 2016 8:03 PM  
**To:** Equiworth, LLC  
**Cc:** [theresahall@ltic.com](mailto:theresahall@ltic.com)  
**Subject:** RE: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Larry:

According to the AZ Securities Division, I do not have authority to make any adjustments from the payoff numbers that are being calculated based upon DenSco's financial

numbers that Denny prepared on or before July 27. The Receiver will be authorized by the court to make any adjustments after the Receiver is able to update and reconcile DenSco's financial numbers for any payments after that date. You will need to submit your evidence of payment along with a request for a refund to the Receiver.

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](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Equiworth, LLC [<mailto:equiworthhomes@gmail.com>]

**Sent:** Wednesday, August 17, 2016 7:22 PM

**To:** Beauchamp, David G.

**Cc:** Theresa Hall

**Subject:** 1720 E Windsong Dr, Phoenix- Last Payment in July.

Attached is a copy of the last payment made for 1720 E Windsong Dr, Phoenix.

The Escrow Officer is Theresa Hall, Lawyers Title, 602-993-4545. I've cc's her in on this email.

Please let me know that you got this ok.

Thanks.

Larry Schultz  
Equiworth, LLC  
480-620-6122  
Email: [equiworthhomes@gmail.com](mailto:equiworthhomes@gmail.com)

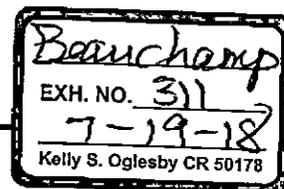
<image001.jpg>

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<2016 8-18 Order Appointing Receiver.pdf>



Message

From: James F. Polese [jpolese@gblaw.com]
Sent: 8/23/2016 3:09:23 PM
To: 'Ryan Anderson' [randerson@gamlaw.com]; Kevin R. Merritt [KMerritt@gblaw.com]
CC: 'pdavis@simonconsulting.net' [pdavis@simonconsulting.net]; Beauchamp, David G. [dbeauchamp@clarkhill.com]
Subject: RE: DenSco Records
Attachments: Redacted.pdf; Unredacted.pdf

Ryan:

I am enclosing what has been referred to as the "Investor Letter". This was a document prepared by the decedent shortly before death that apparently he elected not to send to investors. It discusses in great length his interaction with Scott Menaged but it is not terribly helpful in describing precisely how he was scammed.

I am sending 2 versions; one redacted and one un-redacted.

It is our understanding that this was sent to David Beauchamp. We do not believe that the entire document should be treated as an attorney client communication because it seems to be an historical document that does not seek any advice. There are however some references to specific conversations with Mr. Beauchamp and advice rendered and we believe that those are covered by the privilege. They are highlighted in the un-redacted version and blacked out in the redacted version.

We are still engaged in researching whether any other privilege might attach to this document and deliver it to you on the understanding that it will be for the receiver's eyes only and that it will not be disseminated to third parties including investors or their counsel - at least not until we complete our research on the privilege issue (which will be in the next day or 2). Even then, we assume and remit these documents on the express understanding that while the receiver may take a broader view of the attorney client privilege (and redact even more), he cannot take a narrower one and thus the only version that could be disseminated to a third party would be the redacted version with at least these redactions, absent a ruling from the court otherwise.

Please confirm that you agree to these conditions with respect to the document.

A word about the annotations on the document: while I put the page numbers in handwriting on the document, the other annotations and underlining were on the document when we received it from the close friend of the personal representative - an attorney in Idaho. Unfortunately he is travelling and I cannot confirm that he placed the annotations on the document. I will ask the Personal Representative when she come to town this week if she can shed light on the subject if we do not have an answer.

James F. Polese

602.256.4499 Direct | 602.405.3807 Mobile

jpolese@gblaw.com

From: Ryan Anderson [mailto:randerson@gamlaw.com]

Sent: Tuesday, August 23, 2016 12:30 PM

To: James F. Polese; Kevin R. Merritt

Cc: 'pdavis@simonconsulting.net'; dbeauchamp@clarkhill.com

Subject: FW: DenSco Records

Jim/Kevin,

Thanks for all your help in getting us up to speed in this case. I wanted to take a moment to recap the pending issues and ask for your indulgence on another issue:

First, the Receiver is awaiting the "green light" to pick-up and start the process of digitizing the records in your possession. Please let me know when the boxes of records are ready to be released.

Second, we've agreed to meet on Thursday to transition the cash to the Receiver and meet with the PR. Given the unique issues with the cash, I am hoping that we can have a clear plan of action. I am working to get details from the Receiver's bank about how they will manage the cash deposit. In that vein, if there are expectations from the PR regarding this transfer, please let me know. [i.e.- do you want a receipt?, watch the funds being counted?]

Third, we'd really like to meet with the PR and explore some basic issues that have been made known to us by the ACC. These issues include alleged DenSco checks and funds that were in Mr. Chittick's home and desk.

Finally, as you know we are initially working very hard to devise and implement a comprehensive strategy to use the powers of the Receivership to maximize recoveries for the investor victims. A big part of that strategy relates to Mr. Menaged's activities to defraud DenSco. What is complicating our efforts is that we do not have a concise representation from Mr. Chittick [or anyone] that sets forth the allegations underlying the fraud scheme perpetrated on DenSco. As you know we've asked for the "letter" that purportedly explains this from Mr. Chittick's side of the story, but are now aware of that the "story" is embedded in a letter or e-mail that contains other statements that may not be relevant to Mr. Menaged. I don't want to press too hard, but given the sensitive nature of these issues, but it has become clear that to quickly move ahead against Mr. Menaged's assets, we will need to know the allegations of fraud from this letter and may need to use some of these representations in pleadings filed in the Receivership Court. Moreover, given the concerns and Mr. Menaged being a flight risk, we are hoping to move before the Friday meeting of creditors in Mr. Menaged's Bankruptcy case.

Is it possible to get a copy of the sections of this letter that deal with Mr. Menaged today?

Please advise.

**Ryan W. Anderson**

Guttilla Murphy Anderson

City North

5415 E. High St., Suite 200

Phoenix, AZ 85054

(480) 304-8300

(480) 304-8301 (facsimile)

[randerson@gamlaw.com](mailto:randerson@gamlaw.com)

[www.guttillamurphyanderson.com](http://www.guttillamurphyanderson.com)

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]

**Sent:** Monday, August 22, 2016 5:15 PM

**To:** Ryan Anderson  
**Cc:** Kevin R. Merritt ([kmerritt@qblaw.com](mailto:kmerritt@qblaw.com))  
**Subject:** RE: DenSco Records

Ryan:

I did not receive a letter from Denny Chittick. He had indicated in a couple of letters and notes to others that he would be sending me a letter, but I did not receive a letter from him. In addition, his sister and Personal Representative did not find a letter to me on his computer. Denny did prepare and send his sister an email that contained information that she was to give to me. (It appears that as Denny was running out of time, he combined my letter with the letter to his sister and Personal Representative so he could finish both letters as one letter. I think that might be what is being referred to in Denny's notes and in his letter to Robert Koehler. I know that Shawna, Robert and I spent some time trying to find this letter, but I am not aware that anyone found it.

As far as the letter that was sent to Shawna to be shared with me, there is a considerable amount of personal information in that letter concerning his boys and how he wants them protected from his suicide. Denny also wanted to shelter his boys from the anticipated DenSco litigation that Denny anticipated would be extremely negative concerning Denny and the fact that he fell for a fraud and lost so much of his money and the money of DenSco's investors. I have been advised to discuss any request to share this letter with Kevin Merritt at Gammage before I share my portion with anyone. I believe that a portion of the letter is not applicable to anyone except his sister as his Estate's Personal Representative but there is a portion that is applicable to DenSco. Unfortunately, the DenSco portion does not go into the detail that I had hoped would fully explain the situation with Auction .com and Scott Menaged. The DenSco portion also includes incorrect statements and references as to the legal advice that I had provided to him and fails to properly reference why I was not providing any further securities advice to him and DenSco.

Please let me discuss this with Kevin Merritt and we will get back to you. Please know that I have already redacted portions of the letter to the Personal Representative, on the instructions of the Personal Representative. These portions redacted only pertain to Denny's passwords to his computer, passwords to his personal bank account, to his 401K from his career at Insight, and to DenSco's account to authorize wire instructions from the DenSco account as well as a few other confidential items.

Regards, David

**David G. Beauchamp**

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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

**From:** Ryan Anderson [<mailto:randerson@gamlaw.com>]  
**Sent:** Monday, August 22, 2016 9:47 AM  
**To:** Beauchamp, David G.  
**Subject:** RE: DenSco Records

David,

Mr. Chittick's letter to Robert Koehler references a lengthy explanation [perhaps a letter] to you from Mr. Chittick regarding DenSco's dealings with Scott Menaged. Do you have this letter or explanation? If so, please send me a copy of it. If there is some reason that it can't be disclosed, please let me know.

**Ryan W. Anderson**

Guttilla Murphy Anderson

City North

5415 E. High St., Suite 200

Phoenix, AZ 85054

(480) 304-8300

(480) 304-8301 (facsimile)

[randerson@gamlaw.com](mailto:randerson@gamlaw.com)

[www.guttillamurphyanderson.com](http://www.guttillamurphyanderson.com)

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]

**Sent:** Sunday, August 21, 2016 4:24 PM

**To:** Ryan Anderson

**Cc:** Wendy Coy; Kevin R. Merritt; [jpolese@qblaw.com](mailto:jpolese@qblaw.com)

**Subject:** Re: DenSco Records

Ryan:

Thank you for the information and the clarification. I will count the boxes in the morning and let you know.

Best regards, David

Sent from my iPhone. Please excuse any typos.

On Aug 21, 2016, at 12:14 PM, Ryan Anderson <[randerson@gamlaw.com](mailto:randerson@gamlaw.com)> wrote:

David,

Thanks for the e-mail and clarification. The Receiver has an agreement with Jim and Kevin on the DenSco records in their possession.

With respect to the DenSco records in your possession, the Receiver intends to recover them and have them digitized and bates stamped. Once digitized and bates stamped, an electronic copy will be made for you and the ACC. The original paper records will remain with the Receiver. We believe that this arrangement will satisfy the outstanding subpoena and everyone's concerns about having a copy of the records.

With respect to attorney client privilege and the DenSco records in your possession, Mr. Polese has suggested that the DenSco records in your possession are unlikely to have any privileged materials, however if they do and that record was inadvertently disclosed through this process, Mr. Polese has asked that any claim of privilege would not be waived. The Receiver has agreed with this proposal as it clearly is what the Court intended in her handwritten note at the end of the Receivership Order regarding the inability of the privilege to be waived without Court approval.

Wendy, are these arrangements and agreements regarding the DenSco records acceptable to the Arizona Corporation Commission?

David, if the Arizona Corporation Commission is agreeable, we'd like to recover the records as soon as possible. Can you give me a rough idea of the number of boxes?

Thanks!

**Ryan W. Anderson**

Guttilla Murphy Anderson

City North

5415 E. High St., Suite 200

Phoenix, AZ 85054

(480) 304-8300

(480) 304-8301 (facsimile)

[randerson@gamlaw.com](mailto:randerson@gamlaw.com)

[www.guttillamurphyanderson.com](http://www.guttillamurphyanderson.com)

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]

**Sent:** Saturday, August 20, 2016 4:32 PM

**To:** Ryan Anderson

**Cc:** Wendy Coy; Kevin R. Merritt

**Subject:** Re: DenSco Records

Ryan:

The bulk of the old loan and other records (I think 2011 ? to present) delivered to my office has been transferred to Gammage & Burnham for a review for a privilege log. The records less the privilege items are then to be copied with the copies and privilege log delivered to the AZ Securities Division. If the copies should be delivered to the Receiver, please have the AZ Securities Division modify the Subpoena. I just want to make sure we are in compliance.

With respect to DenSco's old loan and other records prior to 2011(?), I believe they are still at my office and can be delivered to you or the AZ Securities Division if we get the Subpoena clarified.

The DenSco Investor records (current records I think) are at Gammage & Burnham.

The current loan records were transferred from Robert Koehler to the AZ Securities Division less about 6 or 8 that were sent to me to coordinate payoff.

Please let me know how we should proceed given the outstanding Subpoena and the attorney-client review that needs to be completed.

Sincerely,

David G. Beauchamp

Sent from my iPhone. Please excuse any typos.

On Aug 20, 2016, at 3:47 PM, Ryan Anderson <[randerson@gamlaw.com](mailto:randerson@gamlaw.com)> wrote:  
David,

Thanks for the e-mails and initial information. As promised, attached is a copy of the Receivership Order, it was docketed yesterday afternoon.

The Receiver is working through initial issues and he has been advised that certain records of DenSco are in your possession, specifically pre-2011 [or 2012] DenSco records were delivered to your offices by the PR.

As set forth in the attached, the Receiver needs to gather and maintain the DenSco records, can you give me an idea of the volume of records [how many boxes] and when is a good time to arrange the receiver's recovery of them from your offices?

