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SUPERIOR COURT OF ARIZONA

COUNTY OF MARICOPA

Peter S. Davis, as Receiver of DenSco Investment Corporation, an Arizona corporation, Plaintiff, v. Clark Hill PLC, a Michigan limited liability company; David G. Beauchamp and Jane Doe Beauchamp, husband and wife, Defendants.	No. CV2017-013832 **DEFENDANTS' STATEMENT OF FACTS IN SUPPORT OF THEIR MOTIONs FOR SUMMARY JUDGMENT ON (1) JOINT AND SEVERAL LIABILITY AND (2) AIDING AND ABETTING** (Oral Argument requested) (Assigned to the Honorable Daniel Martin)

1. DenSco Investment Corporation ("DenSco") is a company that was solely owned and managed by Denny Chittick. DenSco began operations in 2001 and operated continually until Chittick's suicide in late July 2016. DenSco did not have any directors, officers, or employees other than Chittick. DSOF Exh. 1, 2011 DenSco Private Offering Memorandum (Exh. 432) at BC_002921 and BC_002960; DSOF Exh. 2, Expert Report of Neil J. Wertlieb at p. 42 (describing DenSco as "One-Man Shop").

2. DenSco focused on the "hard money lending" business in Arizona. DenSco made high interest short-term loans to borrowers, who used DenSco's funds to buy residential properties. The purchasers generally improved the properties (with physical improvements or by placing renters in them) and then "flipped" them at a profit. DenSco represented to its investors in its POMs that these loans were secured by first position deeds of trust on the properties purchased by the borrower, and that the company would maintain a diverse borrower base, with no more than 10-15% of DenSco concentrated with any one borrower. DSOF Exh. 1, 2011 DenSco Private Offering Memorandum (Exh. 432) at BC_002924 and BC_002957.

3. DenSco's Receipt and Mortgage document expressly stated that DenSco was funding its loan to the borrower by delivering loan funds to the trustee. DSOF Exh. 3, Sample DenSco Mortgage (Exh. 0027).

4. It is standard practice in the "hard money lending" industry to fund loans requested by borrowers to a trustee. DSOF Exh. 4, Reichmann Depo. Tr. at 20:14-21; DSOF Exh. 5, Gould Depo. Tr. at 79:24-80:14.

5. DenSco's business practice, however, was to lend money to borrowers by providing the funds directly to them, rather than to a trustee, thereby trusting the borrower to make proper use of the money. DSOF Exh. 6, January 7, 2014 email from Chittick to Beauchamp at DIC0007135-7138; DSOF Exh. 7, Plaintiff's Seventh Supplemental Disclosure Statement at ¶ 222.a.

6. DenSco financed its business by raising money from investors. DenSco issued general obligation notes at interest rates that varied depending on the maturity date. The notes were not directly tied to or secured by any specific properties DenSco was financing, or by any other security. DSOF Exh. 1, 2011 DenSco Private Offering Memorandum at BC_002945.

7. Almost all of DenSco's investors were friends, family members or business acquaintances of Chittick. DSOF Exh. 8, June 17, 2013 email from Beauchamp to R. Wang (Exh. 117).

8. David Beauchamp is an attorney at Clark Hill PLC who represents clients in the areas of corporate law, securities, venture capital, and private equity. DSOF Exh. 9, D. Beauchamp CV (Exh. 3). He began providing securities advice to DenSco in the early 2000s, while he was a partner at the law firm Gammage & Burnham. DSOF Exh. 10, Defendants' Eighth Supplemental Disclosure Statement at p. 6. Beauchamp did discrete work on behalf of DenSco over the years including: (1) drafting DenSco's Private Offering Memoranda ("POM") and related investors documents; (2) advising DenSco regarding Blue Sky laws and state and federal securities reporting and filing requirements; (3) advising DenSco as to the rules and regulations promulgated by state financial and lending authorities; and (4) advising DenSco regarding the applicability of mortgage broker regulations. *Id.* at p. 4.

9. The POMs were updated typically every two years in June based on information provided by Chittick. DSOF Exh. 1, 2011 DenSco Private Offering Memorandum (Exh. 432) at BC_002913; DSOF Exh. 11, Beauchamp Depo. Tr. at 256:22 – 257:3.

10. One of DenSco's most prolific borrowers was Yomtov "Scott" Menaged. DenSco began lending money to Menaged and various entities he controlled in 2007. According to Chittick, DenSco had lent Menaged "50 million dollars" between 2007 and January 7, 2014. DSOF Exh. 6.

11. In September 2012 another hard money lender, Active Funding Group, LLC ("AFG"), learned that Menaged had placed deeds of trust in favor of both AFG and DenSco on multiple properties, jeopardizing lien priorities. AFG told Chittick about the issue. DSOF Exh. 4, Reichman Depo. Tr. at 65:15-66:21, 69:3-5, 70:23-73:5; DSOF Exh. 12, September 21, 2012 email from Chittick to Menaged (Exh. 487) at R-RFP-Response000916; DSOF

Exh. 13, September 21, 2012 emails between Reichman and Menaged (Exh. 488); DSOF Exh. 14, September 24, 2012 email from Chittick to Menaged (Exh. 491). Chittick was unperturbed by the revelation. DSOF Exh. 4, Reichman Depo. Tr. at 67-68.

12. Chittick subsequently increased DenSco's outstanding loan balance to Menaged and his entities six-fold by the end of 2013. DenSco's outstanding loan balance to Menaged increased from $4.65 million outstanding at the end of 2012 to $28.5 million outstanding at the end of 2013, such that loans to Menaged made up half of DenSco's loan portfolio. DSOF Exh. 15, Expert Report of David R. Perry at pp. 5, 9, 10.

13. On January 7, 2014, Chittick sent Beauchamp an email stating, among other things, that "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." DSOF Exh. 6.

14. At the time Chittick sent the January 7, 2014 email to Beauchamp, over $30 million of the cumulative total of $50 million lent to Mr. Menaged had been lent in the last year, $28.5 million was outstanding as of December 31, 2013, and $12.7 million of the $28.5 million outstanding had been lent more than six months ago and was in default. Exh. 15, Expert Report of David R. Perry at p. 10.

15. In May 2013, DenSco was sued by a company named FREO Arizona, LLC ("Freo"). The complaint named all persons and entities that had recorded an interest in the property as defendants, including DenSco. The other defendants included, but were not limited to, Easy Investments, LLC – an entity controlled by Menaged – and AFG. The lawsuit recited that Easy Investments had purchased a property at a trustee's sale using a DenSco loan, but that the property had been purchased previously by Freo. DSOF Exh. 16, Partial Freo Complaint and accompanying June 14, 2013 email from Chittick to Beauchamp (Exh. 111).

16. Chittick informed Beauchamp of the Freo lawsuit in early June 2013. He sent Beauchamp the first four pages of the complaint and wrote: "I have a borrower, to which i've done a ton of business with, million in loans and hundreds of loans for several years, he's getting sued along with me. He bought a property at auction, was issued a trustee's deed, I put a loan on it. Evidently the trustee had already sold it before the auction and received money on it . . . ." Chittick did not ask Beauchamp to take any action with respect to the Freo lawsuit, writing instead that he "just wanted [Beauchamp] to be aware of it." Chittick further informed Beauchamp that "Easy Investments, had his attorney working on it, I'm ok to piggy back with his attorney to fight it[.]" *Id.* The Receiver alleges that the Freo lawsuit put Beauchamp on notice that there were systemic issues with DenSco's lending procedures. DSOF Exh. 2, Expert Report of Neil J. Wertlieb at p. 50-51 (describing DenSco as "One-Man Shop").

17. Chittick forwarded the email he sent to Beauchamp to Menaged and told Menaged that "I'm going to keep [Beauchamp] from running up any unessary [sic] bills, just talk to your guy and hadn [sic] if off ot [sic] him." DSOF Exh. 17, June 14, 2013 email from Chittick to Menaged at CH_REC_CHI_0060457.

18. Beauchamp informed Chittick that the fact of the Freo lawsuit would have to be disclosed in a revised POM that Beauchamp was working on, to which Chittick responded "1 sentence should suffice!" DSOF Exh. 18, June 14, 2013 email exchange between Chittick to Beauchamp (Exh. 113); DSOF Exh. 2 Expert Report of Neil J. Wertlieb at p. 10.

19. DenSco's POMs provided short explanations as to whether collateral was foreclosed on, or if loans did not yield a profit. The POM would then provide an explanation as to how that particular loan loss affected the company. DSOF Exh. 1, 2011 DenSco Private Offering Memorandum at BC_002956-BC_002959.

20. A motion for summary judgment was granted in favor of Easy Investments on December 6, 2013. SOF Exh. 19, Minute Entry (CV 2013-007663).

21. Beauchamp started updating the 2011 POM in May 2013, met with Chittick to discuss revisions, and continued to make edits to it through July 2013. DSOF Exh. 20, May – July 2013 Bryan Cave invoices (Exhs. 132, 133, and 139). Ultimately, Chittick failed to provide that the business and financial information needed to update the POM. DSOF Exh. 11, Beauchamp Depo. Tr. at 74:16 – 75:2, 287:22-24, 289:18-22. After Beauchamp left Bryan Cave and joined Clark Hill, Chittick requested that Beauchamp stop work on the 2013 POM update in August 2013. *Id.*

22. In November 2013, Chittick again learned that multiple properties purchased with DenSco loans were not secured in the first position. Menaged told Chittick that entities owned by him had double liened additional properties with loans from both DenSco and other hard money lenders, and that almost all of DenSco's loans were at issue. According to Menaged, his wife had become critically ill and he had turned the day-to-day operations of his companies over to his cousin. The cousin requested loans for the same property from multiple lenders, and both lenders recorded deeds of trust. The cousin then absconded with the funds lent to Menaged's entities. DSOF Exh. 38, Receiver's Dec. 23, 2016 Status Report at p. 7-9; DSOF Exh. 6. The Receiver refers to this as the "First Fraud." DSOF Exh. 38, Receiver's Dec. 23, 2016 Status Report at 7-9.

23. Menaged told other hard money lenders involved in the First Fraud similar stories. DSOF Exh. 4, Reichmann Depo. Tr. at 142:3-13 (Menaged explained that he "had an employee . . . a Jamaican woman who was running part of his business, and he had her fired a couple of weeks ago, and that what he was able to determine, was that he thinks there may be a theft issue and that she was responsible for the theft . . . ."). Reichman believed Menaged's story and continued to believe he was a good businessman. *Id.* at 42:1-14 and 92:24-95:4.

24. Without any attorney advice, Menaged and Chittick devised a plan in November and December 2013 to resolve the double liens. DSOF Exh. 21, Expert Report

of David B. Weekly at ¶ 6 ("When Chittick learned about the double encumbering of loans, he and Menaged created a plan in an attempt to resolve the issue."); DSOF Exh. 2, Expert Report of Neil J. Wertlieb at p. 15 ("Mr. Chittick and Mr. Menaged Create the 'Plan'"); DSOF Exh. 4, Reichmann Depo. Tr. 144:25 – 145:3 (Menaged told Reichmann that "Denny had agreed to become a partner with him in his wholesale business, so he would participate in profits from the wholesale business to reduce his exposure on the lending side.").

25. Chittick called Beauchamp on December 18, 2013 and mentioned that Menaged had double liened a few properties, but that the issue was being resolved. He provided no further details regarding the scope and extent of the First Fraud. DSOF Exh. 21, December 2013 Clark Hill invoice (Exh. 6); DSOF Exh. 22, Beauchamp's response to Interrogatory No. 5.

26. On January 6, 2014, Bob Miller, an attorney with the law firm Bryan Cave Leighton Pasiner (then known as Bryan Cave LLP), sent Chittick a letter on behalf of various lenders subject to the First Fraud (the "Bryan Cave Demand Letter"). The letter asserted that the lenders had advanced purchase money loans directly to trustees to buy more than 50 properties out of foreclosure, and had recorded deeds of trust to evidence their first position security interest. DenSco, however, had likewise recorded mortgages evidencing its purchase money loans for the same properties. DSOF Exh. 23 Bryan Cave Demand Letter (Exh. 942) at DIC0008607.

27. The Bryan Cave Demand Letter (1) asserted that DenSco's claimed interest was a "practical and legal impossibility since . . . only the Lenders provided the applicable trustee with certified funds supporting the Borrowers purchase money acquisition for each of the Properties," (2) demanded that DenSco subordinate its alleged interests to their interests, and (3) threatened to bring claims for fraud and conspiracy to defraud, negligent misrepresentation, and wrongful recordation. *Id.*

28. In a telephone call with Beauchamp the day the Bryan Cave demand letter was sent, Chittick explained that he and Menaged had "already fixed about 6 loans." DSOF Exh. 24, January 6, 2014 notes of Beauchamp (Exh. 143).

29. The next day, Chittick emailed Beauchamp and explained for the first time that the issue in the Bryan Cave Demand Letter had arisen because of Menaged's cousin. The email also explained that Chittick and Menaged had developed a plan to fix the problem and outlined the broad terms of the plan. Chittick explained to Beauchamp that "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." The plan also involved both DenSco loaning Menaged an additional $1 million and Menaged "bringing in 4-5 million dollars over the next 120 days . . . ." Chittick explained to Beauchamp that "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." DSOF Exh. 6. *See also* DSOF Exh. 25, Menaged Depo. Tr. at 134-135. Chittick's email to Beauchamp on January 7, 2014 was the first time that Beauchamp was made aware of the First Fraud. DSOF Exh. 7, Plaintiff's Seventh Supplemental Disclosure Statement at ¶¶ 122, 128, 130.

30. Chittick's email also explained that DenSco's general business practice was to lend money directly to borrowers to purchase properties, rather than funding the loan to the trustee. DSOF Exh. 6.

31. On January 9, 2014, Chittick sent Beauchamp an email that appears to question the need or value of providing loans funds directly to a trustee. Beauchamp responded to Chittick that the process he was suggesting was "a procedure that does not work." DSOF Exh. 26, January 9, 2014 email exchange between Beauchamp to Chittick (Exh. 147).

32. Beauchamp repeatedly advised Chittick that he needed to fund DenSco's loans directly to a trustee to safeguard DenSco's money and its preferred lien priority. DSOF Exh.

11, Beauchamp Depo. Tr. at 358:18-19; 359-361; DSOF 25, Menaged Dep. Tr. at 239:1-9; DSOF Exh. 10, Defendants' Eighth Supplemental Disclosure Statement at p. 27.

33. On January 9, 2014, Beauchamp met with both Chittick and Menaged regarding the First Fraud. In that meeting, Chittick and Menaged once again asserted that Menaged's cousin was responsible for the double liening problem and that issues with 10% of the double liened properties had been resolved "in [the] last 45 days." DSOF Exh. 27, January 9, 2014 notes of Beauchamp (Exh. 145).

34. Chittick had already started advancing money to Menaged pursuant to their workout plan before he ever alerted Clark Hill as to any issues. DSOF Exh. 28, Receiver Analysis of $1 million workout loan.

35. Beauchamp asked Chittick if he had vetted Menaged's "cousin" story. Chittick assured Beauchamp that he had. DSOF Exh. 11, Beauchamp Depo. Tr. at 335:18-22.

36. Beauchamp advised Chittick that the plan devised by Chittick and Menaged should be documented in writing. DSOF Exh. 29, January 15, 2014 email from Beauchamp to Chittick (Exh. 175) ("We still need to get Scott to sign the Term sheet and then the Forbearance Agreement to protect DenSco as we proceed.") and DSOF Exh. 30, February 7, 2014 email from Beauchamp to Chittick (Exh. 343) (advising Chittick that he needs to have "a sworn set of facts that you can rely upon.").

37. Beauchamp also instructed Chittick to make oral disclosures about the First Fraud to any DenSco investors who had decided to make new or roll over investments. DSOF Exh. 11, Beauchamp Depo. Tr. at 78:15 – 79:6, 158:24 – 159:4, 159:14 – 160:7; 172:7-21. Such oral disclosures are permitted under Regulation D of the Securities Act of 1933. DSOF Exh. 31, Expert Report of Kevin Olson at p. 7-8; DSOF Exh. 2 at p. 38 ("Disclosures that are provided to investors in a private placement offering are *typically* contained in a written document . . . .") (emphasis added).

38. Chittick understood that he had an obligation to disclose the First Fraud. He told Menaged on February 11, 2014 that DenSco had not "taken any new investors, so if I do, i have to disclose a loto [sic] to them, which is all about you!" DSOF Exh. 32, February 11, 2014 from Chittick to Menaged (Exh. 548).

39. Beauchamp also reminded Chittick that DenSco had to fund loans to trustees directly, rather than the borrowers themselves. DSOF Exh. 11, Beauchamp Depo. Tr. at 358:18-19; 359-361; DSOF Menaged Dep. Tr. at 239:1-9. Chittick averred that he understood that the procedure was incorrect and that he would fix it moving forward. DSOF Exh. 11, Beauchamp Depo. Tr. at 364:17-24. Clark Hill believed that representation. DSOF Exh. 33, Schenck Depo. Tr. at 106:22-107:3 (testifying that "[Clark Hill] did not know what Denny was going to . . . still go[] forward with his practices.").

40. A Term Sheet was executed by Menaged and Chittick on approximately January 17, 2014 that broadly outlined the plan devised by Menaged and Chittick. The key points of the Term Sheet were that:

a. Menaged agreed to pay off any shortfall on the loans as the double-encumbered properties were sold or refinanced by borrowing $1 million from a third party and liquidating assets worth $4-5 million;
b. Menaged agreed to obtain a $10 million life insurance policy naming DenSco as the beneficiary;
c. Menaged admitted that the DenSco loans were secured by deeds of trust that were intended to be in a first lien position; and
d. DenSco agreed to loan up to $1 million to Menaged for purposes of purchasing and flipping or renting additional properties, with all profits used to pay off the loans on the double-encumbered properties.

DSOF Exh. 34, Term Sheet (Exh. 192).

41. Prior to signing the Term Sheet, Beauchamp advised Chittick not to accept many of the terms in the Term Sheet recommended by Menaged because they were "not in your legal best interest." DSOF Exh. 35, January 16, 2014 email exchange between Beauchamp and Chittick at DIC0006221 – DIC0006222.

42. Notwithstanding Beauchamp's advice to the contrary, DenSco executed the Term Sheet and Beauchamp began preparing a more formal Forbearance Agreement. Beauchamp believed the Forbearance Agreement would be completed before the end of January. DSOF Exh. 36, January 21, 2014 email from Beauchamp to Chittick at DIC0006528 ("I am just very concerned about the payoffs getting so far ahead of the documentation. I have authorized the preparation of the Forbearance Agreement and the related documents. Under normal circumstances, this should be finalized and signed before your 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.").

43. Menaged retained Jeffrey Goulder at Stinson Morrison to negotiate the Forbearance Agreement on his behalf. DSOF Exh. 37, January 15, 2014 email exchange between Beauchamp and Chittick (Exh. 165) and January 13, 2014 email from Menaged to Beauchamp (Exh. 155) ("I am meeting with my attorney wed at 1030 am. I will discuss with him about what to provide and what not to. Me, you and Denny are on the same side here, I just know you can't advise me legally so I asked to meet with my attorney.").

44. While negotiating the Forbearance Agreement, Beauchamp repeatedly pushed back on edits requested by Menaged, his counsel, and Chittick, and reminded Chittick of DenSco's fiduciary duties to its investors:

a. February 4, 2014: "**AT YOUR REQUEST, I DID NOT INCLUDE ANY HARSH OR SIGNIFICANTLY PRO-LENDER PROVISIONS. . . .** You can help and have helped Scott, but you cannot OBLIGATE DenSco to further help Scott, because that would breach your fiduciary duty to your investors."

DSOF Exh. 40, February 4, 2014 email from Beauchamp to Chittick at DIC0006673.

b. February 7, 2014: "this agreement needs to not only protect [Menaged] from having this agreement used as evidence of fraud against him in a litigation, the agreement needs to comply with Denny's fiduciary obligations to his investors . . . ." DSOF Exh. 41, February 7, 2014 email from Beauchamp to Goulder (Exh. 343).

c. February 9, 2014: "you are limited in what risk or liability you can assume. Your fiduciary duty to your investors makes this a difficult balancing act." DSOF Exh. 42, February 9, 2014 email from Beauchamp to Chittick at DIC0006708.

d. February 14, 2014: "[Menaged's attorney] clearly thinks he can force you to agree to accept a watered down agreement and give up substantial rights that you should not have to give up. Unfortunately, it is not your money. It is your investors' money. So you have a fiduciary duty." DSOF Exh. 43, February 14, 2014 email from Beauchamp to Chittick (Exh. 75).

e. February 25, 2014: "[Menaged's attorney's] demands and changes have pretty much killed your ability to sign the Forbearance Agreement, which I believe [Menaged's attorney] wanted form the very beginning." DSOF Exh. 44, February 25, 2014 email from Beauchamp to Chittick (Exh. 360).

f. March 13, 2014: "In order to comply with the specific securities disclosure requirements, I left ____ (blank) the amount of time for Scott to be able to review and comment upon the proposed disclosure (suggest 48 hours) and I did not give him the right to disapprove and block what you can or cannot disclose. DenSco and you as the promoter of DenSco's offering have to make the decisions as to what is to be disclosed or not. With respect to timing, we

are already **very late** in providing information to your investors about this problem and the resulting material changes from your business plan. We cannot give Scott and his attorney any time to cause further delay in getting this Forbearance Agreement finished and the necessary disclosure prepared and circulated." DSOF Exh. 45, March 13, 2014 email from Beauchamp to Chittick (Exh. 383).

45. Beauchamp sought counsel from other Clark Hill lawyers regarding Menaged's demands for protections in the event of a bankruptcy filing. DSOF Exh. 46, February 20, 2014 email from Beauchamp to R. Gordon, K. Wakim and J. Applebaum (Exh. 356).

46. The Forbearance Agreement was also delayed several months because Chittick refused to provide Clark Hill with accurate information regarding the extent and scope of the First Fraud subject to the Forbearance Agreement, despite Clark Hill's repeated requests for such information. For example, Clark Hill asked Chittick on February 3, 2014 to "list all of the properties affected by this double-funding with separate sublists showing the properties that have already been resolved" in a document that would be appended as Exhibit A to the Forbearance Agreement. Chittick responded that he wouldn't have a complete list for another three weeks, to which Clark Hill replied, "We need to know the list that existed when this problem was first recognized and you started to correct it in November and the changes since that time until the Forbearance Agreement is signed." DSOF Exh. 47, February 3, 2014 email exchange between Beauchamp and Chittick (Exh. 329). Chittick did not provide any detail regarding the balance of loans subject to the First Fraud until March 21, 2014. DSOF Exh. 48, March 21, 2014 email from Chittick to Beauchamp (Exh. 392). But even then, the detail provided by Chittick was incorrect and underestimated the true balance of loans subject to the Forberance Agreement. DSOF Exh. 49, Authorization to Update Forbearance Agreement at DIC0005823; DSOF Exh. 11, Beauchamp Depo. Tr. at 177:22-178:1.

47. Throughout the negotiation of the Forbearance Agreement, Chittick and Menaged complained about lawyers and the edits Beauchamp was making to the Forbearance Agreement:

a. February 3, 2014: Chittick writes to Menaged regarding the efforts to draft a Forbearance Agreement, and asks if Menaged had "put a call in to [his attorney] to get him on the phone with [Beauchamp] and pound through" what Chittick refers to as "their language arts assignment". DSOF Exh. 50, February 3, 2014 email from Chittick to Menaged at CH_REC_MEN_0027814.

b. February 7, 2014: Regarding revisions to the draft Forbearance Agreement, Chittick states "after any changes we agree to and make, david will amek [sic] them them [sic]. I tell david to send it to jeff, you tell jeff, the terms are agreeable between us, and they can only fix the spelling!" DSOF Exh. 51, February 7, 2014 email from Chittick to Menaged at CH_REC_MEN_0027218.

c. February 14, 2014: Chittick and Menaged complain amongst themselves that "these lawyers are trying to prevent progress" and increase their fees. DSOF Exh. 52, February 14, 2014 email from Chittick to Menaged at CH_REC_MEN_0026600.

d. February 15, 2014: Chittick again emails Menaged regarding his frustration with Beauchamp for wanting to know what Menaged's "points of contention" are with respect to the draft Forbearance Agreement. Chittick complains that "attorneys' sole purpose is to self perserverance [sic]." DSOF Exh. 53, February 15, 2014 email from Chittick to Menaged at CH_REC_MEN_0026580.

48. Menaged has confirmed that Chittick disliked lawyers and the fees associated with them. DSOF Exh. 25, Menaged Depo. Tr. at 38:13-16.

49. Chittick repeatedly shared privileged communications between Beauchamp and DenSco with Menaged:

a. February 4, 2014: Chittick writes to Menaged that he "would forward you three emails dave sent me tonight, but the summary is basically, it's become a battle," to which Menaged responds "I will call you in an hour or so." DSOF Exh. 54, February 4, 2014 email from Chittick to Menaged at CH_REC_MEN_0027591.

b. February 5, 2014: Chittick writes to Menaged that he had directed Beauchamp to "make some concenssions [sic] that you and I agreed to. . . ." DSOF Exh. 55, February 5, 2014 email from Chittick to Menaged at CH_REC_MEN_0027482.

c. February 8, 2014: Chittick writes email to Menaged titled "david" and summarizes conversation between Beauchamp and Chittick. DSOF Exh. 56, February 8, 2014 email from Chittick to Menaged at CH_REC_MEN_0027195.

50. Menaged has confirmed that Chittick revealed protected communications from Beauchamp regularly. DSOF Exh. 25, Menaged Depo. Tr. at 38:13-16.

51. The Forbearance Agreement became effective on April 14, 2014. Prior to signing the agreement, Menaged told Chittick that he had signed it "even though it is not anymore a true understanding of what we are doing. . . . So lots of this is no longer valid or True [sic], but I signed it so at least you have it for and not to have Dave Change [sic] it again and again with every move we make." DSOF Exh. 57, April 3, 2014 email from Menaged to Chittick at CH_REC_CHI_0068720.

52. The Forbearance Agreement addressed the following points:

a. Menaged identified the facts that led to the double lien issue and the scope of the issue;

b. Menaged acknowledged his obligation to discharge the liens of the others lenders;

c. Menaged and his entities agreed to pay off the double-encumbered loans by liquidating additional assets, renting or selling real estate, recovering stolen funds, and obtaining $4.2 million in outside financing;

d. Menaged agreed to provide additional security and guarantees, including a $10 million life insurance policy naming DenSco as beneficiary; and

e. DenSco agreed to extend up to $6 million in additional financing to Menaged (and defer the collection of interest on defaulted loans) for purposes of purchasing and flipping or renting additional properties, with all profits used to pay off the loans on the double-encumbered properties.

DSOF Exh. 58, Forbearance Agreement at DIC0008036.

53. Chittick ultimately lent Menaged more than $14 million under the Forbearance Agreement. DSOF Exh. 15, Expert Report of David R. Perry at p. 13.

54. After the Forbearance Agreement was signed, an Authorization To Update the Forbearance Agreement was executed to correct the loan balance subject to the First Fraud. DSOF Exh. 59, April 18, 2014 email exchange between Beauchamp and Chittick (Exh. 97A and Exh. 98).

55. Clark Hill also began to immediately update the 2011 POM. Schenck emailed a draft of the 2014 POM to Beauchamp on May 14, 2014. The draft included a description of the First Fraud and Forbearance Agreement. DSOF Exh. 60 May 14, 2014 email from Schenck to Beauchamp with 2014 POM attached (Exh. 101). The draft had numerous blanks that required information from DenSco, and included numerous comments and questions for Chittick. *Id.*

56. Beauchamp provided the draft 2014 POM to Chittick and requested that he at least approve the description of the double lien issue and the workout. Chittick refused.

Beauchamp terminated DenSco as a securities client in May 2014 and stopped performing securities work for DenSco. DSOF Exh. 11, Beauchamp Depo. Tr. at 121:20-122:4, 164:1-14; DSOF Exh. 33, Schenck Depo Tr. at 111:5-112:12. Chittick represented at that time that he was in the process of obtaining new counsel. DSOF Exh. 11, Beauchamp Depo. Tr. at 212:13-16.

57. Clark Hill continued to do limited work related to the Authorization To Update the Forbearance Agreement in June 2014, necessitated by Chittick's failure to provide accurate, up-to-date information regarding the double liened properties. DSOF Exh. 59.

58. Chittick and Menaged purposely delayed sending Clark Hill the necessary paperwork until mid-June. DSOF Exh. 61, email exchanges between Beauchamp, Chittick and Menaged at CH_REC_CHI_0012589, CH_REC_CHI_0012644 and CH_REC_CHI_0012840. The update to the Forbearance Agreement was signed on June 18, 2014. DSOF Exh. 62, Authorization to Update Forbearance Documents (Exh. 410).

59. Clark Hill did no further work on behalf of DenSco until 2016. At that point, Chittick informed Beauchamp that DenSco had issued an updated POM. DSOF Exh. 11, Beauchamp Depo. Tr. at 230:4-8.

60. Beginning on January 22, 2014, while the Forbearance Agreement was being negotiated, Menaged began perpetrating another fraud on DenSco, known as the "Second Fraud" according to the Receiver. DSOF Exh. 38, Receiver's Dec. 23, 2016 Status Report at 7-9. That Second Fraud gave rise to nearly all of the damages attributed to Clark Hill in this case. DSOF Exh. 21, Expert Report of David B. Weekly at ¶ 44.

61. Pursuant to the Second Fraud, DenSco would loan money to Menaged to purchase properties and Menaged would create fictitious documents that would give the impression that Menaged had purchased the properties. Menaged would first utilize his banks (US Bank and Chase Bank) to obtain cashiers' checks made out to various trustees, take pictures of those checks to prove to Chittick that they had been issued, and immediately

redeposit the funds back into his personal accounts. Menaged would then falsify trustee sales receipts to makes it look like Menaged purchased the property. DSOF Exh. 63, Complaint (CV2019-011499). Menaged procured more than 1,300 checks for $319 million dollars through this Second Fraud. *Id.* at ¶¶ 63, 117. The Receiver acknowledges in its lawsuit against the various banks that participated in the Second Fraud that "[b]ut for [the banks'] substantial assistance, Menaged could not have scammed DenSco out of tens-of-millions of dollars." *Id.* at Introduction.

62. Menaged claims that Chittick knew that Menaged was not purchasing properties after January 9, 2014. DSOF Exh. 25, Menaged Depo. Tr. at 152-153.

63. Chittick committed suicide on July 28, 2016. DSOF Exh. 64, Complaint (CV 2017-013832).

64. On December 9, 2016, the Receiver filed a Notice of Claim Against Estate of Denny J. Chittick that charged Chittick with responsibility for more than $45 million in losses DenSco experienced because of the frauds perpetrated by Menaged. DSOF Exh. 65, Notice of Claim Against Estate of Denny J. Chittick. The Receiver specifically alleged that Chittick was at fault for "aiding and abetting [Menaged] in his torts against DenSco," defrauding DenSco and its investors, and committing "gross negligence" through his reckless lending practices. *Id.* The Receiver also alleged that over time, Chittick had taken millions of dollars out of DenSco after he learned about the double-liening issue. *Id.*

65. The Receiver ultimately settled with the Chittick Estate for between $1.8 and $3.0 million. DSOF Exh. 66, Petition to Approve Settlement Agreement Between Receiver, Shawna Chittick Heuer, Individually And As Personal Representative of Estate of Denny J. Chittick, Paul Theut As Guardian Ad Litem for Ty and Dillon Chittick and Ranasha Chittick at ¶ 37.

66. Menaged was indicted in the United States District Court, District of Arizona, for Wire Fraud, Aggravated Identity Theft, Conspiracy to Defraud, and Forfeiture related to

the Second Fraud in October 2017. DSOF Exh. 67, Indictment (CR-17-00680-PHX-GMS(MHB)). He ultimately pled guilty to Conspiracy to Commit Bank Fraud, Aggravated Identity Theft, and Money Laundering Conspiracy and was sentenced to 17 years in federal prison. DSOF Exh. 68, Judgment In A Criminal Case (CR-17-00680-PHX-GMS(MHB)). As part of his plea, Menaged admitted that he "defrauded DenSco by embezzling millions of dollars without purchasing properties with the loans obtained from DenSco" by using "completely fabricated" documents. DSOF Exh. 69, Plea Agreement (CR-17-00680-PHX-GMS(MHB)). Menaged also pled guilty to defrauding Wells Fargo and Synchrony Bank out of $2.1 million, a fraud Menaged perpetrated "largely to obtain cash quickly after" his fraud against DenSco "no longer provided the defendant with a source of cash." *Id.*

67. On or about August 4, 2017, Menaged and his wife consented to the entry of a nondischargeable civil judgment in favor of the Receiver for $31 million. The Receiver agreed to reduce the amount Menaged and his wife owed DenSco by whatever it collected from other parties. DSOF Exh. 70, Receiver's Petition For Order Approving Settlement Agreement With Yomtov Scott Menaged and Francine Menaged at ¶ 33 and accompanying Judgment. The Receiver also obtained a cooperation agreement from Menaged. *Id.*

68. The Receiver filed suit against Clark Hill on October 16, 2017 and alleged claims for legal malpractice and aiding and abetting Chittick's breach of fiduciary duties. DSOF Exh. 64.

69. The Receiver alleges that Clark Hill is jointly and severally liable with Menaged and Chittick for the damages resulting to DenSco under A.R.S. § 12-2506. Specifically, the Receiver asserts that Clark Hill is jointly and severally liable with Menaged and Chittick because: (1) "Clark Hill initially advised DenSco that it did not need to disclose material facts to investors while a forbearance agreement was drawn up"; (2) "Clark Hill negotiated and recommended a forbearance agreement between DenSco and Menaged that itself was a breach of fiduciary duty to DenSco's investors" because it "subordinat[ed]

DenSco's debt to other hard money lenders and was a fig leaf to fool investors that DenSco was working itself out of an overwhelming debt"; and (3) "Clark Hill sat quietly by and allowed DenSco over a year to work itself out of the Menaged fraud problem – telling Chittick that DenSco could do so without disclosing a thing to investors." Those enumerated acts constitute "multiple acts of aiding and abetting" according to the Plaintiff, making "Clark Hill jointly and severally liable with both Chittick and Menaged for damages" because the three "acted in concert to create an agreement that on its face and in practice subordinated Densco's [sic] notes into junior positions." DSOF Exh. 7, Plaintiff's Seventh Supplemental Disclosure Statement at p. 125-26; DSOF Exh. 71, May 13, 2019 letter from Campbell to Bae.

70. The Receiver alleges that Clark Hill aided and abetted Chittick breaching his fiduciary duties to DenSco in no less than 11 different ways Chittick. DSOF Exh. 7, Plaintiff's Seventh Supplemental Disclosure Statement at p. 115-19.

DATED this 15th day of November, 2019.

COPPERSMITH BROCKELMAN PLC

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Exhibit 1

Confidential Private Offering Memorandum

DenSco Investment Corporation

July 1, 2011

No: _____ Name of Payee: _____

Confidential Private Offering Memorandum

DenSco Investment Corporation

General Obligations Notes

Minimum Purchase $50,000

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

THE NOTES ARE SPECULATIVE AND INVESTMENT IN THE NOTES INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS."

THE NOTES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR APPLICABLE STATE SECURITIES LAWS, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE REGULATORY AUTHORITY REVIEWED, APPROVED OR DISAPPROVED THE ACCURACY OR ADEQUACY OF THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM OR ENDORSED THE MERITS OF THE PLACEMENT OF NOTES. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. THE NOTES ARE OFFERED PURSUANT TO EXEMPTIONS PROVIDED BY SECTION 4(2) OF THE ACT, REGULATION D THEREUNDER, CERTAIN STATE SECURITIES LAWS AND CERTAIN RULES AND REGULATIONS PROMULGATED PURSUANT THERETO. THE NOTES MAY NOT BE TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS OR AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY AND ITS COUNSEL THAT SUCH REGISTRATION IS NOT REQUIRED.

	Offering Price (1)	Underwriting Commissions (2)	Proceeds to the Company (3)
Note	**$50,000**	**-0-**	**$50,000**
Total Minimum Offering	**$500,000**	**-0-**	**$475,000**
Offering Maximum	**$50,000,000**	**-0-**	**$49,975,000**

(1) The Notes are offered in $50,000 initial investment with additional increments with a minimum of at least $10,000. All subscriptions for Notes are subject to review and acceptance by the Company.

(2) The Company's President, Denny J. Chittick, is making the private placement of the Notes on behalf of the Company. Mr. Chittick will not receive any sales commission in connection with the placement of the Notes. The Company reserves the right to pay costs and commission to a licensed broker-dealer with an approved custodian to facilitate procedures by investors using qualified funds (i.e., IRA, SEP IRA, ROTH IRA and KEOGH Plans), up to one percent (1%) of the principal Note amount.

(3) Offering expenses, estimated at $25,000, will be paid from the Company's general operating funds.

DenSco Investment Corporation
6132 W. Victoria Place
Chandler, Arizona 85226
(c) 602-469-3001
(f) 602-532-7737

THE NOTES ARE OFFERED ONLY TO PERSONS WHO ARE: (1) "ACCREDITED INVESTORS" WITHIN THE MEANING OF RULE 501(a) OF REGULATION D PROMULGATED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAW; (2) ABLE TO BEAR THE ECONOMIC RISK OF AN INVESTMENT IN THE NOTES, INCLUDING A LOSS OF THE ENTIRE INVESTMENT; AND (3) SUFFICIENTLY KNOWLEDGEABLE AND EXPERIENCED IN FINANCIAL AND BUSINESS MATTERS TO BE ABLE TO EVALUATE THE MERITS AND RISKS OF AN INVESTMENT IN THE NOTES EITHER ALONE OR WITH A PURCHASER REPRESENTATIVE. SEE "INVESTOR SUITABILITY." THE NOTES ARE NOT OFFERED AND WILL NOT BE SOLD TO ANY PROSPECTIVE INVESTOR UNLESS SUCH INVESTOR HAS ESTABLISHED, TO THE SATISFACTION OF DENNY J. CHITTICK, THAT THE INVESTOR MEETS ALL OF THE FOREGOING CRITERIA. EACH INVESTOR MUST ACQUIRE THE NOTES FOR HIS, HER OR ITS OWN ACCOUNT, FOR INVESTMENT PURPOSES ONLY, AND WITHOUT ANY INTENTION OF DISTRIBUTING OR RESELLING ANY OF THE NOTES, EITHER IN WHOLE OR IN PART.

THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION TO ANYONE IN ANY JURISDICTION IN WHICH SUCH AN OFFER OR SOLICITATION IS NOT AUTHORIZED. IN ADDITION, THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM CONSTITUTES AN OFFER ONLY TO THE PERSON WHOSE IDENTITY APPEARS IN THE APPROPRIATE SPACE PROVIDED ON THE COVER PAGE HEREOF. THE RIGHT TO PURCHASE NOTES AS DESCRIBED HEREIN IS NOT ASSIGNABLE.

TO ENSURE COMPLIANCE WITH CIRCULAR 230 GOVERNING STANDARDS OF PRACTICE BEFORE THE INTERNAL REVENUE SERVICE, POTENTIAL INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED BY A POTENTIAL INVESTOR, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON A POTENTIAL INVESTOR UNDER THE INTERNAL REVENUE CODE; (B) SUCH

DISCUSSION IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE NOTES OFFERED HEREBY; AND (C) POTENTIAL INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

CERTAIN "REPORTABLE TRANSACTIONS" REQUIRE THAT PARTICIPANTS AND CERTAIN OTHER PERSONS FILE DISCLOSURE STATEMENTS WITH THE IRS, AND IMPOSE SIGNIFICANT PENALTIES FOR THE FAILURE TO DO SO. AN INVESTOR (AND EACH EMPLOYEE, REPRESENTATIVE, OR OTHER AGENT OF THE INVESTOR) MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF AN INVESTMENT IN THE NOTES AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) THAT ARE PROVIDED TO THE INVESTOR RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE, EXCEPT TO THE EXTENT THAT SUCH DISCLOSURE IS RESTRICTED BY APPLICABLE SECURITIES LAWS.

THE OBLIGATIONS AND REPRESENTATIONS OF THE PARTIES TO THIS TRANSACTION WILL BE SET FORTH ONLY IN THE DOCUMENTS DESCRIBED HEREIN. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS CONCERNING THE COMPANY OTHER THAN AS CONTAINED IN THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON. THE DELIVERY OF THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM DOES NOT IMPLY THAT THE INFORMATION SET FORTH IN IT IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM HAS BEEN PREPARED SOLELY FOR THE BENEFIT OF CERTAIN INVESTORS TO WHOM IT HAS BEEN DIRECTED. A PROSPECTIVE INVESTOR, BY ACCEPTING DELIVERY OF THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM, AGREES TO

RETURN THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM AND ALL ENCLOSED DOCUMENTS TO THE COMPANY IF THE HOLDER DOES NOT UNDERTAKE TO PURCHASE ANY OF THE NOTES OFFERED HEREBY.

PRIOR TO THE SALE OF ANY NOTES OFFERED HEREBY, THE COMPANY WILL MAKE AVAILABLE TO EACH INVESTOR THE OPPORTUNITY TO ASK QUESTIONS OF AND RECEIVE ANSWERS FROM MR. CHITTICK CONCERNING THE TERMS AND CONDITIONS OF THIS OFFERING AND TO OBTAIN ADDITIONAL INFORMATION NECESSARY TO VERIFY THE ACCURACY OF THE INFORMATION CONTAINED HEREIN, TO THE EXTENT THE COMPANY OR MR. CHITTICK POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE.

ANY REPRODUCTION OR DISTRIBUTION OF THE CONFIDENTIAL PRIVATE OFFERING MEMORANDUM IN WHOLE OR IN PART, OR THE DISCLOSURE OF ANY OF ITS CONTENTS, WITHOUT THE PRIOR WRITTEN CONSENT OF MR. CHITTICK IS STRICTLY PROHIBITED.

REFERENCE IS MADE TO THE SUBSCRIPTION AGREEMENT AND SUITABILITY QUESTIONNAIRE ATTACHED HERETO FOR COMPLETE INFORMATION CONCERNING THE RIGHTS AND OBLIGATIONS OF INVESTORS WHO PURCHASE THE NOTES OFFERED HEREBY. CERTAIN PROVISIONS OF AGREEMENTS AND DOCUMENTS ARE SUMMARIZED IN THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM, AND THE SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE DETAILED INFORMATION OR AGREEMENT OR DOCUMENT APPEARING ELSEWHERE. IN CASE OF A CONFLICT BETWEEN THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM AND SUCH AGREEMENTS OR DOCUMENTS, THE AGREEMENT OR DOCUMENT, AS THE CASE MAY BE, SHALL GOVERN. REFERENCE IS MADE HEREBY TO THE COMPLETE TEXT OF ALL DOCUMENTS RELATING TO THIS PLACEMENT THAT ARE DESCRIBED HEREIN. A COPY OF ALL DOCUMENTS AND AGREEMENTS SO DESCRIBED BUT NOT INCLUDED HEREIN WILL BE MADE

AVAILABLE TO A PROSPECTIVE INVESTOR AND ITS COUNSEL, ACCOUNTANT AND ADVISER(S) UPON REQUEST.

PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM OR ANY PRIOR OR SUBSEQUENT COMMUNICATIONS FROM THE COMPANY OR MR. CHITTICK OR THEIR AFFILIATES AS LEGAL OR TAX ADVICE. EACH INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN COUNSEL, ACCOUNTANT AND OTHER ADVISERS AS TO TAX MATTERS AND RELATED MATTERS CONCERNING AN INVESTMENT IN THE COMPANY'S NOTES.

NOTWITHSTANDING ANYTHING CONTAINED IN THIS CONFIDENTIAL OFFERING MEMORANDUM TO THE CONTRARY, EXCEPT AS REASONABLY NECESSARY TO COMPLY WITH APPLICABLE SECURITIES LAWS, INVESTORS (AND EACH EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF THE INVESTORS) MAY NOT DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE U.S. FEDERAL INCOME TAX TREATMENT AND TAX STRUCTURE OF THIS OFFERING AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) THAT ARE PROVIDED TO THE INVESTORS RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE. FOR THIS PURPOSE, "TAX STRUCTURE" IS LIMITED TO FACTS RELEVANT TO THE U.S. FEDERAL INCOME TAX TREATMENT OF THIS OFFERING AND DOES NOT INCLUDE INFORMATION RELATING TO THE IDENTITY OF THE ISSUER, ITS AFFILIATES, AGENTS OR ADVISORS.

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MEMORANDUM SUMMARY

The following summary should be read in conjunction with, and is qualified in its entirety by the more detailed information appearing elsewhere in this Confidential Private Offering Memorandum.

The Company

DenSco Investment Corporation, an Arizona corporation (the "Company"), is an Arizona corporation, which has been in operation since April, 2001. In the ten years of operation from April, 2001 through June, 2011, the Company has engaged in 2622 loan transactions. The Company has been and will continue to be engaged primarily in the business of making high-interest loans with defined loan-to-value ratios to residential property remodelers ("Foreclosure Specialists") who purchase houses through pre-foreclosure process and foreclosure sales, all of which are secured by real estate deeds of trust ("Trust Deeds") recorded against Arizona residential properties, but the Company will not limit its efforts to this niche. In connection with its business, the Company will seek to maintain a diversity of builders, loan size, back-office commercial properties, medical offices, strip commercial centers, high-end specialty and custom residential properties and construction locations. The Company does not intend to exceed a maximum loan size of $1,000,000.00. The Company intends to maintain a loan-to-value ratio below 70% percent in the aggregate for all loans in the loan portfolio.

The Company's office is currently located at 6132 W. Victoria Place, Chandler, Arizona 85226. Its current telephone number is 602-469-3001.

The Offering

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

investment in the Company at all times. This investment takes the form of Notes. Therefore, depending on the maturity of the Notes currently held by Mr. Chittick, the minimum offering may be met with his investment only. The interest rates of the Notes will vary and will depend on the denomination of the Note and the term selected by the investor. The Notes are offered in denominations ranging from $50,000 to $1,000,000.00, increasing in additional increments with a minimum of $10,000. The Notes are paid "interest only" during their terms, with principal payable only at maturity. Investors may elect to have interest paid monthly, quarterly or at maturity. If interest is paid other than monthly, interest will compound monthly. The Notes are not transferable without obtaining the prior written consent of the Company. The Notes are general obligations of the Company and are not directly secured by any specific asset of the Company. At any particular point in time, the assets of the Company will consist primarily of Trust Deeds in an aggregate principal amount approximately equal to the amount of the outstanding Notes. See "Use of Proceeds" and "Description of Securities."

Restricted Nature of Securities: The Notes are not registered and are restricted securities. This is a private placement intended to be exempt from the registration requirements under federal and applicable state securities laws, and may only be made personally by a principal of the Company to a qualified investor who intends to hold the investment to maturity. See "Description of Securities."

Risk Factors: An investment in the Notes involves a significant degree of risk. Only investors who can bear the economic risk of such an investment should purchase the Notes. See "Risk Factors" and "Investor Suitability."

Use of Proceeds: The proceeds of the offering will be used as working capital primarily for lending secured by, and the purchase of, Trust Deeds within the guidelines set by the Company. See "Use of Proceeds" and "Business."

Plan of Distribution: Notes may be purchased directly from the Company without commission. The Company intends to make a continuous offering of the Notes until the earlier of two years from the date of this memorandum or upon the sale of the maximum offering of $50 million; provided, however, the Company reserves the right to amend, modify or terminate this offering if the Company changes its operations or method of offering in any material respect. See "Description of Securities" and "Plan of Distribution."

BUSINESS

The Company was incorporated in Arizona on April 30, 2001 and is engaged primarily in the business of funding Foreclosure Specialists, who purchase houses through the preforeclosure process, and at foreclosure sales and through a sale of REO properties (Real Estate Owned by a financial institution after a foreclosure) or short sale transactions.

Target Markets and Potential Future Markets

The Company will target the funding and purchasing of Trust Deeds to qualified purchasers of foreclosed homes and qualified builders of Arizona commercial and residential projects. The primary focus is to lend money to qualified borrowers who can fulfill their loan obligation on highly marketable real properties with sufficient equity. When purchasing Trust Deeds, the Company intends to consider Trust Deeds that the loan–to–value ratio does not exceed 70 percent (70%) and the current yield is 18 percent (18%) or greater. Most of these purchased loans will have short-term maturities (less than one year), and under certain circumstances, Company may charge a higher interest rate or pass through additional costs incurred on short-term loans. Most Trust Deeds will range in size from $25,000 to $500,000, and the largest loan size is not intended to exceed $1,000,000. Each loan will be secured by its underlying real property (or in rare instances, separate real properties) as well as by personal property involved in the construction projects and personal guaranties (as determined on a case by case basis). The loans are written to be repaid in six months and all loans are structured to require monthly interest payments. A majority of the loans are paid back within three months; however, some loans are allowed to be extended on a case by case basis.

For lending to Foreclosure Specialists who purchase foreclosed homes prior to or at the foreclosure sale, the Company will target remodelers, contractors and other entities engaged in this niche real estate market, but the Company will not limit its efforts to this niche. The Company intends to have these Trust Deeds have loan-to-value ratios, no greater than 70 percent but with an objective goal of 50 percent to 60 percent. The Company anticipates that the minimum loan size will continue to be $25,000, and the maximum loan size will continue to be

$1,000,000. The values of these homes are determined to be based on the value to which they will appraise at or sell for on the retail market.

For lending on commercial projects, the Company will target established, reputable contractors and developers who are developing back-office commercial properties, medical and other professional offices, strip and pre-sold commercial centers, multi-unit apartment complexes, build-outs and high-end specialty projects on Arizona land they own or have rights to purchase. The Company intends to have these Trust Deeds have loan-to-value ratios, no greater than 65 percent but with an objective goal of 50 percent to 60 percent. The maximum loan size is intended to be $1,000,000, with subordinated participation from other lenders for larger projects, which will probably obligate the Company to act on behalf of the other participating lenders. The Company intends to directly (through an officer or employee) or indirectly (through a real estate consultant) perform due diligence to verify certain information in connection with funding a Trust Deed. The loan-to-value ratio is determined by calculating the reasonable market value of the property at the end of the construction project.

For residential loans, the Company will seek reputable, licensed contractors who have pre-sold homes to build for qualified buyers. The Company also plans to finance builders' models, builders' "spec" homes and those projects that are highly marketable and have substantial builder equity. Most of these borrowers may qualify for conventional bank financing but they may use the Company because of the faster financing, competitive over all costs, better service and personal relationships with Mr. Chittick. The Company will not lend to natural persons for personal, family or household purposes.

The Company may elect to participate as an equity partner in some projects should the benefits warrant the risk. From time to time, a default occurs on a loan and the Company needs to conduct a Trustee's Sale or accept a Deed In Lieu of Foreclosure on the real property securing a loan. As such, if the Trustee conducting the Trustee's Sale does not receive a bid in excess of the Company's credit bid (in the amount of the loan, accrued interest and costs) at the Trustee's Sale, the Company becomes the owner of the subject real property. The Company intends to sell such properties as quickly as possible in an effort to minimize resulting costs and losses, and to maintain a diversified financing operation. However, the Company reserves the right to lease

any property obtained through a Trustee's Sale or a Deed in Lieu of Foreclosure until the Company determines that the property can be sold at a sufficient price. The Company may diversify its financing operations in the future to include other areas of finance. The Company does not anticipate entering any non-Arizona market without first attempting to contact the significant Note holders and discussing this market with them.

Cash Flow

The Company uses a proprietary cash flow-management model for balancing the terms of the Trust Deeds the Company makes to its borrowers with the terms of the Notes purchased by the Company's investors. The Company's objective is to have sufficient cash coming in from Trust Deed payoffs to be able to redeem all Notes as they come due and maintain reserves without any need to sell assets or issue new Notes to repay the earlier maturing Notes. See "Risk Factors - Proceeds From Subsequently Issued Notes May Be Used to Repay Earlier Maturing Notes."

Limited Due Diligence

To the extent Trust Deeds are purchased, Trust Deeds will be purchased through a network of consultants, mortgage brokers and title companies that the Company believes are reliable referral sources. Prior to purchasing a Trust Deed or funding a direct loan, the Company intends to have an officer, employee or an authorized representative conduct a due diligence review by interviewing its owner, verifying the documentation and performing limited credit investigations as are deemed appropriate by the Company and visiting the subject property in a timely manner. For purchases of foreclosed homes, the properties are inspected after purchase, before or during rehabilitation and after rehabilitation to insure the property is improved to a marketable condition. The Company will not make residential loans to natural persons for personal, family or household purposes.

Funding and Purchase of Loans

The Company reserves the right to approve or decline the funding of each direct loan or the purchase of each Trust Deed submitted for purchase.

Collections

The Company services the contracts it purchases and originates. If a customer misses a payment without making satisfactory arrangement prior to the due date, the Company's policy will be to contact the customer within three to five days and watch the account closely until the payment or satisfactory arrangement has been made. At the discretion of the Company, the Company's normal documents provide that a late charge of ten percent of the interest amount due is to be assessed on a delinquent payment that is not cured within five days. If payment on a Trust Deed is thirty (30) days delinquent, an accelerated default rate goes into effect and foreclosure proceedings may begin under the Deed of Trust; provided, however, the Company may elect not to begin foreclosure proceedings if the property secured by the loan is under contract for sale or is in the process of being refinanced. The goal of the Company is to recover the principal of a loan and any interest and or any late fees assessed. If the borrower is unable in a timely manner to sell or refinance the subject property, the Company may request that the borrower execute a Deed in Lieu of Foreclosure (a "Deed in Lieu") to the Company so that the Company will gain immediate control of the subject property rather then going through the ninety (90) day process and expense associated with a Trustee's Sale. Upon the Company gaining control of the property through a Deed in Lieu or a Trustee's Sale, the Company will decide either to market the subject property at retail, which may require additional monies to improve the property to retail ready condition, or to wholesale the subject property "as is." The Company may also decide to rent the subject property as an investment property. If applicable, the management of the rental properties will be maintained by a professional management company chosen by the Company.

Regulation

The financing of construction loans and other types of real estate transactions are regulated by various federal and state government agencies, including the Arizona Department of Financial Institutions. Arizona Revised Statues §§ 6-901 to 910, §§ 6-941 to 948 and 6-971 to 985, and regulations issued thereunder, have specific mortgage broker and mortgage banker licensing and operating requirements. The Company's management believes that it is not required to be licensed by the Arizona Department of Financial Institutions as a mortgage broker or a mortgage banker nor under certain federal laws, such as Truth-In-Lending Act or the Real Estate Settlement Procedures Act. The Company intends to take the necessary steps to ensure that the borrowers it lends to and the projects covered by such loans will not fall within the requirements imposed by the foregoing agency and acts.

The Company will not receive any points, commissions, bonuses, referral fees, loan origination fees or other similar fees in connection with its real estate loans. The Company will only receive periodic interest resulting from the application of the note rate of interest to the outstanding principal balance remaining unpaid from time to time. By limiting its compensation in this manner, the Company's management believes it does not need a license from the Arizona Department of Financial Institutions as either a mortgage loan broker or mortgage banker; provided, however, the Company reserves the right to work with and to pay a reasonable and customary mortgage broker fee to a licensed mortgage loan broker or mortgage banker for services in connection with its loans or to other third-party professionals in connection with due diligence for its loans.

Certain federal laws and regulations, such as the Truth-in-Lending Act, Real Estate Settlement Procedures Act and others contain specific requirements for lenders seeking to make loans to certain types of borrowers, which may or may not be secured by certain types of residential real property. Most of these statutes and regulations apply to transactions only if the loans are made to natural persons for personal, family or household purposes. The Company will not lend to natural persons for these purposes.

If new regulations are issued by the U.S. Federal Housing Administration (the "FHA") or if a more strict interpretation of the current FHA regulations is implemented in the future, such regulations could reduce the demand for the Company's loans from Foreclosure Specialists which could impair the Company's ability to keep all of the proceeds from this offering fully invested in loans with borrowers.

Other states in the West have instituted additional restrictions concerning loans secured by private real estate, which are commonly referred to as "predatory mortgage lending laws." Although Arizona has not passed a similar statute, such provisions may come into effect in Arizona either through law or regulation during this offering. The Company's management believes that its practices will not need to change in order to comply with any of the current proposals if they should go into effect. However, there can be no assurance that such will be the case.

The Company's management believes that it is not required to register or be licensed as an investment adviser with the State of Arizona or with the U.S. Securities Exchange Commission ("SEC") pursuant to the Investment Advisers Act of 1940 (the "Advisers Act"), as amended. The Advisers Act and the analogous Arizona law generally require all persons that are engaged in the business of providing investment advice for compensation to register with the SEC or Arizona provided that such adviser is not exempt from registration. The Company's management believes that it is not engaged in the business of providing investment advice for compensation, and as such, is not required to register as an investment adviser with either the SEC and/or the State of Arizona. In addition, even if the Company were deemed to be engaged in the business of providing investment advice for compensation, the Company anticipates that it would exempt from registration as a "private investment adviser" under rules and regulations of the SEC and/or the State of Arizona given that the Company has fewer than the threshold number of clients that would trigger registration with the SEC and/or the State of Arizona.

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

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

Diversity of Risk

The Company will attempt to maintain a diverse portfolio of Trust Deeds and loans by seeking a large borrowing base, participating in several local markets, acquiring Trust Deeds for any lending into residential and commercial projects, establishing loan-to-value guidelines and limiting financing to short terms. Currently, the Company's base of borrowers exceed 150 approved and qualified borrowers. It is the Company's plan that the base of borrowers eventually will exceed 250 qualified contractors and foreclosure specialists. The Company will maintain loans throughout the Phoenix metropolitan area to reduce its risk to fluctuations in values and conditions in markets within the metropolitan area. The Company also believes that it can reduce risk by participation in various types of financing: Trust Deeds on foreclosed properties, residential Trust Deeds and lending from $50,000 tract homes and condominiums to $1,000,000 custom "spec" homes; and commercial investments for flex-office, back-office, medical/general office and retail. In addition, the Company intends to maintain general loan-to-value guidelines that currently range from 50 percent to 65 percent (but it is intended not to exceed 70%), to help protect the Company's portfolio of loans. Further, all loans are relatively short term.

Because of these varying degrees of diversification, the relatively short duration of each of the loans, and management's knowledge of the Phoenix metropolitan area market, the Company's management anticipates that it will not experience a significant amount of losses; however, there can be no assurance that the Company will not experience such losses. Mr. Chittick, individually, has made or participated in approximately 2800 loans secured by real

estate over the last fourteen (14) years. As of the date of this Memorandum, Mr. Chittick and the Company have collectively experienced 44 loan defaults that required initiating a Trustee's sale process, with seven of such loans being settled prior to the Trustee Sale auction. Various borrowers have conveyed seven properties to the Company pursuant to a Deed in Lieu. To the extent the Company deems necessary, the Company intends to use the services of outside real estate lending consultants to assist in evaluating any loan or the security for the loan to reduce the risk of a loss of principal due to the default of a real estate loan by a borrower and the resulting foreclosure upon the security for the loan.

The Company will make available to each prospective investor, prior to the consummation of the offering and sale of a Note to such investor and such investor's representative and advisers, the opportunity to ask questions and receive answers concerning the terms and conditions of this offering and to obtain any additional information that the Company may possess or may be able to obtain without unreasonable effort or expense, and which may be necessary to verify the accuracy of the information furnished to such prospective investor.

Executive Offices

The Company's office is currently located at 6132 W. Victoria Place, Chandler, Arizona 85226. Its current telephone number is 602-469-3001.

RISK FACTORS

An investment in the Notes offered by the Company involves a significant degree of risk. The securities offered hereby should not be purchased by anyone who cannot tolerate significant risk, including the possibility of losing their total investment in the Notes. In analyzing a possible investment in the Notes, prospective investors should consider carefully the following factors, together with the information contained elsewhere in this Memorandum.

Operating History

In the Company's ten year operating history through June, 2011, the Company has completed in excess of 2622 loan transactions. However, even with these number of loans over ten years, the evaluation of prior company performance set forth in Prior Performance is limited in time. Accordingly, there can be no assurance that the Company will be able to continue to operate and achieve these results on a going-forward basis, which could limit the Company's ability to repay the Notes as planned.

Competition

The Company is engaged in a highly competitive industry. The Company competes with banks, savings and loan institutions, credit unions, mortgage brokers, finance companies and other private investors that are established in the finance business. Competition in the finance business is based upon the lowest overall loan cost, which consists of interest rates, fees, closing costs, document fees, reputation, and availability of funds and the length of time it takes to approve a loan. The cost of funds to many of our competitors is typically lower than the Company's, allowing them to compete for borrowers on better terms, such as interest rates, which is a significant component of loan cost. The competition usually has lower costs on longer-term loans. The Company's higher cost of capital and lending rates may result, in part, in the Company acquiring Trust Deeds and lending to borrowers who are unable to obtain financing from these larger competitors. In some cases, these types of borrowers have weaker credit worthiness than other borrowers, which could expose the Company to a greater risk of

nonpayment of its loans by borrowers. See "Business-Target Markets and Potential Future Markets."

Ability to Generate Sufficient Cash Flow to Service the Outstanding Notes

The Company's ability to generate cash in amounts sufficient to pay interest on the Notes and to repay or otherwise refinance the Notes as they mature depends upon the Company's receipt of payments due under the loans that are in the Company's portfolio. The Company's financial performance and cash flow depends upon prevailing economic conditions and certain financial, business and other factors that are beyond the Company's control. These factors include, among others, economic and competitive conditions, particularly in areas in which the borrowers operate their businesses, and general economic conditions that affect the financial strength of developers and real estate investors in the areas that the Company intends to make investments. In recent years the decline of real estate values has been the largest challenge facing the real estate finance industry. This development is something new to the industry that typically sees a slow rising in values of properties or at least a stability of prices. The dramatic and prolonged decrease in values has forced the Company to change how it operates, which is requiring monthly interest payments under its loans rather then allowing the interest to compound. The Company has also shortened the maturity of loans to borrowers in some cases and is only extending the loans to a few borrowers under strict conditions. Accordingly, an investment in the Notes offered hereby involves substantial risk and Notes should not be purchased by anyone who cannot tolerate substantial risk, including the possibility of losing their total investment in the Notes. There can be no assurance that the Company will be able to continue to operate and repay the Notes as planned.

Decrease in Value of Collateral for the Loans in Company's Portfolio

The Company is responsible for collecting payments from loan obligors and for foreclosing under an applicable Trust Deed in the event of default by an obligor. If the Company is forced to conduct a Trustee's Sale to obtain ownership and possession of a property securing a loan, the value of the property may have decreased between the time that the outstanding loan

was initially made to the time of repossession pursuant to a Deed in Lieu or a Trustee's Sale. Consequently, the Company's sale of such property may result in a loss as a result of the amount owed to the Company being in excess of the value received by the Company pursuant to a subsequent sale of the property. Accordingly, an investment in the Notes offered hereby involves substantial risk and Notes should not be purchased by anyone who cannot tolerate substantial risk, including the possibility of losing their total investment in the Notes. There can be no assurance that the Company will be able to continue to operate and repay the Notes as planned.

Expansion of Real Estate Loan Base

After giving effect to this offering and the application of the net proceeds, the Company will have significant outstanding indebtedness. The Company's ability to make scheduled principal and interest payments on the Notes will depend upon the Company's ability to generate adequate revenues from its real estate lending operations. The Company has historically received approximately 18% effective interest on its real estate loans but minimal interest on its cash accounts at its bank. Therefore, in order to pay the principal and interest due on the Notes, the Company will need to loan a significant amount of its capital to its real estate loan borrowers and reloan any repayment proceeds in a timely manner. As the Company receives the proceeds from this offering, the Company intends to expand its real estate loan base in order to keep its capital loaned to its real estate loan borrowers as opposed to being in its cash accounts at the bank. If the Company cannot continue to expand its real estate loan base, it may not generate enough revenues to service its debt obligations, including the Notes. Accordingly, the Company will continue to rely upon repeat borrowers, word of mouth referrals and the referral network of outside mortgage brokers and consultants that Mr. Chittick has developed. See "Business-Target Markets and Potential Future Markets."

Demand for Real Estate Loans

The Company's success depends, in part, upon its ability to continue to develop and achieve growth in its real estate lending operations and to manage this growth effectively. In

formulating and implementing its business plan, the Company relied on the judgment of its officer and consultants, and on their research and collective experience to determine customers, marketing strategy and procedure. The Company has not planned, conducted or contracted for any independent market studies concerning the anticipated demand for the Company's real estate lending services. Although the Company has reviewed general reports concerning the number of houses being built, houses for sale, jobs created and people relocating to Metropolitan Phoenix, the Company has not reviewed any specific analysis concerning the demand for its niche in real estate lending. Although Mr. Chittick and the Company have developed a network of qualified borrowers and referral sources of current borrowers and escrow officers, there can be no assurance that there will continue to be sufficient demand for loans by qualified borrowers. To the extent that there is insufficient demand for loans by qualified borrowers, this could have an adverse effect on the anticipated demand for the Company's real estate lending services and limit the Company in its efforts to generate sufficient revenues to make scheduled interest and principal payments on the Notes needed for growth. See "Business-Target Markets and Potential Future Markets."

Management of Rapid Growth

The Company's success depends, to a large extent, on its ability to achieve growth in the number of loan applications and closings, the due diligence and servicing of these loans and the ability to manage this growth effectively. This growth will challenge the Company's management, resources and systems. As part of its business strategy, the Company intends to pursue continued growth through its business contacts, marketing capabilities and marketing alliances. As the Company continues to grow, the Company will need to expand its resources and systems to manage future growth, but there can be no assurance that the Company will continue to be able to grow in the future or to even manage this growth effectively. Failure to do so could materially and adversely affect the Company's business and financial performance. See "Business," and "Management."

No Sinking Fund Provision; No Separate Loan Loss Reserve; Lack of Governmental Insurance

The Notes represent general obligations of the Company and will not be subject to redemption through a sinking fund. Although the Company does not currently maintain a loan loss reserve fund, the Company's Management tries to maintain an allowance for losses as part of the Company's general assets at a level that Management believes is adequate to absorb any anticipated losses. At this time, the Company reserves the right to maintain such reserve in the Company's discretion, but the Company has no plans to currently implement a separate loan loss reserve fund. As a result, the risk of loss on the Notes is greater than would be the case if the Notes were backed by a sinking fund or if the Company funded and maintained a separate loan loss reserve fund. Repayment of the Notes by the Company is not secured by any property owned by the Company or any third party. There will be no limitation on the amount of future indebtedness that the Company may issue, create or incur, and the Company will not be prohibited from permitting liens to be placed on or creating senior liens on its property for any purpose, including for the purpose of securing payments or additional indebtedness. Furthermore, neither the Federal Deposit Insurance Corporation nor any other state or federal government agency insures the Notes. See "Description of Securities."

Terms of Notes

The Company expects to redeem the Notes as they mature, including the initial principal balance of each Note and all accrued and unpaid interest. However, the Company has the right to redeem the Notes at any time prior to maturity upon 30 days' written notice to the Noteholder. In the case of early redemption, the Company has the absolute discretion to select the Notes that it will redeem, and there is no requirement that Notes be redeemed from Noteholders on a pro rata or any other basis. Notes redeemed prior to maturity would prevent Noteholders of the Notes called for redemption from receiving the anticipated return on such Notes. See "Description of Securities."

Proceeds From Subsequently Issued Notes May Be Used to Repay Earlier Maturing Notes

The Company may be dependent upon the proceeds of subsequently issued Notes to repay earlier maturing Notes. If sufficient proceeds from such subsequently issued Notes are not raised, the Company would rely on its cash reserves, its operating capital and proceeds from the sale of Trust Deeds to repay the earlier maturing Notes. Such funds may be insufficient to repay the earlier maturing Notes, in which event the Company may be unable to repay such Notes or the subsequently issued Notes. The ability of a Noteholder to obtain payment of principal and interest on a Note in these circumstances could be limited to the extremely unlikely event that the Noteholder gains control over and sell assets of the Company. See "Use of Proceeds" and "Description of Securities."

Variable Rates and Maturities of Notes

Each Note bears a fixed rate of interest from the date of its issuance until maturity or early redemption. However, Notes issued subsequent to those purchased by an investor may be issued at higher or lower interest rates and shorter or longer maturities, depending upon market conditions and other factors. Notes outstanding at any given time will not be modified to reflect the terms and conditions of such subsequently issued Notes. Therefore, any particular investor risks investing in the Notes on terms less favorable than may be available at later dates to future investors. See "Description of Securities."

Management anticipates that the interest rate on each Note will be determined and agreed upon on the date of issuance, in significant part, by the demand for funds and the competitive environment in the foreseeable future by the Company. Since the interest rate the Company may charge for its loans to its customers is limited by competitive and other factors, the Company may not be able to increase the interest rates charged on its loans to compensate for increases in its funding rate to investors. Similarly, the Company may not be able to decrease the funding rate to its investors to compensate for decreases in the interest rates charged on its loans to its customers. Also, market forces could eliminate the interest rate difference between the interest

rate paid to Investors and the interest rate charged to the Company's customers. See "Description of Securities."

Value of Company's Assets

The Notes, together with all other outstanding Notes and all other advances or liabilities owed by the Company to any holder of an outstanding Note, will be unsecured as to any and all assets owned by or later acquired by the Company (the "Company's Assets"). There can be no assurance that the proceeds of any sale of the Company's Assets pursuant to and following an Event of Default (as defined in "Description of Securities") would be sufficient to repay the Notes. In addition, investors in the Notes will have no ability to cause a sale of Company assets. See "Use of Proceeds," "Business" and "Description of Securities."

Collections and Foreclosures

The Company is responsible for collecting payments from loan obligors and for foreclosing under the applicable Trust Deed in the event of default by an obligor. If the Company must complete a project repossessed by it, the Company may have to inject additional capital, which it may not be able to fully recover. Further, the completion time may be in excess of one year, causing a severe strain on the cash flow of the Company, depending upon the project size. The Company also is subject to strict state law requirements in the collection and repossession of its collateral securing each loan. Although the Company will make every effort to comply with all applicable laws, any failure to comply may subject the Company to severe monetary damages or penalties and may result in administrative or judicial action against the Company. See "Business-Regulation."

No Assurance of Conventional Financing for the Company's Operations

In addition to Note proceeds, the Company may establish lines of credit or obtain various forms of financing from a financial institution or any other person or entity. The Company's

management believes that during the past few years, conventional financing for speculative business enterprises, such as the Company's lending operations, has become more difficult to obtain. If regular, continued sale of the Notes is not successful, and the Company is not able to obtain sufficient financing from other sources, the Company may be forced to sell Trust Deeds and/or loans in its portfolio to pay maturing Notes as they come due. Mr. Chittick has provided liquidity to the Company through an equity line of credit in the past and he intends to do so in the future. When Mr. Chittick advances funds to the Company from this equity line of credit, Mr. Chittick draws an interest rate of 12% per annum from the Company. Funds advanced in this manner are generally only short term (3-5 days). If the Company were to require additional conventional financing, the lender will probably secure its loan through Mr. Chittick to the Company by requiring a lien on the Company's assets, including the Trust Deeds. The lender's lien would have priority to any claims of any of the investors in the Notes, which puts these investors at risk. There can be no assurance the Company would be able to receive sufficient proceeds from the sale of the loans or Trust Deeds to repay any additional financing, if applicable, and to repay all of the outstanding Notes. See "Use of Proceeds," "Business" and "Description of Securities."

Regulation

Because it will not make loans for personal, family or household purposes, the Company believes it has structured its operations to be exempt from various federal and state regulations, and particularly from regulations affecting lending and financial institutions. If it is determined that the Company has not structured its operations so that it is exempt from regulation, the Company could become subject to extensive regulation, including the Truth in Lending Act, the Homeownership and Equity Protection Act of 1994, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Real Estate Settlement Procedures Act and the Home Mortgage Disclosure Act, as well as various state laws and regulations. Failure to comply with any of these requirements or any similar state law requirement, may result in, among other results, demands for indemnification or repurchase, rescission rights, lawsuits, administrative enforcement actions and civil and criminal liability. In addition, there can be no assurance that existing regulations will not be revised to govern the activities of the Company as currently

structured. Compliance with existing or future regulation could be costly and could materially and adversely affect the operations of the Company. See "Business – Regulation," including the predatory mortgage lending discussion contained therein.

FHA Regulations

If new regulations are issued by the Federal Housing Administration or if a more strict interpretation of any of its regulations is implemented in the future, such regulations could reduce the demand for the Company's loans from prospective borrowers, which could impair the Company's ability to keep all of the proceeds from this offering fully invested. See "Business – Regulation."

No Assurance of Successful Placement of the Notes

The Notes are being privately placed by the Company to qualified investors who intend to hold them for their own account until maturity. There is no underwriter, and there is no assurance that the Company will be successful in the continued placement of the Notes in a manner sufficient to satisfy its cash flow requirements to continue funding loans to its borrowers. See "Use of Proceeds" and "Business."

Absence of Public Market/ Non-Transferability of Notes

The Notes have not been registered under the Act or any state securities law and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Act and applicable state securities laws. The Company does not intend to register the Notes under the Act or any state securities law. In addition, the Notes are non-transferable without the prior written consent of the Company, which consent may be withheld in the Company's sole discretion. Accordingly, there is no public or private trading market for the Notes, and it is highly unlikely that a trading market

will develop. The Company has no obligation to make any effort to cause a trading market to develop and does not intend to take any actions to cause a trading market to develop. Accordingly, and because the restricted nature of the security prohibits the purchase of the Notes for any purpose other than holding to maturity, an investor in the Notes must anticipate holding the Notes to maturity. See "Description of Securities."

Impact of Change in Economic Conditions

An unforeseen change of general economic conditions, and particularly in Arizona and the southwestern United States, may adversely impact the Company's business and its ability to generate sufficient operating income to satisfy its debt obligations, including its obligations under the Notes as they become due. The Company maintains the right to adjust the interest paid in subsequently offered Notes and on the Notes offered hereby with 30 days' written notice. In the past, Arizona's real estate market has been cyclical and has experienced severe fluctuations. Investors should anticipate that these real estate markets might experience cyclical fluctuations in the future. The Company would adjust its operations in response to changing conditions, but there can be no assurance that the Company will be able to operate as planned during periods of such fluctuation or adjust its operations to avoid the impact of such changed conditions. See "Business-Target Markets and Potential Future Markets."

Dependence on Key Personnel

The Company is dependent on the continued services of Mr. Chittick. The Company's ability to continue its lending operations would be significantly and adversely affected by the loss of Mr. Chittick if a qualified replacement could not be found without undue delay. Although Mr. Chittick occasionally uses the services of outside consultants who have assisted Mr. Chittick in limited absences, it is unlikely that an outside consultant would be able to perform Mr. Chittick's duties as successfully as Mr. Chittick has done. If Mr. Chittick is disabled or unavailable for a long period of time, Mr. Chittick has developed a contingency plan for a consultant to wind down the Company's business, but there can be no assurance that such

plan will be successful. See "Management-Contingency Plan in the Event of the Death or Disability of Mr. Chittick."

Management's Outside Interests and Conflicts of Interest

Mr. Chittick may maintain some activity in personal investments outside of the Company and he may manage similar types of outside portfolios as those maintained by the Company. Some of the Company's outside consultants who occasionally assist Mr. Chittick also make investments in loans secured by deeds of trust. In addition, Mr. Chittick invests in similar instruments on his own behalf. Since the Company plans to invest in portfolios similar to those of some of its consultants and Mr. Chittick, and because of the past (and limited present) consulting relationships between and among Mr. Chittick and some consultants, conflicts of interest exist and will continue to exist between the Company and the outside interests of Mr. Chittick and some consultants. See "Management."

No Protections From Investment Company Act Registration

The Company is not registered, and does not intend to register, under the Investment Company Act of 1940 in reliance upon an exclusion from the definition of an investment company provided in Section 3(c)(5) thereof. As a result, the operation and conduct of the Company's business will be subject to substantially less federal and state regulation and supervision than a registered investment company. If the Company was subject to the Investment Company Act of 1940, the Company would be required to comply with significant, ongoing regulation which would have an adverse impact on its operations. This could occur if a significant proportion of the proceeds from the sale of the Notes were invested in short-term debt instruments for longer than a one-year period. The Company intends to take all reasonable steps to avoid such classification. See "Business."

No Protections From Investment Advisers Act of 1940 or Analogous Arizona Law

The Company is not registered or licensed, and does not intend to register or become licensed as an investment adviser with the State of Arizona or with the SEC pursuant to the Investment Advisers Act of 1940 because the Company's management believes that the Company is not engaged in the business of providing investment advice for compensation. Accordingly, the operation and conduct of the Company's business will be subject to less federal and state regulation and supervision than a registered investment adviser. If the Company was subject to the Investment Advisers Act of 1940 or the analogous Arizona law, the Company would be required to comply with significant, ongoing regulation which could cause the Company to incur additional costs, adversely impacting its operations. This could occur if the Company were deemed to be engaged in the business of providing investment advice for compensation and the Company cannot avail itself of the private investment adviser exemption under Arizona law or the forthcoming exemptions under the Rules to be promulgated by the SEC pursuant to the Dodd-Frank Act. The Company intends to take all reasonable steps to avoid such classification. See "Business."

Control by and Benefits to Insiders

Noteholders will not be able to influence the management of the Company because Mr. Chittick owns all of the outstanding shares of common stock of the Company. See "Management" and "Principal Shareholder."

Difficulties and Costs of Continuous Offering

Until the maximum offering proceeds are attained or the Company terminates this offering, the Company expects to offer the Notes for placement on a continuing basis for two years from the date of this Memorandum unless the Company changes its operations or method of offering in any material respect prior to the expiration of the two year offering period. See "Plan of Distribution." In order to continue offering the Notes during this period, the Company will need to update this Memorandum from time to time. Keeping the information in the Memorandum current will cause the Company to incur additional costs. A failure to update this Memorandum as required could result in the Company being subject to a claim under Section 10b-5 of the Securities Act for employing a manipulative or deceptive device in the sale of securities, subjecting the Company, and possibly the management of the Company, to claims from regulators and investors. In addition, an investor might seek to have the sale of the Notes hereunder rescinded which would have a serious adverse effect on the Company's operations.

Certain Charter Provisions

Arizona law provides that Arizona corporations may include provisions in their articles of incorporation or bylaws relieving directors and officers of monetary liability for breach of their fiduciary duty as director or officers, respectively, except for the liability of a director or officer resulting from: (i) any transaction from which the director derives an improper personal benefit; (ii) acts or omissions involving intentional misconduct or the absence of good faith; (iii) acts or omissions showing reckless disregard for the director's or officer's duty; or (iv) the making of an illegal distribution to shareholders or an illegal loan or guaranty.

The Company's Articles of Incorporation provide that the Company's directors are not liable to the Company or its shareholders for monetary damages for the breach of their fiduciary duties to the fullest extent permitted by Arizona law. The Company's Bylaws provide that the Company may indemnify its directors and officers as to those liabilities and on terms and conditions permitted by Arizona law including the payment of expenses incurred by a director or

officer in advance of final disposition of the proceeding following the furnishing of certain written representations.

Notes Are Unsecured General Obligations

The Notes are unsecured obligations of the Company, and Noteholders will be general unsecured creditors of the Company. The Notes do not limit the Company's ability to obtain additional capital from other sources and do not limit the Company's ability to grant such other financing sources liens or other security interests in the Company's assets and other property. If a bankruptcy proceeding is commenced by or against the Company, creditors of the Company who were granted a security interest in the Company's property will be entitled to repayment prior to any general unsecured creditors of the Company, including the Noteholders. The Company may also incur additional unsecured obligations, which could reduce the funds available for repayment of the Notes in a bankruptcy or other liquidation scenario. Title 11 of the United States Code (the Bankruptcy code") also specifies that certain other creditors be entitled to repayment prior to general unsecured creditors. There can be no assurance that the Noteholders will receive any payments in respect of the Notes if the indebtedness of any secured creditors of the Company exceeds the value of such secured creditors' collateral.

Changes in Investment and Financing Polices Without Noteholder Approval

The major business decisions and policies of the Company, including its investment and lending policies and other policies with respect to growth, operations, debt and distributions, will be determined by the Company's management. The Company's management will be able to amend or revise these and other policies, or approve transactions that deviate from these policies, from time to time without a vote of the Noteholders. Accordingly, the Noteholders will have no control over changes in strategies and policies of the Company, and such changes may not serve the interests of all the Noteholders and could materially and adversely affect the Company's financial condition or results of operations.

Issuance of Additional Debt and Equity Securities

The Company will have authority to offer additional debt and equity securities for cash, in exchange for property, services or otherwise. The Noteholders will have no preemptive right to acquire any such securities. Further, the Company is not subject to any agreement that limits or restricts the amount or the terms of additional debt that the Company may incur in the future. To the extent that the Company incurs debt and grants its creditors security interests in or other liens upon the Company's assets or other collateral, those other creditors would enjoy priority in right of payment compared to the Noteholders, up to the value realizable from such collateral.

Concentration of Loans in Arizona

The Company's portfolio of loans is concentrated in Arizona. Consequently, the Company's operations and financial condition are dependent upon general trends in the Arizona market in which such concentration exists and, more specifically, its respective real estate market. A decline in a market in which the Company has a concentration may adversely affect the values of properties securing the Company's loans, such that the principal balance of such loans may equal or exceed the value of the underlying properties, making the Company's ability to recover losses in the event of a borrower's default unlikely. In addition, uninsured disasters such as floods, terrorism, and acts of war may adversely impact the borrowers' ability to repay loans, which could have a material adverse effect on the Company's results of operations and financial condition.

Possible Inadequacy of Allowances for Loan Losses

The Company's allowance for losses related to the loans is maintained at a level considered adequate by management to absorb anticipated losses, based upon historical experience and upon management's assessment of the collectibility of loans in the Company's portfolio from time to time. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates that may be beyond the

Company's control and such losses may exceed current estimates. Although management believes that the Company's allowance for losses related to the loans is adequate to absorb any losses on existing loans that may become uncollectible, there can be no assurance that the allowance will prove sufficient to cover actual losses related to the loans in the future.

Broad Management Discretion as to Use of Proceeds

The net proceeds to be received by the Company in connection with this offering will be used for working capital and general corporate purposes, including the funding of loans. Accordingly, management will have broad discretion with respect to the expenditure of such proceeds. Purchasers of the Notes will be entrusting their funds to the Company's management, upon whose judgment they must depend, with limited information concerning the specific working capital requirements and general corporate purposes to which the funds will ultimately be applied. See "Use of Proceeds."

Company Is Exposed to Risks of Being a Lender

The current economic downturn could severely disrupt the market for real estate loans and adversely affect the value of any outstanding real estate loans made by the Company, and in turn the Notes. Non-performing real estate loans may require substantial negotiations by the Company with the borrower in order for the Company to ultimately obtain the underlying property used as collateral for the loan. The Company may incur additional expenses to the extent it is required to negotiate with the borrower in order to obtain the underlying property. In the event the Company is unable to obtain the underlying property, because of the unique and customized nature of a real estate loan, certain real estate loans may not be sold easily. One or more non-performing real estate loans secured by property that the Company is unable to obtain could have a negative affect on the performance of the Company and the return on your investment.