Thanks in advance.

**Ryan W. Anderson**

Guttilla Murphy Anderson

City North

5415 E. High St., Suite 200

Phoenix, AZ 85054

(480) 304-8300

(480) 304-8301 (facsimile)

[randerson@gamlaw.com](mailto:randerson@gamlaw.com)

[www.guttillamurphyanderson.com](http://www.guttillamurphyanderson.com)

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]

**Sent:** Friday, August 19, 2016 6:35 PM

**To:** Ryan Anderson

**Subject:** FW: 1720 E Windsong Dr, Phoenix- Deed of Release

Ryan:

As I indicated in our conversation, this email chain has the type of information that I have shared with each borrower and each Escrow Agent concerning the loan payoff to DenSco. IN this one, I had to also correct the Deed of Release which referenced an incorrect address.

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](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

**From:** Hall, Theresa [<mailto:TheresaHall@ltic.com>]

**Sent:** Friday, August 19, 2016 9:36 AM

**To:** Beauchamp, David G.

**Cc:** Equiworth, LLC ([equiworthhomes@gmail.com](mailto:equiworthhomes@gmail.com)); Gary Clapper; Kevin R. Merritt ([kmerritt@gblaw.com](mailto:kmerritt@gblaw.com)); [rkoebler@yahoo.com](mailto:rkoebler@yahoo.com)

**Subject:** RE: 1720 E Windsong Dr, Phoenix- Deed of Release

Thank you David, I will make that correction.

We are ALL SET now with the pay off figure and the release.

Thank you for your help!

*Theresa Hall*

Lawyers Title

17100 N 67TH AVE, BLDG 2-200, GLENDALE, AZ 85308

Phone: 623 979 6060

Fax: 623 979 0428

Email: [theresahall@ltic.com](mailto:theresahall@ltic.com)

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]

**Sent:** Thursday, August 18, 2016 7:24 PM

**To:** Hall, Theresa

**Cc:** Equiworth, LLC ([equiworthhomes@gmail.com](mailto:equiworthhomes@gmail.com)); Gary Clapper; Kevin R. Merritt ([kmerritt@gblaw.com](mailto:kmerritt@gblaw.com)); [rkoebler@yahoo.com](mailto:rkoebler@yahoo.com)

**Subject:** RE: 1720 E Windsong Dr, Phoenix- Deed of Release

Theresa:

I just looked at the copy of the Deed of Release that I made prior to giving the original to your messenger. It appears that the legal description is correct, but the Deed of Release appears to reference the wrong street address in the middle of the document. You are authorized to have that reference corrected to reflect the actual street address of 1720 E. Windsong Dr. as is set forth in the DenSco's files.

Thank you.

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](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

**From:** Hall, Theresa [<mailto:TheresaHall@ltic.com>]

**Sent:** Thursday, August 18, 2016 2:42 PM

**To:** Beauchamp, David G.

**Cc:** Equiworth, LLC

**Subject:** RE: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Instructions listed below will be followed by Lawyers Title.

Upon closing of escrow – loan pay off funds will be wired to DENSCO bank account.

Thank you, Theresa

*Theresa Hall*  
Lawyers Title

17100 N 67TH AVE, BLDG 2-200, GLENDALE, AZ 85308

Phone: 623 979 6060

Fax: 623 979 0428

Email: [theresahall@ltic.com](mailto:theresahall@ltic.com)

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]

**Sent:** Wednesday, August 17, 2016 8:13 PM

**To:** Hall, Theresa

**Cc:** Equiworth, LLC

**Subject:** RE: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Theresa:

The payoff information that I have concerning this loan is as follows:

loan no. 7964

1720 Windsong

Borrower: Equiworth LLC

Principal Due: \$216,000

Interest due from 7-13-16 through 8-17-16 \$3,780.00

interest per diem starting 8-18-16 through actual payoff date \$108.00

I also have a signed and notarized Deed of Release and Reconveyance for this loan.

Please note that as I indicated in my previous email, we do not have any information concerning any payments into DenSco's bank accounts on or after July 27. Accordingly, this payoff might not include any monthly interest payments that were received after that date. We have been advised by the AZ Securities Division that we can only authorize Deeds of Release and Reconveyance to be recorded in exchange for full payoffs. If there is a missing interest payment, the borrower will be able to submit a reimbursement claim to the Receiver who will be authorized by the court to pay any duplicate payments back to the borrower, which will be after the Receiver can audit the payments made to the DenSco account on or after July 27.

The original Deed of Release and Reconveyance is available to be picked at my office by the Title Company. You are authorized to hold this Deed of Release until such time as you have sufficient and readily available funds in your possession to fund the payoff amount for this loan. At that time, you may record that Deed of Release and Reconveyance when you are in position to pay the above payoff amount to DenSco's account. If you have previously made payments to DenSco in the last year, please use the same account information. If you do not have that information, please let me know and we will provide that information. If for any reason the DenSco account cannot

receive the payoff payment, please advise me and hold such amount until the Receiver is appointed and the Receiver can make arrangements to receive such payment directly.

Please contact me with any questions.

Sincerely, David

**David G. Beauchamp**

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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

**From:** Beauchamp, David G.

**Sent:** Wednesday, August 17, 2016 8:03 PM

**To:** Equiworth, LLC

**Cc:** [theresahall@ltic.com](mailto:theresahall@ltic.com)

**Subject:** RE: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Larry:

According to the AZ Securities Division, I do not have authority to make any adjustments from the payoff numbers that are being calculated based upon DenSco's financial numbers that Denny prepared on or before July 27. The Receiver will be authorized by the court to make any adjustments after the Receiver is able to update and reconcile DenSco's financial numbers for any payments after that date. You will need to submit your evidence of payment along with a request for a refund to the Receiver.

Sincerely, David

**David G. Beauchamp**

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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

**From:** Equiworth, LLC [<mailto:equiworthhomes@gmail.com>]

**Sent:** Wednesday, August 17, 2016 7:22 PM

**To:** Beauchamp, David G.

**Cc:** Theresa Hall

**Subject:** 1720 E Windsong Dr, Phoenix- Last Payment in July.

Attached is a copy of the last payment made for 1720 E Windsong Dr, Phoenix.

The Escrow Officer is Theresa Hall, Lawyers Title, 602-993-4545. I've cc's her in on this email.

Please let me know that you got this ok.

Thanks.

Larry Schultz  
Equiworth, LLC  
480-620-6122  
Email: [equiworthhomes@gmail.com](mailto:equiworthhomes@gmail.com)

<image001.jpg>

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<2016 8-18 Order Appointing Receiver.pdf>

Did go

Investors:

I owe you an explanation as well as a lot of money. This is going to get blown up and the truth will be hard to find. This is what happened. Please don't contact or create notification that would reach my x-wife. She needs to get my boys off to school. You have had all give me unwavering support of confidence; I accepted that confidence with pride, appreciation and humility, knowing I could perform to your expectations. I started the business in 2001. Not a great year to start one. I learned the business and it grew and grew. It was working perfectly until 2008. We had the great recession and phoenix was the epicenter of the housing crash. I was always impressed and surprised that nearly everyone stuck with me through it. I didn't come out of it unscathed, but I survived it which is more than I can say for many other lenders. I took millions of dollars in losses over a few years. I remained profitable every year. I was able to talk to a few of you to help me make decisions on what I should do. Should I sell these house I was getting back and take huge losses or keep them, rent them hope the market comes back? Gladly after consultations from several of you, you agreed with my strategy, it was smarter to rent them at cash flow neutral my interest costs and wait it out. I ended up with a 12 plex and 15-20 homes at one point. Slowly over the years, 2011, 2012, 2013, I sold them. Instead of selling them for 80% loss (which would have been worst case at the point I took some of them back), sometimes as little as 10% on loss of principle at the time of sale in 11-13'. Again because the rest of the business was thriving, the capital I had in the business, these losses had no impact on your interest earnings and even though it severely dented my profitability, but I was profitable every year. For over a dozen years, I ran this business as good as you could. Everything reconciled to the penny, the business was extremely profitable, sometimes annoyingly so. In 2012 I was saying that I would quit accepting money soon and figured the portfolio would start shrinking. Going in to 2013 I was starting to get larger idle cash positions on a regular basis. Scott Menaged, (480-261-7385 10510 E Sunnyside Dr., PV, 85259), a long time borrower, he was probably one of my largest borrowers by dollars over the years. He was also ran a bidding company and sent me many borrowers over the years. He at the time had a few million of loans with me on his rentals and was still doing flips on a regular basis. Scott contacted me and asked if would be interested in funding a bank of rentals to which a hedge fund friend of his out of New York would buy once it reached 7-10 million. He would put down 15-20%, fix them up and rent them and then when he acquired the total dollar amount he would sell out to this guy. That amount of money would take me over me 10-15% threshold to any one borrower. Again I talked to a few of you investors and got a positive response, based on his track record, the down payments etc, the comfort level was there. I agreed. He would buy anywhere between one and three properties a week at auction. Now when I have someone buy at auction, funds have to produce the next day in a cashier's check to the trustee. A majority of the time my repeat borrowers are buying through bidding companies that I have relationships with. For efficiency sake, I would normally wire the funds I'm lending to, the bidding company they would get the check and give it to the trustee. Send me receipts. Sometimes I would even wire the full amount and my borrower would bring me their down payment check and bidding fee because they lived here in the East valley versus running across town. I've operated this way ever since I was given the ability to wire on line in 2003. Many of you knew this and I told you this is how I operated. Some of you that were also borrowers and

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investors have experienced this way of doing business and know it's common. As Scott was buying these properties he would email me the info on the address the buy price and what he wanted to borrow, net of his down payment. I would do my due diligence and would wire the funds. He would sign all my docs and then I would record the Mortgage receipt and then once I saw the trustee's deed was recorded, which sometimes took a few weeks, I would then record my deed of trust. This was to cloud title until the trustee's deed was recorded. Some lenders record a Deed of Trust the day the property is paid for and re-record the Deed of Trust. Again this is the way the auction process works. It's the way I have operated from the beginning and many have copied my process. I've spoken with attorneys, title officers and trustees and it's been agreed upon that it's a good process. I felt comfortable lending him more money, I was keeping money at work and I had started to discuss with many of you telling you that by the end of the year I would probably start returning some of my larger investors some of their money. Everyone I spoke to was willing to accept some money back. I had also stated that I might force everyone to take their interest that way it would eat up my build up in cash that I was forecasting to have once this portfolio paid off at the end of the year. Mid way through the year, Scott contacted me asking if we could raise the bar even higher. He already had a few million of his own rentals and was still doing a few flips. Now he wanted to add to the hedge fund portfolio. I was concerned because of the concentration with him; the portfolio was around \$50 million. It was only going to be for a few more months and he had been spotless with payments of interest and I checked all the values of the properties, visited some of them, everything seemed to be in order. I agreed to the increase. We talked again in the fall and he was telling me I would be cashed out of these by year end. I again spoke with a few of you saying that I might be returning some funds. The plan was all working out fine, the rest of the business was doing fantastic and I wasn't concerned. Then in November something came up that made it look like I was in second position one of the properties I had a loan with Scott. I called him; he didn't know anything about it and said he would get back to me. The day before thanksgiving he came to my office and explained that his wife had come down with cancer and he was dealing with her most of the year and wasn't watching his business as closely as he normally does. He had turned over the day to day operations to his cousin that had been working with him for awhile. His cousin took advantage of the relationship that we had and he would request funds from other lenders on properties and Scott not knowing this would then request funds from me for the same property. Because I wired directly to him he would receive the funds, his cousin would have the other lenders pay for the property to the trustee. I believed I was in first position when in fact I was in second, not all the time but majority of the time based on recording first. Where all this extra money went is a great question. I know a lot of it was spent on fixing up the homes and down payments. The cousin lost some in Vegas, he sent some out of the country, surely spent it. I never got an accounting of it all. His cousin left the country. Scott contacted the other borrowers involved and the plan was to suspend interest and start selling the properties and work through the issues. Scott was going to sell other assets and bring in more money to help right the upside down position we were in. his hedge fund friend had no interest in getting the middle of this, so Scott had to sell each property individually. It's extremely difficult to do this with a tenant was in place. The goal was to get full or close to retail price which would maximize the money out of the property. We couldn't just kick out all these people because of the lease agreements. Once the properties became vacant

or they were a day late, evictions were started and then rehab and sell the property. A typical situation would be, he bought it for 84k, it was worth 110k, and I would lend 70k. The problem was another lender would lend the same amount. The total debt on the property is 140k now the value of the property is 120k. Now the issue on who's in first isn't simple as the recording time stamp of our docs. When I went through the whole portfolio I was in second by recording in a majority of them. The other lenders took the stance that they had actually issued and check directly to the trustee and it didn't matter when the recording was done. They too were doing double recording at the time they paid and when the trustee's deed was recorded. You would have four recordings on one property with two different lenders. Do you go by the first recording when it was paid for, or do you go by who was first after the trustee's deed was recorded, or is it who paid the trustee? I bounced this off several title agents and I got several difference answers. When asked directly about this whole issue Greg from AFG said he didn't know it was going on the whole year. Scott believes he was in on it with the cousin. But we had no proof. The other lenders involved as far as I know had no knowledge of what the cousin was doing. Now the first thing is how do we figure out who is in first, I know the rules, but when you have two docs and one check to a trustee, it's in dispute. In January, a group of five of the other lenders met me in my office. They had loans on about 60 of the houses. They said unless they were paid off in full, they would take this to court. They had a different set of investors behind them and they were willing to fight this in court even if it took a year. They were confident in their position. I couldn't afford to have that many loans and dollars be in suspense for who knows how long, 6 months a year? We all get lawyers and it would take forever to get a ruling. Yes, by this time I'm talking with my lawyer David Beauchamp 480-684-1100. He's aware of all that I know. [REDACTED]

With some negotiating with the other lenders, they agreed not to sue if their positions were paid off despite if houses were sold. Scott and I put a plan in place to which I would start paying off their debts as my cash flow allowed and have lien in first position, all done through title one after another. Even though I would be upside down in loan to value. My position was I rather have 140k lien on a house worth 120k, than 70k in second position. Greg in AFG said as long as he received his interest from Scott he wouldn't do anything and allow for the houses to be sold off as they became vacant. Scott and I worked for months on an agreement that was pounded out between our lawyers. It was a work out agreement with outline of what we were doing and how it was to happen. Why I didn't let all of you know what was going on at any point? It was pure fear. I had seen what one of my investors had done to a bidding company when they had a deal gone wrong. I have 100 investors, I had no idea what everyone would do or want to do or how many would just sue, justifiably. I also feared that there would be a classic run on the bank. Even though I had done nothing wrong. Everyone would be scared and start requesting their money back, I wouldn't be able to meet redemptions and then I would be in violation of my covenants and then I couldn't pay off the loans of the other lenders and they would sue, my investors would sue and the whole thing would implode. I truly believe we had a plan that would allow me to continue to operate, my investor would receive their interest and redemptions as a normal course of business, and the rest of my portfolio was performing. [REDACTED] We signed this workout agreement and began executing it. It took several months to get all the loans paid off by the disgruntle lenders group. We were also starting to sell the houses at a pretty good clip. In April the last of the disgruntled lenders deals

were paid off. Now we just had the AFG properties that I was in second position. Every time we sold a property there was a shortfall owed to me. Instead of taking this as a loss, I booked it as an A/R and Scott was paying down on it and reducing the A/R. It was of course going up faster than he was able to pay it down. Going back to December of 2013, when we were still trying to work all this that I just explained, Scott knew he had to make money to help cover the deficit to which would be created by the double encumbered properties and shortage that would be created at the time of disposition. He wanted time to still fund him buying properties at the auction and flipping them, wholesaling them etc. [REDACTED]

[REDACTED] I have copies of these in scan files. Robert has access to all of this. We agreed to the operation and allowed him to still buy things. He was buying again one to three a week; he would pay me back with interest on these most times within 10 -15 days, sometimes longer. He would wholesale it to one of his investors, put it on his website or sell it directly retail. Once again, I would do my recordings. However, he would nearly always sell it before the trustee's deed was getting recorded, so I was getting paid back before I ever recorded the deed of trust. A few of them he would keep and flip, but an overwhelming majority of these were wholesaled. Now I know that you would think, why the hell would I lend more money to guy that just put me in this situation? Scott came to me and said he was going to do everything he could to make this right. He could have at anytime just throw up his hands and walked away, filed BK and left me with a massive mess. He didn't. He helped negotiate with the other lenders. He sat with his attorney and mine and signed a very one sided agreement in my favor to work this out. I had UCC's on his furniture business and a life insurance policy. In fact his attorney advised him not to sign it. No one else was going to lend him money and I needed him to make money so that I could be paid back. Because of what and how we were operating, [REDACTED]

2 } I felt comfortable and everything he said he was going to do, he was doing. We got the disgruntled lenders taken care of, he signed the workout agreement, and was selling the homes, he was making payments to me and sometimes when a close happened he would wire in the money to cover the difference when he was able to do it. We were making headway on the whole problem slowly but surely. Now in to the middle of year, the amount of money he was borrowing for wholesaling was rising. He would buy more than he was paying off. I would get calls asking me why I had a recording on a property that didn't go to auction. I would check with Scott and he said it was rescinded sale. This happens on a fairly regular basis. I started to check on other properties that I had been paid off and found things weren't adding up. I confronted Scott. Besides buying at auction, he admitted that he had an agreement with Auction.com to send in offers on properties that were postponed, cxled etc and try to get the trustee's to agree on the short sale and give him the property. Auction.com would take the property and sell it and give Scott a cut on it. This whole agreement bothered me and wasn't sure it was right. Over time I was getting more and more uncomfortable with this arrangement and kept asking more questions. I told him that I wasn't comfortable with this arrangement, and I wanted it stopped and he need to return the funds to me and I would no longer fund any more deals. He said Auction.com was threatening if I cut him off they wouldn't return the checks to him that he had sent and I would be stuck with no money coming back in to me. We are now in the late 2014. I was adamant that I wanted to stop this transaction. I wasn't sure what the truth was as far as arrangement how or who was getting paid etc. they were using

leverage against him saying he had an agreement with them and he had no way of complaining to anyone. His position was, they were putting pressure on him to continue, they both were making money, and I was getting paid down. If I stopped he had no viable way to pay down the debt that had accrued from selling all the double encumbered properties and he would just file BK and I would be back to the same situation was I was before with a huge problem, no way to solve it, poised to go to the investors, the redemptions would come in and down spiral would occur. Now compounded with the knowledge that all along I had been an unwittingly accomplice in some kind of fraud in my estimation. I felt like I was between a rock and hard place, with no out. In December I said no more. We have to stop this. I can put the money back to work with other borrowers, return it to my investors whatever was best. I would run the business profitably for years, making the up the deficit by the profits of the company and eliminate the negative capital position I was in. In January we agreed to a plan through the first quarter and scale down by 2<sup>nd</sup> quarter by him finding someone to replace I and auction.com had a guy out of Las Vegas that would do the same Scott was doing. I agreed because he was still paying me the interest and principle, we were selling the homes off we were down to the last 30-40 homes that were double encumbered and now that all the leases, some were two years were now coming to an end, that by June all the 2<sup>nd</sup> positions loans would be paid off. Typing this and looking back at it, it sounds insane and stupid, I'll admit it. The business was still operating, I was profitable, this huge issue of second positions was almost gone and we had a plan to end this wholesale program and I would be able to do continue running the business profitably and slowly regain a positive capital position. Scott also decided to start a used car lot in 2015 to help make more money and pay down the outstanding debt. He opened it Easter Sunday. It started slow and grew and became profitable and doing really well by the fall. I had no affiliation with this at all. In the summer, he had surgery; he put his wife on his bank accounts allow her to get cashier's checks and other transactions to help operate his many business when he was home recovering. He also owns Furniture King. Scott by this time had a plan and agreement with auction.com to allow this guy from Las Vegas start taking over for him by fall. The balance hadn't gone up and I was looking forward to being done with this. In mid October his wife, whom I learned was bi polar, decided to divorce Scott. She went to the bank and cleared out all the money out of all his accounts personal and business. This destroyed his used car business because he was unable to operate without the capital and his flooring companies cut off his credit, he had to sell the cars at auction for losses and close the place by the end of the year. With the divorce going through its phases of discovery and motions etc, this put a stop to all the transactions that he could do through his entities and bank accounts. The way we were operating had to stop. He couldn't send me money and I couldn't send him money. His wife was acting irrational and ended up in a mental health hospital at one point. The problem that his caused put a huge strain on auction.com relationship with Scott and the plans to end the relationship and return the money were all put on hold. Now the money going back and forth one daily basis was sometimes over a million to 1.5 a day. The bank didn't like this back in the spring, so instead we would wire the difference to each other and just do the reconciling. If he purchased (at this point they were all offers to purchase) a million worth of properties for 6 different addresses, he would pay me off on 1.05 million. So he would wire me 50k. Some days I would wire him some days he would wire me. In October we had to stop this because of the divorce and instead we would just do reconciliation each day of who owed who

how much. All the second position houses have been sold by now. I just had a handful of loans with him which was all first position left over from his original group of loans he had me. The real issue was his inability to pay down the debt he owed me for the loss I had taken on the 2<sup>nd</sup> position houses and this wholesale deal was supposed to come to an end. Here we are at the end of the year and the divorce issues brought it all to a stop. Coming in to 2016, he finally got the divorce canceled and then she filed again. Then several months later is canceled again. His landlord from the car company was suing him. At one point in February under all the stress he decided he would file BK thinking he could get a filing number, which would put him in a bargaining position with his landlord and fighting the divorce. This of course was the stupidest thing for him to do. He didn't realize the laws and procedures in doing this. I didn't find out about it until May when I was contacted by a trustee asking for a payoff amount for a home. He then explained it to me what his thinking was and why he did it. By now auction.com had enough of this nightmare. By June it all stopped. However because of the BK they won't return the money to Scott or me that is owed. Scott's wife at point had gone in to their office and threatened to bring in her lawyers because she saw all the ins/outs in the bank accounts and wanted to know if he was hiding money from her. Auction.com said they wouldn't return the money to me until she signed an agreement with them and then Scott and I had to sign something between us, I've never seen this agreement. I'm not even sure what they would say or the intent of them would be. I never had contact with auction.com; they wanted to pretend I wasn't even involved. When that's all done they would return the money to him then to me or just to me. The whole BK filing stopped anything from happening. Here I am in July. I've got a small lending base the rest of the money is on the A/R that he owes me and 28.1 million plus interest (500k) sitting at auction.com. Plus 3 million in the reconciliation part that they owed me when they were paying me off on more than they were borrowing each day. There were profits made on these transactions. Scott and auction.com were splitting the profits, not sure how or where the funds came and went to, his portion he used to pay down on the workout agreement. However, none has been paid to me since October. The amount is insignificant in the big picture because I believe they were ill-gotten gains. Plus the 1.7 mil Scott's wife took out of his account. You can see that the 14 million (that's principle and interest from the 2<sup>nd</sup>'s positions workout agreement) owed to DenSCO by Scott would be about 9 million. I could make another 2 million this year. The net difference is getting smaller and it would be attainable to make all the investors whole at that point in another couple of years of business. That's why I kept working towards doing what I was doing. Scott is now knee deep into his BK procedure and you can imagine when they are looking at all of this they are having issue with it and my fear and belief is that it's criminal and auction.com has propagated a fraud, Scott was someone knowledgeable or conspiring in it, and because I was the money behind it I'm guilty by association. Now typing this it sounds like some obscene twilight show. It's embarrassing and humiliating reading this thinking how could I have made such wrong decisions got wrapped up in to this. But the only answer I can tell you is, in the beginning I was defrauded by Scott's cousin, I didn't realize what Scott was doing with auction.com. From all aspects it was legit, I get copies of checks, receipts, I would be paid back, etc. and I believed it was the best way to return your money to you. That was always my goal. I know I accepted some funds from some of you over the last three years. I believed that I was going to get this all fixed. I returned many more millions to some of you and turn down even more millions from others. I wasn't trying to

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keep myself afloat by taking more money and investors and making things worse. I put all non-retirement personal available funds in to DenSco over the last few years trying to help solve this. I was doing everything I could and believed to fix this issue. No I wasn't forthright to you. I had convinced myself no matter what relationship I had with anyone of you individually, I couldn't go to just one or two of you without telling all of you and at no point throughout this nightmare did I believe that you would be accepting and trusting to allow me to notify you and would still trust me, assist me on how to work through this without starting massive withdrawals and lawsuits. That would be the natural reaction for a few, some or most of you? I didn't know. The loss that would have happened day one when I was first made aware of the fraud, might be smaller than today. However, with all the lawsuits and lawyers involved I know that it would have exasperated the loss. I know I made wrong decisions. I did consult my lawyer for the first year on each step of the way. He's unaware of the situation I'm in today and the information I now know regarding the relationship between auction.com and Scott's arrangement with them. I'm not privy to the details of it. The guilt, embarrassment, and humility any other adjective you can add in there is over whelming. I can't face my parents, which yes, they are going to be severely hurt, more than all of you by this, going through the legal process is unbearably thought. I have no idea where that would lead, jail? Possibly. Years spent in courts and lawyers trying to settle this all out. Mean while having to face all of you. I can't do it. I love my family and my boys as much as any of you do your families. I can't put them through this face to face. I've decided to be my own judge and jury and I decided the death penalty. I am never going to see my amazing boys grow up. My divorce which I spent more effort than anyone would believe to mitigate the negative effect on my boys, is now in vain because my death is going to be overwhelming to them. As I'm sitting here typing this I'm crying because of the thought of the sadness, angry, confusion, I am going to bring to their lives. As bad as it is, I feel it's a better option than me living, having them see what you and courts would do to me, justifiably too. I'm sorry for everything that I've done. I believe that you can recover a substantial amount of your principle. I believe with me dead there is no change in the chance of that happening. I don't know how to end this other than I'm not asking for forgiveness I'm just sorry I wasn't forthcoming in the beginning maybe it would have had a better ending or process than I feared would happen. I know this all sounds nearly incoherent but my mind isn't exactly clear.