Governmental Action May Reduce Recoveries on Non-Performing Real Estate Loans

In the event the Company decides to foreclose on a real estate loan, legislative or regulatory initiatives by federal, state or local legislative bodies or administrative agencies, if enacted or adopted, could delay foreclosure, provide new defenses to foreclosure or otherwise impair the ability of the Company to foreclose on a real estate loan in default. Various jurisdictions have considered or are currently considering such actions, and the nature or extent of the limitation on foreclosure that may be enacted cannot be predicted. Bankruptcy courts could, if this legislation is enacted, reduce the amount of the principal balance on a real estate loan, reduce the interest rate, extend the term to maturity or otherwise modify the terms of a bankrupt borrower's real estate loan.

Property Owners Filing for Bankruptcy May Adversely Affect the Company and the Notes

The filing of a petition in bankruptcy automatically stops or "stays" any actions to enforce the terms of a real estate loan. Further, the bankruptcy court may take other actions that prevent the Company from foreclosing on the underlying property. A court may require modifications of the terms of a real estate loan, including reducing the amount of each monthly payment, changing the rate of interest and altering the payment schedule, thus allowing the borrower to keep the underlying property and thus preventing foreclosure by the Company and/or making the sale of the real estate less profitable. A court may also permit a borrower to cure a monetary default relating to a real estate loan by paying arrearages within a reasonable period and reinstating the original real estate loan payment schedule, even if a final judgment of foreclosure has been entered in a state court. Any bankruptcy proceeding will, at a minimum, delay the Company in achieving its investment objectives and may adversely affect the Company's profitability.

Violation of Various Federal, State and Local Laws May Result in Losses

Violations of certain federal, state or local laws and regulations relating to the protection of consumers, unfair and deceptive practices and debt collection practices may subject the

Company to damages and administrative enforcement. In the event that a real estate loan issued by the Company was not originated in compliance with applicable federal, state and local law, the Company may be subject to monetary penalties and could result in the borrowers rescinding the affected real estate loan. As a result, the Company may not be able to achieve its financial projections with respect to the particular underlying property.

Delays in Liquidation Due to State and Local Laws

Property foreclosure actions are regulated by state and local statutes and rules and are subject to many of the delays and expenses of other lawsuits, sometimes requiring several years to complete. As a result, if the Company is not able to obtain the property voluntarily from the borrower, the Company may not be able to quickly foreclose on and subsequently sell a property securing a real estate loan.

An Investment in the Notes May Not Be Consistent With Section 404 of ERISA

Persons acting as fiduciaries on behalf of a qualified profit sharing, pension or other retirement trusts subject to the Employee Retirement Income Security Act of 1974 ("ERISA") should satisfy themselves that an investment in the Notes is consistent with Section 404 of ERISA and that the investment is prudent, taking into consideration cash flow and other objectives of the investor.

There Can Be no Assurance of Confidentiality

As part of the subscription process, investors will provide significant amounts of information about themselves to the Company. Pursuant to applicable laws, such information may be made available to third parties that have dealings with the Company, and governmental authorities (including by means of securities law-required information statements that are open to public inspection). Investors that are highly sensitive to such issues should consider taking steps

to mitigate the impact upon them of such disclosures (such as by investing in the Notes through an intermediary entity).

Legal Counsel to the Company and Its President Does Not Represent the Noteholders

Each investor must acknowledge and agree in the Subscription Agreement that legal counsel representing the Company and its President does not represent, and shall not be deemed under the applicable codes of professional responsibility, to have represented or to be representing, any or all of the investors.

Legal Counsel to the Company Will Represent the Interests Solely of the Company and Its President

Documents relating to the purchase of Notes, including the Subscription Agreement to be completed by each investor, will be detailed and often technical in nature. Legal counsel to the Company will represent the interests solely of the Company and its President, and will not represent the interests of any investor. Accordingly, each prospective investor is urged to consult with its own legal counsel before investing in the Company and the purchase of the Notes. Finally, in advising as to matters of law (including matters of law described in this Memorandum), legal counsel has relied, and will rely, upon representations of fact made by the Company's President. Such advice may be materially inaccurate or incomplete if any such representations are themselves inaccurate or incomplete, and legal counsel generally will not undertake independent investigation with regard to such representations.

Federal Income Tax Risks

The discussion entitled "Certain United States Federal Income Tax Considerations" includes a discussion of certain U.S. income tax risks involved in an investment in the Notes. The section does not discuss all aspects of U.S. federal income taxation that may be relevant to any particular investor and cannot address any investor's specific investment circumstances. In

addition, the section does not include a discussion of state, local or foreign tax laws. Each investor should consult its own tax advisor with respect to these and other tax consequences of an investment in the Notes.

FORWARD-LOOKING STATEMENTS

This Confidential Private Offering Memorandum, including information incorporated by reference in this Memorandum, contains forward-looking statements regarding the Company's plans, expectations, estimates and beliefs. Actual results could differ materially from those discussed in, or implied by, these forward-looking statements. When used in this Memorandum, the words "anticipate," "intend," "believe," "estimate," and other similar expressions generally identify forward-looking statements, which are found throughout this Memorandum whenever statements are made that are not historical facts. Accordingly, such forward-looking statements might not accurately predict future events or the actual performance of an investment in the Notes. In addition, you must disregard any projections and representations, written or oral, which do not conform to those contained in this Confidential Private Offering Memorandum.

USE OF PROCEEDS

The Company intends to use the net proceeds received from the sale of the Notes, primarily for operating capital, to purchase and fund Trust Deeds and to acquire interests in properties or notes, which the Company's management anticipates to be able to resell or collect as applicable. The proceeds from the sale of Notes may be used to repay earlier maturing Notes; provided, however, the Company will limit the amount of money that may be raised for this purpose so that the Company will not become subject to the Investment Company Act of 1940. See "Risk Factors – Proceeds From Subsequently Issued Notes May Be Used to Repay Earlier Maturing Notes."

The Company may use proceeds from this private placement for general business purposes, including rent, advertising, labor and administrative expenses, if needed, investment, expansion or the purchase of capital assets and to fund loans to borrowers and purchase Trust Deeds. However, the Company expects that no more than .05 percent of the proceeds of the offering will be allocated to general business purposes. The Company is not required to maintain reserves or to deposit any of the proceeds of the offering, into a reserve account, for the purpose of providing liquidity to service interest payments on, and redemption of, the Notes as they mature. The Company does not intend to maintain reserves from the proceeds of the offering in a cash reserve account. The remaining proceeds, net of cash reserves, if any, should be available to fund and purchase Trust Deeds. The Company is not required or obligated to give Noteholders notice of any changes in the Company's intended use of proceeds of the offering. See "Business."

The following table sets forth the Company's best estimates of the use of the minimum and maximum target gross proceeds from the sale of the Notes.

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

(1) The Company does not anticipate paying costs and commissions in excess of the costs associated with this offering. The Notes may be purchased directly from the Company without commission. Notes maturing more than two years also may be purchased by investors using qualified funds (i.e., IRA, SEP IRA, ROTH IRA and Keogh Plans), through a licensed broker-dealer and with an approved custodian; provided, that such investments meet the investor suitability requirement.

(2) Company intends (but is not required) to maintain cash reserves (or access to other funds) approximately equal to a minimum of one percent of the aggregate balance of Notes outstanding in its general accounts to provide funds to service interest payments and to facilitate redemption of the Notes. This amount will be calculated using a proprietary cash-flow management model. Interest accruing in the general accounts will belong to the Company.

(3) Company anticipates that its current facilities are adequate to fund real estate loans and to service the volume of contracts that would be purchased at the minimum level of proceeds. If its business is significantly increased, the Company may invest in additional personnel, computer equipment and facilities capable of processing increased data. General business expenses may also include the offering expenses.

(4) This use of the proceeds is only an estimate and the Company reserves the right to allocate the proceeds in a different manner consistent with the Confidential Private Offering Memorandum.

PRIOR PERFORMANCE

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

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

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

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

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

Year	Loans Funded	Loan Value	Value of Loans	Loans Repaid	Loans Repaid Value	Value of Homes Repaid
2001	37	$3,378,000.00	$6,393,000.00	15	$1,452,000.00	$2,431,000.00
2002	69	$5,685,000.00	$878,000.00	66	$5,267,000.00	$9,076,300.00
2003	124	$11,673,000.00	$1,753,500.00	106	$963,500.00	$14,488,500.00
2004	185	$19,907,000.00	$30,422,600.00	170	$17,951,700.00	$26,939,500.00
2005	236	$34,955,700.00	$50,487,300.00	232	$31,001,940.00	$45,111,500.00
2006	215	$34,468,100.00	$52,784,000.00	212	$35,301,250.00	$53,057,200.00
2007	272	$42,579,634.00	$65,931,500.00	257	$41,424,815.00	$65,482,800.00
2008	304	$38,864,660.00	$63,671,300.00	257	$34,578,755.00	$56,369,400.00
2009	412	$41,114,707.00	$72,078,020.00	349	$39,416,824.00	$67,713,100.00
2010	390	$37,973,097.00	$63,771,350.00	355	$37,175,201.00	$61,666,170.00
*2011	378	$36,187,995.00	$62,240,600.00	*300	$29,883,992.00	$51,004,900.00
					$274,416,977.00	$453,340,370.00

		$306,786,893.00	$470,411,170.00			
	2622			2019		
*Through June 30, 2011						

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

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

In 2007, one condominium loan, two house loans, and one land loan were foreclosed. While the condominium and houses were sold with minimal principal loss, much of the interest was collected on all four loans. One land loan was written off. The loss was absorbed by the Company.

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

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

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

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

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

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

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

MANAGEMENT

Directors and Executive Officers

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

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

Real Estate Consultant

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

Employees

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

Contingency Plan in the Event of Death or Disability of Mr. Chittick

In the event that Mr. Chittick is unable to perform his duties to continue the operation of the Company in any capacity, Mr. Chittick has a written agreement with Robert Koehler, an owner of RLS Capital, Inc. to provide or arrange for any necessary services for the Company. Robert has twelve (12) years of experience supporting real estate loan portfolios similar to the portfolio of the Company. Robert holds a real estate license in Arizona and has worked as a loan officer in the residential and commercial transactions and has conducted due diligence effort for thousands of private purchase of notes and trust deeds. Robert is respected as a member of the Arizona real estate investment community by investors, borrowers, mortgage brokers, escrow officers and real estate agents. As part of this contingency plan, Robert is a signatory on the Company's bank account. On a weekly basis, Robert receives an updated spreadsheet of all properties currently being used as collateral for a loan. On a monthly basis, Robert receives a spreadsheet of all the investors and what is owed to each of them, and receives the monthly statements for all investors. Pursuant to the agreement with Robert, upon Robert's receipt of instructions from Denny Chittick, or from other designated individuals, or upon medical confirmation that Mr. Chittick is unable to continue to perform his duties as President of the Company for an extended period of time, Robert will act to close down the Company's business by collecting all of the monies due on the Trust Deeds and Robert will return all of the principal and interest owed to the investors pursuant to the Notes.

Management Compensation

As the sole shareholder, Mr. Chittick receives a salary consistent with IRS guidelines. Salary adjustments are made at year-end in order for Mr. Chittick to fund his 401(K) and to pay his income taxes. Year-end profits are taxed to Mr. Chittick pursuant to the U.S. Internal Revenue Code rules applicable to Subchapter S corporations. Therefore, year-end profits may be distributed to Mr. Chittick. In addition, Mr. Chittick is paid interest on Notes funded by Mr. Chittick in the same manner as the other investors. See "Management – Management Compensation." As the Company expands its lending operations and increases the workload of

Mr. Chittick, he reserves the right to receive an increased salary so long as there is no current default under the Notes.

Ownership Compensation

The Company receives its revenue primarily from interest earned on trust deeds, rents on properties owned by the Company, interest on cash reserve accounts, and interest earned on investments made by the Company after subtracting interest paid on its debts. The amount of profits, and therefore, compensation to Mr. Chittick, will be dependent upon the amount of Notes sold, Trust Deeds acquired, loans made and the terms of such loans. After payment of its principal and interest obligations under the Notes, the Company distributes the balance to Mr. Chittick; provided, however, the Company may (but is not required to) retain earnings in the Company up to a level of "reserve" or "retained earnings" goals that the Company deems adequate. Subject to the need to adjust these goals due to special liquidity needs due to plans to repay Notes or to fund future Trust Deeds, the Company anticipates that it will be able to achieve and maintain adequate reserve goals to meet the Company's obligations.

Mr. Chittick may have significant investments in the Notes, for which the Company will pay him monthly interest on the same basis as other Noteholders which investment amount will be subordinated to all other Notes placed pursuant to this Memorandum. (Mr. Chittick currently has invested approximately $2,200,000 in Notes, but this amount varies from $1.9 million to $3.2 million.) See "Description of Securities." The Company intends to pay to Mr. Chittick all retained earnings in excess of any reserves deemed necessary or desirable by Mr. Chittick to meet the Company's obligations.

PRINCIPAL SHAREHOLDER

The following table sets forth the beneficial ownership of shares of the Company's outstanding common stock.

Name and Address	Number of Shares	Percent
Denny J. Chittick	500,000	100%
6132 W. Victoria Place		
Chandler, AZ 85226		

The Company is authorized to issue up to 25,000,000 shares of common stock, but has no intent to issue additional common stock at this time.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Ownership

Based on his 100 percent ownership of the Company's common stock, Denny J. Chittick maintains the exclusive ability to elect directors, appoint officers and manage the operations of the Company.

Competing Businesses

During the four years prior to forming the Company, Denny Chittick personally invested in companies and in real estate loans that are substantially similar to the Company's investments in Trust Deeds. In addition to his activities on behalf of the Company, Mr. Chittick reserves the right to continue his personal investments in real estate and instruments similar to Trust Deeds, which are considered competing businesses of the Company. See "Risk Factors – Management's Outside Interests and Conflicts of Interest."

DESCRIPTION OF SECURITIES

The Company is offering up to $50 million in Notes. The minimum denomination is $50,000, and the maximum denomination is $1,000,000 in a single note. An investor may purchase more than $1,000,000 in Notes, but it will be distributed over different Notes. Denominations increase from the minimum to the maximum in additional increments with a minimum incremental increase of $10,000. Until the maximum offering proceeds are attained or the Company terminates this offering, the Company expects to offer the Notes for placement on a continuing basis for two years from the date of this Memorandum. Absent an earlier termination, the offering will continue for so long as the Company has not changed its operations or method of offering in any material respect. If the Company changes its operations or method of offering in any material respect, the Company will update the Memorandum as necessary to provide correct information to investors. The Company may experience difficulties in conducting a continuous offering of Notes. See "Risk Factors – Difficulties and Costs of Continuous Offering."

The Notes are general obligations of the Company and are superior in priority and liquidation preference to any Notes payable to Mr. Chittick. Mr. Chittick has agreed to subordinate any Notes to which he subscribes to Notes with similar maturities placed with other investors. Although the Company has never defaulted with respect to a Note, including any regular interest payment or the principal and interest due upon the maturity of the Note, if the Company should ever be in default with respect to any Note, Mr. Chittick will subordinate any Notes he may hold until the default is cured and Mr. Chittick will also defer any compensation until the default is cured. While Mr. Chittick has agreed and will act as set forth above in this Memorandum, such agreement is not evidenced in a separate writing signed by Mr. Chittick.

The Notes will bear interest at the rates stated for the term selected. The investor may elect to have interest paid monthly, quarterly or accrue and be paid at maturity. If the investor elects to have interest paid at maturity or quarterly, the interest will accrue monthly and earn compounded interest. Interest is payable on the last day of each period to the investors of the Notes at the principal office of the Company in Chandler, Arizona. At the option of the

Company, interest payments may be paid by check mailed to the address of the investor entitled thereto as it appears on the Subscription Agreement for the Notes. An investor may request in writing to the Company that a deposit be made to a designated bank or investment account.

The Notes are not transferable without the prior written consent of the Company, which the Company may withhold in its sole discretion. The Company anticipates withholding its consent if the transfer could jeopardize the Company's exemption under Regulation D or any applicable state blue-sky law or the Company's exclusion from the definition of an investment company under the Investment Company Act of 1940.

The Notes are unsecured and are not insured or guaranteed by any state or federal government entity or any insurance company. In event of default, an investor could look only to the Trust Deeds or other assets of the Company for repayment.

As unsecured, general obligations of the Company, the Notes will not have any specific collateral. The Company's Assets include all of the Company's right, title and interest in Trust Deeds owned by the Company, together with all payments and instruments received thereto, real estate owned by the Company as a result of a deed-in-lieu of foreclosure due to a borrower default, and all proceeds of the conversion of any of the foregoing into cash or other liquid property. So long as the Company is not in default on the Notes, the Company is permitted to freely transfer, sell or substitute, in the normal course of business, any Trust Deeds it owns, subject to general restrictions concerning transfers of property; provided, however, the Company may transfer, sell or substitute one or more Trust Deeds if such transfer, sale or substitution is done in connection with a plan to cure a default.

On an annual basis, the Company will retain an independent accounting firm to prepare the 1099's to be issued by the Company to the investors and to prepare the tax return for the Company. On an annual basis and upon written request from an investor, the Company will certify to the requesting investor(s) that the aggregate outstanding principal amount of all cash accounts, other property and Trust Deeds is at least equal to the principal amount of outstanding Notes as of the date of the request.

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

Notes are initially being offered at the following rates and maturities:

Note Terms (2) (3)

Note Amount (1)	6 Months	1 Year	2 Years to 5 Years
$50,000 and up	8% (4)	10% (4)	12% (4)

(1) Note amounts are issued in varied denominations from $50,000 to $1,000,000, and in additional increases with a minimum of $10,000. For qualified funds, the Company will accept minimum contributions in such amounts as reasonably determined by the Company.

(2) Although the Company intends to use its good faith efforts to accommodate written requests from an investor to prepay any Note prior to maturity and the Company has in fact been able to satisfy such requests in a timely manner with interest paid in full, the Company has no obligation to do so and the investor has no right to require the Company to redeem the Note prior to maturity. Upon the Company's election to honor an investor's request to prepay any Note prior to maturity, the Company reserves the right to adjust any interest payable to the investor to the interest rate that would have been payable for the actual outstanding term of the Note.

(3) The Notes may be redeemed by the Company at any time prior to maturity upon 30 days written notice to the investor at a price equal to the principal amount of the Note plus accrued interest to the date of redemption.

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

The Company has the right to sell, encumber, mortgage, create a lien on or otherwise dispose of any or all of its property, or in any manner secure an indebtedness so that such indebtedness shall have a claim against the assets of the Company securing such indebtedness, all without the consent of the investors of the outstanding Notes provided no Notes are in default. Any security interest granted in any of the Company's assets to secure indebtedness will be superior in priority to the general claim of a Noteholder.

Default may occur with respect to one Note and not another. The Company shall be in default of a particular Note if any of the following events ("Event of Default") occurs with respect to that Note: (a) default for 30 days in any payment of interest on a Note when due; (b) default for 15 days in any payment of principal on a Note when due after maturity; (c) a filing for protection by the Company under Chapters 11 or 7 of the U.S. Bankruptcy Code or a filing for the Company under the U.S. Bankruptcy Code by creditors of the Company which filing is not dismissed within 90 days of the filing date; or (d) default for 90 days after receiving appropriate notice of a breach of any other covenant applicable to a Note. Notwithstanding the events listed above, Mr. Chittick may defer any payment of interest or principal due to Mr. Chittick or an entity controlled by him on any of the Notes subscribed to personally by Mr. Chittick without creating an Event of Default.

The Company may not consolidate with or merge into any corporation, or transfer substantially all of its assets to any person, unless the successor corporation or transferee assumes the Company's obligations on the Notes. The Company has no present intention of merging with another company or consolidating with another company or transferring its assets.

PLAN OF DISTRIBUTION

The Notes may be purchased directly from the Company without commission. Notes maturing in two through five years also may be purchased with qualified monies (such as IRA, SEP IRA, ROTH IRA and KEOGH plans) through a licensed broker-dealer and with an approved custodian; provided, that such investments meet the investor suitability requirements. Transaction costs for Notes purchased with qualified funds will be paid by the Company up to one percent of the Note's face amount. The principal amount of the Note will be equal to the amount paid by the investor, and interest would be calculated on that amount.

The Notes are not registered with the SEC or any other state or federal regulatory agency. No state or federal agency has made any finding or determination as to the fairness of this offering for investment, the adequacy or accuracy of the disclosures, or any recommendation or endorsement of the Notes.

The offering and sale of the Notes is intended to be exempt from registration under the Act by virtue of one or more of the following exemptions provided by: (i) Section 4(2) of the Act; and (ii) Regulation D promulgated under the Act. See "Investor Suitability." In accordance therewith, substantial restrictions are placed on the offering and purchase of the Notes, including, but not limited to, the following:

(1) The transaction may not include any public offering. The offer to sell Notes must be directly communicated to the investor by an officer of the Company and at no time may the Company advertise or solicit by means of any leaflet, public promotional meeting, newspaper or magazine article, radio or television advertisement or any other form of general advertising or general promotion.

(2) The Notes may be purchased only for the investor's own account, for investment purposes only and not with a view to distribution, assignment, hypothecation, resale or to fractionalization in whole or in part.

(3) An investor must meet certain suitability requirements, which are set forth under "Investor Suitability."

(4) The Company must have furnished and made available for inspection all documents and information that the investor has reasonably requested relating to an investment in the Company, including its Articles of Incorporation, stock records and financial account records.

DETERMINATION OF OFFERING PRICE

The rate of return for the Notes offered hereby will be set from time to time by management of the Company to approximate a rate of return competitive with similar securities of other companies engaged in the finance industry. The Company has been in operation since April 2001. There is no market for the Company's securities and none is expected to develop. Accordingly, the rate of return on any Note bears no relation to the results of the Company, to any market price for the Company's securities, to the level of risk involved, or to any recognized measure of valuation or return on investment.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a general discussion of certain U.S. federal tax considerations and consequences that may be relevant to a decision to acquire, own and dispose of Notes by an initial holder thereof. This summary only applies to Notes held as capital assets (generally, property held for investment) within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"). Except as set forth below, this summary does not address all of the tax consequences that may be relevant to a particular Noteholder and it is not intended to be applicable to Noteholders that are subject to special tax rules, such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, U.S. expatriates, partnerships or other pass-through entities, tax-exempt organizations or dealers or traders in securities or currencies, or to Noteholders that will hold Notes as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes or that have a functional currency other than the U.S. dollar. Moreover, except as set forth below, this summary does not address the U.S. federal estate and gift tax law, the tax laws of any state, local or foreign government or alternative minimum tax consequences of the acquisition, ownership or other disposition of Notes and does not address the U.S. federal income tax treatment of Noteholders that do not acquire Notes as part of the initial distribution at their initial issue price. Each prospective investor should consult its tax advisor, attorney and accountant with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, holding and disposing of Notes.

This summary is based on current provisions of the Code, as amended, existing and proposed U.S. Treasury Regulations, current administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein. No advance tax ruling has been sought or obtained from the Internal Revenue Service regarding the tax consequences of the transactions described herein. This discussion does not address tax considerations arising under the laws of any particular state, local or foreign jurisdiction.

PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR TAX ADVISORS, ATTORNEYS AND ACCOUNTANTS REGARDING THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE NOTES IN LIGHT OF THEIR PARTICULAR SITUATIONS, AS WELL AS ANY TAX CONSEQUENCES THAT MAY ARISE UNDER THE LAWS OF ANY FOREIGN, STATE, LOCAL OR OTHER TAXING JURISDICTION.

For purposes of this summary, a "U.S. Holder" is a beneficial owner of Notes who for U.S. federal income tax purposes is (i) a citizen or resident (or is treated as a resident for U.S. federal income tax purposes) of the United States; (ii) a corporation created or organized in or under the laws of the United States or any State or political subdivision thereof; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (1) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes or (2) (a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control. A "Non-U.S. Holder" is a beneficial owner of Notes who for U.S. federal income tax purposes is (i) a non-resident alien individual; (ii) a foreign corporation; or (iii) a foreign estate or trust the fiduciary of which is a nonresident alien.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such partner should consult its own tax advisor as to its consequences of holding and disposing of the Notes.

U.S. Holders

Interest

Except as set forth below, interest paid on a Note generally will be includible in a U.S. Holder's gross income as ordinary interest income at the time it is paid or accrued in accordance with the U.S. Holder's usual method of tax accounting for U.S. federal income tax purposes.

Market Discount

A holder of Notes may in very limited circumstances, transfer their Notes to third parties. If the Company authorizes such a transfer, Notes sold on a secondary market after their original issue for a price lower than their stated redemption price at maturity are generally said to be acquired at market discount. Code Section 1278 defines "market discount" as the excess, if any, of the stated redemption price at maturity of the Note, over the purchaser's initial adjusted basis in the Note. If, however, the market discount with respect to a Note is less than 1/4th of one percent (.0025) of the stated redemption price at maturity of the Note multiplied by the number of complete years to maturity from the date the subsequent purchaser has acquired the Note, then the market discount is considered to be zero. Notes acquired by holders at original issue and Notes maturing not more than one year from the date of issue are not subject to the market discount rules.

Gain on the sale, redemption or other disposition of a Note, including full or partial redemption thereof, having "market discount" will be treated as interest income to the extent the gain does not exceed the accrued market discount on the Note at the time of the disposition. A holder may elect to include market discount in taxable income for the taxable years to which it is attributable. The amount included is treated as interest income. If this election is made, the rule requiring interest income treatment of all or a portion of the gain upon disposition is inapplicable. Once the election is made to include market discount in income currently, it cannot be revoked without the consent of the IRS. The election applies to all market discount notes acquired by the holder on or after the first day of the first taxable year to which such election applies.

Sale, Exchange or Disposition of Notes

A U.S. Holder's adjusted tax basis in a Note generally will equal the cost of the Note to such U.S. Holder, increased by any original issue discount ("OID") or market discount previously included by the holder in income with respect to the Note. Upon the sale, exchange or other disposition of a Note, a U.S. Holder will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other disposition (less an amount equal to the accrued but unpaid interest which will be taxable as ordinary income) and such U.S. Holder's adjusted tax basis in the Note. Any such gain or loss generally will be capital gain or loss. In the case of a noncorporate U.S. Holder, capital gains derived in respect of a Note that is held as a capital asset and that is held for more than one year are eligible for reduced income tax rates and may be deemed a long-term capital gain. The deductibility of capital losses is subject to limitations.

Non-U.S. Holders

Interest

Subject to the discussion below under the heading "U.S. Backup Withholding and Information Reporting," payments of principal of, and interest on (including any OID), a Note to (i) a controlled foreign corporation, as such term is defined in Section 957 of the Code, which is related to the Company, directly or indirectly, through stock ownership, (ii) a person owning, actually or constructively, securities representing at least more than 50% of the total combined outstanding voting power of all classes of the Company's voting stock and (iii) banks which acquire such Note in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. withholding tax provided that the beneficial owner of the Note provides certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "U.S. Backup Withholding and Information Reporting," or an exemption is otherwise established.

If a Non-U.S. Holder cannot satisfy the requirements above, payments of interest made to a Non-U.S. Holder will be subject to a U.S. withholding tax equal to 30% of the gross payments

made to the Non-U.S. Holder unless the Non-U.S. Holder provides the Company or the Company's paying agent, as the case may be, with a properly executed (1) IRS Form W-8BEN claiming an exemption from or reduction in withholding under the benefit of an applicable income tax treaty or (2) IRS Form W-8ECI stating that interest paid on the note is not subject to withholding tax because it is effectively connected with the beneficial owner's conduct of a trade or business in the United States. Alternative documentation may be applicable in certain situations.

If a Non-U.S. Holder is engaged in a trade or business in the United States and interest on a note is effectively connected with the conduct of such trade or business, the Non-U.S. Holder, although exempt from withholding as discussed above (provided the certification requirements described above are satisfied), will be subject to U.S. federal income tax on such interest (including OID) on a net income basis in the same manner as if the Non-U.S. Holder were a U.S. Holder. In addition, if such Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or lesser rate under an applicable income tax treaty) of such amount, subject to adjustments.

Sale, Exchange or Other Disposition of Notes

Subject to the discussion below under the heading "U.S. Backup Withholding and Information Reporting," any gain realized by a Non-U.S. Holder upon the sale, exchange or other disposition of a Note generally will not be subject to U.S. federal income tax or withholding tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of such sale, exchange or disposition and certain other conditions are met. Special rules may apply upon the sale, exchange or disposition of a Note to certain Non-U.S. Holders, such as "controlled foreign corporations," "passive foreign investment companies," "foreign personal holding companies" and certain expatriates, that are subject to special treatment under the Code. Such entities and individuals should consult their own tax advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them.

U.S. Federal Estate Taxes

A Note that is held by an individual who at the time of death is not a citizen or resident (as specially defined for United States federal estate tax purposes) of the United States will not generally be subject to U.S. federal estate tax as a result of such individual's death, provided that such individual is not a shareholder owning actually or constructively more than 10% of the total combined voting power of all classes of our stock entitled to vote and, at the time of such individual's death, payments of interest with respect to such note would not have been effectively connected with the conduct by such individual of a trade or business in the United States.

U.S. Backup Withholding and Information Reporting

U.S. Holders

Information reporting requirements will apply to certain payments of principal and interest and the accrual of OID, if any, on an obligation and to proceeds of the sale, exchange or other disposition of an obligation, to certain U.S. Holders. This obligation, however, does not apply with respect to certain U.S. Holders including, corporations, tax-exempt organizations, qualified pension and profit sharing trusts and individual retirement accounts. In general, the Company is required to file with the IRS each year a Form 1099 information return reporting the amount of interest that was paid or that is considered earned by a U.S. Holder with respect to the Notes held during each calendar year, and a U.S. Holder is required to report such amount as income on its federal income tax return for that year. A U.S. backup withholding tax currently at a rate of 28% will apply to such payments if a U.S. Holder fails to provide a correct taxpayer identification number or certification of other tax-exempt status or fails to report in full dividend and interest income. Any amount withheld under the backup withholding rules is allowable as a credit against the taxpayer's U.S. federal income tax liability, provided that the required information is furnished to the IRS.

Non-U.S. Holders

Information reporting will generally apply to payments of interest on a Note to a Non-U.S. Holder and the amount of tax, if any, withheld with respect to such payments. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under the provisions of an applicable income tax treaty. Payments of principal and interest on any Notes to Non-U.S. Holders will not be subject to any U.S. backup withholding tax if the beneficial owner of the Note (or a financial institution holding the note on behalf of the beneficial owner in the ordinary course of its trade or business) provides an appropriate certification to the payor and the payor does not have actual knowledge or reason to know, that the certification is incorrect. Payments of principal and interest on Notes not excluded from U.S. backup withholding tax discussed above generally will be subject to United States withholding tax at a rate of 28%, except where an applicable United States income tax treaty provides for the reduction or elimination of such withholding tax.

In addition, information reporting and, depending on the circumstances, backup withholding, will apply to the proceeds of the sale of a Note within the United States or conducted through United States-related financial intermediaries unless the beneficial owner provides the payor with an appropriate certification as to its non-U.S. status and the payor does not have actual knowledge or reason to know that the certification is incorrect.

Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against a Non-U.S. Holder's U.S. federal income tax liability provided the required information is furnished to the Internal Revenue Service.

THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE ACQUISITION, OWNERSHIP, DISPOSITION OR RETIREMENT OF THE NOTES. PROSPECTIVE INVESTORS OF NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS, ATTORNEYS AND ACCOUNTANTS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.

INVESTOR SUITABILITY

General

An investment in the Notes involves significant risks and is suitable only for persons of adequate financial means who have no need for liquidity with respect to this investment and who can bear the economic risk of a complete loss of their investment. This private placement is made in reliance on exemptions from the registration requirements of the Act and applicable state securities laws and regulations.

The suitability standards discussed below represent minimum suitability standards for prospective investors. The satisfaction of such standards by a prospective investor does not necessarily mean that the Notes are a suitable investment for such prospective investor. Prospective investors are encouraged to consult their personal financial advisors to determine whether an investment in the Notes is appropriate. The Company may reject subscriptions, in whole or in part, in its absolute discretion.

The Company will require each investor to represent in writing, among other things, that (i) by reason of the investor's business or financial experience, or that of the investor's professional advisor, the investor is capable of evaluating the merits and risks of an investment in the Notes and of protecting its own interest in connection with the transaction, (ii) the investor is acquiring the Notes for its own account for investment only and not with a view toward the resale or distribution thereof, (iii) the investor is aware that the Notes have not been registered under the Act or any state securities laws and that there is no market for the Notes, (iv) such investor meets the suitability requirements set forth below and (v) they have read and taken full cognizance of the Risk Factors and other information set forth in this Confidential Private Offering Memorandum.

Suitability Requirements

Except as set forth below, each investor must represent in writing that it: (a) is "sophisticated" in so far as it is sufficiently knowledgeable and experienced in financial and business matters to be able to evaluate the merits and risks of an investment in the Notes either alone or with a purchaser representative; (b) is able to bear the economic risk of an investment in the Notes, including a loss of the entire investment; and (c) qualifies as an "accredited investor," as such term is defined in Rule 501(a) of Regulation D under the Act and must demonstrate the basis for such qualification. To be an accredited investor, an investor must fall within any of the following categories at the time of sale of Notes to that investor:

(1) A bank as defined in Section 3(a)(2) of the Act or a savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary capacity; a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; an insurance company as defined in Section 2(13) of the Act; an investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; a Small Business Investment Company licensed by the United States Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of $5,000,000; an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000 or, if a self–directed plan, with investment decisions made solely by persons that are accredited investors;

(2) A private business development company as defined in Section 202(a) (22) of the Investment Advisers Act of 1940;

(3) An organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust or partnership, not formed for the specific purpose of acquiring the Notes, with total assets in excess of $5,000,000;

(4) Any director, executive officer, or general partner of the Company, or any director, executive officer, or general partner of a general partner of the Company;

(5) Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of such person's purchase of the Notes exceeds $1,000,000 (excluding the value of such person's primary residence);

(6) Any natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with that person's spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

(7) Any trust with total assets in excess of $5,000,000 not formed for the specific purpose of acquiring the Notes, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) of Regulation D; and

(8) An entity in which all of the equity owners are accredited investors (as defined above).

As used in this Memorandum, the term "net worth" means the excess of total assets over total liabilities. In determining income an investor should add to the investor's adjusted gross income any amounts attributable to tax exempt income received, losses claimed as limited partner in any limited partnership, deductions claimed for depletion, contributions to an IRA, KEOGH, SEP IRA or ROTH IRA retirement plan, alimony payments, and any amount by which income from long-term capital gains has been reduced in arriving at adjusted gross income.

Exhibit 2

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Attorneys for Plaintiff

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

Peter S. Davis, as Receiver of DenSco Investment Corporation, an Arizona corporation, Plaintiff, vs. Clark Hill PLC, a Michigan limited liability company; David G. Beauchamp and Jane Doe Beauchamp, husband and wife, Defendants.	No. CV2017-013832 **PLAINTIFF'S DISCLOSURE OF EXPERT WITNESS REPORT RE STANDARD OF CARE** (Commercial case) (Assigned to the Honorable Daniel Martin)

Pursuant to the scheduling order entered in this matter, Plaintiff Peter S. Davis, as Receiver of DenSco Investment Corporation, hereby discloses the attached report of Neil J. Wertlieb, which addresses the applicable standard of care, Defendants' departure from the standard of care and how that departure caused injury to DenSco.

DATED this 3rd day of April 2019.

OSBORN MALEDON, P.A.

By _____
Colin F. Campbell
Geoffrey M. T. Sturr
Joshua M. Whitaker
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Attorneys for Plaintiff

Original hand-delivered and
copy send by e-mail this
3rd day of April, 2019, to:

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WERTLIEB LAW

EXPERT REPORT OF NEIL J WERTLIEB

In the matter of

Peter S. Davis, as Receiver of DenSco Investment Corporation

v.

Clark Hill PLC, David G. Beauchamp and Jane Doe Beauchamp

Submitted on March 26, 2019

The complaint in the Freo Lawsuit alleged that Mr. Menaged had secured two mortgages on one property: "Easy [Investments] attempted to encumber the property with deeds of trust to Active [Funding Group, LLC, an Arizona limited company, the other lender] and DenSco."[31] Mr. Beauchamp recognized that the Freo Lawsuit was material to DenSco's investors, and immediately told Mr. Chittick, "we will need to disclose this in POM."[32] Mr. Chittick readily agreed.[33] The Freo Lawsuit put Mr. Beauchamp on notice that DenSco's 2011 POM may be materially misleading because, if the allegations in the complaint were correct, DenSco was not following the methodology and procedures stated in the 2011 POM for funding its loans.[34] Based on the record I have reviewed in this Case, it appears that such disclosure was never made to DenSco's investors nor included in any draft updates to the 2011 POM prepared by the Defendants.

Mr. Chittick also informed Mr. Beauchamp that Mr. Menaged's attorney was working on the defense of the Freo Lawsuit, and that Mr. Chittick intended to "piggy back" on his borrower's defense.[35] Despite this clear conflict of interest, and Mr. Chittick's instruction that he speak with Mr. Menaged's attorney[36] – and Mr. Menaged's offer to pay for his time[37] – Mr. Beauchamp apparently took no action with respect to the Freo Lawsuit.[38]

The Freo Lawsuit was the first of what I consider to be four "red flag" warnings, as discussed below.

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[31] See paragraph 20, Complaint dated May 24, 2013, *Freo Arizona, LLC v. Easy Investments, LLC, Active Funding Group, LLC, DenSco Investment Corporation, et al.*, brought in The Superior Court for the State of Arizona in and for the County of Maricopa.
[32] Email dated June 14, 2013 from Mr. Beauchamp to Mr. Chittick.
[33] Email response dated June 14, 2013 from Mr. Chittick to Mr. Beauchamp ("ok 1 sentence should suffice!").
[34] See page 6, Defendants' DS ("DenSco and Mr. Chittick were both advised, and understood, … that DenSco was representing to its investors that DenSco's loans would be in first position, and … that it was of fundamental importance that DenSco safeguard the use of its investors' funds in conjunction with properly recording liens, in order to ensure that DenSco's loans were in first position."). See also paragraph 121 of Plaintiff's Fifth Disclosure Statement dated November 14, 2018 ("Plaintiff's DS") ("It was apparent from the Freo complaint that Chittick had not conducted any due diligence before loaning money to Easy Investments to acquire this particular home, since the property had been sold, according to public records, five days before a trustee's sale.").
[35] Email dated June 14, 2013 from Mr. Chittick to Mr. Beauchamp, copying Mr. Menaged ("Easy Investments, has his attorney working on it, I'm ok to piggy back with his attorney to fight it.").
[36] See Ibid ("Easy Investments [sic] willing to pay the legal fees to fight it. I just wanted you to be aware of it, and talk to his attorney. Contact info is below.").
[37] Reply email dated June 14, 2013 from Mr. Menaged ("David Please bill me for your services and utilize my attorney for anything you may need.").
[38] Mr. Beauchamp testified that he did not speak to the borrower's attorney, Mr. Goulder, at this time. See page 240, lines 9-19, Deposition of Mr. Beauchamp.

These improper and risky funding procedures were not disclosed in the 2011 POM. In fact, the 2011 POM incorrectly stated that DenSco's loans were funded so as to ensure first lien positions on such properties.[58]

Mr. Menaged fabricated a story to explain the double lien issue – a story which we now know to be false. As told by Mr. Menaged, because he was distracted with his wife's illness, he turned over certain business operations to his "cousin." The cousin would obtain a loan from DenSco, which DenSco wired directly, and the cousin would also obtain a loan from another lender, which lender would wire funds directly to the trustee. The cousin would file deeds of trust on behalf of both lenders, and then ultimately absconded with DenSco's funds.[59]

In fact, there was no such cousin. A simple search of records available on the County of Maricopa website showed that it was Mr. Menaged who executed those deeds of trust in the presence of a notary, and not any "cousin."[60]

b. Mr. Chittick and Mr. Menaged Create the "Plan"

Mr. Chittick shared with Mr. Beauchamp that he thought his options were limited. Mr. Chittick claimed that DenSco could not sign the subordination agreements demanded by the Bryan Cave

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and understood, (a) that DenSco should fund loans through a trustee, title company or other fiduciary, (b) that DenSco was representing to its investors that DenSco's loans would be in first position, and (c) that it was of fundamental importance that DenSco safeguard the use of its investors' funds in conjunction with properly recording liens, in order to ensure that DenSco's loans were in first position.").

[58] See, e.g., page 37, 2011 POM ("All real estate loans funded by the Company have been and are intended to be secured through first position trust deeds.").

[59] See email dated January 7, 2014 from Mr. Chittick to Mr. Beauchamp, copying Mr. Menaged ("Sometime last year, [Mr. Menaged's] wife became ill with cancer. His cousin was working with him and took on a stronger day to day role as scott [sic] was distracted with his wife. Scott always was the one that determined what properties to buy, how much etc. his cousin 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 ½ dozen different lenders in total.) … What his cousin was doing was receiving the funds from me, then requesting them from the other lenders. These other lenders would cut a cashiers [sic] check for the agreed upon loan amount and then take it to the trustee and receive the receipt. … The cousin absconded with the funds."). See, also, Plaintiff's DS ¶ 215.

[60] See, e.g., Exhibit 103 (Deed of Trust and Security Agreement with Assignment of Rents, recorded in the Official Records of Maricopa County Recorder March 25, 2013, for property located at "7089 W Andrew Lane Peoria, AZ 85383." The Trustor is Easy Investments, LLC. The Beneficiary is Active Funding Group, LLC.); see, also, Exhibit 104 (Deed of Trust and Assignment of Rents, recorded in the Official Records of Maricopa County Recorder April 2, 2013, for property located at "7089 W Andrew Lane Peoria, AZ 85383." The Trustor is Easy Investments, LLC. The Beneficiary is DenSco.).

Opportunity Act, the Fair Credit Reporting Act, the Real Estate Settlement Procedures Act, and the Home Mortgage Disclosure Act,[165] and similar state laws and regulations. To the extent applicable, such activities would require monitoring, periodic reporting and other documentation, and compliance generally.[166]

2. DenSco was Handling High Volumes of Investor Money

At its core, DenSco was soliciting money from investors, which would be transferred to borrowers as mortgage loans. Such borrowers would pay interest and principal back to DenSco, which in turn would then use such funds to pay interest and principal back to its investors (with DenSco profiting from the arbitrage due to the difference in such interest rates). Rather than providing goods or services, DenSco was in the business of handling large sums of money. As of the date of the 2011 POM, DenSco had funded *over $300 million* in loans.[167] As a result, DenSco was acting in a fiduciary capacity with its investors, and would have required prudent internal controls, careful accounting and secure money management.

3. DenSco was a "One-Man Shop"

Based on the record I have reviewed, it is clear that DenSco had only a single shareholder, director, officer and employee: namely, Denny Chittick.[168] The regulatory environment in which DenSco operated, as well as the volume of its business, would have necessitated active involvement by the management team at DenSco. Having only one member in its management team (its sole employee), would suggest that DenSco's ability to manage its business operations and compliance obligations was severely constrained.

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[165] See page 19, 2011 POM.

[166] Although DenSco may have concluded that it was not subject to such regulation and licensing, it was still required to take action to *avoid* the application of such regulation and licensing to its lending activities. See page 8, 2011 POM ("The Company's management believes that it is not required to be licensed by the Arizona Department of Financial Institutions as a mortgage broker or mortgage banker nor under certain federal laws, such as Truth-In-Lending Act or the Real Estate Settlement Procedures Act. The Company intends to take the necessary steps to ensure that the borrowers it lends to and the projects covered by such loans will not fall within the requirements imposed by the foregoing agency and acts."); page 19, 2011 POM ("If it is determined that the Company has not structured its operations so that it is exempt from regulation, *the Company could become subject to extensive regulation*" [italics added]).

[167] Page 39, 2011 POM ("Since inception through June 30, 2011, the Company has participated in 2622 loans, with an average loan amount of $116,000, with the highest single loan being $800,000 and the lowest being $12,000. *The aggregate amount of loans funded is $306,786,893* with property values totaling $470,411,170." [italics added]).

[168] Page 40, 2011 POM ("The Director and Executive Officer of the Company are [sic]: Denny J. Chittick, 4_, President, Vice President, Treasurer, and Secretary. … With the assistance of outside consultants on an as-needed basis, *Mr. Chittick intends to operate the Company as its primary employee, analyzing, negotiating, originating, purchasing and servicing Trust Deeds by himself.*" [italics added]).

As a result, the applicable standard of care dictates that the Defendants should have: (a) engaged in extraordinary monitoring and counseling with respect to DenSco; (b) maintained clear documentation of advice provided and actions taken; and, most importantly, (c) been prepared to recognize, and quickly act in response to, "red flag" warnings or indications of any problems (such as those described below). In my opinion, failure to do so would constitute a violation of the Defendants' duties under the Rules of Professional Conduct, including but not limited to Rules 1.1 (Competence), 1.3 (Diligence) and 1.13 (Organization as Client) of the Arizona Rules of Professional Conduct and the ABA Model Rules.

B. The Four Red Flag Warnings that DenSco Needed Immediate and Focused Attention and Protection

1. The Freo Lawsuit

The Freo Lawsuit put Mr. Beauchamp on notice of allegations that one of DenSco's major borrowers, Mr. Menaged and his affiliated entities, was taking money from DenSco and another third-party lender to purchase the same property and provide both lenders with a deed of trust on that same property – thereby potentially having the effect of subordinating DenSco's interest in the property to that of the other lender (and diminishing the value of DenSco's interest).

Mr. Beauchamp knew, or should have known, that DenSco's interests (as lender) and Mr. Menaged's interests (as borrower) were not aligned in the Freo Lawsuit and that, as a result, DenSco needed to have independent legal counsel, and not simply "piggy back" on Mr. Menaged's defense.[201] Despite this clear conflict of interest, and Mr. Chittick's instruction that he speak with Mr. Menaged's attorney,[202] Mr. Beauchamp took no action with respect to the Freo Lawsuit.[203]

Had Mr. Beauchamp investigated the allegations in the complaint in the Freo Lawsuit, "he would have found within minutes, by reviewing records available through the Maricopa County Recorder's website relating to the property described in the Freo lawsuit: (i) a Deed of Trust and Security Agreement With Assignment of Rents given by Easy Investments in favor of Active Funding Group, that Menaged had signed on March 25, 2013; and (ii) a Deed of Trust and Assignment of Rents given by Easy Investments in favor of DenSco, that Menaged had signed on April 2, 2013. Both signatures were witnessed by the same notary public."[204]

---

[201] Email dated June 14, 2013 from Mr. Chittick to Mr. Beauchamp, copying Mr. Menaged ("Easy Investments, has his attorney working on it, I'm ok to piggy back with his attorney to fight it.").

[202] See Ibid ("Easy Investments [sic] willing to pay the legal fees to fight it. I just wanted you to be aware of it, and talk to his attorney. Contact info is below.").

[203] Mr. Beauchamp testified that he did not speak to the borrower's attorney, Mr. Goulder, at that time. See page 240, lines 9-19, Deposition of Mr. Beauchamp.

[204] Plaintiff's DS ¶ 129.

Upon becoming aware of the Freo Lawsuit, Mr. Beauchamp should have advised Mr. Chittick of the following action items, and should have assisted him in the completion of these action items:

- investigate the policies and procedures, and the trustworthiness, of Mr. Menaged and his affiliated entities;
- investigate where the excess funds from two different mortgage loans went;
- suspend making any further loans to Mr. Menaged and all entities managed by Menaged;
- review all other outstanding loans to Mr. Menaged and his affiliated entities to confirm that DenSco was the only lender on the property with a first lien deed of trust;
- review and reevaluate DenSco's internal procedures to ensure that it was not vulnerable to the type of double lien issue alleged in the Freo Lawsuit;
- contact the other lender to investigate the allegations; and
- evaluate the accuracy of the disclosures made in the 2011 POM, and update and correct them as may be necessary.

Based on the record I have reviewed, Mr. Beauchamp provided no such advice or assistance following the Freo Lawsuit. In fact, from mid-June 2013 when Mr. Beauchamp first learned of the significant allegations in the Freo Lawsuit,[205] until at least January of the following year, Mr. Beauchamp took no such action to protect his client, DenSco.[206]

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[205] See email dated June 14, 2013 from Mr. Beauchamp to Mr. Chittick ("we will need to disclose this in POM").

[206] If, instead, the Defendants had investigated and done proper due diligence with respect to the red flag warning raised by the Freo Lawsuit at or around the time that Mr. Beauchamp transitioned from Bryan Cave to Clark Hill, they would have discovered the magnitude of the damage caused by the Menaged fraud and Mr. Chittick's failure to follow proper funding procedures. Because of the materially inaccurate and incomplete disclosures made in the expired 2011 POM, upon such discovery the Defendants should have then instructed DenSco to immediately cease the offer and sale of all Notes. Any Rule 10b-5 compliant disclosures at that time would be required to disclose, among other things, DenSco's failures with respect to its first lien positions, loan-to-value ratios, and diversity of its borrowers, and the cause of such failures (including Mr. Chittick's negligence), as well as its exposure to civil and criminal consequences for securities fraud (including the possible right of all Noteholders to demand rescission). Because such disclosures would by necessity be so negative (especially in comparison to the disclosures contained in the 2011 POM), it appears to me unlikely that the sophisticated accredited investors targeted by DenSco would have been inclined to continue to invest in Notes. Further, because DenSco's business model was based on soliciting and investing money provided by Noteholders, and because many of the double lien properties were overleveraged, in my opinion the proper advice to be given to DenSco at that time would have been to conduct an

I reserve the right to supplement, update or amend my opinions as new information becomes available or is brought to my attention.

Neil J Wertlieb

March 26, 2019

Exhibit 3

OFFICIAL RECORDS OF
MARICOPA COUNTY RECORDER
HELEN PURCELL
20130717135 08/06/2013 12:46
ELECTRONIC RECORDING

When recorded, mail to:

DenSco Investment
6132 W. Victoria Place
Chandler, AZ 85226

4504RM-1-1-1--
chagollaj

Scheck
EXH. NO. 27
6-19-18
Kelly S. Oglesby CR 50178

MORTGAGE

August 6, 2013

The undersigned borrower ("Borrower") acknowledges receipt of the proceeds of a loan from DenSco Investment Corporation ("Lender") in the sum of $150,000.00, as evidenced by check payable to: Trustee Corps ("Trustee"). The loan was made to Borrower to purchase the Real Property legally described as: Lot 218, Subdivision Anthem Unit 55, according to the plat Book 665, of Maps, Page 30, in the plat record in the Recorder's Office of Maricopa County, Arizona. Address: 39817 N Messner Way, Anthem, AZ 85086 At a trustee's sale conducted by Trustee, which took place on August 5, 2013, 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 6th day of August, 2013.

By:Yomtov Scott Menaged
Commission Expires: 8-17-15

Notary Public

VERONICA G. CASTRO
County of Maricopa
Notary Public
Commission # 548878
My Commission Expires
August 17, 2016

356655v2

5/22/2007

Exhibit 4

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

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

DEPOSITION OF GREGG REICHMAN

Phoenix, Arizona
April 23, 2019
10:38 a.m.

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

Q. How does the successful bidder know that you will make the loan on the bid at the trustee sale?

A. They never know.

Q. They just take the chance that you will be willing to fund, because they know something about your business?

A. No, they don't know anything about our business. They just assume that we are in the business of deploying debt capital to professional investors, and if we don't, someone else will. So, you know, we are -- we want to make the loan, so we are in the business to make these loans, and I have been doing it for 25 years so we are fairly well-known.

Q. When you fund a borrower at a trustee sale, to whom do you provide the funds?

A. Well, the borrower is the customer, but we don't ever let the borrower take control of any funds. So just so I understand your question correctly, your question is where do we send the funds, the payment funds?

Q. Yes.

A. To the trustee.

Q. On any of the loans that you have done at AFG, do you ever fund the loan directly to the borrower as opposed to through a third party, like a trustee, an escrow agent, title company, anything like that?

Q. And do you recall around September 21, 2012, learning that Menaged had borrowed money either through his entities or directly from both Active Funding and DenSco, so there were two loans on at least three properties?

A. I remember during that time discovering that there were multiple deeds of trust. I want to be sure that I understand your characterization and what you said so that I can give you a precise answer.

You said Menaged borrowed money against, from multiple lenders against multiple properties. I never knew that. I knew there were deeds of trust that were more than one deed of trust on particular properties that my company had loans on. That I discovered.

Q. All right. So let me follow up on the way you have described it.

You knew as of September 21, 2012, that Active Funding had a deed of trust on a loan to Scott Menaged --

A. His company.

Q. -- to his company, where DenSco also had a loan and a deed of trust on that property for a loan to Menaged?

A. I discovered that, yes.

Q. Okay. How did you discover it?

A. Reviewing the chain of title.

Q. Was there something that prompted you to do that or do you just do that as a part of your business?

A. I do it on occasion.

Q. And did you discover in this timeframe that the DenSco loan was in first position versus the Active Funding loan or second position, or could you tell from the chain of title?

A. The only thing you can tell from the chain of title is recordation timeframe. My position is the DenSco loans were never in first position. I only made first position loans and my capital was deployed in first position.

Q. And your position was based on the recordation of the filing of the document or was it something else?

A. My legal position, and in most -- in most circumstances, the recordation timeframe.

Q. Okay. And specifically as of September 2012, did you believe that on these three properties where there were competing deeds of trust, that Active Funding had the superior position to DenSco?

A. Always.

Q. Okay. Was it a surprise to you that Scott Menaged had borrowed money from DenSco on -- where he secured those loans with the property that also secured your loans?

both AFG and DenSco?

A. I did learn that, yes.

Q. Did you ever learn how many properties in the fall of 2012 were in that situation?

A. I think it was roughly 12.

Q. So let me go back to the conversation.

You had a conversation with Denny Chittick you have shared with us where both of you have decided to go back to Scott Menaged to try to figure out how there could be two deeds of trust from both lenders, right?

A. Well, I knew how there could be. I wanted to find out why. You record one. I could record one on your house tonight.

Q. Fair answer.

So what did you do to find out why?

A. I called Scott and said, "I'd like to discuss this with you. What's going on?" Actually, I think I emailed him, and I said, "Hey, I discovered this. What's going on?" And he responded in one of these emails, "That's impossible." In other words, I was mis -- his response was I must be mistaken.

Q. Right.

So he was originally denying to you that that could be the case, that there would be two deeds of trust, one from DenSco, one from AFG on the same property.

A. He said it was impossible. Those were his words.

Q. Okay.

A. I think it's in one of these emails. I remember an email like that.

Q. It is. It is. And we are going to find it here.

So let's look at 488. It's a multipage document. So it looks like the first email, it's at the very end of that document, 488, is an email from you to Scott Menaged dated September 19.

Do you see that?

A. I'm sorry. The second page from the back?

Q. Yeah. It's page 4 and 5 of that document.

A. Okay. I'm on page 4.

Q. So this is -- I'm now noticing that Exhibit 487 actually is dated September 21, but your series of emails with Mr. Menaged start on September 19.

Do you see that?

A. Yep, I do.

Q. Okay.

A. Yes. I should say yes. Sorry.

Q. And it looks like you are talking generally about monies being owed various properties.

And then it looks like on the third page at the

bottom, you say to Veronica on September 21, 2012, "If you get a moment can you please look up a few properties," and then you identify the three properties. And then you say: We are trying to figure out what occurred with those assets and from the books of it -- from the looks of it we they were traded back and forth in terms of the financing between Active Funding Group and DenSco, but releases were never filed. Let me know where you believe they are currently financed please.

And then Menaged says back, he says, "Be back Monday and will look into it buddy."

Did I read that correctly?

A. Which page are you on?

Q. "Look into buddy," on the third page, about halfway up.

A. I see it. Have a nice weekend.

Q. All right. And then you send an email that starts on the second page at the bottom, "It looks like these three deals of yours were double pledged to both AFG and DenSco," then you identify the properties.

A. I think you are going in reverse, because that was sent, and then he responded. Or maybe you are not. It's hard to read it this way.

Q. As I read it, I think that the original email is in the very back.

A. From the back to the front? Okay.

Q. And then it goes forwards to the most current on the first page.

A. Yes. I see it.

Q. Okay. So if we look at the bottom of that, again, of page 3. Is that where we were?

MR. ABRAHAM: Page 2.

MR. DeWULF: Page 2.

Q. At the bottom of page 2, September 21, you say: OK. It's an important matter. It looks like these three deals of yours were **double pledged** to both AFG and DenSco, and you identify the properties. From reading the chain there are DOTs recorded from both companies. We are senior on all 3 deals and Denny's DOT is recorded behind ours. Do you remember these at all and what happened with them? Thank you.

And then, to refer to your earlier testimony, Menaged says, "Don't remember them but it's impossible," correct?

A. Yes, it says that.

Q. And then you respond, higher up on that page 2, "Not impossible. I'm looking at the chains of title sitting in front of me. Both DenSco and AFG have loans on those properties. Veronica told me that DenSco has been paid off and she was waiting for releases. I just spoke

to Denny. He indicated that he has not paid off. Please get this squared away as it is troubling."

And then Menaged says, "For a small fee I can do your accounting if you want."

A. Right.

Q. And then you write back, "Very funny. All the other loans are the same, all appear to be double pledged. You probably used our money to fund those silly furniture stores." So let me stop you there.

So you are referring to Menaged having a furniture business, right?

A. He had four of them.

Q. Yeah. And this is just a joke that he is misusing the money for his furniture business, right?

A. Yes, it was a joke.

Q. Okay. And then he responds, "Hahaha!!!! Ok if you say so...We will clear up Monday." And then you say, "Good, safe travels."

So at this point in time, you have checked with the chain of title, you figured out that there are double pledging between the loans of AFG and DenSco.

And what happens next in the communication, do you recall? Does he get back to you and tell you what he has discovered?

A. He did get back to me, yes.

And I said, "Okay. When are you going to be sure?"

And he said, "Well, I had an employee," I think he said it was a Jamaican woman who was running a part of his business, and he had fired her a couple of weeks ago, and that what he was able to determine, since we talked the day before, was that he thinks there may be a theft issue and that she was responsible for the theft and that she had stolen money out of his accounts, money out of his father's accounts, and he thought that she was responsible for these multiple deeds of trust, but he wasn't completely sure yet, but he was going to work -- continue to work on it and then update me.

Q. Anything -- did you say anything in response?

A. I said, "Yeah, work on it." I created urgency. I was agitated and I wanted him to know that I was agitated, not happy.

Q. All right.

A. I mean, I wasn't yelling and screaming. I don't do that. I don't think it's productive in a business discussion, but my instructions were: You need to find out what's going on and I need to know what's going on, and you need to -- this is on you. Figure it out.

Q. Okay. And so in the sequence, how much time passed before you talked to him again?

that the employee was supposedly this Jamaican woman that had been fired a little while ago?

A. No. I just said employee crime.

Q. And do you know whether, when you had this discussion with Denny Chittick you have just described, whether Denny had gotten, Denny Chittick had gotten any further detail from Scott Menaged since you had last spoken to him?

A. He told me he was meeting with him either that day or the next day.

Q. So then you had another conversation with Scott Menaged after the one you have just described with Denny Chittick?

A. Yes.

Q. And what can you recall about that discussion?

A. He said he hired a private investigator to locate this woman and that she had moved back to Jamaica, and that he was still attempting to determine the full extent of it, and that he had met with Denny and that he had come to a framework with Denny of how to work out of it.

Q. Did he explain what the framework was?

A. Generally.

Q. What did he tell you?

A. He said Denny had agreed to become a partner

with him in his wholesale business, so he would participate in profits from the wholesale business to reduce his exposure on the lending side.

He said Denny was going to provide him with 100 percent financing for everything he purchased at trustee sale so that he wouldn't have a cash crunch. And he said that Denny was going to provide him with an unsecured credit line, so in case he got tight on cash, he would have a cushion, but he didn't think he would get tight on cash because he had sufficient liquidity to work through this, to work through it until everything was paid off.

Q. I didn't follow what you just said.

Who had sufficient liquidity?

A. Scott had indicated that Denny had given him -- made a pledge of an unsecured credit line if he needed it, but he didn't think he would need it because he had sufficient liquidity, to bridge gaps if he needed it.

Q. Did he tell you how long, what the size of the unsecured credit line was?

A. No.

Q. Anything else you can recall from that conversation?

A. Yeah. I told him I wanted to see him. I said, "You got to come in here. I want to talk to you. I'm not

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

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

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

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

Kelly Sue Oglesby _____ 5/7/2019
Kelly Sue Oglesby Date
Arizona Certified Reporter No. 50178

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

_____ 5/7/2019
JD REPORTING, INC. Date
Arizona Registered Reporting Firm R1012

Exhibit 5

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

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

DEPOSITION OF SCOTT ALLEN GOULD

Phoenix, Arizona
June 20, 2019
9:04 a.m.

REPORTED BY:

Annette Satterlee, RPR, CRR, CRC
Arizona CR No. 50179
Registered Reporting Firm R1012

percent of the purchase price. Still putting us at 70 percent loan-to-value or better.

There were cases that people paid a hundred cents on the dollar and we said: We'll only loan you 70 percent to hold the loan-to-value of the property.

So you come up with a decision: Yes, we will lend you $70,000. You purchased it for $100,000, you've already put down $10,000, so we need you to get a cashier's check to the trustee for $20,000, we will make a cashier's check to the trustee for $70,000.

You come into our office, sign our documents, give us your check, and we would have our runner go pay the, you know, trustee and get a receipt that it's been paid for. And so we knew that we were the only ones paying for the property.

And I can't even remember at what point Denny used one of my runners in the company to do it versus after 2012, when he disassociated himself with our office, you know, personnel and staff, you know, to do some of those things. How he did it after that, I don't know, even though the conversation's come up in this case, you know, to suggest how he, you know, did it. But I didn't know at the time.

Q. In terms of the mechanics of DenSco loaning money to a successful bidder at a trustee's sale, was it

CERTIFIED REPORTER'S CERTIFICATE

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

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

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

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

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

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

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

Exhibit 6

Stringer, Lindsay L.

From:	Beauchamp, David G.
Sent:	Thursday, January 09, 2014 9:21 AM
To:	Stringer, Lindsay L.
Subject:	Fw: the details
Attachments:	RM Easy Investments.doc; DOT Easy Investments.doc; Note Easy Investment.doc; HUD Pratt 90k.pdf

Please print this for me and reserve a conf room from 10 to noon today with a whiteboard.

Thanks

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

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Tuesday, January 07, 2014 01:49 PM
To: Beauchamp, David G.
Cc: Yomtov Menaged <smena98754@aol.com>
Subject: the details

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

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

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

cousin would request a loan from another borrower (i would say there are as many as 1/2 dozen different lenders in total) . Because of our long term relationship, when Scott needed money, i would wire the money to his account and he would pay the trustee. I do this same thing with several borrowers and bidding co's. As an example, He would buy a property at auction for 100k, it's worth 145k, he would ask me for 80k. i would wire it to him, he would pay the trustee with my 80k and his 20k and he would sign the RM, which i've attached (all docs you have reviewed and have been reveiwed by a guy at your last law firm, maybe two firms ago in 2007). i've attached them. i would record the RM the day he paid for the property. then once the trustee's deed was recorded, which during the last few years has been at times 6 weeks from the auction date to the recorded date, i then would record my DOT. this is a practice that i have done for 14 years. it's recognized by all the escrow co's. Some title agents won't see anything before the trustee's deed recording as a valid lien, some look at the whole chain. for me to be covered, i would record the RM to muddy up title then record the DOT after the trustee's deed to ensure my first position lien. when the loan is paid off, i always send a release for both liens. when i say that some title officers request it and some don't , it seems to matter of opinion rather than a hard and fast law/requirement/demand/ or something of that nature. Again, this is what i do on every single auction property no matter who is the borrower.

What is cousin was doing was receiving the funds from me, then requesting them from the other lenders. these other lenders would cut a cashiers check for the agreed upon loan amount and then take it to the trustee and receive the receipt. they would then record a DOT immediately, then after the trustee's deed is recorded, they would re-record their DOT. Sometimes i would record my RM first sometimes they would. then after the trustee's deed, sometimes i would record my DOT first sometimes they would.

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

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

The Plan:
1. all lenders will be paid their interest, except me, i'm allowing my interest to accrue.
2. i'm extending him a million dollars against a home at 3%
3. he is bringing in 4-5 million dollars over the next 120 days from liquidating some assets as well as getting some money back that the cousin stole, and other sources.
4. he's got a majority of these houses rented, this brings in a lot of money every month.
5. the houses that he's buying now and will be flipping will bring in money every week starting next week or two.
6. as the houses become vacant either because of ending the lease or the tenant leaves, scott will fix up the house and sell it retail. this will drive the order in which the houses will be sold.

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

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

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

I know that i can't sign the subordination because that goes against everything that i tell my investors. plus i can tell you there are several other lenders waiting to see what i do, if i sign with this group, they want to have me sign one for them too.

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

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

dc

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

Exhibit 7

Colin F. Campbell, No. 004955
Geoffrey M. T. Sturr, No. 014063
Joseph N. Roth, No. 025725
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IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

Peter S. Davis, as Receiver of DenSco Investment Corporation, an Arizona corporation, Plaintiff, vs. Clark Hill PLC, a Michigan limited liability company; David G. Beauchamp and Jane Doe Beauchamp, husband and wife, Defendants.	No. CV2017-013832 **PLAINTIFF'S SEVENTH DISCLOSURE STATEMENT** (Assigned to the Honorable Daniel Martin)

Pursuant to Rule 26.1(a), Plaintiff Peter S. Davis, as the court-appointed receiver of DenSco Investment Corporation (the "Receiver"), makes the following disclosures. Changes from the Receiver's Sixth Disclosure Statement are identified in the mark-up attached as **Appendix G**.

On August 18, 2016, the Receiver was appointed to serve as the Receiver for DenSco Investment Corporation ("DenSco") under an order entered by the Maricopa County Superior Court in *Arizona Corporation Commission v. DenSco Investment Corporation*, CV2016-014142 (the "Receivership Court"). After the Receiver and his

4. During June 2013, Beauchamp Learned That Representations Made In the 2011 POM About DenSco's Lending Practices Were Materially Misleading But Failed to Conduct Any Investigation of DenSco's Lending Practices.

112. Beauchamp received an email from Chittick on June 14, 2013.

113. Chittick's email, which was copied to Yomtov "Scott" Menaged, said, in part: "I have a borrower, to which I've done a ton of business with, million[s] in loans and hundreds of loans for several years[.] [H]e's getting sued along with me. . . . Easy Investments[] has his attorney working on it[.] [I]'m okay to piggy back with his attorney to fight it[.] Easy Investments [is] willing to pay the legal fees to fight it. I just wanted you to be aware of it, and talk to his attorney, [whose] contact info is below."

114. Chittick's email included a forwarded email from Menaged which provided contact information for his attorney, Jeffrey J. Goulder.

115. Copies of a summons, the first four pages of a complaint, a certificate of compulsory arbitration, and a lis pendens were attached to the email.

116. Menaged responded to the email by telling Beauchamp in an email to "bill me for your services and utilize my attorney for anything you may need."

117. The complaint and other documents Beauchamp received identified by street address and legal description the foreclosed home at issue in the lawsuit; they also identified the names of the former owners.

118. After reviewing these documents, Beauchamp sent an email to Chittick on June 14, 2013 which said "***We will need to disclose this in POM***." (Emphasis added.)

119. Bryan Cave's billing records reflect that Beauchamp billed DenSco for 30 minutes of time on June 14, 2013 devoted to "[e]mail to D. Chittick regarding need to disclose pending litigation in Private Offering Memorandum; review email from D. Chittick; review requirements."

120. The complaint had been filed in Maricopa County Superior Court by Freo Arizona, LLC against DenSco; Easy Investments, LLC; Active Funding Group, LLC; Ocwen Loan Servicing, LLC; and another defendant.

121. According to the excerpt of the complaint that Beauchamp received,

a. A home in Peoria, Arizona was to be sold at a trustee's sale.

b. Freo claimed to have purchased the home on March 18, 2013, before the date of the scheduled trustee's sale, by paying Ocwen Loan Servicing the payoff amount for the mortgage, and that the sale was documented in a warranty deed that had been recorded with the Maricopa County Recorder's Office.

c. Ocwen failed to timely instruct the Trustee to cancel the trustee's sale.

d. On March 22, 2013, ***Easy Investments*** acquired the property at a trustee's sale, and then ***"attempted to encumber the property with deeds of trust to Active [Funding Group] and DenSco***." (Emphasis added.)

e. Freo filed its lawsuit to establish that it owned the property free and clear of liens asserted by Active Funding Group and DenSco.

122. The *Freo* complaint put Beauchamp on notice that DenSco's 2011 POM was materially misleading because DenSco was not following the "proper method and procedures for funding a loan" which, according to Beauchamp's interrogatory answers, were described in the 2011 POM as including "'due diligence to verify certain information in connection with funding a Trust Deed'" and "'conduct[ing] a due diligence review by . . . verifying the documentation.'"

123. It was apparent from the *Freo* complaint that Chittick had not conducted any due diligence before loaning money to Easy Investments to acquire this particular home, since the property had been sold, according to public records, five days before a trustee's sale. Under such circumstances, the loan funded by DenSco could not have

been a loan "intended to be secured through [a] first position trust deed[]," as DenSco had represented in the 2011 POM.

124. It was also apparent from the *Freo* complaint that Chittick had not exercised appropriate care in loaning money to Easy Investments, since Freo alleged that Easy Investments had "attempted to encumber the property with deeds of trust to Active [Funding Group] and DenSco." That allegation called into question both the due diligence Chittick had employed in selecting Easy Investments as a borrower and the practices Chittick followed in funding loans made by DenSco.

125. Although the files Beauchamp maintained and Bryan Cave's billing records reflect that the only actions Beauchamp took after receiving Chittick's June 14, 2013 email were to spend 30 minutes to "review email from D. Chittick" and to send "[e]mail to D. Chittick regarding need to disclose pending litigation in Private Offering Memorandum," Beauchamp claims in Defendants' initial disclosure statement (at 6-7) that he did more than that.

126. Beauchamp claims that after reviewing the *Freo* complaint, he "advised Mr. Chittick . . . that Mr. Chittick needed to fund DenSco's loans directly to the trustee or escrow company conducting the sale, rather than provide loan funds directly to the borrower, to ensure that DenSco's deed of trust was protected." This is an admission by Beauchamp that he knew in June 2013 that the 2011 POM was materially misleading.

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

128. If a jury believes that Beauchamp actually had this discussion with Chittick, despite the absence of any email, note or billing record to support Beauchamp's claim, it should conclude that Beauchamp decided not to take *any* steps to investigate Chittick's admission that DenSco had lax lending practices. The jury may

also conclude that Beauchamp was preoccupied with his efforts to find a new law firm and did not take the time to do so.

129. An investigation into DenSco's lending practices was needed because:

a. the volume of DenSco's lending that Chittick was managing by himself (a missed red flag when the 2011 POM was prepared) had significantly increased since 2011;

b. as Beauchamp had noted in his email exchanges with Bryan Cave attorneys, DenSco had gone from $16 to $18 million of investor funds in 2011 to approximately $47 million in 2013, and Beauchamp knew that the additional investor funds would be utilized to make new loans;

c. the allegations in the *Freo* lawsuit evidenced a lack of due diligence on DenSco's part in deciding to fund the loan in question;

d. the allegations in the *Freo* lawsuit called into question whether Menaged, whom Chittick described as one of DenSco's major borrowers, was a reliable and trustworthy person.

e. Chittick's admission that he had given funds directly to Easy Investments necessarily meant DenSco was not complying with the terms of the Receipt and Mortgage which, as Beauchamp has noted in his interrogatory answers, "stated that the check purchasing the property was made to the Trustee."

f. Beauchamp knew on June 17, 2013, when he downloaded and reviewed DenSco's website, that DenSco was representing to existing and potential investors that it followed "Lending Guidelines" under which it would be in "First Position ONLY!"

g. Beauchamp knew that DenSco would be actively selling promissory notes in the latter half of 2013, since he knew, and told his Bryan Cave colleagues on June 20, 2013, that "[a]ccording to [Chittick's] note

schedule, [DenSco] has approximately 60 investor notes that are scheduled to expire in the next 6 months (and to probably be rolled over into new notes)."

h. Beauchamp knew that DenSco was actively selling promissory notes based on the 2011 POM. On June 27, 2013, for example, Chittick told him by email "Oh ya I just took in another 1.1 million yesterday."

130. Beauchamp did not conduct an investigation of the allegations in the *Freo* lawsuit regarding DenSco's lending practices, or of DenSco's lending practices generally, in June 2013 (before the 2011 POM expired on July 1, 2013) or at any time thereafter.

131. If Beauchamp had investigated the allegations in the *Freo* complaint, he would have found within minutes, by reviewing records available through the Maricopa County Recorder's website relating to the property described in the *Freo* lawsuit: *(i)* a Deed of Trust and Security Agreement With Assignment of Rents given by Easy Investments in favor of Active Funding Group, which Menaged had signed on March 25, 2013; and *(ii)* a Deed of Trust and Assignment of Rents given by Easy Investments in favor of DenSco, which Menaged had signed on April 2, 2013. Both signatures were witnessed by the same notary public.

132. Those documents confirmed the allegation in the *Freo* complaint that DenSco was not in first position on a loan it had made to Easy Investments.

133. Those documents also showed that Menaged had purposefully borrowed money, first from Active Funding and then from DenSco, using the same property as security, since he had personally signed both the Active Funding deed of trust and the DenSco deed of trust before a notary.

134. Had Beauchamp questioned Chittick about his lending relationship with Menaged, he would have learned that Chittick had, by mid-2013, caused DenSco to make loans to entities controlled by Menaged such that the representation in the 2011 POM regarding loan concentrations (that DenSco would "attempt[] to ensure that one

221. Chittick attached to his email a form of Mortgage, Deed of Trust, and Note Secured by Deed of Trust that he routinely used in making loans to Menaged, which Chittick described as "docs you have reviewed and have been reviewed by a guy at your last law firm, maybe two firms ago in 2007."

222. Chittick's email confirmed what was evident from the demand letter, and brought home the red flags Beauchamp had missed when he prepared the 2011 POM and when he reviewed the *Freo* lawsuit six months earlier:

a. Chittick had been grossly negligent in managing DenSco's loan portfolio, by not complying with the terms of the Mortgage, which called for DenSco to issue a check payable to the Trustee, and instead wiring money to Menaged, trusting Menaged to actually use those funds to pay a Trustee.

b. Chittick's admitted practice of giving DenSco's funds directly to Menaged, rather than paying them directly to a Trustee through a check made payable to the Trustee, made the statements in the 2011 POM about DenSco's lending practices materially misleading.

223. Chittick's reference to "docs you have reviewed and have been reviewed by a guy at your last law firm, maybe two firms ago in 2007" suggested that Chittick might blame Beauchamp for the problems DenSco now faced because of DenSco's use of those documents.

224. Chittick's email went on to say that Menaged had told him in November 2013 that DenSco had been defrauded by Menaged's "cousin," who allegedly worked with Menaged in managing Easy Investments and Arizona Home Foreclosures. Menaged claimed that his "cousin" had "receiv[ed] the funds from [DenSco], then request[ed] them from . . . other lenders [who] cut a cashiers check for the agreed upon loan amount . . . [took] it to the trustee and . . . then record[ed] a [deed of trust] immediately."

225. Chittick explained that "sometimes" DenSco had recorded its mortgage before another lender's deed of trust was recorded, but in other cases it had not.

c. on March 15, 2019, the Receiver's counsel produced to Defendants' counsel documents numbered RECEIVER_ 004488-004896.

d. on April 4, 2019, the Receiver's counsel produced to Defendants' counsel documents numbered RECEIVER_ 004897-005186.

e. on April 16, 2019, the Receiver's counsel produced to Defendants' documents numbered RECEIVER_ 005187-005188.

f. on May 2, 2019, the Receiver's counsel produced to Defendants' counsel documents numbered RECEIVER_ 005189-005195.

g. on May 8, 2019, the Receiver's counsel produced to Defendants' counsel a document numbered RECEIVER_ 005196.

h. on June 4, 2019, the Receiver's counsel produced to Defendants' counsel documents numbered RECEIVER_ 005197-005542.

i. on July 2, 2019, the Receiver's counsel produced to Defendants' counsel documents numbered RECEIVER_005543-005545.

j. on July 11, 2019, the Receiver's counsel produced to Defendants' counsel documents numbered RECEIVER_005546-005627.

k. on September 6, 2019, The Receiver's counsel produced to Defendants' counsel documents numbered RECEIVER_005628-005676.

DATED this 13th day of September, 2019.

OSBORN MALEDON, P.A.

By _____

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COPY of the foregoing served by mail this 13th day of September 2019, to:

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Exhibit 8

Beauchamp
EXH. NO. 117
7-19-18
Kelly S. Oglesby CR 50178

DenSco / 2013

Beauchamp, David

From: Beauchamp, David
Sent: Monday, June 17, 2013 4:57 PM
To: Wang, R. Randall
Subject: RE: DenSco Investment / 2013 Private Offering (Matter # 0352992)

Randy:

I talked to Denny Chittick, the owner of DenSco. Denny has already had the website modified.

Denny also reviewed the list of his investors. (there are only 114 individual investors from approx 80 families). All of his investors were either family or friends (or verified referrals from family or friends). When Denny received a referral, Denny would meet with the person (or schedule a conference call) to confirm that the potential investor was an accredited investor, and then to discuss what the potential investor knew about the business and what the potential investor expected. Only if the potential investor was confirmed to be a referral and an accredited investor did Denny discuss the investment process and provide a copy of the POM. [Several times in the past, Denny had been used as a "cheap" source of documents (POM, loan documents, etc.) by other people trying to duplicate and get into his real estate lending business. So Denny knows his direct relationship to or the referral source for each investor. By doing that, Denny tried to prevent his legal documents from being taken and used for free by other competitors.] Accordingly, Denny said that he could verify in writing to us how he came into contact with each investor, if that makes a difference in how he has to proceed.

According to his note schedule, Denny has approximately 60 investor notes that are scheduled to expire in the next 6 months, so he would prefer to not be shut down and have to return all of that investment money to his investors until he could commence operations again.

Thanks, David

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email: david.beauchamp@bryancave.com
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(602) 716-8060 | Direct Fax
(602) 319-5602 | Mobile Tel.

6/17/2013

Exhibit 9

David G. Beauchamp

Member

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

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

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

Speaking Engagements

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

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Practice Areas

Corporate Law

Environment, Energy & Natural Resources

Areas of Emphasis

Corporate Finance

Emerging Growth/Venture Capital

Mergers & Acquisitions

Private Equity

Services

E2: Emerging Enterprises

Education

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

News

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

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

J.D., cum laude, University of Michigan Law School, Ann Arbor, Michigan, 1981

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

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

State Bar Licenses

Arizona

Court Admissions

U.S. District Ct., District of Arizona

Membership

American Bar Association

Arizona Bar Association

Maricopa County Bar Association

Chambers and Partners USA

AB Top Lawyers

Arizona Chamber of Commerce and Industry

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

Greater Phoenix Economic Council (Certified Ambassador

and International Leadership Council)

Valley Leadership (Class XV)

Enterprise Network

Phoenix Mergers & Acquisitions Roundtable

Exhibit 10

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Attorneys for Defendants

SUPERIOR COURT OF ARIZONA

COUNTY OF MARICOPA

Peter S. Davis, as Receiver of DenSco Investment Corporation, an Arizona corporation, Plaintiff, v. Clark Hill PLC, a Michigan limited liability company; David G. Beauchamp and Jane Doe Beauchamp, husband and wife, Defendants.	No. CV2017-013832 **DEFENDANTS' EIGHTH SUPPLEMENTAL RULE 26.1 DISCLOSURE STATEMENT**

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

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

Until mid-2013, Mr. Beauchamp's work as DenSco's securities counsel included, among other things, drafting DenSco's Private Offering Memoranda and related investor documents; advising DenSco regarding Blue Sky laws and state and federal securities reporting and filing requirements; advising DenSco as to the rules and regulations promulgated by state financial and lending authorities; and advising DenSco regarding the applicability of mortgage broker regulations. At times, it would also involve answering DenSco's questions regarding its Reg D filings and obligations. Although Mr. Beauchamp helped DenSco file its first set of Reg D documents in 2003, Mr. Chittick told Mr. Beauchamp thereafter that he did not want to pay a lawyer to review and file the Reg D documents, and that Mr. Chittick would take on that responsibility himself. That was not a surprising request, as Mr. Chittick repeatedly instructed Mr. Beauchamp to keep legal fees to a minimum. Consequently, although Mr. Beauchamp's paralegal initially helped Mr. Chittick understand the filing process and obtain access to the EDGAR filing site, in accordance with his client's wishes Mr. Beauchamp did not review DenSco's Reg D filings.

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

Over the years, Mr. Chittick showed himself to be a trustworthy and savvy businessman, and a good client. He appeared to be devoted to his business and investors, many of whom were friends and family. Despite often complaining about the cost of legal services, Mr. Chittick appeared to follow Mr. Beauchamp's advice and provided information when asked for it, at least until the later years of the representation. It has since become clear that Mr. Chittick did not follow certain advice Mr. Beauchamp and his firms provided, and that Mr. Chitick did not always provide complete and accurate information to his attorneys, particularly in 2013 and 2014. Further, Mr. Beauchamp understood that DenSco utilized an

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

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

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

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

During the time that he represented it regarding securities matters, Mr. Beauchamp (a) repeatedly advised DenSco that it had to make full disclosure to its investors and then terminated his relationship as securities counsel for DenSco when DenSco refused, (b) explained that DenSco would need to retain new counsel after Mr. Beauchamp withdrew to provide proper disclosures and monitor the forbearance, and (c) repeatedly reminded Mr. Chittick that he needed to fund loans directly to a trustee or escrow company, rather than to the borrower. Mr. Chittick ignored Mr. Beauchamp's advice, his own lending documents, and the knowledge gained through years of working in the hard money lending business, including experience and knowledge gained from working with Scott Gould and Robert Koehler, as well as prior warnings among hard money lenders regarding double liening and best practices. It is unclear if DenSco ever engaged or even talked to new counsel. It appears Mr. Chittick never issued an updated POM, a fact which could not have gone unnoticed by DenSco's sophisticated accredited investors, who had gotten used to regular updates from DenSco (and to receiving generous returns indicative of the inherent risk in their investments), not only through updated POMs, but through monthly newsletters and periodic investor meetings. It is quite clear that despite the double liening issue which arose as a direct result of Mr. Chittick's careless practice of funding loan money directly to Menaged (as well as to his other borrowers, a practice other hard money lenders have testified is contrary to common knowledge in the industry regarding the proper way to lend money while ensuring a valid first position lien and securing investors' funds), Mr. Chittick continued to loan funds directly to Menaged in direct contravention of common sense and Mr. Beauchamp's repeated advice to fund loans directly to a trustee or escrow company. As discovery has made clear, Mr. Chittick's approach to lending was much more reckless than he represented to his investors or that he disclosed to his attorney. Nevertheless, the brazen scope of Menaged's efforts to defraud DenSco through use of copies

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

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

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

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

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

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

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

X. INSURANCE AGREEMENTS.

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

DATED this 13th day of September, 2019.