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investors have experienced this way of doing business and know it's common. As Scott was buying these properties he would email me the info on the address, the buy price and what he wanted to borrow, net of his down payment. I would do my due diligence and would wire the funds. He would sign all my docs and then I would record the Mortgage receipt and then once I saw the trustee's deed was recorded, which sometimes took a few weeks, I would then record my deed of trust. This was to cloud title until the trustee's deed was recorded. Some lenders record a Deed of Trust the day the property is paid for and re-record the Deed of Trust. Again this is the way the auction process works. It's the way I have operated from the beginning and many have copied my process. I've spoken with attorneys, title officers and trustees and it's been agreed upon that it's a good process. I felt comfortable lending him more money, I was keeping money at work and I had started to discuss with many of you telling you that by the end of the year I would probably start returning some of my larger investors some of their money. Everyone I spoke to was willing to accept some money back. I had also stated that I might force everyone to take their interest that way it would eat up my build up in cash that I was forecasting to have once this portfolio paid off at the end of the year. Mid way through the year, Scott contacted me asking if we could raise the bar even higher. He already had a few million of his own rentals and was still doing a few flips. Now he wanted to add to the hedge fund portfolio. I was concerned because of the concentration with him; the portfolio was around \$50 million. It was only going to be for a few more months and he had been spotless with payments of interest and I checked all the values of the properties, visited some of them, everything seemed to be in order. I agreed to the increase. We talked again in the fall and he was telling me I would be cashed out of these by year end. I again spoke with a few of you saying that I might be returning some funds. The plan was all working out fine, the rest of the business was doing fantastic and I wasn't concerned. Then in November something came up that made it look like I was in second position one of the properties I had a loan with Scott. I called him; he didn't know anything about it and said he would get back to me. The day before thanksgiving he came to my office and explained that his wife had come down with cancer and he was dealing with her most of the year and wasn't watching his business as closely as he normally does. He had turned over the day to day operations to his cousin that had been working with him for awhile. His cousin took advantage of the relationship that we had and he would request funds from other lenders on properties and Scott not knowing this would then request funds from me for the same property. Because I wired directly to him he would receive the funds, his cousin would have the other lenders pay for the property to the trustee. I believed I was in first position when in fact I was in second, not all the time but majority of the time based on recording first. Where all this extra money went is a great question. I know a lot of it was spent on fixing up the homes and down payments. The cousin lost some in Vegas, he sent some out of the country, surely spent it. I never got an accounting of it all. His cousin left the country, Scott contacted the other borrowers involved and the plan was to suspend interest and start selling the properties and work through the issues. Scott was going to sell other assets and bring in more money to help right the upside down position we were in. his hedge fund friend had no interest in getting the middle of this, so Scott had to sell each property individually. It's extremely difficult to do this with a tenant was in place. The goal was to get full or close to retail price which would maximize the money put of the property. We couldn't just kick out all these people because of the lease agreements. Once the properties became vacant

or they were a day late, evictions were started and then rehab and sell the property. A typical situation would be, he bought it for 84k, it was worth 110k, and I would lend 70k. The problem was another lender would lend the same amount. The total debt on the property is 140k now the value of the property is 120k. Now the issue on who's in first isn't simple as the recording time stamp of our docs. When I went through the whole portfolio I was in second by recording in a majority of them. The other lenders took the stance that they had actually issued and check directly to the trustee and it didn't matter when the recording was done. They too were doing double recording at the time they paid and when the trustee's deed was recorded. You would have four recordings on one property with two different lenders. Do you go by the first recording when it was paid for, or do you go by who was first after the trustee's deed was recorded, or is it who paid the trustee? I bounced this off several title agents and I got several difference answers. When asked directly about this whole issue Greg from AFG said he didn't know it was going on the whole year. Scott believes he was in on it with the cousin. But we had no proof. The other lenders involved as far as I know had no knowledge of what the cousin was doing. Now the first thing is how do we figure out who is in first, I know the rules, but when you have two docs and one check to a trustee, it's in dispute. In January, a group of five of the other lenders met me in my office. They had loans on about 60 of the houses. They said unless they were paid off in full, they would take this to court. They had a different set of investors behind them and they were willing to fight this in court even if it took a year. They were confident in their position. I couldn't afford to have that many loans and dollars be in suspense for who knows how long, 6 months a year? We all get lawyers and it would take forever to get a ruling. Yes, by this time I'm talking with my lawyer David Beauchamp 480-584-1100. He's aware of all that I know. He agreed it would be the worst situation to sue each other and try to figure it out. With some negotiating with the other lenders, they agreed not to sue if their positions were paid off despite if houses were sold. Scott and I put a plan in place to which I would start paying off their debts as my cash flow allowed and have lien in first position, all done through title one after another. Even though I would be upside down in loan to value. My position was I rather have 140k lien on a house worth 120k, than 70k in second position. Greg in AFG said as long as he received his interest from Scott he wouldn't do anything and allow for the houses to be sold off as they became vacant. Scott and I worked for months on an agreement that was pounded out between our lawyers. It was a work out agreement with outline of what we were doing and how it was to happen. Why I didn't let all of you know what was going on at any point? It was pure fear. I had seen what one of my investors had done to a bidding company when they had a deal gone wrong. I have 100 investors, I had no idea what everyone would do or want to do or how many would just sue, justifiably. I also feared that there would be a classic run on the bank. Even though I had done nothing wrong. Everyone would be scared and start requesting their money back, I wouldn't be able to meet redemptions and then I would be in violation of my covenants and then I couldn't pay off the loans of the other lenders and they would sue, my investors would sue and the whole thing would implode. I truly believe we had a plan that would allow me to continue to operate, my investor would receive their interest and redemptions as a normal course of business, and the rest of my portfolio was performing. Dave blessed this course of action. We signed this workout agreement and began executing it. It took several months to get all the loans paid off by the disgruntled lenders group. We were also starting to sell the houses at a pretty good clip. In April the last of the disgruntled lenders deals

were paid off. Now we just had the AFG properties that I was in second position. Every time we sold a property there was a shortfall owed to me. Instead of taking this as a loss, I booked it as an A/R and Scott was paying down on it and reducing the A/R. It was of course going up faster than he was able to pay it down. Going back to December of 2013, when we were still trying to work all this that I just explained, Scott knew he had to make money to help cover the deficit to which would be created by the double encumbered properties and shortage that would be created at the time of disposition. He wanted time to still fund him buying properties at the auction and flipping them, wholesaling them etc. I talked to Dave about this January and he was in agreement with it as long as I received copies of checks and receipts showing that I was the one paying the trustee. I have copies of these in scan files. Robert has access to all of this. We agreed to the operation and allowed him to still buy things. He was buying again one to three a week; he would pay me back with interest on these most times within 10-15 days, sometimes longer. He would wholesale it to one of his investors, put it on his website or sell it directly retail. Once again, I would do my recordings. However, he would nearly always sell it before the trustee's deed was getting recorded, so I was getting paid back before I ever recorded the deed of trust. A few of them he would keep and flip, but an overwhelming majority of these were wholesaled. Now I know that you would think, why the hell would I lend more money to guy that just put me in this situation? Scott came to me and said he was going to do everything he could to make this right. He could have at anytime just throw up his hands and walked away, filed BK and left me with a massive mess. He didn't. He helped negotiate with the other lenders. He sat with his attorney and mine and signed a very one sided agreement in my favor to work this out. I had UCC's on his furniture business and a life insurance policy. In fact his attorney advised him not to sign it. No one else was going to lend him money and I needed him to make money so that I could be paid back. Because of what and how we were operating, Dave blessed it, I felt comfortable and everything he said he was going to do, he was doing. We got the disgruntled lenders taken care of, he signed the workout agreement, and was selling the homes, he was making payments to me and sometimes when a close happened he would wire in the money to cover the difference when he was able to do it. We were making headway on the whole problem slowly but surely. Now in to the middle of year, the amount of money he was borrowing for wholesaling was rising. He would buy more than he was paying off. I would get calls asking me why I had a recording on a property that didn't go to auction, I would check with Scott and he said it was resale sale. This happens on a fairly regular basis. I started to check on other properties that I had been paid off and found things weren't adding up. I confronted Scott. Besides buying at auction, he admitted that he had an agreement with Auction.com to send in offers on properties that were postponed, cxded etc and try to get the trustee's to agree on the short sale and give him the property. Auction.com would take the property and sell it and give Scott a cut on it. This whole agreement bothered me and wasn't sure it was right. Over time I was getting more and more uncomfortable with this arrangement and kept asking more questions. I told him that I wasn't comfortable with this arrangement, and I wanted it stopped and he need to return the funds to me and I would no longer fund any more deals. He said Auction.com was threatening if I cut him off they wouldn't return the checks to him that he had sent and I would be stuck with no money coming back in to me. We are now in the late 2014. I was adamant that I wanted to stop this transaction. I wasn't sure what the truth was as far as arrangement how or who was getting paid etc, they were using

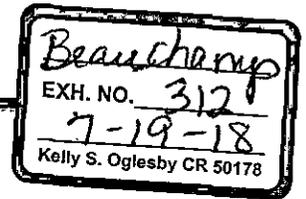
leverage against him saying he had an agreement with them and he had no way of complaining to anyone. His position was, they were putting pressure on him to continue, they both were making money, and I was getting paid down. If I stopped he had no viable way to pay down the debt that had accrued from selling all the double encumbered properties and he would just file BK and I would be back to the same situation as I was before with a huge problem, no way to solve it, poised to go to the investors, the redemptions would come in and down spiral would occur. Now compounded with the knowledge that all along I had been an unwittingly accomplice in some kind of fraud in my estimation. I felt like I was between a rock and hard place, with no out. In December I said no more. We have to stop this. I can put the money back to work with other borrowers, return it to my investors whatever was best. I would run the business profitably for years, making the up the deficit by the profits of the company and eliminate the negative capital position I was in. In January we agreed to a plan through the first quarter and scale down by 2<sup>nd</sup> quarter by him finding someone to replace I and auction.com had a guy out of Las Vegas that would do the same Scott was doing. I agreed because he was still paying me the interest and principals, we were selling the homes off we were down to the last 30-40 homes that were double encumbered and now that all the leases, some were two years were now coming to an end, that by June all the 2<sup>nd</sup> positions loans would be paid off. Typing this and looking back at it, it sounds insane and stupid, I'll admit it. The business was still operating, I was profitable, this huge issue of second positions was almost gone and we had a plan to end this wholesale program and I would be able to do continue running the business profitably and slowly regain a positive capital position. Scott also decided to start a used car lot in 2015 to help make more money and pay down the outstanding debt. He opened it Easter Sunday. It started slow and grew and became profitable and doing really well by the fall. I had no affiliation with this at all. In the summer, he had surgery; he put his wife on his bank accounts allow her to get cashier's checks and other transactions to help operate his many business when he was home recovering. He also owns Furniture King. Scott by this time had a plan and agreement with auction.com to allow this guy from Las Vegas start taking over for him by fall. The balance hadn't gone up and I was looking forward to being done with this. In mid October his wife, whom I learned was bi polar, decided to divorce Scott. She went to the bank and cleared out all the money out of all his accounts personal and business. This destroyed his used car business because he was unable to operate without the capital and his flooring companies cut off his credit, he had to sell the cars at auction for losses and close the place by the end of the year. With the divorce going through its phases of discovery and motions etc, this put a stop to all the transactions that he could do through his entities and bank accounts. The way we were operating had to stop; He couldn't send me money and I couldn't send him money. His wife was acting irrational and ended up in a mental health hospital at one point. The problem that his caused put a huge strain on auction.com relationship with Scott and the plans to end the relationship and return the money were all put on hold. Now the money going back and forth one daily basis was sometimes over a million to 1.5 a day. The bank didn't like this back in the spring, so instead we would wire the difference to each other and just do the reconciling. If he purchased (at this point they were all offers to purchase) a million worth of properties for 6 different addresses, he would pay me off on 1.05 million. So he would wire me 50k. Some days I would wire him some days he would wire me. In October we had to stop this because of the divorce and instead we would just do reconciliation each day of who owed who