COPPERSMITH BROCKELMAN PLC

By: _____
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Attorneys for Defendants

ORIGINAL mailed and emailed this 13th day of September, 2019 to:

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Exhibit 11

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

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

VIDEOTAPED DEPOSITION OF DAVID GEORGE BEAUCHAMP

VOLUME I
(Pages 1 through 233)

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

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

PREPARED FOR:

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

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

MR. DeWULF: Object to form.

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

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

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

(The requested portion of the record was read.)

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

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

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

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

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

A. True.

Q. He ignored your advice. True?

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

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

according to what we know, right?

A. Correct.

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

MR. DeWULF: Object to form.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A. I have --

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

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

A. No, I did not.

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

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

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

A. That is correct.

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

A. That is correct.

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

MR. DeWULF: Say it again? Two what?

MR. CAMPBELL: 295.

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

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

Q. Wait a minute. Are you on 295?

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

Q. These are your handwriting, right?

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

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

Q. So --

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

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

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

short-term loans. That's not recommended business procedure, but it's not breaching any law.

With respect to not providing the necessary disclosure, if in fact an officer is not doing it, your responsibility is go to the board of directors. When there isn't a board of directors, there is a sole director who happens to be the same person not advising you, if it is a closely held company, I believe, again, I would have to defer to ethics counsel on this, but you have to notify the owners of the closely held company, because it's an identifiable list.

In May 2014, I don't believe we had any list because I had never seen the completed subscription agreements. Denny refused to provide their names and email addresses to me, and there was no way we could do anything other than taking an ad in the newspaper, which is an ethical problem.

I know we debated this with ethics counsel long and hard as to what we could --

MR. DeWULF: David, don't talk about attorney/client privilege, but you can go ahead and answer if you can.

THE WITNESS: Okay.

Q. (BY MR. CAMPBELL) Are you done?

Mr. Beauchamp, we will come back to it. Turn to

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

MR. DeWULF: Object to form.

THE WITNESS: Do you want to restate the question?

Q. (BY MR. CAMPBELL) No.

Fair to say --

A. At what time?

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

MR. DeWULF: Object to form.

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

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

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

(The requested portion of the record was read.)

MR. DeWULF: Object to form.

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

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

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

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

(The requested portion of the record was read.)

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

MR. DeWULF: Object to form.

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

A. No, I heard it read.

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

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

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

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

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

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

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

MR. DeWULF: Object to form.

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

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

A. A long, long time ago, yes.

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

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

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

You understood that, right?

MR. DeWULF: Object to form.

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

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

Q. (BY MR. CAMPBELL) All right.

A. The -- proceed.

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

MR. DeWULF: Object to form.

THE WITNESS: DenSco had a twofold obligation.

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

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

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

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

is a list of all loans affected by the double escrow. They total over $100 million.

Do you think that's a material fact that an investor should know?

MR. DeWULF: Object to form.

Q. (BY MR. CAMPBELL) On a fiduciary duty?

A. I would like to see what you are referring to as to over $100 million. The -- what I thought was provided to me showed that -- and, again, I'm going off memory here, and it's not a good thing to do. The -- what was provided after the April 16th signature on the Forbearance Agreement, it was 30-some million in loans, which absolutely I had a long conversation with Denny after that.

Q. (BY MR. CAMPBELL) When did you learn it was $136 million in loans?

MR. DeWULF: Object to form.

THE WITNESS: I didn't say 136 million.

Q. (BY MR. CAMPBELL) What was the number you said?

A. 30-some million.

Q. When did you learn that?

A. When that list was provided after, the couple days after the April 16th Forbearance Agreement was provided. Before that, there was all kinds of numbers being thrown around, and Denny always said: I can get the

final numbers. It's much lower than that.

Q. Mr. Beauchamp, will you at least admit that when you learned the $30 million, that it crossed your mind that DenSco had a fiduciary duty to tell its investors that?

MR. DeWULF: Object to form.

THE WITNESS: And I did have that conversation with Denny, and we started on the revised POM shortly thereafter to get it to the investors with as accurate information as possible.

Q. (BY MR. CAMPBELL) Apart from the POM, you don't believe there was a fiduciary duty that DenSco had to do it right then?

MR. DeWULF: Object to form.

THE WITNESS: That's not how Denny Chittick had ever communicated to his investors. He used newsletters and he used the POM. And I never prepared or had anything to do with the newsletters, and I wanted to make sure this was properly described so we wanted it to go in a private offering memorandum so that it was truthful, accurate, and properly disclosed the risk.

Q. (BY MR. CAMPBELL) So you made a decision with Mr. Chittick that you would not disclose anything until we had a private offering memorandum, irregardless of any fiduciary duties?

a partially done product. Let us know who your new counsel is and we will email it to them so they can finish it, but it was --

Q. He never --

A. It was value of service delivered.

Q. He never ever, ever gave you the name of new counsel to mail it to, did he?

A. No, he did not.

Q. And you continued to work for him in June knowing he hadn't given you the name of any new counsel to work on it, correct?

MR. DeWULF: Object to form.

THE WITNESS: In May he said he was meeting and talking to other counsel, and -- and that -- that he was going to be making a transition, and I had no reason to doubt that at all.

Q. (BY MR. CAMPBELL) Mr. Beauchamp, in Exhibit 12, the time you bill in June of 2014 after you terminated but, continue working for Mr. Chittick, this work is done on the workout lien issues, right?

A. That -- that is correct.

Q. And as I -- if I understand your prior testimony correctly, and if I'm wrong, correct me, the whole POM was waiting for you to finish on the workout lien issues?

MR. DeWULF: Object to form.

are not involved with that. I still would like to know who your new securities counsel is, but I can't be involved in any way with any securities work for you.

Q. Before you took him on as a client and billed him, did you ask him if he had ever complied with your advice and issued a new private offering memorandum?

A. I had asked him if he had done full disclosure to his investors and he said yes.

Q. Did you ask to look at the private offering memorandum?

A. No, I did not, but his demeanor when he answered that first question, indicated that would have been a -- a request leading to an argument, so I did not ask for it.

Q. So you went to -- back to using him as a client, even though you didn't know whether he was violating or not violating the securities law?

MR. DeWULF: Object to form.

THE WITNESS: Based on his representations to me, he had new counsel and he was in fact in compliance with the securities laws. My matter for him was just supposed to be a couple thousand dollars, completely separate, dealing with an audit that I previously handled for him.

Q. (BY MR. CAMPBELL) You realize that if he is regulated by the Arizona financial department, they

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

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

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

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

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

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

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

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

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

VIDEOTAPED DEPOSITION OF DAVID GEORGE BEAUCHAMP

VOLUME II
(Pages 234 through 493)

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

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

PREPARED FOR:

MR. CAMPBELL: 105A.

Q. (BY MR. CAMPBELL) Are you at 105A?

A. Yes.

Q. All right. So 105A is an email string between you and Mr. Chittick, and I want you to go to the page Bates stamped 3694. It's going to the second page. And you will see at the very bottom, Mr. Chittick emails you on May 1st, 2013.

Do you see that?

A. Yes.

Q. And if you turn the page, he is emailing you and he is asking you, "It's the year we have to do the update on the memorandum, when do you want to start?"

Do you see that?

A. Yes.

Q. And do you remember getting this email from Mr. Chittick?

A. I remember him -- yes.

Q. All right. And do you remember this is what started off the time to revise the POM process?

A. Correct.

Q. I'm just wondering, why -- why do you -- why is it your practice to revise the POM every two years?

A. That -- that was a suggestion made by a former SEC official, that given the nature of this industry, two

years would be an appropriate time. However, if something material happened before then, you need to tell your client this has to be disclosed.

Q. All right. So just to clarify, you understood that if there was a material fact, material to the investors, that took place between these two-year benchmarks, you couldn't wait to disclose it; it had to be disclosed when you learned about it, right?

MR. DeWULF: Object to form.

Q. (BY MR. CAMPBELL) Again, if you can answer it yes or no, tell me. If you cannot answer it yes or no --

A. I cannot answer it yes or no based on the framing of the question.

Q. All right. Now, I wanted to look at how you respond to Mr. Chittick. And you -- this is on May 1st, 2013. And this is -- this is before the FREO lawsuit, by the way.

You email him back and you say, "the first part is to identify anything that might be relevant to a potential investor that has happened to the company or the industry in the last couple of years. If possible, please review your current offering memorandum and highlight (or flag) any business practices or issues that have changed or are not exactly as things are being done currently." And then you go forward about talking about a time to get

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

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

A. Yes.

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

A. No.

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

Do you see that?

A. Yes.

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

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

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

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

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

Q. And then what do you read after that?

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

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

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

MR. DeWULF: Object to form.

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

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

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

A. Yeah. And he --

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

Did you write that?

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

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

A. No.

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

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

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

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

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

A. Yes.

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

Do you see that?

A. Yes.

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

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

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

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

MR. DeWULF: Object to form.

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

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

MR. DeWULF: Object to form.

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

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

MR. DeWULF: Volume 2?

MR. CAMPBELL: Volume 2, Exhibit 61.

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

A. Yes.

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

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

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

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

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

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

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

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

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

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

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

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

A. I understand.

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

MR. DeWULF: Object to form.

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

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

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

A. Correct.

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

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

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

A. Correct.

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

MR. DeWULF: Object to form.

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

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

A. On this issue, yes.

Q. All right. In preparation for your deposition,

MR. DeWULF: Object to form.

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

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

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

Are you disagreeing with that?

MR. DeWULF: Object to the form.

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

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

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

So at that point I thought he had gotten the

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

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

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

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

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

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_____ 8/2/2018
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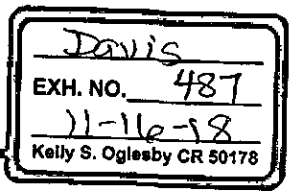
Exhibit 12



From: Denny Chittick <dcmoney@yahoo.com>
Sent: Friday, September 21, 2012 2:51 PM
To: Scott Menaged
Subject: Re: Don't forget this weeks payment

ok that's fine.
Greg Reichman called me saying that he and i have two loans on three properties:
Straight arrow, 46th way and 37209 N 12th Street

when you get back we need to straighten that out.
thx
dc

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

From: Scott Menaged <smena98754@aol.com>
To: Denny Chittick <dcmoney@yahoo.com>
Sent: Friday, September 21, 2012 2:45 PM
Subject: Re: Don't forget this weeks payment

Never!! In new York airport... Will transfer tomorrow

Thanks

Sent from my iPhone

On Sep 21, 2012, at 12:41 PM, Denny Chittick <dcmoney@yahoo.com> wrote:

1097	3426 N 68th Ave	$ 2,160.00	9/16/2012
1456	6111 W Gelding Dr	$ 742.50	9/16/2012
3299	14990 W Heritage Oak Way	$ 1,050.00	9/16/2012
1192	8122 N 32nd Ave	$ 1,275.00	9/17/2012
1473	2448 W Sunrise Dr	$ 1,207.50	9/17/2012
1476	6231 W Maryland Ave	$ 750.00	9/18/2012
2268	1322 E Monroe St	$ 1,125.00	9/18/2012
2445	2126 W Solano Dr	$ 600.00	9/18/2012
2671	8746 W Heber Rd	$ 1,050.00	9/20/2012
2672	5126 N 78th Street	$ 1,650.00	9/20/2012
2674	4015 E Rowel Rd	$ 2,280.00	9/20/2012
3610	20802 N Grayhawk Dr #1076	$ 3,750.00	9/20/2012
1658	2233 E Highland Ave #54	$ 600.00	9/21/2012
2120	822 E Orange Ave	$ 1,050.00	9/21/2012
		$ 19,290.00	

thx
dc

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

Exhibit 13

From: Gregg Reichman <greichman@activefundinggroup.com>
Sent: Friday, September 21, 2012 3:56 PM
To: Scott Menaged
Cc: Jody Angel
Subject: RE: 6507 Straight Arrow Lane

Good, safe travels

GR

Gregg S. Reichman
Managing Director
602-443-6148 direct to my desk
602-692-3812 - Mobile
602-252-1177 - Fax
greichman@activefundinggroup.com
bidpro@earthlink.net

From: Scott Menaged [mailto:smena98754@aol.com]
Sent: Friday, September 21, 2012 3:54 PM
To: Gregg Reichman
Cc: Jody Angel
Subject: Re: 6507 Straight Arrow Lane

Hahaha!!!! Ok if you say so... We will clear up Monday

Sent from my iPhone

On Sep 21, 2012, at 6:52 PM, Gregg Reichman <greichman@activefundinggroup.com> wrote:

Very funny. All of the other loans are the same, all appear to be double pledged . You probably used our money to fund those silly furniture stores

<image001.jpg>

Gregg S. Reichman
Managing Director
602-443-6148 direct to my desk
602-692-3812 - Mobile
602-252-1177 - Fax
greichman@activefundinggroup.com
bidpro@earthlink.net

From: Scott Menaged [mailto:smena98754@aol.com]
Sent: Friday, September 21, 2012 3:50 PM
To: Gregg Reichman
Cc: Jody Angel
Subject: Re: 6507 Straight Arrow Lane

For a small fee I can do your accounting if you want!

Sent from my iPhone

On Sep 21, 2012, at 5:55 PM, Gregg Reichman <greichman@activefundinggroup.com> wrote:

Not impossible, I'm looking at the chains of title sitting in front of me.

Both Densco and AFG have loans on those properties. Veronica told me that Densco has been paid off and she was waiting for releases. I just spoke to Denny. He indicated that he has not been paid off.

Please get this squared away as it is troubling.

Best regards,
GR

<image001.jpg>
Gregg S. Reichman
Managing Director
602-443-6148 direct to my desk
602-692-3812 - Mobile
602-252-1177 - Fax
greichman@activefundinggroup.com
bidpro@earthlink.net

From: Scott Menaged [mailto:smena98754@aol.com]
Sent: Friday, September 21, 2012 2:52 PM
To: Gregg Reichman
Subject: Re: 6507 Straight Arrow Lane

Don't remember them but it's impossiable

I'll look at Monday

Sent from my iPhone

On Sep 21, 2012, at 5:50 PM, Gregg Reichman <greichman@activefundinggroup.com> wrote:

OK it's an important matter.

It looks like these three deals of yours were **double pledged** to both AFG and Densco.

37209 12th St
6507 Straight Arrow
28631 46th Way

From reading the chain there are DOT's recorded from both companies. We are Sr. on all 3 deals and Denny's DOT is recorded behind ours.

Do you remember these at all and what happened with them?

Thank you,
GR

<image001.jpg>
Gregg S. Reichman
Managing Director
602-443-6148 direct to my desk
602-692-3812 - Mobile
602-252-1177 - Fax
greichman@activefundinggroup.com
bidpro@earthlink.net

From: Scott Menaged [mailto:smena98754@aol.com]
Sent: Friday, September 21, 2012 2:41 PM
To: Gregg Reichman
Cc: Veronica Gutierrez; Jody Angel
Subject: Re: 6507 Straight Arrow Lane

Be back Monday and will look into buddy!

Have a nde weekend!!

Sent from my iPhone

On Sep 21, 2012, at 5:23 PM, Gregg Reichman <greichman@activefundinggroup.com> wrote:

Hi Veronica:

If you get a moment can you please look up a few properties:

37209 12th St
6507 Straight Arrow
28631 46th Way

We are trying to figure out what occurred with those assets and from the looks of it we they were traded back and forth in terms of the financing between Active Funding Group and Densco, but releases were never filed

Let me know where you believe they are currently financed please.

Best regards,
GR

<image002.jpg>

Gregg S. Reichman
Managing Director
602-443-6148 direct to my desk
602-692-3812 - Mobile
602-252-1177 - Fax
greichman@activefundinggroup.com
bidpro@earthlink.net

From: Veronica Gutierrez [mailto:veronicacastro@live.com]
Sent: Wednesday, September 19, 2012 1:59 PM
To: SMena98754@aol.com; greichman@activefundinggroup.com
Subject: RE: 6507 Straight Arrow Lane

Greg,
I'm putting a check for this along with the docs on for Concord, I just spoke with Paul he's trying to get here today still for pick up. thank you Veronica

---

Subject: Fwd: 6507 Straight Arrow Lane
From: smena98754@aol.com
Date: Wed, 19 Sep 2012 13:31:39 -0400
To: greichman@activefundinggroup.com; veronicacastro@live.com

Veronica

Please look into this since I'm out of town

Thanks

Sent from my iPhone

Begin forwarded message:

From: Gregg Reichman <greichman@activefundinggroup.com>
Date: September 19, 2012 1:30:43 PM EDT
To: "Menaged, Scott" <SMENA98754@aol.com>
Subject: 6507 Straight Arrow Lane

<image003.gif>

Hey Buddy ◆ we funded this back on August 3rd for you, we do not show having received any funds from you on it.

◆

Please check your records and let me know what the status is. We show you owe $4,119.20. If so, please prepare a check and we will have Paul pick it up.

◆

Best regards,
GR

◆

◆

◆

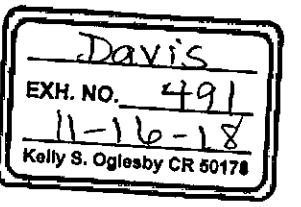
<image002.jpg>

Gregg S. Reichman
Managing Director
602-443-6148 direct to my desk
602-692-3812 - Mobile
602-252-1177 - Fax
greichman@activefundinggroup.com
bidpro@earthlink.net

◆

◆

Exhibit 14



From: Denny Chittick <dcmoney@yahoo.com>
Sent: Monday, September 24, 2012 9:11 AM
To: Yomtov Menaged
Subject: greg

he called me again, he has more properties that he feels that we both have loans on, he swears you never gave him a check to payoff the first three loans in questions

the list has grown, he is reviewing all your loans to see if there are more. here is what he gave me this morning.
46th Way
Straight Arrow
12th Street
Heritage oak
Grandview

we've got to get this straightened out today.
thx
dc

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

Exhibit 15

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

Attorneys for Defendants

SUPERIOR COURT OF ARIZONA

COUNTY OF MARICOPA

Peter S. Davis, as Receiver of DenSco Investment Corporation, an Arizona corporation, Plaintiff, v. Clark Hill PLC, a Michigan limited liability company; David G. Beauchamp and Jane Doe Beauchamp, husband and wife, Defendants.	No. CV2017-013832 **DEFENDANTS' DISCLOSURE OF EXPERT WITNESS DAVID PERRY** (Commercial Case) (Assigned to the Honorable Daniel Martin)

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

DATED this 5th day of April, 2019.

COPPERSMITH BROCKELMAN PLC

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

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

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

Davis

v.

Clark Hill PLC, et al.

Expert Report of David R. Perry

Sterling Group LLC

April 5, 2019

- If DenSco's accountant had followed up on warning signs in information provided to him in connection with the preparation of DenSco's 2013 income tax returns, (i) Mr. Chittick may have been unable to hide the adverse financial effects of Mr. Menaged's frauds on DenSco's financial position for years and (ii) DenSco's losses from Mr. Menaged's frauds may have been substantially lower.

- Mr. Chittick made inappropriate accounting entries from around December 2013 onwards to hide the financial effects of Mr. Menaged's frauds on DenSco's financial position.

Receiver's Economic Damage Claims

- The economic damage claims in the Receiver's disclosure statement are substantially overstated for several reasons.

- The economic damages resulting from the Alleged Actions, if any, are not liquidated or a sum certain.

- Numerous assumptions are needed to estimate how, if at all, the losses suffered by DenSco and/or its Investors would have differed from the realized amounts if Defendants had acted differently.

3. Mr. Menaged's Frauds

3.1 DenSco's Loans to Mr. Menaged

DenSco made its first loan to Mr. Menaged in November 2007.[8] Appendix C charts the dollar value of DenSco's outstanding loans to Mr. Menaged as of the end of each month through June 2016. Appendix D charts DenSco's outstanding loans to Mr. Menaged as a percentage of its portfolio as of the end of each month through June 2016.[9] Appendices C and D show:

- There was a major change in DenSco's loan exposure to Mr. Menaged starting around the beginning of 2013.

- DenSco's outstanding loans to Mr. Menaged increased in 2013 from approximately $5 million at the beginning of the year to almost $30 million at the end of the year.

- DenSco's outstanding loans to Mr. Menaged further increased in 2014 and 2015 to almost $45 million.

[8] DenSco QuickBooks data.

[9] DenSco QuickBooks data. The vast majority of DenSco's portfolio comprised loans to Borrowers. DenSco also held foreclosed properties and other assets at various times that were grouped together with the loans in DenSco's accounting records but segregated on DenSco's income tax returns.

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

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

Second Fraud

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

"On average, Menaged paid off the fraudulent loans plus 18% accrued interest within approximately three (3) weeks. Because Menaged was paying interest on these loans but was not actually making any money from the purchase and sale of real estate, the number and frequency of the fraudulent loans increased over time, which dramatically increased the principal loan balance due to DenSco. The records analyzed to date indicate that Menaged essentially obtained new loans from DenSco in order to repay DenSco the principal and interest due on the older loans.

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

- DenSco's financial condition as of January 9, 2014 was even worse than its financial condition as of November 27, 2013.

- DenSco was likely facing losses as of January 9, 2014 that could not be solved through a few years' profits and cash flow on the performing portion of its portfolio.

- DenSco likely had a substantial negative net worth on a fair value basis and was insolvent as of January 9, 2014.

4.5 Mr. Chittick's Investments and Withdrawals

Appendix N details the net funds invested and withdrawn by Mr. Chittick by month and cumulatively from December 2013 to June 2016. The analysis underlying Appendix N considers funds invested and/or withdrawn by Mr. Chittick in multiple ways (e.g., equity investments and distributions, note purchases and withdrawals, note interest payments, wage payments and retirement contribution payments). For example, if Mr. Chittick received wages of $0.2 million and made net note purchases of $0.2 million in the same month, there would be no net funds invested or withdrawn in that month. Appendix N shows:

- Mr. Chittick made net withdrawals of over $2.5 million from DenSco between December 1, 2013 and June 30, 2016 on a cumulative basis.

- The three months in which Mr. Chittick made the highest net withdrawals from DenSco were April 2014, December 2014 and April 2015.

Mr. Chittick's net withdrawals of over $2.5 million from DenSco after November 30, 2013 compounded DenSco's problems.

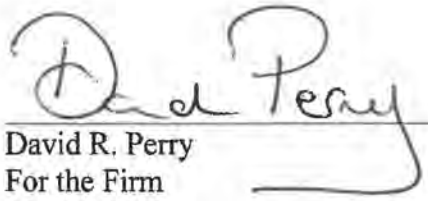
4.6 Zone of Insolvency

An article entitled "Fiduciary Duties & the 'Zone' of Insolvency" published in The Bankruptcy Strategist states:

> "Despite the serious implication of expanding the scope of the fiduciary duties to creditors into the pre-insolvency status of a corporation, courts have given surprisingly little guidance on defining the 'zone' of insolvency.
>
> In other contexts, courts have historically utilized two definitions of insolvency: the so-called equity definition and the balance sheet definition. Under the equity insolvency definition, a corporation is insolvent when it is unable to pay its debts as they become due in the ordinary course of business. See, e.g., *Shakey's, Inc. v. Caple*, 855 F. Supp. 1035, 1042-43 (E.D. Ark. 1994); *Parkway/Lamar Partners, L.P. v. Tom Thumb Stores, Inc.*, 877 S.W.2d 848, 850 (Tex. Ct. App. 1994), *rehearing overruled* (July 12, 1994), *writ denied* (Dec. 1, 1994).

6. Signature

Sterling may update this analysis if further information is provided and/or additional analysis is performed.



4/5/19

David R. Perry
For the Firm

Date

Exhibit 16

DenSco / Ca

Beauchamp, David

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

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

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

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

thx
dc

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

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

Denny,

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

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

6/14/2013

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

JODI JERICH
Executive Director

PATRICIA L. BARFIELD
Director
Corporations Division

ARIZONA CORPORATION COMMISSION

Date JUNE 4, 2013

DENSCO INVESTMENT CORPORATION
6132 W VICTORIA PL
CHANDLER, AZ 85226

Dear Sir or Madam:

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

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

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

Sincerely,

Lynda B. Griffin
Custodian of Records

Initials DAB
File number -0987488-4

Rec08.doc
Rev 10/09

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

DIC0000056

ARIZONA CORPORATION COMMISSION

CERTIFICATION OF SERVICE ACCEPTED AND OF MAILING

Date: **JUNE 4, 2013**

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

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

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

Case number: **CV2013-007663**

Court: **MARICOPA COUNTY, SUPERIOR COURT**

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

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

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

(Signature) _____

DIC0000057

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

ARIZONA CORPORATION COMMISSION

JODI JERICH
Executive Director

PATRICIA L. BARFIELD
Director
Corporations Division

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

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

DENSCO INVESTMENT CORPORATION

at its last known place of business as follows:

6132 W VICTORIA PL
CHANDLER, AZ 85226

OR

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

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

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

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

(Signature)

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

IN THE SUPERIOR COURT FOR THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

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

THE STATE OF ARIZONA TO THE DEFENDANTS:

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

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

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

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

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

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

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

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

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

The name and address of Plaintiff's attorney is:

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

COPY

SIGNED AND SEALED this date: MAY 24 2013

By _____
Deputy Clerk

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

COPY

MAY 24 2013

IN THE SUPERIOR COURT FOR THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

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

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

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

PARTIES, JURISDICTION, AND VENUE

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

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

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

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

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

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

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

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

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

FACTUAL ALLEGATIONS

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

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

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

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

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

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

16. Freo subsequently made improvements to the Property.

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

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

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

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

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

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

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

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

COUNT ONE – DECLARATORY JUDGMENT

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

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

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

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

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

LAKE & COBB, P.L.C.

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

IN THE SUPERIOR COURT FOR THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

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

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

///

RESPECTFULLY SUBMITTED this 24th day of May, 2013.

LAKE & COBB, P.L.C.

By: _____
Richard L. Cobb
Joseph J. Glenn

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

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

IN THE SUPERIOR COURT FOR THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

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

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

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

7089 W. Andrew Lane, Peoria, Arizona, 85383

Legal Description:

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

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

DATED this 24th day of May, 2013.

LAKE & COBB, P.L.C.

Joseph J. Glenn
Attorneys for Plaintiff

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

Notary Public

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

My Commission Expires:

Feb. 10, 2015

LAKE & COBB, P.L.C.

Exhibit 17

Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 6/14/2013 12:23:35 PM
To: Scott Menaged [smena98754@aol.com]
Subject: Re: Attorney

i'm going to keep him from running up any unessary bills, just talk to your guy and hadn it off ot him.
thx
dc

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

From: Scott Menaged <smena98754@aol.com>
To: Denny Chittick <dcmoney@yahoo.com>
Cc: David Beauchamp <David.Beauchamp@bryancave.com>
Sent: Friday, June 14, 2013 12:20 PM
Subject: Re: Attorney

David

Please bill me for your services and utilize my attorney for anything you may need

Thanks

Sent from my iPhone

On Jun 14, 2013, at 12:07 PM, Denny Chittick <dcmoney@yahoo.com> wrote:

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

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

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

thx
dc

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

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

Denny,

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

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

<Easy Investments Lawsuit.pdf>

Exhibit 18

DenSco 2013 POM

Beauchamp, David

From: Denny Chittick [dcmoney@yahoo.com]
Sent: Friday, June 14, 2013 12:24 PM
To: Beauchamp, David
Subject: Re: Attorney

ok 1 sentence should suffice!

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

From: "Beauchamp, David" <David.Beauchamp@bryancave.com>
To: "'dcmoney@yahoo.com'" <dcmoney@yahoo.com>
Cc: "Beauchamp, David" <David.Beauchamp@bryancave.com>
Sent: Friday, June 14, 2013 12:21 PM
Subject: Re: Attorney

We will need to disclose this in POM.

Sorry, David

(Sent from my Blackberry wireless)
David G. Beauchamp, Esq.
Bryan Cave LLP
Two North Central Avenue, Suite 2200
Phoenix, Arizona 85004-4406

email: david.beauchamp@bryancave.com
(602) 364-7060 | Direct Tel.
(602) 716-8060 | Direct Fax
(602) 319-5602 | Mobile Tel.

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Friday, June 14, 2013 12:07 PM
To: Beauchamp, David
Cc: Yomtov Menaged <smena98754@aol.com>
Subject: Fw: Attorney

David:.

6/14/2013

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

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

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

thx
dc

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

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

Denny,

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

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

From: Denny Chittick
Sent: Fri 6/14/2013 7:28 PM (GMT-00:00)
To: Beauchamp, David
Cc:
Bcc:
Subject: Lili's law suit
Attachments: Lili law suit 7th Ave.pdf

This is another borrower, i've been working with since 2001.

She bought this property, there are 22k of back taxes, from what i can decipher from this document, they bought hte tax lien, she's going to pay the back taxes today or monday, so then this all goes away right?

i think it's funny his, dad or brother is his notary, which leads me to believe it's a one man show and lawsuit papermill.
thx
dc

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

ARIZONA CORPORATION COMMISSION

Date 06/05/2013

DENSCO INVESTMENT CORPORATION

6132 W VICTORIA PL
CHANDLER, AZ 85226-

Dear Sir or Madam:

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

Case caption: MACWCP II, LLC v. DENSCO INVESTMENT CORPORATION,
Case number: CV2013-092140 Court: MARICOPA COUNTY, SUPERIOR COURT

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

Sincerely,

Lynda B. Griffin
Custodian of Records

Initials PTG
File number 0987468-4

RecOS.doc
Rev 10/09

ARIZONA CORPORATION COMMISSION

CERTIFICATION OF SERVICE ACCEPTED AND OF MAILING

Date: 06/05/2013

I, Peter Graham am an employee of the Arizona Corporation Commission ("ACC").

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

Case caption: MACWCP II, LLC v. DENSCO INVESTMENT CORPORATION,

Case number: CV2013-092140

Court: MARICOPA COUNTY , SUPERIOR COURT

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

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

Executed on this date: 06/05/2013

(Signature)_____

ARIZONA CORPORATION COMMISSION

I, Peter Graham, am an employee of the Arizona Corporation Commission ("ACC").

I hereby certify that on the 5TH day of JUNE, 2013, I placed a copy of the above listed documents in the United States Mail, postage prepaid, addressed to

DENSCO INVESTMENT CORPORATION

at its last known place of business as follows:

6132 W VICTORIA PL
CHANDLER , AZ 85226-

OR

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

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

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

Executed on this date: 06/05/2013

(Signature)_____

KESSLER LAW OFFICES
Eric W. Kessler, SBN 009158
240 North Center Street
Mesa, Arizona 85201
(480) 644-9047
(480) 644-0095 FAX
eric@kesslerlaw.phxcoxmail.com

Attorney for Plaintiff

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

MACWCP II, LLC, a limited liability company, Plaintiff, vs. LILI RUBIN INVESTMENT PROPERTIES, LLC, a limited liability company; DENSCO INVESTMENT CORPORATION, a corporation; JOHN DOE and JANE DOE; ABC CORPORATION; ALL UNKNOWN HEIRS OF ABOVE, Defendants.	No. CV2013-092140 SUMMONS If you would like legal advice from a lawyer, contact the Lawyer Referral Service at 602-257-4434 or www.maricopalawyers.org Sponsored by the Maricopa County Bar Association

IN THE NAME OF THE STATE OF ARIZONA:

TO: All Defendants named above.

GREETINGS:

YOU ARE HEREBY SUMMONED and required to appear and defend in the above-entitled action brought against you by the above-named Plaintiff, in the County of Maricopa, State of Arizona, and answer to the Complaint filed in said Court at 222 E. Javelina, Mesa, AZ 85210, within twenty (20) days if served personally within the State

of Arizona, or thirty (30) days after completion of service outside of Arizona or by publication. You are notified that in case you fail to appear, Judgment by default will be rendered against you for the relief demanded in the complaint. Plaintiff's attorney is: Eric W. Kessler, 240 N. Center St., Mesa, AZ 85201. (480) 644-0093.

GIVEN UNDER MY HAND THIS DATE: _____

COPY

MAY 28 2013

MICHAEL K. JEANES, CLERK
M. GARCIA
DEPUTY CLERK

Deputy Court Clerk

KESSLER LAW OFFICES
Eric W. Kessler, SBN 009158
240 North Center Street
Mesa, Arizona 85201
(480) 644-9047
(480) 644-0095 FAX
eric@kesslerlaw.phxcoxmail.com

Attorney for Plaintiff

COPY

MAY 28 2013

MICHAEL K. JEANES, CLERK
M. GARCIA
DEPUTY CLERK

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

MACWCP II, LLC, a limited liability company, Plaintiff, vs. LILI RUBIN INVESTMENT PROPERTIES, LLC, a limited liability company; DENSCO INVESTMENT CORPORATION, a corporation; JOHN DOE and JANE DOE; ABC CORPORATION; ALL UNKNOWN HEIRS OF ABOVE, Defendants.	No. CV2013-092140 COMPLAINT

COMES NOW the Plaintiff, through counsel undersigned, and for its Complaint, alleges as follows:

I.

That the properties set forth herein are in Maricopa County; that Defendants are individuals, partnerships, corporations, associations or other entities as shown in the caption of this Complaint and reside in or have caused an event to occur herein; that JOHN DOE, JANE DOE and ABC CORPORATION are fictitious names designating an

individual or other legal entity unknown to Plaintiff, and whose true name(s) Plaintiff will insert herein by amendment upon discovery thereof; that Defendants make some claim to the subject real property adverse to Plaintiff's claim, and that this Court has jurisdiction over these parties and the subject matter herein.

II.

That in order to pay for delinquent taxes legally levied and assessed against the property, together with interest, penalties and charges thereon, the Maricopa County Treasurer sold a lien on the property known as Maricopa County tax parcel 158-29-046 in February of 2010 and that the original of said Certificate of Purchase was sold to Plaintiff herein.

III.

That the sale referred to in paragraph II above was valid and the taxes due and owing on the property were delinquent at the time of said sale.

IV.

That the whole amount of all delinquent taxes, interest, penalties and charges legally due and owing on the property were paid to the Maricopa County Treasurer upon a Certificate of Purchase, the amounts being endorsed thereon; that more than three years have elapsed since the date of sale set forth above, and none of the property has been redeemed therefrom. Plaintiff is thus entitled to foreclose the rights of Defendants to redeem the property from said sale. Plaintiff is now the owner of the lien on the property, subject only to the rights of Defendants to redeem the property and to pay Plaintiff's costs and attorney's fees pursuant to A.R.S. §42-18206.

V.

Plaintiff has complied will all notice requirements set forth in A.R.S. §42-18201, et seq.

1. That if Defendants, or any of them, redeem the property, the Court shall render Judgment ordering payment by the redeeming party to Plaintiff for costs incurred for title search, filing and recording fees, service of process fees and all other costs incurred herein, together with a reasonable attorney's fee pursuant to A.R.S. §42-18208; OR

2. That the Court declare that the sale of the lien, the Certificate of Purchase issued pursuant thereto, and the service of process on all Defendants are valid; that at the sale of the lien, the taxes thereon were delinquent; that more than three years have elapsed since the sale of the lien and the commencement of this action; that the rights of Defendant to redeem the property from said sale are forever foreclosed; and that Defendants are barred forever from having or claiming any right or title adverse to Plaintiff herein, Plaintiff further prays to be adjudged the owner in fee simple of the whole of the property; that the title to said property be quieted in favor of Plaintiff; and that the Maricopa County Treasurer be commanded to execute and deliver forthwith to Plaintiff a deed conveying the property to Plaintiff, in accordance with Title 42, Arizona Revised Statutes.

DATED THIS DATE: 6.27.13

Eric W. Kessler
Attorney for Plaintiff

STATE OF ARIZONA)
) ss.
County of Maricopa)

Undersigned counsel, upon his oath, deposes and says that he is the attorney for Plaintiff herein and is authorized to make this verification on behalf of Plaintiff; that he has read the foregoing Complaint and knows the contents thereof; and that the same are true and correct to the best of his knowledge, information and belief.

Eric W. Kessler
Attorney for Plaintiff

Subscribed and sworn to before me this May 27, 2013, by ERIC W. KESSLER.

Notary Public

My Commission Expires:

_____

CRAIG KESSLER
Notary Public - Arizona
[illegible] County
[illegible] Expires Oct 13, 2016

KESSLER LAW OFFICES
Eric W. Kessler, SBN 009158
240 North Center Street
Mesa, Arizona 85201
(480) 644-9047
(480) 644-0095 FAX
eric@kesslerlaw.phxcoxmail.com

Attorney for Plaintiff

COPY

MAY 28 2013

COURT SEAL

MICHAEL K. JEANES, CLERK
M. GARCIA
DEPUTY CLERK

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

MACWCP II, LLC, a limited liability company, Plaintiff, vs. LILI RUBIN INVESTMENT PROPERTIES, LLC, a limited liability company; DENSCO INVESTMENT CORPORATION, a corporation; Defendants.	CV2013-092140 No. CERTIFICATE OF COMPULSORY ARBITRATION

Undersigned counsel hereby certifies that the largest award sought by Plaintiff, excluding punitive damages, costs and attorney's fees does not exceed the limits for compulsory arbitration. However, this action concerns title to real property and therefore is not subject to arbitration.

DATED THIS DATE: 5.27.13

ERIC W. KESSLER
Attorney for Plaintiff

From: Denny Chittick
Sent: Fri 6/14/2013 7:37 PM (GMT-00:00)
To: Beauchamp, David
Cc:
Bcc:
Subject: Re: Lili's law suit

ok no problem.
haven't been sued in all these years, now two the same day i get back from vacation!

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

From: "Beauchamp, David" <David.Beauchamp@bryancave.com>
To: "dcmoney@yahoo.com" <dcmoney@yahoo.com>
Cc: "Beauchamp, David" <David.Beauchamp@bryancave.com>
Sent: Friday, June 14, 2013 12:34 PM
Subject: Re: Lili's law suit

Denny:

I am at a seminar this afternoon, but I will read it and get back to you.

Thanks, David

(Sent from my Blackberry wireless)
David G. Beauchamp, Esq.
Bryan Cave LLP
Two North Central Avenue, Suite 2200
Phoenix, Arizona 85004-4406

email: david.beauchamp@bryancave.com
(602) 364-7060 | Direct Tel.
(602) 716-8060 | Direct Fax
(602) 319-5602 | Mobile Tel.

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Friday, June 14, 2013 12:28 PM
To: Beauchamp, David
Subject: Lili's law suit

This is another borrower, i've been working with since 2001.

She bought this property, there are 22k of back taxes, from what i can decipher from this document, they bought hte tax lien, she's going to pay the back taxes today or monday, so then this all goes away right?

i think it's funny his, dad or brother is his notary, which leads me to believe it's a one man show and lawsuit papermill.
thx
dc

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

From: Denny Chittick
Sent: Fri 6/14/2013 8:43 PM (GMT-00:00)
To: Beauchamp, David
Cc:
Bcc:
Subject: Lili's suit

don't worry about that one, it was what i thought tax lien, she paid it today, so it will go away.
thx
dc

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

From: Beauchamp, David
Sent: Fri 6/14/2013 11:45 PM (GMT-00:00)
To: 'Denny Chittick'
Cc:
Bcc:
Subject: RE: MACWCP vs. Lil Rubin Investments

Denny:

Sounds good.

Best, David
David G. Beauchamp, Esq.
Bryan Cave LLP
Two North Central Avenue, Suite 2200
Phoenix, Arizona 85004-4406

email: david.beauchamp@bryancave.com
(602) 364-7060 | Direct Tel.
(602) 716-8060 | Direct Fax
(602) 319-5602 | Mobile Tel.

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Friday, June 14, 2013 4:38 PM
To: Beauchamp, David
Subject: Fw: MACWCP vs. Lil Rubin Investments

all taken care of.
thx
dc

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

----- Forwarded Message -----
From: "lstoianova@cox.net" <lstoianova@cox.net>
To: Denny Chittick <dcmoney@yahoo.com>
Sent: Friday, June 14, 2013 3:42 PM
Subject: Fw: MACWCP vs. Lil Rubin Investments

Sent from my BlackBerry® smartphone, powered by Cricket.

From: Craig Kessler <craig.kesslerlaw@gmail.com>
Date: Fri, 14 Jun 2013 15:04:35 -0700
To: <lstoianova@cox.net>
Subject: MACWCP vs. Lil Rubin Investments

Lili,
Attached is a payoff statement for the above referenced case.

--
Craig Kessler
Legal Assistant
Kessler Law Offices
(480) 644 0093

Exhibit 19

Michael K. Jeanes, Clerk of Court
*** Electronically Filed ***
12/17/2013 8:00 AM

SUPERIOR COURT OF ARIZONA
MARICOPA COUNTY

CV 2013-007663 12/06/2013

HON. SALLY SCHNEIDER DUNCAN

CLERK OF THE COURT
J. Kiraly/C. Castro
Deputy

FREO ARIZONA L L C

RICHARD L COBB

v.

EASY INVESTMENTS L L C, et al.

STEFAN M PALYS

BRADFORD E KLEIN
KIM R LEPORE

MINUTE ENTRY

Courtroom 702 - Central Court Building

9:57 a.m. This is the time set for oral Argument on summary judgment. Plaintiff Freo Arizona, LLC is represented by counsel, Joseph J. Glenn. Defendants Easy Investment, LLC and Active Funding Group, LLC are represented by counsel, Stefan M. Palys and Jeffrey J. Goulder. Defendant Ocwen Loan Servicing, LLC is represented by counsel, Kim R. Lepore.

Court Reporter, Robin Bobbie, is present and a record of the proceedings is also made by audio and/or videotape.

Arguments are presented on Plaintiff's Motion for Partial Summary Judgment, filed on July 11, 2013, and Defendants Easy Investments, LLC and Active Funding Group, LLC's Cross-Motion for Summary Judgment against Freo Arizona, LLC, filed on September 4, 2013.

For the reasons stated on the record,

THE COURT FINDS that A.R.S. §33-811(C) operates to prevent Plaintiff Freo Arizona, LLC from reviving defenses when it failed to timely seek an injunction. Accordingly,

IT IS ORDERED denying Plaintiff's Motion for Partial Summary Judgment.

IT IS FURTHER ORDERED granting Defendants Easy Investments, LLC and Active Funding Group, LLC's Cross-Motion for Summary Judgment against Freo Arizona, LLC.

Arguments are presented on Defendants Easy Investments, LLC and Active Funding Group, LLC's Motion for Partial Summary Judgment Against Ocwen Loan Servicing, LLC, filed on September 4, 2013.

For the reasons set forth on the record,

THE COURT FINDS that Defendant Ocwen Loan Servicing, LLC had a duty and breached that duty. Accordingly,

IT IS ORDERED granting Defendants Easy Investments, LLC and Active Funding Group, LLC's Motion for Partial Summary Judgment Against Ocwen Loan Servicing, LLC, filed on September 4, 2013, on liability under the tort of another doctrine and denying the Motion as to damages.

IT IS FURTHER ORDERED denying Defendants Active Funding Group, LLC's Motion for Partial Summary Judgment, filed on November 8, 2013.

IT IS FURTHER ORDERED that counsel shall submit a form of Judgment for the Court's consideration and signature by **December 13, 2013**.

IT IS FURTHER ORDERED as follows:

Counsel and/or the parties shall meet in person to discuss all of the matters set forth in Ariz. R. Civ. P. Rule 16(b). Counsel and/or the parties shall prepare and file with the Court, no later than **5:00 p.m. on December 20, 2013,** a Joint Proposed Scheduling Order, for discovery, motion and disclosure deadlines.

If the parties agree to the dates, they should prepare an Order **in the form attached hereto**, containing the provisions which are applicable to their case.

The Joint Proposed Scheduling Order shall include specific dates ("June 5, 2012", rather than "45 days prior to trial"). Please do not incorporate a firm trial date in the proposed Order. This Court will set a firm trial date only after discovery has been completed and the parties have in good faith participated in a mediation or settlement conference.

If counsel and/or the parties are unable to agree on any of the items that are to be included in the Order, the reasons for their inability to agree shall be set forth in their proposed Order.

Once the initial Joint Pretrial Scheduling Memorandum is submitted, the Court will review the Proposed Scheduling Order and schedule a telephonic pretrial status/scheduling conference (via separate minute entry). **At the telephonic pretrial status/scheduling conference, if the parties have completed discovery and are ready for trial, the Court will set a firm date for the Final Trial Management Conference and trial.** If the parties are not ready for trial, the matter may be placed on the Court's calendar for dismissal.

If, at any time, the parties believe a telephonic or in-person pretrial conference is necessary or warranted, they should address the reasons in the Joint Proposed Scheduling Order.

Notice Regarding Substantive Motions: The Court will not accept omnibus motions, responses and replies. All motions, responses and replies shall be filed on individual claims and counts separately. Counsel shall not combine any motion with a responsive pleading. If omnibus motions are filed, the Court reserves the right to reject the motions. No motion shall exceed the page limitation without prior Court approval.

If a Joint Proposed Scheduling Order is not timely submitted as ordered, the Court will place the matter on the Court's calendar for dismissal.

IT IS ORDERED if a **Notice of Settlement** is filed the Court will dismiss the case with prejudice within thirty (30) days from the receipt of the Notice of Settlement.

IT IS FURTHER ORDERED if there is a pending status conference scheduled with the Court, and the parties have settled the case, the parties must file a **Motion to Vacate Telephonic Pretrial Status/Scheduling Conference** within three (3) business days prior to the Court appearance or, in the alternative, shall be prepared to place a Rule 80(d) Agreement on the record.

10:33 a.m. Matter concludes.

ALERT: The Arizona Supreme Court Administrative Order 2011-140 directs the Clerk's Office not to accept paper filings from attorneys in civil cases. Civil cases must still be initiated on paper; however, subsequent documents must be eFiled through AZTurboCourt unless an exception defined in the Administrative Order applies.

SUPERIOR COURT OF ARIZONA
MARICOPA COUNTY

CV 2013-007663 12/06/2013

PROPOSED SCHEDULING ORDER
Ariz. R. Civ. P. Rule 16(b)

The Court having received the parties Joint Pretrial Scheduling Memorandum,

IT IS ORDERED entering the following schedule for disclosure as set forth unless the parties obtain written modifications by the Court:

1. The parties shall mutually and simultaneously disclose areas of expert testimony by 5:00 p.m. on _____. **[OR]**

    a. Plaintiffs shall disclose areas of expert testimony by 5:00 p.m. on _____.

    b. Defendants shall disclose areas of expert testimony by 5:00 p.m. on _____.

2. The parties shall mutually and simultaneously disclose the identity and opinions of their expert witnesses by 5:00 p.m. _____. **[OR]**

    a. Plaintiffs shall disclose the identity and opinions of their expert witnesses by 5:00 p.m. on _____.

    b. Defendants shall disclose the identity and opinions of their expert witnesses by 5:00 p.m. on _____.

3. Any and all discovery requests shall be served by 5:00 p.m. on _____.

4. The parties shall disclose all non-expert testimony by 5:00 p.m. on _____. **[OR]**

    a. Plaintiffs shall disclose areas of non-expert testimony by 5:00 p.m. on _____.

    b. Defendants shall disclose areas of non-expert testimony by 5:00 p.m. on _____.

5. The parties shall mutually and simultaneously disclose their rebuttal expert witnesses and opinions by 5:00 p.m. on _____.

6. All discovery shall be completed by 5:00 p.m. on _____.

7. The parties shall have exchanged up-to-date final Rule 26.1 Supplemental Disclosure Statements by 5:00 p.m. on _____. This Order does not replace the parties' obligation to seasonably disclose on an on-going basis under Rule 26.1 as information becomes available.

8. The parties shall file dispositive motions no later than 5:00 p.m. on _____.

9. Settlement conference (**choose one**):

   The parties shall participate in private mediation by **(120 days out)**.

   [OR]

   IT IS ORDERED the parties shall participate in a Settlement Conference. This case is referred to the Court's Office of Alternative Dispute Resolution for the appointment of a Judge Pro Tempore to conduct a Settlement Conference. Counsel and/or the parties will receive a minute entry from ADR appointing the Judge Pro Tempore. Counsel and any "pro per" parties will contact the appointed Judge Pro Tempore to arrange the date, time and location for the Settlement Conference. The Judge Pro Tempore is requested to conduct a Settlement Conference no later than **(120 days out)**. The Office of Alternative Dispute Resolution will not do the scheduling of the Settlement Conference so please do not contact that office.

   If counsel prefer to use a private mediator to conduct the Settlement Conference, a **Stipulation and Order re: Alternative to ADR** must be presented to the Court no later than 5:00 p.m. on **(90 days out).**

   All counsel and their clients, non-lawyer representatives and insurance adjusters who have full and complete authority to settle the case, shall personally appear at the settlement conference and participate in good faith even if no settlement is expected. Sanctions may be imposed for failure to participate.

10. No expert witnesses, expert opinions, lay witnesses, or exhibits shall be used at trial other than those disclosed in a timely manner, except for good cause shown or written agreement of the parties.

11. Should any discovery disputes arise, counsel, prior to filing discovery motions, shall meet and confer pursuant to Rule 37, Ariz. R. Civ. P.

12. The dates set forth in this Order are FIRM dates and will not be extended or modified absent good cause. Lack of preparation will not ordinarily be considered good cause.

13. This case is removed from the Inactive Calendar and all requirements of Rule 38.1, Ariz. R. Civ. P., are waived unless and until otherwise ordered by the Court.

14. A **Telephonic Pretrial Status/Scheduling Conference** is set for **_____, at _____ a.m./p.m.** for the purpose of setting a trial date if the case has not settled. Time allotted: 15 minutes. Counsel shall have their trial calendars available. Counsel for Plaintiff shall initiate the conference call by first arranging the presence of all other counsel on the conference call and by calling this division at: **(602)506-9042** promptly at the scheduled time. The call should be placed from a land-line telephone in an area with no background noise as this will prevent the parties from hearing the proceedings in the courtroom. The call may not be placed from a vehicle**. Please do not call from a cellular telephone**.

NOTE: This Court utilizes FTR for an electronic record of the proceedings. However, any party may request the presence of a court reporter by contacting the division three (3) court business days before the scheduled hearing.

Dated: _____

_____
HON. SALLY SCHNEIDER DUNCAN
JUDICIAL OFFICER OF THE SUPERIOR COURT

Exhibit 20

BRYAN CAVE

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

EMPLOYER IDENTIFICATION NUMBER: 43-0602162

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

July 23, 2013
Invoice # 10227984
Client # C068584

Payment is due upon Receipt

STATEMENT OF ACCOUNT

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

PAYMENT INSTRUCTIONS

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St. Louis, MO 63150-3089

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Routing #081000032
Account # 100101007976

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One Bank of America Plaza
St. Louis, MO 63101
ABA #0260-0959-3
Account # 100101007976

Swift Codes:
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For Legal Services Rendered Through June 30, 2013

File #0352992
2013 Private Offering Memorandum

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

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

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

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

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

BRYAN CAVE

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Jefferson City | Kansas City | Los Angeles | New York | Paris | Phoenix | San Francisco | Shanghai | Singapore | St. Louis | Washington, D.C.

EMPLOYER IDENTIFICATION NUMBER: 43-0602162

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

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

REMITTANCE ADVICE

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

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DeSco / 2013

Beauchamp, David

From: Jensen, Garth
Sent: Tuesday, August 06, 2013 5:34 PM
To: Beauchamp, David; Weakley, Mark
Cc: Brown, Vicki
Subject: RE: Client Alert: New SEC Private Placement Rules

David,

Thanks for your comments and kind words. I haven't had need to start some one on an updated subscription form yet. I'm not sure who may have done this for Susan. Either of Jennifer D'Alessandro or Stephanie Christensen would be a good choice if you need to have some one start on this. I'm on vacation this week. but would be happy to take a quick look at what they come us with.

Garth

From: Beauchamp, David
Sent: Tuesday, August 06, 2013 5:59 PM
To: Jensen, Garth; Weakley, Mark
Cc: Brown, Vicki
Subject: RE: Client Alert: New SEC Private Placement Rules

Garth:

Do you know of anyone in BC or BC-HRO who may have drafted a subscription agreement to comply with the changes to Rule 506? Susan Malone had contacted someone who had done that in our firm, but she has left the firm without giving me the form or telling me who had a draft of the revised form of subscription agreement.

By the way, you have received several compliments concerning the Bulletin on final rules on 506 private placements.

Thanks, David

David G. Beauchamp, Esq.
Bryan Cave LLP
email: david.beauchamp@bryancave.com

From: Jensen, Garth
Sent: Friday, July 19, 2013 12:54 PM
To: G3 All; WCSL
Subject: Client Alert: New SEC Private Placement Rules

All: We have prepared a client alert reporting on the issuance last week by the SEC of final rules on Rule 506 private placements. These rules include the long-anticipated rule mandated by the JOBS Act that removes the ban on general solicitations for certain private placements as well the Dodd-Frank-mandate rule preventing issuers from using the Rule 506 exemption (the most common Regulation D safe harbor) if executive officers, directors or certain other affiliates are felons or other "bad actors." Please feel free to forward to your clients and other contacts.

Garth Jensen and Randy Wang

BRYAN CAVE

To: Our Clients and Friends
From: The Bryan Cave Corporate Finance and Securities Client Service Group

SEC Adopts Final Rules to Rule 506 Private Placements: General Solicitations Ban Removed, "Bad Actors" Disqualified; Proposes Additional Rules to Monitor Private Placement Practices

The SEC recently adopted new rules to lift the ban on general solicitations and general advertising for Rule 506 private placements and Rule 144A offerings. In addition, the SEC also adopted rules disqualifying "bad actors" from taking advantage of the Rule 506 private placement safe harbor. These new rules will be effective 60 days from their publication in the Federal Register. The SEC has further proposed new rules that, among other things, require an SEC filing at the start of Rule 506 placements involving general solicitation, the inclusion of additional cautionary legends and disclosures in offering materials as well as a temporary (two-year) requirement to file general solicitation materials with the SEC.

Click here for a copy of the entire Bulletin.

Corporate Finance and Securities Professionals.

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Jefferson City | Kansas City | Los Angeles | New York | Paris | Phoenix | San Francisco | Shanghai | Singapore | St. Louis | Washington, D.C.

EMPLOYER IDENTIFICATION NUMBER: 43-0602162

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

August 14, 2013
Invoice # 10235895
Client # C068584

Payment is due upon Receipt

STATEMENT OF ACCOUNT

BALANCE FORWARD:

Balance per Statement Dated July 23, 2013	$	16,092.45	
Payments and Other Credits		(16,092.45)	
BALANCE FORWARD			$ 0.00

CURRENT CHARGES FOR MATTER:

File #0352992
2013 Private Offering Memorandum

Subtotal Fees for Legal Services	$	4,770.50	
10% COURTESY DISCOUNT BY ATTORNEY		(477.05)	
Total Fees for Legal Services		4,293.45	
TOTAL CHARGES THIS INVOICE			$ 4,293.45
STATEMENT TOTAL			$ 4,293.45

PAYMENT INSTRUCTIONS

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ABA #0260-0959-3
Account # 100101007976
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BOFAUS6S (incoming Non-US wires)

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

For Legal Services Rendered Through July 31, 2013

File #0352992
2013 Private Offering Memorandum

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

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

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

TOTAL CHARGES FOR THIS MATTER $ 4,293.45

BRYAN CAVE

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

EMPLOYER IDENTIFICATION NUMBER: 43-0602162

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

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

REMITTANCE ADVICE

BALANCE FORWARD:

Balance per Statement Dated July 23, 2013	$	16,092.45	
Payments and Other Credits		(16,092.45)	
BALANCE FORWARD		$	0.00

CURRENT CHARGES

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EMPLOYER IDENTIFICATION NUMBER: 43-0602162

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

September 24, 2013
Invoice # 10249588
Client # C068584

Payment is due upon Receipt

STATEMENT OF ACCOUNT

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

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For Legal Services Rendered Through August 31, 2013

File #0352992
2013 Private Offering Memorandum

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

Total Hours 0.40

Total Fees for Legal Services $ 196.00

TOTAL CHARGES FOR THIS MATTER $ 196.00

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

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

REMITTANCE ADVICE

BALANCE FORWARD:			
Balance per Statement Dated August 14, 2013	$	4,293.45	
Payments and Other Credits		(4,293.45)	
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CURRENT CHARGES			
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ABA #0260-0959-3
Account # 1001610007976
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BOPAUS6S (incoming Non-US wires)

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

Exhibit 21

Colin F. Campbell, 004955
Geoffrey M. T. Sturr, 014063
Joshua M. Whitaker, 032724
Osborn Maledon, P.A.
2929 N. Central Avenue, Suite 2100
Phoenix, Arizona 85012-2793
(602) 640-9000
ccampbell@omlaw.com
gsturr@omlaw.com
jwhitaker@omlaw.com

Attorneys for Plaintiff

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

Peter S. Davis, as Receiver of DenSco Investment Corporation, an Arizona corporation, Plaintiff, vs. Clark Hill PLC, a Michigan limited liability company; David G. Beauchamp and Jane Doe Beauchamp, husband and wife, Defendants.	No. CV2017-013832 **PLAINTIFF'S DISCLOSURE OF EXPERT WITNESS REPORT RE DAMAGES** (Commercial case) (Assigned to the Honorable Daniel Martin)

Pursuant to the scheduling order entered in this matter, Plaintiff Peter S. Davis, as Receiver of DenSco Investment Corporation, hereby discloses the attached report of David Weekly, Felix Financial Forensics, LLC, which provides an analysis of the damages suffered by DenSco as a result of Defendants' conduct.

DATED this 4th day of April 2019.

OSBORN MALEDON, P.A.

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

Plaintiff,

v.

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

Defendants.

In the Superior Court of the State of Arizona
In and For the County of Maricopa

Case No. CV2017-013832

Expert Report of:

David B. Weekly
Fenix Financial Forensics LLC

April 4, 2019

Peter S. Davis, as Receiver of DenSco Investment Corporation
v.
Clark Hill PLC, et al.
(Case No. CV2017-013832)

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Background[1]

1. DenSco Investment Corporation ("DenSco") is an Arizona corporation that began operating in April 2001. DenSco's primary business was making short-term, high-interest loans to foreclosure specialists, usually through a trustee's sale. Denny Chittick ("Chittick") was DenSco's sole shareholder and only employee.

2. David G. Beauchamp ("Beauchamp") is an attorney who advised DenSco on general business, securities transactions and other legal matters. He worked at several law firms while advising DenSco, including Clark Hill from September 2013 through 2016.

3. DenSco issued promissory notes to private investors under Private Offering Memoranda (POM) prepared by Beauchamp in 2003, 2005, 2007, 2009 and 2011. Each POM expired two years after issuance. The 2011 POM expired July 1, 2013, and no new POM was ever finalized after that date.

4. Yomotov "Scott" Menaged ("Menaged") borrowed money from DenSco to purchase foreclosed homes at trustees' sales. Menaged operated several companies, including Easy Investments, LLC and Arizona Home Foreclosures, LLC.

5. In November 2013, Chittick learned from Menaged that a number of his DenSco loans were double encumbered, making it uncertain whether DenSco had sufficient collateral value in these loans. Menaged informed Chittick his cousin perpetrated a fraud against Menaged and absconded with the funds DenSco lent to him. When Chittick learned about the double encumbering of loans, he and Menaged created a plan in an attempt to resolve the issue.

6. On January 6, 2014, Chittick learned from an attorney at Bryan Cave, there were over 50 properties with deeds of trust with a first position security interest in which DenSco also had recorded mortgages. On January 7, 2014, Chittick outlined his plan in an email to Beauchamp. Chittick and Menaged met with Beauchamp on January 9, 2014 to discuss the plan, which led to the development of a Forbearance Agreement dated April 16, 2014.

7. On July 28, 2016, Chittick committed suicide, and on August 18, 2016, Peter S. Davis was appointed as the Receiver of DenSco ("Receiver"). The Receiver reviewed DenSco's files and other books and records and concluded DenSco had claims against Beauchamp and Clark Hill (collectively referred to herein as "Defendants").

[1] Statements in the Background section are sourced from the Complaint and various Disclosure Statements or other documents provided to F3. These statements are made to provide a brief overview of this matter and are not intended to be an exact summary of facts or to provide any legal determinations or conclusions.

39. On November 6, 2014, Chittick's corporate journal noted Bank of America requested DenSco to close its accounts. On November 18, 2014, Chittick opened a new account at First Bank. Bank of America records show all account activity stopped for DenSco on November 21, 2014. Beginning December 1, 2014, Chittick's corporate journal noted he and Menaged stopped the Netting Process and resumed exchanging transactions via bank wires. This process continued until July 8, 2015. Chittick's corporate journal noted on July 7, 2015, "I'm so low on cash, we are going to have to go back to wiring the difference instead of the whole thing."[10]

40. On November 4, 2015, the wire activity between DenSco and Menaged stopped.[11] Chittick did not mention this change in his corporate journal, but our review of DenSco's bank records confirmed the wire activity did not continue. On November 23, 2015, Chittick noted, "the ins and outs to [Scott] are so one sided my way this month." Chittick was referring to a new process where no cash changed hands related to his transactions with Menaged. After November 4, 2015 DenSco's records reflected 809 "loans" were originated totaling approximately $255.4 million and Menaged "paid" DenSco approximately $260.2 million, even though no cash changed hands.

41. Exhibit D summarizes the transaction activity between DenSco and Menaged from January 22, 2014 through June 21, 2016. During this time period DenSco's QuickBooks reflects 2,718 loans were originated with Menaged totaling $735.5 million. With minimal exception, all of these loans were fictitious.

Summary of F3's Analysis and Calculations of DenSco's Non-Workout Loan Damages

42. The first Non-Workout Loan was made by DenSco on January 22, 2014, approximately two weeks after Chittick and Menaged met with Beauchamp. Between January 22, 2014 and November 4, 2015, DenSco bank records show hundreds of wire transfers between DenSco's and Menaged's bank accounts related to originations and pay-offs of Non-Workout Loans. Since there were no cash transactions between DenSco and Menaged after November 4, 2015, our calculation of losses was based on transactions recorded on DenSco's books between January 22, 2014 and November 4, 2015 where actual cash transactions were traced to bank statements and reconciled with entries made by Chittick in DenSco's books.

43. To calculate damages related to the Non-Workout Loans, we analyzed Menaged transactions using: 1) the Receiver Reports and various loan activity schedules prepared by the Receiver's staff; 2) DenSco's QuickBooks; 3) Bank of America and First Bank account statements; 4) Chittick's corporate journal; and 5) relevant communications from Chittick's email file. We also reconciled our analysis with what the Receiver did to ensure we had considered all Non-Workout Loan transactions in DenSco's books and bank statements.

44. Table 3 summarizes the principal amount of all Menaged Non-Workout Loans reduced by principal pay-offs recorded by DenSco. In addition, DenSco collected and recorded $5,053,796 of interest

[10] Chittick corporate journal (RECEIVER_000114).

[11] There was one minor transaction totaling $12,600 that was reflected in the DenSco bank account on 2/4/2016 and 3/18/2016, but all regular activity ceased on 11/4/2015.

payments on paid off loans. We reduced the net unpaid principal amount by the interest payments to determine the net financial loss (Cash In minus Cash Out) for Non-Workout Loans.

Table 3: Non-Workout Loans Transaction Summary

Description	Timeframe	Number [1]		Amount
Loans Originated:				
Non-Workout Loans-Fully Repaid	1/22/14 - 7/7/15	1,229	$	290,179,835
Non-Workout Loans-Not Fully Repaid	10/7/14 - 11/4/15	680	$	189,959,906
Subtotal Loans Originated		**1,909**	**$**	**480,139,741**
Payoffs Received:				
Non-Workout Loans-Fully Repaid	1/22/14 - 7/7/15	1,229	$	(290,179,835)
Non-Workout Loans-Not Fully Repaid	10/7/14 - 11/4/15	589	$	(160,458,706)
Subtotal Payoffs Received		**1,818**	**$**	**(450,638,541)**
Net Unpaid Principal			**$**	**29,501,200**
Less: Interest Payments/Adjustments				**(5,065,100)**
Non-Work Out Loan Losses, net			**$**	**24,436,100**

[1] - The number column represents individual properties. DenSco combined multiple properties and grouped loan originations and principal and interest pay-offs when recording transactions.

45. Exhibit E is a summary of amounts paid by DenSco to Managed for fictitious property loans (Cash Out) minus the principal and interest amounts Menaged returned to DenSco from these same monies (Cash In). We traced each transaction to DenSco bank accounts and reviewed other receipts of cash to ensure amounts received from Menaged have been properly considered or offset against DenSco's Non-Workout Loan losses.

Recoveries net of Costs and Expenses

46. When Plaintiff was appointed as Receiver, he set-up a new bank account and began recording all DenSco transactions in a new set of books. The Receiver Status Report dated March 11, 2019 ("March 2019 Status Report") identifies "Menaged-Related Recoveries" and "Menaged-Related Disbursements" as of March 11, 2019. The March 2019 Status Report discloses the Plaintiff has recovered $667,585 from Menaged related enterprises. Plaintiff has also incurred $875,581 of costs and expenses to recover these amounts, which consists of $292,809 of direct costs and $582,772 of Receiver allocated costs and expenses.

47. The March 2019 Status Report describes settlements with Menaged and the Chittick Estate along with potential claims against Financial Institutions, Active Funding Group, LLC and Property of Joseph Menaged. We understand that these settlements and claims could impact the damages we have computed. We express no opinion in this report regarding apportionment of damages. However, we will amend this report if necessary, for any net recoveries or other costs and expenses that may impact our calculations.

52. The report has been prepared only for the purposes stated herein and shall not be used for any other purpose. Neither this report nor any portions thereof shall be disseminated to third parties by any means without the prior written consent and approval of F3.

Respectfully submitted,

David B. Weekly
Senior Managing Director
Fenix Financial Forensics LLC

Exhibit 22

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SUPERIOR COURT OF ARIZONA

COUNTY OF MARICOPA

Peter S. Davis, as Receiver of DenSco Investment Corporation, an Arizona corporation, Plaintiff, v. Clark Hill PLC, a Michigan limited liability company; David G. Beauchamp and Jane Doe Beauchamp, husband and wife, Defendants.	No. CV2017-013832 **DEFENDANT DAVID BEAUCHAMP'S RESPONSES TO PLAINTIFF'S FIRST SET OF NON-UNIFORM INTERROGATORIES**

Defendant David G. Beauchamp responds as follows to Plaintiff's First Set of Non-Uniform Interrogatories dated May 15, 2018.

GENERAL OBJECTIONS

Each of Mr. Beauchamp's responses, in addition to any specifically stated objections, are subject to and incorporate the following General Objections. The assertion of these or similar objections, additional objections, or a partial response to an individual Interrogatory does not waive any of Mr. Beauchamp's General Objections.

1. Mr. Beauchamp objects to these Interrogatories to the extent the Plaintiff seeks information that is protected from disclosure by the attorney client privilege,

the work product doctrine, or any other applicable privilege or protection. To the extent that Mr. Beauchamp produces, provides or discloses exempt or protected information or documents, such production or disclosure shall not be construed as a waiver by Mr. Beauchamp or his attorneys of such privilege or protection. *See* Ariz. R. Civ. P. 26(b)(6)(B).

2. In response to Plaintiff's Interrogatories, Mr. Beauchamp does not concede that any of the responses or information contained therein are relevant or admissible. Mr. Beauchamp reserves the right to object, on the grounds of competency, privilege, relevance, materiality, or otherwise, to the use of this information for any purposes, in whole or in part, in this action or in any action.

3. Mr. Beauchamp objects to Instruction No. 1 on the ground that it imposes obligations broader than or inconsistent with the Arizona Rules of Civil Procedure. Mr. Beauchamp additionally objects to Instruction No. 1 on the ground that it requires information to be divulged in the possession of Mr. Beauchamp's attorneys which may be subject to the attorney-client privilege and/or work product doctrine.

4. Mr. Beauchamp objects to Instruction Nos. 3 and 4 on the ground that they are a Request for Production of Documents and therefore beyond the scope of Rule 33.

5. Mr. Beauchamp objects to Instruction No. 4 on the ground that it is unduly burdensome. The Instruction requires Mr. Beauchamp to not only "list and identify" a document without a Bates number, but also "describe each such responsive document, give the location of the document, and provide the name, address and telephone number of the individual with custody or control over the document." The Arizona Rules of Civil Procedure impose no such obligations on parties responding to interrogatories. It is Plaintiff's duty to

locate and review documents identified by Mr. Beauchamp in response to an interrogatory, not Mr. Beauchamp's duty to replicate the contents of such documents. Mr. Beauchamp will disregard that portion of Instruction No. 4 that imposes obligations on Mr. Beauchamp that go beyond the scope of Rule 33.

INTERROGATORY NO. 1:

Defendants' Initial Disclosure Statement states, on page 5, lines 21-23, that "Mr. Beauchamp repeatedly advised DenSco that an update was necessary irrespective of DenSco's plans regarding the outstanding amount of its offerings, but Mr. Chittick continued to delay."

Are you aware of any document that contains such advice or reflects that it was given?

RESPONSE:

Yes. Mr. Beauchamp not only repeatedly advised DenSco that an update to the Private Offering Memoranda ("POMs") and related investor documents was necessary, but he worked diligently to update such documents throughout his relationship with DenSco. Mr. Beauchamp drafted DenSco's first POM in 2001 and updated it approximately every two years between 2001 and 2011 to reflect changes in the economy and DenSco's business. For example, the 2007 POM was issued in June of that year. Less than two years later, in April 2009, Mr. Beauchamp began updating the POM to reflect changes in "the economy and real estate collapse" and the updated POM was issued in June once again. Less than a year after the 2009 POM had been prepared, Mr. Beauchamp began work on the 2011 POM.

It is therefore unremarkable that on May 1, 2013, Mr. Beauchamp again began the process of updating the POM to reflect material changes with respect to DenSco, including the size of its portfolio. An invoice sent by Mr. Beauchamp to Mr. Chittick in June 2013, while Mr. Beauchamp was at Bryan Cave, confirms that Mr. Beauchamp worked on the 2013 POM throughout May of that year and that Mr. Beauchamp met with Mr. Chittick for several

hours on May 9, 2013 "to update private offering memorandum and to verify current information." Additionally, without conceding the admissibility of Mr. Chittick's business journals in this litigation, his May 9, 2013 entry corroborates that he met with Mr. Beauchamp for nearly two hours regarding updates to the 2013 POM. Work on updating the 2013 POM continued through June, July and August.

When Mr. Beauchamp left Bryan Cave and joined Clark Hill in September 2013, he had DenSco's files relating to the 2013 POM transferred to Clark Hill, and he promptly opened a New Matter Form to "[f]inish the private offering memorandum." Mr. Chittick, however, instructed Mr. Beauchamp to cease updating it and failed to provide the updated investment, loan, and financial information Mr. Beauchamp required. Efforts to complete the 2013 POM were further waylaid by Mr. Chittick's revelation in December 2013 that an unspecified number of loans made to Mr. Menaged were secured by two deeds of trust competing for priority, which did not comport with the representations in the investor documents. Further complicating the issue was the fact that several of the lenders who had provided loans that competed for first position with DenSco's loans threatened suit against DenSco in January 2014 regarding the double liened properties. Mr. Chittick assured Mr. Beauchamp that notwithstanding the threatened lawsuit, he had developed and implemented a plan with Mr. Menaged to rectify the situation.

Mr. Beauchamp advised Mr. Chittick that he should document this plan with Mr. Menaged in a Forbearance Agreement, which would then also need to be disclosed to investors. Though negotiating the terms of the Forbearance Agreement proved difficult, spanning nearly four months, Mr. Beauchamp consistently advised Mr. Chittick of his disclosure and update obligations to his investors during this time and reminded him that the terms of the Forbearance Agreement would have to be memorialized in the updated POM. Once the Forbearance Agreement was finally executed in April 2014, Mr. Beauchamp immediately turned to revising the POM again. These revisions included an explanation of

the double liening issue and the Forbearance Agreement, as well as updates to investors on DenSco's finances. When Mr. Beauchamp presented Mr. Chittick with a draft of the updated POM, however, Mr. Chittick balked at disclosing the information regarding the double liens or the Forbearance Agreement and refused to proceed with the updated POM. At that point, Mr. Beauchamp terminated the attorney-client relationship.

INTERROGATORY NO. 2:

If you answered "yes" to Interrogatory No. 1, please list and identify each such document.

RESPONSE:

Mr. Beauchamp objects to this Interrogatory on the ground that is it overly broad and unduly burdensome. *See, e.g., Steil v. Humana Kansas City, Inc.*, 197 F.R.D. 445 (D. Kan. 2000) (contention interrogatories which seek "every fact and document" to support a contention are overly broad and unduly burdensome). Without waiving the foregoing objection, relevant information regarding the contention identified in Interrogatory No. 1 can be found in the following documents, in addition to others: DIC0000965, DIC0006068, DIC0006528, DIC0006625, DIC0006656, DIC0006703, DIC0006707, DIC0006738, DIC0006803, DIC0006904, DIC0008660, DIC0008802, DIC0008874, BC_000003, BC_000756, BC_000296, BC_001614, BC_002005, BC_002027, BC_002082, BC_002982, BC_003087, BC_003091, RECEIVER_000016, RECEIVER_000049, RECEIVER_000054. Defendants reserve the right to supplement this response as discovery progresses.

INTERROGATORY NO. 3:

Defendants' Initial Disclosure Statement states, on page 6, lines 23-26, that "Mr. Beauchamp advised Mr. Chittick, as he had done previously, that Mr. Chittick needed to fund DenSco's loans directly to the trustee or escrow company conducting the sale, rather

than provide loan funds directly to the borrower, to ensure that DenSco's deed of trust was protected."

Are you aware of any document that contains such advice or reflects that it was given?

RESPONSE:

Yes. Mr. Beauchamp prepared all of DenSco's offering documents including the POMs and investor notes, and also reviewed and commented on the promissory notes from borrowers, deeds of trust, mortgages and guaranties, all of which disclosed to DenSco's investors the processes and procedures that DenSco used to protect the investments made in the company. Mr. Chittick did not grant Mr. Beauchamp the authority to draft any of the promissory notes from borrowers, deeds of trust, mortgages and guaranties.

For example, the 2007, 2009 and 2011 POMs describe that DenSco "intends to directly . . . or indirectly . . . perform due diligence to verify certain information in connection with funding a Trust Deed." The POMs explain that "[p]rior to purchasing a Trust Deed or funding a direct loan, the Company intends to have an officer, employee or an authorized representative conduct a due diligence review by interviewing its owner, verifying the documentation and performing limited credit investigations as are deemed appropriate by the Company and visiting the subject property in a timely manner." Further, every mortgage evidencing a property purchase made with a DenSco loan stated that the check purchasing the property was made to the Trustee.

Not only did Mr. Beauchamp set out the proper method and procedures for funding a loan in the offering documents, but he also expressly told Mr. Chittick that he could not fund loans directly to Mr. Menaged. Mr. Chittick vaguely suggested by email to Mr. Beauchamp that he could "wire Scott the money, he could produce a cashiers check that says remitter is DenSco and it would have the exact same affect as if I got cashiers check that said I'm the remitter" [sic]. Mr. Beauchamp responded that this procedure was "quick and dirty," and that it "[did] not work." Mr. Beauchamp informed Mr. Chittick that the DenSco money to fund

DenSco loans to borrowers had to be sent to the Trustee or Title Company, as applicable, in order to both comply with Mr. Chittick's fiduciary duty to DenSco investors and protect DenSco's recording position. That advice obviously went unheeded.

INTERROGATORY NO. 4:

If you answered "yes" to Interrogatory No. 3, please list and identify each such document.

RESPONSE:

Mr. Beauchamp objects to this Interrogatory on the ground that is it overly broad and unduly burdensome. *See, e.g., Steil v. Humana Kansas City, Inc.*, 197 F.R.D. 445 (D. Kan. 2000) (contention interrogatories which seek "every fact and document" to support a contention are overly broad and unduly burdensome). Without waiving the foregoing objection, relevant information regarding the contention identified in Interrogatory No. 3 can be found in the following documents, in addition to others: DIC0000965, DIC0002508, DIC0004474-75, DIC0007125-26, BC_000296, CH_001511, RECEIVER_000190. Defendants reserve the right to supplement this response as discovery progresses.

INTERROGATORY NO. 5:

Defendants' Initial Disclosure Statement states, on page 7, lines 17-26: "In December 2013, Mr. Chittick contacted Mr. Beauchamp for the first time in months. He told Mr. Beauchamp over the phone that he had run into an issue with some of his loans to Menaged, and specifically, that properties securing a few DenSco loans were each subject to a second deed of trust competing for priority with DenSco's deed of trust. Mr. Beauchamp reminded Mr. Chittick that he still needed to update DenSco's private offering memorandum. After briefly discussing the allegedly limited double lien issue, Mr. Chittick emphasized to Mr. Beauchamp that Mr. Chittick wanted to avoid litigation with other lenders. Mr. Chittick,

however, did not request any advice or help. Accordingly, Mr. Beauchamp suggested that Mr. Chittick develop and document a plan to resolve the double liens, and nothing more came of the conversation."

Are you aware of any document that contains your notes from that conversation or reflects that it occurred?

RESPONSE:

Yes. On December 18, 2013, Mr. Chittick reached out to Mr. Beauchamp to finish the 2013 POM at the behest of an investor named Warren Bush who was demanding to see it. That same day, the invoices from Clark Hill reflect that Mr. Beauchamp and Mr. Chittick spoke by phone regarding the email and updates to the POM. It was during that brief phone call, spurred by discussing the revisions to the POM, that Mr. Chittick first noted that he was having an issue with a couple of the loans he had made to Mr. Menaged. After Mr. Chittick clarified that he didn't want to litigate the matter and that he didn't want Mr. Beauchamp's help, Mr. Beauchamp checked to see how the information he had been told conflicted with the representations in the POM and he advised Mr. Chittick to devise a plan to resolve the issue without litigation if he could.

It was not until January 7th, however, after receiving a letter from attorney Bob Miller threatening suit, that Mr. Chittick first divulged some of the details and scope of the alleged problem. He also notified Mr. Beauchamp that he and Mr. Menaged had developed a proposed plan to deal with the issue, that the plan had already been implemented, and that he had "cleared up 10% of the total $'s in question."

INTERROGATORY NO. 6:

If you answered "yes" to Interrogatory No. 5, please list and identify each such document.

RESPONSE:

Mr. Beauchamp objects to this Interrogatory on the ground that is it overly broad and unduly burdensome. *See, e.g., Steil v. Humana Kansas City, Inc.*, 197 F.R.D. 445 (D. Kan. 2000) (contention interrogatories which seek "every fact and document" to support a contention are overly broad and unduly burdensome). Without waiving the foregoing objection, relevant information regarding the contention identified in Interrogatory No. 5 can be found in the following documents, in addition to others: DIC0007135 – DIC0007143, CH_0000637, CH_0000708, CH_0009800 - CH_0009809. Defendants reserve the right to supplement this response as discovery progresses.

INTERROGATORY NO. 7:

Defendants' Initial Disclosure Statement states, on page 10, lines 13-20: "Mr. Beauchamp's advice to Mr. Chittick regarding disclosures Mr. Chittick had to make to investors was immediate, clear, practical, consistent with his practice and experience, and consistent with the standard of care: (a) DenSco was not permitted to take new money without full disclosure to the investor lending the money; (b) DenSco was not permitted to roll over existing investments without full disclosure to the investor rolling over the money; and (c) DenSco needed to update its POM and make full disclosure to all investors. Mr. Beauchamp provided this advice to DenSco starting with his January 9, 2014 meeting with Mr. Chittick, and repeated it routinely over the next few months."

Are you aware of any document that contains the advice you say was given on January 9, 2014 or reflects that it was given?

RESPONSE:

Yes. Throughout 2014, when Mr. Beauchamp was preparing the Forbearance Agreement and later the updated POM that would apprise investors of the double liening issue and Mr. Chittick's plan to resolve it, Mr. Beauchamp consistently reminded Mr. Chittick of

his fiduciary obligations to his investors, his obligation to provide full disclosure to his investors (including his obligation to inform investors as to what had occurred prior to taking new investor money or rolling over investor money), as well as his obligation to update the 2013 POM as soon as possible.

This is evidenced first by the fact that Mr. Beauchamp diligently worked to update the 2013 POM between May and August of 2013, until he was ordered to stop by Mr. Chittick. Once Mr. Chittick reinitiated contact with Mr. Beauchamp in mid-December 2013 and informed him of the allegedly limited double liening issue, Mr. Beauchamp immediately advised Mr. Chittick of his general obligation to disclose the problem and his specific obligation to disclose the problem to any investors from whom he was receiving additional money (whether in the form of a new investment or rollover of an existing investment). Mr. Chittick appears to have informed Mr. Beauchamp that he had done so, telling him in a January 12, 2014 email, shortly after the initial January 9, 2014 meeting where Mr. Beauchamp first instructed Mr. Chittick that disclosures were required prior to accepting additional funds, that "I've spent the day contacting every investor that has told me they want to give me more money." The clear implication was that Mr. Chittick was contacting those investors to make adequate disclosures.

In the following months, as Mr. Beauchamp worked with Mr. Chittick, Mr. Menaged, and Mr. Menaged's counsel to finalize the Forbearance Agreement and POM, Mr. Beauchamp continually reminded Mr. Chittick of his fiduciary obligations with respect to executing the Forbearance Agreement and updating the POM, as well as his obligations to keep his investors apprised of the double liening issue. For example, on January 21, 2014, as Mr. Chittick continued to work out the loan issues with the other hard money lenders who had threatened suit earlier in the month, Mr. Beauchamp reminded Mr. Chittick that the Forbearance Agreement needed to be finalized and that he was "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."

Then, as negotiations regarding the language of the Forbearance Agreement stretched on between February and April 2014, Mr. Beauchamp consistently rejected changes to the Forbearance Agreement proposed by Mr. Chittick and Mr. Menaged in favor of Mr. Menaged that did not comport with Mr. Chittick's fiduciary obligations. On February 4, 2014, for instance, Mr. Beauchamp rejected proposed changes to the Forbearance Agreement by Mr. Menaged's counsel, Mr. Goulder. Mr. Beauchamp explained that those changes "transfer[red] significant risk to [Mr. Chittick] and [his] investors" and that if even a portion of the changes proposed were allowed to remain, the Forbearance Agreement would no longer have a description of the double liening issue "that you HAVE to provide to your investors." That same day, Mr. Beauchamp reminded Mr. Chittick that he needed to be clear about what he could and could not do with regards to the Forbearance Agreement "without going back to all of [his] investors for approval." Mr. Beauchamp acknowledged that while DenSco had helped Mr. Menaged in the past on the double liened properties, Mr. Chittick could not "OBLIGATE DenSco to further help Scott, because that would breach your fiduciary duty to your investors."

On February 7, 2014, Mr. Beauchamp again rejected changes proposed by Mr. Goulder explaining that "the agreement needs to comply with Denny's fiduciary obligations to his investors." Mr. Beauchamp clarified that though the parties "had intended to make the document as balanced as possible," the Forbearance Agreement needed "to set forth the necessary facts for Denny to satisfy his securities obligations to his investors." Two days later, Mr. Beauchamp again reminded Mr. Chittick that his ability to force DenSco to assume risk or liability related to the double liened properties in the Forbearance Agreement was limited by his fiduciary duty to his investors.

On February 14th, Mr. Beauchamp reminded Mr. Chittick yet again that the Forbearance Agreement had to comply with Mr. Chittick's fiduciary obligations to his investors. He warned Mr. Chittick explicitly that Mr. Menaged was trying to get him to accept a "watered down agreement" where DenSco "give[s] up substantial rights that [DenSco] should not have to give up," but that he could not do so because "it is not your money. It is your investors' money. So you have a fiduciary duty." Mr. Beauchamp further admonished Mr. Chittick and reminded him that his "duty and obligation [was] not to be fair to Scott, but to completely protect the rights of your investors. I am sorry if Scott is hurt through this, but Scott's hurt will give Scott the necessary incentive to go after his cousin. Your job is to protect the money that your investors have loaned to DenSco."

In late February 2014, while still negotiating the Forbearance Agreement, Mr. Beauchamp learned that the double liening issue was much bigger than Mr. Chittick had suggested initially. As noted in Mr. Chittick's corporate journal (the admissibility of which is not conceded), "I told david the dollars today, he about shit a brick." Mr. Beauchamp once again advised Mr. Chittick to disclose the issue to his investors. As documented in Mr. Chittick's journal, Mr. Chittick recognized that "I have to tell [my investors] and hope they stick with me." On February 21st, Mr. Beauchamp advised Mr. Chittick to inform his investors of what he knew regarding the double liening issue at DenSco's upcoming annual investors meeting on March 8th. Mr. Beauchamp encouraged Mr. Chittick to explain the issue in person at the meeting, as well as provide a summary of the issue in the notice that was sent to the investors before the meeting. Whether Mr. Chittick followed Mr. Beauchamp's advice is unknown, as Mr. Beauchamp was expressly uninvited from the meeting that year, but Mr. Beauchamp again discussed with Mr. Chittick on February 27th what Mr. Chittick should include in the notice to the investors.

Throughout March, Mr. Beauchamp continued to be clear in his advice that Mr. Chittick needed to keep his investors in the loop about the double liening issue and get to

work on the POM. For example, in mid-March, Mr. Beauchamp warned Mr. Chittick that he was "very late in providing information to your investors about this problem and the resulting material changes from your business plan. We cannot give Scott and his attorney any time to cause further delay in getting this Forbearance Agreement finished and the necessary disclosure prepared and circulated." Similarly on March 11th, Mr. Beauchamp discussed with Mr. Chittick a cover email to the POM that would explain the double liening issue. Finally, after the Forbearance Agreement was executed, Mr. Beauchamp moved swiftly to include in the revised 2013 POM a detailed description of what had occurred. In the prior performance section of the POM, Mr. Beauchamp explained the work out agreement, the total amount of outstanding loans, and why a work out was the most beneficial approach for the investors. Mr. Chittick chose to never complete the POM and Mr. Beauchamp promptly terminated the attorney-client relationship.

INTERROGATORY NO. 8:

If you answered "yes" to Interrogatory No. 7, please list and identify each such document.

RESPONSE:

Mr. Beauchamp objects to this Interrogatory on the ground that is it overly broad and unduly burdensome. *See, e.g., Steil v. Humana Kansas City, Inc.*, 197 F.R.D. 445 (D. Kan. 2000) (contention interrogatories which seek "every fact and document" to support a contention are overly broad and unduly burdensome). Without waiving the foregoing objection, relevant information regarding the contention identified in Interrogatory No. 7 can be found in the following documents, in addition to others: DIC0005439, DIC0005442, DIC0006068, DIC0006528, DIC0006625, DIC0006656, DIC0006703, DIC0006673, DIC0006803, DIC0006904, DIC0007085, DIC0008874, RECEIVER_000051. Defendants reserve the right to supplement this response as discovery progresses.

INTERROGATORY NO. 9:

Defendants' Initial Disclosure Statement states, on page 10, lines 13-20: "Mr. Beauchamp's advice to Mr. Chittick regarding disclosures Mr. Chittick had to make to investors was immediate, clear, practical, consistent with this practice and experience, and consistent with the standard of care: (a) DenSco was not permitted to take new money without full disclosure to the investor lending the money; (b) DenSco was not permitted to roll over existing investments without full disclosure to the investor rolling over the money; and (c) DenSco needed to update its POM and make full disclosure to all investors. Mr. Beauchamp provided this advice to DenSco starting with his January 9, 2014 meeting with Mr. Chittick, and repeated it routinely over the next few months."

Are you aware of any document that contains the advice you say was given on January 9, 2014 or reflects that it was given?

RESPONSE:

Yes. Throughout 2014, when Mr. Beauchamp was preparing the Forbearance Agreement and later the updated POM that would apprise investors of the double liening issue and Mr. Chittick's plan to resolve it, Mr. Beauchamp consistently reminded Mr. Chittick of his fiduciary obligations to his investors, his obligation to provide full disclosure to his investors (including his obligation to inform investors as to what had occurred prior to taking new investor money or rolling over investor money), as well as his obligation to update the 2013 POM as soon as possible.

This is evidenced first by the fact that Mr. Beauchamp diligently worked to update the 2013 POM between May and August of 2013, until he was ordered to stop by Mr. Chittick. Once Mr. Chittick reinitiated contact with Mr. Beauchamp in mid-December 2013 and informed him of the allegedly limited double liening issue, Mr. Beauchamp immediately advised Mr. Chittick of his general obligation to disclose the problem and his specific obligation to disclose the problem to any investors from whom he was receiving additional

money (whether in the form of a new investment or rollover of an existing investment). Mr. Chittick appears to have informed Mr. Beauchamp that he had done so, telling him in a January 12, 2014 email, shortly after the initial January 9, 2014 meeting where Mr. Beauchamp first instructed Mr. Chittick that disclosures were required prior to accepting additional funds, that "I've spent the day contacting every investor that has told me they want to give me more money." The clear implication was that Mr. Chittick was contacting those investors to make adequate disclosures.

In the following months, as Mr. Beauchamp worked with Mr. Chittick, Mr. Menaged, and Mr. Menaged's counsel to finalize the Forbearance Agreement and POM, Mr. Beauchamp continually reminded Mr. Chittick of his fiduciary obligations with respect to executing the Forbearance Agreement and updating the POM, as well as his obligations to keep his investors apprised of the double liening issue. For example, on January 21, 2014, as Mr. Chittick continued to work out the loan issues with the other hard money lenders who had threatened suit earlier in the month, Mr. Beauchamp reminded Mr. Chittick that the Forbearance Agreement needed to be finalized and that he was "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."

Then, as negotiations regarding the language of the Forbearance Agreement stretched on between February and April 2014, Mr. Beauchamp consistently rejected changes to the Forbearance Agreement proposed by Mr. Chittick and Mr. Menaged in favor of Mr. Menaged that did not comport with Mr. Chittick's fiduciary obligations. On February 4, 2014, for instance, Mr. Beauchamp rejected proposed changes to the Forbearance Agreement by Mr. Menaged's counsel, Mr. Goulder. Mr. Beauchamp explained that those changes "transfer[red] significant risk to [Mr. Chittick] and [his] investors" and that if even a portion of the changes proposed were allowed to remain, the Forbearance Agreement would no longer

have a description of the double liening issue "that you HAVE to provide to your investors." That same day, Mr. Beauchamp reminded Mr. Chittick that he needed to be clear about what he could and could not do with regards to the Forbearance Agreement "without going back to all of [his] investors for approval." Mr. Beauchamp acknowledged that while DenSco had helped Mr. Menaged in the past on the double liened properties, Mr. Chittick could not "OBLIGATE DenSco to further help Scott, because that would breach your fiduciary duty to your investors."

On February 7, 2014, Mr. Beauchamp again rejected changes proposed by Mr. Goulder explaining that "the agreement needs to comply with Denny's fiduciary obligations to his investors." Mr. Beauchamp clarified that though the parties "had intended to make the document as balanced as possible," the Forbearance Agreement needed "to set forth the necessary facts for Denny to satisfy his securities obligations to his investors." Two days later, Mr. Beauchamp again reminded Mr. Chittick that his ability to force DenSco to assume risk or liability related to the double liened properties in the Forbearance Agreement was limited by his fiduciary duty to his investors.

On February 14th, Mr. Beauchamp reminded Mr. Chittick yet again that the Forbearance Agreement had to comply with Mr. Chittick's fiduciary obligations to his investors. He warned Mr. Chittick explicitly that Mr. Menaged was trying to get him to accept a "watered down agreement" where DenSco "give[s] up substantial rights that [DenSco] should not have to give up," but that he could not do so because "it is not your money. It is your investors' money. So you have a fiduciary duty." Mr. Beauchamp further admonished Mr. Chittick and reminded him that his "duty and obligation [was] not to be fair to Scott, but to completely protect the rights of your investors. I am sorry if Scott is hurt through this, but Scott's hurt will give Scott the necessary incentive to go after his cousin. Your job is to protect the money that your investors have loaned to DenSco."

In late February 2014, while still negotiating the Forbearance Agreement, Mr. Beauchamp learned that the double liening issue was much bigger than Mr. Chittick had suggested initially. As noted in Mr. Chittick's corporate journal (the admissibility of which is not conceded), "I told david the dollars today, he about shit a brick." Mr. Beauchamp once again advised Mr. Chittick to disclose the issue to his investors. As documented in Mr. Chittick's journal, Mr. Chittick recognized that "I have to tell [my investors] and hope they stick with me." On February 21st, Mr. Beauchamp advised Mr. Chittick to inform his investors of what he knew regarding the double liening issue at DenSco's upcoming annual investors meeting on March 8th. Mr. Beauchamp encouraged Mr. Chittick to explain the issue in person at the meeting, as well as provide a summary of the issue in the notice that was sent to the investors before the meeting. Whether Mr. Chittick followed Mr. Beauchamp's advice is unknown, as Mr. Beauchamp was expressly uninvited from the meeting that year, but Mr. Beauchamp again discussed with Mr. Chittick on February 27th what Mr. Chittick should include in the notice to the investors.

Throughout March, Mr. Beauchamp continued to be clear in his advice that Mr. Chittick needed to keep his investors in the loop about the double liening issue and get to work on the POM. For example, in mid-March, Mr. Beauchamp warned Mr. Chittick that he was "very late in providing information to your investors about this problem and the resulting material changes from your business plan. We cannot give Scott and his attorney any time to cause further delay in getting this Forbearance Agreement finished and the necessary disclosure prepared and circulated." Similarly on March 11th, Mr. Beauchamp discussed with Mr. Chittick a cover email to the POM that would explain the double liening issue. Finally, after the Forbearance Agreement was executed, Mr. Beauchamp moved swiftly to include in the revised 2013 POM a detailed description of what had occurred. In the prior performance section of the POM, Mr. Beauchamp explained the work out agreement, the total amount of outstanding loans, and why a work out was the most beneficial approach for the investors.

Mr. Chittick chose to never complete the POM and Mr. Beauchamp promptly terminated the attorney-client relationship.

INTERROGATORY NO. 10:

If you answered "yes" to Interrogatory No. 9, please list and identify each such document.

RESPONSE:

Mr. Beauchamp objects to this Interrogatory on the ground that is it overly broad and unduly burdensome. *See, e.g., Steil v. Humana Kansas City, Inc.*, 197 F.R.D. 445 (D. Kan. 2000) (contention interrogatories which seek "every fact and document" to support a contention are overly broad and unduly burdensome). Without waiving the foregoing objection, relevant information regarding the contention identified in Interrogatory No. 9 can be found in the following documents, in addition to others: DIC0005439, DIC0005442, DIC0006068, DIC0006528, DIC0006625, DIC0006656, DIC0006703, DIC0006673, DIC0006803, DIC0006904, DIC0007085, DIC0008874, RECEIVER_000051. Defendants reserve the right to supplement this response as discovery progresses.

INTERROGATORY NO. 11:

Defendants' Initial Disclosure Statement states, on page 11, lines 14-15, "Mr. Chittick told Mr. Beauchamp that he was seeking such advice from what Mr. Chittick described as an 'advisory council.'"

Are you aware of any document that contains your notes from that conversation or reflects that it occurred?

RESPONSE:

Yes. The majority of DenSco's investors were family, friends and acquaintances of Mr. Chittick. He accordingly sought guidance from a subset of these investors throughout

DenSco's operations. Though the admissibility of Mr. Chittick's suicide letter to his investors is not conceded, it documents the many times Mr. Chittick approached this group of investors for advice on DenSco's operations. For example, the letter notes that DenSco weathered the 2008 housing crash by "talk[ing] to a few of you to help me make decisions on what I should do. . . . Gladly after consultations from several of you, you agreed with my strategy . . ."

With respect to Mr. Menaged specifically, Mr. Chittick requested permission in 2012 from a select group of investors that he be allowed to waive the 10-15% loan cap to any one borrower for Mr. Menaged. Mr. Chittick explained that after he "talked to a few of you investors and got a positive response," and based on Mr. Menaged's "track record, the down payments etc, the comfort level was there." Mr. Chittick's also noted that "many" of the investors were aware of how DenSco was making loans directly to Mr. Menaged rather than to a trustee. The letter recites that "for efficiency [sic] sake," Mr. Chittick would fund loans directly to borrowers like Mr. Menaged and that "[m]any of you [investors] knew this and I told you this is how I operated. Some of you that were also borrowers and investors have experienced this way of doing business and know it's common." Mr. Chittick also informed his investors that he may have to return some of their investments in DenSco because DenSco's portfolio was reaching the $50 million limit due to the loans made to Mr. Menaged.

Mr. Chittick even sought advice from individual investors regarding updates to his investor offering documents. In 2011, for example, Mr. Chittick updated the POM with the advice and consent of one of his investors named Warren Bush. Mr. Chittick would send to Mr. Bush the revisions that Mr. Beauchamp had made and solicit Mr. Bush's opinion on those changes. It was ultimately Mr. Bush that approved of the revisions to the POM, directing Mr. Chittick "time to wrap it up."

In addition to seeking explicit advice from his investors for various company actions, Mr. Chittick also kept his investors apprised of DenSco's processes and the issues with Mr. Menaged specifically. Generally, Mr. Chittick met with DenSco's investors periodically to

keep them apprised of DenSco's business. He also sent investors quarterly updates on DenSco's operations.

INTERROGATORY NO. 12:

If you answered "yes" to Interrogatory No. 11, please list and identify each such document.

RESPONSE:

Mr. Beauchamp objects to this Interrogatory on the ground that is it overly broad and unduly burdensome. *See, e.g., Steil v. Humana Kansas City, Inc.*, 197 F.R.D. 445 (D. Kan. 2000) (contention interrogatories which seek "every fact and document" to support a contention are overly broad and unduly burdensome). Without waiving the foregoing objection, relevant information regarding the contention identified in Interrogatory No. 11 can be found in the following documents, in addition to others: BC_000750, BC_000753, BC_000767, BC_001174, BC_001198, BC_001273-74, BC_001828, DIC0000459, DIC0000487-89, DIC0000609, DIC0000493-95, DIC0002044, DIC0002465, DIC0004056-59, DIC0009462, DIC0011987, CH_0013624-13946. In addition, please see all of the DenSco quarterly newsletters, DenSco invitations to attend investor meetings in Arizona, Idaho, and other locations, and the correspondence between DenSco and individual investors. Defendants reserve the right to supplement this response as discovery progresses.

INTERROGATORY NO. 13:

Defendants' Initial Disclosure Statement states, on page 15, lines 16-20, "Mr. Beauchamp informed Mr. Chittick that Beauchamp and Clark Hill could not and would not represent DenSco any longer."

Please list and identify any document through which you conveyed that information to Mr. Chittick.

RESPONSE:

After Mr. Chittick made clear in May 2014 that he would not issue a revised POM, Mr. Beauchamp terminated the attorney-client relationship and no further securities work was done on behalf of DenSco other than cleaning up the documents related to the Forbearance Agreement that had been executed in April 2014. The Clark Hill invoices make clear that Mr. Beauchamp did not take on any new work on behalf of DenSco after May 20, 2014. Once a clean up of the Forbearance Agreement documents was complete in July 2014, the invoices show that no further work was done for DenSco until March 2016 when the Arizona Department of Financial Institutions ("ADFI") informed Mr. Chittick that DenSco was being investigated and Mr. Chittick reached back out to Mr. Beauchamp.

The communications between the parties corroborate that the attorney-client relationship was terminated. The parties did not exchange any written communications between July 2014 and March 2016, save for a few emails in March 2015, and a single email exchange in September 2015 that related to spam being sent to Mr. Beauchamp from Mr. Chittick's email address. After a single meeting in March 2015, the parties did not speak for nearly a year until Mr. Chittick approached Mr. Beauchamp about the ADFI investigation. Though the admissibility of Mr. Chittick's business journal is not conceded, it confirms these facts.

INTERROGATORY NO. 14:

Please list and identify any document through which you conveyed to persons within Clark Hill that you had "informed Mr. Chittick that Beauchamp and Clark Hill could not and would not represent DenSco any longer?

RESPONSE:

Mr. Beauchamp objects to this Interrogatory on the ground that is it overly broad and unduly burdensome. *See, e.g., Steil v. Humana Kansas City, Inc.*, 197 F.R.D. 445 (D. Kan.

2000) (contention interrogatories which seek "every fact and document" to support a contention are overly broad and unduly burdensome). Without waiving the foregoing objection, relevant information regarding the contention identified in Interrogatory No. 13 can be found in the following documents, in addition to others: CH_0009825 – CH_0009845, CH_0006602 – CH_0006605, RECEIVER_000063 – RECEIVER_000146. Defendants reserve the right to supplement this response as discovery progresses.

DATED this 21st day of June, 2018.

COPPERSMITH BROCKELMAN PLC

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

ORIGINAL mailed and emailed this 21st day of June, 2018 to:

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

_____

VERIFICATION

STATE OF ARIZONA)
) ss.
COUNTY OF Maricopa)

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

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

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

DATED this 21st day of June, 2018.

David G. Beauchamp

David G. Beauchamp

Exhibit 23

BRYAN CAVE

Robert J. Miller
Direct: (602) 364-7043
Fax: (602) 716-8043
rjmiller@bryancave.com

January 6, 2014

VIA HAND-DELIVERY

Densco Investment Corporation
Attn: Mr. Denny J. Chittick
6132 W. Victoria Place
Chandler, AZ 85226

Re: Mortgage Recordation; Demand For Subordination

Dear Mr. Chittick:

This law firm represents Azben Limited, LLC ("Azben"), Geared Equity, LLC ("Geared Equity") and 50780, LLC in connection with their disputes with you and your company, Densco Investment Corporation ("Densco"). As you know, Geared Equity and 50780, LLC previously made various loans to Arizona Home Foreclosures, LLC and/or Easy Investments, LLC (collectively, the "Borrower"). Sell Wholesale Funding, LLC ("SWF") also made certain loans to Borrower which were collaterally assigned to Azben. Azben, Geared Equity, and 50780, LLC will be collectively referred to herein as the "Lienholders." Geared Equity, 50780, LLC, and SWF will be collectively referred to herein as the "Lenders."

This demand letter addresses the Lienholders' loans to the Borrower and the real property collateral described on Exhibit A attached hereto (the "Loans" and the "Properties," respectively). The Lenders made each of the Loans to the Borrower for the specific purpose of providing purchase money financing so the Borrower would have sufficient funds to acquire the Properties through trustee sales conducted under Arizona law. The Lenders, in each and every instance, deliberately advanced the loan proceeds pursuant to certified funds delivered directly to the trustee and received a receipt from the trustee confirming delivery of such funds. The Lenders, in each and every instance, also promptly recorded deeds of trust confirming a senior lien position on each of the Properties.

The Lienholders recently learned that your company, Densco, engaged in a practice of recording a "mortgage" on each of the Properties on or around the same time as the Lenders were recording their senior deeds of trust. In each and every instance, Densco's recorded mortgage states that Densco provided purchase money funding and that Densco's loans are "evidenced by a check payable" to the trustee for each of the Properties.

Thus, Densco is taking the position in recorded documents that it provided a purchase money loan to the Borrower with respect to each of the Properties.

Bryan Cave LLP
One Renaissance Square
Two North Central Avenue
Suite 2200
Phoenix, AZ 85004-4406
Tel (602) 364-7000
Fax (602) 364-7070
www.bryancave.com

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Chicago
Dallas
Hamburg
Hong Kong
Irvine
Jefferson City
Kansas City
London
Los Angeles
New York
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Shanghai
Singapore
Tokyo

Presumably, Densco is taking the position that its alleged loan is senior to the liens of the Lienholders with respect to each of the Properties. Of course, this is a practical and legal impossibility since, in each and every instance, only the Lenders provided the applicable trustee with certified funds supporting the Borrower's purchase money acquisition for each of the Properties and, with respect to the loans made by SWF, Azben "stands in the shoes" of SWF as the senior purchase money lender.

This demand letter provides Densco with an opportunity to immediately clarify its position and rectify this situation. Because of the seriousness of this situation, the Lenders are presenting their position as a formal demand on you and Densco. The demand is as follows:

Included herein are two forms of subordination agreement – one form document applies to the Azben loans and the other form applies to the loans of Geared Equity and 50780, LLC. The Lienholders hereby demand that Densco agree to complete and deliver this exact form of subordination agreement for each of the Properties to my office so that these completed subordination agreements may be recorded and delivered to the Borrower.[1] If Densco does not immediately so agree in writing and complete this entire subordination delivery process by no later than **five (5) business days** from the date of this demand letter, then the Lenders will immediately commence litigation against Densco and the other parties involved in this situation.

Please give this matter your immediate and undivided attention. While the Lienholders will be asserting all of the claims they have against the parties involved in this situation absent the timely completion of this subordination process, the most obvious claims the Lienholders will assert are: (i) fraud and conspiracy to defraud; (ii) negligent misrepresentation; and (iii) wrongful recordation pursuant to A.R.S. §33-420. The Lienholders reserve all of their rights and remedies against Densco, you, and all other parties, and no such rights or remedies are waived, modified, or impaired in any way pursuant to this demand letter or otherwise.

Sincerely,

Robert J. Miller
FOR THE FIRM

RJM:se
Enclosure

[1] Property addresses and other "form" information will need to be included in each subordination agreement. My firm will only commence preparing a subordination agreement for each loan when written confirmation is provided that Densco has unconditionally agreed to execute each subordination agreement in the form enclosed herein. A subordination agreement is required for each and every loan even though several of the loans have been paid in full and even though in several instances it is very clear the Densco mortgage was recorded ***after*** the Lender's deed of trust was recorded – the Lenders are entitled to total and permanent clarity on all of these issues now.

cc: **VIA FEDERAL EXPRESS (w/encs.)**

Kurt Johnson Associates, PC
23005 N. 15th Avenue
Suite 2
Phoenix, AZ 85027
Statutory Agent for Densco

Azben Limited, LLC (w/o encs.)
Geared Equity, LLC (w/o encs.)
50780, LLC (w/o encs.)
Sell Wholesale Funding, LLC (w/encs.)

Exhibit A

Azben Limited, LLC Loans

Loan #	Street Address	City	
5445	Sheila Ln, 7134 W	Phoenix	Paid in Full
5448	Palmer St, 3826 E	Gilbert	
5506	Palm St, 2681 S	Gilbert	
5514	Horsetail Trail, 1751 W	Phoenix	Paid in Full
5594	Maui Ln, 13920 W	Surprise	
5597	66th Dr, 10020 N	Glendale	
5619	Millbrae Ln, 2895 E	Gilbert	
5620	Wood Dr, 1502 W	Phoenix	
5621	170th Ln, 16010 N	Surprise	
5629	Wayland Dr, 23687 W	Buckeye	
5631	Lobo Ave, 10125 E	Mesa	
5641	Dublin St, 516 W	Chandler	
5644	Sunsites Dr, 18915 N	Surprise	
5645	Cortland, 3043 S	Mesa	
5648	Yale, 1355 S	Mesa	
5660	Kent Ave, 3425 E	Gilbert	Paid in Full
5667	101st Dr, 2027 S	Tolleson	
5672	Peck Dr, 8987 W	Glendale	
5679	Colonial Dr, 977 S	Gilbert	
5680	220th Ln, 1040 S	Buckeye	
5684	Tyson St, 4232 E	Gilbert	Paid in Full
5685	Navajo St, 16739 W	Goodyear	
5690	Milburn, 2716 S	Mesa	
5691	Hassett, 126 S	Mesa	
5693	Ogelsby Ave, 11603 W	Youngstown	
5694	Cristine Ln, 15829 N	Surprise	Paid in Full
5695	85th Dr, 1629 S	Tolleson	
5719	Puget Ave, 18146 W	Waddell	
5720	Caribbean Ln, 14869 W	Surprise	
5722	Rose Garden Ln, 3014 W	Phoenix	
5724	Valley View Dr, 4119 W	Laveen	
5728	Gelding Dr, 4906 W	Glendale	
5729	Maldonado Dr, 3247 E	Phoenix	
5730	Anderson Dr, 3830 W	Glendale	
5742	Olla Ave, 9832 E	Mesa	
5754	Whyman St, 25510 W	Buckeye	
5755	233rd Ln, 1697 S	Buckeye	
5757	Bent Tree Dr, 2507 W	Phoenix	
5760	Arcadia Ave, 10836 E	Mesa	
5761	Sundance Way, 523 W	Chandler	

Geared Equity, LLC Loans

Loan #	Street Address	City	
13-6091	10440 W. Hammond Lane	Tolleson	
13-6094	39817 N. Messner Way	Anthem Way	
13-6104	W. Via Montoya Drive	Phoenix	
13-6105	11509 E. Pratt Ave	Mesa	Paid in Full
13-6113	707 E. Potter Drive	Phoenix	Property under review with Trustee for possible rescission of sale
13-6114	14904 W. Port Royale Lane	Surprise	
13-6118	4728 W. Carson Road	Laveen	
13-6122	978 N. 85th Place	Scottsdale	
13-6123	635 S. St Paul	Mesa	

50780, LLC Loans

Loan #	Street Address	City
13-1020	8116 E. Onza Avenue	Mesa
13-1051	11634 W. Adams Street	Avondale
13-1052	25863 W. Saint James Avenue	Buckeye

RECORDING REQUESTED BY AND WHEN RECORDED MAIL TO:

AZBEN LIMITED, L.L.C.
1223 S. Clearview Avenue
Suite 103
Mesa, Arizona 85209

Space Above This Line for Recorder's Use Only

SUBORDINATION AGREEMENT

NOTICE: THIS SUBORDINATION AGREEMENT (THIS "AGREEMENT") RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

THIS SUBORDINATION AGREEMENT ("**Agreement**"), made this _____ day of January, 2014, by SELL WHOLESALE FUNDING, LLC, an Arizona limited liability company (hereinafter referred to as "**Senior Creditor**"), whose mailing address is 4105 N. 20th Street, #210, Phoenix, Arizona 85016, and DENSCO INVESTMENT CORPORATION, an Arizona corporation (hereinafter referred to as "**Junior Creditor**"), whose mailing address is 6132 W. Victoria Place, Chandler, Arizona 85226;

WITNESSETH

THAT WHEREAS, Arizona Home Foreclosures, LLC, an Arizona limited liability company (hereinafter referred to as "**Owner**"), is the owner of the land hereinafter described on **Exhibit "A"** attached hereto and made a part hereof (the "**Land**" or the "**Property**"); and

WHEREAS, Owner, as mortgagor, executed a Mortgage ("**Junior Mortgage**") dated September 16, 2013, to and for the benefit of Junior Creditor, as mortgagee, and recorded on September 17, 2013 at 8:32 a.m., as Instrument No. 2013-0832534 in the Records of Maricopa County, Arizona ("**Records**"), purporting to encumber the Land, which Junior Mortgage purportedly secures payment of the sum of $140,000.00 ("**Junior Liabilities**") which might come due under or pursuant to a purported loan made by Junior Creditor to Owner in such purported amount referenced in said Junior Mortgage. When used herein, the term "Junior Mortgage" shall not only mean and refer to the Junior Mortgage stated above, but also to: i) any re-recordation thereof; and ii) that certain Deed of Trust and Assignment of Rents, of even date with the Junior Mortgage ("**Junior Deed of Trust**"), made by Owner, as trustor, to First American Title, as trustee, to and for the benefit of Junior Creditor, as beneficiary, which Junior Deed of Trust was recorded September 27, 2013 as Instrument No. 2013-0863555 in the Records; and

WHEREAS, Owner, as trustor, also executed that certain Deed of Trust and Assignment of Rents ("**Senior Deed of Trust**") dated September 16, 2013, to Fidelity National Title, as trustee, to and for the benefit of Senior Creditor, as beneficiary, which Senior Deed of Trust secures payment of a Promissory Note of Owner to Senior Creditor in the original stated principal amount of $144,080.00 ("**Purchase**

752766.3

Money Note"), recorded September 17, 2013 at 9:50 a.m. as Instrument No. 2013-0833010 in the Records. Proceeds from the Purchase Money Note were used to pay, and represent, purchase money of and for the Property. The beneficial interest in the Senior Deed of Trust was thereafter collaterally assigned by Senior Creditor to Azben Limited, L.L.C., an Arizona limited liability company (hereinafter referred to as "**Azben**"), by Collateral Assignment of Beneficial Interest Under a Single Deed of Trust dated September 16, 2013 and recorded on September 17, 2013 as Instrument No. 2013-0833044 in the Records, and subsequently re-recorded on October 25, 2013 as Instrument No. 2013-0940922 in the Records to correct the recited date of original recordation of such document. When used herein, the term "Senior Deed of Trust" shall not only mean and refer to the Senior Deed of Trust, but also to the re-recordation thereof on October 4, 2013 as Instrument No. 2013-0885110 in the Records. Capitalized terms not otherwise defined herein shall have the meanings given them in the Senior Deed of Trust; and

WHEREAS, Senior Creditor and Junior Creditor have further agreed that the Junior Liabilities secured by the Junior Mortgage are and shall be subordinated to the Purchase Money Note and to other sums due and owing thereunder and under the Senior Deed of Trust (collectively, the "**Senior Liabilities**"), all in accordance with the terms hereof; and

WHEREAS, Senior Creditor and Junior Creditor have further agreed that i) the Senior Deed of Trust, securing the Purchase Money Note and representing purchase money for the Land, is a lien or charge upon the Land prior and superior to the lien or charge of the Junior Mortgage, ii) that Junior Creditor will specifically and unconditionally subordinate the lien or charge of the Junior Mortgage to the lien or charge of the Senior Deed of Trust, and iii) that the Junior Liabilities secured by the Junior Mortgage are subordinated to the Senior Liabilities, all as more fully set forth herein below; and

WHEREAS, it is to the mutual benefit of the parties hereto that Senior Creditor not: i) take any formal action (which would entail time and expense and in which Senior Creditor would prevail) to establish the first and prior nature of the lien of the Senior Deed of Trust; ii) institute immediate action for foreclosure of the Senior Deed of Trust which might result in proceeds insufficient to defray both the Senior Liabilities and the Junior Liabilities (it being understood that Senior Creditor's forbearance in this regard is limited to Owner's default ("**Owner's Recording Default**") under the Senior Deed of Trust occasioned by the existence of the Junior Deed of Trust and not to any other current or future defaults under the Senior Deed of Trust, including, without limitation, failure to pay at maturity or to perform any other terms and conditions of the Senior Deed of Trust or the Purchase Money Note [herein, "**Other Defaults**"]); and iii) presently enforce the right of Senior Creditor to charge interest at the default rate under the Senior Deed of Trust (it being understood that such forbearance is limited to the effect of Owner's Recording Default and not to any Other Defaults) which would be in priority to the Junior Liabilities, and Junior Creditor is willing to agree that the Senior Deed of Trust securing the Purchase Money Note shall constitute a lien or charge upon the Land which is unconditionally prior and superior to the lien or charge of the Junior Mortgage.

NOW, THEREFORE, in consideration of the mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, and in order to induce Senior Creditor to forbear from taking formal actions to establish the lien priority of the Senior Deed of Trust, to not institute any foreclosure actions on account of Owner's Recording Default and not presently enforce interest at the default rate due on the Purchase Money Note on account of Owner's Recording Default, it is hereby declared, understood and agreed as follows:

(1) That the Senior Deed of Trust securing the Senior Liabilities, and any renewals or extensions thereof, shall unconditionally be and remain at all times a lien or charge on the Land therein described, prior and superior to the lien or charge of the Junior Mortgage.

(2) That this Agreement shall be the whole and only agreement with regard to the subordination of the lien or charge of the Junior Mortgage to the lien or charge of the Senior Deed of Trust.

(3) That Senior Creditor may amend the Senior Deed of Trust or the Purchase Money Note in any manner without the prior written consent of Junior Creditor. No renewal, modification or extension of time of payment of the Senior Liabilities, and no release or surrender of any security for the Senior Liabilities, or the obligations of any endorsers, sureties or guarantors thereof, or release from the terms of this or any other subordination agreement of any claims subordinated, and no delay or omission in exercising any right or power on account of or in connection with the Senior Liabilities, or under this Agreement, shall, in any manner, impair or affect the rights and duties of Senior Creditor or Junior Creditor. Senior Creditor, in its uncontrolled discretion, may waive or release any right or option accorded Senior Creditor under this Agreement without the consent Junior Creditor, and without otherwise in any way affecting the obligations Junior Creditor hereunder. Junior Creditor hereby waives notice of the creation, existence, renewal, modification or extension of the time of payment, of the Senior Liabilities.

(4) That Junior Creditor may not amend the Junior Mortgage in any manner that would materially and adversely affect the Senior Liabilities or the Property, including, without limitation, increasing the face amount of the Junior Liabilities, increasing the interest rate or any payment obligations under the Junior Liabilities, or expanding Junior Creditor's security interests and liens under the Junior Loan relating to the Property, without the prior written consent of the Senior Creditor. Junior Creditor shall give Senior Creditor written notice as well as copies of any such amendments within five (5) business days after such documents have been executed by Junior Creditor.

(5) That Junior Creditor shall send to Senior Creditor a written copy of any notices given to Owner regarding: (i) any default under the Junior Mortgage or Junior Liabilities; or (ii) any event, with the giving of such notice or the passage of time without cure, would result in a default under the Junior Mortgage or Junior Liabilities. Junior Creditor agrees that all such notices to Senior Creditor shall be sent contemporaneously with the sending of such notices to Owner. Senior Creditor shall send to Junior Creditor a written copy of any notices given to Owner regarding: (i) any default under any of the Purchase Money Note or the Senior Deed of Trust; or (ii) any event, with the giving of such notice or the passage of time without cure, would result in a default or Event of Default under either the Purchase Money Note or the Senior Deed of Trust. Senior Creditor agrees that all such notices to Junior Creditor shall be sent contemporaneously with the sending of such notices to Owner. Senior Creditor and Junior Creditor shall each have the right, but not the obligation, to cure any default by Owner under the Junior Mortgage, on one hand, or the Purchase Money Note or the Senior Deed of Trust, on the other hand, and respectively. In addition, at any time and from time to time, Junior Creditor, at its option, shall have the right to fully repay the Purchase Money Note in full, together with accrued but unpaid interest and all of Senior Lender's costs and fees thereunder, in which case Junior Creditor shall be entitled to all of the rights and benefits of Senior Lender thereunder.

(6) Notwithstanding any lien now held or hereafter acquired by the Junior Creditor, the Senior Creditor may take possession of, sell, dispose of, and otherwise deal with all or any part of the Property, and may enforce any right or remedy available to it with respect to the Owner or the Property, all without notice to or the consent of the Junior Creditor except as specifically required by applicable law or this Agreement. The Senior Creditor shall have no duty to preserve, protect, care for, insure, take possession of, collect, dispose of, or otherwise realize upon any of the Property, except in accordance with applicable law (including the Arizona Uniform Commercial Code), and in no event shall the Senior Creditor be deemed the Junior Creditor's agent with respect to the Property. All proceeds received by the Senior Creditor with respect to the Property, or any portion thereof, may be applied, first, to pay or reimburse the Senior Creditor for all costs and expenses (including reasonable attorneys' fees) incurred by the Senior Creditor in connection with the collection of such proceeds, and, second, to any Senior Liabilities secured by the Senior Deed of Trust in any order that it may choose or as otherwise required by the Purchase Money Note or applicable law, and, third, to the Junior Liabilities.

(7) That, until the Senior Liabilities are paid in full, Junior Creditor agrees, except as expressly set forth herein, to not take any action or exercise any remedies under the Junior Deed of Trust or with respect of the Junior Liability or to cause Owner to voluntarily or involuntarily seek relief from its creditors, appointment of a receiver, liquidator or trustee for all or a major part of its assets or file a pleading or answer in any proceeding admitting insolvency, bankruptcy or inability of pay its debts as they mature.

(9) That if: (a) there occurs any casualty to the buildings or improvements constructed on the Property that is covered by insurance; or (b) any portion of the Property is condemned or taken under a power of eminent domain, Senior Creditor shall have the sole right, without any involvement or rights of Junior Creditor, to adjust, collect and compromise, in its sole discretion, all insurance proceeds and compensation and awards issued on account of such action.

(10) That the Recitals set forth above are incorporated by reference into the body of the Subordination Agreement as if fully re-written herein.

(11) No addition to or modification of any term or provision of this Agreement shall be effective unless set forth in writing and signed by both Senior Creditor and Junior Creditor.

(12) That each of Senior Creditor and Junior Creditor and attorneys for each such party have participated in the drafting and preparation of this Agreement. Therefore, the provisions of this Agreement shall not be construed in favor of or against either Senior Creditor or Junior Creditor, but shall be construed as if both Senior Creditor and Junior Creditor equally prepared this Agreement.

(13) That this Agreement may be executed in counterparts, each of which shall constitute an original, but all of which together shall constitute a single agreement. The signature page of any counterpart may be detached therefrom without impairing the legal effect of the signature(s) thereon provided such signature page is attached to any other counterpart identical thereto except having additional signature pages executed by the other party.

(14) That the laws of the State of Arizona applicable to contracts to be performed wholly within Arizona shall govern this Agreement.

NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN SPECIFIC CONSIDERATION, A PORTION OF WHICH MAY BE EXPENDED, UTILIZED AND/OR APPLIED FOR OTHER PURPOSES THAN THE IMPROVEMENT OF THE LAND.

(ALL SIGNATURES MUST BE ACKNOWLEDGED)

IT IS RECOMMENDED THAT, PRIOR TO THE EXECUTION OF THIS SUBORDINATION AGREEMENT, THE PARTIES CONSULT WITH THEIR ATTORNEYS WITH RESPECT THERETO.

(Remainder of page intentionally blank.)

SENIOR CREDITOR:

SELL WHOLESALE FUNDING, LLC, an Arizona limited liability company

By: _____
Printed Name: _____
Title: _____

STATE OF ARIZONA)

)ss.

County of Maricopa)

On _____, before me, the undersigned Notary Public, personally appeared _____, the _____ of SELL WHOLESALE FUNDING, LLC, an Arizona limited liability company, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies) and that his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____

Notary Public

My Commission Expires:

752766.3

JUNIOR CREDITOR:

DENSCO INVESTMENT CORPORATION, an Arizona corporation

By: _____
Denny J. Chittick, President

STATE OF ARIZONA)

)ss.

County of Maricopa)

On _____, before me, the undersigned Notary Public, personally appeared Denny J. Chittick, President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies) and that his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____

My Commission Expires:

Notary Public

752766.3

AZBEN CONSENT

The undersigned AZBEN LIMITED, L.L.C., an Arizona limited liability company, hereby consents to the foregoing Subordination Agreement between Sell Wholesale Funding, LLC, an Arizona limited liability company, as senior creditor, and Densco Investment Corporation, an Arizona corporation, as junior creditor, pertaining to the Land more particularly described on Exhibit "A" attached hereto.

AZBEN LIMITED, L.L.C., an Arizona limited liability company

By: _____
Broc C. Hiatt, Manager

STATE OF ARIZONA)

)ss.

County of Maricopa)

On _____, before me, the undersigned Notary Public, personally appeared Broc C. Hiatt, Manager of AZBEN LIMITED, L.L.C., an Arizona limited liability company, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies) and that his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____

My Commission Expires:

Notary Public

752766.3

EXHIBIT "A"

Description of Property

Lot 176, of SUBDIVISION LINDSAY AND WARNER, according to the Plat of Record in the Office of the County Recorder of Maricopa County, Arizona, recorded in Book 610 of Maps, Page 17.

APN: 309-25-432

RECORDING REQUESTED BY AND WHEN RECORDED MAIL TO:

GEARED EQUITY, LLC
6828 E. Camelback Rd.
Scottsdale, Arizona 85251

Space Above This Line for Recorder's Use Only

SUBORDINATION AGREEMENT

NOTICE: THIS SUBORDINATION AGREEMENT (THIS "AGREEMENT") RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

THIS SUBORDINATION AGREEMENT ("**Agreement**"), made this _____ day of January, 2014, by GEARED EQUITY, LLC, an Arizona limited liability company (hereinafter referred to as "**Senior Creditor**"), whose mailing address is 6828 E. Camelback Rd., Phoenix, Arizona 85251, and DENSCO INVESTMENT CORPORATION, an Arizona corporation (hereinafter referred to as "**Junior Creditor**"), whose mailing address is 6132 W. Victoria Place, Chandler, Arizona 85226;

WITNESSETH

THAT WHEREAS, Arizona Home Foreclosures, LLC, an Arizona limited liability company (hereinafter referred to as "**Owner**"), is the owner of the land hereinafter described on **Exhibit "A"** attached hereto and made a part hereof (the "**Land**" or the "**Property**"); and

WHEREAS, Owner, as mortgagor, executed a Mortgage ("**Junior Mortgage**") dated August 6, 2013, to and for the benefit of Junior Creditor, as mortgagee, and recorded on August 6, 2013 at 12:46 p.m., as Instrument No. 2013-0717135 in the Records of Maricopa County, Arizona ("**Records**"), purporting to encumber the Land, which Junior Mortgage purportedly secures payment of the sum of $150,000.00 ("**Junior Liabilities**") which might come due under or pursuant to a purported loan made by Junior Creditor to Owner in such purported amount referenced in said Junior Mortgage. When used herein, the term "Junior Mortgage" shall not only mean and refer to the Junior Mortgage stated above, but also to: i) any re-recordation thereof; and ii) that certain Deed of Trust and Assignment of Rents, of even date with the Junior Mortgage ("**Junior Deed of Trust**"), made by Owner, as trustor, to Trustee Corps, as trustee, to and for the benefit of Junior Creditor, as beneficiary, which Junior Deed of Trust was recorded August 21, 2013 as Instrument No. 2013-0760511 in the Records; and

WHEREAS, Owner, as trustor, also executed that certain Deed of Trust and Assignment of Rents ("**Senior Deed of Trust**") dated August 6, 2013, to Thomas C. Wilmer, Esq., as trustee, to and for the benefit of Senior Creditor, as beneficiary, which Senior Deed of Trust secures payment of a Promissory Note of Owner to Senior Creditor in the original stated principal amount of $152,800.00 ("**Purchase**

752956.1

Money Note"), recorded August 7, 2013 at 12:42 p.m. as Instrument No. 2013-0721399 in the Records. Proceeds from the Purchase Money Note were used to pay, and represent, purchase money of and for the Property. When used herein, the term "Senior Deed of Trust" shall not only mean and refer to the Senior Deed of Trust, but also to the re-recordation thereof on August 22, 2013 as Instrument No. 2013-0765233 in the Records. Capitalized terms not otherwise defined herein shall have the meanings given them in the Senior Deed of Trust; and

WHEREAS, Senior Creditor and Junior Creditor have further agreed that the Junior Liabilities secured by the Junior Mortgage are and shall be subordinated to the Purchase Money Note and to other sums due and owing thereunder and under the Senior Deed of Trust (collectively, the "**Senior Liabilities**"), all in accordance with the terms hereof; and

WHEREAS, Senior Creditor and Junior Creditor have further agreed that i) the Senior Deed of Trust, securing the Purchase Money Note and representing purchase money for the Land, is a lien or charge upon the Land prior and superior to the lien or charge of the Junior Mortgage, ii) that Junior Creditor will specifically and unconditionally subordinate the lien or charge of the Junior Mortgage to the lien or charge of the Senior Deed of Trust, and iii) that the Junior Liabilities secured by the Junior Mortgage are subordinated to the Senior Liabilities, all as more fully set forth herein below; and

WHEREAS, it is to the mutual benefit of the parties hereto that Senior Creditor not: i) take any formal action (which would entail time and expense and in which Senior Creditor would prevail) to establish the first and prior nature of the lien of the Senior Deed of Trust; ii) institute immediate action for foreclosure of the Senior Deed of Trust which might result in proceeds insufficient to defray both the Senior Liabilities and the Junior Liabilities (it being understood that Senior Creditor's forbearance in this regard is limited to Owner's default ("**Owner's Recording Default**") under the Senior Deed of Trust occasioned by the existence of the Junior Deed of Trust and not to any other current or future defaults under the Senior Deed of Trust, including, without limitation, failure to pay at maturity or to perform any other terms and conditions of the Senior Deed of Trust or the Purchase Money Note [herein, "**Other Defaults**"]); and iii) presently enforce the right of Senior Creditor to charge interest at the default rate under the Senior Deed of Trust (it being understood that such forbearance is limited to the effect of Owner's Recording Default and not to any Other Defaults) which would be in priority to the Junior Liabilities, and Junior Creditor is willing to agree that the Senior Deed of Trust securing the Purchase Money Note shall constitute a lien or charge upon the Land which is unconditionally prior and superior to the lien or charge of the Junior Mortgage.

NOW, THEREFORE, in consideration of the mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, and in order to induce Senior Creditor to forbear from taking formal actions to establish the lien priority of the Senior Deed of Trust, to not institute any foreclosure actions on account of Owner's Recording Default and not presently enforce interest at the default rate due on the Purchase Money Note on account of Owner's Recording Default, it is hereby declared, understood and agreed as follows:

(1) That the Senior Deed of Trust securing the Senior Liabilities, and any renewals or extensions thereof, shall unconditionally be and remain at all times a lien or charge on the Land therein described, prior and superior to the lien or charge of the Junior Mortgage.

(2) That this Agreement shall be the whole and only agreement with regard to the subordination of the lien or charge of the Junior Mortgage to the lien or charge of the Senior Deed of Trust.

(3) That Senior Creditor may amend the Senior Deed of Trust or the Purchase Money Note in any manner without the prior written consent of Junior Creditor. No renewal, modification or extension of time of payment of the Senior Liabilities, and no release or surrender of any security for the Senior Liabilities, or the obligations of any endorsers, sureties or guarantors thereof, or release from the terms of this or any other subordination agreement of any claims subordinated, and no delay or omission in exercising any right or power on account of or in connection with the Senior Liabilities, or under this Agreement, shall, in

any manner, impair or affect the rights and duties of Senior Creditor or Junior Creditor. Senior Creditor, in its uncontrolled discretion, may waive or release any right or option accorded Senior Creditor under this Agreement without the consent Junior Creditor, and without otherwise in any way affecting the obligations Junior Creditor hereunder. Junior Creditor hereby waives notice of the creation, existence, renewal, modification or extension of the time of payment, of the Senior Liabilities.

(4) That Junior Creditor may not amend the Junior Mortgage in any manner that would materially and adversely affect the Senior Liabilities or the Property, including, without limitation, increasing the face amount of the Junior Liabilities, increasing the interest rate or any payment obligations under the Junior Liabilities, or expanding Junior Creditor's security interests and liens under the Junior Loan relating to the Property, without the prior written consent of the Senior Creditor. Junior Creditor shall give Senior Creditor written notice as well as copies of any such amendments within five (5) business days after such documents have been executed by Junior Creditor.

(5) That Junior Creditor shall send to Senior Creditor a written copy of any notices given to Owner regarding: (i) any default under the Junior Mortgage or Junior Liabilities; or (ii) any event, with the giving of such notice or the passage of time without cure, would result in a default under the Junior Mortgage or Junior Liabilities. Junior Creditor agrees that all such notices to Senior Creditor shall be sent contemporaneously with the sending of such notices to Owner. Senior Creditor shall send to Junior Creditor a written copy of any notices given to Owner regarding: (i) any default under any of the Purchase Money Note or the Senior Deed of Trust; or (ii) any event, with the giving of such notice or the passage of time without cure, would result in a default or Event of Default under either the Purchase Money Note or the Senior Deed of Trust. Senior Creditor agrees that all such notices to Junior Creditor shall be sent contemporaneously with the sending of such notices to Owner. Senior Creditor and Junior Creditor shall each have the right, but not the obligation, to cure any default by Owner under the Junior Mortgage, on one hand, or the Purchase Money Note or the Senior Deed of Trust, on the other hand, and respectively. In addition, at any time and from time to time, Junior Creditor, at its option, shall have the right to fully repay the Purchase Money Note in full, together with accrued but unpaid interest and all of Senior Lender's costs and fees thereunder, in which case Junior Creditor shall be entitled to all of the rights and benefits of Senior Lender thereunder.

(6) Notwithstanding any lien now held or hereafter acquired by the Junior Creditor, the Senior Creditor may take possession of, sell, dispose of, and otherwise deal with all or any part of the Property, and may enforce any right or remedy available to it with respect to the Owner or the Property, all without notice to or the consent of the Junior Creditor except as specifically required by applicable law or this Agreement. The Senior Creditor shall have no duty to preserve, protect, care for, insure, take possession of, collect, dispose of, or otherwise realize upon any of the Property, except in accordance with applicable law (including the Arizona Uniform Commercial Code), and in no event shall the Senior Creditor be deemed the Junior Creditor's agent with respect to the Property. All proceeds received by the Senior Creditor with respect to the Property, or any portion thereof, may be applied, first, to pay or reimburse the Senior Creditor for all costs and expenses (including reasonable attorneys' fees) incurred by the Senior Creditor in connection with the collection of such proceeds, and, second, to any Senior Liabilities secured by the Senior Deed of Trust in any order that it may choose or as otherwise required by the Purchase Money Note or applicable law, and, third, to the Junior Liabilities.

(7) That, until the Senior Liabilities are paid in full, Junior Creditor agrees, except as expressly set forth herein, to not take any action or exercise any remedies under the Junior Deed of Trust or with respect of the Junior Liability or to cause Owner to voluntarily or involuntarily seek relief from its creditors, appointment of a receiver, liquidator or trustee for all or a major part of its assets or file a pleading or answer in any proceeding admitting insolvency, bankruptcy or inability of pay its debts as they mature.

(9) That if: (a) there occurs any casualty to the buildings or improvements constructed on the Property that is covered by insurance; or (b) any portion of the Property is condemned or taken under a power of eminent domain, Senior Creditor shall have the sole right, without any involvement or rights of Junior Creditor, to adjust, collect and compromise, in its sole discretion, all insurance proceeds and compensation and awards issued on account of such action.

(10) That the Recitals set forth above are incorporated by reference into the body of the Subordination Agreement as if fully re-written herein.

(11) No addition to or modification of any term or provision of this Agreement shall be effective unless set forth in writing and signed by both Senior Creditor and Junior Creditor.

(12) That each of Senior Creditor and Junior Creditor and attorneys for each such party have participated in the drafting and preparation of this Agreement. Therefore, the provisions of this Agreement shall not be construed in favor of or against either Senior Creditor or Junior Creditor, but shall be construed as if both Senior Creditor and Junior Creditor equally prepared this Agreement.

(13) That this Agreement may be executed in counterparts, each of which shall constitute an original, but all of which together shall constitute a single agreement. The signature page of any counterpart may be detached therefrom without impairing the legal effect of the signature(s) thereon provided such signature page is attached to any other counterpart identical thereto except having additional signature pages executed by the other party.

(14) That the laws of the State of Arizona applicable to contracts to be performed wholly within Arizona shall govern this Agreement.

NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN SPECIFIC CONSIDERATION, A PORTION OF WHICH MAY BE EXPENDED, UTILIZED AND/OR APPLIED FOR OTHER PURPOSES THAN THE IMPROVEMENT OF THE LAND.

(ALL SIGNATURES MUST BE ACKNOWLEDGED)

IT IS RECOMMENDED THAT, PRIOR TO THE EXECUTION OF THIS SUBORDINATION AGREEMENT, THE PARTIES CONSULT WITH THEIR ATTORNEYS WITH RESPECT THERETO.

(Remainder of page intentionally blank.)

SENIOR CREDITOR:

GEARED EQUITY, LLC, an Arizona limited liability company

By: _____
Printed Name: _____
Title: _____

STATE OF ARIZONA)

)ss.

County of Maricopa)

On _____, before me, the undersigned Notary Public, personally appeared _____, the _____ of GEARED EQUITY, LLC, an Arizona limited liability company, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies) and that his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____

My Commission Expires:

Notary Public

752956.1

JUNIOR CREDITOR:

DENSCO INVESTMENT CORPORATION, an Arizona corporation

By: _____
Denny J. Chittick, President

STATE OF ARIZONA)

)ss.

County of Maricopa)

On _____, before me, the undersigned Notary Public, personally appeared Denny J. Chittick, President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies) and that his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____

Notary Public

My Commission Expires:

EXHIBIT "A"

Description of Property

Lot 218, of Anthem – Unit 55, According to the Plat of Record in the Office of the County Recorder of Maricopa County, Arizona, Recorded in Book 665 of Maps, Page 30.
EXCEPT therefrom all coal, oil, gas and other mineral deposits, as reserved in the patent to the land.

APN: 211-93-218

Exhibit 24

DenSco / ~~Gen~~ workout

Tcw Denny Chittick (1/6/14) 602-469-3001

— Left message

~~Scott~~

Tcw Denny Chittick (1/16/14) 602-469-3001

— Largest Borrower had a guy working in his office + was getting 2 loans on each property

— Thurs 10 — 11:45

already fixed about 6 loans

— these guys have not indicated any willingness to extend the loans to work this out

Exhibit 25

SUPERIOR COURT OF ARIZONA

COUNTY OF MARICOPA

PETER S. DAVIS, as Receiver of DenSco Investment Corporation, an Arizona corporation, Plaintiff, vs. CLARK HILL, PLC, a Michigan limited liability company; DAVID G. BEAUCHAMP and JANE DOE BEAUCHAMP, husband and wife, Defendants.	)	NO. CV2017-013832 ***CONFIDENTIAL***

****

ORAL DEPOSITION OF

YOMTOV SCOTT MENAGED

SEPTEMBER 23, 2019

Volume 1 OF 2

****

ORAL DEPOSITION of YOMTOV SCOTT MENAGED, produced as a witness at the instance of the Defendants and duly sworn, was taken in the above-styled and numbered cause on September 23, 2019, from 9:09 a.m. to 3:42 p.m., at the La Tuna Federal Correction Institution, Anthony, Texas, pursuant to the Arizona Rules of Civil Procedure.

Reported by:

Rhonda McCay, CSR, CCR, RPR, CLR

Q. So I know there are emails. I'm trying to minimize because I think you have a pretty good memory of all the documents I brought along because -- I think some of these things we can cover like this.

But there are emails that reference the fact that both of you are kind of fed up with lawyers and legal fees. Do you recall that?

A. I do, yes.

Q. I mean, he seemed to kind of view the lawyer as kind of a necessary evil or annoyance. Is that what you were seeing?

MR. STURR: Form.

A. I think he wasn't happy about paying the bills. What his thoughts were about what they could bring to the table or not, I can't tell you. What I can tell you is I know he wasn't happy when he got the bill.

Q. (BY MR. DeWULF) I think you shared in this exam you gave earlier about the fact that, at some point in time, he was probably embarrassed -- that is, Denny Chittick was embarrassed about the state of things at DenSco; and therefore, he was reluctant to tell people things.

MR. STURR: Form, foundation.

Q. (BY MR. DeWULF) Does that square with your memory?

2013, that you and Denny Chittick had an agreement going forward as to how to address -- the lenders who had hired litigation counsel and Active Funding Group?

A. Yes.

Q. All right. And had he, Denny Chittick, already advanced you roughly a million dollars or so towards this solution that you had agreed to?

A. I don't remember, but it sounds about right from reading something. I feel like I read this somewhere.

Q. So, I guess, saying more broadly, by the time -- by the end of 2013, DenSco had already started performing under this agreement that you had reached with Denny Chittick to address all these competing liens from competing lenders?

MR. STURR: Object to the form.

A. Prior to the term sheet, we already went into this agreement, yes.

Q. (BY MR. DeWULF) So you met with David Beauchamp on January 9, 2014. Do you recall that?

A. I recall the meeting with him, yes.

Q. And it was you and Denny Chittick and David Beauchamp, right?

A. The first meeting, that's correct.

Q. Using that as kind of a point in time, do you

believe that by that time, you and Denny Chittick had already reached an agreement as to how you were going to address all of these problems with these competing loans, and that you were now in a position to put it in a written document?

A. Yes.

Q. And do you remember, by the time that you met with David Beauchamp, that DenSco had already started and Mr. Chittick had already started performing under the understanding you had with him?

A. That's correct.

Q. So I think that there were two meetings that you had with David Beauchamp, the lawyer. There is the one that I just described, which was January 9, 2014. And you may not know that specific date, but you do recall that there was a meeting in early January of 2014 where you and Denny Chittick kind of explained the situation for David Beauchamp.

A. I remember it, yes.

Q. Okay. And then I think there was one other meeting that you had with David Beauchamp, and that was in -- that was when you had your counsel, Jeff Goulder with you, David Beauchamp was there, Denny Chittick was there, and you were there. Do you recall that?

A. I do.

Q. Do you remember what the purpose of the letter was?

A. To settle with the receiver.

Q. So you were -- if you look at Roman numeral II that appears on the third page, Mr. Menaged, it is a -- it's a statement of Denny Chittick being aware of your business practices. By that, it means he was aware of, I think, primarily in this case, the second fraud issues of purchases not actually occurring for property for loans with DenSco.

Let me step back. That's not really the question. I want to provide some background.

Do you think Denny Chittick ever was able to determine that, regarding the second fraud where the banks worked with you on cashier's checks and redepositing -- do you think he ever determined that you, in fact, were not buying properties with the monies that DenSco was wiring to you?

A. Yes.

Q. When do you think he figured that out?

A. I'd have to see when he changed his loan documents. I refused to continue to sign the same loan documents saying that I was purchasing these properties. I told him upfront. He changed all the loan documents.

Q. How did he change the loan documents?

A. He changed all the wording to say that they're offers to purchase. Basically, I have no liability to purchase these properties.

Q. Okay. How do you think he learned that you weren't actually buying properties with the monies that DenSco was wiring to you?

A. Because I told him.

Q. Okay. But you don't remember when that occurred?

A. No.

Q. Do you think it would have been after the forbearance agreement was signed?

A. It had to be after the forbearance agreement was signed because whatever you consider as fraud 2 was not happening until after -- until after we discussed everything with your client.

Q. In January of 2014?

A. Whenever that meeting was. That first meeting.

Q. So you think after -- let's take that date as January 9 -- I don't think that's in dispute, January 9 of 2014 -- that it was after that meeting that you think you started the -- what's been called the second fraud involving the banks?

A. Yes.

Q. Fairly soon after that?

Q. And also the Active Funding Group problems competing with DenSco, right?

A. Yes.

Q. And then you negotiate this forbearance agreement that -- I think you start negotiating in early 2014, but you don't actually sign it for the first time until April of 2014. Do you recall that?

A. That's probably about right.

Q. Do you know why it took so long to get that thing done?

A. Everybody was going back and forth on changes, wording. It was frustrating. Denny, I remember -- that's all I really remember.

Q. So it appears that, because there are all these back and forths, these emails -- there's emails between you and Denny Chittick. There's emails between the lawyers, et cetera. Do you remember that sometimes Denny Chittick would share with you what his lawyer was telling him?

A. That Denny would share with me what David Beauchamp -- all the time.

Q. Did he ever send to you any of the written communications from Mr. Beauchamp?

A. I'm pretty sure, yes. I actually remember that.

C E R T I F I C A T E

STATE OF TEXAS)
COUNTY OF EL PASO)

I, Rhonda McCay, Certified Shorthand Reporter in and for the State of Texas, State of New Mexico and Registered Professional Reporter, hereby certify that this transcript is a true record of the said proceedings, and that said transcription is done to the best of my ability.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on this 1st day of October, 2019.

Rhonda McCay, CSR, CCR, RPR
Texas Certification Number 4457
Date Of Expiration: 1/31/2021
REPORTERS INK, LLC
Firm Registration Number 420
221 N. Kansas, Suite 1101
El Paso, Texas 79901
Ph.: 915.544.1515

SUPERIOR COURT OF ARIZONA

COUNTY OF MARICOPA

PETER S. DAVIS, as Receiver of DenSco Investment Corporation, an Arizona corporation, Plaintiff, vs. CLARK HILL, PLC, a Michigan limited liability company; DAVID G. BEAUCHAMP and JANE DOE BEAUCHAMP, husband and wife, Defendants.	)	NO. CV2017-013832 ***CONFIDENTIAL***

****

ORAL DEPOSITION OF

YOMTOV SCOTT MENAGED

SEPTEMBER 24, 2019

Volume 2 OF 2

****

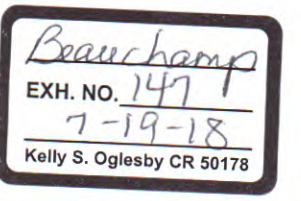
ORAL DEPOSITION of YOMTOV SCOTT MENAGED, produced as a witness at the instance of the Defendants and duly sworn, was taken in the above-styled and numbered cause on September 24, 2019, from 8:17 a.m. to 3:42 p.m., at the La Tuna Federal Correction Institution, Anthony, Texas, pursuant to the Arizona Rules of Civil Procedure.

Reported by:

Rhonda McCay, CSR, CCR, RPR, CLR

Exhibit 26

Message



From: Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]
Sent: 1/9/2014 1:30:22 PM
To: Denny Chittick [dcmoney@yahoo.com]
Subject: RE: two trusts

Denny:

Let me think about it. I will get back to you.

Best, David

David G. Beauchamp

CLARK HILL PLC

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

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Thursday, January 09, 2014 2:16 PM
To: Beauchamp, David G.
Subject: two trusts

I have one investor that has two trusts with me, each one for his children, i spoke with him. he says that the children's trusts are subsets of larger family trusts that they have a pro-rated share of (you know how they create these spider web of trusts) even though he his the trustee, has full authority over them, he cannot definitively say that they would valued at 5 million each.
what do you recommend that i do? he's completely flexible, i've known him for 20 yr, one of my first investors. This is the Taser guy, Tom Smith.
thx
dc

DenSco Investment Corp
www.denscoinvestment.com

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

Message

From: Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]
Sent: 1/9/2014 9:41:55 PM
To: 'dcmoney@yahoo.com' [dcmoney@yahoo.com]
CC: Beauchamp, David G. [dbeauchamp@clarkhill.com]
Subject: Re: auction properties/paying trustee

Denny:

Let me see what the other lenders got from the Trustee and we can make a better decision. There is either another way to do it or someone described a procedure that does not work.

Best regards, David

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

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Thursday, January 09, 2014 08:55 PM
To: Beauchamp, David G.
Subject: auction properties/paying trustee

If i cut a cashiers check and take it to the trustee myself, i dont' get a receipt that DenSco Paid for it. i get a receipt saying that x property was paid for, for X $'s vested in borrower's name. my name doesn't appear on it. other than having a cashiers check receipt saying that i made a check out for it, there isn't anything from the trustee saying that it was my check.

i could wire Scott the money, he could produce a cashiers check that says remitter is DenSco and it would have the exact same affect as if i got cashiers check that said i'm the remitter.

i don't just do this with scott, i do this with 90% of the guys that i fund at the auctions. 90% of the time there is an intermediary

between my borrower and the trustee, a bidding co. everyone wires the money to the bidding co and the bidding co' gets the cashiers check saying remitter is the buyer.

put aside the logistics for a second, what proof or what guarantee is there by me cutting the check and handing it to suzy at the trustees office rather than my borrowers?

i know i must be missing something.
dc

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

DenSco / Workout

Beauchamp, David G.

From: Denny <dcmoney@yahoo.com>
Sent: Friday, January 10, 2014 4:37 AM
To: Beauchamp, David G.
Subject: Re: auction properties/paying trustee

I will do some more checking with Trustee's

Sent from my iPad

On Jan 9, 2014, at 10:41 PM, "Beauchamp, David G." <DBeauchamp@ClarkHill.com> wrote:

> Denny:
>
> Let me see what the other lenders got from the Trustee and we can make a better decision. There is either another way to do it or someone described a procedure that does not work.
>
> Best regards, David
>
> David G. Beauchamp
> CLARK HILL PLC
> 14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
> 480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
> dbeauchamp@clarkhill.com | www.clarkhill.com

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Thursday, January 09, 2014 08:55 PM
To: Beauchamp, David G.
Subject: auction properties/paying trustee

If i cut a cashiers check and take it to the trustee myself, i dont' get a receipt that DenSco Paid for it. i get a receipt saying that x property was paid for, for X $'s vested in borrower's name. my name doesn't appear on it. other than having a cashiers check receipt saying that i made a check out for it, there isn't anything from the trustee saying that it was my check.

i could wire Scott the money, he could produce a cashiers check that says remitter is DenSco and it would have the exact same affect as if i got cashiers check that said i'm the remitter.

i don't just do this with scott, i do this with 90% of the guys that i fund at the auctions. 90% of the time there is an intermediary between my borrower and the trustee, a bidding co. everyone wires the money to the bidding co and the bidding co' gets the cashiers check saying remitter is the buyer.

put aside the logistics for a second, what proof or what guarantee is there by me cutting the check and handing it to suzy at the trustees office rather than my borrowers?

i know i must be missing something.
dc

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

Exhibit 27

DenSco (Managed

Lender

Mtg w/ Denny Chiffick & Scott Managed (1/9/14)

→ put cousin in charge
→ eliminated about 10% in last 45 days → through liquidation
& another 12 are in escrow (3 or 4 should be the plaintiffs)
→ happened to about 100 to 125 properties

— what happened to the money?

— will pursue something w/ his cousin → but trying to determine where the money has gone

→ Plan
— to pay off other lenders through
— Denny to raise coverage & loan amount from 75% to 90%
— other investors to help Scott to come up w/ the balance

→ strategically pick the properties
→ some are leased & are tied up for

→ Dan, Craig & Lon → they came to DC (& met w/)
— most of their properties
— supposedly they are in touch w/ other lenders

→ pushing to get
— they are getting paid current

- 60 total properties (approx $6 MM)
  - of guys from Bob Miller's letter + the other leader that they are talking to

Jeff Goulder → atty for Scott

- Chris Hyman → directed deals to different leaders (Broker)

- Greg Reichman – Active Funding
  - ↳ Scott met up w him → if there is a subordination agmt, Greg wants to be protected → if none, he is OK – understands the plan
  - ↳ partner Jodie Angel (atty)
    - ↳ (he)

Plan (rent)

- 90 days

- What does Denny need to do to get the full time

Exhibit 28

OSBORN MALEDON
A PROFESSIONAL ASSOCIATION ATTORNEYS AT LAW

Geoffrey M. T. Sturr

gsturr@omlaw.com

2929 North Central Avenue
21st Floor
Phoenix, Arizona 85012

Direct Line 602.640.9377

Telephone 602.640.9000
Facsimile 602.640.9050
omlaw.com

January 17, 2018

Via U.S. & Electronic Mail

John E. DeWulf, Esq.
Coppersmith Brockelman PLC
2800 N. Central Avenue, Suite 1900
Phoenix, AZ 85004

Re: Davis v. Clark Hill, et al., CV2017-013832
Calculation of Prejudgment Interest

Dear John:

As you know, the Receiver's complaint requests, as an element of damages, prejudgment interest. Rule 68, regarding offers of judgment, also provides as a sanction for not doing better than the offer of judgment, prejudgment interest on both liquidated and unliquidated claims.

Prejudgment interest is sought on three different types of loans that were outstanding on Denny Chittick's death, as summarized in the Receiver's December 23, 2016 report: *(i)* a $5 million workout loan made to Scott Menaged as part of the Forbearance Agreement; *(ii)* a $1 million workout loan made to Menaged as part of the Forbearance Agreement; and *(iii)* non-workout loans that DenSco made to Menaged after DenSco learned of Menaged's fraud in November 2013. As alleged in the complaint, the losses DenSco suffered on those loans were the proximate result of Clark Hill's conduct. Prejudgment interest is also sought on Clark Hill legal fees paid by DenSco.

The purpose of this letter is to provide Clark Hill with information to assess its exposure for prejudgment interest.

1. $5 million "workout loan" to Menaged

Under the Forbearance Agreement that Clark Hill drafted and advised DenSco to sign, DenSco agreed to loan Menaged up to $5 million for use in connection with the sale or refinancing of any property listed in Exhibit A to the Agreement. The principal balance of that loan as of December 23, 2016 was $13,336,807.24. *See* Receiver's Report, December 23, 2016, at page 9. We enclose, as Appendix A, a schedule showing how that balance was calculated. The schedule reflects that Menaged drew on this loan as early as February 2014, and made a last

draw on August 18, 2015. As of October 5, 2015, the principal balance of the line of credit was $13,656,807.24, and remained at this amount until Chittick's death in July 2016.

The rate of prejudgment interest in this case is 10%. A.R.S. § 44-1201(A), (F). Thus, a yearly calculation of prejudgment interest on DenSco's $13,656,807.24 loss is $1,365,680.72.

2. $1 million "workout loan" to Menaged

The Forbearance Agreement also obligated DenSco to make a "new loan" to Menaged of up to $1 million as part of the "workout" that Clark Hill blessed and documented. The principal balance of that loan as of December 23, 2016 was $1,002,532.55. *See* Receiver's Report, December 23, 2016, at page 9. We enclose, as Appendix B, a schedule showing how that balance was calculated. The schedule reflects that Menaged drew on this loan as early as December 13, 2013 and last drew on this loan on April 30, 2014, when the principal balance was $1,002,532.55. It remained at that amount until Chittick's July 2016 death.

A yearly calculation of prejudgment interest on DenSco's $1,002,532.55 loss is $100,253.25.

3. Non-workout loans

As set forth in the Receiver's December 23, 2016 report (at page 10), as of August 2016, when the Receiver was appointed, DenSco suffered losses of at least $28,332,300 because of loans made to Menaged outside of the "work out" loans contemplated by the Forbearance Agreement that were not secured. We enclose, as Appendix C, a schedule showing how that amount was calculated.

A yearly calculation of prejudgment interest on DenSco's $28,332,300.00 loss is $2,833,230.00.

4. Payments to Clark Hill for Attorneys' Fees

As of June 24, 2016, Clark Hill received payment from DenSco for legal fees in the amount of $163,702.45. The Receiver seeks in the complaint the return of all those fees on the grounds that they were received after Clark Hill had committed a serious breach of fiduciary duty. The last fee payment was on June 24, 2016.

A yearly calculation of prejudgment interest on the Receiver's attorney fee disgorgement claim is $16,370.25.

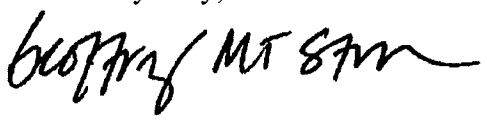
5. Conclusion

The date on which prejudgment interest began accruing will be decided by the Court. We submit that the Court could conclude that prejudgment interest began accruing on the loan losses as early as the date the Forbearance Agreement was signed in April 2014. Alternatively, the

Court could conclude that prejudgment interest on the loan losses began accruing in August 2016, when Clark Hill received Chittick's pre-suicide writings that blamed Clark Hill for those losses. Clark Hill received a second notice of its exposure for prejudgment interest on the loan losses when the Receiver issued his December 23, 2016 report. At the latest, prejudgment interest has been accruing since October 17, 2017, when Clark Hill received a copy of the Complaint.

Clark Hill's exposure for prejudgment interest is significant. As set forth above, Clark Hill faces yearly prejudgment interest of $4,315,534.22 that has been accruing and will continue to accrue to the date a judgment is satisfied. The Receiver reserves the right to revise or otherwise adjust that number as information acquired through disclosure and discovery is analyzed. The Receiver nevertheless assumes that Clark Hill possesses adequate information to assess its exposure for prejudgment interest.