how much. All the second position houses have been sold by now. I just had a handful of loans with him which was all first position left over from his original group of loans he had me. The real issue was his inability to pay down the debt he owed me for the loss I had taken on the 2<sup>nd</sup> position houses and this wholesale deal was supposed to come to an end. Here we are at the end of the year and the divorce issues brought it all to a stop. Coming in to 2016, he finally got the divorce canceled and then she filed again. Then several months later is canceled again. His landlord from the car company was suing him. At one point in February under all the stress he decided he would file BK thinking he could get a filing number, which would put him in a bargaining position with his landlord and fighting the divorce. This of course was the stupidest thing for him to do. He didn't realize the laws and procedures in doing this. I didn't find out about it until May when I was contacted by a trustee asking for a payoff amount for a home. He then explained it to me what his thinking was and why he did it. By now auction.com had enough of this nightmare. By June it all stopped. However because of the BK they won't return the money to Scott or me that is owed, Scott's wife at point had gone in to their office and threatened to bring in her lawyers because she saw all the ins/outs in the bank accounts and wanted to know if he was hiding money from her. Auction.com said they wouldn't return the money to me until she signed an agreement with them and then Scott and I had to sign something between us, I've never seen this agreement. I'm not even sure what they would say or the intent of them would be. I never had contact with auction.com; they wanted to pretend I wasn't even involved. When that's all done they would return the money to him then to me or just to me. The whole BK filing stopped anything from happening. Here I am in July. I've got a small lending base the rest of the money is on the A/R that he owes me and 28.1 million plus interest (500k) sitting at auction.com. Plus 3 million in the reconciliation part that they owed me when they were paying me off on more than they were borrowing each day. There were profits made on these transactions. Scott and auction.com were splitting the profits, not sure how or where the funds came and went to, his portion he used to pay down on the workout agreement. However, none has been paid to me since October. The amount is insignificant in the big picture because I believe they were ill-gotten gains. Plus the 1.7 mil Scott's wife took out of his account. You can see that the 14 million (that's principle and interest from the 2<sup>nd</sup>'s positions workout agreement) owed to DenSco by Scott would be about 9 million. I could make another 2 million this year. The net difference is getting smaller and it would be attainable to make all the investors whole at that point in another couple of years of business. That's why I kept working towards doing what I was doing. Scott is now knee deep into his BK procedure and you can imagine when they are looking at all of this they are having issue with it and my fear and belief is that it's criminal and auction.com has propagated a fraud, Scott was someone knowledgeable or conspiring in it, and because I was the money behind it I'm guilty by association. Now typing this it sounds like some obscene twilight show. It's embarrassing and humiliating reading this thinking how could I have made such wrong decisions got wrapped up in to this. But the only answer I can tell you is, in the beginning I was defrauded by Scott's cousin, I didn't realize what Scott was doing with auction.com. From all aspects it was legit, I get copies of checks, receipts, I would be paid back, etc. and I believed it was the best way to return your money to you. That was always my goal. I know I accepted some funds from some of you over the last three years. I believed that I was going to get this all fixed. I returned many more millions to some of you and turn down even more millions from others. I wasn't trying to

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keep myself afloat by taking more money and investors and making things worse. I put all non-retirement personal available funds in to DenSco over the last few years trying to help solve this. I was doing everything I could and believed to fix this issue. No I wasn't forthcoming to you. I had convinced myself no matter what relationship I had with anyone of you individually, I couldn't go to just one or two of you without telling all of you and at no point throughout this nightmare did I believe that you would be accepting and trusting to allow me to notify you and would still trust me, assist me on how to work through this without starting massive withdrawals and lawsuits. That would be the natural reaction for a few, some or most of you? I didn't know. The loss that would have happened day one when I was first made aware of the fraud, might be smaller than today. However, with all the lawsuits and lawyers involved I know that it would have exasperated the loss. I know I made wrong decisions. I did consult my lawyer for the first year on each step of the way. He's unaware of the situation I'm in today and the information I now know regarding the relationship between auction.com and Scott's arrangement with them. I'm not privy to the details of it. The guilt, embarrassment, and humility any other adjective you can add in there is over whelming. I can't face my parents, which yes, they are going to be severely hurt, more than all of you by this, going through the legal process is unbearably thought. I have no idea where that would lead, jail? Possibly. Years spent in courts and lawyers trying to settle this all out. Mean while having to face all of you. I can't do it. I love my family and my boys as much as any of you do your families. I can't put them through this face to face. I've decided to be my own judge and jury and I decided the death penalty. I am never going to see my amazing boys grow up. My divorce which I spent more effort than anyone would believe to mitigate the negative effect on my boys, is now in vain because my death is going to be overwhelming to them. As I'm sitting here typing this I'm crying because of the thought of the sadness, angry, confusion, I am going to bring to their lives. As bad as it is, I feel it's a better option than me living, having them see what you and courts would do to me, justifiably too. I'm sorry for everything that I've done. I believe that you can recover a substantial amount of your principle, I believe with me dead there is no change in the chance of that happening. I don't know how to end this other than I'm not asking for forgiveness I'm just sorry I wasn't forthcoming in the beginning maybe it would have had a better ending or process than I feared would happen. I know this all sounds nearly incoherent but my mind isn't exactly clear.

**Beauchamp, David G.**



**From:** Beauchamp, David G.  
**Sent:** Tuesday, August 23, 2016 3:47 PM  
**To:** James F. Polese; 'Ryan Anderson'  
**Cc:** 'pdavis@simonconsulting.net'; Kevin R. Merritt  
**Subject:** RE: DenSco Records

Jim and Ryan:

I only have hard copies of:

1. the draft investor letter from Denny with notes on it;
2. the email to Shawna (with notes in the margin) that she shared with me so that I could see the portion pertaining to DenSco, which has had the account information, the passwords and other confidential information redacted; and
3. the letter to Robert Koehler.

I do not have any of these "last minute" communications from Denny Chittick in electronic format.

Sincerely, David  
**David G. Beauchamp**

CLARK HILL PLC

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**From:** James F. Polese [mailto:jpolese@gblaw.com]  
**Sent:** Tuesday, August 23, 2016 3:09 PM  
**To:** 'Ryan Anderson'; Kevin R. Merritt  
**Cc:** 'pdavis@simonconsulting.net'; Beauchamp, David G.  
**Subject:** RE: DenSco Records

Ryan:

I am enclosing what has been referred to as the "Investor Letter". This was a document prepared by the decedent shortly before death that apparently he elected not to send to investors. It discusses in great length his interaction with Scott Menaged but it is not terribly helpful in describing precisely how he was scammed.

I am sending 2 versions; one redacted and one un-redacted.

It is our understanding that this was sent to David Beauchamp. We do not believe that the entire document should be treated as an attorney client communication because it seems to be an historical document that does not seek any advice. There are however some references to specific conversations with Mr. Beauchamp and advice rendered and we believe that those are covered by the privilege. They are highlighted in the un-redacted version and blacked out in the redacted version.

We are still engaged in researching whether any other privilege might attach to this document and deliver it to you on the understanding that it will be for the receiver's eyes only and that it will not be disseminated to third parties including investors or their counsel – at least not until we complete our research on the privilege issue (which will be in the next

day or 2). Even then, we assume and remit these documents on the express understanding that while the receiver may take a broader view of the attorney client privilege (and redact even more), he cannot take a narrower one and thus the only version that could be disseminated to a third party would be the redacted version with at least these redactions, absent a ruling from the court otherwise.

Please confirm that you agree to these conditions with respect to the document.

A word about the annotations on the document: while I put the page numbers in handwriting on the document, the other annotations and underlining were on the document when we received it from the close friend of the personal representative – an attorney in Idaho. Unfortunately he is travelling and I cannot confirm that he placed the annotations on the document. I will ask the Personal Representative when she come to town this week if she can shed light on the subject if we do not have an answer.

**James F. Polese**

602.256.4499 Direct | 602.405.3807 Mobile  
jpolese@gbflaw.com

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**From:** Ryan Anderson [mailto:randerson@gamlaw.com]  
**Sent:** Tuesday, August 23, 2016 12:30 PM  
**To:** James F. Polese; Kevin R. Merritt  
**Cc:** 'pdavis@simonconsulting.net'; dbeauchamp@clarkhill.com  
**Subject:** FW: DenSco Records

Jim/Kevin,

Thanks for all your help in getting us up to speed in this case. I wanted to take a moment to recap the pending issues and ask for your indulgence on another issue:

First, the Receiver is awaiting the "green light" to pick-up and start the process of digitizing the records in your possession. Please let me know when the boxes of records are ready to be released.

Second, we've agreed to meet on Thursday to transition the cash to the Receiver and meet with the PR. Given the unique issues with the cash, I am hoping that we can have a clear plan of action. I am working to get details from the Receiver's bank about how they will manage the cash deposit. In that vein, if there are expectations from the PR regarding this transfer, please let me know. [i.e.- do you want a receipt?, watch the funds being counted?]

Third, we'd really like to meet with the PR and explore some basic issues that have been made known to us by the ACC. These issues include alleged DenSco checks and funds that were in Mr. Chittick's home and desk.

Finally, as you know we are initially working very hard to devise and implement a comprehensive strategy to use the powers of the Receivership to maximize recoveries for the investor victims. A big part of that strategy relates to Mr. Menaged's activities to defraud DenSco. What is complicating our efforts is that we do not have a concise representation from Mr. Chittick [or anyone] that sets forth the allegations underlying the fraud scheme perpetrated on DenSco. As you know we've asked for the "letter" that purportedly explains this from Mr. Chittick's side of the story, but are now aware of that the "story" is embedded in a letter or e-mail that contains other statements that may not be relevant to Mr. Menaged. I don't want to press too hard, but given the sensitive nature of these issues, but it has become clear that to quickly move ahead against Mr. Menaged's assets, we will need to know the allegations of fraud from this letter and may need to use some of these representations in pleadings filed in the Receivership Court. Moreover, given the concerns and Mr. Menaged being a flight risk, we are hoping to move before the Friday meeting of creditors in Mr. Menaged's Bankruptcy case.

Is it possible to get a copy of the sections of this letter that deal with Mr. Menaged today?

Please advise.

**Ryan W. Anderson**

Guttilla Murphy Anderson

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**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]

**Sent:** Monday, August 22, 2016 5:15 PM

**To:** Ryan Anderson

**Cc:** Kevin R. Merritt ([kmerritt@qblaw.com](mailto:kmerritt@qblaw.com))

**Subject:** RE: DenSco Records

Ryan:

I did not receive a letter from Denny Chittick. He had indicated in a couple of letters and notes to others that he would be sending me a letter, but I did not receive a letter from him. In addition, his sister and Personal Representative did not find a letter to me on his computer. Denny did prepare and send his sister an email that contained information that she was to give to me. (It appears that as Denny was running out of time, he combined my letter with the letter to his sister and Personal Representative so he could finish both letters as one letter. I think that might be what is being referred to in Denny's notes and in his letter to Robert Koehler. I know that Shawna, Robert and I spent some time trying to find this letter, but I am not aware that anyone found it.

As far as the letter that was sent to Shawna to be shared with me, there is a considerable amount of personal information in that letter concerning his boys and how he wants them protected from his suicide. Denny also wanted to shelter his boys from the anticipated DenSco litigation that Denny anticipated would be extremely negative concerning Denny and the fact that he fell for a fraud and lost so much of his money and the money of DenSco's investors. I have been advised to discuss any request to share this letter with Kevin Merritt at Gammage before I share my portion with anyone. I believe that a portion of the letter is not applicable to anyone except his sister as his Estate's Personal Representative but there is a portion that is applicable to DenSco. Unfortunately, the DenSco portion does not go into the detail that I had hoped would fully explain the situation with Auction .com and Scott Menaged. The DenSco portion also includes incorrect statements and references as to the legal advice that I had provided to him and fails to properly reference why I was not providing any further securities advice to him and DenSco.

Please let me discuss this with Kevin Merritt and we will get back to you. Please know that I have already redacted portions of the letter to the Personal Representative, on the instructions of the Personal Representative. These portions redacted only pertain to Denny's passwords to his computer, passwords to his personal bank account, to his 401K from his career at Insight, and to DenSco's account to authorize wire instructions from the DenSco account as well as a few other confidential items.

Regards, David

**David G. Beauchamp**

**CLARK HILL PLC**

14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254

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**From:** Ryan Anderson [<mailto:randerson@gamlaw.com>]  
**Sent:** Monday, August 22, 2016 9:47 AM  
**To:** Beauchamp, David G.  
**Subject:** RE: DenSco Records

David,

Mr. Chittick's letter to Robert Koehler references a lengthy explanation [perhaps a letter] to you from Mr. Chittick regarding DenSco's dealings with Scott Menaged. Do you have this letter or explanation? If so, please send me a copy of it. If there is some reason that it can't be disclosed, please let me know.

**Ryan W. Anderson**  
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[www.guttillamurphvanderson.com](http://www.guttillamurphvanderson.com)

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**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Sunday, August 21, 2016 4:24 PM  
**To:** Ryan Anderson  
**Cc:** Wendy Coy; Kevin R. Merritt; [jpolese@gblaw.com](mailto:jpolese@gblaw.com)  
**Subject:** Re: DenSco Records

Ryan:

Thank you for the information and the clarification. I will count the boxes in the morning and let you know.