Yours very truly,



Geoffrey M. T. Sturr

GMTS:dh
Enclosures
cc: Colin F. Campbell, Esq.
7433114

Appendix A

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

DenSco Investment Corporation
$5 Million Workout Loan - As of 07/28/16 (Date of Denny Chittick's Death)

Loan Date	Loan No.	Property Address	City, Zip	Loan Amount
02/28/14	Workout	Pay Gregg's Interest		100,000.00
03/05/14	Workout	Principal Payment		(100,000.00)
03/07/14	4505	2105 S 108th Ave	Avondale, AZ 85323	95,864.00
03/07/14	4554	2027 S 101st Dr	Tolleson, AZ 85353	79,380.98
03/07/14	4607	1942 S Emerson #252	Mesa, AZ 85210	41,382.56
03/07/14	4645	14869 W Caribbean Ln	Surprise, AZ 85379	79,252.00
03/07/14	4652	4119 W Valley View Dr	Laveen, AZ 85339	88,896.00
03/07/14	4656	4906 W Gelding Dr	Glendale, AZ 85306	69,082.27
03/07/14	4711	1697 S 233rd Ln	Buckeye, AZ 85326	67,353.16
03/10/14	4690	4119 W Grovers Ave	Glendale, AZ 85308	78,538.63
03/14/14	4578	1040 S 220th Ln	Buckeye, AZ 85326	68,127.63
03/14/14	4644	18146 W Puget Ave	Waddell, AZ 85355	63,861.07
03/14/14	4671	23846 W Gibson Ln	Buckeye, AZ 85326	92,372.15
03/21/14	4503	15456 S 47th Place	Phoenix, AZ 85044	181,653.80
03/26/14	Workout	Principal Payment		(1,715.65)
03/28/14	4446	6024 E Wethersfield Rd	Scottsdale, AZ 85254	112,625.27
03/31/14	4483	13920 W Maui Ln	Surprise, AZ 85379	38,414.70
03/31/14	4722	1820 S 106th Ln	Tolleson, AZ 85353	63,544.61
04/04/14	4431	25852 S Beech Creek dr	Sun Lakes, AZ 85248	120,000.00
04/04/14	4431	25852 S Beech Creek dr	Sun Lakes, AZ 85248	18,235.26
04/04/14	4604	707 E Potter Dr	Phoenix, AZ 85024	170,000.00
04/04/14	4604	707 E Potter Dr	Phoenix, AZ 85024	14,619.56
04/10/14	4589	16739 W Navajo St	Goodyear, AZ 85338	20,000.00
04/14/14	4287	4745 W Golden Ln	Glendale, AZ 85302	60,000.00
04/14/14	4287	4745 W Golden Ln	Glendale, AZ 85302	3,805.73
04/14/14	4585	3154 W Via Montoya Dr	Phoenix, AZ 85027	21,082.34
04/14/14	4665	635 S St Paul	Mesa, AZ 85206	27,783.84
04/14/14	4688	9832 E Olla Ave	Mesa, AZ 85212	37,589.85
04/21/14	4459	1427 W Windsong Dr	Phoenix, AZ 85045	184,645.10
04/24/14	4611	14904 W Port Royale Ln	Surprise, AZ 85379	25,930.11
04/25/14	3926	320 S 70th St #9	Mesa, AZ 85208	120,000.00
04/25/14	3926	320 S 70th St #9	Mesa, AZ 85208	35,000.00
04/25/14	3926	320 S 70th St #9	Mesa, AZ 85208	21,468.83
04/28/14	4180	7089 W Andrew Ln	Peoria, AZ 85383	170,000.00
04/28/14	4180	7089 W Andrew Ln	Peoria, AZ 85383	(4,182.39)
04/28/14	4180	7089 W Andrew Ln	Peoria, AZ 85383	4,547.94
04/30/14	4636	4705 N Brookview Terrace	Litchfield, AZ 85340	131,720.03
05/02/14	4313	19296 W Adams St	Buckeye, AZ 85326	110,000.00
05/02/14	4313	19296 W Adams St	Buckeye, AZ 85326	32,360.22
05/09/14	4519	23851 W Wier Ave	Buckeye, AZ 85326	120,000.00
05/09/14	4519	23851 W Wier Ave	Buckeye, AZ 85326	7,794.45
05/12/14	4152	18131 W Ruth Ave	Waddell, AZ 85355	190,000.00
05/12/14	4152	18131 W Ruth Ave	Waddell, AZ 85355	39,258.34
05/12/14	4689	17661 W Marconi Ave	Surprise, AZ 85388	107,140.72
05/12/14	4703	14365 W Verde Ln	Goodyear, AZ 85338	93,442.35
05/13/14	4669	12602 N 60th St	Scottsdale, AZ 85254	56,530.13
05/15/14	4383	9423 W McRae Way	Peoria, AZ 85382	100,000.00
05/15/14	4383	9423 W McRae Way	Peoria, AZ 85382	368.83
05/16/14	4434	2210 S Keene St	Mesa, AZ 85209	200,000.00
05/16/14	4434	2210 S Keene St	Mesa, AZ 85209	1,651.22

DenSco Investment Corporation
$5 Million Workout Loan - As of 07/28/16 (Date of Denny Chittick's Death)

Loan Date	Loan No.	Property Address	City, Zip	Loan Amount
05/16/14	4618	12602 N 60th St	Phoenix, AZ 85032	198,683.57
05/22/14	4386	2182 E Arabian Dr	Gilbert, AZ 85296	140,000.00
05/22/14	4386	2182 E Arabian Dr	Gilbert, AZ 85296	12,676.24
05/30/14	3927	7204 W Warner St	Phoenix, AZ 85043	90,000.00
05/30/14	3927	7204 W Warner St	Phoenix, AZ 85043	59,347.52
06/02/14	4546	15550 N Frank Lloyd Wright #1005	Scottsdale, AZ 85260	176,884.68
06/09/14	4430	5414 S Heather Dr	Tempe, AZ 85283	170,000.00
06/09/14	4430	5414 S Heather Dr	Tempe, AZ 85283	2,053.55
06/11/14	4397	2968 E Lynx Way	Gilbert, AZ 85298	240,000.00
06/11/14	4397	2968 E Lynx Way	Gilbert, AZ 85298	28,487.82
06/20/14	4544	17016 S 27th Place	Phoenix, AZ 85048	96,956.75
06/27/14	4417	17540 N Estrella Vista Dr	Surprise, AZ 85375	140,000.00
06/27/14	4417	17540 N Estrella Vista Dr	Surprise, AZ 85375	27,152.96
06/30/14	4136	14556 N 154th Ln	Surprise, AZ 85379	120,000.00
06/30/14	4136	14556 N 154th Ln	Surprise, AZ 85379	35,887.76
06/30/14	4530	1750 W Potter Dr	Phoenix, AZ 85027	67,811.64
07/14/14	4624	15143 E Aspen Dr	Fountain Hills, AZ 85268	191,311.29
07/17/14	4495	16527 W Post Dr	Surprise, AZ 85388	100,000.00
07/17/14	4495	16527 W Post Dr	Surprise, AZ 85388	6,475.40
07/18/14	4619	3740 W Villa Theresa Dr	Glendale, AZ 85308	73,946.52
07/22/14	4454	2733 S Ananea St	Mesa, AZ 85209	160,000.00
07/22/14	4454	2733 S Ananea St	Mesa, AZ 85209	10,543.58
07/31/14	3610	20802 N Grayhawk Dr #1076	Scottsdale, AZ 85255	250,000.00
07/31/14	3610	20802 N Grayhawk Dr #1076	Scottsdale, AZ 85255	98,873.28
07/31/14	Workout	Principal Payment		(5,988.38)
08/06/14	4541	31008 W Columbus Ave	Buckeye, AZ 85326	40,000.00
08/11/14	4481	13512 W Marshall Ave	Litchfield, AZ 85340	130,000.00
08/11/14	4481	13512 W Marshall Ave	Litchfield, AZ 85340	29,014.25
08/15/14	4061	22261 W Moonlight Path	Buckeye, AZ 85326	65,501.97
08/19/14	4003	4529 E Sharon Dr	Phoenix, AZ 85032	150,000.00
08/19/14	4003	4529 E Sharon Dr	Phoenix, AZ 85032	45,997.87
08/19/14	4003	4529 E Sharon Dr	Phoenix, AZ 85032	6,173.44
08/20/14	3933	9451 E Becker Ln #B1057	Scottsdale, AZ 85260	110,000.00
08/20/14	3933	9451 E Becker Ln #B1057	Scottsdale, AZ 85260	26,196.70
08/20/14	3933	9451 E Becker Ln #B1057	Scottsdale, AZ 85260	24,182.08
08/21/14	3975	1080 E Redwood Dr	Chandler, AZ 85286	120,000.00
08/21/14	3975	1080 E Redwood Dr	Chandler, AZ 85286	19,039.20
08/22/14	Workout	Principal Payment		(21,324.12)
08/26/14	4643	842 E Sheffield Ave	Gilbert, AZ 85296	84,030.98
08/27/14	Workout	Principal Payment		(7,977.69)
08/29/14	4381	3237 W Pleasant Ln	Phoenix, AZ 85041	120,421.77
08/29/14	Workout	Principal Payment		(23,088.43)
09/02/14	4411	5335 S Monte Vista St	Chandler, AZ 85249	244,822.86
09/04/14	Workout	Principal Payment		(78,786.68)
09/05/14	4732	5916 W Fetlock Trl	Phoenix, AZ 85085	68,759.48
09/09/14	4077	5357 S Ranger Trail	Gilbert, AZ 85296	230,000.00
09/09/14	4077	5357 S Ranger Trail	Gilbert, AZ 85296	83,002.32
09/09/14	4077	5357 S Ranger Trail	Gilbert, AZ 85296	89,534.80
09/11/14	Workout	Principal Payment		(24,052.70)
09/12/14	4393	25209 S Saddletree Dr	Sun Lakes, AZ 85248	90,794.60

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

DenSco Investment Corporation
$5 Million Workout Loan - As of 07/28/16 (Date of Denny Chittick's Death)

Loan Date	Loan No.	Property Address	City, Zip	Loan Amount
09/12/14	Workout	Principal Payment		(16,173.61)
09/19/14	4228	7389 W Tierra Buena Ln	Peoria, AZ 85382	100,000.00
09/19/14	4228	7389 W Tierra Buena Ln	Peoria, AZ 85382	27,343.88
09/23/14	3997	311 N Kenneth Pl	Chandler, AZ 85226	220,000.00
09/23/14	3997	311 N Kenneth Pl	Chandler, AZ 85226	48,302.06
09/24/14	Workout	Principal Payment		(13,530.08)
09/26/14	3987	18356 W Mission Ln	Waddell, AZ 85355	150,000.00
09/26/14	3987	18356 W Mission Ln	Waddell, AZ 85355	40,000.00
09/26/14	3987	18356 W Mission Ln	Waddell, AZ 85355	41,382.45
09/26/14	Workout	Principal Payment		(21,865.60)
09/29/14	Workout	Principal Payment		(12,657.65)
10/02/14	4409	3326 E Oriole Dr	Gilbert, AZ 85297	144,173.16
10/03/14	Workout	Principal Payment		(83,424.68)
10/10/14	Workout	Principal Payment		(31,032.87)
10/17/14	Workout	Principal Payment		(31,141.49)
10/24/14	3882	10721 W Laurelwood Ln	Avondale, AZ 85323	120,000.00
10/24/14	3882	10721 W Laurelwood Ln	Avondale, AZ 85323	39,258.48
10/24/14	Workout	Principal Payment		(46,170.85)
10/30/14	4020	12802 W Willow Ave	El Mirage, AZ 85335	80,000.00
10/30/14	4020	12802 W Willow Ave	El Mirage, AZ 85335	30,000.00
10/30/14	4020	12802 W Willow Ave	El Mirage, AZ 85335	4,251.94
10/31/14	Workout	Principal Payment		(45,740.42)
11/07/14	4627	10769 W Runion Dr	Sun City, AZ 85373	150,000.00
11/07/14	4627	10769 W Runion Dr	Sun City, AZ 85373	45,000.00
11/07/14	4627	10769 W Runion Dr	Sun City, AZ 85373	21,171.88
11/07/14	Workout	Principal Payment		(70,506.79)
11/15/14	Workout	Principal Payment		(45,105.06)
11/21/14	Workout	Principal Payment		(70,262.92)
11/24/14	4122	1431 E Bridgeport Pkwy	Gilbert, AZ 85295	210,000.00
11/24/14	4122	1431 E Bridgeport Pkwy	Gilbert, AZ 85295	48,679.35
12/03/14	4482	10440 W Hammond Ln	Tolleson, AZ 85353	40,580.05
12/03/14	Workout	Principal Payment		(23,130.04)
12/12/14	Workout	Principal Payment		(15,191.31)
12/19/14	Workout	Principal Payment		(9,595.56)
12/22/14	4129	2210 W Marco Polo Rd	Phoenix, AZ 85027	100,000.00
12/22/14	4129	2210 W Marco Polo Rd	Phoenix, AZ 85027	47,909.82
12/24/14	3976	2402 E Yucca St	Phoenix, AZ 85028	200,000.00
12/24/14	3976	2402 E Yucca St	Phoenix, AZ 85028	92,084.39
12/24/14	3976	2402 E Yucca St	Phoenix, AZ 85028	33,524.54
12/31/14	3913	1892 E Ellis Dr	Tempe, AZ 85282	140,000.00
12/31/14	3913	1892 E Ellis Dr	Tempe, AZ 85282	70,971.79
12/31/14	3913	1892 E Ellis Dr	Tempe, AZ 85282	6,135.67
01/02/15	4027	11106 W Dana Ln	Avondale, AZ 85323	130,000.00
01/02/15	4027	11106 W Dana Ln	Avondale, AZ 85323	45,000.00
01/02/15	4027	11106 W Dana Ln	Avondale, AZ 85323	76.68
01/02/15	4034	11571 W Hopi St	Avondale, AZ 85323	100,000.00
01/02/15	4034	11571 W Hopi St	Avondale, AZ 85323	48,280.94
01/02/15	4034	11571 W Hopi St	Avondale, AZ 85323	11,276.45
01/08/15	4501	2216 W Plata Cir	Mesa, AZ 85202	110,000.00
01/08/15	4501	2216 W Plata Cir	Mesa, AZ 85202	38,065.50

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

DenSco Investment Corporation
$5 Million Workout Loan - As of 07/28/16 (Date of Denny Chittick's Death)

Loan Date	Loan No.	Property Address	City, Zip	Loan Amount
01/08/15	4501	2216 W Plata Cir	Mesa, AZ 85202	13,299.35
01/30/15	4289	7703 W Lamar Rd	Glendale, AZ 85303	82,187.05
02/06/15	4227	15677 W Ripple Cir	Goodyear, AZ 85338	80,000.00
02/06/15	4227	15677 W Ripple Cir	Goodyear, AZ 85338	27,110.31
02/20/15	4038	3150 E Beardsley Rd #1076	Phoenix, AZ 85050	100,000.00
02/20/15	4038	3150 E Beardsley Rd #1076	Phoenix, AZ 85050	35,000.00
02/20/15	4038	3150 E Beardsley Rd #1076	Phoenix, AZ 85050	22,074.26
02/24/15	4342	11744 W Hadley St	Avondale, AZ 85323	100,000.00
02/24/15	4342	11744 W Hadley St	Avondale, AZ 85323	32,146.84
03/02/15	3914	3740 E Sexton St	Gilbert, AZ 85295	150,000.00
03/02/15	3914	3740 E Sexton St	Gilbert, AZ 85295	44,051.84
03/02/15	3914	3740 E Sexton St	Gilbert, AZ 85295	5,964.96
03/05/15	4509	1561 E Mia Ln	Gilbert, AZ 85298	200,000.00
03/05/15	4509	1561 E Mia Ln	Gilbert, AZ 85298	32,778.52
03/12/15	3994	9016 S 41st Ln	Laveen, AZ 85339	160,000.00
03/12/15	3994	9016 S 41st Ln	Laveen, AZ 85339	69,213.96
03/12/15	3994	9016 S 41st Ln	Laveen, AZ 85339	21,933.38
03/16/15	4625	114 E Valley View Dr	Phoenix, AZ 85042	120,000.00
03/16/15	4625	114 E Valley View Dr	Phoenix, AZ 85042	3,078.09
03/26/15	4004	7575 E Indian Bend Rd #2123	Scottsdale, AZ 85250	120,000.00
03/26/15	4004	7575 E Indian Bend Rd #2123	Scottsdale, AZ 85250	40,000.00
03/26/15	4004	7575 E Indian Bend Rd #2123	Scottsdale, AZ 85250	8,624.70
04/01/15	4410	9521 E Posada Ave	Mesa, AZ 85212	120,000.00
04/01/15	4410	9521 E Posada Ave	Mesa, AZ 85212	4,096.29
04/08/15	4035	23949 W Hadley St	Buckeye, AZ 85326	48,537.08
04/15/15	4352	3154 W Foothill Dr	Phoenix, AZ 85027	100,000.00
04/15/15	4352	3154 W Foothill Dr	Phoenix, AZ 85027	32,332.52
05/01/15	4229	436 N 159th Ave	Goodyear, AZ 85338	140,000.00
05/01/15	4229	436 N 159th Ave	Goodyear, AZ 85338	51,882.91
05/15/15	4322	3354 W Monona Dr	Phoenix, AZ 85027	80,000.00
05/15/15	4322	3354 W Monona Dr	Phoenix, AZ 85027	7,917.44
05/27/15	4438	6346 W Valencia Dr	Laveen, AZ 85339	87,823.21
05/28/15	4069	3333 W Apollo Rd	Phoenix, AZ 85041	100,000.00
05/28/15	4069	3333 W Apollo Rd	Phoenix, AZ 85041	40,000.00
05/28/15	4069	3333 W Apollo Rd	Phoenix, AZ 85041	12,879.27
05/29/15	4109	12827 W Desert Mirage Dr	Peoria, AZ 85383	130,000.00
05/29/15	4109	12827 W Desert Mirage Dr	Peoria, AZ 85383	68,254.24
05/29/15	4109	12827 W Desert Mirage Dr	Peoria, AZ 85383	26,707.15
05/29/15	4422	8224 S 74th Ave	Laveen, AZ 85339	92,551.37
05/29/15	4508	11530 W Flores Dr	El Mirage, AZ 85335	79,053.14
06/01/15	4637	8742 W Pioneer St	Tolleson, AZ 85353	92,956.23
06/02/15	3977	7771 W Marlette Ave	Glendale, AZ 85303	120,000.00
06/02/15	3977	7771 W Marlette Ave	Glendale, AZ 85303	46,867.99
06/02/15	3977	7771 W Marlette Ave	Glendale, AZ 85303	4,828.34
06/10/15	4540	839 S Chatsworth Cir	Mesa, AZ 85208	99,262.30
06/17/15	Workout	Principal Payment		(86,000.00)
06/26/15	3957	1500 N Markdale #1	Mesa, AZ 85201	120,000.00
06/26/15	3957	1500 N Markdale #1	Mesa, AZ 85201	70,000.00
06/26/15	3957	1500 N Markdale #1	Mesa, AZ 85201	28,296.67
06/26/15	4116	6332 W Sonora St	Phoenix, AZ 85043	60,000.00

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

DenSco Investment Corporation
$5 Million Workout Loan - As of 07/28/16 (Date of Denny Chittick's Death)

Loan Date	Loan No.	Property Address	City, Zip	Loan Amount
06/26/15	4116	6332 W Sonora St	Phoenix, AZ 85043	33,689.72
06/30/15	4308	711 E Potter Dr	Phoenix, AZ 85024	130,000.00
06/30/15	4308	711 E Potter Dr	Phoenix, AZ 85024	62,670.91
07/15/15	3998	2367 E Balsam Dr	Chandler, AZ 85286	230,000.00
07/15/15	3998	2367 E Balsam Dr	Chandler, AZ 85286	103,078.80
07/15/15	3998	2367 E Balsam Dr	Chandler, AZ 85286	2,820.14
07/15/15	3998	2367 E Balsam Dr	Chandler, AZ 85286	7,179.86
07/15/15	3998	2367 E Balsam Dr	Chandler, AZ 85286	24,977.14
07/16/15	4500	10025 W Williams St	Tolleson, AZ 85353	82,401.40
07/30/15	3959	5420 W Sunnyside Dr	Glendale, AZ 85304	100,000.00
07/30/15	3959	5420 W Sunnyside Dr	Glendale, AZ 85304	19,606.50
08/11/15	4343	23827 W Gibson Ln	Buckeye, AZ 85326	110,000.00
08/11/15	4343	23827 W Gibson Ln	Buckeye, AZ 85326	40,000.00
08/11/15	4343	23827 W Gibson Ln	Buckeye, AZ 85326	8,056.39
08/18/15	4093	2360 E Carmel Ave	Mesa, AZ 85204	90,000.00
08/18/15	4093	2360 E Carmel Ave	Mesa, AZ 85204	30,104.35
09/08/15	Workout	Principal Payment		(80,000.00)
09/14/15	Workout	Principal Payment		(100,000.00)
09/17/15	Workout	Principal Payment		(2,400.00)
09/21/15	Workout	Principal Payment		(100,000.00)
09/21/15	Workout	Principal Payment		(1,800.00)
09/28/15	Workout	Principal Payment		(100,000.00)
10/05/15	Workout	Principal Payment		(50,000.00)
				13,656,807.24

Transactions Excluded from Calculation:

03/06/14	Workout	Clark Hill, PLC	38,224.00
04/15/14	Workout	Clark Hill, PLC	30,266.00
05/15/14	Workout	Clark Hill, PLC	11,510.00
12/31/15	Workout	Interest income reallocated to principal	(400,000.00)
		Subtotal:	**(320,000.00)**
		Adjusted Total:	**13,336,807.24**
		$5 Million Workout Loan Balance Per QB:	**13,336,807.24**
		Difference:	-

Appendix B

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

DenSco Investment Corporation
$1 Million Workout Loan - As of 07/28/16 (Date of Denny Chittick's Death)

Loan Date	Loan No.	Property Address	City, Zip	Loan Amount
12/13/13	4584	11509 E Pratt Ave	Mesa, 85212	90,000.00
12/27/13	4545	3150 E Beardsley Rd #1030	Phoenix, 85050	59,332.07
01/02/14	4233	1262 E Clifton Ave	Gilbert, 85295	121,866.92
01/02/14	4626	12614 N 62nd Street	Scottsdale, 85254	149,641.24
01/15/14	4532	516 W Dublin St	Chandler, 85225	57,589.04
01/16/14	4513	16010 N 170th Ln	Surprise, 85388	66,798.72
01/16/14	4516	18425 N 56th Lane	Glendale, 85308	57,724.34
01/16/14	4524	23687 W Wayland Dr	Buckeye, 85326	51,057.68
01/17/14	4573	11634 W Adams St	Avondale, 85323	54,718.72
01/17/14	4574	25863 W St James Ave	Buckeye, 85326	44,801.81
01/17/14	4611	14904 W Port Royale Ln	Surprise, 85379	62,346.80
01/17/14	4628	7752 E Obispo Ave	Mesa, 85212	99,290.55
04/29/14	4307	2681 S Palm St	Gilbert, 85295	34,836.09
04/30/14	4729	8742 W Grovers Ave	Peoria, 85345	52,528.57
			TOTAL:	**1,002,532.55**

Appendix C

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

DenSco Investment Corporation
Non-Workout Loans to Yomtov Scott Menaged, et al. - As of 07/28/16 (Date of Denny Chittick's Death)

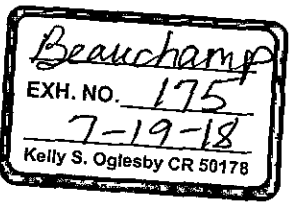
Loan Date	Loan No.	Property Address	City, Zip	Loan Amount
08/14/13	4523-1	10125 E Lobo Ave	Mesa, 85209	160,000.00
01/22/14	4523-2	10125 E Lobo Ave	Mesa, 85209	50,000.00
05/20/16	8005	6013 E Egret St	Cave Creek, 85331	200,200.00
05/23/16	8008	14883 W Bloomfield Rd	Surprise, 85375	201,300.00
05/25/16	8016	9343 E Bahia Dr	Scottsdale, 85260	1,556,800.00
05/26/16	8017	9029 E McDowell Rd	Mesa, 85207	589,500.00
05/26/16	8018	25173 N 73rd Lane	Peoria, 85382	407,800.00
05/26/16	8019	5710 W Desperado Way	Phoenix, 85083	488,400.00
05/27/16	8021	7431 E Nora St	Mesa, 85207	268,500.00
05/27/16	8022	13834 N Burning Tree Pl	Phoenix, 85022	237,400.00
05/27/16	8023	10418 E Champagne Dr	Sun Lakes, 85248	271,100.00
05/27/16	8025	4106 W Saint Kateri Rd	Phoenix, 85041	234,400.00
05/31/16	8026	14850 W Robson Cir N	Goodyear, 85395	348,500.00
05/31/16	8027	4377 N 157th Lane	Goodyear, 85395	386,900.00
05/31/16	8028	11329 S Orion Dr	Goodyear, 85338	412,300.00
05/31/16	8029	914 W Whitten St	Chandler, 85225	399,100.00
05/31/16	8030	5922 W Gail Dr	Chandler, 85226	278,300.00
06/01/16	8032	9904 E Keats Ave	Mesa, 85209	251,800.00
06/01/16	8034	851 E Aberdeen Dr	Gilbert, 85298	243,100.00
06/01/16	8035	1610 W Joan de Arc Ave	Phoenix, 85029	149,300.00
06/01/16	8036	7140 E Medina Ave	Mesa, 85209	296,500.00
06/02/16	8039	7531 N Silvercrest Way	Paradise Valley, 85253	1,554,300.00
06/03/16	8040	2320 E Avenida Del Sol	Phoenix, 85024	302,500.00
06/03/16	8041	13300 E Via Linda #2056	Scottsdale, 85259	346,800.00
06/03/16	8042	13503 E Charter Oak Dr	Scottsdale, 85259	349,500.00
06/06/16	8044	6615 W Via Dona Rd	Phoenix, 85083	328,400.00
06/06/16	8045	9267 E Desert Arroyos	Scottsdale, 85255	751,800.00
06/06/16	8046	1134 W Mulberry Dr	Chandler, 85286	319,600.00
06/06/16	8047	15126 W Rounder Dr	Surprise, 85374	277,500.00
06/07/16	8048	4808 N 24th Street #421	Phoenix, 85016	305,100.00
06/07/16	8049	2513 E Mescal St	Phoenix, 85028	294,400.00
06/07/16	8050	8845 N 4th Street	Phoenix, 85020	259,400.00
06/07/16	8051	3029 W Marconi Ave	Phoenix, 85053	178,500.00
06/07/16	8052	1126 E Utopia Rd	Phoenix, 85024	149,100.00
06/07/16	8053	3901 W Angela Dr	Glendale, 85308	178,100.00
06/08/16	8054	14749 W Lucas Ln	Surprise, 85374	169,100.00
06/08/16	8055	4780 W Piute Ave	Glendale, 58308	198,300.00
06/08/16	8056	14414 N Centruy Dr	Fountain Hills, 85268	298,500.00
06/08/16	8057	3830 W Laredo St	Chandler, 85226	187,400.00
06/08/16	8058	225 W Denton Ln	Phoenix, 85013	213,800.00
06/08/16	8059	43629 N 20th Street	New River, 85087	354,400.00
06/09/16	8060	45905 N 33rd Avenue	New River, 85087	241,100.00
06/09/16	8061	12696 N 77th Avenue	Peoria, 85382	284,500.00
06/09/16	8062	6112 N 31st Court	Phoenix, 85016	634,200.00
06/09/16	8063	4150 W Willow Ave	Phoenix, 85029	179,800.00
06/09/16	8064	8108 N 33rd Drive	Phoenix, 85051	170,700.00
06/10/16	8065	2854 E Baars Crt	Gilbert, 85297	315,800.00
06/10/16	8066	10586 E Morning Star Dr	Scottsdale, 85255	309,400.00
06/10/16	8067	640 E Bird Ln	Litchfield Park, 85340	299,700.00
06/10/16	8068	7542 E Glenn Moore Rd	Scottsdale, 85255	409,500.00
06/10/16	8069	11509 E Rambelwood Ave	Mesa, 85212	257,400.00
06/13/16	8071	19713 N Rim Rd	Surprise, 85374	297,300.00

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

DenSco Investment Corporation
Non-Workout Loans to Yomtov Scott Menaged, et al. - As of 07/28/16 (Date of Denny Chittick's Death)

Loan Date	Loan No.	Property Address	City, Zip	Loan Amount
06/13/16	8072	11843 N 151st Drive	Surprise, 85379	264,100.00
06/13/16	8073	3221 E Campbell Rd	Glbert, 85234	256,700.00
06/13/16	8074	28318 N 246th Drive	Wittmann, 85361	213,200.00
06/13/16	8075	2127 N 124th Drive	Avondale, 85323	246,800.00
06/13/16	8076	1334 W Sunset Crt	Gilbert, 85233	223,100.00
06/14/16	8077	15023 N Escondido Dr	Fountain Hills, 85268	389,700.00
06/14/16	8078	6021 E Sweetwater Ave	Scottsdale, 85254	364,200.00
06/14/16	8079	7130 W Softwind Dr	Peoria, 85383	471,100.00
06/14/16	8080	16421 S 17th Drive	Phoenix, 85045	254,700.00
06/14/16	8081	2343 W Port Au Prince Ln	Phoenix, 85023	163,800.00
06/15/16	8084	4561 S Ranger Crt	Gilbert, 85297	347,900.00
06/15/16	8085	6436 S 23rd Avenue	Phoenix, 85041	181,600.00
06/15/16	8086	375 E Sagebrush St	Gilbert, 85296	280,100.00
06/15/16	8087	1951 E Ivy St	Mesa, 85203	178,300.00
06/15/16	8088	6932 E Loma Land Dr	Scottsdale, 85257	246,500.00
06/15/16	8089	1843 E Donner Dr	Phoenix, 85042	175,100.00
06/16/16	8090	7712 N Moonlight LN	Paradise Valley, 85253	1,661,200.00
06/17/16	8091	2733 W Ocaso Cir	Mesa, 85202	200,900.00
06/17/16	8092	7164 W Planada Ln	Glendale, 85310	370,100.00
06/17/16	8093	21083 W Wycliff Crt	Buckeye, 85326	253,300.00
06/17/16	8094	14342 W Evans Dr	Surprise, 85379	249,700.00
06/17/16	8095	10301 N 70th Street #234	Paradise Valley, 85253	113,800.00
06/17/16	8096	9035 E Oro Ave	Mesa, 85212	251,200.00
06/20/16	8097	28566 N 124th Drive	Peoria, 85383	418,800.00
06/20/16	8098	700 N Dobson RD #52	Chandler, 85224	411,200.00
06/20/16	8099	12805 W Redondo Dr	Litchfield Park, 85340	179,600.00
06/20/16	8100	2113 N 119th Drive	Avondale, 85323	174,500.00
06/20/16	8101	9225 S Leilan Ln	Phoenix, 85041	221,300.00
06/20/16	8102	2131 W Vineyard Rd	Phoenix, 85041	176,800.00
06/21/16	8103	3541 W Vogel Ave	Phoenix, 85051	141,800.00
06/21/16	8104	6313 N 40th Drive	Phoenix, 85019	136,800.00
06/21/16	8105	7960 E Hanover Way	Scottsdale, 85255	1,113,600.00
06/21/16	8106	5109 W Mercer Ln	Glendale, 85304	153,700.00
			TOTAL:	**28,332,300.00**

Exhibit 29



Beauchamp, David G.

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

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

Best, David

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

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

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

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

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

Denny:

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

Best, David

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

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

i understand , however money speaks louder than words. i had told daniel that i thought we could get much of it paid off in 30 days. he doubted that, but was hoping i could perform on that promise. these have to be paid off one way or the other sooner than later. so that's what we are going to do. i can't see anything bad in doing what they want which is to be paid off. i can't write a check for the full amount. i'm trying to pay these off as quickly as my cash will allow me too. i show it as good faith, not a position of weakness.
dc

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

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: Denny Chittick <dcmoney@yahoo.com>
Sent: Wednesday, January 15, 2014 10:56 PM
Subject: RE: Non Disclosure Agreement

Denny:

I told Bob Miller earlier today that you had paid off one and were going to pay off a couple more in the next day or so. Bob immediately responded that he does not have time for ones or two ___ at a time and his clients are not interested in that. He said that we either this get this all settled or let a court deal with it. I know that he is posturing, but it is important to get something in return for what you do. Otherwise, what you do will be just dismissed as worth nothing, because you gave it to them. Worse yet, it will just cause what they want for settlement to be increased they will want a faster timeline to get this resolved.

Best, David

David G. Beauchamp

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

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Wednesday, January 15, 2014 10:47 PM
To: Beauchamp, David G.; Yomtov Menaged
Subject: Re: Non Disclosure Agreement

i understand, going down either route other than paying them off is just a freaking mess one to which i dont even want to think about.

we are preparing to pay them off on four loans tomorrow. that alone shoudl buy us some damn time.
dc

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

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: Denny Chittick <dcmoney@yahoo.com>; Yomtov Menaged <smena98754@aol.com>
Sent: Wednesday, January 15, 2014 10:43 PM
Subject: RE: Non Disclosure Agreement

Denny:

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

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

Best, DAvid

David G. Beauchamp

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

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

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

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

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

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

Denny:

Attached is a Non-Disclosure Agreement that has been modified to fit the needs of this transaction. Please review it and let me know if you are satisfied that it will work for this transaction. If so, please share it

with Scott and then we will need to make any changes and get it to Bob Miller's group.

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

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

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

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

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

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

Best regards, David

David G. Beauchamp

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

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

David,

Attached is the NDA of DenSco.

Daniel A. Schenck

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

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01/13/14	DGB	Review, work on and respond to several emails; several telephone conversations with D. Chittick regarding status, process, issues and strategy; prepare for and conference call with R. Miller; review information from R. Miller; work on outline terms for Forbearance; work on same.	4.30
01/14/14	DGB	Review, work on and respond to several emails; telephone conversation with S. Menaged regarding status and strategy with other lenders; telephone conversation with D. Chittick; work on settlement terms and outline for Forbearance Agreement.	3.80
01/14/14	DAS	Legal research regarding qualification language for Forbearance Terms Sheet; email same to D. Beauchamp.	.70
01/14/14	DAS	Attorney conference regarding NDA; prepare NDA; attorney conference regarding same; email same to D. Beauchamp; review draft of Forbearance Term Sheet; attorney conference regarding same.	4.30
01/15/14	DGB	Review, work on and respond to several emails; several telephone conversations with D. Chitttick; work on and prepare detailed Forbearance Term Sheet; Revise and transmit Confidentiality Agreement; work on issues and follow-up; several telephone conversations with R.Miller; review message from J. Goulder; telephone conversation with office of J. Goulder; telephone conversation with J. Goulder; work on and revise detailed Forbearance Term Sheet; transmit Forbearance Term Sheet to D. Chittick; work on additional terms for Forbearance Terms Sheet.	8.80
01/15/14	DAS	Revise Non-Disclosure Agreement.	2.70
01/16/14	DGB	Review, work on and respond to several emails and text messages; several telephone conversations with D. Chittick; several telephone conversations with R. Miller; conference call with D. Chittick and S. Menaged	9.20

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

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

1-15

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

1-16

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

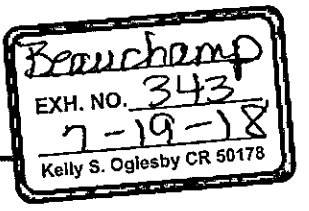
1-17

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

1-21

I spent all night long thinking about this nightmare, Scott was in NY and called me.he raised 2 million to pay interest and that should buy him time to bring in more money to pay off some loans and also make some money We have a new idea. I payoff all the loans for nightmare group Then the overage I put on gregg's loans, then scott will pay off gregg's loans and he sells the house I get my money back and everyone is paid. We went over this on the phone for a hour a ½ dozen emails. I emailed and calld David, he approved. We had 6 more to do today, but title couldn't do it. I raise a million more from Bunger, I might get a few hundred k from Kirk. With the closing in, I could probably pay them off in 2 -3 weeks, though we are not sure we have that time. Scott got pissed and talked to Eyman, who brought these guys in the first place. It's 7pm now we are waiting to hear back to see ifthey will give us a flexible time schedule. I'm shitting bricks waiting to hear. I'm just so paranoid about them filing a suit and screwing up this whole

Exhibit 30



Message

From: Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]
Sent: 2/7/2014 6:44:53 PM
To: Denny J. Chittick (dcmoney@yahoo.com) [dcmoney@yahoo.com]
Subject: FW: Workshare Professional Document Distribution
Attachments: #200131428v8_ClarkHill_ - Forbearance Agreement (8).DOCX; Forbearance_Ag.Densco(5) - Forbearance Agreement (8).pdf; Forbearance_Ag.Densco(6) - Forbearance Agreement (8).pdf

Denny:

Please note that I changed my previous parenthetical change to Recital G as follows: (though Guarantor acknowledged no fault). The previous language could be construed that you also agreed that Scott was not at fault. Since Jeff will not allow us to put the facts of what happened in this document, you need to be protected if you subsequently learn that something different happened. You should not waive your rights without having a sworn set of facts that you can rely upon.

So do not send the previous draft to Scott, please send the attached version of the redline from 6 to 8, which is the last document listed above.

All the best, David

David G. Beauchamp

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

From: Beauchamp, David G.
Sent: Friday, February 07, 2014 7:37 PM
To: Goulder, Jeffrey (jeffrey.goulder@stinsonleonard.com)
Cc: Denny J. Chittick (dcmoney@yahoo.com)
Subject: Workshare Professional Document Distribution

Jeff

Based on your previous changes, the Forbearance Agreement would be prima facia evidence that Denny Chittick had committed securities fraud because the loan documents he had Scott sign did not comply with DenSco's representations to DenSco's investors in its securities offering documents. Unfortunately, this agreement needs to not only protect Scott from having this agreement used as evidence of fraud against him in a litigation, the agreement needs to comply with Denny's fiduciary obligations to his investors as well as not become evidence to be used against Denny for securities fraud.

The previous version that I had sent to you was basically a complete rewrite of our standard forbearance agreement that I have used in almost 200 forbearance agreements over the last 10 years The previous version that I sent to you was intended to be as fair as possible while setting forth all of the business points that both Denny and Scott had told me in a meeting and over several conference calls (Scott specifically did agree to

pay all costs and related costs in this matter. Scott also proposed and agreed to the $10 million life insurance policy, because they now believe that the outstanding loan balance will be much higher than the previous estimate. The higher loan balance will result in a significant unsecured portion if anything happens to Scott and the Properties are liquidated.)

In addition to the business points, we had intended to make the document as balanced as possible. We wanted the document to set forth the necessary facts for Denny to satisfy his securities obligations to his investors (including that the original loans had to have been written and secured by a first lien on real property and that the workout agreed to by Denny complied with his workout authorization) without having Scott have to admit facts that could cause trouble to him. I had been informed that since "Dan's litigious group" had agreed to get paid off, Scott was not as concerned with stating facts and legal conclusions in the document, but your changes indicated that you are still very concerned. If you do not want the conclusions to be stated in the document, then we have to use another approach.

To try to balance the respective interests, I have inserted sections from the loan documents into the Forbearance Agreement. Referencing the language of the Loan Documents is needed to satisfy Denny's fiduciary obligations, but I have also modified the other provisions so that Borrower is not admitting that it was required to provide first lien position in connection with the loans. Further, I have inserted a parenthetical that "(though Guarantor acknowledged no fault)" in the section where Guarantor (Scott) advises Denny of the additional liens on the Properties. We are also using the Borrower's failure to subordinate or remove the additional liens in 10 days as the applicable default.

Bottom line: Borrower does not admit that the existing loans were to be secured in first lien position, nor that the modified loans will be in first lien position. However, Borrower will obtain a lender's title insurance policy in favor of Lender that will insure Lender in first lien position as the other liens are extinguished on each Property (unless DenSco is paid off). Correspondingly, the respective provisions in the Loan Documents are referenced to satisfy Denny's fiduciary duties to his investors and the Default is acknowledged so that this workout is consistent with the limitations of the scope of Denny's authority.

Sincerely, David

The following files have been attached to this mail by Workshare Professional .

#20013 1428v8_ClarkHill_ - Forbearance Agreement (8).DOCX (WORDX)
Forbearance_Ag.Densco(5) - Forbearance Agreement (8).pdf (PDF)

David G. Beauchamp

CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602 319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

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FORBEARANCE AGREEMENT

THIS FORBEARANCE AGREEMENT ("**Agreement**") is executed on February __, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company ("**AHF**"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308, Easy Investments, LLC, an Arizona limited liability company("**EI**"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308 (AHF and EI are collectively referred to as the ("**Borrower**"), Yomtov "Scott" Menaged ("**Guarantor**"), whose address is 10510 East Sunnyside Drive, Scottsdale, Arizona, Furniture King, LLC, an Arizona limited liability Company ("**New Guarantor**"), whose address is 303 N. Central Avenue, Suite 603, Phoenix, AZ 85012, and DenSco Investment Corporation, an Arizona corporation ("**Lender**"), whose address is 6132 W Victoria Place, Chandler, Arizona 85226, (the Borrower, the Guarantor, the New Guarantor, and Lender are each considered a "Party" hereunder and are collectively referred to as the "Parties"). (Any capitalized term not defined in this Agreement shall have the meaning set forth in the Deeds of Trust as later defined).

Recitals

The following recitals of fact are a material part of this Agreement

A. Borrower is indebted to Lender under the terms of certain Loans (the "Loans"), which are listed on the attached Exhibit A, which is incorporated into this Agreement by this reference, and each are evidenced by a Note Secured by Deed of Trust (each, a "Note" and collectively, the "Notes"), all of which were executed by Borrower in favor of Lender (the "Notes") and by a Mortgage (or a "Receipt and Mortgage") (each, a "Mortgage", and collectively, the "Mortgages"), and each such Note and Mortgage was executed by Borrower and delivered to Lender, as a condition precedent to and immediately prior to the funding of the applicable Loan.

B. Guarantor guaranteed the payment and performance of each of the Loans (the "Guaranty"), executed by Guarantor in favor of Lender

C. Each of the Loans are further evidenced and/or secured by various documents and instruments, including but not limited to a certain Deed of Trust and Assignment of Rents (each a "Deed of Trust", and collectively, the "Deeds of Trust"), executed by Borrower at the funding of the Loan in favor of Lender and recorded in conjunction with the Trustee's Deed conveying the real property to Borrower. The Deeds of Trust constitute a lien on the respective real properties described therein (individually a "Property" and collectively, the "Properties") and referenced in Exhibit A. The Notes, the Mortgages, the Deeds of Trust, the Guaranty, the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "Loans Documents"

D Each of the Mortgages provides: "Borrower hereby grants to Lender or assignee a first, prior and superior equitable lien and mortgage against the Real Property to secure payment of the Loan... . Borrower has delivered to Lender a promissory note and deed

of trust, and Borrower agrees that the deed of trust that the deed of trust shall be recorded against the Real Property as a first, prior and superior lien and encumbrance simultaneously with the recording of the Trustee's Deed."

E. Each Deed of Trust provides as follows.

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

. . . .

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

F Each Note provides as follows:

" A "Default" shall occur (i) . . or (vi) upon the occurrence of any default under any obligation of Maker to Holder Further, at Holder's option after Default, all remaining unpaid principal and accrued interest shall become due and payable immediately without notice (other than any declaration prescribed in applicable sections of the agreements under which such events of default arose), presentment, demand or protest, all of which hereby are waived." ("Default" shall have the meaning set forth in the Note)

G. On or about November 27, 2013, Guarantor met with Denny Chittick of Lender to inform Lender that certain of the Properties had also been used (though Guarantor acknowledged no fault) as security for one or more loans from one or more other lenders (individually, the "Other Lender" and collectively, the "Other Lenders") and the Loans from Lender may not be in the first lien position on each respective Property

H At the November 27 meeting, Guarantor acknowledged to Lender that Borrower had an obligation to discharge the liens of the Other Lenders or to take such other actions to satisfy Section 5 of each Deed of Trust within 10 days, as referenced above. Further, Borrower and Guarantor acknowledged that the meeting satisfied Lender's obligation to provide notice to Borrower and Guarantor of an action leading to a Default pursuant to each of the Loan Documents.

I The Loans are now in Default (as defined in the Note) and Lender has provided Borrower with any and all notice required under each of the Loans Documents concerning such Default

J Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, but only so long as and on the conditions that (1) Borrower, Guarantor and New Guarantor acknowledge the existing Defaults under the Loans, (2) all liens, security interests, rights and remedies of Lender under the Loans Documents continue in full force and effect and (3) Borrower, Guarantor and New Guarantor fulfill all conditions and comply with all terms and provisions set forth in this Agreement, and furnish all other documents and perform all other acts necessary to give effect to the agreements hereinafter set forth.

NOW THEREFORE, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1 **Loans Balance**. The total sum now due and payable under the Loans, in aggregate, is approximately $_____, consisting of $ _____in principal, $ _____ in accrued interest (through and including February 1, 2014), $ _____ advanced by Lender in payment of costs and expenses as permitted under the Loans Documents and approximately $_____ in costs and expenses incurred by Lender for collection and enforcement of the Loans Interest continues to accrue under the Loans at the rate of 18 % per annum as provided in the Notes (as opposed to the Default Interest rate set forth in the Notes).

2. **Acknowledgment of Default**. Borrower, Guarantor and New Guarantor hereby acknowledge and agree that the Loans are in Default, and that as a result of such Default, Lender now has the right to pursue foreclosure and any and all other rights and remedies permitted to Lender under the Loans Documents and/or under applicable law.

3 **Continued Effect of Loans Documents**. Borrower, Guarantor and New Guarantor further acknowledge and confirm that the Loans Documents have been duly authorized, executed and delivered to Lender and are valid, binding and enforceable against Borrower and Guarantor in accordance with their respective terms, and that to the collective knowledge of Borrower, Guarantor and New Guarantor, all liens and security interests created in favor of Lender under the Loans Documents have been validly created and duly perfected as encumbrances upon all Properties and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents and as modified by this Agreement. Upon the satisfaction of the lien of the applicable Other Lender with respect to a Property, the lien and security interest created in favor of Lender under the Loans Documents will be deemed to be validly created and duly perfected as an encumbrance upon the respective Property and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents. Further, Borrower shall cause to be provided to Lender a Lender's title insurance policy issued by a nationally-recognized title company, reasonably acceptable to Lender insuring that Lender's encumbrance in such Property, as evidenced by the respective Deed of Trust, shall constitute a valid and enforceable first and prior lien to any other encumbrance on the respective Property.

4 **Forbearance by Lender on Conditions; Effect of Breach** Lender hereby agrees to forbear pursuit of its rights and remedies under the Loans Documents and/or under applicable law, but only so long as and on the conditions that Borrower, Guarantor and New Guarantor pay all sums, perform all covenants and agreements and do all acts and things required of them hereunder. If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any

covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Lender may cease such forbearance and may immediately commence and pursue any or all rights and remedies Lender may have under the Loans Documents and/or under applicable law as to any or all of the collateral or security for the Loans, all in such order and manner as Lender may elect from time to time in its sole discretion and without notice of any kind to Borrower, Guarantor, New Guarantor or any other person, as if this Section 4 had never been agreed to by Lender. Lender's agreement herein to forego immediate pursuit of its rights and remedies constitutes a postponement and forbearance only, and does not in any event constitute a waiver of any such rights or remedies.

5. **No Effect on Existing Default; Extension of Maturity** Neither the execution and delivery of this Agreement or any other document or instrument required hereunder nor the consummation of the transactions and agreements set forth in this Agreement shall in any manner rescind or cure any existing Default under the Loans Documents, reinstate the Loans to a current status, or constitute an accord and satisfaction of the Loans. Notwithstanding this provision, the maturity date of all of the Loans is hereby extended to February 1, 2015, provided, however, Lender, at its sole discretion, may further extend the maturity date of all of the Loans to February 1, 2016, so long as Borrower, Guarantor and New Guarantor have complied and are in compliance with the terms of this Agreement.

6 **Borrower's Actions**. Lender's continued performance of the terms of this Agreement is conditioned upon each of the following obligations being fulfilled:

(A) Borrower agrees to use its good faith efforts to (i) liquidate other assets, which is expected to generate approximately $4 to $5 million US Dollars, (ii) apply all net proceeds from the rental of Borrower's other real estate assets, or the net proceeds from the acquisition and disposition of other real estate or other assets by Borrower, and (iii) apply all funds received from Borrower's continued good faith efforts to recover any other asset that can be recovered from the missing proceeds from the multiple Loans that were advanced from Lender and Other Lenders with respect to certain properties as referenced above. Any additional funds obtained and / or made available to Borrower pursuant to this subsection shall be made available to and used by Borrower in connection with the resolution of the lien disputes between Lender and Other Lenders as referenced above (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower as provided herein)

(B) Borrower agrees to provide Lender, and maintain in effect, a life insurance policy from a nationally-recognized life insurance carrier (with a rating of ____ or better from _____) and reasonably approved by Lender, in the amount of $10,000,000, insuring the life of Guarantor with Lender named as the sole beneficiary, until all obligations pursuant to the Agreement have been fully satisfied

(C) Borrower agrees to provide Lender with a separate personal guaranty from Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents, and this Agreement, and such Guaranty shall be in commercially reasonable form for a lender loaning a similar aggregate amount of money to a borrower as Lender is loaning in the aggregate to Borrower. Further, Borrower agrees to provide a re-affirmation and consent from Guarantor to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees

of Lender's Loans to Borrower, so that the terms and provisions of this Agreement will not cause or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of Lender and Borrower pursuant to the terms and provisions of this Agreement.

(D) Borrower agrees to provide Lender with a separate corporate guaranty from New Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents and this Agreement, to be secured by a lien against all of New Guarantor's inventory, accounts, and assets

(E) Except for Lender, Borrower agrees to continue to pay the interest due to the Other Lenders for loans secured by any of the Properties, and any other similarly situated lender on a timely basis and to keep each of such loans current and in compliance with their respective terms

(F) Borrower has arranged for private outside financing (the "Outside Funds"), which is to be provided to Borrower in the approximate amounts and on the following prospective schedule (i) approximately $1,000,000 on or before March 20, 2014, and (ii) approximately $____ on or before _____ ____, 2014 Such Outside Funds shall be used exclusively for the pay-off of the Other Lenders and any other similarly situated lender (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower, as provided herein),

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

(H) During the term of this Agreement, Borrower, Guarantor and New Guarantor agree to use good faith efforts to satisfy and pay-off any and all financial obligations secured by liens in favor of the applicable Other Lender with respect to a Property The Borrower and Lender shall cooperate to agree upon a sequencing schedule (which will need to be adjusted on a reasonable basis) to satisfy and release the liens of the Other Lenders on the applicable Properties. Borrower agrees to used its Good Faith Efforts to cause the liens of the Other Lenders to be satisfied and released on or before nine (9) months from the execution of this Agreement.

(I) Borrower, Guarantor, New Guarantor and Lender acknowledge and agree that this Agreement shall not constitute nor create a joint venture or partnership arrangement between or among Lender and any of the Borrower or Guarantor.

(J) If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Borrower agrees to provide any additional collateral ("Additional Security") to Lender, as may be requested by Lender, to secure Borrower's existing obligations

to Lender and to secure the additional obligations that Lender is agreeing to provide pursuant to this Agreement.

(K) Execution, delivery and filing or recording (with all costs thereof paid by Borrower) of all documents and instruments required to create the required liens on the respective Properties as required by the Loans Documents or to create a security interest in any Additional Collateral.

(L) Borrower agrees to reimburse all costs and expenses, including without limitation title reports, amendments or title insurance, investigation fees, and / or reasonable attorneys' fees, incurred by Lender in connection with this Agreement (or the effect of this Agreement on Lender's business and with its investors), the default of Borrower in connection with the Loans Documents, or the existing and / or any future lien disputes with the Other Lenders or any other similarly situated lenders.

7. **Lender's Actions**. Subject to the full compliance of Borrower, Guarantor, and New Guarantor to each of their respective obligations, as detailed in this Agreement, the Lender will perform the following obligations:

(A) Lender agrees to increase the Loan amount of each of the Properties referenced in Exhibit A up to 95% of the loan-to-value ("LTV") ratio of the value of the respective Properties, as determined by Lender The additional funds advanced to Borrower shall be used to pay off the Other Lender and release its security interest in that Property

(B) Lender will defer (but not waive) the collection of interest from the Borrower on the Loans to the Borrower during the process to fund the amount due to the Other Lenders; and all deferred interest on the Notes from Borrower shall be paid to Lender on or before the payoff of the respective Note.

(C) Lender will provide a new loan to Borrower in the amount up to 1 Million US Dollars, which loan is to provide for multiple advances, earn 3% annual interest to be secured by a first lien position against certain real property or properties to be approved by Lender, in its sole discretion, and the obligation is to be personally guaranteed by Guarantor and New Guarantor (the "Additional Loan").

(D) Provided that Borrower, Guarantor and New Guarantor each complies with all of its respective obligations under this Agreement, Lender will defer the right to charge the Default Interest rate which is permitted pursuant to the terms of the Loans Documents. If any of Borrower, Guarantor or New Guarantor fails to comply with its respective obligations under this Agreement, Borrower shall then be liable for Default Interest at the Default Interest rate set forth in the Loan Documents on all outstanding Notes.

8. The entire principal sum and all accrued interest, costs, expenses, disbursements and fees due under the terms and provisions of the Notes and all other sums payable under the Loans Documents shall be due and payable in full on February 1, 2016 in any event, without notice or demand

9. **Grace and Cure Periods**. If Borrower fails to comply with any non-monetary obligation undertaken by it through this Agreement, Borrower shall be in default of this Agreement if it fails to satisfy the non-monetary obligation within five (5) business days of receiving email or telephonic notice from Lender No such notice shall be required if Borrower fails to comply with any monetary obligation. Except for the non-monetary notice required above, all other notice provisions of the Loans Documents requiring any other notice to Borrower or any other person as a condition precedent to the existence of any breach, default or event of default or to any acceleration or other remedial action by Lender, permitting or granting any grace period after the giving or receipt of any notice for the cure of any breach, default or event of default under the Loans Documents prior to acceleration or other remedial action by Lender are hereby deleted, and all Loans Documents are hereby modified accordingly.

10 **Release of Lender; Waiver of Claims and Defenses**. As a material part of the consideration for Lender's execution of this Agreement, Borrower, Guarantor and New Guarantor each hereby unconditionally and irrevocably release and forever discharge Lender and all of its directors, officers, employees, agents, attorneys, affiliates and subsidiaries from all liabilities, obligations, actions, claims, causes of action, suits, proceedings, damages, demands, costs and expenses whatsoever arising from or relating to any alleged or actual act, occurrence, omission or transaction occurring or happening prior to or on the date of this Agreement, including but not limited to any of the foregoing relating to the making, administration or enforcement of the Loans. Without limiting the foregoing, Borrower and Guarantor hereby unconditionally and irrevocably waive any and all defenses and claims existing or arising (or based on facts or circumstances actually or allegedly existing or arising) prior to or on the date of this Agreement which might otherwise limit their unconditional joint and several liability for all sums due under the Loans.

11. **Further Documents** Borrower, Guarantor, and New Guarantor each hereby agree to execute any and all further documents and instruments required by Lender and to do all other acts and things necessary to give effect to the terms and provisions of this Agreement and/or to create and perfect all liens and security interests granted to Lender under the Loans Documents or required under this Agreement

12. **Authorization of Agreement**. The execution and delivery of this Agreement has been duly authorized by all necessary corporate or partnership action of Borrower, Guarantor (as applicable) and New Guarantor, and the individuals executing this Agreement on behalf of Borrower, Guarantor and/or New Guarantor have been duly authorized and empowered to bind Borrower, Guarantor and/or New Guarantor by such execution.

13. **Costs and Expenses** Borrower hereby agrees to pay on demand any and all costs and expenses, including but not limited to attorneys' fees, incurred by Lender in connection with (A) the negotiation, preparation, filing and/or recording of this Agreement and all other documents and instruments required to give effect to this Agreement and/or to create and perfect the liens, security interests, assignments and/or pledges contemplated hereunder or under the Loans Documents and/or (B) the collection of the Loans and/or the enforcement of the Loans Documents. Guarantor and New Guarantor shall each be liable for all of their respective foregoing costs and expenses pursuant to their respective guarantees. Lender shall have no liability whatsoever for any of the foregoing

14. **Time of the Essence** Time is of the essence of all agreements and obligations contained herein.

15. **Construction of Agreement**. If any provision of this Agreement conflicts with any provision of any Loans Documents, the applicable provision of this Agreement shall control.

As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa.

The titles and captions in this Agreement are used for convenience of reference only and do not define, limit or control the scope, intent or effect of any provisions of this Agreement.

No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted all or any portion of this Agreement, any other document required hereunder or in connection with any Loans Documents.

16 **Ratification and Agreements by Guarantor**. Guarantor hereby acknowledges and consents to the terms of this Agreement, agrees to be bound by all terms and provisions hereof and of any and all documents and instruments executed by Borrower in connection with and/or as contemplated in this Agreement; acknowledges and confirms that Guarantor is and shall remain liable for all indebtedness and obligations now or hereafter owed by Borrower to Lender in connection with the Loans (pursuant to this Agreement and the Loans Documents or otherwise); agrees that Guarantor's said liability shall not be released, reduced or otherwise affected by the execution of this Agreement, by any changes in the effect of the Loans Documents under the terms of this Agreement, by Lender's receipt of any additional collateral for the Loans, by the consummation of any transactions relating hereto, or by any other existing fact or circumstance; ratifies the Guaranty as security for the Loans; and confirms that the Guaranty remains in full force and effect.

17. **Entire Agreement; No Oral Agreements Concerning Loans**. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, which agreement shall not be varied by any alleged or actual oral statements or parol evidence whatsoever. Lender has not promised or agreed in any manner to extend the maturity of the Loans, to restructure the Loans or any security therefor, to modify any terms of the Loans Documents or the effect thereof, to forbear in the commencement, exercise or pursuit of any right or remedy Lender has under the Loans Documents or applicable law, to release or adversely affect any lien or security interest previously or concurrently granted in favor of Lender, or to forego the benefit of any term, provision or condition of the Loans Documents, except as may be otherwise specifically provided in this Agreement and subject in all instances to strict compliance by Borrower, Guarantor and New Guarantor with all terms and conditions of this Agreement. Except as specifically provided in this Agreement (and so long as Borrower is in compliance with the terms of this Agreement), Lender has not agreed or become obligated, whether by negotiating or executing this Agreement or otherwise, to make any new Loans or to extend any new credit to Borrower, Guarantor or New Guarantor under any circumstances.

18. **Ratification of Workout** The parties acknowledge and agree that the terms and conditions of this Agreement are part of but not the entire body of a mutual workout arrangement between the parties for a resolution of a dispute regarding the Loans. Borrower, Guarantor and New Guarantor each hereby ratify, consent to, and agree to all of Lender's actions, from November 27, 2013, to the date first stated above, regarding and/or related to the claims of the Other Lenders alleging that the encumbrances for their loans were in first priority for the subject Properties; with the actions of the Lender including, without limitation, Lender lending Borrower an additional amount of approximately $_ _____, in the aggregate, with said funds being used towards satisfaction of certain loans from the Other Lenders. Borrower, Guarantor and New Guarantor each ratify and agree that the Lender's loans for said Properties have increased by the amounts that Lender paid toward satisfaction of the respective Other Lenders' loans for the subject Properties and Lender's Loans will continue to increase by the amount that Lender will advance to Borrower (or pay toward) for the satisfaction of the respective Other Lenders' Loans or in connection with Lender's rights or obligations pursuant to the Loans Documents as modified by this Agreement.

[signatures on following page]

IN WITNESS WHEREOF, the undersigned Parties have executed this Agreement on the date first above written.

Borrower:

ARIZONA HOME FORECLOSURES, LLC

By:_____
Yomtov "Scott" Menaged
Its Member

EASY INVESTMENTS, LLC

By:_____
Yomtov "Scott" Menaged
Its: Member

Guarantor:

_____
Yomtov "Scott" Menaged

New Guarantor.

FURNITURE KING, LLC

By._____
Yomotov "Scott" Menaged
Its Manager

Lender:

DENSCO INVESTMENT CORPORATION

By:_____
Denny Chittick
Its: President

EXHIBIT A

LENDER LOANS AND ENCUMBERED PROPERTIES

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this___ day of ___ _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of ARIZONA HOME FORECLOSURES, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

_____
Notary Public

My Commission Expires:

_____

DB04/1003619.0002/10352141.3

200131428.8 43930/168850

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ___ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of EASY INVESTMENTS, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written

_____
Notary Public

My Commission Expires:

_____

DB04/1003619.0002/10352141.3

200131428.8 43930/168850

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ____ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did acknowledged execution of the foregoing instrument as the Guarantor.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

_____
Notary Public

My Commission Expires

_____

DB04/1003619.0002/10352141.3

200131428.8 43930/168850

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ____ day of _____ , 2014, before me appeared Yomotov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the Manager of FURNITURE KING, LLC, an Arizona limited liability company, and said Yomotov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said company.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

_____
Notary Public

My Commission Expires:

_____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ____ day of _____, 2014, before me appeared Denny Chittick, to me personally known, who being by me duly sworn, did say that he/she is the President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, and said Denny Chittick acknowledged execution of the foregoing instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

_____
Notary Public

My Commission Expires:

_____

DB04/1003619.0002/10352141 3

200131428.8 43930/168850

FORBEARANCE AGREEMENT

THIS FORBEARANCE AGREEMENT ("**Agreement**") is executed on February __, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company ("**AHF**"), whose address is 7320 W Bell Road, Glendale, Arizona 85308, Easy Investments, LLC, an Arizona limited liability company("**EI**"), whose address is 7320 W Bell Road, Glendale, Arizona 85308 (AHF and EI are collectively referred to as the ("**Borrower**"), Yomtov "Scott" Menaged ("**Guarantor**"), whose address is 10510 East Sunnyside Drive, Scottsdale, Arizona, Furniture King, LLC, an Arizona limited liability Company ("**New Guarantor**"), whose address is 303 N. Central Avenue, Suite 603, Phoenix, AZ 85012, and DenSco Investment Corporation, an Arizona corporation ("**Lender**"), whose address is 6132 W. Victoria Place, Chandler, Arizona 85226, (the Borrower, the Guarantor, the New Guarantor, and Lender are each considered a "Party" hereunder and are collectively referred to as the "Parties") (Any capitalized term not defined in this Agreement shall have the meaning set forth in the Deeds of Trust as later defined).

Recitals

The following recitals of fact are a material part of this Agreement:

A. Borrower is indebted to Lender under the terms of certain Loans (the "Loans"), which are listed on the attached Exhibit A, which is incorporated into this Agreement by this reference, and each are evidenced by ~~certain promissory notes,~~a Note Secured by Deed of Trust (each, a "Note" and collectively, the "Notes"), all of which were executed by Borrower in favor of Lender (the "Notes") and by a Mortgage (or a "Receipt and Mortgage") (each, a "Mortgage", and collectively, the "Mortgages"), and each such Note and Mortgage was executed by Borrower and delivered to Lender, as a condition precedent to and immediately prior to the funding of the applicable Loan. ~~[DAVID – PLEASE PROVIDE EXHIBIT A]~~

B. Guarantor guaranteed the payment and performance of each of the Loans (the "Guaranty"), executed by Guarantor in favor of Lender.

C. ~~The~~Each of the Loans are further evidenced and/or secured by various documents and instruments, including but not limited to a certain ~~Deeds~~Deed of Trust and Assignment of Rents (each a "Deed of Trust", and collectively, the "Deeds of Trust"), executed by Borrower at the funding of the Loan in favor of Lender and recorded in conjunction with the Trustee's Deed conveying the real property to Borrower. The Deeds of Trust constitute a lien on the respective real properties described therein (individually a "Property" and collectively, the "Properties") and referenced in Exhibit A The ~~Note,~~Notes, the Mortgages, the Deeds of Trust, the Guaranty, the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "Loans Documents"

D. ~~Certain of the Properties were also used as security for one or more loans from one or more other lenders (individually, the "Other Lender" and collectively, the "Other Lenders") and the Loans from Lender may not be in the first lien position on the respective~~

~~Property~~ Each of the Mortgages provides: "Borrower hereby grants to Lender or assignee a first, prior and superior equitable lien and mortgage against the Real Property to secure payment of the Loan. . . . Borrower has delivered to Lender a promissory note and deed of trust, and Borrower agrees that the deed of trust that the deed of trust shall be recorded against the Real Property as a first, prior and superior lien and encumbrance simultaneously with the recording of the Trustee's Deed."

E. Each Deed of Trust provides as follows:

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

. . . .

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

F. Each Note provides as follows.

" A "Default" shall occur (i) . . . . or (vi) upon the occurrence of any default under any obligation of Maker to Holder. Further, at Holder's option after Default, all remaining unpaid principal and accrued interest shall become due and payable immediately without notice (other than any declaration prescribed in applicable sections of the agreements under which such events of default arose), presentment, demand or protest, all of which hereby are waived." ("Default" shall have the meaning set forth in the Note).

G. On or about November 27, 2013, Guarantor met with Denny Chittick of Lender to inform Lender that certain of the Properties had also been used (though Guarantor acknowledged no fault) as security for one or more loans from one or more other lenders (individually, the "Other Lender" and collectively, the "Other Lenders") and the Loans from Lender may not be in the first lien position on each respective Property.

H. At the November 27 meeting, Guarantor acknowledged to Lender that Borrower had an obligation to discharge the liens of the Other Lenders or to take such other actions to satisfy Section 5 of each Deed of Trust within 10 days, as referenced above. Further, Borrower and Guarantor acknowledged that the meeting satisfied Lender's obligation to provide notice to Borrower and Guarantor of an action leading to a Default pursuant to each of the Loan Documents.

~~H~~I. The Loans are now in ~~default~~Default (as defined in the Note) and Lender has provided Borrower with any and all notice required under each of the Loans Documents concerning such ~~default~~Default.

~~I~~J. Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, but only so long as and on the conditions that (1) Borrower ~~and~~, Guarantor and New Guarantor acknowledge the existing ~~default~~Defaults under the Loans, (2) all liens, security interests, rights and remedies of Lender under the Loans Documents continue in full force and effect and (3) Borrower ~~and~~, Guarantor and New Guarantor fulfill all conditions and comply with all terms and provisions set forth in this Agreement, and furnish all other documents and perform all other acts necessary to give effect to the agreements hereinafter set forth.

NOW THEREFORE, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. **Loans Balance**. The total sum now due and payable under the Loans, in aggregate, is approximately $_____ , consisting of $ _____ in principal, $ _____ in accrued interest (through and including ~~_____~~ February 1, 2014), $_____ advanced by Lender in payment of ~~_____~~ costs and expenses as permitted under the Loans Documents and approximately $_____ in costs and expenses incurred by Lender for collection and enforcement of the Loans. Interest continues to accrue under the Loans at the rate of ~~_____~~ 18 % per annum as provided in the Notes (as opposed to the ~~default~~Default Interest rate set forth in the Notes).

2 **Acknowledgment of Default**. Borrower ~~and~~, Guarantor and New Guarantor hereby acknowledge and agree that the Loans are in ~~default~~Default, and that as a result of such ~~default~~Default, Lender now has the right to pursue foreclosure and any and all other rights and remedies permitted to Lender under the Loans Documents and/or under applicable law

3 **Continued Effect of Loans Documents**. Borrower ~~and~~, Guarantor and New Guarantor further acknowledge and confirm that the Loans Documents have been duly authorized, executed and delivered to Lender and are valid, binding and enforceable against Borrower and Guarantor in accordance with their respective terms, and that to the collective knowledge of Borrower ~~and~~, Guarantor ~~'s knowledge~~ and New Guarantor, all liens and security interests created in favor of Lender under the Loans Documents have been validly created and duly perfected as encumbrances upon all Properties and collateral of Borrower ~~and/or~~, Guarantor or New Guarantor as described in the Loans Documents ~~—~~ and as modified by this Agreement. Upon the satisfaction of the lien of the applicable Other Lender with respect to a Property, the lien and security interest created in favor of Lender under the Loans Documents will be deemed to be validly created and duly perfected as an encumbrance upon the respective Property and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents. Further, Borrower shall cause to be provided to Lender a Lender's title insurance policy issued by a nationally-recognized title company, reasonably acceptable to Lender insuring that Lender's encumbrance in such Property, as evidenced by the respective Deed of Trust, shall constitute a valid and enforceable first and prior lien to any other encumbrance on the respective Property.

4. **Forbearance by Lender on Conditions; Effect of Breach**. Lender hereby agrees to forbear pursuit of its rights and remedies under the Loans Documents and/or under applicable law, but only so long as and on the conditions that Borrower ~~and~~, Guarantor and New Guarantor pay all sums, perform all covenants and agreements and do all acts and things required of them hereunder. If Borrower ~~or~~, Guarantor ~~fail~~or New Guarantor fail to pay any sum or to perform any covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Lender may cease such forbearance and may immediately commence and pursue any or all rights and remedies Lender may have under the ~~Loan~~Loans Documents and/or under applicable law as to any or all of the collateral or security for the Loans, all in such order and manner as Lender may elect from time to time in its sole discretion and without notice of any kind to Borrower, Guarantor, New Guarantor or any other person, as if this Section 4 had never been agreed to by Lender. Lender's agreement herein to forego immediate pursuit of its rights and remedies constitutes a postponement and forbearance only, and does not in any event constitute a waiver of any such rights or remedies.

5. **No Effect on Existing Default; Extension of Maturity**. Neither the execution and delivery of this Agreement or any other document or instrument required hereunder nor the consummation of the transactions and agreements set forth in this Agreement shall in any manner rescind or cure any existing ~~default~~Default under the Loans Documents, reinstate the Loans to a current status, or constitute an accord and satisfaction of the Loans. Notwithstanding this provision, the maturity date of all of the Loans is hereby extended to February 1, ~~2016~~2015; provided, however, Lender, at its sole discretion, may further extend the maturity date of all of the Loans to February 1, 2016, so long as Borrower, Guarantor and New Guarantor have complied and are in compliance with the terms of this Agreement.

6 **Borrower's Actions**. Lender's continued performance of the terms of this Agreement is conditioned upon each of the following obligations being fulfilled:

(A) Borrower agrees to use its good faith efforts to: (i) liquidate other assets, which is expected to generate approximately $4 to $5 million US Dollars; (ii) apply all net proceeds from the rental of Borrower's other real estate assets, or the net proceeds from the acquisition and disposition of other real estate or other assets by Borrower, and (iii) apply all funds received from Borrower's continued good faith efforts to recover any other asset that can be recovered from the missing proceeds from the multiple Loans that were advanced from Lender and Other Lenders with respect to certain properties as referenced above. Any additional funds obtained and / or made available to Borrower pursuant to this subsection shall be made available to and used by Borrower in connection with the resolution of the lien disputes between Lender and Other Lenders as referenced above (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower as provided herein).

(B) Borrower agrees to provide Lender, and maintain in effect, a life insurance policy from a nationally-recognized life insurance carrier (with a rating of ____ or better from _____) and reasonably approved by Lender, in the amount of $~~5,000,000~~10,000,000, insuring the life of Guarantor with Lender named as the sole beneficiary, until all obligations pursuant to the Agreement have been ~~full~~fully satisfied.

(C) Borrower agrees to provide Lender with a separate personal guaranty from Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents, and this Agreement, and such Guaranty shall be in commercially reasonable form for a lender loaning a similar aggregate amount of money to a borrower as Lender is loaning in the aggregate to Borrower. Further, Borrower agrees to provide a re-affirmation and consent from Guarantor to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees of Lender's Loans to Borrower, so that the terms and provisions of this Agreement will not cause or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of Lender and Borrower pursuant to the terms and provisions of this Agreement. ~~[DAVID – PLEASE PROVIDE COPIES OF THESE DOCUMENTS.]~~

(D) Borrower agrees to provide Lender with a separate ~~personal~~corporate guaranty from New Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents and this Agreement, to be secured by a lien against all of New Guarantor's inventory, accounts, and assets.

(E) Except for Lender, Borrower agrees to continue to pay the interest due to the Other Lenders for loans secured by any of the Properties, and any other similarly situated lender on a timely basis and to keep each of such loans current and in compliance with their respective terms

(F) Borrower has arranged for private outside financing ~~in the amount of approximately $1,000,000~~ (the "Outside Funds"), which is to be provided to Borrower in the approximate amounts and on the following prospective schedule: (i) approximately $1,000,000 on or before March 20, ~~2014~~2014; and (ii) approximately $ _____ on or before _____, 2014. Such Outside Funds shall be used exclusively for the pay-off of the Other Lenders and any other similarly situated lender (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower, as provided herein),

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

(H) During the term of this Agreement, Borrower, Guarantor and New Guarantor agree to use good faith efforts to satisfy and pay-off any and all financial obligations secured by liens in favor of the applicable Other Lender with respect to a Property. The Borrower and Lender shall cooperate to agree upon a sequencing schedule (which will need to be adjusted on a reasonable basis) to satisfy and release the liens of the Other Lenders on the applicable Properties. Borrower agrees to used its Good Faith Efforts to cause the liens of the Other Lenders to be satisfied and released on or before nine (9) months from the execution of this Agreement.

(I) Borrower, Guarantor, New Guarantor and Lender acknowledge and agree that this Agreement shall not constitute nor create a joint venture or partnership arrangement between or among Lender and any of the Borrower or Guarantor.

(~~I~~J) If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Borrower agrees to provide any additional collateral ("Additional Security") to Lender, as may be requested by Lender, to secure Borrower's existing obligations to Lender and to secure the additional obligations that Lender is agreeing to provide pursuant to this Agreement.

(K) Execution, delivery and filing or recording (with all costs thereof paid by Borrower) of all documents and instruments required to create the required liens on the respective Properties as required by the Loans Documents or to create a security interest in any Additional Collateral.

(L) Borrower agrees to reimburse all costs and expenses, including without limitation title reports, amendments or title insurance, investigation fees, and / or reasonable attorneys' fees, incurred by Lender in connection with this Agreement (or the effect of this Agreement on Lender's business and with its investors), the default of Borrower in connection with the Loans Documents, or the existing and / or any future lien disputes with the Other Lenders or any other similarly situated lenders~~, up to a total of $_____~~.

7. **Lender's Actions**. Subject to the full compliance of ~~the~~ Borrower, Guarantor, and New Guarantor to each of their respective obligations, as detailed in this Agreement, the Lender will perform the following obligations

(A) Lender agrees to increase the Loan amount of each of the Properties referenced in Exhibit A up to 95% of the loan-to-value ("LTV") ratio of the value of the respective Properties, as determined by Lender. The additional funds ~~advance~~advanced to Borrower shall be used to pay off the Other Lender and release its security interest in that Property.

(B) Lender will defer (but not waive) the collection of interest from the Borrower on the Loans to the Borrower during the process to fund the amount due to the Other Lenders; and all deferred interest on the Notes from Borrower shall be paid to Lender on or before the payoff of the respective Note.

(C) Lender will provide a new loan to Borrower in the amount up to 1 Million US Dollars, which loan is to provide for multiple advances, earn 3% annual interest to be secured by a first lien position against certain real property or properties to be approved by Lender, in its sole discretion, and the obligation is to be personally guaranteed by Guarantor and New Guarantor (the "Additional Loan")

(D) Provided that Borrower, Guarantor and New Guarantor each complies with all of its respective obligations under this Agreement~~.~~, Lender will ~~waive~~defer the right to charge the ~~default~~Default Interest rate which is ~~or may be~~ permitted pursuant to the terms of the Loans Documents. If any of Borrower, Guarantor or New Guarantor fails to comply with ~~these~~its

respective obligations~~, however, it~~ under this Agreement, Borrower shall then be liable for ~~interest~~Default Interest at the ~~default~~Default Interest rate set forth in the Loan Documents on all outstanding Notes.

8. The entire principal sum and all accrued interest, costs, expenses, disbursements and fees due under the terms and provisions of the Notes and all other sums payable under the Loans Documents shall be due and payable in full on February 1, 2016 in any event, without notice or demand.

~~9. Additional Collateral Required. [Already covered above]~~

9. **Grace and Cure Periods**. If Borrower fails to comply with any non-monetary obligation undertaken by it through this Agreement, Borrower shall be in default of this Agreement if it fails to satisfy the non-monetary obligation within five (5) business days of receiving ~~written demand from Lender~~email or telephonic notice from Lender. No such notice shall be required if Borrower fails to comply with any monetary obligation. Except for the non-monetary notice required above, all other notice provisions of the Loans Documents requiring any other notice to Borrower or any other person as a condition precedent to the existence of any breach, default or event of default or to any acceleration or other remedial action by Lender, permitting or granting any grace period after the giving or receipt of any notice for the cure of any breach, default or event of default under the Loans Documents prior to acceleration or other remedial action by Lender are hereby deleted, and all Loans Documents are hereby modified accordingly.

10. **Release of Lender; Waiver of Claims and Defenses**. As a material part of the consideration for Lender's execution of this Agreement, Borrower ~~and~~, Guarantor and New Guarantor each hereby unconditionally and irrevocably release and forever discharge Lender and all of its directors, officers, employees, agents, attorneys, affiliates and subsidiaries from all liabilities, obligations, actions, claims, causes of action, suits, proceedings, damages, demands, costs and expenses whatsoever arising from or relating to any alleged or actual act, occurrence, omission or transaction occurring or happening prior to or on the date of this Agreement, including but not limited to any of the foregoing relating to the making, administration or enforcement of the Loans Without limiting the foregoing, Borrower and Guarantor hereby unconditionally and irrevocably waive any and all defenses and claims existing or arising (or based on facts or circumstances actually or allegedly existing or arising) prior to or on the date of this Agreement which might otherwise limit their unconditional joint and several liability for all sums due under the Loans.

11. **Further Documents**. Borrower, Guarantor, and New Guarantor each hereby agree to execute any and all further documents and instruments required by Lender and to do all other acts and things necessary to give effect to the terms and provisions of this Agreement and/or to create and perfect all liens and security interests granted to Lender under the Loans Documents or required under this Agreement.

12. **Authorization of Agreement**. The execution and delivery of this Agreement has been duly authorized by all necessary corporate or partnership action of Borrower, Guarantor (as applicable) and New Guarantor, and the individuals executing this Agreement on behalf of

Borrower, Guarantor and/or New Guarantor have been duly authorized and empowered to bind Borrower, Guarantor and/or New Guarantor by such execution

13 **Costs and Expenses** ~~**ALREADY COVERED BY ¶ 6(K).**~~Borrower hereby agrees to pay on demand any and all costs and expenses, including but not limited to attorneys' fees, incurred by Lender in connection with (A) the negotiation, preparation, filing and/or recording of this Agreement and all other documents and instruments required to give effect to this Agreement and/or to create and perfect the liens, security interests, assignments and/or pledges contemplated hereunder or under the Loans Documents and/or (B) the collection of the Loans and/or the enforcement of the Loans Documents. Guarantor and New Guarantor shall each be liable for all of their respective foregoing costs and expenses pursuant to their respective guarantees. Lender shall have no liability whatsoever for any of the foregoing.

~~13.~~14. **Time of the Essence**. Time is of the essence of all agreements and obligations contained herein

~~14.~~15. **Construction of Agreement**. If any provision of this Agreement conflicts with any provision of any Loans Documents, the applicable provision of this Agreement shall control.

As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa.

The titles and captions in this Agreement are used for convenience of reference only and do not define, limit or control the scope, intent or effect of any provisions of this Agreement.

No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted all or any portion of this Agreement, any other document required hereunder or in connection with any Loans Documents

~~15.~~16. **Ratification and Agreements by Guarantor**. Guarantor hereby acknowledges and consents to the terms of this Agreement, agrees to be bound by all terms and provisions hereof and of any and all documents and instruments executed by Borrower in connection with and/or as contemplated in this Agreement; acknowledges and confirms that Guarantor is and shall remain liable for all indebtedness and obligations now or hereafter owed by Borrower to Lender in connection with the Loans (pursuant to this Agreement and the Loans Documents or otherwise), agrees that Guarantor's said liability shall not be released, reduced or otherwise affected by the execution of this Agreement, by any changes in the effect of the Loans Documents under the terms of this Agreement, by Lender's receipt of any additional collateral for the Loans, by the consummation of any transactions relating hereto, or by any other existing fact or circumstance, ratifies the Guaranty as security for the Loans; and confirms that the Guaranty remains in full force and effect.

~~16.~~17. **Entire Agreement; No Oral Agreements Concerning Loans**. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, which agreement shall not be varied by any alleged or actual oral statements or parol evidence whatsoever. Lender has not promised or agreed in any manner to extend the maturity of the

Loans, to restructure the Loans or any security therefor, to modify any terms of the Loans Documents or the effect thereof, to forbear in the commencement, exercise or pursuit of any right or remedy Lender has under the Loans Documents or applicable law, to release or adversely affect any lien or security interest previously or concurrently granted in favor of Lender, or to forego the benefit of any term, provision or condition of the Loans Documents, except as may be otherwise specifically provided in this Agreement and subject in all instances to strict compliance by Borrower ~~and~~, Guarantor and New Guarantor with all terms and conditions of this Agreement. Except as specifically provided in this Agreement (and so long as Borrower is in compliance with the terms of this Agreement), Lender has not agreed or become obligated, whether by negotiating or executing this Agreement or otherwise, to make any new Loans or to extend any new credit to Borrower ~~or~~, Guarantor or New Guarantor under any circumstances.

~~17~~18. **Ratification of Workout** The parties acknowledge and agree that the terms and conditions of this Agreement are part of but not the entire body of a mutual workout arrangement between the parties for a resolution of a dispute regarding the Loans. Borrower ~~and~~, Guarantor and New Guarantor each hereby ratify, consent to, and agree to all of Lender's actions, from November ~~____~~27, 2013, to the date first stated above, regarding and /or related to the claims of the Other Lenders alleging that the encumbrances for their loans were in first priority for the subject Properties, with the actions of the Lender including, without limitation, Lender lending Borrower an additional amount of approximately $_____, in the aggregate, with said funds being used towards satisfaction of certain loans from the Other Lenders. Borrower ~~and~~, Guarantor and New Guarantor each ratify and agree that the Lender's loans for said Properties have increased by the amounts that Lender paid toward satisfaction of the respective Other Lenders' loans for the subject Properties and Lender's Loans will continue to increase by the amount that Lender will advance to Borrower (or pay toward) for the satisfaction of the respective Other Lenders' Loans or in connection with Lender's rights or obligations pursuant to the Loans Documents as modified by this Agreement.

[signatures on following page]

IN WITNESS WHEREOF, the undersigned Parties have executed this Agreement on the date first above written.

Borrower:

ARIZONA HOME FORECLOSURES, LLC

By:_____
Yomtov "Scott" Menaged
Its: Member

EASY INVESTMENTS, LLC

By:_____
Yomtov "Scott" Menaged
Its. Member

Guarantor:

_____
Yomtov "Scott" Menaged

New Guarantor.

FURNITURE KING, LLC

By _____
Yomotov "Scott" Menaged
Its Manager

Lender:

DENSCO INVESTMENT CORPORATION

By:_____
Denny Chittick
Its President

EXHIBIT A

LENDER LOANS AND ENCUMBERED PROPERTIES

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this___ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of ARIZONA HOME FORECLOSURES, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

_____
Notary Public

My Commission Expires:

_____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ___ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of EASY INVESTMENTS, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written

_____
Notary Public

My Commission Expires:

_____ _____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did acknowledged execution of the foregoing instrument as the Guarantor.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

_____
Notary Public

My Commission Expires

_____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ____ day of _____, 2014, before me appeared Yomotov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the Manager of FURNITURE KING, LLC, an Arizona limited liability company, and said Yomotov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said company

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written

Notary Public

My Commission Expires:

DB04/1003619.0002/10352141 3

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ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this _ _ day of _____, 2014, before me appeared Denny Chittick, to me personally known, who being by me duly sworn, did say that he/she is the President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, and said Denny Chittick acknowledged execution of the foregoing instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

_____
Notary Public

My Commission Expires:

_ _ _____

Document comparison by Workshare Compare on Friday, February 07, 2014 7:09:25 PM

Input:	
Document 1 ID	interwovenSite://DETDMS1/ClarkHill/200131428/5
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Description	#200131428v8<ClarkHill> - Forbearance Agreement (8)
Rendering set	standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
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Deletions	64
Moved from	1
Moved to	1
Style change	0
Format changed	0
Total changes	178

FORBEARANCE AGREEMENT

THIS FORBEARANCE AGREEMENT ("**Agreement**") is executed on February __, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company ("**AHF**"), whose address is 7320 W Bell Road, Glendale, Arizona 85308, Easy Investments, LLC, an Arizona limited liability company("**EI**"), whose address is 7320 W Bell Road, Glendale, Arizona 85308 (AHF and EI are collectively referred to as the ("**Borrower**"), Yomtov "Scott" Menaged ("**Guarantor**"), whose address is 10510 East Sunnyside Drive, Scottsdale, Arizona, Furniture King, LLC, an Arizona limited liability Company ("**New Guarantor**"), whose address is 303 N. Central Avenue, Suite 603, Phoenix, AZ 85012, and DenSco Investment Corporation, an Arizona corporation ("**Lender**"), whose address is 6132 W. Victoria Place, Chandler, Arizona 85226, (the Borrower, the Guarantor, the New Guarantor, and Lender are each considered a "Party" hereunder and are collectively referred to as the "Parties"). (Any capitalized term not defined in this Agreement shall have the meaning set forth in the Deeds of Trust as later defined)

Recitals

The following recitals of fact are a material part of this Agreement

A. Borrower is indebted to Lender under the terms of certain Loans (the "Loans"), which are listed on the attached Exhibit A, which is incorporated into this Agreement by this reference, and each are evidenced by a Note Secured by Deed of Trust (each, a "Note" and collectively, the "Notes"), all of which were executed by Borrower in favor of Lender (the "Notes") and by a Mortgage (or a "Receipt and Mortgage") (each, a "Mortgage", and collectively, the "Mortgages"), and each such Note and Mortgage was executed by Borrower and delivered to Lender, as a condition precedent to and immediately prior to the funding of the applicable Loan.

B Guarantor guaranteed the payment and performance of each of the Loans (the "Guaranty"), executed by Guarantor in favor of Lender.

C. Each of the Loans are further evidenced and/or secured by various documents and instruments, including but not limited to a certain Deed of Trust and Assignment of Rents (each a "Deed of Trust", and collectively, the "Deeds of Trust"), executed by Borrower at the funding of the Loan in favor of Lender and recorded in conjunction with the Trustee's Deed conveying the real property to Borrower The Deeds of Trust constitute a lien on the respective real properties described therein (individually a "Property" and collectively, the "Properties") and referenced in Exhibit A The Notes, the Mortgages, the Deeds of Trust, the Guaranty, the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "Loans Documents"

D. Each of the Mortgages provides: "Borrower hereby grants to Lender or assignee a first, prior and superior equitable lien and mortgage against the Real Property to secure payment of the Loan Borrower has delivered to Lender a promissory note and deed of trust, and Borrower agrees that the deed of trust that the deed of trust shall be recorded against

the Real Property as a first, prior and superior lien and encumbrance simultaneously with the recording of the Trustee's Deed "

E. Each Deed of Trust provides as follows

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

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

F Each Note provides as follows.

" A "Default" shall occur (i) or (vi) upon the occurrence of any default under any obligation of Maker to Holder Further, at Holder's option after Default, all remaining unpaid principal and accrued interest shall become due and payable immediately without notice (other than any declaration prescribed in applicable sections of the agreements under which such events of default arose), presentment, demand or protest, all of which hereby are waived " ("Default" shall have the meaning set forth in the Note)

G On or about November 27, 2013, Guarantor met with Denny Chittick of Lender to inform Lender that certain of the Properties had also been used (though Guarantor acknowledged no fault) as security for one or more loans from one or more other lenders (individually, the "Other Lender" and collectively, the "Other Lenders") and the Loans from Lender may not be in the first lien position on each respective Property, ~~as required by the Loans Documents as indicated above~~

H. At the November 27 meeting, Guarantor acknowledged to Lender that Borrower had an obligation to discharge the liens of the Other Lenders or to take such other actions to satisfy Section 5 of each Deed of Trust within 10 days, as referenced above Further, Borrower and Guarantor acknowledged that the meeting satisfied Lender's obligation to provide notice to Borrower and Guarantor of an action leading to a Default pursuant to each of the Loan Documents.

I The Loans are now in Default (as defined in the Note) and Lender has provided Borrower with any and all notice required under each of the Loans Documents concerning such Default

J Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, but only so long as and on the conditions that (1) Borrower, Guarantor and New Guarantor acknowledge the existing Defaults under the Loans, (2) all liens, security interests, rights and remedies of Lender under the Loans Documents continue in full force and effect and (3) Borrower, Guarantor and New Guarantor fulfill all conditions and comply with all terms and provisions set forth in this Agreement, and furnish all other documents and perform all other acts necessary to give effect to the agreements hereinafter set forth.

NOW THEREFORE, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows·

1. **Loans Balance**. The total sum now due and payable under the Loans, in aggregate, is approximately $___ , consisting of $ __ _ ____in principal, $_____ in accrued interest (through and including February 1, 2014), $_____ advanced by Lender in payment of costs and expenses as permitted under the Loans Documents and approximately $_____ in costs and expenses incurred by Lender for collection and enforcement of the Loans. Interest continues to accrue under the Loans at the rate of 18 % per annum as provided in the Notes (as opposed to the Default Interest rate set forth in the Notes).

2. **Acknowledgment of Default** Borrower, Guarantor and New Guarantor hereby acknowledge and agree that the Loans are in Default, and that as a result of such Default, Lender now has the right to pursue foreclosure and any and all other rights and remedies permitted to Lender under the Loans Documents and/or under applicable law

3. **Continued Effect of Loans Documents**. Borrower, Guarantor and New Guarantor further acknowledge and confirm that the Loans Documents have been duly authorized, executed and delivered to Lender and are valid, binding and enforceable against Borrower, and Guarantor ~~and New Guarantor~~ in accordance with their respective terms, and that to the collective knowledge of Borrower, Guarantor and New Guarantor, all liens and security interests created in favor of Lender under the Loans Documents have been validly created and duly perfected as encumbrances upon all Properties and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents and as modified by this Agreement. Upon the satisfaction of the lien of the applicable Other Lender with respect to a Property, the lien and security interest created in favor of Lender under the Loans Documents will be deemed to be validly created and duly perfected as an encumbrance upon the respective Property and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents. Further, Borrower shall cause to be provided to Lender a Lender's title insurance policy issued by a nationally-recognized title company, reasonably acceptable to Lender insuring that Lender's encumbrance in such Property, as evidenced by the respective Deed of Trust, shall constitute a valid and enforceable first and prior lien to any other encumbrance on the respective Property

4 **Forbearance by Lender on Conditions; Effect of Breach**. Lender hereby agrees to forbear pursuit of its rights and remedies under the Loans Documents and/or under applicable law, but only so long as and on the conditions that Borrower, Guarantor and New Guarantor pay all sums, perform all covenants and agreements and do all acts and things required of them hereunder. If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any

covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Lender may cease such forbearance and may immediately commence and pursue any or all rights and remedies Lender may have under the Loans Documents and/or under applicable law as to any or all of the collateral or security for the Loans, all in such order and manner as Lender may elect from time to time in its sole discretion and without notice of any kind to Borrower, Guarantor, New Guarantor or any other person, as if this Section 4 had never been agreed to by Lender. Lender's agreement herein to forego immediate pursuit of its rights and remedies constitutes a postponement and forbearance only, and does not in any event constitute a waiver of any such rights or remedies.

5. **No Effect on Existing Default; Extension of Maturity**. Neither the execution and delivery of this Agreement or any other document or instrument required hereunder nor the consummation of the transactions and agreements set forth in this Agreement shall in any manner rescind or cure any existing Default under the Loans Documents, reinstate the Loans to a current status, or constitute an accord and satisfaction of the Loans. Notwithstanding this provision, the maturity date of all of the Loans is hereby extended to February 1, 2015; provided, however, Lender, at its sole discretion, may further extend the maturity date of all of the Loans to February 1, 2016, so long as Borrower, Guarantor and New Guarantor have complied and are in compliance with the terms of this Agreement.

6 **Borrower's Actions**. Lender's continued performance of the terms of this Agreement is conditioned upon each of the following obligations being fulfilled·

(A) Borrower agrees to use its good faith efforts to· (i) liquidate other assets, which is expected to generate approximately $4 to $5 million US Dollars; (ii) apply all net proceeds from the rental of Borrower's other real estate assets, or the net proceeds from the acquisition and disposition of other real estate or other assets by Borrower, and (iii) apply all funds received from Borrower's continued good faith efforts to recover any other asset that can be recovered from the missing proceeds from the multiple Loans that were advanced from Lender and Other Lenders with respect to certain properties as referenced above Any additional funds obtained and / or made available to Borrower pursuant to this subsection shall be made available to and used by Borrower in connection with the resolution of the lien disputes between Lender and Other Lenders as referenced above (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower as provided herein).

(B) Borrower agrees to provide Lender, and maintain in effect, a life insurance policy from a nationally-recognized life insurance carrier (with a rating of ____ or better from _____) and reasonably approved by Lender, in the amount of $10,000,000, insuring the life of Guarantor with Lender named as the sole beneficiary, until all obligations pursuant to the Agreement have been fully satisfied.

(C) Borrower agrees to provide Lender with a separate personal guaranty from Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents, and this Agreement, and such Guaranty shall be in commercially reasonable form for a lender loaning a similar aggregate amount of money to a borrower as Lender is loaning in the aggregate to Borrower. Further, Borrower agrees to provide a re-affirmation and consent from Guarantor to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees

of Lender's Loans to Borrower, so that the terms and provisions of this Agreement will not cause or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of Lender and Borrower pursuant to the terms and provisions of this Agreement

(D) Borrower agrees to provide Lender with a separate corporate guaranty from New Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents and this Agreement, to be secured by a lien against all of New Guarantor's inventory, accounts, and assets.

(E) Except for Lender, Borrower agrees to continue to pay the interest due to the Other Lenders for loans secured by any of the Properties, and any other similarly situated lender on a timely basis and to keep each of such loans current and in compliance with their respective terms

(F) Borrower has arranged for private outside financing (the "Outside Funds"), which is to be provided to Borrower in the approximate amounts and on the following prospective schedule· (i) approximately $1,000,000 on or before March 20, 2014; and (ii) approximately $_____ on or before _____ ____, 2014. Such Outside Funds shall be used exclusively for the pay-off of the Other Lenders and any other similarly situated lender (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower, as provided herein),

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

(H) During the term of this Agreement, Borrower, Guarantor and New Guarantor agree to use good faith efforts to satisfy and pay-off any and all financial obligations secured by liens in favor of the applicable Other Lender with respect to a Property. The Borrower and Lender shall cooperate to agree upon a sequencing schedule (which will need to be adjusted on a reasonable basis) to satisfy and release the liens of the Other Lenders on the applicable Properties. Borrower agrees to used its Good Faith Efforts to cause the liens of the Other Lenders to be satisfied and released on or before nine (9) months from the execution of this Agreement.