Best regards, David

Sent from my iPhone. Please excuse any typos.

On Aug 21, 2016, at 12:14 PM, Ryan Anderson <[randerson@gamlaw.com](mailto:randerson@gamlaw.com)> wrote:

David,

Thanks for the e-mail and clarification. The Receiver has an agreement with Jim and Kevin on the DenSco records in their possession.

With respect to the DenSco records in your possession, the Receiver intends to recover them and have them digitized and bates stamped. Once digitized and bates stamped, an electronic copy will be made for you and the ACC. The original paper records will remain with the Receiver. We believe that this arrangement will satisfy the outstanding subpoena and everyone's concerns about having a copy of the records.

With respect to attorney client privilege and the DenSco records in your possession, Mr. Polese has suggested that the DenSco records in your possession are unlikely to have any privileged materials, however if they do and that record was inadvertently disclosed through this process, Mr. Polese has asked that any claim of privilege would not be waived. The Receiver has agreed with this proposal as it clearly is what the Court intended in her handwritten note at the end of the Receivership Order regarding the inability of the privilege to be waived without Court approval.

Wendy, are these arrangements and agreements regarding the DenSco records acceptable to the Arizona Corporation Commission?

David, if the Arizona Corporation Commission is agreeable, we'd like to recover the records as soon as possible. Can you give me a rough idea of the number of boxes?

Thanks!

**Ryan W. Anderson**

Guttilla Murphy Anderson

City North

5415 E. High St., Suite 200

Phoenix, AZ 85054

(480) 304-8300

(480) 304-8301 (facsimile)

[randerson@gamlaw.com](mailto:randerson@gamlaw.com)

[www.guttillamurphyanderson.com](http://www.guttillamurphyanderson.com)

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]

**Sent:** Saturday, August 20, 2016 4:32 PM

**To:** Ryan Anderson

**Cc:** Wendy Coy; Kevin R. Merritt

**Subject:** Re: DenSco Records

Ryan:

The bulk of the old loan and other records (I think 2011 ? to present) delivered to my office has been transferred to Gammage & Burnham for a review for a privilege log. The records less the privilege items are then to be copied with the copies and privilege log delivered to the AZ Securities Division. If the copies should be delivered to the Receiver, please have the AZ Securities Division modify the Subpoena. I just want to make sure we are in compliance.

With respect to DenSco's old loan and other records prior to 2011(?), I believe they are still at my office and can be delivered to you or the AZ Securities Division if we get the Subpoena clarified.

The DenSco Investor records (current records I think) are at Gammage & Burnham.

The current loan records were transferred from Robert Koehler to the AZ Securities Division less about 6 or 8 that were sent to me to coordinate payoff.

Please let me know how we should proceed given the outstanding Subpoena and the attorney-client review that needs to be completed.

Sincerely,  
David G. Beauchamp

Sent from my iPhone. Please excuse any typos.

On Aug 20, 2016, at 3:47 PM, Ryan Anderson <[randerson@gamlaw.com](mailto:randerson@gamlaw.com)> wrote:

David,

Thanks for the e-mails and initial information. As promised, attached is a copy of the Receivership Order, it was docketed yesterday afternoon.

The Receiver is working through initial issues and he has been advised that certain records of DenSco are in your possession, specifically pre-2011 [or 2012] DenSco records were delivered to your offices by the PR.

As set forth in the attached, the Receiver needs to gather and maintain the DenSco records, can you give me an idea of the volume of records [how many boxes] and when is a good time to arrange the receiver's recovery of them from your offices?

Thanks in advance.

**Ryan W. Anderson**  
Guttilla Murphy Anderson  
City North  
5415 E. High St., Suite 200  
Phoenix, AZ 85054  
(480) 304-8300  
(480) 304-8301 (facsimile)  
[randerson@gamlaw.com](mailto:randerson@gamlaw.com)  
[www.guttillamurphyanderson.com](http://www.guttillamurphyanderson.com)

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**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Friday, August 19, 2016 6:35 PM  
**To:** Ryan Anderson  
**Subject:** FW: 1720 E Windsong Dr, Phoenix- Deed of Release

Ryan:

As I indicated in our conversation, this email chain has the type of information that I have shared with each borrower and each Escrow Agent concerning the loan payoff to DenSco. IN this one, I had to also correct the Deed of Release which referenced an incorrect address.

Sincerely, David

**David G. Beauchamp**

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**From:** Hall, Theresa [<mailto:TheresaHall@ltic.com>]  
**Sent:** Friday, August 19, 2016 9:36 AM  
**To:** Beauchamp, David G.  
**Cc:** Equiworth, LLC ([equiworthhomes@gmail.com](mailto:equiworthhomes@gmail.com)); Gary Clapper; Kevin R. Merritt ([kmerritt@gblaw.com](mailto:kmerritt@gblaw.com)); [rzkoehler@yahoo.com](mailto:rzkoehler@yahoo.com)  
**Subject:** RE: 1720 E Windsong Dr, Phoenix- Deed of Release

Thank you David, I will make that correction.  
We are ALL SET now with the pay off figure and the release.

Thank you for your help!

*Theresa Hall*  
Lawyers Title

17100 N 67TH AVE, BLDG 2-200, GLENDALE, AZ 85308

Phone: 623 979 6060  
Fax: 623 979 0428  
Email: [theresahall@ltic.com](mailto:theresahall@ltic.com)

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**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Thursday, August 18, 2016 7:24 PM  
**To:** Hall, Theresa  
**Cc:** Equiworth, LLC ([equiworthhomes@gmail.com](mailto:equiworthhomes@gmail.com)); Gary Clapper; Kevin R. Merritt ([kmerritt@gblaw.com](mailto:kmerritt@gblaw.com)); [rzkoehler@yahoo.com](mailto:rzkoehler@yahoo.com)  
**Subject:** RE: 1720 E Windsong Dr, Phoenix- Deed of Release

Theresa:

I just looked at the copy of the Deed of Release that I made prior to giving the original to your messenger. It appears that the legal description is correct, but the Deed of Release appears to reference the wrong street address in the middle of the document. You are authorized to have that reference corrected to reflect the actual street address of 1720 E. Windsong Dr. as is set forth in the DenSco's files.

Thank you.

Sincerely, David

**David G. Beauchamp**

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**From:** Hall, Theresa [<mailto:TheresaHall@ltic.com>]  
**Sent:** Thursday, August 18, 2016 2:42 PM  
**To:** Beauchamp, David G.  
**Cc:** Equiworth, LLC  
**Subject:** RE: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Instructions listed below will be followed by Lawyers Title.

Upon closing of escrow – loan pay off funds will be wired to DENSCO bank account.

Thank you, Theresa

*Theresa Hall*  
Lawyers Title

17100 N 67TH AVE, BLDG 2-200, GLENDALE, AZ 85308

Phone: 623 979 6060

Fax: 623 979 0428

Email: [theresahall@ltic.com](mailto:theresahall@ltic.com)

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**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]

**Sent:** Wednesday, August 17, 2016 8:13 PM

**To:** Hall, Theresa

**Cc:** Equiworth, LLC

**Subject:** RE: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Theresa:

The payoff information that I have concerning this loan is as follows:

loan no. 7964

1720 Windsong

Borrower: Equiworth LLC

Principal Due: \$216,000

Interest due from 7-13-16 through 8-17-16 \$3,780.00

interest per diem starting 8-18-16 through actual payoff date \$108.00

I also have a signed and notarized Deed of Release and Reconveyance for this loan.

Please note that as I indicated in my previous email, we do not have any information concerning any payments into DenSco's bank accounts on or after July 27. Accordingly, this payoff might not include any monthly interest payments that were received after that date. We have been advised by the AZ Securities Division that we can only authorize Deeds of Release and Reconveyance to be recorded in exchange for full payoffs. If there is a missing interest payment, the borrower will be able to submit a reimbursement claim to the Receiver who will be authorized by the court to pay any duplicate payments back to the borrower, which will be after the Receiver can audit the payments made to the DenSco account on or after July 27.

The original Deed of Release and Reconveyance is available to be picked at my office by the Title Company. You are authorized to hold this Deed of Release until such time as you have sufficient and readily available funds in your possession to fund the payoff amount for this loan. At that time, you may record that Deed of Release and Reconveyance when you are in position to pay the above payoff amount to DenSco's account. If you have previously made payments to DenSco in the last year, please use the same account information. If you do not have that information, please let me know and we will provide that information. If for any reason the DenSco account cannot receive the payoff payment, please advise me and hold such amount until the Receiver

is appointed and the Receiver can make arrangements to receive such payment directly.

Please contact me with any questions.

Sincerely, David

**David G. Beauchamp**

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**From:** Beauchamp, David G.  
**Sent:** Wednesday, August 17, 2016 8:03 PM  
**To:** Equiworth, LLC  
**Cc:** [theresahall@ltic.com](mailto:theresahall@ltic.com)  
**Subject:** RE: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Larry:

According to the AZ Securities Division, I do not have authority to make any adjustments from the payoff numbers that are being calculated based upon DenSco's financial numbers that Denny prepared on or before July 27. The Receiver will be authorized by the court to make any adjustments after the Receiver is able to update and reconcile DenSco's financial numbers for any payments after that date. You will need to submit your evidence of payment along with a request for a refund to the Receiver.

Sincerely, David

**David G. Beauchamp**

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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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**From:** Equiworth, LLC [<mailto:equiworthhomes@gmail.com>]  
**Sent:** Wednesday, August 17, 2016 7:22 PM  
**To:** Beauchamp, David G.  
**Cc:** Theresa Hall  
**Subject:** 1720 E Windsong Dr, Phoenix- Last Payment in July.

Attached is a copy of the last payment made for 1720 E Windsong Dr, Phoenix.

The Escrow Officer is Theresa Hall, Lawyers Title, 602-993-4545. I've cc's her in on this email.

Please let me know that you got this ok.

Thanks.

Larry Schultz  
Equiworth, LLC

480-620-6122

Email: [equiworthhomes@gmail.com](mailto:equiworthhomes@gmail.com)

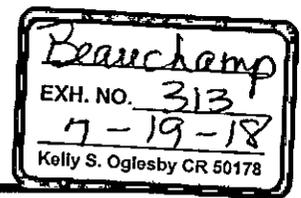
<image001.jpg>

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<2016 8-18 Order Appointing Receiver.pdf>



**Beauchamp, David G.**

**From:** Beauchamp, David G.  
**Sent:** Tuesday, August 23, 2016 8:57 PM  
**To:** Ryan Anderson  
**Cc:** Chris Schmidt  
**Subject:** RE: 15202 n 28th ave and Issue for the 341 Hearing

Ryan:

My email to you was before I received Chris' email.

**David G. Beauchamp**

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**From:** Ryan Anderson [mailto:randerson@gamlaw.com]  
**Sent:** Tuesday, August 23, 2016 8:56 PM  
**To:** Beauchamp, David G.  
**Cc:** Chris Schmidt  
**Subject:** Re: 15202 n 28th ave and Issue for the 341 Hearing

David,

Let's make this really simple...

Please direct everyone with any real estate related issues to Chris Schmidt at my office. We will resolve them.

Please direct all other DenSco issues, e-Mails/calls etc. to me.

Thanks for the heads up on Scott Menaged. We are digging into these issues. I've already sought an order for a bankruptcy deposition of Mr. Menaged.

On a related note, we may need you to execute a declaration about the circumstances related to the forbearance agreement, in support of an emergency filing in the Receivership Court. I will let you know.

On Aug 23, 2016, at 5:43 PM, Beauchamp, David G. <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

Ryan:

With all due respect, what exactly so you want me to send over to you? The payoff requests? the original Deed of Release and Reconveyance? All of the telephone calls from the real estate agents and the escrow agents?

Given the time constraints and your need to focus on Friday's hearing in the bankruptcy, Diana at Chicago Title will allow tomorrow's escrow to close and Chicago Title will hold the funds for DenSco until they can receive a signed Deed of Release and Reconveyance from Peter Davis as the Receiver. (She has a copy of the order appointing Peter as Receiver.) That should allow you and the Receiver to defer this

issue until you have finished the more pressing issues, including the transfer of the cash and the bankruptcy hearing on Friday.

Please let me know what I can do to help.

\*\*\*\*\* Obviously, the hearing on Friday will be very important. Couple of thoughts below:

Has anyone brought to your attention the transaction that Scott Menaged used to transfer his house (10510 E. Sunnyside Drive, Scottsdale, AZ). When we were negotiating and working to finalize the Forbearance Agreement with Scott Menaged, we were trying to tie up all of Scott's assets. Denny Chittick made several references that he had an existing first lien on Scott's house that Arizona Home Foreclosures, LLC (one of Scott's wholly-owned entities) owned. Scott agreed to Denny's statement on several occasions. However, between the time the Forbearance Agreement was finalized and when Scott signed it, Scott executed and had a Quit Claim Deed recorded to transfer the house from Arizona Home Foreclosures, LLC to Scott, personally, to get around DenSco's lien on Scott's house. Scott later used that house as "free and clear collateral" to US Bank to secure a loan of over \$1,500,000.