(I) Borrower, Guarantor, New Guarantor and Lender acknowledge and agree that this Agreement shall not constitute nor create a joint venture or partnership arrangement between or among Lender and any of the Borrower or Guarantor

(J) If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Borrower agrees to provide any additional collateral ("Additional Security") to Lender, as may be requested by Lender, to secure Borrower's existing obligations to

Lender and to secure the additional obligations that Lender is agreeing to provide pursuant to this Agreement.

(~~J~~K) Execution, delivery and filing or recording (with all costs thereof paid by Borrower) of all documents and instruments required to create ~~first and prior liens, as applicable, upon and/or security interests in the~~the required liens on the respective Properties as required by the Loans Documents or to create a security interest in any Additional Collateral

(~~K~~L) Borrower agrees to reimburse all costs and expenses, including without limitation title reports, amendments or title insurance, investigation fees, and / or reasonable attorneys' fees, ~~reasonably~~ incurred by Lender in connection with this Agreement (or the effect of this Agreement on Lender's business and with its investors), the default of Borrower in connection with the Loans Documents, or the existing and / or any future lien disputes with the Other Lenders or any other similarly situated lenders.

7 **Lender's Actions**. Subject to the full compliance of Borrower, Guarantor, and New Guarantor to each of their respective obligations, as detailed in this Agreement, the Lender will perform the following obligations:

(A) Lender agrees to increase the Loan amount of each of the Properties referenced in Exhibit A up to 95% of the loan-to-value ("LTV") ratio of the value of the respective Properties, as determined by Lender. The additional funds advanced to Borrower shall be used to pay off the Other Lender and release its security interest in that Property

(B) Lender will defer (but not waive) the collection of interest from the Borrower on the Loans to the Borrower during the process to fund the amount due to the Other Lenders; and all deferred interest on the Notes from Borrower shall be paid to Lender on or before the payoff of the respective Note.

(C) Lender will provide a new loan to Borrower in the amount up to 1 Million US Dollars, which loan is to provide for multiple advances, earn 3% annual interest to be secured by a first lien position against certain real property or properties to be approved by Lender, in its sole discretion, and the obligation is to be personally guaranteed by Guarantor and New Guarantor (the "Additional Loan").

(D) Provided that Borrower, Guarantor and New Guarantor each complies with all of its respective obligations under this Agreement, Lender will defer the right to charge the Default Interest rate which is permitted pursuant to the terms of the Loans Documents. If any of Borrower, Guarantor or New Guarantor fails to comply with its respective obligations under this Agreement, Borrower shall then be liable for Default Interest at the Default Interest rate set forth in the Loan Documents on all outstanding Notes

8. The entire principal sum and all accrued interest, costs, expenses, disbursements and fees due under the terms and provisions of the Notes and all other sums payable under the Loans Documents shall be due and payable in full on February 1, 2016 in any event, without notice or demand.

9. **Grace and Cure Periods**. If Borrower fails to comply with any non-monetary obligation undertaken by it through this Agreement, Borrower shall be in default of this Agreement if it fails to satisfy the non-monetary obligation within five (5) business days of receiving email or telephonic notice from Lender. No such notice shall be required if Borrower fails to comply with any monetary obligation. Except for the non-monetary notice required above, all other notice provisions of the Loans Documents requiring any other notice to Borrower or any other person as a condition precedent to the existence of any breach, default or event of default or to any acceleration or other remedial action by Lender, permitting or granting any grace period after the giving or receipt of any notice for the cure of any breach, default or event of default under the Loans Documents prior to acceleration or other remedial action by Lender are hereby deleted, and all Loans Documents are hereby modified accordingly

10. **Release of Lender; Waiver of Claims and Defenses**. As a material part of the consideration for Lender's execution of this Agreement, Borrower, Guarantor and New Guarantor each hereby unconditionally and irrevocably release and forever discharge Lender and all of its directors, officers, employees, agents, attorneys, affiliates and subsidiaries from all liabilities, obligations, actions, claims, causes of action, suits, proceedings, damages, demands, costs and expenses whatsoever arising from or relating to any alleged or actual act, occurrence, omission or transaction occurring or happening prior to or on the date of this Agreement, including but not limited to any of the foregoing relating to the making, administration or enforcement of the Loans Without limiting the foregoing, Borrower and Guarantor hereby unconditionally and irrevocably waive any and all defenses and claims existing or arising (or based on facts or circumstances actually or allegedly existing or arising) prior to or on the date of this Agreement which might otherwise limit their unconditional joint and several liability for all sums due under the Loans.

11 **Further Documents**. Borrower, Guarantor, and New Guarantor each hereby agree to execute any and all further documents and instruments required by Lender and to do all other acts and things necessary to give effect to the terms and provisions of this Agreement and/or to create and perfect all liens and security interests granted to Lender under the Loans Documents or required under this Agreement.

12 **Authorization of Agreement**. The execution and delivery of this Agreement has been duly authorized by all necessary corporate or partnership action of Borrower, Guarantor (as applicable) and New Guarantor, and the individuals executing this Agreement on behalf of Borrower, Guarantor and/or New Guarantor have been duly authorized and empowered to bind Borrower, Guarantor and/or New Guarantor by such execution

13. **Costs and Expenses**. Borrower hereby agrees to pay on demand any and all costs and expenses, including but not limited to attorneys' fees, incurred by Lender in connection with (A) the negotiation, preparation, filing and/or recording of this Agreement and all other documents and instruments required to give effect to this Agreement and/or to create and perfect the liens, security interests, assignments and/or pledges contemplated hereunder or under the Loans Documents and/or (B) the collection of the Loans and/or the enforcement of the Loans Documents. Guarantor and New Guarantor shall each be liable for all of their respective

foregoing costs and expenses pursuant to their respective guarantees. Lender shall have no liability whatsoever for any of the foregoing

14. **Time of the Essence**. Time is of the essence of all agreements and obligations contained herein.

15. **Construction of Agreement**. If any provision of this Agreement conflicts with any provision of any Loans Documents, the applicable provision of this Agreement shall control.

As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa.

The titles and captions in this Agreement are used for convenience of reference only and do not define, limit or control the scope, intent or effect of any provisions of this Agreement.

No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted all or any portion of this Agreement, any other document required hereunder or in connection with any Loans Documents

16. **Ratification and Agreements by Guarantor**. Guarantor hereby acknowledges and consents to the terms of this Agreement, agrees to be bound by all terms and provisions hereof and of any and all documents and instruments executed by Borrower in connection with and/or as contemplated in this Agreement; acknowledges and confirms that Guarantor is and shall remain liable for all indebtedness and obligations now or hereafter owed by Borrower to Lender in connection with the Loans (pursuant to this Agreement and the Loans Documents or otherwise), agrees that Guarantor's said liability shall not be released, reduced or otherwise affected by the execution of this Agreement, by any changes in the effect of the Loans Documents under the terms of this Agreement, by Lender's receipt of any additional collateral for the Loans, by the consummation of any transactions relating hereto, or by any other existing fact or circumstance; ratifies the Guaranty as security for the Loans; and confirms that the Guaranty remains in full force and effect.

17 **Entire Agreement; No Oral Agreements Concerning Loans**. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, which agreement shall not be varied by any alleged or actual oral statements or parol evidence whatsoever Lender has not promised or agreed in any manner to extend the maturity of the Loans, to restructure the Loans or any security therefor, to modify any terms of the Loans Documents or the effect thereof, to forbear in the commencement, exercise or pursuit of any right or remedy Lender has under the Loans Documents or applicable law, to release or adversely affect any lien or security interest previously or concurrently granted in favor of Lender, or to forego the benefit of any term, provision or condition of the Loans Documents, except as may be otherwise specifically provided in this Agreement and subject in all instances to strict compliance by Borrower, Guarantor and New Guarantor with all terms and conditions of this Agreement Except as specifically provided in this Agreement (and so long as Borrower is in compliance with the terms of this Agreement), Lender has not agreed or become obligated, whether by

negotiating or executing this Agreement or otherwise, to make any new Loans or to extend any new credit to Borrower, Guarantor or New Guarantor under any circumstances.

18. **Ratification of Workout**. The parties acknowledge and agree that the terms and conditions of this Agreement are part of but not the entire body of a mutual workout arrangement between the parties for a resolution of a dispute regarding the Loans. Borrower, Guarantor and New Guarantor each hereby ratify, consent to, and agree to all of Lender's actions, from November 27, 2013, to the date first stated above, regarding and/or related to the claims of the Other Lenders alleging that the encumbrances for their loans were in first priority for the subject Properties; with the actions of the Lender including, without limitation, Lender lending Borrower an additional amount of approximately $__ _____, in the aggregate, with said funds being used towards satisfaction of certain loans from the Other Lenders. Borrower, Guarantor and New Guarantor each ratify and agree that the Lender's loans for said Properties have increased by the amounts that Lender paid toward satisfaction of the respective Other Lenders' loans for the subject Properties and Lender's Loans will continue to increase by the amount that Lender will advance to Borrower (or pay toward) for the satisfaction of the respective Other Lenders' Loans or in connection with Lender's rights or obligations pursuant to the Loans Documents as modified by this Agreement.

[signatures on following page]

IN WITNESS WHEREOF, the undersigned Parties have executed this Agreement on the date first above written

Borrower

ARIZONA HOME FORECLOSURES, LLC

By _____
Yomtov "Scott" Menaged
Its. Member

EASY INVESTMENTS, LLC

By _____
Yomtov "Scott" Menaged
Its Member

Guarantor:

_____
Yomtov "Scott" Menaged

New Guarantor:

FURNITURE KING, LLC

By: _____
Yomotov "Scott" Menaged
Its: Manager

Lender:

DENSCO INVESTMENT CORPORATION

By. _____
Denny Chittick
Its: President

EXHIBIT A

LENDER LOANS AND ENCUMBERED PROPERTIES

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this_ _ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of ARIZONA HOME FORECLOSURES, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written

_____
Notary Public

My Commission Expires.

_____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ___ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of EASY INVESTMENTS, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written

_____
Notary Public

My Commission Expires.

_____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ____ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did acknowledged execution of the foregoing instrument as the Guarantor.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written

_____
Notary Public

My Commission Expires:

_____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ____ day of _____, 2014, before me appeared Yomotov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the Manager of FURNITURE KING, LLC, an Arizona limited liability company, and said Yomotov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said company.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written

_____
Notary Public

My Commission Expires

_____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ___ day of _____, 2014, before me appeared Denny Chittick, to me personally known, who being by me duly sworn, did say that he/she is the President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, and said Denny Chittick acknowledged execution of the foregoing instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

Notary Public

My Commission Expires

_____

Document comparison by Workshare Compare on Friday, February 07, 2014 7:43:06 PM

Input:	
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Description	#200131428v6<ClarkHill> - Forbearance_Ag.Densco(6)
Document 2 ID	interwovenSite://DETDMS1/ClarkHill/200131428/8
Description	#200131428v8<ClarkHill> - Forbearance Agreement (8)
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Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	15
Deletions	9
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	24

Exhibit 31

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

Attorneys for Defendants

SUPERIOR COURT OF ARIZONA

COUNTY OF MARICOPA

Peter S. Davis, as Receiver of DenSco Investment Corporation, an Arizona corporation, Plaintiff, v. Clark Hill PLC, a Michigan limited liability company; David G. Beauchamp and Jane Doe Beauchamp, husband and wife, Defendants.	No. CV2017-013832 **DEFENDANTS' DISCLOSURE OF EXPERT WITNESS KEVIN OLSON** (Commercial Case) (Assigned to the Honorable Daniel Martin)

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

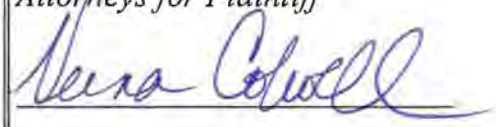
DATED this 5th day of April, 2019.

COPPERSMITH BROCKELMAN PLC

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

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

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



EXPERT REPORT OF KEVIN OLSON

April 5, 2019

Re: Peter S. Davis v. Clark Hill, et al.

1. Introduction and Qualifications

I was admitted to practice in Arizona in October 1980 after graduating from Yale Law School in May 1980. I began working at Lewis and Roca in Phoenix, Arizona, in June 1980 and practiced law there, first as an associate and then as a partner, from the date of my admission until I left to join Steptoe & Johnson LLP in October 1997. I have practiced law as a partner at Steptoe from October 1997 through the present date.

At Lewis and Roca, a significant part of my practice from the mid-1980s until I left in 1997 was advising clients in connection with securities offerings, including offerings qualified under SEC Regulation D. In that period I estimate I advised clients in connection with 3 to 6 offerings per year.

I remain active in both the Securities Law section and the Business Law section of the State Bar of Arizona. I was involved in the leadership of each section, and became chair of each section, at separate times during the 1980s and 1990s. As a member of the leadership council and as chair of the Securities Law section, I was actively involved in efforts to improve and simplify Arizona's securities laws, including its analog to Regulation D.

When I joined Steptoe in 1998, I continued to advise clients with respect to private offerings (including Regulation D offerings), as well as advising larger companies focused on bank and other institutional financing or on public securities markets. While my work in private offerings has lessened over time, I am familiar with the SEC's rules and practices relating to Regulation D since even companies that are primarily focused on bank and institutional financing will periodically find a Regulation D offering a preferable method for raising capital. I regularly review all SEC releases related to the securities markets, including releases related to Regulation D and the private offering markets. I also have regularly attended Securities Law

- income with spouse for the last 2 years, and reasonably expected for the current year, of $300,000 per year;

- Directors, executive officers, and general partners of the issuer;
- Banks and other private development companies;
- Certain entities (including trusts and corporations) with assets over $5 million; and
- Other entities if all of their owners are accredited investors.

4.5. Advantages of Offerings to Accredited Investors

Under Regulation D, Rule 506(c), an offering that is limited to accredited investors (and satisfies the other conditions to Rule 506(c), which are not relevant to this report) is not required to provide substantive information in any particular format. Consequently, the information can be conveyed verbally or in writing. In contrast, if an offering is made that includes non-accredited investors, Rule 506(b) requires disclosure of information in writing, to the extent material, that is equivalent to what is required in a registration statement the issuer would be eligible to use for a public offering.

The lack of specific written information requirements for offerings to accredited investors is because of the SEC's decision that accredited investors have the assets, income, knowledge, experience and leverage necessary to insist on the information they deem relevant, such that the SEC does not have to prescribe what information is required.

The framework Regulation D has established for private offerings allows issuers to conduct offerings to accredited investors at a much lower cost than to non-accredited investors or in a public offering. The framework loosens the requirements as to how material information must be disclosed to investors. In a public offering, or an offering that includes non-accredited investors, the issuer must provide specific written disclosure of information about the issuer, its business, and its financial condition. The preparation of such documents requires the involvement of, and due diligence by, accountants, lawyers, and other experts. Private offerings to non-accredited investors are substantially less costly than public offerings,

but the specific written disclosure that is required makes them much more expensive than private offerings that are limited to accredited investors.

Offerings limited to accredited investors can be completed at a much lower cost because the assistance required from accountants, lawyers and experts is much less. Further, the lack of a requirement to prepare specific written disclosure reduces the diligence required of such professionals. As a result, if an issuer is confident that it has connections with an adequate number of accredited investors, a private offering to non-accredited investors is the preferred method for raising lesser amounts.

4.6. Requirement for Adequate Disclosure

The lack of specific written disclosure requirements in an offering to accredited investors does not make such offerings a free for all in which issuers are free to withhold relevant information. It only means that the issuer is free to work with investors to provide all material information in a manner that is appropriate under the circumstances. Issuers still have an obligation to disclose material information that is accurate and to disclose all information necessary to make the disclosures that are made not misleading.

Many issuers make basic disclosures to accredited investors in a written private offering memorandum ("POM"), supplemented by other written or oral disclosures. In many offerings the most important information is disclosed in diligence meetings between the issuer's management and investors. If prepared, the POM provides the initial outline of high-level information but is expected to be supplemented by other written and oral disclosures. The supplemental disclosures often focus on material developments since the date of the POM and some issuers decide not to use a POM at all in favor of providing information based on the questions of their investors.

5. The DenSco Offerings

From the start of its capital raising efforts, DenSco's offerings were conducted as private offerings and were made solely to accredited investors. They were intended to qualify under Regulation D, Rule 506(c) and appear to have so qualified.

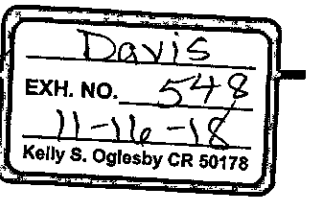
Beauchamp's actions as a securities and transactional lawyer representing DenSco are as follows:

- Mr. Beauchamp's advice to DenSco that it should enter into a forbearance agreement with Menaged and his entities was appropriate and fully met the standard of care.
- Mr. Beauchamp's advice about the proper terms and scope of the forbearance agreement was consistent with ordinary practice in the area and fully met the standard of care.
- Mr. Beauchamp advice about lending, procedures, and documentation was consistent with ordinary practice in the area and met the standard of care.
- Mr. Beauchamp properly advised DenSco about nature, timing, and necessity of disclosures of material information to investors (including new and rollover investors) and his advice in this respect was consistent with the law and regulations and the met the standard of care.
- Mr. Beauchamp met the standard of care in advising DenSco about its fiduciary duties to its investors.
- Mr. Beauchamp properly performed unrelated legal work for DenSco even after he terminated his representation of DenSco with respect to securities matters, including the final work on the forbearance agreement and the later advice regarding Arizona Department of Financial Institution regulations. His work in this respect met the applicable standard of care.

Dated: March 5, 2019

Kevin Olson

Exhibit 32



From: Denny Chittick <dcmoney@yahoo.com>
Sent: Tuesday, February 11, 2014 8:57 AM
To: Scott Menaged
Subject: Re:

12%
interest can be paid monthly , quarterly.

however, i 've not taken any new investors, so if i do, i have to disclose a loto to them, which is all about you!

i might have 500k in from someone, know soon.

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

From: Scott Menaged <smena98754@aol.com>
To: Denny <dcmoney@yahoo.com>
Sent: Tuesday, February 11, 2014 8:54 AM
Subject:

What are you paying your investors? I have a couple people I can call to see if I can get them to invest with you. They are family and the family rule is we don't so business together to keep everything good! However I know they have funds they have been looking to put somewhere

Sent from my iPhone

Exhibit 33

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

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

VIDEOTAPED DEPOSITION OF DANIEL ALLEN SCHENCK

Phoenix, Arizona
June 19, 2018
9:05 a.m.

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

PREPARED FOR:

he was going to heed it. And that's just it.

Q. If he was wiring money to the borrower --

A. Okay.

Q. -- that would be a very material fact for an investor. True?

A. I can't say that.

Q. You can't say that?

How did the first fraud take place?

MR. DeWULF: Object to form.

THE WITNESS: Well, there was a problem with the way that he was sending the money to him.

Q. (BY MR. CAMPBELL) He was wiring the money to the borrower, correct?

A. Right.

Q. And that allowed Mr. Menaged or his cousin to hold the money, fund the property from another lender --

A. Uh-huh.

Q. -- and steal the money that he got from DenSco --

MR. DeWULF: Object to form.

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

A. That sound like the scenario that happened, but, again, I don't know all the facts on it. But I -- I guess my concern with the way you have worded the question is it's assuming that we knew that Denny was not going to

change his practices and that he was still going to continue to do it that way, and we did not know what Denny was going to do still going forward with his practices.

Q. How do you draft a private offering memorandum without knowing that?

A. Well, that's when this is a draft and we are identifying some of the first issues that needed to be identified. But then we are going to have to go, you know, confirm with the client if it's still accurate.

Q. Turn to Exhibit No. 4 again. This is the Rule 26.1 statement from your law firm.

A. Okay.

Q. Turn to page 14. You will see on line 19 --

A. Yes.

Q. -- it starts, and let me see if I can quote this correctly: Mr. Beauchamp and his associate, Daniel Schenck, began drafting the updated POM in April and May 2014. Specifically, the draft 2014 POM would have: Provided a description of the Forbearance Agreement (including all the parties' funding obligations), the reason it was necessary, its effect on DenSco's books; updated DenSco's goals for intended loan-to-value ratios; updated the descriptions regarding DenSco's loan funding and securitization procedures; updated the number of loan defaults triggering foreclosure; and amended the

private offering memorandum you drafted?

A. As I sit here today, I don't know. And part of it could have been I didn't know if the practices were changing or not. Again, this was a first draft.

Q. Did Mr. Beauchamp ever come to you and tell you he had terminated DenSco as a client?

A. Yes.

Q. When did he do that?

A. It probably was within a week or a couple weeks at least -- I'm trying to frame up -- after this initial draft was, I think gave it to David, and then I think he then was working with Denny on, you know, starting to fill it in more and to update it with the correct information and such. It was around that time period.

Q. So you think -- we know from your billing records that you gave it to Mr. Beauchamp on May 14th, so you think within one week, by May 21st, Mr. Beauchamp came to you and said we are terminating DenSco as a client?

MR. DeWULF: I think that's a mischaracterization of what he said, Counsel. I'll object to form.

MR. CAMPBELL: Let him say -- he can correct me if I'm wrong.

THE WITNESS: Okay. I would say it was probably within days or weeks after that. I don't -- I can't

pinpoint when it was.

Q. (BY MR. CAMPBELL) Days or weeks?

A. Yeah.

Q. How many times have you terminated a client?

A. Me? Only a handful of times.

Q. How many times has a partner come to you and said we are terminating a client, cease work?

A. Just a handful of times.

Q. What are Clark Hill's procedures when a client is terminated?

A. I don't know that there are actually set procedures on -- firm-wide on how to do that.

Q. Do you terminate work?

A. Since this, I have done a couple of that, yeah.

Q. So once Mr. Beauchamp came and talked to you, you did no further work on the case?

A. No, I don't think that would be accurate.

Q. How can you terminate a client and do no further work for them and then continue working for them?

A. Well, I think on this particular situation, I think we understood that we were no longer representing them and going to continue this, but that it would be handed off to another counsel.

So we were trying essentially to put it in the best shape possible so that the new counsel that was going

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

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

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

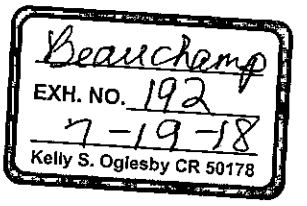
I CERTIFY that I have complied with the ethical obligations in ACJA Sections 7-206(F)(3) and 7-206-(J)(1)(g)(1) and (2).

Kelly Sue Oglesby _____ 7/3/2018
Kelly Sue Oglesby Date
Arizona Certified Reporter No. 50178

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

_____ 7/3/2018
JD REPORTING, INC. Date
Arizona Registered Reporting Firm R1012

Exhibit 34



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.

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:_____
Yomtov "Scott" Menaged
Its: Member

EASY INVESTMENTS, LLC

By:_____
Yomtov "Scott" Menaged
Its: Member

_____
YOMTOV "SCOTT" MENAGED, Individually

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: RM 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 | 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
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 may 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 continence 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)

This Instrument was acknowledged before me this ____ day of _____, 2014.
By: YomTov Menaged

Commission Expires:_____ _____
Notary

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

B. Type of Loan

1. ☐ FHA 2. ☐ RHS 3. ☐ Conv. Unins. 4. ☒ VA 5. ☐ Conv. Ins	6. File Number: 04041604-737 KH3	7. Loan Number: 2036000166	8. Mortgage Insurance Case Number: 45-45-6-2857573

C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. Name of Borrower: Shane C Clark; Meagan E Clark
Address of Borrower: 9924 E. Delta, Mesa, AZ 85208; 9924 E. Delta, Mesa, AZ 85208

E. Name of Seller: Arizona Home Foreclosures, LLC
Address of Seller: 7320 W. Bell Rd., Glendale, AZ 85308

F. Name of Lender: PrimeLending, a PlainsCapital Company
Address of Lender: 18111 Preston Road, Ste 900 Dallas, TX 75252

G. Property Location: 11509 E. Pratt Ave., Mesa, AZ 85212
Maricopa 304-91-726
Lot(s) 226, of Meridian Pointe Unit 2, Map Book 502, Map Page 32

H. Settlement Agent: Magnus Title Agency, (480) 682-0200, 6991 E Camelback Rd, Ste C158, Scottsdale, AZ 85251
Place of Settlement: Magnus Title Agency, (480) 682-0200, 6991 E Camelback Rd Ste C158, Scottsdale, AZ 85251

I. Settlement Date: 12/09/2013	Proration Date: 12/11/2013	Funding Date: 12/11/2013	Disburse Date: 12/11/2013

J. Summary of Borrower's Transaction

100. Gross Amount Due from Borrower		
101.	Contract sales price	210,000.00
102.	Personal property	
103.	Settlement charges to borrower (line 1400)	11,094.27
104.		
105.		
	Adjustments for items paid by seller in advance	
106.	City/town taxes to	
107.	County taxes to	
108.	Assessments 12/11/2013 to 01/01/2014	31.76
109.		
110.		
111.		
112.		
113.		
114.		
115.		
120.	Gross Amount Due from Borrower	221,126.03
200. Amounts Paid by or in Behalf of Borrower		
201.	Deposit or earnest money	1,000.00
202.	Principal amount of new loan(s)	214,515.00
203.	Existing loan(s) taken subject to	
204.	Buyers Closing Funds	2,418.67
205.		
206.		
207.	Seller Paid Owners Policy	1,200.00
208.	Seller Paid Loan Charges	1,425.00
209.		
	Adjustments for items unpaid by seller	
210.	City/town taxes to	
211.	County taxes 07/01/2013 to 12/11/2013	567.36
212.	Assessments to	
213.		
214.		
215.		
216.		
217.		
218.		
219.		
220.	Total Paid by/for Borrower	221,126.03
300. Cash at Settlement from/to Borrower		
301.	Gross amount due from borrower (line 120)	221,126.03
302.	Less amounts paid by/for borrower (line 220)	221,126.03
303.	Cash ☐ From ☐ To Borrower	0.00

K. Summary of Seller's Transaction

400. Gross Amount Due to Seller		
401.	Contract sales price	210,000.00
402.	Personal property	
403.		
404.		
405.		
	Adjustments for items paid by seller in advance	
406.	City/town taxes to	
407.	County taxes to	
408.	Assessments 12/11/2013 to 01/01/2014	31.76
409.		
410.		
411.		
412.		
413.		
414.		
415.		
420.	Gross Amount Due to Seller	210,031.76
500. Reductions in Amount Due to Seller		
501.	Excess deposit (see instructions)	
502.	Settlement charges to seller (line 1400)	11,971.17
503.	Existing loan(s) taken subject to	
504.	Payoff of first mortgage loan to DENSCO Investment Corporation	141,890.60
505.	Payoff of second mortgage loan to Geared Equity, LLC	146,155.14
506.		
507.	Seller Paid Owners Policy	1,200.00
508.	Seller Paid Loan Charges	1,425.00
509.		
	Adjustments for items unpaid by seller	
510.	City/town taxes to	
511.	County taxes 07/01/2013 to 12/11/2013	567.36
512.	Assessments to	
513.		
514.		
515.		
516.		
517.		
518.		
519.		
520.	Total Reduction Amount Due Seller	303,208.67
600. Cash at Settlement to/from Seller		
601.	Gross amount due to seller (line 420)	210,031.76
602.	Less reductions in amount due seller (line 520)	303,208.67
603.	Cash ☐ To ☒ From Seller	93,176.91

L. Settlement Charges

700. Total Real Estate Broker Fees		Paid From Borrower's Funds at Settlement	Paid From Seller's Funds at Settlement
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.			

800. Items Payable in Connection with Loan				
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 Kittelmann 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.				

900. Items Required by Lender to Be Paid in Advance				
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				4,515.00

1000. Reserves Deposited with Lender				
1001. Initial deposit for your escrow account			(from GFE #9)	635.23
1002. Homeowner's Insurance	3 months @ $ 46.6600	$ 139.98		
1003. Mortgage Insurance	months @ $	$		
1004. Property taxes	6 months @ $ 105.8700	$ 635.22		
1005.	months @ $	$		
1006.	months @ $	$		
1007. Aggregate adjustment		$ (139.97)		

1100. Title Charges				
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		

1200. Government Recording and Transfer Charges				
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 $			

1300. Additional Settlement Charges				
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 File to Magnus Title				698.00
1312. 4040842 Recording Fee to Magnus Title				16.00
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

1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)	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

PrimeLending, a PlainsCapital Company 2036009166

Comparison of Good Faith Estimate (GFE) and HUD-1 Charges		Good Faith Estimate	HUD-1
Charges That Cannot Increase	HUD-1 Line Number		
Our origination charge	# 801	1,285.00	1,285.00
Your credit or charge (points) for the specific interest rate chosen	# 802	0.00	0.00
Your adjusted origination charges	# 803	1,285.00	1,285.00
Transfer taxes	# 1203	0.00	0.00
	Total	1,285.00	1,285.00

Charges That In Total Cannot Increase More Than 10%		Good Faith Estimate	HUD-1
Government recording charges	# 1201	0.00	0.00
Appraisal fee	# 804	450.00	450.00
Credit report	# 805	65.00	21.13
Tax service	# 806	90.00	90.00
Flood certification	# 807	9.50	9.50
VA Funding Fee	# 904	6,930.00	4,515.00
	Total	7,544.50	5,085.63
	Increase between GFE and HUD-1 Charges	$ (2,458.87) or	(32.59)%

Charges That Can Change		Good Faith Estimate	HUD-1
Initial deposit for your escrow account	# 1001	635.23	635.23
Daily interest charges	# 901 $25.71 /day	546.00	539.91
Homeowner's insurance	# 903	700.00	560.00
Title services and lender's title insurance	# 1101	725.00	1,528.00
Owner's title insurance	# 1103	1,000.00	1,200.00

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 ☑ Principal ☑ Interest ☐ Mortgage Insurance
Can your interest rate rise?	☒ No. ☐ 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?	☒ No. ☐ 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?	☒ No. ☐ 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?	☒ No. ☐ Yes, your maximum prepayment penalty is $.
Does your loan have a balloon payment?	☒ No. ☐ Yes, you have a balloon payment of $ due in years on .
Total monthly amount owed including escrow account payments	☐ You do not have a monthly payment for items, such as property taxes and homeowner's insurance. You must pay these items directly yourself. ☒ You have an additional monthly escrow payment of $ 152.53 that results in a total initial monthly amount owed of $ 1,223.57. This includes principal, interest, any mortgage insurance and any items checked below: ☒ Property taxes ☒ Homeowner's Insurance ☐ Flood Insurance ☐ ☐ ☐

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	
Total As Shown On HUD Line 208	1,425.00	

Breakdown For Hud Line 508

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
Total As Shown On HUD Line 508		1,425.00

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	
Total As Shown On HUD Line 803	1,285.00	

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	
Total As Shown On HUD Line 1101	1,528.00	

Breakdown of Commission as shown on 701

Agent Information

Property Management
Veronica Castro
14160 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 #: 4584

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
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 | 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

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 | 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/
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
C068584 – DenSco Investment Corp.					
2007 Private Offering	0224518	☐	☒	☐	☐
2008 Private Offering	0220098	☐	☐	☐	☐
2009 Private Offering	0232360	☐	☐	☐	☐
2011 Private Offering	0322546	☐	☐	☐	☐
2013 Private Offering	0352992	☐	☐	☐	☐
AZ Practice Review	0326715	☐	☐	☐	☐
Blue Sky Issues	0235165	☐	☐	☐	☐
Formation of affiliated entity w/partners	0323475	☐	☐	☐	☐
Garnishments	0307850	☐	☐	☐	☐
General Corporate	0219815	☐	☐	☐	☐

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
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 | 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

Exhibit 35

DenSco/Workout

Beauchamp, David G.

From: Beauchamp, David G.
Sent: Thursday, January 16, 2014 2:57 PM
To: 'dcmoney@yahoo.com'
Cc: Schenck, Daniel A.; Beauchamp, David G.
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
CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Thursday, January 16, 2014 02:47 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
602-469-3001 C
602-532-7737 f

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

Denny:

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

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

Best, David

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

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

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

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

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

Denny,

Attached is the revised Term Sheet with the changes that Scott requested and that David discussed with you. As requested, we revised the language so that the Borrower is not expressing its intent on which lender was supposed to be in first position. As David mentioned, we don't recommend that you accept these changes

because it still leaves open the question of whether Scott intended for DenSco to be in the first position. Ideally, Scott would make the acknowledgment (which would be an admission of default should DenSco be determined to not be in first position), but Scott would be protected by the terms of the forbearance agreement. Please contact us should you have any questions regarding this issue.

Best,

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

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

Dan:

Please

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

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

Dave ,

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

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

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

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

Confidentiality agreement is fine for me to sign as is.

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

Thanks

Scott

Sent from my iPhone

LEGAL NOTICE: This e-mail is for the exclusive use of the intended recipient(s), and may contain privileged and confidential information. If you are not an intended recipient, please notify the sender, delete the e-mail from your computer and do not copy or disclose it to anyone else. Your receipt of this message is not intended to waive any applicable privilege. Neither this e-mail nor any attachment(s) establish an attorney-client relationship, constitute an electronic signature or provide consent to contract electronically, unless expressly so stated by a Clark Hill attorney in the body of this e-mail or an attachment.

FEDERAL TAX ADVICE DISCLAIMER: Under U. S. Treasury Regulations, we are informing you that, to the extent this message includes any federal tax advice, this message is not intended or written by the sender to be used, and cannot be used, for the purpose of avoiding federal tax penalties.

Exhibit 36

DenSco / Workout

Beauchamp, David G.

From: Beauchamp, David G.
Sent: Tuesday, January 21, 2014 1:57 PM
To: Denny Chittick
Subject: RE: update

Denny:

If I knew the attorney that they are now using, I could try to confirm the timing. If you or Scott talk to Dan or the others, please try to get a name.

I understand the fine line that you are taking. I am just very concerned about the payoffs getting so far ahead of the documentation. I have authorized the preparation of the Forbearance Agreement and the related documents. Under normal circumstances, this should be finalized and signed before you advance all of this additional money. We plan to get the documents to you and Scott later this week. Hopefully, we can get the documents signed later this week.

Best, David

David G. Beauchamp

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

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Tuesday, January 21, 2014 1:50 PM
To: Beauchamp, David G.
Subject: Re: update

we talked about that, she can run title for me and just tell me that i'm clear, she's also working with us to get the payoffs so we'll see how it works out, i understand the risk. i'm trying to walk a fine line between doing it right and doing it quickly! i know how to do it right, i just don't know how fast i have to do it to keep them at bey. i can do 2 million this week, which will cut it in 1/2 , with payoffs coming in through the end of the month, i should be able to have them completely paid off with in another 2 weeks , knocking some off a little at a time, i just dont' know if they'll give us that time...

DenSco Investment Corp
www.denscoinvestment.com

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

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: Denny Chittick <dcmoney@yahoo.com>
Sent: Tuesday, January 21, 2014 1:42 PM
Subject: RE: update

Denny:

If you do this outside escrow, you will probably not be eligible for title insurance. Under the circumstances, title insurance would be good to have to deal with the lien issues. You might want to ask Debbie what procedure you could use to expedite the pay-offs and still have her company be able to issue title insurance.

Would it make sense to split up the payoffs of these loans into two or three different escrows and title agencies?

Best, David

David G. Beauchamp

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

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Tuesday, January 21, 2014 12:42 PM
To: Beauchamp, David G.
Subject: update

we are going to pay off 6 tomorrow, title can't work fast enough, the earliest we can do more through title is friday based on what debbie is saying. we may need to get payoff directly from them and just exchange checks and releases outside of title.
dc

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

Exhibit 37

DenSco / Workout

TCW Denny Chittick (1/15/14) 602-469-3001

(0.3)

→ relayed status

— Waiver of Conflict of Interest → OK w/ Denny

— DGB working on Term Sheet

— goal is to have

— if Scott cannot up w/ the additional $ necessary to fund the pay-offs → Scott will be able to draw upon any available balance of the $1 MM loan that has not yet been drawn upon

— up to 95% of LTV of property value

— Scott told Denny that Jeff Gulden is not willing to share where Scott is getting his money & what his deal is

Beauchamp, David G.

From: Denny Chittick <dcmoney@yahoo.com>
Sent: Wednesday, January 15, 2014 2:35 PM
To: Beauchamp, David G.
Subject: Re: DenSco and Scott Menaged

ok now i'm off the hpone any time you are available i'll make myself available.

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

From: Denny Chittick <dcmoney@yahoo.com>
To: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
Sent: Wednesday, January 15, 2014 2:20 PM
Subject: Re: DenSco and Scott Menaged

give me a few mins

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

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: Denny Chittick <dcmoney@yahoo.com>
Sent: Wednesday, January 15, 2014 2:19 PM
Subject: RE: DenSco and Scott Menaged

okay

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 2:16 PM
To: Beauchamp, David G.
Subject: Re: DenSco and Scott Menaged

call me when you are free so i know what i'm giving up plz.

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

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: Denny Chittick <dcmoney@yahoo.com>
Sent: Wednesday, January 15, 2014 2:13 PM
Subject: RE: DenSco and Scott Menaged

Denny:

That is great. As I have explained to both you and Scott, my only concern is that you and Scott receive some form of consideration in return for these immediate payoffs. I want to know that you have adequate time to get this resolved without being under the constant threat of immediate litigation.

Do you have any problem with giving the non-litigation waiver of the potential conflict of interest to allow Bob Miller to proceed with trying to resolve his clients' issues with a settlement? (He can proceed so long as there is no litigation, which means that he will have to send it to another law firm if litigation is commenced.) My new firm would also like for me to obtain a waiver from DenSco for me to continue proceeding with this matter. Please call if we need to discuss this issue.

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: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Wednesday, January 15, 2014 2:04 PM
To: Beauchamp, David G.; Yomtov Menaged
Subject: Re: DenSco and Scott Menaged

Jeff knows the urgency that we are working under so i'm hoping he gets back to you.

mean while, they've been paid off on one loan today ,and three more will be paid off by thrusday/friday.
dc

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

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: Denny Chittick <dcmoney@yahoo.com>
Sent: Wednesday, January 15, 2014 1:58 PM
Subject: RE: DenSco and Scott Menaged

Denny:

Jeff left a message about 12:20 and I called him back a few minutes ago and left a message. Hopefully, he calls back before 2:00, because he is out of his office after 2:00 today for the rest of the day. He is also out Thursday and Friday in meetings. His time schedule does not work with the schedule that Bob Miller's clients are insisting upon. Do you want to talk to Scott or wait and we talk for a few minutes after 2:00 assuming I do not hear back from Jeff?

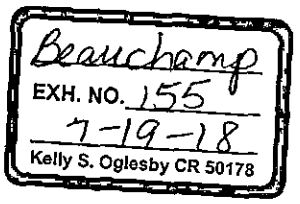
Thanks, David

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: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Wednesday, January 15, 2014 1:04 PM
To: Beauchamp, David G.
Subject: Re: DenSco and Scott Menaged

I know you spoke with Jeff by now, or at least i hope, call me after you do. so we can all be on the same page.



Den Sc / Woodhart

Beauchamp, David G.

From: Scott Menaged <smena98754@aol.com>
Sent: Monday, January 13, 2014 9:51 PM
To: Beauchamp, David G.
Cc: Denny
Subject: Re: Verification of Funds Available for Workout

David,

I am meeting with my attorney wed at 1030 am. I will discuss with him about what to provide and what not to. Me, you and Denny are on the same side here , I just know you can't advise me legally so I asked to meet with my attorney.

I will get back to you wed afternoon. In the meantime lets get the list of properties and we can still have title start to work on it.

Thanks

Sent from my iPhone

On Jan 13, 2014, at 7:02 PM, "Beauchamp, David G." <DBeauchamp@ClarkHill.com> wrote:

Scott:

According to Bob Miller, his clients want enough information about the availability of your funds to know that the funds are real and will be available in a timely manner. What are you comfortable providing with respect to your investor, the timing for those funds and what is your transaction with your investor?

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 | www.clarkhill.com

-----Original Message-----
From: Scott Menaged [mailto:smena98754@aol.com]
Sent: Monday, January 13, 2014 10:31 AM
To: Beauchamp, David G.; Denny
Subject:

Dave,

I understand the other side wants to know my agreement with my friend who will provide me some capital.

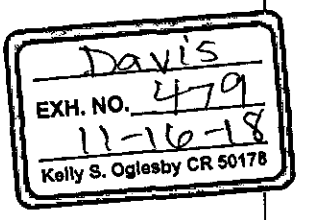
I will be able to borrow up to 1,000,000 as a personal loan with a balloon in December 2015.

I am working on other sources as we'll, but do not have anything firmed up yet as to details of the deal.

Scott

Sent from my iPhone

Exhibit 38



GUTTILLA MURPHY ANDERSON
Ryan W. Anderson (Ariz. No. 020974)
5415 E. High St., Suite 200
Phoenix, Arizona 85054
Email: randerson@gamlaw.com
Phone: (480) 304-8300
Fax: (480) 304-8301

Attorneys for the Receiver

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR MARICOPA COUNTY

ARIZONA CORPORATION COMMISSION, Plaintiff, v. DENSCO INVESTMENT CORPORATION, an Arizona corporation, Defendant.	Cause No. CV2016-014142 PETITION NO. 15 PETITION FOR ORDER APPROVING RECEIVER'S STATUS REPORT (Assigned to the Honorable Lori Horn Bustamante)

Peter S. Davis, as the court appointed Receiver, respectfully petitions the Court as follows:

1. On August 18, 2016, this Court entered its *Order Appointing Receiver*, which appointed Peter S. Davis as Receiver of DenSco Investment Corporation ("Receivership Order").

2. The Receiver has prepared and filed herewith the Receiver's Status Report dated December 23, 2016 which is attached hereto as Exhibit "A".

Guttilla Murphy Anderson, P.C.
5415 E. High Street, Suite 200
Phoenix, AZ 85054
(480) 304-8300

WHEREFORE, the Receiver respectfully requests that the Court enter an order approving the Receiver's Status Report attached hereto as Exhibit "A".

Respectfully submitted this 23rd day of December, 2016.

GUTTILLA MURPHY ANDERSON, P.C.

/s/Ryan W. Anderson
Ryan W. Anderson
Attorneys for the Receiver

2359-001(271614)

Guttilla Murphy Anderson, P.C.
5415 E. High Street, Suite 200
Phoenix, AZ 85054
(480) 304-8300

SIMON Consulting, LLC

Arizona Corporation Commission
v.
DenSco Investment Corporation

(Case No. CV 2016-014142)

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

December 23, 2016

FORENSIC ACCOUNTING & ECONOMICS • RECEIVERSHIP • RESTRUCTURING
3200 NORTH CENTRAL AVENUE • SUITE 2460 • PHOENIX, AZ 85012 • 602.279.7500 • (FAX) 602.279.7510 • WWW.SIMONCONSULTING.NET

Exhibit "A"

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LIST OF EXHIBITS

Exhibit 1.....Solvency Analysis

Exhibit 2.....Investor Analysis

1. Background and Appointment of the Receiver

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

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

2. Receivership Activities

2.1. Administration of the DenSco Loan Portfolio

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

2.1.1. Non-Menaged Loans

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

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

1 Arizona Corporation Commission report for file no. 09874884.
2 CV 2016-014142; Verified Complaint; page 2, paragraph 6.
3 CV 2016-014142; Verified Complaint; page 2, paragraph 7.
4 CV 2016-014142; Verified Complaint; page 2, paragraphs 8-10.

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

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

2.1.2. Menaged Loans

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

Table 1:
Menaged Loans Secured by Real Property

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

2.1.2.1 Loan 3736 – 9103 East Charter Oak Drive

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

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

[5] Deed of Trust and Assignment of Rents (Maricopa County recorded document no. 20120935712).
[6] Deed of Trust (Maricopa County recorded document no. 20040204287) and Corporate Assignment of Deed of Trust (Maricopa County recorded document no. 20160263965).

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

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

2.1.2.2 Loan 3736 – 1605 West Winter Drive

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

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

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

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

2.1.2.3 Loan 3883 – 9555 East Raintree Drive, Unit 1004

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

7 Notice of Trustee's Sale (Maricopa County recorded document no. 20160893291).
8 Deed of Trust and Assignment of Rents (Maricopa County recorded document no. 20121029407).
9 Deed of Trust and Assignment of Rents (Maricopa County recorded document no. 20140081791).
10 Deed of Trust (Maricopa County recorded document no. 20090354620) and Assignment of Deed of Trust and Assignment of Rents (Maricopa County recorded document no. 20160313920).
11 Notice of Trustee's Sale (Maricopa County recorded document no. 20160863308).
12 Deed of Trust and Assignment of Rents (Maricopa County recorded document no. 20121137660).
13 Deed of Trust and Assignment of Rents (Maricopa County recorded document no. 20140078275).

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

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

2.1.2.4 Loan 3885 – 9555 East Raintree Drive, Unit 1020

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

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

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

2.1.2.5 Loan 4604 – 707 East Potter Drive

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

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14 Deed of Trust (Maricopa County recorded document no. 20031616790).
15 Substitution of Trustee (20160384486).
16 Notice of Trustee's Sale (Maricopa County recorded document no. 20160807170).
17 Deed of Trust and Assignment of Rents (Maricopa County recorded document no. 20121137668).
18 It is unclear why the first loan was made to Jess Menaged and the second loan was made to Easy Investments, LLC.
19 Deed of Trust and Assignment of Rents (Maricopa County recorded document no. 20140076570).
20 Deed of Trust (Maricopa County recorded document no. 20070103932), Corporate Assignment of Deed of Trust (Maricopa County recorded document no. 20120786945), and Corporate Assignment of Deed of Trust (Maricopa County recorded document no. 20150615324).
21 Deed of Trust and Assignment of Rents (Maricopa County recorded document no. 20150437867).

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

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

2.2. Menaged Bankruptcy

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

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

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

2.2.1. Receivership of Furniture King, et al.

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

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

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

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

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

2.3. Claims against the Chittick Estate

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

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

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

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

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

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

2.4. Investor Communications

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

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

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

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

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

3. Menaged Fraud Investigation

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

3.1. The First Fraud

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

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

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

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

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

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

22 Forbearance Agreement, Section G (ACC000236),
23 Transcript from the 10/20/16 Rule 2004 Examination of Scott Menaged; pages 81-82, 89.
24 Trustee's Deed Upon Sale (Maricopa County recorded document no. 20120866188).
25 Notice of Deed of Trust with Assignment of Rents (Maricopa County recorded document no. 20120773674).

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

3.2. The Second Fraud

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

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

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

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

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

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

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

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

4. Solvency Analysis

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

Adjustment for the First Fraud

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

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

Adjustment for the Second Fraud

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

[27] Total loss of $348,873.28 minus $250,000.00 previously accounted for equals $98,873.28.

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

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

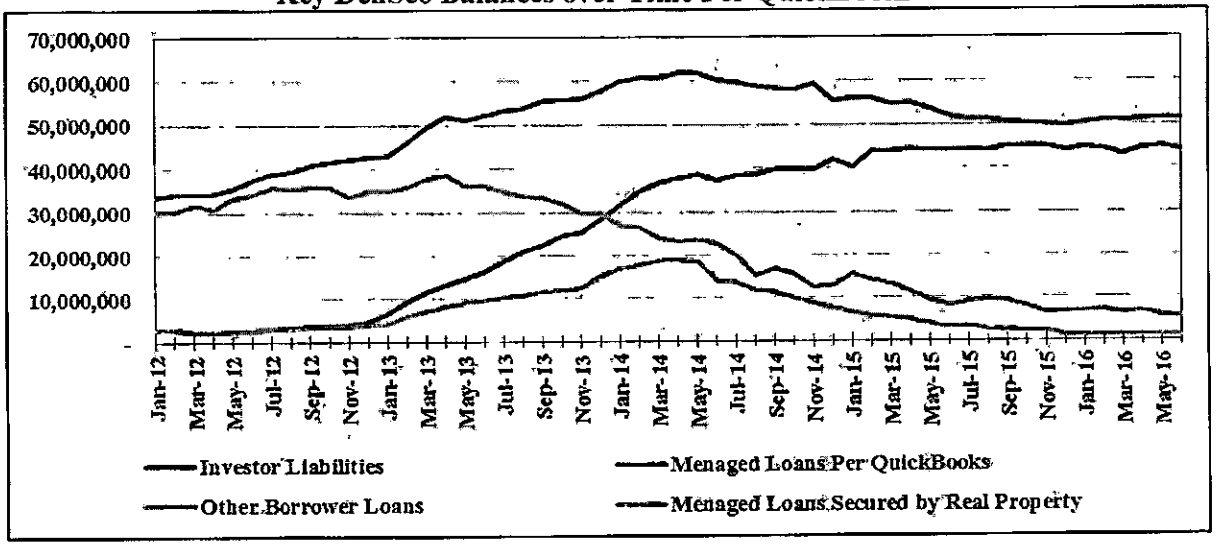
5. DenSco Became a Ponzi Scheme

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

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

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

Chart 1:
Key DenSco Balances over Time Per QuickBooks



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

6. Modified Net Investment Analysis

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

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

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

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

6.1. Estimated Investor Recoveries

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

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

[29] Withdrawals totaling $46,406,985.26 minus deposits totaling $36,129,814.48 equals $10,277,170.78.

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

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

7. Receivership Accounting

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

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

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

7.1. Collections to Date

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

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

Description	Amount	Reference
FirstBank Account Balance as of 08/18/16	$ 1,380,653.91	Preliminary Report Section 3.1.1
Cash Collected from the Chittick Estate	551,140.00	Preliminary Report Section 3.1.2
Marilyn Property Proceeds Received from Easy Investments	35,066.73	See Section 7.1.1 below
Miscellaneous Furniture King, et al. Income	1,086.20	See Section 7.1.2 below
DenSco Office Furniture Sale Proceeds	31.87	See Section 7 1.3 below
Interest Income	918.32	
Loan Proceeds		
Payoff Proceeds - Principal	3,898,055.81	See Section 2.1.1 above
Payoff Proceeds - Interest & Fees	98,740.52	See Section 2.1.1 above
Additional Loan Interest	84,949.00	See Section 2.1.1 above
Subtotal Loan Proceeds	4,081,745.33	
Total Cash Collected	**$ 6,050,642.36**	

7.1.1. Marilyn Property Proceeds Received from Easy Investments

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

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

7.1.2. Miscellaneous Furniture King, et al. Income

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

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

7.1.3. DenSco Office Furniture Sale Proceeds

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

7.2. Disbursements to Date

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

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

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

7.2.1. Professional Fees

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

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

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

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

Peter S. Davis, Receiver
Simon Consulting, LLC

December 23, 2016
Date

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

DenSco Investment Corporation
Solvency Analysis

Exhibit 1

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

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

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

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

Exhibit "A"

DenSco Investment Corporation
Solvency Analysis

Exhibit 1

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

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

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

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

DenSco Investment Corporation
Solvency Analysis

Exhibit 1

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

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

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

Exhibit "A"

DenSco Investment Corporation
Solvency Analysis

Exhibit 1

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

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

Sources:
QuickBooks company file for DenSco Investment Corporation.
Miscellaneous public records research resources to determine purchase history of Menaged loans including the Maricopa County Assessor (http://mcassessor.maricopa.gov/); Maricopa County Recorder (https://recorder.maricopa.gov/recdocdata/); and Zillow.com.
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DenSco Investment Corporation
Solvency Analysis

Exhibit 1

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

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

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Exhibit "A"

Simon Consulting, LLC
Arizona Corporation Commission v DenSco Investment Corporation

DenSco Investment Corporation
Investor Analysis

Exhibit 2

	Investor Transactions Through 12/31/12					Investor Transactions from 01/01/13 through 06/30/16				Calculation of Net Investment Loss/(Win)		
Investor Name	Cash In	Cash Out	Non-Cash Accruals	Book Entries	Investor Balance	Cash In	Cash Out	Non-Cash Accruals	Book Entries	Pre-Insolvency Balance (12/31/12)	Post-Insolvency Cash Transactions	Net Investment Loss/(Win)
Imdieke Revocable Trust / Brian Imdieke	3,500,000.00	(1,324,416.40)	1,324,416.40	-	3,500,000.00	3,600,000.00	(3,417,100.00)	2,217,100.00	-	3,500,000.00	182,900.00	3,682,900.00
Page, Jolene	1,900,000.00	-	157,401.30	-	2,057,401.30	150,000.00	(450,385.77)	1,079,025.26	-	2,057,401.30	(300,385.77)	1,757,015.53
Thompson, Coralee	1,260,000.00	-	500,100.09	-	1,760,100.09	-	(412,146.19)	822,866.39	-	1,760,100.09	(412,146.19)	1,347,953.90
Thompson, Gary	1,110,000.00	-	413,725.81	-	1,523,725.81	-	(334,443.11)	715,220.27	-	1,523,725.81	(334,443.11)	1,189,282.70
Hood, Craig	2,100,000.00	(867,037.53)	364,083.02	-	1,597,045.49	-	(604,123.93)	601,157.17	-	1,597,045.49	(604,123.93)	992,921.56
Marvin & Pat Miller 1989 Trust	465,000.00	(235,807.91)	85,807.91	-	315,000.00	1,215,000.00	(552,723.61)	537,723.61	-	315,000.00	662,276.39	977,276.39
Long Time Holdings, LLC / William Swirtz	1,630,000.00	(727,346.09)	727,346.09	-	1,630,000.00	-	(685,147.82)	685,147.82	-	1,630,000.00	(685,147.82)	944,852.18
Desert Classic Investments, LLC / Steven Bunger	-	-	-	-	-	9,050,000.00	(8,144,182.42)	1,149,182.42	-	-	905,817.58	905,817.58
Siegford, GE	830,000.00	(428,244.98)	489,853.89	-	891,608.91	50,000.00	(261,503.87)	416,347.86	-	891,608.91	(211,503.87)	680,105.04
Hickman, Dale	325,250.00	(17,738.60)	279,865.77	-	587,377.17	152,000.00	(66,085.44)	346,108.67	-	587,377.17	85,914.56	673,291.73
Paxton, Valerie	1,396,667.74	(558,704.40)	166,892.79	-	1,004,856.13	-	(426,274.09)	426,274.10	-	1,004,856.13	(426,274.09)	578,582.04
Steven & Mary Bunger Estate, LLC	-	-	-	-	-	795,000.00	(262,350.00)	262,350.00	-	-	532,650.00	532,650.00
Dupper Living Trust / Russ Dupper	-	-	-	-	-	800,000.00	(271,448.80)	271,448.80	-	-	528,551.20	528,551.20
Phalen Living Trust / Jeff Phalen	745,000.00	(495,812.02)	445,812.02	-	695,000.00	150,000.00	(323,566.80)	323,566.80	-	695,000.00	(173,566.80)	521,433.20
Chittick Family Trust / Mo & Sam Chittick	1,108,776.18	(1,336,688.21)	958,596.30	-	730,684.27	-	(241,500.00)	322,267.45	-	730,684.27	(241,500.00)	489,184.27
Davis, Glen	250,000.00	(44,348.64)	320,489.22	-	526,140.58	-	(60,728.58)	265,234.31	-	526,140.58	(60,728.58)	465,412.00
Michael & Diana Gumbert Trust	800,000.00	(739,242.64)	739,242.64	-	800,000.00	-	(336,000.00)	336,000.00	-	800,000.00	(336,000.00)	464,000.00
Burdett, Anthony - IRA	300,000.00	-	57,765.75	-	357,765.75	100,000.00	-	230,209.26	-	357,765.75	100,000.00	457,765.75
Burkhardt, Kennen - IRA	296,235.18	-	98,576.93	-	394,812.11	-	-	204,824.51	-	394,812.11	-	394,812.11
Phalen, Jeff - IRA	200,000.00	-	30,967.74	-	230,967.74	150,000.00	-	179,099.35	-	230,967.74	150,000.00	380,967.74
Scroggin, Michael - IRA	363,064.21	-	10,282.81	-	373,347.02	-	-	193,688.63	-	373,347.02	-	373,347.02
Hughes, Bill - IRA	332,700.00	(134,070.48)	364,997.61	-	563,627.13	25,500.00	(241,684.34)	241,684.34	-	563,627.13	(216,184.34)	347,442.79
Trainor, Jimmy	345,427.06	(5,000.00)	42,671.15	-	383,098.21	10,000.00	(67,483.87)	193,741.00	-	383,098.21	(57,483.87)	325,614.34
Weiskopf, Laurie - IRA	-	-	-	-	-	309,584.99	-	18,394.98	-	-	309,584.99	309,584.99
McArdle, James	380,000.00	(64,299.90)	106,509.57	-	422,209.67	150,000.00	(264,476.74)	235,048.50	-	422,209.67	(114,476.74)	307,732.93
Judy & Gary Siegford	485,000.00	(502,388.98)	532,072.96	-	514,683.98	-	(216,167.28)	216,167.28	-	514,683.98	(216,167.28)	298,516.70
Wayne Ledet Revocable Trust	145,000.00	(13,829.92)	32,230.07	-	163,400.15	188,038.58	(59,732.64)	104,510.38	-	163,400.15	128,305.94	291,706.09
Craig & Tomie Brown Living Trust	450,000.00	(96,983.33)	96,983.33	-	450,000.00	50,000.00	(208,316.73)	208,316.73	-	450,000.00	(158,316.73)	291,683.27
Hafiz, Nihad	1,200,000.00	(1,180,616.74)	480,616.74	-	500,000.00	-	(210,000.00)	210,000.00	-	500,000.00	(210,000.00)	290,000.00
Muscat Family Trust / Vince & Sharry Muscat	500,000.00	(508,099.96)	508,099.96	-	500,000.00	-	(210,000.00)	210,000.00	-	500,000.00	(210,000.00)	290,000.00
Butler, Mary - IRA	260,000.00	-	17,371.94	-	277,371.94	-	-	143,897.78	-	277,371.94	-	277,371.94
Butler, Van - IRA	260,000.00	-	17,371.94	-	277,371.94	-	-	143,897.78	-	277,371.94	-	277,371.94
Zones, Michael	450,000.00	(105,400.02)	105,400.02	-	450,000.00	50,000.00	(229,617.84)	229,617.84	-	450,000.00	(179,617.84)	270,382.16
Ledet, Wayne - IRA	300,000.00	(124,292.31)	86,806.24	-	262,513.93	-	-	136,189.54	-	262,513.93	-	262,513.93
Robert & Elizabeth Hahn Family Trust	420,000.00	(313,113.48)	271,194.97	-	378,081.49	50,000.00	(167,500.00)	182,068.37	-	378,081.49	(117,500.00)	260,581.49
Kasier, Ralph - IRA	170,653.47	-	89,742.69	-	260,396.16	-	-	135,090.88	-	260,396.16	-	260,396.16
Moss, Kaylene - IRA	240,073.44	-	18,604.75	-	258,678.19	-	-	134,199.65	-	258,678.19	-	258,678.19
Kent, Mary	200,000.00	(50,333.30)	104,280.24	-	253,946.94	100,000.00	(99,720.86)	127,001.05	-	253,946.94	279.14	254,226.08
Arden & Nina Chittick Family Trust	200,000.00	(30,279.54)	144,890.62	-	314,611.08	-	(60,522.10)	157,488.01	-	314,611.08	(60,522.10)	254,088.98
Brinkman Family Trust / Rob Brinkman	240,000.00	(202,668.93)	243,117.44	-	280,448.51	250,000.00	(286,004.06)	127,814.91	-	280,448.51	(36,004.06)	244,444.45
Mark & Debbie Wenig	262,000.00	(207,618.96)	281,732.31	-	336,113.35	50,000.00	(145,370.88)	159,733.18	-	336,113.35	(95,370.88)	240,742.47
Smith, Tony - IRA	171,182.72	-	66,695.50	-	237,878.22	-	-	123,408.82	-	237,878.22	-	237,878.22
James & Lesley Mc Coy Trust	400,000.00	(271,733.24)	271,733.24	-	400,000.00	-	(168,000.00)	168,000.00	-	400,000.00	(168,000.00)	232,000.00
Jones, Leslie - IRA / Michael Zones	151,215.34	-	33,005.34	-	184,220.68	47,558.77	-	116,190.04	-	184,220.68	47,558.77	231,779.45
Davis, Glen - IRA	110,731.40	-	110,233.61	-	220,965.01	-	-	114,634.43	-	220,965.01	-	220,965.01
Dori Ann Davis Living Trust	100,000.00	-	63,350.21	-	163,350.21	75,000.00	(21,648.57)	97,848.84	-	163,350.21	53,351.43	216,701.64
Tony & Saundra Smith Trust	1,100,000.00	(659,149.89)	459,149.89	-	900,000.00	-	(698,100.00)	298,100.00	-	900,000.00	(698,100.00)	201,900.00
Jones, Leslie / Michael Zones	300,000.00	(176,116.91)	176,116.91	-	300,000.00	-	(102,000.00)	102,000.00	-	300,000.00	(102,000.00)	198,000.00
Butler, Van	250,000.00	(71,195.65)	95,638.81	-	274,443.16	-	(91,772.64)	121,741.61	-	274,443.16	(91,772.64)	182,670.52
Caro McDowell Revocable Trust	200,000.00	(93,329.25)	93,329.25	-	200,000.00	100,000.00	(119,266.67)	119,266.67	-	200,000.00	(19,266.67)	180,733.33
Angels Investments, LLC / Yusef Yildiz	-	-	-	-	-	200,000.00	(20,630.00)	20,630.00	-	-	179,370.00	179,370.00
Koehler, Robert - IRA	84,000.00	-	92,335.49	-	176,335.49	-	-	91,481.01	-	176,335.49	-	176,335.49
Dirks, Bradley - IRA	-	-	-	-	-	175,437.55	-	81,727.95	-	-	175,437.55	175,437.55
Lee Group, Inc. / Terry & Lil Lee	300,000.00	(133,666.70)	133,666.70	-	300,000.00	-	(126,000.00)	126,000.00	-	300,000.00	(126,000.00)	174,000.00
Kopel, Roy - IRA	100,000.00	-	58,309.24	-	158,309.24	-	-	82,129.22	-	158,309.24	-	158,309.24
Bush, Warren & Fay	120,000.00	(49,500.00)	163,903.68	-	234,403.68	-	(82,290.60)	105,057.20	-	234,403.68	(82,290.60)	152,113.08
Hughes, Judy - IRA	192,000.26	(52,903.20)	86,332.98	-	225,430.04	25,500.00	(99,641.60)	99,641.60	-	225,430.04	(74,141.60)	151,288.44
Scroggin, Annette - IRA	146,365.89	-	4,585.83	-	150,951.72	-	-	78,312.25	-	150,951.72	-	150,951.72
Thomas & Sara Byrne Living Trust	-	-	-	-	-	250,000.00	(103,885.79)	103,885.79	-	-	146,114.21	146,114.21

Exhibit "A"

DenSco Investment Corporation
Investor Analysis

Exhibit 2

	Investor Transactions Through 12/31/12					Investor Transactions from 01/01/13 through 06/30/16				Calculation of Net Investment Loss/(Win)		
Investor Name	Cash In	Cash Out	Non-Cash Accruals	Book Entries	Investor Balance	Cash In	Cash Out	Non-Cash Accruals	Book Entries	Pre-Insolvency Balance (12/31/12)	Post-Insolvency Cash Transactions	Net Investment Loss/(Win)
Cohen Revocable Trust / Eileen Cohen	250,000.00	(7,183.43)	7,183.43	-	250,000.00	-	(105,000.00)	105,000.00	-	250,000.00	(105,000.00)	145,000.00
Paul Kent Family Trust	380,000.00	(602,003.47)	493,749.59	-	271,746.12	-	(127,333.32)	107,333.32	-	271,746.12	(127,333.32)	144,412.80
Gretchen Carrick Trust	250,000.00	(27,905.76)	27,905.76	-	250,000.00	-	(106,053.50)	106,053.50	-	250,000.00	(106,053.50)	143,946.50
Rzonca, Pete	100,000.00	-	1,403.96	-	101,403.96	75,030.58	(35,422.28)	58,987.74	-	101,403.96	39,608.30	141,012.26
Odenthal, Brian & Janice	150,000.00	(188,923.47)	188,923.47	-	150,000.00	20,000.00	(35,602.89)	75,216.38	-	150,000.00	(15,602.89)	134,397.11
Erin Carrick Trust	-	-	-	-	-	200,066.71	(66,959.26)	66,959.26	-	-	133,107.45	133,107.45
Detota, Scott	100,000.00	-	59,655.58	-	159,655.58	50,000.00	(88,897.58)	93,193.03	-	159,655.58	(38,897.58)	120,758.00
Todd Einck Trust	200,666.70	(19,514.00)	18,847.30	-	200,000.00	-	(84,842.80)	84,842.80	-	200,000.00	(84,842.80)	115,157.20
Schloz, Stanley - IRA	100,000.00	-	25,511.83	-	125,511.83	-	(12,000.00)	60,782.52	-	125,511.83	(12,000.00)	113,511.83
Schloz, Mary - IRA	101,000.00	-	22,239.20	-	123,239.20	-	(10,300.00)	62,423.88	-	123,239.20	(10,300.00)	112,939.20
Schloz Family Trust / Stanley Schloz	175,000.00	(37,621.76)	21,511.67	-	158,889.91	-	(48,797.22)	71,687.17	-	158,889.91	(48,797.22)	110,092.69
Locke, Bill & Jean	180,000.00	(146,198.44)	118,110.57	-	151,912.13	55,000.00	(97,133.39)	86,392.70	-	151,912.13	(42,133.39)	109,778.74
Brian & Carla Wenig Family Trust	-	-	-	-	-	115,000.00	(8,450.46)	50,577.22	-	-	106,549.54	106,549.54
LJL Capital, LLC / Landon Luchtel	-	-	-	-	-	104,000.00	-	7,502.07	-	-	104,000.00	104,000.00
Pearce, Marlene - IRA	82,000.00	-	16,325.56	-	98,325.56	5,400.00	-	52,494.34	-	98,325.56	5,400.00	103,725.56
Griswold, Russ - IRA	100,000.00	(50,000.00)	45,722.97	-	95,722.97	-	-	49,660.10	-	95,722.97	-	95,722.97
Lawson, Robert	100,000.00	-	6,328.92	-	106,328.92	-	(10,800.80)	53,606.35	-	106,328.92	(10,800.80)	95,528.12
Burkhardt, Kennen	175,000.00	(30,933.00)	53,071.22	-	197,138.22	-	(102,691.31)	73,099.18	-	197,138.22	(102,691.31)	94,446.91
Ledet, Wayne - Roth IRA	91,658.52	-	4,548.25	-	96,206.77	12,500.00	(14,338.58)	51,645.63	-	96,206.77	(1,838.58)	94,368.19
Lent, Manuel - IRA	40,000.00	-	54,342.97	-	94,342.97	-	-	48,944.17	-	94,342.97	-	94,342.97
Underwood, Wade	50,000.00	(29,728.12)	51,496.95	-	71,768.83	30,000.00	(7,757.88)	50,238.19	-	71,768.83	22,242.12	94,010.95
Preston Revocable Living Trust / Dave Preston	160,000.00	(77,272.85)	77,272.85	-	160,000.00	-	(67,874.24)	67,874.24	-	160,000.00	(67,874.24)	92,125.76
Moss Family Trust / Kaylene Moss	325,000.00	(383,971.25)	147,915.38	-	88,944.13	10,000.00	(7,512.86)	48,261.94	-	88,944.13	2,487.14	91,431.27
Grant, Stacy - IRA	75,000.00	-	13,646.95	-	88,646.95	-	-	45,989.18	-	88,646.95	-	88,646.95
BLL Capital, LLC / Barry Luchtel	-	-	-	-	-	87,000.00	-	6,275.78	-	-	87,000.00	87,000.00
Scroggin, Michael	150,000.00	(6,050.00)	6,050.00	-	150,000.00	-	(63,000.00)	63,000.00	-	150,000.00	(63,000.00)	87,000.00
Sherriff, Stewart	150,000.00	(111,139.10)	111,139.10	-	150,000.00	-	(63,632.10)	63,632.10	-	150,000.00	(63,632.10)	86,367.90
Saltire LLC / Stewart S.	150,000.00	(109,383.60)	109,383.60	-	150,000.00	-	(63,632.10)	63,632.10	-	150,000.00	(63,632.10)	86,367.90
Scroggin, Mike - Roth IRA	83,360.78	-	2,805.93	-	86,166.71	-	-	44,702.43	-	86,166.71	-	86,166.71
GB 12, LLC / Schloz, Stanley - IRA	-	-	-	-	-	146,000.00	(60,000.00)	67,252.57	-	-	86,000.00	86,000.00
Tuttle, Steve	50,000.00	(57,287.45)	77,189.02	-	69,901.57	40,000.00	(25,016.52)	52,715.01	-	69,901.57	14,983.48	84,885.05
Wellman, Carol	125,000.00	(50,262.19)	50,262.19	-	125,000.00	10,000.00	(56,016.02)	56,016.03	-	125,000.00	(46,016.02)	78,983.98
Dirks, Amy - IRA	72,307.96	-	3,663.35	-	75,971.31	-	-	39,413.12	-	75,971.31	-	75,971.31
Davis, Jack	-	-	-	-	-	75,000.00	-	5,624.58	-	-	75,000.00	75,000.00
Hughes, Bill & Judy	125,000.00	(27,500.00)	27,500.00	-	125,000.00	-	(52,500.00)	52,500.00	-	125,000.00	(52,500.00)	72,500.00
Cate, Averill	60,000.00	-	3,601.82	-	63,601.82	40,649.53	(36,423.01)	32,171.66	-	63,601.82	4,226.52	67,828.34
Odenthal, Brian - IRA	32,000.00	-	4,540.43	-	36,540.43	31,000.00	-	27,966.01	-	36,540.43	31,000.00	67,540.43
LF Fund / Marvin & Pat Miller	-	-	-	-	-	100,000.00	(34,064.36)	34,064.36	-	-	65,935.64	65,935.64
Sanders, JoAnn	55,000.00	-	9,677.25	-	64,677.25	-	-	33,553.89	-	64,677.25	-	64,677.25
Wellman Family Living Trust / Carol & Mike Wellman	75,000.00	(50,973.37)	50,973.37	-	75,000.00	30,000.00	(40,784.00)	40,783.99	-	75,000.00	(10,784.00)	64,216.00
Swirtz, Nancy	51,996.98	-	15,673.92	-	67,670.90	1,023.18	(5,261.26)	34,630.17	-	67,670.90	(4,238.08)	63,432.82
Non Lethal Defense, Inc / Dave Dubay	100,000.00	(95,333.30)	95,333.30	-	100,000.00	-	(42,000.00)	42,000.00	-	100,000.00	(42,000.00)	58,000.00
Griswold, Russ	100,000.00	(15,796.27)	15,796.27	-	100,000.00	-	(42,000.00)	42,000.00	-	100,000.00	(42,000.00)	58,000.00
Lee, Terry & Lil	100,000.00	(27,000.00)	27,000.00	-	100,000.00	-	(42,000.00)	42,000.00	-	100,000.00	(42,000.00)	58,000.00
Hey, Ralph	60,000.00	-	9,704.59	-	69,704.59	15,000.00	(30,688.20)	36,463.71	-	69,704.59	(15,688.20)	54,016.39
LeRoy Kopel Revocable Living Trust / Jemma Kopel	50,000.00	-	34,723.26	-	84,723.26	100,000.00	(132,560.02)	69,052.89	-	84,723.26	(32,560.02)	52,163.24
Scroggin, Annette - Roth IRA	46,823.03	-	1,560.76	-	48,383.79	-	-	25,101.01	-	48,383.79	-	48,383.79
Jetton, James	50,000.00	-	1,841.32	-	51,841.32	-	(3,989.10)	26,320.74	-	51,841.32	(3,989.10)	47,852.22
Howze, Doris & Lee	80,000.00	(71,573.38)	71,573.38	-	80,000.00	-	(33,600.00)	33,600.00	-	80,000.00	(33,600.00)	46,400.00
Wellman, Carol - Roth IRA	28,095.54	-	9,640.23	-	37,735.77	3,000.00	-	20,479.56	-	37,735.77	3,000.00	40,735.77
Lent, Lillian - IRA	17,000.00	-	22,685.71	-	39,685.71	-	-	20,588.52	-	39,685.71	-	39,685.71
William & Helene Alber Family Trust	60,000.00	(7,368.68)	7,368.68	-	60,000.00	-	(20,916.00)	20,916.00	-	60,000.00	(20,916.00)	39,084.00
Samantha UGMA / Jack Davis	65,832.67	(78,421.19)	72,046.36	-	59,457.84	-	(25,222.82)	25,222.82	-	59,457.84	(25,222.82)	34,235.02
Sterling, Donald	75,000.00	(1,350.00)	1,350.00	-	75,000.00	-	(51,250.00)	26,250.00	-	75,000.00	(51,250.00)	23,750.00
Weiskopf, Tom - IRA	-	-	-	-	-	14,524.59	-	863.02	-	-	14,524.59	14,524.59
Hulsebus Family Trust / Rhonda Hulsebus	-	-	-	-	-	600,000.00	(600,000.00)	-	-	-	-	-
Schloz, Stanley - Roth IRA	150,000.00	-	36,045.49	-	186,045.49	-	(187,905.94)	1,860.45	-	186,045.49	(187,905.94)	(1,860.45)
Kimble, Don - IRA	64,278.85	-	23,052.40	-	87,331.25	-	(90,877.25)	3,546.00	-	87,331.25	(90,877.25)	(3,546.00)
Pearce, Marlene	-	-	-	-	-	180,000.00	(183,988.00)	3,988.00	-	-	(3,988.00)	(3,988.00)

Exhibit "A"

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

DenSco Investment Corporation
Investor Analysis

Exhibit 2

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

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

Source:
QuickBooks company file for DenSco Investment Corporation.

Exhibit "A"

Exhibit 39

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Exhibit 40

DenSco / Workout

Beauchamp, David G.

From: Beauchamp, David G.
Sent: Tuesday, February 04, 2014 9:02 PM
To: Denny
Subject: RE: Attached Redline of Forbearance Agreement

Denny:

Before we all get into a room, you and I need to make sure that we have a clear understanding of what you can do and what you cannot do without going back to all of your investors for approval. We have a deal that works for you and your investors and is fair to Scott. Now Jeff is trying to better the deal for Scott, but you already have been more than generous trying to help Scott out of Scott's problem. Again, this goes back to Jeff not acknowledging that this is Scott's problem and instead insisting that this is your problem because you did not make sure that Scott handled the loans properly and that you did not take the necessary actions so that DenSco had a first lien on each of the properties. As Jeff said to me, why did Denny do it this way (pay Scott directly) and why did DenSco not get title insurance if Denny wanted to be in first position? Those are not questions to clarify a point, but rather to change the underlying understanding of who created this problem. Jeff is trying to have you think that you have significant responsibility for creating this problem as opposed to this being created by Scott's cousin working for Scott. Hopefully, my poor attempts to explain the difference in perspective are sufficient for you to understand it.

Over the last ten years, I have prepared far in excess of 100 (if not closer to 200) forbearance agreements for various institutional and private lenders. There are certain standard issues that have evolved over the years. **[PLEASE UNDERSTAND THAT AT YOUR REQUEST, I DID NOT INCLUDE ANY HARSH OR SIGNIFICANTLY PRO-LENDER PROVISIONS.]** Accordingly, there is nothing included to give and trade over small issues. I already did not include them. **These changes from Jeff are cutting muscle and bone that are needed to protect you.**

For example, did you agree to NOT have Scott pay your attorneys' fees? If so, that will be the first time that I have ever seen the legal fees for the preparation of a Forbearance Agreement to not be paid by the Borrower.

I have also never seen a forbearance not include a cross-default provision to other obligations of the Borrower to the lender.

I have also never seen some of the other changes that Jeff inserted. For example, the changes require you to defend yourself against any other lender which has a conflicting lien one of Scott's properties, even though Scott's office created this problem by having two lenders loan on the same property. In a forbearance, the Borrower takes full responsibility for the problems created and what needs to be done to resolve the problem. Jeff is trying to make you feel that you are guilty so you have to assume a significant responsibility in the agreement to share in Scott's problem, but nobody stole the money from you. You can help and have helped Scott, but you cannot OBLIGATE DenSco to further help Scott, because that would breach your fiduciary duty to your investors.

Best, David
David G. Beauchamp

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

From: Denny [mailto:dcmoney@yahoo.com]
Sent: Tuesday, February 04, 2014 8:30 PM

To: Beauchamp, David G.
Subject: Re: Attached Redline of Forbearance Agreement

This is degrading in to a quagmire to which I never would have imagined. I will talk to scott and it looks like we will have to get in a room and beat this whole thing out.

Sent from my iPad

On Feb 4, 2014, at 7:27 PM, "Beauchamp, David G." <DBeauchamp@ClarkHill.com> wrote:

Denny:

I cannot promise you that this redline captures all of the changes, but it seems to have all of the changes that I have identified by comparing Jeff's version of the agreement to the version that I sent.

Please review this and let me know when you might have time to discuss these changes and what did you discuss with Scott.

With respect to the language concerning the first lien, you and I had discussed including that after I looked at the mortgage document that contained that express obligation. You had said to leave it in, but Jeff has taken that language out and only left in the delayed interest payment. Unfortunately, Jeff has previously said that he could defeat any default claim based on no current interest payments, because you had offered to defer interest when Scott came to you about this problem. Again, Jeff is trying to take advantage of you because you are trying to help Scott. Since Scott was only concerned about referencing DenSco's rights to first lien position due to potential litigation being filed by Dan's group against Scott, that should no longer be an issue.

Although I have asked for this and we have discussed this several times, we still do not have an actual copy of any of the loan documents for any of the loans that you made to Scott that are the subject of this problem. This is really important for many different reasons, but a key reason is the "guarantee" at the bottom of the note that Scott signed.

Best, David

David G. Beauchamp

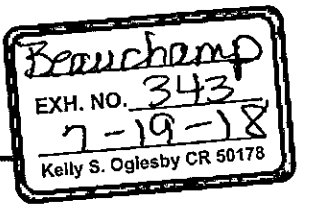
CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

From: phxcanoncolor@clarkhill.com [mailto:phxcanoncolor@clarkhill.com]
Sent: Tuesday, February 04, 2014 6:52 PM
To: Schenck, Daniel A.; Beauchamp, David G.
Subject: Attached Image

FEDERAL TAX ADVICE DISCLAIMER: Under U. S. Treasury Regulations, we are informing you that, to the extent this message includes any federal tax advice, this message is not intended or written by the sender to be used, and cannot be used, for the purpose of avoiding federal tax penalties.

<3640_001.pdf>

Exhibit 41



Message

From: Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]
Sent: 2/7/2014 6:44:53 PM
To: Denny J. Chittick (dcmoney@yahoo.com) [dcmoney@yahoo.com]
Subject: FW: Workshare Professional Document Distribution
Attachments: #200131428v8_ClarkHill_ - Forbearance Agreement (8).DOCX; Forbearance_Ag.Densco(5) - Forbearance Agreement (8).pdf; Forbearance_Ag.Densco(6) - Forbearance Agreement (8).pdf

Denny:

Please note that I changed my previous parenthetical change to Recital G as follows: (though Guarantor acknowledged no fault). The previous language could be construed that you also agreed that Scott was not at fault. Since Jeff will not allow us to put the facts of what happened in this document, you need to be protected if you subsequently learn that something different happened. You should not waive your rights without having a sworn set of facts that you can rely upon.

So do not send the previous draft to Scott, please send the attached version of the redline from 6 to 8, which is the last document listed above.

All the best, David

David G. Beauchamp

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From: Beauchamp, David G.
Sent: Friday, February 07, 2014 7:37 PM
To: Goulder, Jeffrey (jeffrey.goulder@stinsonleonard.com)
Cc: Denny J. Chittick (dcmoney@yahoo.com)
Subject: Workshare Professional Document Distribution

Jeff

Based on your previous changes, the Forbearance Agreement would be prima facia evidence that Denny Chittick had committed securities fraud because the loan documents he had Scott sign did not comply with DenSco's representations to DenSco's investors in its securities offering documents. Unfortunately, this agreement needs to not only protect Scott from having this agreement used as evidence of fraud against him in a litigation, the agreement needs to comply with Denny's fiduciary obligations to his investors as well as not become evidence to be used against Denny for securities fraud.

The previous version that I had sent to you was basically a complete rewrite of our standard forbearance agreement that I have used in almost 200 forbearance agreements over the last 10 years The previous version that I sent to you was intended to be as fair as possible while setting forth all of the business points that both Denny and Scott had told me in a meeting and over several conference calls (Scott specifically did agree to

pay all costs and related costs in this matter. Scott also proposed and agreed to the $10 million life insurance policy, because they now believe that the outstanding loan balance will be much higher than the previous estimate. The higher loan balance will result in a significant unsecured portion if anything happens to Scott and the Properties are liquidated.)

In addition to the business points, we had intended to make the document as balanced as possible. We wanted the document to set forth the necessary facts for Denny to satisfy his securities obligations to his investors (including that the original loans had to have been written and secured by a first lien on real property and that the workout agreed to by Denny complied with his workout authorization) without having Scott have to admit facts that could cause trouble to him. I had been informed that since "Dan's litigious group" had agreed to get paid off, Scott was not as concerned with stating facts and legal conclusions in the document, but your changes indicated that you are still very concerned. If you do not want the conclusions to be stated in the document, then we have to use another approach.

To try to balance the respective interests, I have inserted sections from the loan documents into the Forbearance Agreement. Referencing the language of the Loan Documents is needed to satisfy Denny's fiduciary obligations, but I have also modified the other provisions so that Borrower is not admitting that it was required to provide first lien position in connection with the loans. Further, I have inserted a parenthetical that "(though Guarantor acknowledged no fault)" in the section where Guarantor (Scott) advises Denny of the additional liens on the Properties. We are also using the Borrower's failure to subordinate or remove the additional liens in 10 days as the applicable default.

Bottom line: Borrower does not admit that the existing loans were to be secured in first lien position, nor that the modified loans will be in first lien position. However, Borrower will obtain a lender's title insurance policy in favor of Lender that will insure Lender in first lien position as the other liens are extinguished on each Property (unless DenSco is paid off). Correspondingly, the respective provisions in the Loan Documents are referenced to satisfy Denny's fiduciary duties to his investors and the Default is acknowledged so that this workout is consistent with the limitations of the scope of Denny's authority.

Sincerely, David

The following files have been attached to this mail by Workshare Professional .

#20013 1428v8_ClarkHill_ - Forbearance Agreement (8).DOCX (WORDX)
Forbearance_Ag.Densco(5) - Forbearance Agreement (8).pdf (PDF)

David G. Beauchamp

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please contact us immediately at the telephone number shown above and take immediate steps to delete the message completely from your computer system. Thank you.