This discrepancy was discovered by one of Denny's investors and he forwarded it to me. He said that he did a little research on the internet concerning Scott. The investor wanted to understand how Scott's house could be listed as collateral of US Bank in Scott's bankruptcy when Denny had previously referenced that house as part of the collateral for Scott's loan. I have not had any opportunity to do any further research on this issue.

A related issue is that according to Scott's attorney in the bankruptcy, Arizona Home Foreclosures, LLC does not own any houses and has not owned any houses for "quite some time." However, earlier this year when Denny asked me to help with the audit by the Arizona Department of Financial Institutions, I asked about Denny's loans with Scott. Denny said that he still had liens on several of the houses that Arizona Home Foreclosures, LLC owned, but Scott was struggling to make the necessary interest payments until he can sell them. Denny then changed subjects because I did not need to know this to deal with the Arizona Department of Financial Institutions. As a thought, it might be worth asking Scott at the 341 hearing about some facts that could be a problem for him later.

Sincerely, David

**David G. Beauchamp**

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**From:** Ryan Anderson [<mailto:randerson@gamlaw.com>]  
**Sent:** Tuesday, August 23, 2016 4:59 PM  
**To:** Beauchamp, David G.; Woods, Dawn ([Dawn.Woods@cct.com](mailto:Dawn.Woods@cct.com))  
**Cc:** [rzkoebler@yahoo.com](mailto:rzkoebler@yahoo.com); Miller Blackford ([mblackford1@cox.net](mailto:mblackford1@cox.net))  
**Subject:** RE: 15202 n 28th ave

Thanks David.

We are working through these issues on pay-offs. Send them over and we will handle.

**Ryan W. Anderson**  
Guttilla Murphy Anderson  
City North

5415 E. High St., Suite 200  
Phoenix, AZ 85054  
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(480) 304-8301 (facsimile)  
[randerson@gamlaw.com](mailto:randerson@gamlaw.com)  
[www.guttillamurphyanderson.com](http://www.guttillamurphyanderson.com)

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**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Tuesday, August 23, 2016 1:29 PM  
**To:** Woods, Dawn ([Dawn.Woods@ctt.com](mailto:Dawn.Woods@ctt.com))  
**Cc:** Ryan Anderson; [rzkoehler@yahoo.com](mailto:rzkoehler@yahoo.com); Miller Blackford ([mblackford1@cox.net](mailto:mblackford1@cox.net))  
**Subject:** FW: 15202 n 28th ave

Dawn:

Please see the payoff numbers referenced below.

As we discussed, we do not yet have any information concerning any payments into DenSco's bank accounts on or after July 27. Accordingly, this payoff does not include any monthly interest payments that were received after that date. We have been advised by the AZ Securities Division that we can only authorize a Deed of Release and Reconveyance to be recorded in exchange for full payoffs. If there has been an interest payment made but not credited to this borrower, the borrower will be able to submit a reimbursement claim to the Receiver who will be authorized by the court to pay any duplicate payments back to the borrower, which will be after the Receiver can audit the payments made to the DenSco account on or after July 27.

Although we have an original Deed of Release and Reconveyance that was signed by Denny Chittick and his signature is notarized, we have been advised by your office that we will need to have a replacement Deed of Release and Reconveyance signed by the Receiver signed and delivered to you as soon as that is feasible. While we are working to get a new Deed of Release signed by the Receiver, you can pick up the Deed of Release signed by Denny Chittick at our office if you need it for your records. You are authorized to close the pending transaction when you are in position to pay the above payoff amount to DenSco's account as you have previously done. If for any reason you cannot send the payment to the DenSco account, please advise me and hold such amount until the Receiver can make arrangements to receive such payment directly.

Please contact me with any questions.

Sincerely, David

**David G. Beauchamp**

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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

**From:** Robert Koehler [<mailto:rzkoehler@gmail.com>]  
**Sent:** Tuesday, August 23, 2016 11:26 AM  
**To:** Beauchamp, David G.  
**Subject:** 15202 n 28th ave

Not sure if you just want to forward this to the Receiver or not(or if they will just process the amounts at this time)....but as per your request last Friday here is the information on

loan no. 8031  
address: 15202 N. 28th Ave.  
borrower: Black Forrest, LLC

The real estate agent informed me that this closing is scheduled for 8-24-16.

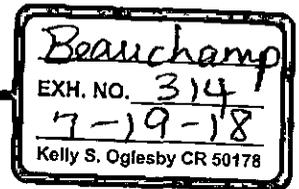
**As per Denny's spreadsheet**

Principal due: \$137,115.00  
interest due through 8/23/16 \$3,633.68  
interest per diem \$68.56

**Robert Koehler**

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**Beauchamp, David G.**



**From:** Kevin R. Merritt <KMerritt@gblaw.com>  
**Sent:** Friday, August 26, 2016 1:06 PM  
**To:** Beauchamp, David G.  
**Subject:** RE: email to Peter Davis

David,

Jim sent it.

Kevin

**Kevin R. Merritt**

602.256.4481 Direct | [KMerritt@gblaw.com](mailto:KMerritt@gblaw.com)

---

**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Friday, August 26, 2016 12:20 PM  
**To:** James F. Polese  
**Cc:** Kevin R. Merritt; 'shawnaseverest@gmail.com' (shawnaseverest@gmail.com); Timothy Forsman  
**Subject:** Re: email to Peter Davis

Jim:

On first reading, I think it is a good email. An additional fact to consider:

The tape of the conversation between Denny and Menaged was probably made during the last week that Denny was alive. According to Menaged's attorney, Cody Jess:

(This as close to word for word as I could write down during and right after the call)

" he (Menaged) had avoided communicating with Chittick after Cody was appointed (as counsel for Menaged in early July) until they (Menaged and Cody) were ready to deal with Chittick and DenSco, which was when the bankruptcy notices were being mailed to Chittick."

Cody separately said in that conversation that:

1. the notices were sent the beginning of the last week in July.
2. He also mentioned (while laughing) that Chittick had to make a decision and he took the easy way out. (I hope the decision Cody referenced was not Menaged's "offer.")

I would like to reread your email when I get back to my office and then provide my comments.

Best, David  
Sent from my iPhone. Please excuse any typos.

On Aug 26, 2016, at 10:47 AM, James F. Polese <[jpolese@gblaw.com](mailto:jpolese@gblaw.com)> wrote:

Here is my proposed email to Davis. Please let me know if there is any reason not to send

Peter:

1. I have the answer to what happened to the Easy Money and Arizona Home Foreclosure loan files: we have them at G&B. Apparently the legal assistants were instructed to keep an eye out for Menaged loan files and place them in separate boxes. I knew that we had not delivered all the boxes that we had received from Dave's office but did not know that someone had instructed that the Menaged company loan files be separately maintained. Sorry for the confusion. They can be picked up today if you wish. There is one or 2 boxes that have flagged about 25 documents as potentially privileged and as soon as the privilege issues are resolved we will be in a position to deliver the balance of the DenSCO documents.

2. At your request we went through the electronic files and found a number of Quick Books files that were labeled "Denso" and we have dropped them on to a thumb nail as requested. We do not have QuickBooks programs readily available and thus cannot open the files separately (Tim Forsman did look at them on Denny's computer and they do seem to be all DenSCO stuff). We will have the thumbnails for you shortly so you can pick them up. Note that these files were in zipped files and had to be unzipped to be looked at; I mention this because it will show that the files were "modified" as of today. They were not modified they were unzipped.

3. On the thumb nail is a 2 1/2 hr. conversation that is referred to in the "Iggy letter" that Denny had with Menaged. Denny was apparently wearing a wire and went to Menaged' warehouse to speak with Menaged. We believe the conversation was sometime in July of this year.

It is not the easiest tape recording to follow but what comes thru crystal clear is that Scott spent the entire time trying to convince Denny to buy in to this story: I Scott will testify that I swindled you and DenSCO is out of \$28 million and I will testify at my deposition that I Scott snookered DenSCO because Denso believed that DenSCO was fully secured on the loans made. I will testify that I squander the \$28 million and it is gone. The condition for doing so was this: Denny would never reveal to anyone the existence of Auction.com ( even in a deposition) and would never provide the receipts to anyone that reflected that the monies advanced went to a title company. Many of the receipts were signed by a Luigi Amoroso and I suspect every receipt is bogus. Menaged wanted the receipts to "disappear." Menaged indicated in the conversation that he redirected the cashier's checks – which seem to be payable to legitimate title companies – they were all undone by the remitter (in many cases Arizona Home Foreclosures) and are supposedly sitting in an account with or controlled by Auction.com. Unless Denny agreed to these terms, Menaged would testify that Denny knew all along that loans to him were unsecured. If Denny went along with Menaged's story, Menaged would get his quick discharge from bankruptcy and work to get the \$28 million back to DenSCO's investors (of course he never really says how). But Denny would have to hold off his investors for 60 days so Menaged could get out of bankruptcy.

It is like listening to the transcript of a John Gotti shake down.

We agonized whether to voluntarily disclose this recording because it clearly deals with Denny's personal concerns of lawsuits etc. against him personally. However the decision was made on balance with the consent of our client to release this to the receiver rather than wait for formal discovery request because we believe it confirms (a) that Menaged is lower than pond scum and did scam DenSCO (b) Denny begged him to contact Auction.com immediately to get the monies released; (c) Denny was grasping for straws to do anything to try to get monies back to investors.

4. We learned yesterday of the existence of a second, older laptop. We agree that it needs to be reviewed for any relevant information but I suspect that if there is relevant information on it, it was also

migrated to the newer laptop. In the interest of prioritizing effort we will complete the review of the present hard drive before tackling this older laptop. I anticipate that Shawna will have it delivered to our office today before she leaves town.

**James F. Polese**

602.256.4499 Direct | 602.405.3807 Mobile  
[jpolese@qblaw.com](mailto:jpolese@qblaw.com) | [Profile](#)

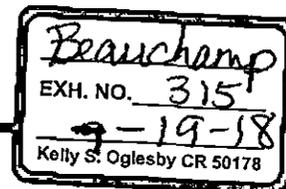
<image001.png>

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**Beauchamp, David G.**



**From:** James F. Polese <jpolese@gblaw.com>  
**Sent:** Friday, August 26, 2016 1:14 PM  
**To:** Beauchamp, David G.  
**Subject:** RE: email to Peter Davis

Dave

What I did not point out is that in the conversation is that Menaged tried to assuage Denny by telling him he did not do anything wrong other than trust him but that he could make you the fall guy as far as the investors were concerned.

As I said, Menaged is a piece of work

**James F. Polese**

602.256.4499 Direct | 602.405.3807 Mobile  
jpolese@gblaw.com

---

**From:** Beauchamp, David G. [mailto:DBeauchamp@ClarkHill.com]  
**Sent:** Friday, August 26, 2016 12:20 PM  
**To:** James F. Polese  
**Cc:** Kevin R. Merritt; 'shawnaseverest@gmail.com' (shawnaseverest@gmail.com); Timothy Forsman  
**Subject:** Re: email to Peter Davis

Jim:

On first reading, I think it is a good email. An additional fact to consider:

The tape of the conversation between Denny and Menaged was probably made during the last week that Denny was alive. According to Menaged's attorney, Cody Jess:

(This as close to word for word as I could write down during and right after the call)

" he (Menaged) had avoided communicating with Chittick after Cody was appointed (as counsel for Menaged in early July) until they (Menaged and Cody) were ready to deal with Chittick and DenSco, which was when the bankruptcy notices were being mailed to Chittick."

Cody separately said in that conversation that:

1. the notices were sent the beginning of the last week in July.
2. He also mentioned (while laughing) that Chittick had to make a decision and he took the easy way out. (I hope the decision Cody referenced was not Menaged's "offer.")

I would like to reread your email when I get back to my office and then provide my comments.

Best, David  
Sent from my iPhone. Please excuse any typos.

On Aug 26, 2016, at 10:47 AM, James F. Polese <jpolese@gblaw.com> wrote:

Here is my proposed email to Davis. Please let me know if there is any reason not to send

Peter:

1. I have the answer to what happened to the Easy Money and Arizona Home Foreclosure loan files: we have them at G&B. Apparently the legal assistants were instructed to keep an eye out for Menaged loan files and place them in separate boxes. I knew that we had not delivered all the boxes that we had received from Dave's office but did not know that someone had instructed that the Menaged company loan files be separately maintained. Sorry for the confusion. They can be picked up today if you wish. There is one or 2 boxes that have flagged about 25 documents as potentially privileged and as soon as the privilege issues are resolved we will be in a position to deliver the balance of the Denasco documents.