IRS Circular 230 Disclosure: To ensure compliance with the requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended for or written to be used, and cannot be used, for the purpose of (a) avoiding any penalties under the Internal Revenue Code or (b) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

FORBEARANCE AGREEMENT

THIS FORBEARANCE AGREEMENT ("**Agreement**") is executed on February __, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company ("**AHF**"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308, Easy Investments, LLC, an Arizona limited liability company("**EI**"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308 (AHF and EI are collectively referred to as the ("**Borrower**"), Yomtov "Scott" Menaged ("**Guarantor**"), whose address is 10510 East Sunnyside Drive, Scottsdale, Arizona, Furniture King, LLC, an Arizona limited liability Company ("**New Guarantor**"), whose address is 303 N. Central Avenue, Suite 603, Phoenix, AZ 85012, and DenSco Investment Corporation, an Arizona corporation ("**Lender**"), whose address is 6132 W Victoria Place, Chandler, Arizona 85226, (the Borrower, the Guarantor, the New Guarantor, and Lender are each considered a "Party" hereunder and are collectively referred to as the "Parties"). (Any capitalized term not defined in this Agreement shall have the meaning set forth in the Deeds of Trust as later defined).

Recitals

The following recitals of fact are a material part of this Agreement

A. Borrower is indebted to Lender under the terms of certain Loans (the "Loans"), which are listed on the attached Exhibit A, which is incorporated into this Agreement by this reference, and each are evidenced by a Note Secured by Deed of Trust (each, a "Note" and collectively, the "Notes"), all of which were executed by Borrower in favor of Lender (the "Notes") and by a Mortgage (or a "Receipt and Mortgage") (each, a "Mortgage", and collectively, the "Mortgages"), and each such Note and Mortgage was executed by Borrower and delivered to Lender, as a condition precedent to and immediately prior to the funding of the applicable Loan.

B. Guarantor guaranteed the payment and performance of each of the Loans (the "Guaranty"), executed by Guarantor in favor of Lender

C. Each of the Loans are further evidenced and/or secured by various documents and instruments, including but not limited to a certain Deed of Trust and Assignment of Rents (each a "Deed of Trust", and collectively, the "Deeds of Trust"), executed by Borrower at the funding of the Loan in favor of Lender and recorded in conjunction with the Trustee's Deed conveying the real property to Borrower. The Deeds of Trust constitute a lien on the respective real properties described therein (individually a "Property" and collectively, the "Properties") and referenced in Exhibit A. The Notes, the Mortgages, the Deeds of Trust, the Guaranty, the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "Loans Documents"

D Each of the Mortgages provides: "Borrower hereby grants to Lender or assignee a first, prior and superior equitable lien and mortgage against the Real Property to secure payment of the Loan... . Borrower has delivered to Lender a promissory note and deed

of trust, and Borrower agrees that the deed of trust that the deed of trust shall be recorded against the Real Property as a first, prior and superior lien and encumbrance simultaneously with the recording of the Trustee's Deed."

E. Each Deed of Trust provides as follows.

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

. . . .

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

F Each Note provides as follows:

" A "Default" shall occur (i) . . or (vi) upon the occurrence of any default under any obligation of Maker to Holder Further, at Holder's option after Default, all remaining unpaid principal and accrued interest shall become due and payable immediately without notice (other than any declaration prescribed in applicable sections of the agreements under which such events of default arose), presentment, demand or protest, all of which hereby are waived." ("Default" shall have the meaning set forth in the Note)

G. On or about November 27, 2013, Guarantor met with Denny Chittick of Lender to inform Lender that certain of the Properties had also been used (though Guarantor acknowledged no fault) as security for one or more loans from one or more other lenders (individually, the "Other Lender" and collectively, the "Other Lenders") and the Loans from Lender may not be in the first lien position on each respective Property

H At the November 27 meeting, Guarantor acknowledged to Lender that Borrower had an obligation to discharge the liens of the Other Lenders or to take such other actions to satisfy Section 5 of each Deed of Trust within 10 days, as referenced above. Further, Borrower and Guarantor acknowledged that the meeting satisfied Lender's obligation to provide notice to Borrower and Guarantor of an action leading to a Default pursuant to each of the Loan Documents.

I The Loans are now in Default (as defined in the Note) and Lender has provided Borrower with any and all notice required under each of the Loans Documents concerning such Default

J Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, but only so long as and on the conditions that (1) Borrower, Guarantor and New Guarantor acknowledge the existing Defaults under the Loans, (2) all liens, security interests, rights and remedies of Lender under the Loans Documents continue in full force and effect and (3) Borrower, Guarantor and New Guarantor fulfill all conditions and comply with all terms and provisions set forth in this Agreement, and furnish all other documents and perform all other acts necessary to give effect to the agreements hereinafter set forth.

NOW THEREFORE, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1 **Loans Balance**. The total sum now due and payable under the Loans, in aggregate, is approximately $_____, consisting of $ _____in principal, $ _____ in accrued interest (through and including February 1, 2014), $ _____ advanced by Lender in payment of costs and expenses as permitted under the Loans Documents and approximately $_____ in costs and expenses incurred by Lender for collection and enforcement of the Loans Interest continues to accrue under the Loans at the rate of 18 % per annum as provided in the Notes (as opposed to the Default Interest rate set forth in the Notes).

2. **Acknowledgment of Default**. Borrower, Guarantor and New Guarantor hereby acknowledge and agree that the Loans are in Default, and that as a result of such Default, Lender now has the right to pursue foreclosure and any and all other rights and remedies permitted to Lender under the Loans Documents and/or under applicable law.

3 **Continued Effect of Loans Documents**. Borrower, Guarantor and New Guarantor further acknowledge and confirm that the Loans Documents have been duly authorized, executed and delivered to Lender and are valid, binding and enforceable against Borrower and Guarantor in accordance with their respective terms, and that to the collective knowledge of Borrower, Guarantor and New Guarantor, all liens and security interests created in favor of Lender under the Loans Documents have been validly created and duly perfected as encumbrances upon all Properties and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents and as modified by this Agreement. Upon the satisfaction of the lien of the applicable Other Lender with respect to a Property, the lien and security interest created in favor of Lender under the Loans Documents will be deemed to be validly created and duly perfected as an encumbrance upon the respective Property and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents. Further, Borrower shall cause to be provided to Lender a Lender's title insurance policy issued by a nationally-recognized title company, reasonably acceptable to Lender insuring that Lender's encumbrance in such Property, as evidenced by the respective Deed of Trust, shall constitute a valid and enforceable first and prior lien to any other encumbrance on the respective Property.

4 **Forbearance by Lender on Conditions; Effect of Breach** Lender hereby agrees to forbear pursuit of its rights and remedies under the Loans Documents and/or under applicable law, but only so long as and on the conditions that Borrower, Guarantor and New Guarantor pay all sums, perform all covenants and agreements and do all acts and things required of them hereunder. If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any

covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Lender may cease such forbearance and may immediately commence and pursue any or all rights and remedies Lender may have under the Loans Documents and/or under applicable law as to any or all of the collateral or security for the Loans, all in such order and manner as Lender may elect from time to time in its sole discretion and without notice of any kind to Borrower, Guarantor, New Guarantor or any other person, as if this Section 4 had never been agreed to by Lender. Lender's agreement herein to forego immediate pursuit of its rights and remedies constitutes a postponement and forbearance only, and does not in any event constitute a waiver of any such rights or remedies.

5. **No Effect on Existing Default; Extension of Maturity** Neither the execution and delivery of this Agreement or any other document or instrument required hereunder nor the consummation of the transactions and agreements set forth in this Agreement shall in any manner rescind or cure any existing Default under the Loans Documents, reinstate the Loans to a current status, or constitute an accord and satisfaction of the Loans. Notwithstanding this provision, the maturity date of all of the Loans is hereby extended to February 1, 2015, provided, however, Lender, at its sole discretion, may further extend the maturity date of all of the Loans to February 1, 2016, so long as Borrower, Guarantor and New Guarantor have complied and are in compliance with the terms of this Agreement.

6 **Borrower's Actions**. Lender's continued performance of the terms of this Agreement is conditioned upon each of the following obligations being fulfilled:

(A) Borrower agrees to use its good faith efforts to (i) liquidate other assets, which is expected to generate approximately $4 to $5 million US Dollars, (ii) apply all net proceeds from the rental of Borrower's other real estate assets, or the net proceeds from the acquisition and disposition of other real estate or other assets by Borrower, and (iii) apply all funds received from Borrower's continued good faith efforts to recover any other asset that can be recovered from the missing proceeds from the multiple Loans that were advanced from Lender and Other Lenders with respect to certain properties as referenced above. Any additional funds obtained and / or made available to Borrower pursuant to this subsection shall be made available to and used by Borrower in connection with the resolution of the lien disputes between Lender and Other Lenders as referenced above (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower as provided herein)

(B) Borrower agrees to provide Lender, and maintain in effect, a life insurance policy from a nationally-recognized life insurance carrier (with a rating of ____ or better from _____) and reasonably approved by Lender, in the amount of $10,000,000, insuring the life of Guarantor with Lender named as the sole beneficiary, until all obligations pursuant to the Agreement have been fully satisfied

(C) Borrower agrees to provide Lender with a separate personal guaranty from Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents, and this Agreement, and such Guaranty shall be in commercially reasonable form for a lender loaning a similar aggregate amount of money to a borrower as Lender is loaning in the aggregate to Borrower. Further, Borrower agrees to provide a re-affirmation and consent from Guarantor to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees

of Lender's Loans to Borrower, so that the terms and provisions of this Agreement will not cause or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of Lender and Borrower pursuant to the terms and provisions of this Agreement.

(D) Borrower agrees to provide Lender with a separate corporate guaranty from New Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents and this Agreement, to be secured by a lien against all of New Guarantor's inventory, accounts, and assets

(E) Except for Lender, Borrower agrees to continue to pay the interest due to the Other Lenders for loans secured by any of the Properties, and any other similarly situated lender on a timely basis and to keep each of such loans current and in compliance with their respective terms

(F) Borrower has arranged for private outside financing (the "Outside Funds"), which is to be provided to Borrower in the approximate amounts and on the following prospective schedule (i) approximately $1,000,000 on or before March 20, 2014, and (ii) approximately $____ on or before _____ ____, 2014 Such Outside Funds shall be used exclusively for the pay-off of the Other Lenders and any other similarly situated lender (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower, as provided herein),

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

(H) During the term of this Agreement, Borrower, Guarantor and New Guarantor agree to use good faith efforts to satisfy and pay-off any and all financial obligations secured by liens in favor of the applicable Other Lender with respect to a Property The Borrower and Lender shall cooperate to agree upon a sequencing schedule (which will need to be adjusted on a reasonable basis) to satisfy and release the liens of the Other Lenders on the applicable Properties. Borrower agrees to used its Good Faith Efforts to cause the liens of the Other Lenders to be satisfied and released on or before nine (9) months from the execution of this Agreement.

(I) Borrower, Guarantor, New Guarantor and Lender acknowledge and agree that this Agreement shall not constitute nor create a joint venture or partnership arrangement between or among Lender and any of the Borrower or Guarantor.

(J) If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Borrower agrees to provide any additional collateral ("Additional Security") to Lender, as may be requested by Lender, to secure Borrower's existing obligations

to Lender and to secure the additional obligations that Lender is agreeing to provide pursuant to this Agreement.

(K) Execution, delivery and filing or recording (with all costs thereof paid by Borrower) of all documents and instruments required to create the required liens on the respective Properties as required by the Loans Documents or to create a security interest in any Additional Collateral.

(L) Borrower agrees to reimburse all costs and expenses, including without limitation title reports, amendments or title insurance, investigation fees, and / or reasonable attorneys' fees, incurred by Lender in connection with this Agreement (or the effect of this Agreement on Lender's business and with its investors), the default of Borrower in connection with the Loans Documents, or the existing and / or any future lien disputes with the Other Lenders or any other similarly situated lenders.

7. **Lender's Actions**. Subject to the full compliance of Borrower, Guarantor, and New Guarantor to each of their respective obligations, as detailed in this Agreement, the Lender will perform the following obligations:

(A) Lender agrees to increase the Loan amount of each of the Properties referenced in Exhibit A up to 95% of the loan-to-value ("LTV") ratio of the value of the respective Properties, as determined by Lender The additional funds advanced to Borrower shall be used to pay off the Other Lender and release its security interest in that Property

(B) Lender will defer (but not waive) the collection of interest from the Borrower on the Loans to the Borrower during the process to fund the amount due to the Other Lenders; and all deferred interest on the Notes from Borrower shall be paid to Lender on or before the payoff of the respective Note.

(C) Lender will provide a new loan to Borrower in the amount up to 1 Million US Dollars, which loan is to provide for multiple advances, earn 3% annual interest to be secured by a first lien position against certain real property or properties to be approved by Lender, in its sole discretion, and the obligation is to be personally guaranteed by Guarantor and New Guarantor (the "Additional Loan").

(D) Provided that Borrower, Guarantor and New Guarantor each complies with all of its respective obligations under this Agreement, Lender will defer the right to charge the Default Interest rate which is permitted pursuant to the terms of the Loans Documents. If any of Borrower, Guarantor or New Guarantor fails to comply with its respective obligations under this Agreement, Borrower shall then be liable for Default Interest at the Default Interest rate set forth in the Loan Documents on all outstanding Notes.

8. The entire principal sum and all accrued interest, costs, expenses, disbursements and fees due under the terms and provisions of the Notes and all other sums payable under the Loans Documents shall be due and payable in full on February 1, 2016 in any event, without notice or demand

9. **Grace and Cure Periods**. If Borrower fails to comply with any non-monetary obligation undertaken by it through this Agreement, Borrower shall be in default of this Agreement if it fails to satisfy the non-monetary obligation within five (5) business days of receiving email or telephonic notice from Lender No such notice shall be required if Borrower fails to comply with any monetary obligation. Except for the non-monetary notice required above, all other notice provisions of the Loans Documents requiring any other notice to Borrower or any other person as a condition precedent to the existence of any breach, default or event of default or to any acceleration or other remedial action by Lender, permitting or granting any grace period after the giving or receipt of any notice for the cure of any breach, default or event of default under the Loans Documents prior to acceleration or other remedial action by Lender are hereby deleted, and all Loans Documents are hereby modified accordingly.

10 **Release of Lender; Waiver of Claims and Defenses**. As a material part of the consideration for Lender's execution of this Agreement, Borrower, Guarantor and New Guarantor each hereby unconditionally and irrevocably release and forever discharge Lender and all of its directors, officers, employees, agents, attorneys, affiliates and subsidiaries from all liabilities, obligations, actions, claims, causes of action, suits, proceedings, damages, demands, costs and expenses whatsoever arising from or relating to any alleged or actual act, occurrence, omission or transaction occurring or happening prior to or on the date of this Agreement, including but not limited to any of the foregoing relating to the making, administration or enforcement of the Loans. Without limiting the foregoing, Borrower and Guarantor hereby unconditionally and irrevocably waive any and all defenses and claims existing or arising (or based on facts or circumstances actually or allegedly existing or arising) prior to or on the date of this Agreement which might otherwise limit their unconditional joint and several liability for all sums due under the Loans.

11. **Further Documents** Borrower, Guarantor, and New Guarantor each hereby agree to execute any and all further documents and instruments required by Lender and to do all other acts and things necessary to give effect to the terms and provisions of this Agreement and/or to create and perfect all liens and security interests granted to Lender under the Loans Documents or required under this Agreement

12. **Authorization of Agreement**. The execution and delivery of this Agreement has been duly authorized by all necessary corporate or partnership action of Borrower, Guarantor (as applicable) and New Guarantor, and the individuals executing this Agreement on behalf of Borrower, Guarantor and/or New Guarantor have been duly authorized and empowered to bind Borrower, Guarantor and/or New Guarantor by such execution.

13. **Costs and Expenses** Borrower hereby agrees to pay on demand any and all costs and expenses, including but not limited to attorneys' fees, incurred by Lender in connection with (A) the negotiation, preparation, filing and/or recording of this Agreement and all other documents and instruments required to give effect to this Agreement and/or to create and perfect the liens, security interests, assignments and/or pledges contemplated hereunder or under the Loans Documents and/or (B) the collection of the Loans and/or the enforcement of the Loans Documents. Guarantor and New Guarantor shall each be liable for all of their respective foregoing costs and expenses pursuant to their respective guarantees. Lender shall have no liability whatsoever for any of the foregoing

14. **Time of the Essence** Time is of the essence of all agreements and obligations contained herein.

15. **Construction of Agreement**. If any provision of this Agreement conflicts with any provision of any Loans Documents, the applicable provision of this Agreement shall control.

As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa.

The titles and captions in this Agreement are used for convenience of reference only and do not define, limit or control the scope, intent or effect of any provisions of this Agreement.

No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted all or any portion of this Agreement, any other document required hereunder or in connection with any Loans Documents.

16 **Ratification and Agreements by Guarantor**. Guarantor hereby acknowledges and consents to the terms of this Agreement, agrees to be bound by all terms and provisions hereof and of any and all documents and instruments executed by Borrower in connection with and/or as contemplated in this Agreement; acknowledges and confirms that Guarantor is and shall remain liable for all indebtedness and obligations now or hereafter owed by Borrower to Lender in connection with the Loans (pursuant to this Agreement and the Loans Documents or otherwise); agrees that Guarantor's said liability shall not be released, reduced or otherwise affected by the execution of this Agreement, by any changes in the effect of the Loans Documents under the terms of this Agreement, by Lender's receipt of any additional collateral for the Loans, by the consummation of any transactions relating hereto, or by any other existing fact or circumstance; ratifies the Guaranty as security for the Loans; and confirms that the Guaranty remains in full force and effect.

17. **Entire Agreement; No Oral Agreements Concerning Loans**. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, which agreement shall not be varied by any alleged or actual oral statements or parol evidence whatsoever. Lender has not promised or agreed in any manner to extend the maturity of the Loans, to restructure the Loans or any security therefor, to modify any terms of the Loans Documents or the effect thereof, to forbear in the commencement, exercise or pursuit of any right or remedy Lender has under the Loans Documents or applicable law, to release or adversely affect any lien or security interest previously or concurrently granted in favor of Lender, or to forego the benefit of any term, provision or condition of the Loans Documents, except as may be otherwise specifically provided in this Agreement and subject in all instances to strict compliance by Borrower, Guarantor and New Guarantor with all terms and conditions of this Agreement. Except as specifically provided in this Agreement (and so long as Borrower is in compliance with the terms of this Agreement), Lender has not agreed or become obligated, whether by negotiating or executing this Agreement or otherwise, to make any new Loans or to extend any new credit to Borrower, Guarantor or New Guarantor under any circumstances.

18. **Ratification of Workout** The parties acknowledge and agree that the terms and conditions of this Agreement are part of but not the entire body of a mutual workout arrangement between the parties for a resolution of a dispute regarding the Loans. Borrower, Guarantor and New Guarantor each hereby ratify, consent to, and agree to all of Lender's actions, from November 27, 2013, to the date first stated above, regarding and/or related to the claims of the Other Lenders alleging that the encumbrances for their loans were in first priority for the subject Properties; with the actions of the Lender including, without limitation, Lender lending Borrower an additional amount of approximately $_ _____, in the aggregate, with said funds being used towards satisfaction of certain loans from the Other Lenders. Borrower, Guarantor and New Guarantor each ratify and agree that the Lender's loans for said Properties have increased by the amounts that Lender paid toward satisfaction of the respective Other Lenders' loans for the subject Properties and Lender's Loans will continue to increase by the amount that Lender will advance to Borrower (or pay toward) for the satisfaction of the respective Other Lenders' Loans or in connection with Lender's rights or obligations pursuant to the Loans Documents as modified by this Agreement.

[signatures on following page]

IN WITNESS WHEREOF, the undersigned Parties have executed this Agreement on the date first above written.

Borrower:

ARIZONA HOME FORECLOSURES, LLC

By:_____
Yomtov "Scott" Menaged
Its Member

EASY INVESTMENTS, LLC

By:_____
Yomtov "Scott" Menaged
Its: Member

Guarantor:

_____
Yomtov "Scott" Menaged

New Guarantor.

FURNITURE KING, LLC

By._____
Yomotov "Scott" Menaged
Its Manager

Lender:

DENSCO INVESTMENT CORPORATION

By:_____
Denny Chittick
Its: President

EXHIBIT A

LENDER LOANS AND ENCUMBERED PROPERTIES

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this___ day of ___ _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of ARIZONA HOME FORECLOSURES, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

_____
Notary Public

My Commission Expires:

_____

DB04/1003619.0002/10352141.3

200131428.8 43930/168850

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ___ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of EASY INVESTMENTS, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written

_____
Notary Public

My Commission Expires:

_____

DB04/1003619.0002/10352141.3

200131428.8 43930/168850

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ____ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did acknowledged execution of the foregoing instrument as the Guarantor.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

_____
Notary Public

My Commission Expires

_____

DB04/1003619.0002/10352141.3

200131428.8 43930/168850

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ____ day of _____ , 2014, before me appeared Yomotov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the Manager of FURNITURE KING, LLC, an Arizona limited liability company, and said Yomotov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said company.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

_____
Notary Public

My Commission Expires:

_____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ____ day of _____, 2014, before me appeared Denny Chittick, to me personally known, who being by me duly sworn, did say that he/she is the President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, and said Denny Chittick acknowledged execution of the foregoing instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

_____
Notary Public

My Commission Expires:

_____

DB04/1003619.0002/10352141 3

200131428.8 43930/168850

FORBEARANCE AGREEMENT

THIS FORBEARANCE AGREEMENT ("**Agreement**") is executed on February __, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company ("**AHF**"), whose address is 7320 W Bell Road, Glendale, Arizona 85308, Easy Investments, LLC, an Arizona limited liability company("**EI**"), whose address is 7320 W Bell Road, Glendale, Arizona 85308 (AHF and EI are collectively referred to as the ("**Borrower**"), Yomtov "Scott" Menaged ("**Guarantor**"), whose address is 10510 East Sunnyside Drive, Scottsdale, Arizona, Furniture King, LLC, an Arizona limited liability Company ("**New Guarantor**"), whose address is 303 N. Central Avenue, Suite 603, Phoenix, AZ 85012, and DenSco Investment Corporation, an Arizona corporation ("**Lender**"), whose address is 6132 W. Victoria Place, Chandler, Arizona 85226, (the Borrower, the Guarantor, the New Guarantor, and Lender are each considered a "Party" hereunder and are collectively referred to as the "Parties") (Any capitalized term not defined in this Agreement shall have the meaning set forth in the Deeds of Trust as later defined).

Recitals

The following recitals of fact are a material part of this Agreement:

A. Borrower is indebted to Lender under the terms of certain Loans (the "Loans"), which are listed on the attached Exhibit A, which is incorporated into this Agreement by this reference, and each are evidenced by ~~certain promissory notes,~~a Note Secured by Deed of Trust (each, a "Note" and collectively, the "Notes"), all of which were executed by Borrower in favor of Lender (the "Notes") and by a Mortgage (or a "Receipt and Mortgage") (each, a "Mortgage", and collectively, the "Mortgages"), and each such Note and Mortgage was executed by Borrower and delivered to Lender, as a condition precedent to and immediately prior to the funding of the applicable Loan. ~~[DAVID – PLEASE PROVIDE EXHIBIT A]~~

B. Guarantor guaranteed the payment and performance of each of the Loans (the "Guaranty"), executed by Guarantor in favor of Lender.

C. ~~The~~Each of the Loans are further evidenced and/or secured by various documents and instruments, including but not limited to a certain ~~Deeds~~Deed of Trust and Assignment of Rents (each a "Deed of Trust", and collectively, the "Deeds of Trust"), executed by Borrower at the funding of the Loan in favor of Lender and recorded in conjunction with the Trustee's Deed conveying the real property to Borrower. The Deeds of Trust constitute a lien on the respective real properties described therein (individually a "Property" and collectively, the "Properties") and referenced in Exhibit A The ~~Note,~~Notes, the Mortgages, the Deeds of Trust, the Guaranty, the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "Loans Documents"

D. ~~Certain of the Properties were also used as security for one or more loans from one or more other lenders (individually, the "Other Lender" and collectively, the "Other Lenders") and the Loans from Lender may not be in the first lien position on the respective~~

~~Property~~ Each of the Mortgages provides: "Borrower hereby grants to Lender or assignee a first, prior and superior equitable lien and mortgage against the Real Property to secure payment of the Loan. . . . Borrower has delivered to Lender a promissory note and deed of trust, and Borrower agrees that the deed of trust that the deed of trust shall be recorded against the Real Property as a first, prior and superior lien and encumbrance simultaneously with the recording of the Trustee's Deed."

E. Each Deed of Trust provides as follows:

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

. . . .

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

F. Each Note provides as follows.

" A "Default" shall occur (i) . . . . or (vi) upon the occurrence of any default under any obligation of Maker to Holder. Further, at Holder's option after Default, all remaining unpaid principal and accrued interest shall become due and payable immediately without notice (other than any declaration prescribed in applicable sections of the agreements under which such events of default arose), presentment, demand or protest, all of which hereby are waived." ("Default" shall have the meaning set forth in the Note).

G. On or about November 27, 2013, Guarantor met with Denny Chittick of Lender to inform Lender that certain of the Properties had also been used (though Guarantor acknowledged no fault) as security for one or more loans from one or more other lenders (individually, the "Other Lender" and collectively, the "Other Lenders") and the Loans from Lender may not be in the first lien position on each respective Property.

H. At the November 27 meeting, Guarantor acknowledged to Lender that Borrower had an obligation to discharge the liens of the Other Lenders or to take such other actions to satisfy Section 5 of each Deed of Trust within 10 days, as referenced above. Further, Borrower and Guarantor acknowledged that the meeting satisfied Lender's obligation to provide notice to Borrower and Guarantor of an action leading to a Default pursuant to each of the Loan Documents.

~~H~~I. The Loans are now in ~~default~~Default (as defined in the Note) and Lender has provided Borrower with any and all notice required under each of the Loans Documents concerning such ~~default~~Default.

~~I~~J. Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, but only so long as and on the conditions that (1) Borrower ~~and~~, Guarantor and New Guarantor acknowledge the existing ~~default~~Defaults under the Loans, (2) all liens, security interests, rights and remedies of Lender under the Loans Documents continue in full force and effect and (3) Borrower ~~and~~, Guarantor and New Guarantor fulfill all conditions and comply with all terms and provisions set forth in this Agreement, and furnish all other documents and perform all other acts necessary to give effect to the agreements hereinafter set forth.

NOW THEREFORE, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. **Loans Balance**. The total sum now due and payable under the Loans, in aggregate, is approximately $_____ , consisting of $ _____ in principal, $ _____ in accrued interest (through and including ~~_____~~ February 1, 2014), $_____ advanced by Lender in payment of ~~_____~~ costs and expenses as permitted under the Loans Documents and approximately $_____ in costs and expenses incurred by Lender for collection and enforcement of the Loans. Interest continues to accrue under the Loans at the rate of ~~_____~~ 18 % per annum as provided in the Notes (as opposed to the ~~default~~Default Interest rate set forth in the Notes).

2 **Acknowledgment of Default**. Borrower ~~and~~, Guarantor and New Guarantor hereby acknowledge and agree that the Loans are in ~~default~~Default, and that as a result of such ~~default~~Default, Lender now has the right to pursue foreclosure and any and all other rights and remedies permitted to Lender under the Loans Documents and/or under applicable law

3 **Continued Effect of Loans Documents**. Borrower ~~and~~, Guarantor and New Guarantor further acknowledge and confirm that the Loans Documents have been duly authorized, executed and delivered to Lender and are valid, binding and enforceable against Borrower and Guarantor in accordance with their respective terms, and that to the collective knowledge of Borrower ~~and~~, Guarantor ~~'s knowledge~~ and New Guarantor, all liens and security interests created in favor of Lender under the Loans Documents have been validly created and duly perfected as encumbrances upon all Properties and collateral of Borrower ~~and/or~~, Guarantor or New Guarantor as described in the Loans Documents ~~—~~ and as modified by this Agreement. Upon the satisfaction of the lien of the applicable Other Lender with respect to a Property, the lien and security interest created in favor of Lender under the Loans Documents will be deemed to be validly created and duly perfected as an encumbrance upon the respective Property and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents. Further, Borrower shall cause to be provided to Lender a Lender's title insurance policy issued by a nationally-recognized title company, reasonably acceptable to Lender insuring that Lender's encumbrance in such Property, as evidenced by the respective Deed of Trust, shall constitute a valid and enforceable first and prior lien to any other encumbrance on the respective Property.

4. **Forbearance by Lender on Conditions; Effect of Breach**. Lender hereby agrees to forbear pursuit of its rights and remedies under the Loans Documents and/or under applicable law, but only so long as and on the conditions that Borrower ~~and~~, Guarantor and New Guarantor pay all sums, perform all covenants and agreements and do all acts and things required of them hereunder. If Borrower ~~or~~, Guarantor ~~fail~~or New Guarantor fail to pay any sum or to perform any covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Lender may cease such forbearance and may immediately commence and pursue any or all rights and remedies Lender may have under the ~~Loan~~Loans Documents and/or under applicable law as to any or all of the collateral or security for the Loans, all in such order and manner as Lender may elect from time to time in its sole discretion and without notice of any kind to Borrower, Guarantor, New Guarantor or any other person, as if this Section 4 had never been agreed to by Lender. Lender's agreement herein to forego immediate pursuit of its rights and remedies constitutes a postponement and forbearance only, and does not in any event constitute a waiver of any such rights or remedies.

5. **No Effect on Existing Default; Extension of Maturity**. Neither the execution and delivery of this Agreement or any other document or instrument required hereunder nor the consummation of the transactions and agreements set forth in this Agreement shall in any manner rescind or cure any existing ~~default~~Default under the Loans Documents, reinstate the Loans to a current status, or constitute an accord and satisfaction of the Loans. Notwithstanding this provision, the maturity date of all of the Loans is hereby extended to February 1, ~~2016~~2015; provided, however, Lender, at its sole discretion, may further extend the maturity date of all of the Loans to February 1, 2016, so long as Borrower, Guarantor and New Guarantor have complied and are in compliance with the terms of this Agreement.

6 **Borrower's Actions**. Lender's continued performance of the terms of this Agreement is conditioned upon each of the following obligations being fulfilled:

(A) Borrower agrees to use its good faith efforts to: (i) liquidate other assets, which is expected to generate approximately $4 to $5 million US Dollars; (ii) apply all net proceeds from the rental of Borrower's other real estate assets, or the net proceeds from the acquisition and disposition of other real estate or other assets by Borrower, and (iii) apply all funds received from Borrower's continued good faith efforts to recover any other asset that can be recovered from the missing proceeds from the multiple Loans that were advanced from Lender and Other Lenders with respect to certain properties as referenced above. Any additional funds obtained and / or made available to Borrower pursuant to this subsection shall be made available to and used by Borrower in connection with the resolution of the lien disputes between Lender and Other Lenders as referenced above (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower as provided herein).

(B) Borrower agrees to provide Lender, and maintain in effect, a life insurance policy from a nationally-recognized life insurance carrier (with a rating of ____ or better from _____) and reasonably approved by Lender, in the amount of $~~5,000,000~~10,000,000, insuring the life of Guarantor with Lender named as the sole beneficiary, until all obligations pursuant to the Agreement have been ~~full~~fully satisfied.

(C) Borrower agrees to provide Lender with a separate personal guaranty from Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents, and this Agreement, and such Guaranty shall be in commercially reasonable form for a lender loaning a similar aggregate amount of money to a borrower as Lender is loaning in the aggregate to Borrower. Further, Borrower agrees to provide a re-affirmation and consent from Guarantor to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees of Lender's Loans to Borrower, so that the terms and provisions of this Agreement will not cause or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of Lender and Borrower pursuant to the terms and provisions of this Agreement. ~~[DAVID – PLEASE PROVIDE COPIES OF THESE DOCUMENTS.]~~

(D) Borrower agrees to provide Lender with a separate ~~personal~~corporate guaranty from New Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents and this Agreement, to be secured by a lien against all of New Guarantor's inventory, accounts, and assets.

(E) Except for Lender, Borrower agrees to continue to pay the interest due to the Other Lenders for loans secured by any of the Properties, and any other similarly situated lender on a timely basis and to keep each of such loans current and in compliance with their respective terms

(F) Borrower has arranged for private outside financing ~~in the amount of approximately $1,000,000~~ (the "Outside Funds"), which is to be provided to Borrower in the approximate amounts and on the following prospective schedule: (i) approximately $1,000,000 on or before March 20, ~~2014~~2014; and (ii) approximately $ _____ on or before _____, 2014. Such Outside Funds shall be used exclusively for the pay-off of the Other Lenders and any other similarly situated lender (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower, as provided herein),

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

(H) During the term of this Agreement, Borrower, Guarantor and New Guarantor agree to use good faith efforts to satisfy and pay-off any and all financial obligations secured by liens in favor of the applicable Other Lender with respect to a Property. The Borrower and Lender shall cooperate to agree upon a sequencing schedule (which will need to be adjusted on a reasonable basis) to satisfy and release the liens of the Other Lenders on the applicable Properties. Borrower agrees to used its Good Faith Efforts to cause the liens of the Other Lenders to be satisfied and released on or before nine (9) months from the execution of this Agreement.

(I) Borrower, Guarantor, New Guarantor and Lender acknowledge and agree that this Agreement shall not constitute nor create a joint venture or partnership arrangement between or among Lender and any of the Borrower or Guarantor.

(~~I~~J) If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Borrower agrees to provide any additional collateral ("Additional Security") to Lender, as may be requested by Lender, to secure Borrower's existing obligations to Lender and to secure the additional obligations that Lender is agreeing to provide pursuant to this Agreement.

(K) Execution, delivery and filing or recording (with all costs thereof paid by Borrower) of all documents and instruments required to create the required liens on the respective Properties as required by the Loans Documents or to create a security interest in any Additional Collateral.

(L) Borrower agrees to reimburse all costs and expenses, including without limitation title reports, amendments or title insurance, investigation fees, and / or reasonable attorneys' fees, incurred by Lender in connection with this Agreement (or the effect of this Agreement on Lender's business and with its investors), the default of Borrower in connection with the Loans Documents, or the existing and / or any future lien disputes with the Other Lenders or any other similarly situated lenders~~, up to a total of $_____~~.

7. **Lender's Actions**. Subject to the full compliance of ~~the~~ Borrower, Guarantor, and New Guarantor to each of their respective obligations, as detailed in this Agreement, the Lender will perform the following obligations

(A) Lender agrees to increase the Loan amount of each of the Properties referenced in Exhibit A up to 95% of the loan-to-value ("LTV") ratio of the value of the respective Properties, as determined by Lender. The additional funds ~~advance~~advanced to Borrower shall be used to pay off the Other Lender and release its security interest in that Property.

(B) Lender will defer (but not waive) the collection of interest from the Borrower on the Loans to the Borrower during the process to fund the amount due to the Other Lenders; and all deferred interest on the Notes from Borrower shall be paid to Lender on or before the payoff of the respective Note.

(C) Lender will provide a new loan to Borrower in the amount up to 1 Million US Dollars, which loan is to provide for multiple advances, earn 3% annual interest to be secured by a first lien position against certain real property or properties to be approved by Lender, in its sole discretion, and the obligation is to be personally guaranteed by Guarantor and New Guarantor (the "Additional Loan")

(D) Provided that Borrower, Guarantor and New Guarantor each complies with all of its respective obligations under this Agreement~~.~~, Lender will ~~waive~~defer the right to charge the ~~default~~Default Interest rate which is ~~or may be~~ permitted pursuant to the terms of the Loans Documents. If any of Borrower, Guarantor or New Guarantor fails to comply with ~~these~~its

respective obligations~~, however, it~~ under this Agreement, Borrower shall then be liable for ~~interest~~Default Interest at the ~~default~~Default Interest rate set forth in the Loan Documents on all outstanding Notes.

8. The entire principal sum and all accrued interest, costs, expenses, disbursements and fees due under the terms and provisions of the Notes and all other sums payable under the Loans Documents shall be due and payable in full on February 1, 2016 in any event, without notice or demand.

~~9. Additional Collateral Required. [Already covered above]~~

9. **Grace and Cure Periods**. If Borrower fails to comply with any non-monetary obligation undertaken by it through this Agreement, Borrower shall be in default of this Agreement if it fails to satisfy the non-monetary obligation within five (5) business days of receiving ~~written demand from Lender~~email or telephonic notice from Lender. No such notice shall be required if Borrower fails to comply with any monetary obligation. Except for the non-monetary notice required above, all other notice provisions of the Loans Documents requiring any other notice to Borrower or any other person as a condition precedent to the existence of any breach, default or event of default or to any acceleration or other remedial action by Lender, permitting or granting any grace period after the giving or receipt of any notice for the cure of any breach, default or event of default under the Loans Documents prior to acceleration or other remedial action by Lender are hereby deleted, and all Loans Documents are hereby modified accordingly.

10. **Release of Lender; Waiver of Claims and Defenses**. As a material part of the consideration for Lender's execution of this Agreement, Borrower ~~and~~, Guarantor and New Guarantor each hereby unconditionally and irrevocably release and forever discharge Lender and all of its directors, officers, employees, agents, attorneys, affiliates and subsidiaries from all liabilities, obligations, actions, claims, causes of action, suits, proceedings, damages, demands, costs and expenses whatsoever arising from or relating to any alleged or actual act, occurrence, omission or transaction occurring or happening prior to or on the date of this Agreement, including but not limited to any of the foregoing relating to the making, administration or enforcement of the Loans Without limiting the foregoing, Borrower and Guarantor hereby unconditionally and irrevocably waive any and all defenses and claims existing or arising (or based on facts or circumstances actually or allegedly existing or arising) prior to or on the date of this Agreement which might otherwise limit their unconditional joint and several liability for all sums due under the Loans.

11. **Further Documents**. Borrower, Guarantor, and New Guarantor each hereby agree to execute any and all further documents and instruments required by Lender and to do all other acts and things necessary to give effect to the terms and provisions of this Agreement and/or to create and perfect all liens and security interests granted to Lender under the Loans Documents or required under this Agreement.

12. **Authorization of Agreement**. The execution and delivery of this Agreement has been duly authorized by all necessary corporate or partnership action of Borrower, Guarantor (as applicable) and New Guarantor, and the individuals executing this Agreement on behalf of

Borrower, Guarantor and/or New Guarantor have been duly authorized and empowered to bind Borrower, Guarantor and/or New Guarantor by such execution

13 **Costs and Expenses** ~~**ALREADY COVERED BY ¶ 6(K).**~~Borrower hereby agrees to pay on demand any and all costs and expenses, including but not limited to attorneys' fees, incurred by Lender in connection with (A) the negotiation, preparation, filing and/or recording of this Agreement and all other documents and instruments required to give effect to this Agreement and/or to create and perfect the liens, security interests, assignments and/or pledges contemplated hereunder or under the Loans Documents and/or (B) the collection of the Loans and/or the enforcement of the Loans Documents. Guarantor and New Guarantor shall each be liable for all of their respective foregoing costs and expenses pursuant to their respective guarantees. Lender shall have no liability whatsoever for any of the foregoing.

~~13.~~14. **Time of the Essence**. Time is of the essence of all agreements and obligations contained herein

~~14.~~15. **Construction of Agreement**. If any provision of this Agreement conflicts with any provision of any Loans Documents, the applicable provision of this Agreement shall control.

As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa.

The titles and captions in this Agreement are used for convenience of reference only and do not define, limit or control the scope, intent or effect of any provisions of this Agreement.

No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted all or any portion of this Agreement, any other document required hereunder or in connection with any Loans Documents

~~15.~~16. **Ratification and Agreements by Guarantor**. Guarantor hereby acknowledges and consents to the terms of this Agreement, agrees to be bound by all terms and provisions hereof and of any and all documents and instruments executed by Borrower in connection with and/or as contemplated in this Agreement; acknowledges and confirms that Guarantor is and shall remain liable for all indebtedness and obligations now or hereafter owed by Borrower to Lender in connection with the Loans (pursuant to this Agreement and the Loans Documents or otherwise), agrees that Guarantor's said liability shall not be released, reduced or otherwise affected by the execution of this Agreement, by any changes in the effect of the Loans Documents under the terms of this Agreement, by Lender's receipt of any additional collateral for the Loans, by the consummation of any transactions relating hereto, or by any other existing fact or circumstance, ratifies the Guaranty as security for the Loans; and confirms that the Guaranty remains in full force and effect.

~~16.~~17. **Entire Agreement; No Oral Agreements Concerning Loans**. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, which agreement shall not be varied by any alleged or actual oral statements or parol evidence whatsoever. Lender has not promised or agreed in any manner to extend the maturity of the

Loans, to restructure the Loans or any security therefor, to modify any terms of the Loans Documents or the effect thereof, to forbear in the commencement, exercise or pursuit of any right or remedy Lender has under the Loans Documents or applicable law, to release or adversely affect any lien or security interest previously or concurrently granted in favor of Lender, or to forego the benefit of any term, provision or condition of the Loans Documents, except as may be otherwise specifically provided in this Agreement and subject in all instances to strict compliance by Borrower ~~and~~, Guarantor and New Guarantor with all terms and conditions of this Agreement. Except as specifically provided in this Agreement (and so long as Borrower is in compliance with the terms of this Agreement), Lender has not agreed or become obligated, whether by negotiating or executing this Agreement or otherwise, to make any new Loans or to extend any new credit to Borrower ~~or~~, Guarantor or New Guarantor under any circumstances.

~~17~~18. **Ratification of Workout** The parties acknowledge and agree that the terms and conditions of this Agreement are part of but not the entire body of a mutual workout arrangement between the parties for a resolution of a dispute regarding the Loans. Borrower ~~and~~, Guarantor and New Guarantor each hereby ratify, consent to, and agree to all of Lender's actions, from November ~~____~~27, 2013, to the date first stated above, regarding and /or related to the claims of the Other Lenders alleging that the encumbrances for their loans were in first priority for the subject Properties, with the actions of the Lender including, without limitation, Lender lending Borrower an additional amount of approximately $_____, in the aggregate, with said funds being used towards satisfaction of certain loans from the Other Lenders. Borrower ~~and~~, Guarantor and New Guarantor each ratify and agree that the Lender's loans for said Properties have increased by the amounts that Lender paid toward satisfaction of the respective Other Lenders' loans for the subject Properties and Lender's Loans will continue to increase by the amount that Lender will advance to Borrower (or pay toward) for the satisfaction of the respective Other Lenders' Loans or in connection with Lender's rights or obligations pursuant to the Loans Documents as modified by this Agreement.

[signatures on following page]

IN WITNESS WHEREOF, the undersigned Parties have executed this Agreement on the date first above written.

Borrower:

ARIZONA HOME FORECLOSURES, LLC

By:_____
Yomtov "Scott" Menaged
Its: Member

EASY INVESTMENTS, LLC

By:_____
Yomtov "Scott" Menaged
Its. Member

Guarantor:

_____
Yomtov "Scott" Menaged

New Guarantor.

FURNITURE KING, LLC

By _____
Yomotov "Scott" Menaged
Its Manager

Lender:

DENSCO INVESTMENT CORPORATION

By:_____
Denny Chittick
Its President

EXHIBIT A

LENDER LOANS AND ENCUMBERED PROPERTIES

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this___ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of ARIZONA HOME FORECLOSURES, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

_____
Notary Public

My Commission Expires:

_____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ___ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of EASY INVESTMENTS, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written

_____
Notary Public

My Commission Expires:

_____ _____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did acknowledged execution of the foregoing instrument as the Guarantor.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

_____
Notary Public

My Commission Expires

_____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ____ day of _____, 2014, before me appeared Yomotov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the Manager of FURNITURE KING, LLC, an Arizona limited liability company, and said Yomotov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said company

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written

Notary Public

My Commission Expires:

DB04/1003619.0002/10352141 3

~~20013142 8.5~~20013142 8.8 43930/168850

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this _ _ day of _____, 2014, before me appeared Denny Chittick, to me personally known, who being by me duly sworn, did say that he/she is the President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, and said Denny Chittick acknowledged execution of the foregoing instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

_____
Notary Public

My Commission Expires:

_ _ _____

Document comparison by Workshare Compare on Friday, February 07, 2014 7:09:25 PM

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Document 2 ID	interwovenSite://DETDMS1/ClarkHill/200131428/8
Description	#200131428v8<ClarkHill> - Forbearance Agreement (8)
Rendering set	standard

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Insertion	
~~Deletion~~	
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Style change	
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Inserted cell	
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Moved to	1
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Format changed	0
Total changes	178

FORBEARANCE AGREEMENT

THIS FORBEARANCE AGREEMENT ("**Agreement**") is executed on February __, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company ("**AHF**"), whose address is 7320 W Bell Road, Glendale, Arizona 85308, Easy Investments, LLC, an Arizona limited liability company("**EI**"), whose address is 7320 W Bell Road, Glendale, Arizona 85308 (AHF and EI are collectively referred to as the ("**Borrower**"), Yomtov "Scott" Menaged ("**Guarantor**"), whose address is 10510 East Sunnyside Drive, Scottsdale, Arizona, Furniture King, LLC, an Arizona limited liability Company ("**New Guarantor**"), whose address is 303 N. Central Avenue, Suite 603, Phoenix, AZ 85012, and DenSco Investment Corporation, an Arizona corporation ("**Lender**"), whose address is 6132 W. Victoria Place, Chandler, Arizona 85226, (the Borrower, the Guarantor, the New Guarantor, and Lender are each considered a "Party" hereunder and are collectively referred to as the "Parties"). (Any capitalized term not defined in this Agreement shall have the meaning set forth in the Deeds of Trust as later defined)

Recitals

The following recitals of fact are a material part of this Agreement

A. Borrower is indebted to Lender under the terms of certain Loans (the "Loans"), which are listed on the attached Exhibit A, which is incorporated into this Agreement by this reference, and each are evidenced by a Note Secured by Deed of Trust (each, a "Note" and collectively, the "Notes"), all of which were executed by Borrower in favor of Lender (the "Notes") and by a Mortgage (or a "Receipt and Mortgage") (each, a "Mortgage", and collectively, the "Mortgages"), and each such Note and Mortgage was executed by Borrower and delivered to Lender, as a condition precedent to and immediately prior to the funding of the applicable Loan.

B Guarantor guaranteed the payment and performance of each of the Loans (the "Guaranty"), executed by Guarantor in favor of Lender.

C. Each of the Loans are further evidenced and/or secured by various documents and instruments, including but not limited to a certain Deed of Trust and Assignment of Rents (each a "Deed of Trust", and collectively, the "Deeds of Trust"), executed by Borrower at the funding of the Loan in favor of Lender and recorded in conjunction with the Trustee's Deed conveying the real property to Borrower The Deeds of Trust constitute a lien on the respective real properties described therein (individually a "Property" and collectively, the "Properties") and referenced in Exhibit A The Notes, the Mortgages, the Deeds of Trust, the Guaranty, the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "Loans Documents"

D. Each of the Mortgages provides: "Borrower hereby grants to Lender or assignee a first, prior and superior equitable lien and mortgage against the Real Property to secure payment of the Loan Borrower has delivered to Lender a promissory note and deed of trust, and Borrower agrees that the deed of trust that the deed of trust shall be recorded against

the Real Property as a first, prior and superior lien and encumbrance simultaneously with the recording of the Trustee's Deed "

E. Each Deed of Trust provides as follows

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

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

F Each Note provides as follows.

" A "Default" shall occur (i) or (vi) upon the occurrence of any default under any obligation of Maker to Holder Further, at Holder's option after Default, all remaining unpaid principal and accrued interest shall become due and payable immediately without notice (other than any declaration prescribed in applicable sections of the agreements under which such events of default arose), presentment, demand or protest, all of which hereby are waived " ("Default" shall have the meaning set forth in the Note)

G On or about November 27, 2013, Guarantor met with Denny Chittick of Lender to inform Lender that certain of the Properties had also been used (though Guarantor acknowledged no fault) as security for one or more loans from one or more other lenders (individually, the "Other Lender" and collectively, the "Other Lenders") and the Loans from Lender may not be in the first lien position on each respective Property, ~~as required by the Loans Documents as indicated above~~

H. At the November 27 meeting, Guarantor acknowledged to Lender that Borrower had an obligation to discharge the liens of the Other Lenders or to take such other actions to satisfy Section 5 of each Deed of Trust within 10 days, as referenced above Further, Borrower and Guarantor acknowledged that the meeting satisfied Lender's obligation to provide notice to Borrower and Guarantor of an action leading to a Default pursuant to each of the Loan Documents.

I The Loans are now in Default (as defined in the Note) and Lender has provided Borrower with any and all notice required under each of the Loans Documents concerning such Default

J Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, but only so long as and on the conditions that (1) Borrower, Guarantor and New Guarantor acknowledge the existing Defaults under the Loans, (2) all liens, security interests, rights and remedies of Lender under the Loans Documents continue in full force and effect and (3) Borrower, Guarantor and New Guarantor fulfill all conditions and comply with all terms and provisions set forth in this Agreement, and furnish all other documents and perform all other acts necessary to give effect to the agreements hereinafter set forth.

NOW THEREFORE, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows·

1. **Loans Balance**. The total sum now due and payable under the Loans, in aggregate, is approximately $___ , consisting of $ __ _ ____in principal, $_____ in accrued interest (through and including February 1, 2014), $_____ advanced by Lender in payment of costs and expenses as permitted under the Loans Documents and approximately $_____ in costs and expenses incurred by Lender for collection and enforcement of the Loans. Interest continues to accrue under the Loans at the rate of 18 % per annum as provided in the Notes (as opposed to the Default Interest rate set forth in the Notes).

2. **Acknowledgment of Default** Borrower, Guarantor and New Guarantor hereby acknowledge and agree that the Loans are in Default, and that as a result of such Default, Lender now has the right to pursue foreclosure and any and all other rights and remedies permitted to Lender under the Loans Documents and/or under applicable law

3. **Continued Effect of Loans Documents**. Borrower, Guarantor and New Guarantor further acknowledge and confirm that the Loans Documents have been duly authorized, executed and delivered to Lender and are valid, binding and enforceable against Borrower, and Guarantor ~~and New Guarantor~~ in accordance with their respective terms, and that to the collective knowledge of Borrower, Guarantor and New Guarantor, all liens and security interests created in favor of Lender under the Loans Documents have been validly created and duly perfected as encumbrances upon all Properties and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents and as modified by this Agreement. Upon the satisfaction of the lien of the applicable Other Lender with respect to a Property, the lien and security interest created in favor of Lender under the Loans Documents will be deemed to be validly created and duly perfected as an encumbrance upon the respective Property and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents. Further, Borrower shall cause to be provided to Lender a Lender's title insurance policy issued by a nationally-recognized title company, reasonably acceptable to Lender insuring that Lender's encumbrance in such Property, as evidenced by the respective Deed of Trust, shall constitute a valid and enforceable first and prior lien to any other encumbrance on the respective Property

4 **Forbearance by Lender on Conditions; Effect of Breach**. Lender hereby agrees to forbear pursuit of its rights and remedies under the Loans Documents and/or under applicable law, but only so long as and on the conditions that Borrower, Guarantor and New Guarantor pay all sums, perform all covenants and agreements and do all acts and things required of them hereunder. If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any

covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Lender may cease such forbearance and may immediately commence and pursue any or all rights and remedies Lender may have under the Loans Documents and/or under applicable law as to any or all of the collateral or security for the Loans, all in such order and manner as Lender may elect from time to time in its sole discretion and without notice of any kind to Borrower, Guarantor, New Guarantor or any other person, as if this Section 4 had never been agreed to by Lender. Lender's agreement herein to forego immediate pursuit of its rights and remedies constitutes a postponement and forbearance only, and does not in any event constitute a waiver of any such rights or remedies.

5. **No Effect on Existing Default; Extension of Maturity**. Neither the execution and delivery of this Agreement or any other document or instrument required hereunder nor the consummation of the transactions and agreements set forth in this Agreement shall in any manner rescind or cure any existing Default under the Loans Documents, reinstate the Loans to a current status, or constitute an accord and satisfaction of the Loans. Notwithstanding this provision, the maturity date of all of the Loans is hereby extended to February 1, 2015; provided, however, Lender, at its sole discretion, may further extend the maturity date of all of the Loans to February 1, 2016, so long as Borrower, Guarantor and New Guarantor have complied and are in compliance with the terms of this Agreement.

6 **Borrower's Actions**. Lender's continued performance of the terms of this Agreement is conditioned upon each of the following obligations being fulfilled·

(A) Borrower agrees to use its good faith efforts to· (i) liquidate other assets, which is expected to generate approximately $4 to $5 million US Dollars; (ii) apply all net proceeds from the rental of Borrower's other real estate assets, or the net proceeds from the acquisition and disposition of other real estate or other assets by Borrower, and (iii) apply all funds received from Borrower's continued good faith efforts to recover any other asset that can be recovered from the missing proceeds from the multiple Loans that were advanced from Lender and Other Lenders with respect to certain properties as referenced above Any additional funds obtained and / or made available to Borrower pursuant to this subsection shall be made available to and used by Borrower in connection with the resolution of the lien disputes between Lender and Other Lenders as referenced above (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower as provided herein).

(B) Borrower agrees to provide Lender, and maintain in effect, a life insurance policy from a nationally-recognized life insurance carrier (with a rating of ____ or better from _____) and reasonably approved by Lender, in the amount of $10,000,000, insuring the life of Guarantor with Lender named as the sole beneficiary, until all obligations pursuant to the Agreement have been fully satisfied.

(C) Borrower agrees to provide Lender with a separate personal guaranty from Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents, and this Agreement, and such Guaranty shall be in commercially reasonable form for a lender loaning a similar aggregate amount of money to a borrower as Lender is loaning in the aggregate to Borrower. Further, Borrower agrees to provide a re-affirmation and consent from Guarantor to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees

of Lender's Loans to Borrower, so that the terms and provisions of this Agreement will not cause or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of Lender and Borrower pursuant to the terms and provisions of this Agreement

(D) Borrower agrees to provide Lender with a separate corporate guaranty from New Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents and this Agreement, to be secured by a lien against all of New Guarantor's inventory, accounts, and assets.

(E) Except for Lender, Borrower agrees to continue to pay the interest due to the Other Lenders for loans secured by any of the Properties, and any other similarly situated lender on a timely basis and to keep each of such loans current and in compliance with their respective terms

(F) Borrower has arranged for private outside financing (the "Outside Funds"), which is to be provided to Borrower in the approximate amounts and on the following prospective schedule· (i) approximately $1,000,000 on or before March 20, 2014; and (ii) approximately $_____ on or before _____ ____, 2014. Such Outside Funds shall be used exclusively for the pay-off of the Other Lenders and any other similarly situated lender (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower, as provided herein),

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

(H) During the term of this Agreement, Borrower, Guarantor and New Guarantor agree to use good faith efforts to satisfy and pay-off any and all financial obligations secured by liens in favor of the applicable Other Lender with respect to a Property. The Borrower and Lender shall cooperate to agree upon a sequencing schedule (which will need to be adjusted on a reasonable basis) to satisfy and release the liens of the Other Lenders on the applicable Properties. Borrower agrees to used its Good Faith Efforts to cause the liens of the Other Lenders to be satisfied and released on or before nine (9) months from the execution of this Agreement.

(I) Borrower, Guarantor, New Guarantor and Lender acknowledge and agree that this Agreement shall not constitute nor create a joint venture or partnership arrangement between or among Lender and any of the Borrower or Guarantor

(J) If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Borrower agrees to provide any additional collateral ("Additional Security") to Lender, as may be requested by Lender, to secure Borrower's existing obligations to

Lender and to secure the additional obligations that Lender is agreeing to provide pursuant to this Agreement.

(~~J~~K) Execution, delivery and filing or recording (with all costs thereof paid by Borrower) of all documents and instruments required to create ~~first and prior liens, as applicable, upon and/or security interests in the~~the required liens on the respective Properties as required by the Loans Documents or to create a security interest in any Additional Collateral

(~~K~~L) Borrower agrees to reimburse all costs and expenses, including without limitation title reports, amendments or title insurance, investigation fees, and / or reasonable attorneys' fees, ~~reasonably~~ incurred by Lender in connection with this Agreement (or the effect of this Agreement on Lender's business and with its investors), the default of Borrower in connection with the Loans Documents, or the existing and / or any future lien disputes with the Other Lenders or any other similarly situated lenders.

7 **Lender's Actions**. Subject to the full compliance of Borrower, Guarantor, and New Guarantor to each of their respective obligations, as detailed in this Agreement, the Lender will perform the following obligations:

(A) Lender agrees to increase the Loan amount of each of the Properties referenced in Exhibit A up to 95% of the loan-to-value ("LTV") ratio of the value of the respective Properties, as determined by Lender. The additional funds advanced to Borrower shall be used to pay off the Other Lender and release its security interest in that Property

(B) Lender will defer (but not waive) the collection of interest from the Borrower on the Loans to the Borrower during the process to fund the amount due to the Other Lenders; and all deferred interest on the Notes from Borrower shall be paid to Lender on or before the payoff of the respective Note.

(C) Lender will provide a new loan to Borrower in the amount up to 1 Million US Dollars, which loan is to provide for multiple advances, earn 3% annual interest to be secured by a first lien position against certain real property or properties to be approved by Lender, in its sole discretion, and the obligation is to be personally guaranteed by Guarantor and New Guarantor (the "Additional Loan").

(D) Provided that Borrower, Guarantor and New Guarantor each complies with all of its respective obligations under this Agreement, Lender will defer the right to charge the Default Interest rate which is permitted pursuant to the terms of the Loans Documents. If any of Borrower, Guarantor or New Guarantor fails to comply with its respective obligations under this Agreement, Borrower shall then be liable for Default Interest at the Default Interest rate set forth in the Loan Documents on all outstanding Notes

8. The entire principal sum and all accrued interest, costs, expenses, disbursements and fees due under the terms and provisions of the Notes and all other sums payable under the Loans Documents shall be due and payable in full on February 1, 2016 in any event, without notice or demand.

9. **Grace and Cure Periods**. If Borrower fails to comply with any non-monetary obligation undertaken by it through this Agreement, Borrower shall be in default of this Agreement if it fails to satisfy the non-monetary obligation within five (5) business days of receiving email or telephonic notice from Lender. No such notice shall be required if Borrower fails to comply with any monetary obligation. Except for the non-monetary notice required above, all other notice provisions of the Loans Documents requiring any other notice to Borrower or any other person as a condition precedent to the existence of any breach, default or event of default or to any acceleration or other remedial action by Lender, permitting or granting any grace period after the giving or receipt of any notice for the cure of any breach, default or event of default under the Loans Documents prior to acceleration or other remedial action by Lender are hereby deleted, and all Loans Documents are hereby modified accordingly

10. **Release of Lender; Waiver of Claims and Defenses**. As a material part of the consideration for Lender's execution of this Agreement, Borrower, Guarantor and New Guarantor each hereby unconditionally and irrevocably release and forever discharge Lender and all of its directors, officers, employees, agents, attorneys, affiliates and subsidiaries from all liabilities, obligations, actions, claims, causes of action, suits, proceedings, damages, demands, costs and expenses whatsoever arising from or relating to any alleged or actual act, occurrence, omission or transaction occurring or happening prior to or on the date of this Agreement, including but not limited to any of the foregoing relating to the making, administration or enforcement of the Loans Without limiting the foregoing, Borrower and Guarantor hereby unconditionally and irrevocably waive any and all defenses and claims existing or arising (or based on facts or circumstances actually or allegedly existing or arising) prior to or on the date of this Agreement which might otherwise limit their unconditional joint and several liability for all sums due under the Loans.

11 **Further Documents**. Borrower, Guarantor, and New Guarantor each hereby agree to execute any and all further documents and instruments required by Lender and to do all other acts and things necessary to give effect to the terms and provisions of this Agreement and/or to create and perfect all liens and security interests granted to Lender under the Loans Documents or required under this Agreement.

12 **Authorization of Agreement**. The execution and delivery of this Agreement has been duly authorized by all necessary corporate or partnership action of Borrower, Guarantor (as applicable) and New Guarantor, and the individuals executing this Agreement on behalf of Borrower, Guarantor and/or New Guarantor have been duly authorized and empowered to bind Borrower, Guarantor and/or New Guarantor by such execution

13. **Costs and Expenses**. Borrower hereby agrees to pay on demand any and all costs and expenses, including but not limited to attorneys' fees, incurred by Lender in connection with (A) the negotiation, preparation, filing and/or recording of this Agreement and all other documents and instruments required to give effect to this Agreement and/or to create and perfect the liens, security interests, assignments and/or pledges contemplated hereunder or under the Loans Documents and/or (B) the collection of the Loans and/or the enforcement of the Loans Documents. Guarantor and New Guarantor shall each be liable for all of their respective

foregoing costs and expenses pursuant to their respective guarantees. Lender shall have no liability whatsoever for any of the foregoing

14. **Time of the Essence**. Time is of the essence of all agreements and obligations contained herein.

15. **Construction of Agreement**. If any provision of this Agreement conflicts with any provision of any Loans Documents, the applicable provision of this Agreement shall control.

As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa.

The titles and captions in this Agreement are used for convenience of reference only and do not define, limit or control the scope, intent or effect of any provisions of this Agreement.

No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted all or any portion of this Agreement, any other document required hereunder or in connection with any Loans Documents

16. **Ratification and Agreements by Guarantor**. Guarantor hereby acknowledges and consents to the terms of this Agreement, agrees to be bound by all terms and provisions hereof and of any and all documents and instruments executed by Borrower in connection with and/or as contemplated in this Agreement; acknowledges and confirms that Guarantor is and shall remain liable for all indebtedness and obligations now or hereafter owed by Borrower to Lender in connection with the Loans (pursuant to this Agreement and the Loans Documents or otherwise), agrees that Guarantor's said liability shall not be released, reduced or otherwise affected by the execution of this Agreement, by any changes in the effect of the Loans Documents under the terms of this Agreement, by Lender's receipt of any additional collateral for the Loans, by the consummation of any transactions relating hereto, or by any other existing fact or circumstance; ratifies the Guaranty as security for the Loans; and confirms that the Guaranty remains in full force and effect.

17 **Entire Agreement; No Oral Agreements Concerning Loans**. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, which agreement shall not be varied by any alleged or actual oral statements or parol evidence whatsoever Lender has not promised or agreed in any manner to extend the maturity of the Loans, to restructure the Loans or any security therefor, to modify any terms of the Loans Documents or the effect thereof, to forbear in the commencement, exercise or pursuit of any right or remedy Lender has under the Loans Documents or applicable law, to release or adversely affect any lien or security interest previously or concurrently granted in favor of Lender, or to forego the benefit of any term, provision or condition of the Loans Documents, except as may be otherwise specifically provided in this Agreement and subject in all instances to strict compliance by Borrower, Guarantor and New Guarantor with all terms and conditions of this Agreement Except as specifically provided in this Agreement (and so long as Borrower is in compliance with the terms of this Agreement), Lender has not agreed or become obligated, whether by

negotiating or executing this Agreement or otherwise, to make any new Loans or to extend any new credit to Borrower, Guarantor or New Guarantor under any circumstances.

18. **Ratification of Workout**. The parties acknowledge and agree that the terms and conditions of this Agreement are part of but not the entire body of a mutual workout arrangement between the parties for a resolution of a dispute regarding the Loans. Borrower, Guarantor and New Guarantor each hereby ratify, consent to, and agree to all of Lender's actions, from November 27, 2013, to the date first stated above, regarding and/or related to the claims of the Other Lenders alleging that the encumbrances for their loans were in first priority for the subject Properties; with the actions of the Lender including, without limitation, Lender lending Borrower an additional amount of approximately $__ _____, in the aggregate, with said funds being used towards satisfaction of certain loans from the Other Lenders. Borrower, Guarantor and New Guarantor each ratify and agree that the Lender's loans for said Properties have increased by the amounts that Lender paid toward satisfaction of the respective Other Lenders' loans for the subject Properties and Lender's Loans will continue to increase by the amount that Lender will advance to Borrower (or pay toward) for the satisfaction of the respective Other Lenders' Loans or in connection with Lender's rights or obligations pursuant to the Loans Documents as modified by this Agreement.

[signatures on following page]

IN WITNESS WHEREOF, the undersigned Parties have executed this Agreement on the date first above written

Borrower

ARIZONA HOME FORECLOSURES, LLC

By _____
Yomtov "Scott" Menaged
Its. Member

EASY INVESTMENTS, LLC

By _____
Yomtov "Scott" Menaged
Its Member

Guarantor:

_____
Yomtov "Scott" Menaged

New Guarantor:

FURNITURE KING, LLC

By: _____
Yomotov "Scott" Menaged
Its: Manager

Lender:

DENSCO INVESTMENT CORPORATION

By. _____
Denny Chittick
Its: President

EXHIBIT A

LENDER LOANS AND ENCUMBERED PROPERTIES

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this_ _ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of ARIZONA HOME FORECLOSURES, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written

_____
Notary Public

My Commission Expires.

_____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ___ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of EASY INVESTMENTS, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written

_____
Notary Public

My Commission Expires.

_____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ____ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did acknowledged execution of the foregoing instrument as the Guarantor.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written

_____
Notary Public

My Commission Expires:

_____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ____ day of _____, 2014, before me appeared Yomotov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the Manager of FURNITURE KING, LLC, an Arizona limited liability company, and said Yomotov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said company.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written

_____
Notary Public

My Commission Expires

_____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ___ day of _____, 2014, before me appeared Denny Chittick, to me personally known, who being by me duly sworn, did say that he/she is the President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, and said Denny Chittick acknowledged execution of the foregoing instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

Notary Public

My Commission Expires

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Document comparison by Workshare Compare on Friday, February 07, 2014 7:43:06 PM

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Document 2 ID	interwovenSite://DETDMS1/ClarkHill/200131428/8
Description	#200131428v8<ClarkHill> - Forbearance Agreement (8)
Rendering set	standard

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Deletions	9
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Style change	0
Format changed	0
Total changes	24

Exhibit 42

DenSco / Workout

Beauchamp, David G.

From: Beauchamp, David G.
Sent: Sunday, February 09, 2014 9:13 PM
To: 'dcmoney@yahoo.com'
Cc: Beauchamp, David G.
Subject: Re: Status

Denny:

Your point is understood. If possible, please recognize and understand that you will "use" the document even if you and Scott never refer to it again. It has to have the necessary and essential terms to protect you from potential litigation from investors and third parties.

Best, David

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

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Sunday, February 09, 2014 09:05 PM
To: Beauchamp, David G.
Subject: Re: Status

i trust that we are in balance and i have even more confidence that scott andi can solve this problem with out issue and we never have to use the document that we've worked so long on getting completed!

DenSco Investment Corp
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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: Sunday, February 9, 2014 8:56 PM
Subject: Re: Status

Denny:

Please understand that you are limited in what risk or liability you can assume. Your fiduciary duty to your investors makes this a difficult balancing act.

All the best, David

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

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Sunday, February 09, 2014 08:45 PM
To: Beauchamp, David G.
Subject: Re: Status

i hope that we can get it resolved without leaving a huge liability or risk on the table. that's all scott said.
dc

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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: Sunday, February 9, 2014 8:43 PM
Subject: Re: Status

Denny:

How can we be finally making progress when my litigation partner said I gave away the store? Other than the business points that Jeff tried to change, I do not see what else we can give up in the Agreement.

Did Scott share any other information?

Best, David

David G. Beauchamp
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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: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Sunday, February 09, 2014 08:34 PM
To: Beauchamp, David G.
Subject: Re: Status

i heard from scott, jeff read it, all scott said was jeff said "now we are making progress"

scott has a meeting with jeff tomrorow morning.

i thought that was good
dc

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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: Sunday, February 9, 2014 8:28 PM
Subject: Status

Denny:

Anything happen this weekend?

Best, David

David G. Beauchamp
CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
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dbeauchamp@clarkhill.com | www.clarkhill.com

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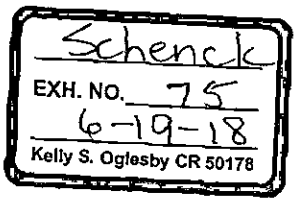
Exhibit 43



Den Sec / Workout

Beauchamp, David G.

From:	Beauchamp, David G.
Sent:	Friday, February 14, 2014 11:17 PM
To:	'dcmoney@yahoo.com'
Cc:	Beauchamp, David G.
Subject:	Re: Denny: Please Read This But do NOT Share with Scott: Attorney Client Privileged!!!

Denny:

The current agreement still protects you under most circumstances, but there is no room to make any concessions. We need to know all of their issues before there is any more "negotiation.".

With all due respect, Scott is letting Jeff "play us" to change the deal after Scott had said that Scott and you had a deal and we needed to work together to get the paperwork done.

NOTE: We cannot threaten to go to the Maricopa County Prosecutor's office if Scott does not sign the agreement, because that would be a classic case of extortion. I had a client threaten to do that once in a fit of frustration and it created a real problem.

Best, David

David G. Beauchamp
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480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
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From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Friday, February 14, 2014 10:02 PM
To: Beauchamp, David G.
Subject: Re: Denny: Please Read This But do NOT Share with Scott: Attorney Client Privileged!!!

i understand the situation. i undestand i need to protect myself and my responsiblity to my investors. at this point i dont' think i've jeopardized any of that. an agreement has to be reached between scott and my self, which protects me and my investors and allows scott and i to solve the problem created by scott. what do you recommend to do?
dc

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From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: Denny Chittick <dcmoney@yahoo.com>
Sent: Friday, February 14, 2014 7:48 PM
Subject: Denny: Please Read This But do NOT Share with Scott: Attorney Client Privileged!!!

Denny:

Since I did not talk to either Jeff or Scott concerning their last requests, did you not convey what issues you were willing to agree to or did Scott not want to understand what you told him after you and I talked? The changes I made were exactly as you and I had discussed. Every time that Scott has gone to you after talking to Jeff, you are only told half of the story and less than half of the negative impact for you from a change they request. *******So Scott and Jeff believe with both of us in the room, that they will push you to reach an agreement over my objections and you will not listen to me. As Jeff told me, Scott has previously told Jeff that you will do anything to avoid litigation, so Jeff said that I am in a bad negotiation position. Jeff clearly thinks he can force you to agree to accept a watered down agreement and give up substantial rights that you should not have to give up. Unfortunately, it is not your money. It is your investors' money. So you have a fiduciary duty.

Jeff is a litigator and he will talk over me and put pressure on you just like a cross examination. Jeff has a reputation of going through other attorneys to deal with the adverse client to the detriment of the adverse client. If we are all together, I will need to control the meeting and never leave you alone with them. However, in our previous meeting with Scott there were a number of different things that you said to Scott that I would have preferred you not to say or to not say anything until I could explain the full effect to you of Scott's request. Initially, a telephone conference (with you in my office) makes sense, but we are still trying to shoot a moving target with Jeff bringing up new issue after new issue.

Scott is the one responsible for this and not you. He failed to put proper protection systems in place so his cousin could not do what his cousin did.

Your waiver of suing Scott for fraud has nothing to do with him going to jail. A person can only go to jail for a criminal conviction, which can only be brought against him by a federal or state prosecutor. However, both Jeff and Scott have tried to deliberately use that reference "go to jail" to confuse you as to what they are asking. Your only leverage here is to be able to pursue a fraud suit if Scott puts his entities into bankruptcy and tries to walk away. Only a fraud judgment will not be dischargeable in bankruptcy. Anything short of what I put into the agreement will leave you fully and completely exposed if Scott decides to walk away or puts these entities into bankruptcy. Scott could also sell the entities for $1.00 and walk away from these entities and what are you left with? If you give Scott what Jeff wants, you are giving up your right to force him to pay you with his future earnings as opposed to limiting your recovery to what he has today, which in a bankruptcy liquidation process is not enough to pay off all of these loans.

Further, there is NEVER a limitation on legal fees when a third party can bring an action that needs to be defended against. In addition, Scott's actions to comply with the terms of this agreement will have a big effect on whether or not you have to deal with a third party lawsuit filed against you in court. In this situation, you can have an action brought against you by any of the other lenders, and / or by any of your investors. In a fraud action, facts are the biggest part of the case so it is extremely important to

obtain the best evidence possible so the facts can be easily proven in court. (That is why it is SUCH A MAJOR CONCESSION to Scott to not require him to admit all of the applicable facts in the agreement.) One recent article indicated that the discovery costs alone in a potential fraud action are almost 150% to 250% higher than even a major multi-party complex litigation matter, and legal fees are almost 300% to 500% higher. In addition, you could also face an action by the SEC or by the Securities Division of the ACC if an investor is able to convince someone in a prosecutor's office that you somehow assisted Scott to cover up this fraud or you were guilty of gross negligence by failing to perform adequate due diligence (on behalf of your investors' money) to determine what was going on. If Scott performs the Agreement in full and everything goes right, then those claims are unlikely to happen, but Scott will control the future events, so his FUTURE actions directly affect the likelihood of any action being brought against you. Based on that why should you take any risk of legal fees or costs exceeding any number that might be thought to be reasonable now

I know you want this over and done, but Jeff just keeps trying to whittle away at your protections so that you are not protected in the future. Jeff's basic argument is how he construes "fairness" to Scott. However, your duty and obligation is not to be fair to Scott, but to completely protect the rights of your investors. I am sorry if Scott is hurt through this, but Scott's hurt will give Scott the necessary incentive to go after his cousin. You job is to protect the money that your investors have loaned to DenSco.

********It would be a terrible irony here if you have to defend yourself against a criminal or securities charge against you for trying to be "fair" or "reasonable" to Scott and he gets to walk away without a problem. That irony has an even greater impact when we recognize that this whole situation was created because Scott did not have adequate internal controls in place which allowed this to happen.

If we need to talk this weekend, please let me know.

All the best, David

David G. Beauchamp

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dbeauchamp@clarkhill.com | www.clarkhill.com

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Friday, February 14, 2014 6:45 PM
To: Beauchamp, David G.
Subject: Re: scott's dollars

i just read an email from scott saying that some of the changes that they thought were goign to be incorporated were not, and he didn't like the wording of the latest request, i'm guessing the release of fraud issue. i really think this is the only way to get this resolved with out spending another 20k on back adn forth. dc

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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>
Sent: Friday, February 14, 2014 6:37 PM
Subject: FW: scott's dollars

Denny:

What are the issues now? Have they added more that they want or are they just refusing to go along with what you have decided?

I am very hesitant to set up any meeting until I know what has been discussed and what are the remaining issues. Over the last 4 exchanges, Jeff has added 6 new issues.

Best regards, David

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

-----Original Message-----
From: Scott Menaged [mailto:smena98754@aol.com]
Sent: Friday, February 14, 2014 6:34 PM
To: Denny Chittick
Cc: Beauchamp, David G.; Jeffrey Goulder
Subject: Re: scott's dollars

Jeff and Dave

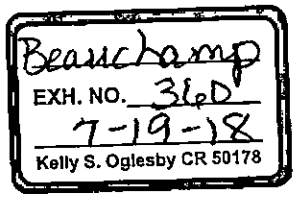
Please schedule an appointment for all 4 of us to sit down and go over agreement and makes changes as necessary and get this thing signed. Denny and I will make ourself available

Thanks

Denny is out of town till Tuesday

So wed- Friday is fine

Exhibit 44



Denies/workout

Beauchamp, David G.

From: Beauchamp, David G.
Sent: Tuesday, February 25, 2014 9:38 PM
To: 'dcmoney@yahoo.com'
Cc: Beauchamp, David G.
Subject: Re: thinking outside the box

Denny:

Good ideas and probably something that we might need to work on. We will probably need to focus on an alternative approach, because Jeff's demands and changes have pretty much killed your ability to sign the Forbearance Agreement, which I believe Jeff wanted to do from the beginning.

I did send the revisions back to the head of our lending group and he said that Jeff's changes are clearly intended to prevent the parties from reaching any agreement. Robert also added that a lender has never given any release in a forbearance agreement in all the years he has represented workout groups at PNC and 5 other banks.

Talk tomorrow.

Best, David

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

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Tuesday, February 25, 2014 12:56 PM
To: Beauchamp, David G.
Subject: thinking outside the box

scott and i have been talking about how do we eliminate as many as these loans as fast as possible. that does a few things 1. it cuts down the interest expense from his pocket. 2. it cuts the number of problem loans from 118 to something more manageable, 3. gets the total dollars as an exposure to him cut down dramatically.

so how much room to have i have in a work out agreement? right now i'm securing every dollar i advance with a deed of trust. i know we are going to get a UCC on the inventory, which is great. he called me, asking that once that is done, do i advance him that

money ? i said no, it's security against the deficit. however, if he was to get an advance on that inventory, say 1 million dollars against the 3 million he has in inventory. by selling about 25 to 30 homes, that would eat up the million dollars (that's the difference between what's owed to Gregg and i, ie sell house for 120, i'm owed 70, gregg's owed 70, 20k deficit, use the million dollars and cover the 20k)

that would return 5 million to me and cut his interest costs, and cut the number loans dramatically. he feels like he can sell that many homes in a matter of days, yes wholesale them, which is cheaper than retail, but the added costs of retail close, ie prop tax, commissions, closing costs, time to close, 30 days more of interest, he could move a lot of these houses and cut my exposure. i wonder if that isn't better way of ~~fixing hte problem~~?

he's throwing out all sorts of ideas in how this can be done. i would be willing release the UCC if he was able to secure the funds and use them to pay some of these loans. we've got about 3 more ideas, but what both of us are really concerned about is that when i tell my investors the situation, they request their money back. i want to be able to say, this was the problem, we've eliminated this much of the problem and this is what is left. i want to be able to say what is left is as small as possible.

i don't expect a 3 page answer, just venting, brainstorming.
dc

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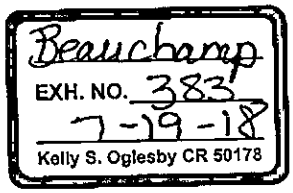
602-532-7737 f

Exhibit 45



DenSco/Workout

Beauchamp, David G.

From:	Beauchamp, David G.
Sent:	Thursday, March 13, 2014 6:06 PM
To:	Denny J. Chittick (dcmoney@yahoo.com)
Subject:	Changes to Confidentiality Section

Denny:

I have done a complete re-write of the Confidentiality section by moving sentences around within the section and adding subpart designations to clarify the exceptions and the steps. Accordingly, there is no easy way to red-line to show the changes. Please read all of it very carefully and we should discuss any questions you have, BEFORE you circulate it to Scott. In order to comply with the specific securities disclosure requirements, I left ____ (blank) the amount of time for Scott to be able to review and comment upon the proposed disclosure (suggest 48 hours) and I did not give him the right to disapprove and block what you can or cannot disclose. DenSco and you as the promoter of DenSco's offering have to make the decisions as to what is to be disclosed or not. With respect to timing, we are already **very late** in providing information to your **investors about this problem and the resulting material changes from your business plan. We cannot give Scott and his attorney any time to cause further delay in getting this Forbearance Agreement finished and the necessary disclosure prepared and circulated.**

****

18. **Confidentiality**. In connection with or based upon the facts underlying this Agreement, the Parties agree not to assist, suggest, notify, or recommend that third parties investigate or pursue any requests for information, claims, or litigation relating to any of the Parties, their officers, directors, shareholders, owners, employees, consultants, attorneys, agents, successors, affiliates, subsidiaries, parents, heirs, representatives, and assigns. Each Party shall refrain from making any disparaging or negative statements or comments about the other Parties to any third parties, including any derogatory statements or criticism. Except as set forth below, the Parties further agree that: (i) the material terms of the Agreement and the material facts underlying the Agreement are intended to remain confidential; and (ii) they agree not to disclose, or cause others to disclose, to anyone the material terms stated in this Agreement or the material facts underlying this Agreement; provided, however, these disclosure limitations set forth in (i) and (ii) above are subject to the following exceptions: a) except as such facts are set forth in the applicable public records, or b) except as may be required to be disclosed to any governmental agency or authority with applicable jurisdiction (after notice to the other Party and an opportunity to object to such required disclosure), or c) except as may be disclosed to such Party's outside professionals, or d) except as may be necessary for Lender to disclose to Lender's current or future investors (which disclosure is intended to be limited as described below). With respect to the limitation on Lender's disclosure to its investors as referenced above, Lender agrees to use its good faith efforts to limit such disclosure as much as legally possible pursuant to the applicable SEC Regulation D disclosure rules, which limitation is intended to have Lender only describe: 1. the multiple Loans secured by the same Properties, which created the Loans Defaults; 2. the work-out plan pursuant to this Agreement in connection with the steps to be taken to resolve the Loans Defaults; 3. the work-out plan shall also include disclosing the previous additional advances that Lender has made and the advances that are intended to be made by Lender to Borrower pursuant to this Agreement in connection with increases in the loan amount of certain specific Loans (up to 95% of the LTV of the applicable Property being used as security for that Loan), the additional advances pursuant to both the Additional Loan and the Additional Funds Loan; and 4. the cumulative effect that all of such additional advances to Borrower will have on Lender's business plan that Lender has previously disclosed to its investors in Lender's private offering documents and which Lender committed to follow, including the overall LTV loan

ratios for all of Lender's outstanding loans to its borrowers in the aggregate and the concentration of all of Lender's outstanding loans among all of its borrowers. Further, Lender will use its good faith efforts not to include the names of Borrower, Guarantor, or New Guarantor in Lender's disclosure material. Lender will also provide Borrower with a copy of the applicable disclosure prior to dissemination to Lender's investors and allow Borrower to have __ hours to review and comment upon such disclosure.

Best, David

David G. Beauchamp

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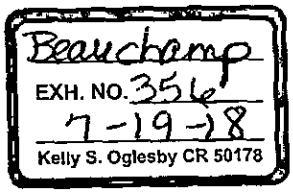
Exhibit 46

DenSco / Workout

Beauchamp, David G.

From: Denny Chittick <dcmoney@yahoo.com>
Sent: Thursday, February 20, 2014 9:22 PM
To: Beauchamp, David G.
Subject: Re: Bankruptcy Help



i would say that is accurate.
thx
dc

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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: Thursday, February 20, 2014 8:00 PM
Subject: FW: Bankruptcy Help

Denny:

This is just for an FYI to you.

Please see the email below that I have sent to the heads of our national bankruptcy group asking for an experienced bankruptcy attorney be assigned to help resolve this issue.

I thought you might want to know that I have reached out for help and how I have characterized the issue. I will keep you fully informed.

Best, David
David G. Beauchamp

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From: Beauchamp, David G.
Sent: Thursday, February 20, 2014 7:51 PM
To: Gordon, Robert D.; Wakim, Kimberly L.; Applebaum, Joel D.
Subject: Bankruptcy Help

Background: Our client is an investment fund that has made approximately 185 loans to two affiliated LLCs that are collectively referred to as Borrower. Each Borrower is owned by the same house remodeler and rental company, and the owner has guaranteed the loans (on a very weak and almost unenforceable guaranty) ("Guarantor"). Each of the 185 loans are secured by separate homes. As hard money loans no lender's title insurance policies were obtained for the liens, but the Borrower acknowledged and agreed in each Deed of Trust that the loans were to be secured by first liens on each of the homes. Due to personal issues, Borrower/Guarantor was pre-occupied with his wife's failing health and he let his cousin from Israel run the day to day of the Borrower's business. Cousin arranged for other lenders to also make approximately 145 hard money loans to Borrower, which were also secured by 145 of the homes that Borrower had simultaneously used as security for loans from our client. The duplicate loans were signed by Borrower / Guarantor who claimed he had no knowledge of the duplicate loans until he was trying to sell a home and found two liens recorded against it. When that was discovered, his cousin immediately left to return to Israel. Without getting any additional documentation or any legal advice, our client has been reworking his loans and deferring interest payments to assist Borrower / Guarantor to pay off some of the duplicate loans. When we became aware of this issue, we advised our client that he needs to have a Forbearance Agreement in place to evidence the forbearance and the additional protections he needs.