2. At your request we went through the electronic files and found a number of Quick Books files that were labeled "Denso" and we have dropped them on to a thumb nail as requested. We do not have QuickBooks programs readily available and thus cannot open the files separately (Tim Forsman did look at them on Denny's computer and they do seem to be all Denasco stuff). We will have the thumbnails for you shortly so you can pick them up. Note that these files were in zipped files and had to be unzipped to be looked at; I mention this because it will show that the files were "modified" as of today. They were not modified they were unzipped.

3. On the thumb nail is a 2 1/2 hr. conversation that is referred to in the "Iggy letter" that Denny had with Menaged. Denny was apparently wearing a wire and went to Menaged' warehouse to speak with Menaged. We believe the conversation was sometime in July of this year.

It is not the easiest tape recording to follow but what comes thru crystal clear is that Scott spent the entire time trying to convince Denny to buy in to this story: I Scott will testify that I swindled you and Denasco is out of \$28 million and I will testify at my deposition that I Scott snookered Denasco because Denso believed that Denasco was fully secured on the loans made. I will testify that I squander the \$28 million and it is gone. The condition for doing so was this: Denny would never reveal to anyone the existence of Auction.com ( even in a deposition) and would never provide the receipts to anyone that reflected that the monies advanced went to a title company. Many of the receipts were signed by a Luigi Amoroso and I suspect every receipt is bogus. Menaged wanted the receipts to "disappear." Menaged indicated in the conversation that he redirected the cashier's checks – which seem to be payable to legitimate title companies – they were all undone by the remitter (in many cases Arizona Home Foreclosures) and are supposedly siting in an account with or controlled by Auction.com. Unless Denny agreed to these terms, Menaged would testify that Denny knew all along that loans to him were unsecured. If Denny went along with Menaged's story, Menaged would get his quick discharge from bankruptcy and work to get the \$28 million back to Denasco's investors (of course he never really says how). But Denny would have to hold off his investors for 60 days so Menaged could get out of bankruptcy.

It is like listening to the transcript of a John Gotti shake down.

We agonized whether to voluntarily disclose this recording because it clearly deals with Denny's personal concerns of lawsuits etc. against him personally. However the decision was made on balance with the consent of our client to release this to the receiver rather than wait for formal discovery request because we believe it confirms (a) that Menaged is lower than pond scum and did scam Denasco (b) Denny begged him to contact Auction.com immediately to get the monies released; (c) Denny was grasping for straws to do anything to try to get monies back to investors.

4. We learned yesterday of the existence of a second, older laptop. We agree that it needs to be reviewed for any relevant information but I suspect that if there is relevant information on it, it was also migrated to the newer laptop. In the interest of prioritizing effort we will complete the review of the present hard drive before tackling this older laptop. I anticipate that Shawna will have it delivered to our office today before she leaves town.

**James F. Polese**

602.256.4499 Direct | 602.405.3807 Mobile

[jpolese@qblaw.com](mailto:jpolese@qblaw.com) | [Profile](#)

<image001.png>

2 North Central Ave., 15th Floor | Phoenix, AZ 85004

602.256.0566 | 602.256.4475 Fax | [www.qblaw.com](http://www.qblaw.com)

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→ Auction.com → Menaged does not want anyone to know about @ Auction.com → why

— 341 Hearing → was supposed to be there

— email did go to receiver — already sent  
— thumb drive is at G&B front desk to be picked up

— Menaged blamed "Dave" → told Denny that Dave should never have let Denny do the deal  
— Dave should have insisted that Denny notify in the Investors

— Menaged said both of them (Scott & Denny) would go to jail if Auction.com ever was brought into this

— Menaged said he was going to wire the \$ outside of the country

— Scott said over & over — "Denny you saw <sup>cashier's</sup> the checks" you thought you were secure  
(have sample of 2 checks)

— but Scott cancelled the cashier's checks & used the \$ for other things

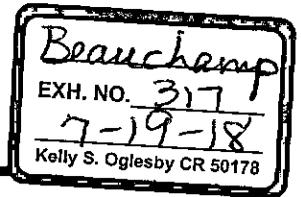
— Short Term Capital Loss — limited to \$1500 per year / \$3000 if married

— Defalcation Loss — Mortgages ~~etc~~ — can declare this as "Ordinary Income Loss" on date of defalcation (did this through a private letter ruling w/ IRS)

Ryan Anderson — these investors will ~~be~~ have different  
facts → so different groups will form & it will be contentious  
→ do not believe that \$51 Million has been raised  
& lost

Jim — has provided info to ~~Estates~~ Receiver so the Estate  
is not deemed a target

Jim — email — copied DGB to let DGB know that Receiver  
has the tape



**Beauchamp, David G.**

**From:** Kevin R. Merritt <KMerritt@gblaw.com>  
**Sent:** Tuesday, August 30, 2016 2:21 PM  
**To:** Beauchamp, David G ; 'Ryan Anderson'  
**Cc:** Peter S. Davis; James F. Polese; Trinity Osborne; Patti Meloserdoff  
**Subject:** Densco Receivership / Demand for Clark Hill Files

Gentlemen:

I understand that the Receiver has demanded that Clark Hill turn over all of its legal files related to the representation of Densco to the Receiver. While we do not object to this delivery, I would like to remind everyone that David testified at the receivership hearing that he concurrently represented both Densco and Denny Chittick personally, and I believe the Court's order acknowledges as much.

While we suspect that the majority of the corporate files are not of particular interest to the estate, given the dual nature of Clark Hill's representation, we would like to have copies of all correspondence or other written communication between Denny and David or other Clark Hill professionals, as well as copies of any memoranda or other summaries of the legal analysis that David/Clark Hill were providing to Denny as advice. If you are requesting that David turn over all emails between Clark Hill and DenSco or Denny, we would want copies of those as well.

Also, please recall that to the extent any materials related to David/Clark Hill's representation are privileged, the Estate's agreement is needed in connection with any waiver of that privilege, per the Court's receivership order.

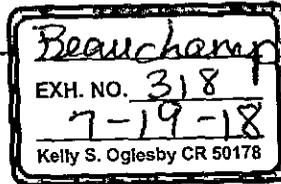
Best regards,

Kevin

**Kevin R. Merritt**  
602.256.4481 Direct | [KMerritt@gblaw.com](mailto:KMerritt@gblaw.com) | [Profile](#)

**GAMMAGE & BURNHAM**  
*World Class Counsel. Arizona Roots.*  
2 North Central Ave., 15th Floor | Phoenix, AZ 85004  
602.256.0566 | 602.256.4475 Fax | [www.gblaw.com](http://www.gblaw.com)

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DenSco /

Tcw Kevin Merritt (8/30/16)

602-256-4487

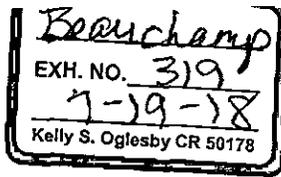
- left detailed message RE: atty-client info in the CH files to be turned over to the Receiver

Tcw Kevin Merritt (8/30/16)

- Kevin sent email to DGB w/ copy to Ryan.

- some of CH's materials should be deemed attorney-client privileged on behalf of the Estate

- Kevin did not know that BC still had files



DenSco /

**Beauchamp, David G.**

---

**From:** Beauchamp, David G.  
**Sent:** Wednesday, September 14, 2016 11:17 AM  
**To:** Kevin R. Merritt  
**Subject:** RE: Densco Investment Corp. - Missing Loan Files

Kevin:

When I sent this email, I thought that you did want to review the files and to make copies before the files were sent to the Receiver. I was not trying to make you the fall guy. I understand now that you want me to review the files and to make copies for you of what may be privileged. This requires me to expand my review of these files from what my firm had requested. (My firm had limited my review to the files concerning the update to the POM and to the Loan Workout file with Scott Menaged). I will expand my research and get back to you as soon as I can. Since you took care of the previous DenSco files, I will pay for the copies to be made of this file.

If possible, I would like to discuss with you if during your office's review of the DenSco files any documents were found that I should have in my back-up files. I had forwarded the DenSco files to your office before my General Counsel approved sending them. I have now been advised that I should have gone through them before sending them to you.

Have a safe trip.

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](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

---

**From:** Kevin R. Merritt [<mailto:KMerritt@gblaw.com>]  
**Sent:** Wednesday, September 14, 2016 1:17 AM  
**To:** Beauchamp, David G.  
**Subject:** RE: Densco Investment Corp. - Missing Loan Files

David – highlighted language below does sound a little bit like making me the fall guy. Isn't the reason really "as soon as I can have them reproduced so that my firm has a copy"?

Generally speaking, the loan files are not of interest, nor do they seem to contain privileged information. I'll send you my request on the legal files in a moment.

Best,

Kevin

**Kevin R. Merritt**  
602.256.4481 Direct | [KMerritt@gblaw.com](mailto:KMerritt@gblaw.com)

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**From:** Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]  
**Sent:** Monday, September 12, 2016 6:40 PM  
**To:** Sara Beretta

Cc: [WC@azcc.gov](mailto:WC@azcc.gov); [GRC@azcc.gov](mailto:GRC@azcc.gov); Peter Davis  
Subject: Re: Densco Investment Corp. - Missing Loan Files

Sara:

I will confirm which of DenSco's loan files are in my office. The loan files I have are with the other files to be turned over to the Receiver as soon as the files are reviewed by Gammage & Burnham as requested by Kevin Merritt. My recollection is that this request was made consistent with the hand-written notation by the Judge in the Judge's order appointing the receiver. I will review and let you know which loan files I have and get them to you separately.

Sincerely, David Beauchamp

Sent from my iPhone. Please excuse any typos.

On Sep 12, 2016, at 5:52 PM, Sara Beretta <[SBeretta@simonconsulting.net](mailto:SBeretta@simonconsulting.net)> wrote:

Dear Mr. Beauchamp:

We are missing 7 loan files. The ACC provided the attached receipt, which indicates that at least 6 of the 7 missing files (all except Loan 8031) were provided to you on August 15, 2016. I believe they were pulled from the ACC's files pending borrowers' requests for loan payoff statements. Do you know where they might have ended up? They are not in the active loan boxes received from the ACC, nor are they in the closed loan boxes received from your office.

<image001.png>

Thank you,

**Sara Beretta, CPA, CFE, CFI**  
3200 North Central Avenue • Suite 2460  
Phoenix, AZ 85012  
602.279.3185 (Direct) • 602.279.7510 (Fax)

<image004.png>

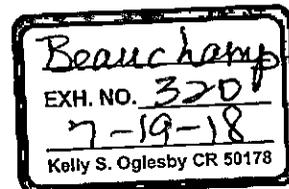
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<2016.08.15 Receipt for delivery of 6 loan files from ACC to Beauchamp.pdf>

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# CLARK HILL

David Beauchamp  
T: 480.684.1126  
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d@beauchamp@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  
CLARK HILL PLC

Enclosure

DIC0010490

# 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: Peter Davis, Receiver  
Simon Consulting  
3200 N. Central Avenue  
Suite 2460  
Phoenix, AZ 85012

Invoice # 670634  
September 12, 2016  
Client: 43820  
Matter: 307376

=====

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

DIC0010491

CLARK HILL P.L.C.

DenSco Investment Corporation  
Business Wind Down  
September 12, 2016  
INVOICE # 670634  
Page 2

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

DIC0010492

CLARK HILL P.L.C.

DenSco Investment Corporation  
Business Wind Down  
September 12, 2016  
INVOICE # 670634  
Page 3

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

DIC0010493

CLARK HILL P.L.C.

DenSco Investment Corporation  
Business Wind Down  
September 12, 2016  
INVOICE # 670634  
Page 4

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

DIC0010494

CLARK HILL P.L.C.

DenSco Investment Corporation  
Business Wind Down  
September 12, 2016  
INVOICE # 670634  
Page 5

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

DIC0010495

CLARK HILL P.L.C.

DenSco Investment Corporation  
Business Wind Down  
September 12, 2016  
INVOICE # 670634  
Page 6

- 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 from 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

DIC0010496

CLARK HILL P.L.C.

DenSco Investment Corporation  
Business Wind Down  
September 12, 2016  
INVOICE # 670634  
Page 7

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

DIC0010497

CLARK HILL P.L.C.

DenSco Investment Corporation  
Business Wind Down  
September 12, 2016  
INVOICE # 670634  
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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

DI0010498

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DenSco Investment Corporation  
Business Wind Down  
September 12, 2016  
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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
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DIC0010499

# 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

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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  
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PAYABLE UPON RECEIPT IN U.S. DOLLARS

DIC0010500

CLARK HILL P.L.C.

DenSco Investment Corporation  
Business Matters  
July 22, 2016  
INVOICE # 663658  
Page 2

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
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DIC0010501

# 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

DIC0010502

CLARK HILL P.L.C.

DenSco Investment Corporation  
Business Matters  
August 10, 2016  
INVOICE # 666138  
Page 2

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
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DIC0010503