Issue: We are trying to finish a Forbearance Agreement, but the Borrower/Guarantor's attorney is NOW insisting upon our client provide a full and complete release from our client (lender) in favor of the Borrower / Guarantor as a condition to sign the Forbearance Agreement. Since our client has loaned over $8 million more than we estimate the aggregate collateral in the homes are worth, I am concerned that the Borrower / Guarantor can put Borrower into bankruptcy and then put the Guarantor into personal bankruptcy and be completely discharged of these obligations. My understanding is that our client can only stop the discharge by making a claim in bankruptcy based upon fraud, which if our client is successful would have these obligations to our client be deemed non-dischargeable. Since the other attorney is demanding a full release now, what can we do to break the impasse without putting our client at significant risk? The Borrower (over the objection of his attorney) has proposed that we use a full release with a "springing right" to block the full release and allow our client to assert the fraud claim if the Borrowers and/or Guarantor file for bankruptcy. I do not know if our client would be able to enforce that "springing right' in a bankruptcy action of the Borrower or the Guarantor.

My concern is heightened by a bulletin that I previously read concerning a string of bankruptcy cases that have determined that several provisions used by lenders in various loan documents have been determined to be unenforceable penalties because these provisions were designed (or had the effect) to limit the Debtor's ability to assert its legal right to file for bankruptcy protection.

Thank you for your assistance with this matter.

Best, David

David G. Beauchamp

CLARK HILL PLC

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Exhibit 47

Beauchamp
EXH. NO. 329
7-19-18
Kelly S. Oglesby CR 50178

Den Sw / Workout

Beauchamp, David G.

From: Beauchamp, David G.
Sent: Monday, February 03, 2014 3:30 PM
To: Denny Chittick
Subject: RE: Forbearance agreement

Denny:

We need to know the list that existed when this problem was first recognized and you started to correct it in November and the changes since that time until the Forbearance Agreement is signed.

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: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Monday, February 03, 2014 2:58 PM
To: Beauchamp, David G.
Subject: RE: Forbearance agreement

I won't have the complete list until I am done funding all the loans which will be another 3 weeks I think my goal is to have then done by end of this month. After this week we will have around 20 left

Sent from Yahoo Mail for iPhone

From: Beauchamp, David G. <DBeauchamp@ClarkHill.com>;
To: Denny Chittick <dcmoney@yahoo.com>;
Subject: RE: Forbearance agreement
Sent: Mon, Feb 3, 2014 9:39:58 PM

Denny:

I would suggest that we list all of the properties affected by this double-funding be each lender separately. With separate sublists showing the properties that have already been resolved. Also include the other properties that are security for other outstanding loans you have made to the Borrowers. If possible, please prepare the lists and send them to me to review. After I review, then send the lists to Scott.

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: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Monday, February 03, 2014 12:19 PM
To: Beauchamp, David G.
Subject: Re: Forbearance agreement

i can create this in a heart beat, i think at the point we have a signed date i can add it. or if we are only wanting to put the list of properties in question, i can do that now.
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>
Sent: Monday, February 3, 2014 12:08 PM
Subject: Fw: Forbearance agreement

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

----- Original Message -----
From: Beauchamp, David G.
Sent: Monday, February 03, 2014 12:08 PM
To: 'jeffrey.goulder@stinsonleonard.com' <jeffrey.goulder@stinsonleonard.com>
Cc: Beauchamp, David G.
Subject: Re: Forbearance agreement

Jeff:

Denny said that he would prepare that with Scott.

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

----- Original Message -----
From: Goulder, Jeffrey [mailto:jeffrey.goulder@stinsonleonard.com]
Sent: Monday, February 03, 2014 11:51 AM
To: Beauchamp, David G.
Subject: RE: Forbearance agreement

David - Have you prepared Ex. A? If so, please forward.

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 | 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.

-----Original Message-----
From: Goulder, Jeffrey
Sent: Monday, February 03, 2014 10:59 AM
To: 'Beauchamp, David G.'
Subject: RE: Forbearance agreement

David - You are mis-reading the situation. I simply thought that we could finalize the agreement more efficiently if we all sat down together and went through it. In any event, since I gather you'd prefer not to handle it that way, I'll get you a revised draft showing our changes.

-----Original Message-----
From: Beauchamp, David G. [mailto:DBeauchamp@ClarkHill.com]
Sent: Monday, February 03, 2014 9:24 AM
To: Goulder, Jeffrey

Cc: Beauchamp, David G.
Subject: Re: Forbearance agreement

Jeff:

Under the circumstances, I need to know what are the issues as soon as possible and definitely in advance of any meeting. DenSco has been very straightforward and cooperative with your client throughout this process. DenSco has gone out of its way to help your client for a situation that your client created. I do not understand why a meeting is necessary, because a meeting implies issues to discuss. By Friday, DenSco will have advanced approximately $8 million in loans to your client in excess of its authorized leverage ratios and will have deferred significant amounts of interest.

I understand you are busy, but this seems like a deliberate stall. Your client said we would talk last Friday, then he said today and now you push it back to Friday. Since you were so busy three weeks ago, we used a detailed term sheet as a means to get something in writing while minimizing the imposition on your time, but this on-going delay pattern is not acceptable.

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

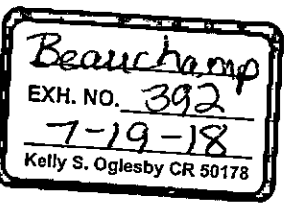
----- Original Message -----
From: Goulder, Jeffrey [mailto:jeffrey.goulder@stinsonleonard.com]
Sent: Monday, February 03, 2014 07:57 AM
To: Beauchamp, David G.
Subject: RE: Forbearance agreement

David - Are you and your client available to meet with Scott and me this Friday morning at 9:00 to discuss and finalize the Forbearance? If so, we can come to your office.

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 | 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.

Exhibit 48



Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 3/21/2014 9:46:06 AM
To: Beauchamp, David G. [dbeauchamp@clarkhill.com]
Subject: $'s blanks

total due $39,116,888
principle $37,133,019
interest $1,983,869
advanced:1,100,100
costs $38,000

i think this is all you need.
thx
dc

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

Exhibit 49

AUTHORIZATION TO UPDATE FORBEARANCE DOCUMENTS

This Authorization to Update Forbearance Documents (the "**Authorization**") is entered into on the dates set forth below and to be effective the 16th day of April, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company ("**AHF**"), Easy Investments, LLC, an Arizona limited liability company ("**EI**"), Furniture King, LLC, an Arizona limited liability Company ("**FK**"), Yomtov "Scott" Menaged ("**Scott**"), Francine Menaged ("**Francine**"), and DenSco Investment Corporation, an Arizona corporation ("**DenSco**").

Recitals

A. WHEREAS AHF, EI, FK, Scott, and DenSco are the parties to a certain Forbearance Agreement, executed on April 16, 2014 (the "**Forbearance Agreement**"), together with other documents executed in connection with the Forbearance Agreement (collectively, the "**Forbearance Documents**").

B. WHEREAS having recognized that "April 14, 2014" was stated in various pages of the Forbearance Documents where they should have stated "April 16, 2014" and certain other inconsistencies with respect to the amounts due under the financings, the parties desire to make the necessary corrections.

C. WHEREAS Clark Hill, PLC ("**Clark Hill**") has been previously authorized by each of the parties to make the necessary corrections to the Forbearance Documents and as referenced on the attached **Exhibit A**. The replacement pages were previously circulated and approved by all parties.

D. WHEREAS the parties now wish to authorize and direct Clark Hill to insert the replacement pages as set forth below.

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. **Recitals**. The Recitals set forth above and Exhibit A attached hereto are incorporated into this Agreement.

2. **Forbearance Agreement**. Recognizing that "April 14, 2014" was stated in one (1) page of the Forbearance Agreement where it should have stated "April 16, 2014", AHF, EI, FK, Scott and DenSco desire to make the necessary correction. The corrected version of page 1 of the Forbearance Agreement ("**FA-1**") with "April 16, 2014" stated in the first paragraph as the execution date of the Forbearance Agreement has been circulated and approved. The corrected version of page 3 of the Forbearance Agreement ("**FA-3**") with a new first sentence in Section 1 which includes an updated figure of $35,639,880.71 as the principal sum now due and payable under the Loans, as of close of business on April 16, 2014, has been circulated and approved. AHF, EI, FK, Scott and DenSco each hereby authorize and approve of the following:

a. Clark Hill is instructed to substitute FA-1 and FA-3 into the corresponding ~~page~~pages of the executed original of the Forbearance Agreement; and

b. The Forbearance Agreement with the inclusion of FA-1 and FA-3 will be deemed the original.

3. **Scott Guaranty**. Scott is a party to a certain Guaranty Agreement, executed on April 16, 2014 (the "**Scott Guaranty**"), in favor of DenSco. Recognizing that "April 14, 2014" was stated in one (1) page of the Scott Guaranty where it should have stated "April 16, 2014", Scott desire to make the necessary correction. The corrected version of page 1 of the Scott Guaranty ("**SG-1**") with "April 16, 2014" stated in the first paragraph as the execution date of the Scott Guaranty has been circulated and approved. Scott hereby authorizes and approves of the following:

a. Clark Hill is instructed to substitute SG-1 into the corresponding page of the executed original of the Scott Guaranty; and

b. The Scott Guaranty with the inclusion of SG-1 will be deemed the original.

4. **Furniture King Guaranty**. FK is a party to a certain Guaranty Agreement, executed on April 16, 2014 (the "**Furniture King Guaranty**"), in favor of DenSco. Recognizing that "April 14, 2014" was stated in one (1) page of the Furniture King Guaranty where it should have stated "April 16, 2014", FK desire to make the necessary correction. The corrected version of page 1 of the Furniture King Guaranty ("**FKG-1**") with "April 16, 2014" stated in the first paragraph as the execution date of the Furniture King Guaranty has been circulated and approved. FK hereby authorizes and approves of the following:

a. Clark Hill is instructed to substitute FKG-1 into the corresponding page of the executed original of the Furniture King Guaranty; and

b. The Furniture King Guaranty with the inclusion of FKG-1 will be deemed the original.

5. **Additional Loan**. AHF, EI, and Scott are the parties (as the "Borrowers") to a certain Secured Line of Credit Promissory Note, executed on April 16, 2014, with a Principal Amount of $1,000,000.00, payable to DenSco (the "**Additional Loan Note**"). Recognizing that "April 14, 2014" was stated in three (3) pages of the Additional Loan Note where it should have stated "April 16, 2014", AHF, EI, and Scott desire to make the necessary corrections. The corrected version of page 1 of the Additional Loan Note ("**ALN-1**") with "April 16, 2014" stated in the top right as the date of the Additional Loan Note has been circulated and approved. The corrected version of page 2 of the Additional Loan Note ("**ALN-2**") with "April 16, 2014" stated in the "Forbearance Agreement" section as the date of the Forbearance Agreement has been circulated and approved. The corrected version of page 3 of the Additional Loan Note ("**ALN-3**") with "Nine Hundred Fifteen Thousand One Hundred Sixty-Seven AND 89/100 DOLLARS ($915,167.87)" stated in Section 2 as the amount of funds previously advanced to Borrowers, pursuant to the terms of the Additional Loan Note, as of close of business on April

16, 2014, has been circulated and approved. In addition, the corrected version of page 5 of the Additional Loan Note ("**ALN-5**") with "April 16, 2014" stated in Section 8 as the date of both the Furniture King Guaranty and the Security Agreement (defined herein) has been circulated and approved. AHF, EI, Scott and DenSco each hereby authorize and approve of the following:

a. Clark Hill is instructed to substitute ALN-1, ALN-2, ALN-3, and ALN-5 into the corresponding pages of the executed original of the Additional Loan Note; and

b. The Additional Loan Note with the inclusion of ALN-1, ALN-2, ALN-3, and ALN-5 will be deemed the original.

6. **Additional Funds Loan**. AHF, EI, FK, and Scott are the parties (as the "Borrowers") to a certain Secured Line of Credit Promissory Note, executed on April 16, 2014, with a Principal Amount of $5,000,000.00, payable to DenSco (the "**Additional Funds Loan Note**"). Recognizing that "April 14, 2014" was stated in three (3) pages of the Additional Funds Loan Note where it should have stated "April 16, 2014", AHF, EI, FK, and Scott desire to make the necessary corrections. The corrected version of page 1 of the Additional Funds Loan Note ("**AFLN-1**") with "April 16, 2014" stated in the top right as the date of the Additional Funds Loan Note has been circulated and approved. The corrected version of page 2 of the Additional Funds Loan Note ("**AFLN-2**") with (i) "April 16, 2014" stated in the "Forbearance Agreement" section as the date of the Forbearance Agreement, and (ii) with "One Million Seven Hundred Eighty Thousand Two Hundred Thirty-Nine AND 76/100 DOLLARS ($1,780,239.76)" stated in Section 2 as the amount of funds previously advanced to Borrowers, pursuant to the terms of the Additional Funds Loan Note, as of close of business on April 16, 2014 has been circulated and approved. In addition, the corrected version of page 4 of the Additional Funds Loan Note ("**AFLN-4**") with "April 16, 2014" stated in Section 8 as the date of the Security Agreement has been circulated and approved. AHF, EI, FK, Scott and DenSco each hereby authorize and approve of the following:

a. Clark Hill is instructed to substitute AFLN-1, AFLN-2, and AFLN-4 into the corresponding pages of the executed original of the Additional Funds Loan Note; and

b. The Additional Funds Loan Note with the inclusion of AFLN-1, AFLN-2, and AFLN-4 will be deemed the original.

7. **Security Agreement**. FK is the "Debtor" in that certain Security Agreement, executed on April 16, 2014, in favor of DenSco as the "Secured Party" (the "**Security Agreement**"). Recognizing that "April 14, 2014" was stated in two (2) pages of the Security Agreement where it should have stated "April 16, 2014", FK desires to make the necessary corrections. The corrected version of page 1 of the Security Agreement ("**SA-1**") with "April 16, 2014" stated at the top of the page as the date of the Security Agreement and in the "Obligations Secured" section as the date of the Forbearance Agreement has been circulated and approved. In addition, the corrected version of page 2 of the Security Agreement ("**SA-2**") with "April 16, 2014" stated in the "Obligations Secured" section as the date of both the Additional Funds Loan

Note and the Additional Loan Note has been circulated and approved. FK and DenSco each hereby authorize and approve of the following:

a. Clark Hill is instructed to substitute SA-1 and SA-2 into the corresponding pages of the executed original of the Security Agreement; and

b. The Security Agreement with the inclusion of SA-1 and SA-2 will be deemed the original.

8. **Representation and Disclaimer Agreement**. Scott and Francine are the parties to a certain Representation and Disclaimer Agreement, in favor of DenSco (the "**Disclaimer**"), executed on April 16, 2014. Recognizing that the "April 14, 2014" was stated in one (1) page of the Disclaimer where it should have stated "April 16, 2014", Scott and Francine desire to make the necessary correction. The corrected version of page 1 of the Disclaimer ("**D-1**") with "April 16, 2014" stated in the first paragraph as the execution date of the Disclaimer has been circulated and approved. Scott and Francine each hereby authorize and approve of the following:

a. Clark Hill is instructed to substitute D-1 into the corresponding page of the executed original of the Disclaimer; and

b. The Disclaimer with the inclusion of D-1 will be deemed the original.

9. **Consent**. Each of the parties hereto agree to and consent to all of the changes to the Forbearance Documents, as detailed in this Authorization, and acknowledge and agree that such changes do not constitute, either individually or in the aggregate, the basis to challenge the enforcement of any of the Forbearance Documents.

10. **Counterparts**. This Authorization may be executed in several counterparts, each of which counterpart shall be deemed an original instrument and all of which together shall constitute a single Authorization. The failure of any party hereto to execute this Authorization, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder.

[signatures on following page]

IN WITNESS WHEREOF, the undersigned parties have executed this Authorization on the dates set forth below and to be effective April 16, 2014.

AHF:

ARIZONA HOME FORECLOSURES, LLC

By:_____
Yomtov "Scott" Menaged
Its: Member
Dated: _____

EI:

EASY INVESTMENTS, LLC

By:_____
Yomtov "Scott" Menaged
Its: Member
Dated: _____

FK:

FURNITURE KING, LLC

By:_____
Yomotov "Scott" Menaged
Its: Manager
Dated: _____

Scott:

_____
Yomtov "Scott" Menaged
Dated: _____

Francine:

_____
Francine Menaged
Dated: _____

DenSco:

DENSCO INVESTMENT CORPORATION

By:_____
Denny Chittick
Its: President
Dated: _____

{Signature Page of Authorization to Update Forbearance Documents}

EXHIBIT A

Errata Sheet

Forbearance Agreement

Page 1-changed reference to April 14, 2014 to April 16, 2014 in the first paragraph

Page 3-replace first sentence in Section 1 to include updated figure of $35,639,880.71 as the principal sum now due and payable under the Loans, as of close of business on April 16, 2014

Guaranty Agreement (Scott Menaged)

Page 1-changed reference to April 14, 2014 to April 16, 2014 in the first paragraph

Guaranty Agreement (Furniture King, LLC)

Page 1-changed reference to April 14, 2014 to April 16, 2014 in the first paragraph

Secured Line of Credit Promissory Note $1M

Page 1-changed date at the top right of the page from April 14, 2014 to April 16, 2014

Page 2-changed reference to April 14, 2014 to April 16, 2014 under the "Forbearance Agreement" paragraph

Page 3- replaced the last sentence in Section 2 to include updated figure of $915,167.89 as the amount of funds previously advanced to Borrowers, pursuant to the terms of the Additional Loan Note, as of close of business on April 16, 2014

Page 5-changed reference to date April 14, 2014 to April 16, 2014 in the first paragraph

Secured Line of Credit Promissory Note $5M

Page 1-changed reference to date at the top right of the page from April 14, 2014 to April 16, 2014

Page 2- changed reference to April 14, 2014 to April 16, 2014 under the "Forbearance Agreement" paragraph

- replaced the last sentence in Section 2 to include updated figure of $1,780,239.76 as the amount of funds previously advanced to Borrowers, pursuant to the terms of the Additional Funds Loan Note, as of close of business on April 16, 2014

Page 4-changed April 14, 2014 to April 16, 2014 under Section 8. Security and Guaranty

~~**Guaranty Agreement (Furniture King, LLC)**~~

~~Page 1-changed reference to April 14, 2014 to April 16, 2014 in the first paragraph~~

Security Agreement

Page 1 -changed date from April 14, 2014 to April 16, 2014

-changed reference to April 14, 2014 to April 16, 2014 in the "Obligations Secured" section

Page 2-changed both references to April 14, 2014 to April 16, 2014 in the first paragraph

~~**Forbearance Agreement**~~

~~Page 1-changed reference to April 14, 2014 to April 16, 2014 in the first paragraph~~

~~**Guaranty Agreement (Scott Menaged)**~~

~~Page 1-changed reference to April 14, 2014 to April 16, 2014 in the first paragraph~~

Representation and Disclaimer Agreement

Page 1-changed reference to April 14, 2014 to April 16, 2014 in the first paragraph

Document comparison by Workshare Compare on Friday, June 13, 2014 9:57:28 AM

Input:	
Document 1 ID	interwovenSite://DETDMS1/ClarkHill/200834969/2
Description	#200834969v2<ClarkHill> - Authorization to Update Documents (6-12-14)
Document 2 ID	interwovenSite://detdms1/ClarkHill/200834969/3
Description	#200834969v3<ClarkHill> - Authorization to Update Documents (6-13-14)
Rendering set	Standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	16
Deletions	4
Moved from	6
Moved to	6
Style change	0
Format changed	0
Total changes	32

Exhibit 50

Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 2/3/2014 3:43:53 PM
To: Scott Menaged [smena98754@aol.com]
Subject: Re: Debbie

have you put a call in to jeff to get him on the phone with david and pound through their language arts assignment?

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

From: Scott Menaged <smena98754@aol.com>
To: Denny Chittick <dcmoney@yahoo.com>
Sent: Monday, February 3, 2014 8:39 AM
Subject: Re: Debbie

Ok I will send you a list and copy her

Sent from my iPhone

On Feb 3, 2014, at 8:36 AM, Denny Chittick <dcmoney@yahoo.com> wrote:

> pick 7
>
> DenSco Investment Corp
> www.denscoinvestment.com
> 602-469-3001 C
> 602-532-7737 f
>
> ---
>
> **From:** Scott Menaged <smena98754@aol.com>
> **To:** Denny Chittick <dcmoney@yahoo.com>
> **Sent:** Monday, February 3, 2014 8:33 AM
> **Subject:** Debbie
>
> She is asking how many and which properties from her list we are doing this week and what day? Please let me know
>
> Sent from my iPhone

Exhibit 51

Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 2/7/2014 5:56:08 PM
To: Yomtov Menaged [smena98754@aol.com]
Subject: david

i talked to him, i told him i sent you the doc and that you and i are going to go over it soley based on the terms. thus after any changes we agree to and make, david will amek them them. i tell david to send it to jeff, you tell jeff, the terms are agreeable bewteen us, and they can only fix spelling!
dc

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

Exhibit 52

Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 2/14/2014 3:04:35 AM
To: smena98754@aol.com
Subject: Re: RE:

No shit and we solved another. What 20% of the problem

Sent from Yahoo Mail for iPhone

From: Scott Menaged <smena98754@aol.com>;
To: Denny Chittick <dcmoney@yahoo.com>;
Subject: Re: RE:
Sent: Fri, Feb 14, 2014 3:03:35 AM

I feel like these lawyers are trying to prevent progress! And 50,000 later between 2 attorneys we still don't have anything!

Sent from my iPhone

On Feb 13, 2014, at 8:01 PM, Denny Chittick <dcmoney@yahoo.com> wrote:

> Insure hope so!
>
> Sent from Yahoo Mail for iPhone
>
> ---
>
> **From:** Scott Menaged <smena98754@aol.com>;
> **To:** Denny Chittick <dcmoney@yahoo.com>;
> **Sent:** Fri, Feb 14, 2014 2:54:06 AM
>
> I have emailed Jeff. I know he is out of town tomorrow but I am sure he will call me at one point tomorrc have not had time to see the changes he made! Hopefully it works!!!!!
>
> Sent from my iPhone

Exhibit 53

Message

From: Denny [dcmoney@yahoo.com]
Sent: 2/15/2014 3:45:59 PM
To: Scott Menaged [smena98754@aol.com]
Subject: Re: Ever ending

Attorneys sole purpose is to self perseverance

Sent from my iPad

> On Feb 15, 2014, at 7:25 AM, Scott Menaged <smena98754@aol.com> wrote:
>
> This reminds me of the Chris group!
>
> We went thru weeks of back and forth with attorneys for something I solved in a 45 minute phone conversation with no attorneys!
>
> I think with all of us in a room together without the he is ok with that and maybe I am ok with this we can be done with this. I hope you see my point on this.
>
> Sent from my iPhone
>
>> On Feb 15, 2014, at 7:39 AM, Denny <dcmoney@yahoo.com> wrote:
>>
>> David would like to know what the points of contention r. He feels like he put in there everything we agreed to
>>
>> Sent from my iPad

Exhibit 54

Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 2/5/2014 3:42:47 PM
To: Scott Menaged [smena98754@aol.com]
Subject: Re: jeff and dave

i'll be here!

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

From: Scott Menaged <smena98754@aol.com>
To: Denny Chittick <dcmoney@yahoo.com>
Sent: Wednesday, February 5, 2014 8:15 AM
Subject: Re: jeff and dave

I will call you in an hour or so. This is so crazy!

Sent from my iPhone

On Feb 4, 2014, at 11:30 PM, Denny Chittick <dcmoney@yahoo.com> wrote:

> i would forward you three emails dave sent me tonight, but the summary is basically, it's become a battle. we need another solution, which may include getting the four of us in the room.
> dc
>
> DenSco Investment Corp
> www.denscoinvestment.com
> 602-469-3001 C
> 602-532-7737 f

Exhibit 55

Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 2/5/2014 9:58:16 PM
To: SMena98754@aol.com
Subject: Re: Jeff

i had him make some concenssions that you and i agreed to such as the dates of maturity, also a time line on the million at 3% so hopefully these two can come to an agreement.
put them in their rooms until they play nice.
dc

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

From: "SMena98754@aol.com" <SMena98754@aol.com>
To: dcmoney@yahoo.com
Sent: Wednesday, February 5, 2014 2:37 PM
Subject: Re: Jeff

Jesus!

2 Babies!

In a message dated 2/5/2014 2:31:50 P.M. US Mountain Standard Time, dcmoney@yahoo.com writes:

> ok i emailed him, i have a feeling he's going to send the original doc back!
>
> DenSco Investment Corp
> www.denscoinvestment.com
> 602-469-3001 C
> 602-532-7737 f

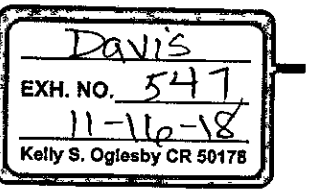
From: Scott Menaged <smena98754@aol.com>
To: Denny Chittick <dcmoney@yahoo.com>
Sent: Wednesday, February 5, 2014 12:12 PM
Subject: Jeff

Spoke to Jeff about a meeting and he is fine with it but he said he is still going to wait for Davids reply to the changes.

Please have David email him the things he is not ok with so we can get this process over. I know for sure now they hate each other! Haha

Sent from my iPhone

Exhibit 56



From: Denny Chittick <dcmoney@yahoo.com>
Sent: Friday, February 07, 2014 5:16 PM
To: Yomtov Menaged
Subject: david

i just spoke to him again. he wanted to re-emphasize the reason why the document is getting longer and looks more complicated is that in his original document, he tried to summarize the situation, that in jeff's eyes was an admittance of guilt, which can't be done on your part.

So to protect me from litigation from my investors, i have to show that i followed my documents and my disclosure to my investors. so he is quoting from my documents, DOT and Note, which he was trying to walk a fine line in the new document which he's sending me soon. so there will be no summary which would show no admittance of guilt on your party nor my willfully violating my described rules of engagement, Thus it is showing that we both engaged the way we are supposed to, there is a dispute in lien positions, which now we are working out.

hopefully jeff agrees with what dave is trying to do.
i have four ball games for my boys this weekend, which i'm coacing two of them, and on sunday we are having my son's bday party at my house. but please call at any time and ifi don't answer, i'll get back to you quickly.
thx
dc

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

Exhibit 57

Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 4/3/2014 10:16:46 AM
To: SMena98754@aol.com
Subject: Re: (no subject)

i think that wording says you plan to or it's in best efforts or something like that to giv eyou latittude. you are ok.
dc

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

From: "SMena98754@aol.com" <SMena98754@aol.com>
To: dcmoney@yahoo.com
Sent: Thursday, April 3, 2014 10:01 AM
Subject: (no subject)

I have Signed the Notes and Agreement even though it is not anymore a true understanding of what we are doing. Also It shows I am bringing 1 Mill by 3/20, I brought 500,000 so far and waitting on israel issue.

So lots of this is no longer valid or True, but I signed it so at least you have it for what you need it for and not to have Dave Change it again and again with every move we make.

As long as you dont Put me now in Default for not bringing the Full Million Yet! Because Technically I am already in Default!!! HA HA

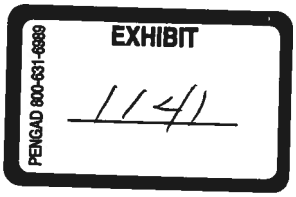


Exhibit 58

FORBEARANCE AGREEMENT

THIS FORBEARANCE AGREEMENT ("**Agreement**") is executed on April 14, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company, whose address is 7320 W. Bell Road, Glendale, Arizona 85308 ("**AHF**"), Easy Investments, LLC, an Arizona limited liability company, whose address is 7320 W. Bell Road, Glendale, Arizona 85308 ("**EI**") (AHF and EI are collectively referred to as the "**Borrower**"), Yomtov "Scott" Menaged, an individual whose address is 10510 East Sunnyside Drive, Scottsdale, Arizona 85259 ("**Guarantor**"), Furniture King, LLC, an Arizona limited liability Company, whose address is 303 N. Central Avenue, Suite 603, Phoenix, AZ 85012 ("**New Guarantor**"), and DenSco Investment Corporation, an Arizona corporation, whose address is 6132 W. Victoria Place, Chandler, Arizona 85226 ("**Lender**") (the Borrower, the Guarantor, the New Guarantor, and Lender are each considered a "**Party**" hereunder and are collectively referred to as the "**Parties**"). (Any capitalized term not defined in this Agreement shall have the meaning set forth in the Deeds of Trust as later defined).

Recitals

The following recitals of fact are a material part of this Agreement:

A. Borrower is indebted to Lender under the terms of certain Loans (the "**Loans**"), which are listed on the attached Exhibit A, which is incorporated into this Agreement by this reference, and each are evidenced by a Note Secured by Deed of Trust (each, a "**Note**" and collectively, the "**Notes**"), all of which were executed by Borrower in favor of Lender (the "**Notes**") and by a Mortgage (or a "**Receipt and Mortgage**") (each, a "**Mortgage**," and collectively, the "**Mortgages**"), and each such Note and Mortgage was executed by Borrower and delivered to Lender, as a condition precedent to and immediately prior to the funding of the applicable Loan.

B. Guarantor guaranteed the payment and performance of each of the Loans (the "**Guaranty**"), executed by Guarantor in favor of Lender.

C. Each of the Loans are further evidenced and/or secured by various documents and instruments, including but not limited to a certain Deed of Trust and Assignment of Rents (each a "**Deed of Trust**," and collectively, the "**Deeds of Trust**"), executed by Borrower at the funding of the Loan in favor of Lender and recorded in conjunction with the Trustee's Deed conveying the real property to Borrower. The Deeds of Trust constitute a lien on the respective real properties described therein (individually a "**Property**" and collectively, the "**Properties**") and referenced in Exhibit A. The Notes, the Mortgages, the Deeds of Trust, the Guaranty, the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "**Loans Documents**".

D. Each of the Mortgages provides: "Borrower hereby grants to Lender or assignee a first, prior and superior equitable lien and mortgage against the Real Property to secure payment of the Loan... . Borrower has delivered to Lender a promissory note and deed of trust,

and Borrower agrees that the deed of trust that the deed of trust shall be recorded against the Real Property as a first, prior and superior lien and encumbrance simultaneously with the recording of the Trustee's Deed."

E. Each Deed of Trust provides as follows:

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

. . . .

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

F. Each Note provides as follows:

"A "Default" shall occur (i) . . . . or (vi) upon the occurrence of any default under any obligation of Maker to Holder. Further, at Holder's option after Default, all remaining unpaid principal and accrued interest shall become due and payable immediately without notice (other than any declaration prescribed in applicable sections of the agreements under which such events of default arose), presentment, demand or protest, all of which hereby are waived." ("Default" shall have the meaning set forth in the Note).

G. On or about November 27, 2013, Guarantor met with Denny Chittick of Lender to inform Lender that certain of the Properties had also been used (though Guarantor acknowledged no fault) as security for one or more loans from one or more other lenders (individually, the "**Other Lender**" and collectively, the "**Other Lenders**") and the Loans from Lender may not be in the first lien position on each respective Property.

H. At the November 27 meeting, Guarantor acknowledged to Lender that Borrower had an obligation to discharge the liens of the Other Lenders or to take such other actions to satisfy Section 5 of each Deed of Trust within 10 days, as referenced above. Further, Borrower and Guarantor acknowledged that the meeting satisfied Lender's obligation to provide notice to Borrower and Guarantor of an action leading to a Default pursuant to each of the Loan Documents.

I. The Loans are now in Default (as defined in the Note) and Lender has provided Borrower with any and all notice required under each of the Loans Documents concerning such Default.

J. Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, but only so long as and on the conditions that (1) Borrower, Guarantor and New Guarantor acknowledge the existing Defaults under the Loans, (2) all liens, security interests, rights and remedies of Lender under the Loans Documents continue in full force and effect and (3) Borrower, Guarantor and New Guarantor fulfill all conditions and comply with all terms and provisions set forth in this Agreement, and furnish all other documents and perform all other acts necessary to give effect to the agreements hereinafter set forth.

NOW THEREFORE, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. **Loans Balance**. The total sum now due and payable under the Loans, in aggregate, is approximately $39,116,888, consisting of $37,133,019 in principal, $1,983,869 in accrued interest (through and including March 1, 2014), $1,100,100 advanced by Lender in payment of costs and expenses as permitted under the Loans Documents and approximately $38,000 in costs and expenses incurred by Lender for collection and enforcement of the Loans. Interest continues to accrue under the Loans at the rate of 18% per annum as provided in the Notes (as opposed to the Default Interest rate set forth in the Notes).

2. **Acknowledgment of Default**. Borrower, Guarantor and New Guarantor hereby acknowledge and agree that the Loans are in Default, that any necessary or required notices have been provided by Lender and all applicable "cure periods" have expired, and that as a result of such Default, Lender now has the right to pursue foreclosure and any and all other rights and remedies permitted to Lender under the Loans Documents and/or under applicable law.

3. **Continued Effect of Loans Documents**. Borrower, Guarantor and New Guarantor further acknowledge and confirm that the Loans Documents have been duly authorized, executed and delivered to Lender and are valid, binding and enforceable against Borrower and Guarantor in accordance with their respective terms, and that to the collective knowledge of Borrower, Guarantor and New Guarantor, all liens and security interests created in favor of Lender under the Loans Documents have been validly created and duly perfected as encumbrances upon all Properties and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents and as modified by this Agreement. Upon the satisfaction of the lien of the applicable Other Lender with respect to a Property, the lien and security interest created in favor of Lender under the Loans Documents will be deemed to be validly created and duly perfected as an encumbrance upon the respective Property and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents. Further, Borrower shall cause to be provided to Lender a Lender's title insurance policy issued by a nationally-recognized title company, reasonably acceptable to Lender insuring that Lender's encumbrance in such Property, as evidenced by the respective Deed of Trust, shall constitute a valid and enforceable first and prior lien to any other encumbrance on the respective Property.

4. **Forbearance by Lender on Conditions; Effect of Breach**. Lender hereby agrees to forbear pursuit of its rights and remedies under the Loans Documents and/or under applicable law, but only so long as and on the conditions that Borrower, Guarantor and New Guarantor pay all sums, perform all covenants and agreements and do all acts and things required of them

hereunder. If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Lender may cease such forbearance and may immediately commence and pursue any or all rights and remedies Lender may have under the Loans Documents and/or under applicable law as to any or all of the collateral or security for the Loans, all in such order and manner as Lender may elect from time to time in its sole discretion and without notice of any kind to Borrower, Guarantor, New Guarantor or any other person, as if this Section 4 had never been agreed to by Lender. Lender's agreement herein to forego immediate pursuit of its rights and remedies constitutes a postponement and forbearance only, and does not in any event constitute a waiver of any such rights or remedies.

5. **No Effect on Existing Default; Extension of Maturity**. Neither the execution and delivery of this Agreement or any other document or instrument required hereunder nor the consummation of the transactions and agreements set forth in this Agreement shall in any manner rescind or cure any existing Default under the Loans Documents, reinstate the Loans to a current status, or constitute an accord and satisfaction of the Loans. Notwithstanding this provision, the maturity date of all of the Loans (and the payment of the entire principal sum and all accrued interest, costs, expenses, disbursements and fees due under the terms and provisions of this Agreement, the Notes and all other sums payable under the Loans Documents) is hereby extended to February 1, 2015, and shall be due in any event, without notice or demand; provided, however, Lender, at its sole discretion, may further extend the maturity date of all of the Loans to February 1, 2016, so long as Borrower, Guarantor and New Guarantor have complied and are in material compliance with the terms of this Agreement.

6. **Borrower's Actions**. Lender's continued performance of the terms of this Agreement is conditioned upon each of the following obligations being fulfilled:

(A) Borrower agrees to use its good faith efforts to: (i) liquidate other assets, which is expected to generate approximately $4 to $5 million US Dollars; (ii) apply all net proceeds from the rental of Borrower's other real estate assets, or the net proceeds from the acquisition and disposition of other real estate or other assets by Borrower, and (iii) apply all funds received from Borrower's continued good faith efforts to recover any other asset that can be recovered from the missing proceeds from the multiple Loans that were advanced from Lender and Other Lenders with respect to certain properties as referenced above. Any additional funds obtained and / or made available to Borrower pursuant to this subsection shall be made available to and used by Borrower in connection with the resolution of the lien disputes between Lender and Other Lenders as referenced above (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan or the Additional Funds Loan to Borrower as provided herein).

(B) Borrower agrees to provide Lender, and maintain in effect, a life insurance policy from a nationally-recognized life insurance carrier (Lincoln Benefit Life Insurance, a subsidiary of Allstate Insurance Co., shall be deemed acceptable to Lender), in the amount of $10,000,000, insuring the life of Guarantor with Lender named as the sole beneficiary, until all obligations pursuant to the Agreement have been fully satisfied.

(C) Borrower agrees to provide Lender with a separate personal guaranty from Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents, and this

Agreement, and such Guaranty shall be in commercially reasonable form for a lender loaning a similar aggregate amount of money to a borrower as Lender is loaning in the aggregate to Borrower. Further, Borrower agrees to provide a re-affirmation and consent from Guarantor to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees of Lender's Loans to Borrower, so that the terms and provisions of this Agreement will not cause or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of Lender and Borrower pursuant to the terms and provisions of this Agreement.

(D) Borrower agrees to provide Lender with a separate corporate guaranty from New Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents, this Agreement, and the Additional Loan (defined herein) to be secured by a lien against all of New Guarantor's inventory, accounts, and assets.

(E) Except for Lender, Borrower agrees to continue to pay the interest due to the Other Lenders for loans secured by any of the Properties, and any other similarly situated lender on a timely basis and to keep each of such loans current and in compliance with their respective terms.

(F) Borrower has arranged for private outside financing (the "**Outside Funds**"), which is to be provided to Borrower in the approximate amounts and on the following prospective schedule: (i) approximately $1,000,000 on or before March 20, 2014; (ii) approximately $1,000,000 on or before May 26, 2014; (iii) approximately $1,000,000 on or before July 15, 2014; and (iv) approximately $1,200,000 on or before September 15, 2014. Such Outside Funds shall be used exclusively for the pay-off of the Other Lenders and any other similarly situated lender: to pay interest payments to similarly situated lenders; to pay repair and/rehab expenses associated with the collateral for the Loans, or to make any other payment that, in Borrower's reasonable judgment, is for the mutual benefit of Borrower and Lender. Any balance remaining shall 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 transactions to obtain the Outside Funds and the security provided for such Outside Funds. Lender agrees to keep such information on a confidential basis, provided, however, Lender will be able to provide such terms and information to its investors, legal counsel, accountants and other applicable professionals on a confidential basis.

(H) During the term of this Agreement, Borrower, Guarantor and New Guarantor agree to use good faith efforts to satisfy and pay-off any and all financial obligations secured by liens in favor of the applicable Other Lender with respect to a Property. The Borrower and Lender shall cooperate to agree upon a sequencing schedule (which will need to be adjusted on a reasonable basis) to satisfy and release the liens of the Other Lenders on the applicable Properties. Borrower agrees to use its Good Faith Efforts to cause the liens of the Other Lenders to be satisfied and released on or before nine (9) months from the execution of this Agreement.

(I) Borrower, Guarantor, New Guarantor and Lender acknowledge and agree that this Agreement shall not constitute nor create a joint venture or partnership arrangement between or among Lender and any of the Borrower or Guarantor.

(J) If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Borrower agrees to provide any additional collateral ("**Additional Security**") to Lender, as may be requested by Lender, to secure Borrower's existing obligations to Lender and to secure the additional obligations that Lender is agreeing to provide pursuant to this Agreement.

(K) Execution, delivery and filing or recording (with all costs thereof paid by Borrower) of all documents and instruments required to create the required liens on the respective Properties as required by the Loans Documents or to create a security interest in any Additional Collateral.

(L) As more fully set forth in Section 12, Borrower agrees to reimburse all costs and expenses, including without limitation attorneys' fees, incurred by Lender in connection with this Agreement (or the effect of this Agreement on Lender's business and with its investors).

7. **Lender's Actions**. Subject to the full compliance of Borrower, Guarantor, and New Guarantor to each of their respective obligations, as detailed in this Agreement, the Lender will perform the following obligations:

(A) Lender has increased the Loan amount applicable to certain of the Properties referenced in Exhibit A up to 120% of the loan-to-value ("**LTV**") ratio of the value of the respective Properties, as determined by Lender. The additional funds advanced to Borrower have been used to pay off the Other Lender and release its security interest in that Property.

(B) In connection with the sale of a Property to an independent third party or new third party financing of any of the Properties referenced in Exhibit A, Lender agrees to work reasonably with Borrower, Guarantor and New Guarantor to provide additional funds to Borrower to pay off the respective Loans of the Other Lender and Lender secured by a lien against the applicable Property so that the respective security interests in the respective Property will be released at the Closing of the sale or new financing of the Property. The additional funds provided by Lender to Borrower in connection with such third party sale or new third party financing of such Properties shall be evidenced by a new loan to Borrower, Guarantor, and New Guarantor, jointly and severally, in an amount up to $5.0 Million US Dollars, which loan is to provide for multiple advances, earn 18% interest, with monthly principal and interest payments (calculated pursuant to a formula consisting of all outstanding interest and 3% of outstanding principal), and all unpaid interest and outstanding principal shall be all due and payable on or before February 1, 2016 (the "**Additional Funds Loan**"). The Additional Funds Loan will include a Default Interest Rate of 29%. Upon the sale or refinance of the Property securing the Additional Loan (pursuant to Section 7 (D), the outstanding principal balance of the Additional Funds Loan shall be paid down so that the outstanding principal balance is reduced to an amount of $4.0 Million US Dollars or less and the promissory note evidencing the Additional Funds Loan shall be modified to reduce the maximum outstanding principal to $4.0 Million US Dollars.

The promissory note to evidence the Additional Funds Loan shall be in commercially reasonable form for a lender loaning a similar aggregate amount of money on a partially unsecured basis to a borrower as Lender is loaning in the aggregate to Borrower, Guarantor, and New Guarantor. Full Payment of the Additional Funds Loan shall be secured by a lien against the inventory and assets of the New Guarantor, which shall be evidenced by a security agreement and financing statement in commercially reasonable form to secure a lender loaning a similar aggregate amount of money to a borrower as Lender is loaning in the aggregate to Borrower pursuant to the Additional Funds Loan. If Borrower, Guarantor ,or New Guarantor fail to pay any sum or to perform any covenant, agreements or obligation owed to Lender under the Additional Funds Loan, this Agreement, or any of the Loans Documents, as modified by this Agreement, Borrower and Guarantor agree to work with Lender to provide any additional collateral available ("**Additional Funds Collateral**") to Lender, as may be requested by Lender, to secure the obligations pursuant to the Additional Funds Loan for the benefit of Lender.

(C) Lender will defer (but not waive) the collection of interest from the Borrower on the Loans to the Borrower during the process to fund the amount due to the Other Lenders; and all deferred interest on the Notes from Borrower shall be paid to Lender on or before the payoff of the respective Note.

(D) Lender has provided a new loan to Borrower and Guarantor, jointly and severally, in the amount up to $1 Million US Dollars, which loan is to provide for multiple advances, and currently accrues 3% annual interest (which interest shall be calculated based upon, and periodically adjusted as necessary, to equal the interest costs to Denny Chittick on his line of credit from Bank of America plus ½%) with monthly principal and interest payments (calculated pursuant to a formula consisting of all outstanding interest and 3% of outstanding principal balance), all unpaid interest and outstanding principal shall be all due and payable on or before February 1, 2016, and such loan shall be secured by a first lien position against certain real property in Scottsdale, AZ (the "**Additional Loan**"). The Additional Loan will include a Default Interest Rate of 29%. The promissory note to evidence the Additional Funds Loan shall be in commercially reasonable form for a lender loaning a similar aggregate amount of money on a partially unsecured basis to a borrower as Lender is loaning in the aggregate to Borrower and Guarantor. Upon the sale or refinancing of such Property, Borrower and Guarantor will arrange for the Additional Loan to be secured by a lien against certain real property or properties, with the properties and the lien position to be approved by Lender, in its sole discretion, and the obligation is to be personally guaranteed by New Guarantor. Further, upon the sale or refinance of such Property, Borrower, Guarantor and Lender shall modify the Additional Funds Loan to reduce the maximum outstanding balance to $4.0 Million US Dollars.

(E) Provided that Borrower, Guarantor and New Guarantor each complies with all of its respective obligations under this Agreement, Lender will waive the right to charge the Default Interest rate which is permitted pursuant to the terms of the Loans Documents. If any of Borrower, Guarantor or New Guarantor fails to comply with its respective obligations under this Agreement, Borrower shall then be liable for Default Interest at the Default Interest rate set forth in the Loan Documents on all outstanding Notes.

(F) Upon the complete and full satisfaction by Borrower, Guarantor and New Guarantor (the "**Borrower Entities**") of each and every obligation, term, condition and

requirement of the Borrower Entities set forth in and pursuant to this Agreement, the Loans Documents and/or any other document executed in connection with this Agreement and/or the Loans Documents, Lender, Borrower, Guarantor and New Guarantor agree to and will execute a mutual release and covenant not to sue (or pursue) the Borrower and/or Guarantor in any legal action based upon the facts set forth in the Recitals to this Agreement.

8. **Grace and Cure Periods**. If Borrower, Guarantor or New Guarantor fail to comply with any non-monetary obligation undertaken by it through this Agreement or any of the Loans Documents, or any of the documents executed in connection with this Agreement (collectively, the "**Forbearance Documents**"), the Borrower Entities shall be in default of this Agreement if none of the Borrower Entities fails to satisfy the non-monetary obligation within ten (10) business days of receiving email or telephonic notice from Lender. No such notice shall be required if any of the Borrower Entities fail to comply with any monetary obligation in favor of Lender under the Forbearance Documents. Except for the non-monetary notice required above, all other notice provisions of the Forbearance Documents requiring any other notice to Borrower or Borrower Entities or any other person as a condition precedent to the existence of any breach, default or event of default or to any acceleration or other remedial action by Lender, permitting or granting any grace period after the giving or receipt of any notice for the cure of any breach, default or event of default under the Forbearance Documents prior to acceleration or other remedial action by Lender are hereby deleted, and all Forbearance Documents are hereby modified accordingly.

9. **No Knowledge of Claims and Defenses against Lender**. As a material part of the consideration for Lender's execution of this Agreement, Borrower, Guarantor and New Guarantor each hereby represent and warrant to Lender and its officers, directors, shareholders and its affiliates that neither the Borrower nor Guarantor are aware of any liabilities, obligations, actions, claims, causes of action, suits, proceedings, damages, demands, costs and expenses whatsoever that would give rise to, or be the basis for, or to create an obligation owed by Lender to Borrower or Guarantor (except as set forth in this Agreement) (collectively, "**Potential Claims**") or any action, failure to act, facts or circumstances that could give rise to or be the basis for or to create a Potential Claim, 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 as set forth in this Agreement.

10. **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.

11. **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.

12. **Costs and Expenses**. Borrower hereby agrees to pay on demand any and all fees, 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 such disclosure to Lender's investors as necessary to provide an updated disclosure concerning Borrower's Default and the terms of this Forbearance Agreement; provided, however, the legal fees incurred in connection with this subsection A to prepare and implement this Agreement and the necessary initial updated disclosure to Lender's investors in connection with Borrower's Default and the terms of this Forbearance Agreement shall be limited by a total and cumulative cap of $80,000; (B) the issuance to Lender of any and all title reports, amendments and title insurance; (C) any investigation fees and/or other fees and costs incurred by Lender in connection with this Agreement and/or the Loans Documents (or the effect of this Agreement on Lender's business and with its investors); (D) the default of Borrower in connection with the Loans Documents, or the existing and/or any future lien disputes with any of the Other Lenders or any other similarly situated lenders; and/or (E) the collection of the Loans and/or the enforcement of this Agreement and/or the Loans Documents and/or any other document executed in connection with this Agreement and/or the Loans Documents. The Parties acknowledge that the cumulative cap of $80,000 is only applicable to legal fees, incurred pursuant to subsection A above. Guarantor and New Guarantor shall each be liable for all of their respective foregoing costs and expenses pursuant to their respective guarantees. Lender shall have no liability whatsoever for any of the foregoing.

13. **Time of the Essence**. Time is of the essence of all agreements and obligations contained herein.

14. **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.

All parties were advised to and were given the opportunity to consult with independent counsel before executing this Agreement and the Forbearance Documents.

15. **Ratification and Agreements by Guarantor**. Guarantor hereby acknowledges and consents to the terms of this Agreement, agrees to be bound by all terms and provisions

hereof and of any and all documents and instruments executed by Borrower in connection with and/or as contemplated in this Agreement; acknowledges and confirms that Guarantor is and shall remain liable for all indebtedness and obligations now or hereafter owed by Borrower to Lender in connection with the Loans (pursuant to this Agreement and the Loans Documents or otherwise); agrees that Guarantor's said liability shall not be released, reduced or otherwise affected by the execution of this Agreement, by any changes in the effect of the Loans Documents under the terms of this Agreement, by Lender's receipt of any additional collateral for the Loans, by the consummation of any transactions relating hereto, or by any other existing fact or circumstance; ratifies the Guaranty as security for the Loans; and confirms that the Guaranty remains in full force and effect.

16. **Entire Agreement; No Oral Agreements Concerning Loans**. The Recitals set forth at the beginning of this Agreement are incorporated into this Agreement as a material part of this Agreement. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, which agreement shall not be varied by any alleged or actual oral statements or parol evidence whatsoever. Lender has not promised or agreed in any manner to extend the maturity of the Loans, to restructure the Loans or any security therefor, to modify any terms of the Loans Documents or the effect thereof, to forbear in the commencement, exercise or pursuit of any right or remedy Lender has under the Loans Documents or applicable law, to release or adversely affect any lien or security interest previously or concurrently granted in favor of Lender, or to forego the benefit of any term, provision or condition of the Loans Documents, except as may be otherwise specifically provided in this Agreement and subject in all instances to strict compliance by Borrower, Guarantor and New Guarantor with all terms and conditions of this Agreement. Except as specifically provided in this Agreement (and so long as each of the Borrower Entities are in compliance with the terms of this Agreement), Lender has not agreed or become obligated, whether by negotiating or executing this Agreement or otherwise, to make any new Loans or to extend any new credit to Borrower, Guarantor or New Guarantor under any circumstances.

17. **Ratification of Workout**. The Parties acknowledge and agree that the terms and conditions of this Agreement are part of but not the entire body of a mutual workout arrangement between the parties for a resolution of a dispute regarding the Loans. Borrower, Guarantor and New Guarantor each hereby ratify, consent to, and agree to all of Lender's actions, from November 27, 2013, to the date first stated above, regarding and/or related to the claims of the Other Lenders alleging that the encumbrances for their loans were in first priority for the subject Properties; with the actions of the Lender including, without limitation, Lender lending Borrower an additional amount of approximately $5,000,000, in the aggregate, with said funds being used towards satisfaction of certain loans from the Other Lenders. Borrower, Guarantor and New Guarantor each ratify and agree that the Lender's loans for said Properties have increased by the amounts that Lender paid toward satisfaction of the respective Other Lenders' loans for the subject Properties and Lender's Loans will continue to increase by the amount that Lender will advance to Borrower (or pay toward) for the satisfaction of the respective Other Lenders' Loans or in connection with Lender's rights or obligations pursuant to the Loans Documents as modified by this Agreement.

18. **Confidentiality**. In connection with or based upon the facts underlying this Agreement, the Parties agree not to assist, suggest, notify, or recommend that third parties

investigate or pursue any requests for information, claims, or litigation relating to any of the Parties, their officers, directors, shareholders, owners, employees, consultants, attorneys, agents, successors, affiliates, subsidiaries, parents, heirs, representatives, and assigns. Each Party shall refrain from making any disparaging or negative statements or comments about the other Parties to any third parties, including any derogatory statements or criticism. Except as set forth below, the Parties further agree that: (i) the material terms of the Agreement and the material facts underlying the Agreement are intended to remain confidential; and (ii) they agree not to disclose, or cause others to disclose, to anyone the material terms stated in this Agreement or the material facts underlying this Agreement; provided, however, these disclosure limitations set forth in (i) and (ii) above are subject to the following exceptions: a) except as such facts are set forth in the applicable public records, or b) except as may be required to be disclosed to any governmental agency or authority with applicable jurisdiction (after notice to the other Party and an opportunity to object to such required disclosure), or c) except as may be disclosed to such Party's outside professionals, or d) except as may be necessary for Lender to disclose to Lender's current or future investors (which disclosure is intended to be limited as described below). With respect to the limitation on Lender's disclosure to its investors as referenced above, Lender agrees to use its good faith efforts to limit such disclosure as much as legally possible pursuant to the applicable SEC Regulation D disclosure rules, which limitation is intended to have Lender only describe: 1. the multiple Loans secured by the same Properties, which created the Loans Defaults; 2. the work-out plan pursuant to this Agreement in connection with the steps to be taken to resolve the Loans Defaults; 3. the work-out plan shall also include disclosing the previous additional advances that Lender has made and the additional advances that are intended to be made by Lender to Borrower pursuant to this Agreement in connection with increases in the loan amount of certain specific Loans (up to 120% of the LTV of the applicable Property being used as security for that Loan), the additional advances pursuant to both the Additional Loan and the Additional Funds Loan; and 4. the cumulative effect that all of such additional advances to Borrower will have on Lender's business plan that Lender has previously disclosed to its investors in Lender's private offering documents and which Lender committed to follow, including the overall LTV loan ratios for all of Lender's outstanding loans to its borrowers in the aggregate and the concentration of all of Lender's outstanding loans among all of its borrowers. Further, Lender will use its good faith efforts not to include the names of Borrower, Guarantor, or New Guarantor in Lender's disclosure material. Lender will also provide Borrower with a copy of the applicable disclosure prior to dissemination to Lender's investors and allow Borrower to have 48 hours to review and comment upon such disclosure.

19. **Counterparts**. This Agreement may be executed in several counterparts, each of which counterpart shall be deemed an original instrument and all of which together shall constitute a single Agreement. The failure of any party hereto to execute this Agreement, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder.

20. **Notices**. All notices, consents, approvals and requests required or permitted hereunder shall be given in writing and shall be effective for all purposes if hand delivered or sent by (a) certified or registered United States mail, postage prepaid, return receipt requested or (b) expedited prepaid delivery service, either commercial or United States Postal Service, with proof of attempted delivery, or (c) by email addressed as follows (or at such other address and person as shall be designated from time to time by any party hereto, as the case may be, in a written notice to the other parties hereto in the manner provided for in this Paragraph):

Arizona Home Foreclosures, LLC
7320 West Bell Road
Glendale, AZ 85308
Attention: Scott Menaged
Email: smena98754@aol.com

Easy Investments, LLC
7320 West Bell Road
Glendale, AZ 85308
Attention: Scott Menaged
Email: smena98754@aol.com

Yomotov, "Scott" Menaged
7320 west Bell Road
Glendale, AZ 85308
Email: smena98754@aol.com

Furniture King, LLC
303 North Central Avenue, Suite 603
Phoenix, AZ 85012
Attention: Scott Menaged
Email: smena98754@aol.com

DenSco Investment Corporation
6132 West Victoria Place
Chandler, AZ 85226
Attention: Denny Chittick
Email: dcmoney@yahoo.com

21. **Choice of Law**. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ARIZONA WITHOUT GIVING EFFECT TO CONFLICT OF LAWS PRINCIPLES.

22. **Severability**. If any provision of this Agreement is found to be void, invalid or unenforceable by a court of competent jurisdiction, that finding shall only affect the provisions found to be void, invalid or unenforceable and shall not affect the other of this Agreement, and they shall remain in full force and effect.

23. **Event of Default**. The failure to pay any amount due under this Note when due, or any occurrence of a failure to cure any non-monetary default under any of the Forbearance Documents or any other Loan Documents after the appropriate notice required in Section 8 of this Agreement, shall be deemed to be an event of default ("Event of Default") hereunder.

24. **Remedies**. Upon the occurrence of an Event of Default and at any time thereafter, then at the option of the Lender, and with notice only as specifically required in this Agreement, the entire balance of principal together with all accrued interest thereon, and all other amounts payable by the Borrower Entities under the Forbearance Documents shall, without demand or notice, immediately become due and payable. Upon the occurrence of an Event of Default (and so long as such Event of Default shall continue), the entire balance of principal hereof, together with all accrued interest thereon, all other amounts due under the Forbearance Documents, and any judgment for such principal, interest, and other amounts shall bear interest at the Default Interest Rate, as provided in the Additional Funds Loan. No delay or omission on the part of the Lender hereof in exercising any right under any of the Forbearance Documents hereof shall operate as a waiver of such right

25. **Waiver**. The Borrower Entities hereby waive diligence, demand for payment, presentment for payment, protest, notice of nonpayment, notice of protest, notice of intent to accelerate, notice of acceleration, notice of dishonor, and notice of nonpayment, and all other notices or demands of any kind (except notices specifically provided for in the Forbearance Documents) and expressly agree that, without in any way affecting the liability of any of the

Borrower Entities, the Lender hereof may extend any maturity date or the time for payment of any payment due under any of the Forbearance Agreements, otherwise modify the Forbearance Documents, accept additional security, release any person liable, and release any security. The Borrower Entities waive, to the full extent permitted by law, the right to plead any and all statutes of limitations as a defense.

27. **Integration**. This Agreement contains the complete understanding and agreement of the Borrower Entities and Lender and supersedes all prior representations, warranties, agreements, arrangements, understandings, and negotiations.

28. **Binding Effect**. This Agreement will be binding upon, and inure to the benefit of, the Lender, the Borrower Entities, and their respective successors and assigns. Borrowers may not delegate their obligations under the Forbearance Documents.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the undersigned Parties have executed this Agreement on the date first above written.

Borrower:

ARIZONA HOME FORECLOSURES, LLC

By:_____
Yomtov "Scott" Menaged
Its: Member

EASY INVESTMENTS, LLC

By:_____
Yomtov "Scott" Menaged
Its: Member

Guarantor:

_____
Yomtov "Scott" Menaged

New Guarantor:

FURNITURE KING, LLC

By:_____
Yomotov "Scott" Menaged
Its: Manager

Lender:

DENSCO INVESTMENT CORPORATION

By:_____
Denny Chittick
Its: President

{Signature Page of Forbearance Agreement}

EXHIBIT A

LENDER LOANS AND ENCUMBERED PROPERTIES

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this 16th day of April, 2014, before me appeared Yomotov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he is the manager of ARIZONA HOME FORECLOSURES, LLC, an Arizona limited liability company (the "**Company**"), and said Yomotov "Scott" Menaged acknowledged to me that the Company is named as both AHF and a Borrower in the foregoing instrument and that as the manager of the Company, he did execute the foregoing instrument, for and on behalf of the Company, and that he did so as his and the Company's free act and deed.

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:

01-10-2018

JOSE BURRULL
NOTARY PUBLIC - ARIZONA
Maricopa County
My Commission Expires
January 10, 2018

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this 10th day of APRIL, 2014, before me appeared Yomotov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he is the manager of EASY INVESTMENTS, LLC, an Arizona limited liability company (the "**Company**"), and said Yomotov "Scott" Menaged acknowledged to me that the Company is named as both EI and a Borrower in the foregoing instrument and that as the manager of the Company, he did execute the foregoing instrument, for and on behalf of the Company, and that he did so as his and the Company's free act and deed.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

JOSE BURRULL
NOTARY PUBLIC - ARIZONA
Maricopa County
My Commission Expires
January 10, 2018

Notary Public

My Commission Expires:

01-10-2018

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this 16th day of APRIL, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, and said Yomotov "Scott" Menaged acknowledged to me that he is named as the Guarantor in the foregoing instrument and that he did execute the foregoing instrument and that he did so as his free act and deed.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

JOSE BURRULL
NOTARY PUBLIC - ARIZONA
Maricopa County
My Commission Expires
January 10, 2018

Notary Public

My Commission Expires:

01-10-2018

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this 16th day of APRIL, 2014, before me appeared Yomotov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he is the manager of FURNITURE KING, LLC, an Arizona limited liability company (the "**Company**"), and said Yomotov "Scott" Menaged acknowledged to me that the Company is named as the New Guarantor in the foregoing instrument and that as the manager of the Company, he did execute the foregoing instrument, for and on behalf of the Company, and that he did so as his and the Company's free act and deed.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

JOSE BURRULL
NOTARY PUBLIC - ARIZONA
Maricopa County
My Commission Expires
January 10, 2018

Notary Public

My Commission Expires:

01-10-2018

{Acknowledgments for Forbearance Agreement –Furniture King}

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this 16th day of APRIL, 2014, before me appeared Denny Chittick, to me personally known, who being by me duly sworn, did say that he is the President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, (the "**Corporation**"), and said Denny Chittick acknowledged to me that the Corporation is named as the Lender in the foregoing instrument and that as the President of the Corporation, he did execute the foregoing instrument, for and on behalf of the Corporation, and that he did so as his and the Corporation's free act and deed.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

JOSE BURRULL
NOTARY PUBLIC - ARIZONA
Maricopa County
My Commission Expires
January 10, 2018

Notary Public

My Commission Expires:

01-10-2018

{Acknowledgments for Forbearance Agreement - DenSco}

200131428.20 43820/170082

Exhibit 59

DenSco/Parkwest

Beauchamp, David G.

From:	Beauchamp, David G.
Sent:	Friday, April 18, 2014 6:03 PM
To:	Schenck, Daniel A.
Cc:	Stringer, Lindsay L.
Subject:	FW: Exhibits

Needless to say, this is not good, but we will deal with it.

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: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Friday, April 18, 2014 5:58 PM
To: Beauchamp, David G.
Subject: Re: Exhibits

ok i'm sure scott will be agreeable with what ever solution best protects me.

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

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: Denny Chittick <dcmoney@yahoo.com>
Sent: Friday, April 18, 2014 5:55 PM
Subject: RE: Exhibits

Denny:

I put those numbers in the documents based on what I thought was right. If possible, can we talk Monday after I try to find where I got that number to see if it might be an easy adjustment fix (by a reference on the exhibit) or if we need to redo the document, which I think all of us want to avoid.

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, April 18, 2014 5:49 PM
To: Beauchamp, David G.
Subject: Re: Exhibits

If what daniel is saying is correct. we have a date and dollar issue. i looked at my balance sheet as of 3/1, and the total of 37,133,109, is not what is owed on that date. it was more like 34mil. so where you got those numbers and when is not matching up wtih the date you have in the document. when i gave you that number it wasn't for that date. the date wasn't update at the time.

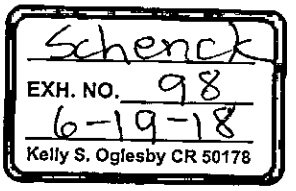
what do you want to do?
dc

David asked me to follow up on a few items regarding the loan work out documents. We received your list of Loans, dated as of April 16th, but need the March 1st version. Several of the agreements refer to the balance of the Loans, as of March 1st, as $39,116,888, consisting of $37,133,019 in principal and $1,983,869 in accrued interest. The balance listed on the April 16th version does not match the amounts listed on the March 1st version. It shows a balance of $39,752,893.28, consisting of $37,456,620.47 in principal and $2,296,272.81 in accrued interest. Because of the differences in these amounts, we need to use the March 1st version of your list of Loans as the Exhibit. David thinks that you had a March 1st version before. Can you please email us the March 1st version?

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 | bio | www.clarkhill.com



Beauchamp, David G.

From: Denny Chittick <dcmoney@yahoo.com>
Sent: Friday, April 18, 2014 5:39 PM
To: Beauchamp, David G.
Subject: Re: Exhibits

i didn't understand the necessity of this, but now i do. i'm working on the exhibit 1 now.
thx
dc

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

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: Denny Chittick <dcmoney@yahoo.com>
Sent: Friday, April 18, 2014 5:37 PM
Subject: RE: Exhibits

Denny:

Thank you. I do understand how difficult this whole process has been for you and I really do not want to make this any more difficult for you.

Thank you also for the payment that was credited to your account today.

All the best, David
David G. Beauchamp

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

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Friday, April 18, 2014 5:29 PM
To: Beauchamp, David G.
Cc: Schenck, Daniel A.
Subject: Re: Exhibits

Attached are for exhibit 2, this is the balance of 3/31 of the work out loan.
dc

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

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: "Denny J. Chittick (dcmoney@yahoo.com)" <dcmoney@yahoo.com>
Cc: "Schenck, Daniel A." <DSchenck@ClarkHill.com>
Sent: Friday, April 18, 2014 4:06 PM
Subject: FW: Exhibits

Denny:

As we discussed, we can replace pages in the agreements for DATE changes, but only if we have Scott's written permission. Even if we get Scott's written permission, we take a HUGE RISK in changing numbers in executed documents. There are so many arguments that could be made to a court to make all of the documents void and ineffective if we start changing more than just a few dates. I know running the schedules is frustrating to you, but we had to do this, because you had already advanced money pursuant to these notes. (As you know, normally the notes are signed BEFORE the money is loaned.) We had to describe and capture this transaction at a moment in time which made it difficult. We changed the references in the documents to use a specific date (e.g. March 1, 2014) to try to make it easier for you and Scott instead of having to continue to change the numbers in the documents every day.

I had thought that you could run the exhibits (spreadsheets) for the time period from last November through March 1. I had also planned to follow your idea (which is a good idea) to also attach the updated exhibits to show the updated numbers through the date of execution. However, we still need to have the original exhibit as support for the March 1 numbers referenced in the notes. We selected March 1 when we thought we were going to get everything signed in mid-March.

Do you want to discuss this? I still do not have my full voice back, but I could call if you want.

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: Schenck, Daniel A.
Sent: Friday, April 18, 2014 3:52 PM

To: Beauchamp, David G.
Subject: FW: Exhibits

Daniel A. Schenck

CLARK HILL PLC
480.684.1118 (direct) | 480.684.1179 (fax)
dschenck@clarkhill.com | bio | www.clarkhill.com

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Friday, April 18, 2014 3:47 PM
To: Schenck, Daniel A.
Subject: Re: Exhibits

I thought both dollar amounts should be as of the date that we signed it, thus the exhibits were dated for the day we signed it. if the dollars in the docs are off, i would change those pages to match the spreadsheets i sent as of 4/16

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

From: "Schenck, Daniel A." <DSchenck@ClarkHill.com>
To: "dcmoney@yahoo.com" <dcmoney@yahoo.com>
Cc: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
Sent: Friday, April 18, 2014 2:30 PM
Subject: Exhibits

Denny,

David asked me to follow up on a few items regarding the loan work out documents. We received your list of Loans, dated as of April 16th, but need the March 1st version. Several of the agreements refer to the balance of the Loans, as of March 1st, as $39,116,888, consisting of $37,133,019 in principal and $1,983,869 in accrued interest. The balance listed on the April 16th version does not match the amounts listed on the March 1st version. It shows a balance of $39,752,893.28, consisting of $37,456,620.47 in principal and $2,296,272.81 in accrued interest. Because of the differences in these amounts, we need to use the March 1st version of your list of Loans as the

Exhibit. David thinks that you had a March 1st version before. Can you please email us the March 1st version?

Similarly, do you have a different version of the list of credit advances for the $5M line of credit or do we need to change the Note? In Section 2 of the Note, it states that $1,395,092.44 has been advanced (as of April 16th), but the exhibit you sent us states that $1,780,239.76 has been advanced. Is there a different version of this exhibit or is the $1,780,239.76 amount accurate for April 16th? If the amount is accurate, we will need to get written confirmation from Scott that we can change Section 2 to reflect the correct amount.

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 | bio | www.clarkhill.com

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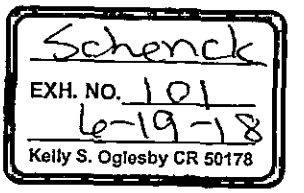
Exhibit 60



Beauchamp, David G.

From:	Schenck, Daniel A.
Sent:	Wednesday, May 14, 2014 7:56 PM
To:	Beauchamp, David G.
Subject:	DenSco POM
Attachments:	#200743069v1_ClarkHill_ - Private Offering Memorandum 2014.doc; Private Offering Memorandum 2011 - Private Offering Memorandum 2014.pdf

David,

Attached is the latest draft for the POM for DenSco. The Word version includes several comments that request information/confirmation from Denny. A few of the comments are for your attention. These include "DGB" at the beginning of the comment. The attached redline does not show any of the comments.

Also, I highlighted the Table of Contents to serve as a reminder to double check the pagination once the POM is complete.

Please let me know what changes you prefer before this draft is sent to Denny.

Best,

Daniel A. Schenck

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

Confidential Private Offering Memorandum

DenSco Investment Corporation

May ___, 2014

No: _____ Name of Payee: _____ _____

Confidential Private Offering Memorandum

DenSco Investment Corporation

General Obligations Notes

Minimum Purchase $50,000

The General Obligation Notes (the "Notes") are general obligations of DenSco Investment Corporation, an Arizona corporation (the "Company"). The Notes, together with all other outstanding notes and all other advances or liabilities owed by the Company to any holder of an outstanding note will be secured by a general pledge of all assets owned by or later acquired by the Company The Company's largest assets will be the Trust Deeds, as defined herein, acquired by the Company and the Notes will be superior in priority and liquidation preference to Notes subscribed for by officers and shareholders of the Company. Interest will be paid monthly, quarterly or at maturity. The Notes are not insured or guaranteed by any state or federal government entity or any insurance company, and the Company will not establish a sinking fund for the Notes. The Company generally may transfer, sell or substitute collateral for the Notes. The Company may modify the interest rate to be paid on subsequently issued Notes. The Company may adjust the interest paid to subsequently offered Notes and on the Notes offered hereby with 30 days' written notice (" Interest Adjustment Notice"). For Notes offered by this Confidential Private Offering Memorandum, the interest paid for the Note will automatically adjust to the amount stated in the Interest Adjustment Notice unless within the 30 day notice period the Noteholder provides a written request to the Company for the Note to be prepaid. If the Noteholder provides such notice within the 30 day notice period, the interest paid on the Note will be unchanged until such time as the Company prepays the Note. The Company will use good faith efforts to prepay Notes upon receipt of written request, but the Company will not be obligated to do so. The Notes may be redeemed by the Company prior to maturity upon notice at a price equal to the principal amount of the Notes plus accrued interest to the date of redemption. See "Description of Securities – Note Terms." Default may occur with respect to

Comment [A1]: Can DenSco can adjust the interest of the Notes?

Comment [A2]: Note: Giving the Noteholder an option when there is an Interest Adjustment Notice makes the unilateral interest adjustment more enforceable. Also, because it may not always be feasible to prepay a Note when a Noteholder objects to an interest adjustment, we did not obligate the Company to prepay the Note within a certain time frame. By leaving the interest rate unchanged when there is an objection (demonstrated by requesting prepayment), there is technically no penalty to the Noteholder for making the objection. In reality, the motivation to accept an interest adjustment will not be to avoid a penalty but to avoid an early prepayment that would end the investment opportunity. A court is much more likely to enforce this scenario than a penalty for not accepting a unilateral interest adjustment.

Comment [A3]: Is this still accurate?

one Note and not another. The Notes may be purchased directly from the Company without commission. The Company intends to offer the Notes on a continuous basis until the earlier of (a) the sale of the maximum offering, or (b) two years from the date of this memorandum; provided, however, the Company reserves the right to amend, modify and/or terminate this offering if the Company changes its operations or method of offering in any material respect. See "Description of Securities" and "Plan of Distribution."

Comment [A4]: DGB: what is the maximum duration we can use here?

THE NOTES ARE SPECULATIVE AND INVESTMENT IN THE NOTES INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS."

THE NOTES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR APPLICABLE STATE SECURITIES LAWS, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE REGULATORY AUTHORITY REVIEWED, APPROVED OR DISAPPROVED THE ACCURACY OR ADEQUACY OF THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM OR ENDORSED THE MERITS OF THE PLACEMENT OF NOTES. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. THE NOTES ARE OFFERED PURSUANT TO EXEMPTIONS PROVIDED BY SECTION 4(2) OF THE ACT, REGULATION D THEREUNDER, CERTAIN STATE SECURITIES LAWS AND CERTAIN RULES AND REGULATIONS PROMULGATED PURSUANT THERETO. THE NOTES MAY NOT BE TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS OR AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY AND ITS COUNSEL THAT SUCH REGISTRATION IS NOT REQUIRED.

	Offering Price (1)	Underwriting Commissions (2)	Proceeds to the Company (3)
Note	$50,000	-0-	$50,000
Offering Maximum	$50,000,000	-0-	$49,975,000

(1) The Notes are offered in $50,000 initial investment with additional increments with a minimum of at least $10,000. All subscriptions for Notes are subject to review and acceptance by the Company.

(2) The Company's President, Denny J. Chittick, is making the private placement of the Notes on behalf of the Company. Mr. Chittick will not receive any sales commission in connection with the placement of the Notes. The Company reserves the right to pay costs and commission to a licensed broker-dealer with an approved custodian to facilitate procedures by investors using qualified funds (i.e., IRA, SEP IRA, ROTH IRA and KEOGH Plans), up to one percent (1%) of the principal Note amount.

(3) Offering expenses, estimated at $25,000, will be paid from the Company's general operating funds.

Comment [A5]: Is this still accurate?

DenSco Investment Corporation
6132 W. Victoria Place
Chandler, Arizona 85226
(c) 602-469-3001
(f) 602-532-7737

THE NOTES ARE OFFERED ONLY TO PERSONS WHO ARE: (1) "ACCREDITED INVESTORS" WITHIN THE MEANING OF RULE 501(a) OF REGULATION D PROMULGATED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAW; (2) ABLE TO BEAR THE ECONOMIC RISK OF AN INVESTMENT IN THE NOTES, INCLUDING A LOSS OF THE ENTIRE INVESTMENT; AND (3) SUFFICIENTLY KNOWLEDGEABLE AND EXPERIENCED IN FINANCIAL AND BUSINESS MATTERS TO BE ABLE TO EVALUATE THE MERITS AND RISKS OF AN INVESTMENT IN THE NOTES EITHER ALONE OR WITH A PURCHASER REPRESENTATIVE. SEE "INVESTOR SUITABILITY." THE NOTES ARE NOT OFFERED AND WILL NOT BE SOLD TO ANY PROSPECTIVE INVESTOR UNLESS SUCH INVESTOR HAS ESTABLISHED, TO THE SATISFACTION OF DENNY J. CHITTICK, THAT THE INVESTOR MEETS ALL OF THE FOREGOING CRITERIA. EACH INVESTOR MUST ACQUIRE THE NOTES FOR HIS, HER OR ITS OWN ACCOUNT, FOR INVESTMENT PURPOSES ONLY, AND WITHOUT ANY INTENTION OF DISTRIBUTING OR RESELLING ANY OF THE NOTES, EITHER IN WHOLE OR IN PART.

THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION TO ANYONE IN ANY JURISDICTION IN WHICH SUCH AN OFFER OR SOLICITATION IS NOT AUTHORIZED. IN ADDITION, THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM CONSTITUTES AN OFFER ONLY TO THE PERSON WHOSE IDENTITY APPEARS IN THE APPROPRIATE SPACE PROVIDED ON THE COVER PAGE HEREOF. THE RIGHT TO PURCHASE NOTES AS DESCRIBED HEREIN IS NOT ASSIGNABLE.

TO ENSURE COMPLIANCE WITH CIRCULAR 230 GOVERNING STANDARDS OF PRACTICE BEFORE THE INTERNAL REVENUE SERVICE, POTENTIAL INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED BY A POTENTIAL INVESTOR, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON A POTENTIAL INVESTOR UNDER THE INTERNAL REVENUE CODE; (B) SUCH

DISCUSSION IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE NOTES OFFERED HEREBY; AND (C) POTENTIAL INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

CERTAIN "REPORTABLE TRANSACTIONS" REQUIRE THAT PARTICIPANTS AND CERTAIN OTHER PERSONS FILE DISCLOSURE STATEMENTS WITH THE IRS, AND IMPOSE SIGNIFICANT PENALTIES FOR THE FAILURE TO DO SO. AN INVESTOR (AND EACH EMPLOYEE, REPRESENTATIVE, OR OTHER AGENT OF THE INVESTOR) MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF AN INVESTMENT IN THE NOTES AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) THAT ARE PROVIDED TO THE INVESTOR RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE, EXCEPT TO THE EXTENT THAT SUCH DISCLOSURE IS RESTRICTED BY APPLICABLE SECURITIES LAWS.

THE OBLIGATIONS AND REPRESENTATIONS OF THE PARTIES TO THIS TRANSACTION WILL BE SET FORTH ONLY IN THE DOCUMENTS DESCRIBED HEREIN. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS CONCERNING THE COMPANY OTHER THAN AS CONTAINED IN THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON. THE DELIVERY OF THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM DOES NOT IMPLY THAT THE INFORMATION SET FORTH IN IT IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM HAS BEEN PREPARED SOLELY FOR THE BENEFIT OF CERTAIN INVESTORS TO WHOM IT HAS BEEN DIRECTED. A PROSPECTIVE INVESTOR, BY ACCEPTING DELIVERY OF THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM, AGREES TO

RETURN THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM AND ALL ENCLOSED DOCUMENTS TO THE COMPANY IF THE HOLDER DOES NOT UNDERTAKE TO PURCHASE ANY OF THE NOTES OFFERED HEREBY.

PRIOR TO THE SALE OF ANY NOTES OFFERED HEREBY, THE COMPANY WILL MAKE AVAILABLE TO EACH INVESTOR THE OPPORTUNITY TO ASK QUESTIONS OF AND RECEIVE ANSWERS FROM MR. CHITTICK CONCERNING THE TERMS AND CONDITIONS OF THIS OFFERING AND TO OBTAIN ADDITIONAL INFORMATION NECESSARY TO VERIFY THE ACCURACY OF THE INFORMATION CONTAINED HEREIN, TO THE EXTENT THE COMPANY OR MR. CHITTICK POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE.

ANY REPRODUCTION OR DISTRIBUTION OF THE CONFIDENTIAL PRIVATE OFFERING MEMORANDUM IN WHOLE OR IN PART, OR THE DISCLOSURE OF ANY OF ITS CONTENTS, WITHOUT THE PRIOR WRITTEN CONSENT OF MR. CHITTICK IS STRICTLY PROHIBITED.

REFERENCE IS MADE TO THE SUBSCRIPTION AGREEMENT AND SUITABILITY QUESTIONNAIRE ATTACHED HERETO FOR COMPLETE INFORMATION CONCERNING THE RIGHTS AND OBLIGATIONS OF INVESTORS WHO PURCHASE THE NOTES OFFERED HEREBY. CERTAIN PROVISIONS OF AGREEMENTS AND DOCUMENTS ARE SUMMARIZED IN THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM, AND THE SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE DETAILED INFORMATION OR AGREEMENT OR DOCUMENT APPEARING ELSEWHERE. IN CASE OF A CONFLICT BETWEEN THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM AND SUCH AGREEMENTS OR DOCUMENTS, THE AGREEMENT OR DOCUMENT, AS THE CASE MAY BE, SHALL GOVERN. REFERENCE IS MADE HEREBY TO THE COMPLETE TEXT OF ALL DOCUMENTS RELATING TO THIS PLACEMENT THAT ARE DESCRIBED HEREIN. A COPY OF ALL DOCUMENTS AND AGREEMENTS SO DESCRIBED BUT NOT INCLUDED HEREIN WILL BE MADE

AVAILABLE TO A PROSPECTIVE INVESTOR AND ITS COUNSEL, ACCOUNTANT AND ADVISER(S) UPON REQUEST.

PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM OR ANY PRIOR OR SUBSEQUENT COMMUNICATIONS FROM THE COMPANY OR MR. CHITTICK OR THEIR AFFILIATES AS LEGAL OR TAX ADVICE. EACH INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN COUNSEL, ACCOUNTANT AND OTHER ADVISERS AS TO TAX MATTERS AND RELATED MATTERS CONCERNING AN INVESTMENT IN THE COMPANY'S NOTES.

NOTWITHSTANDING ANYTHING CONTAINED IN THIS CONFIDENTIAL OFFERING MEMORANDUM TO THE CONTRARY, EXCEPT AS REASONABLY NECESSARY TO COMPLY WITH APPLICABLE SECURITIES LAWS, INVESTORS (AND EACH EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF THE INVESTORS) MAY NOT DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE U.S. FEDERAL INCOME TAX TREATMENT AND TAX STRUCTURE OF THIS OFFERING AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) THAT ARE PROVIDED TO THE INVESTORS RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE. FOR THIS PURPOSE, "TAX STRUCTURE" IS LIMITED TO FACTS RELEVANT TO THE U.S. FEDERAL INCOME TAX TREATMENT OF THIS OFFERING AND DOES NOT INCLUDE INFORMATION RELATING TO THE IDENTITY OF THE ISSUER, ITS AFFILIATES, AGENTS OR ADVISORS.

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MEMORANDUM SUMMARY

The following summary should be read in conjunction with, and is qualified in its entirety by the more detailed information appearing elsewhere in this Confidential Private Offering Memorandum.

The Company

DenSco Investment Corporation, an Arizona corporation (the "Company"), is an Arizona corporation, which has been in operation since April, 2001. In the thirteen years of operation from April, 2001 through April, 2014, the Company has engaged in [redacted] loan transactions. The Company has been and will continue to be engaged primarily in the business of making high-interest loans with defined loan-to-value ratios to residential property remodelers ("Foreclosure Specialists") who purchase houses through pre-foreclosure process and foreclosure sales, all of which are secured by real estate deeds of trust ("Trust Deeds") recorded against Arizona residential properties, but the Company will not limit its efforts to this niche. In connection with its business, the Company will seek to maintain a diversity of builders, loan size, back-office commercial properties, medical offices, strip commercial centers, high-end specialty and custom residential properties and construction locations. The Company does not intend to exceed a maximum loan size of $1,000,000.00. The Company intends to maintain a loan-to-value ratio below 70% in the aggregate for all loans in the loan portfolio.

Comment [A1]: How many loans in 13 year period. According to July 2014 POM, the Company did 2622 loans from April 2001 to June 2014.

The Company's office is currently located at 6132 W Victoria Place, Chandler, Arizona 85226. Its current telephone number is 602-469-3001.

The Offering

Securities: As of May _____, 2014, the Company has offered and secured the first $____ _____ in principal amount of Notes. Of these Notes, $_____ of principal has been prepaid. The Company is offering the balance of $_____ _____ in principal amount of Notes on a "best efforts" basis. The interest rates of the Notes will vary and will depend on the

denomination of the Note and the term selected by the investor. The Notes are offered in denominations ranging from $50,000 to $1,000,000.00, increasing in additional increments with a minimum of $10,000. The Notes are paid "interest only" during their terms, with principal payable only at maturity. Investors may elect to have interest paid monthly, quarterly or at maturity. If interest is paid other than monthly, interest will compound monthly. The Notes are not transferable without obtaining the prior written consent of the Company. The Notes are general obligations of the Company and are not directly secured by any specific asset of the Company. At any particular point in time, the assets of the Company will consist primarily of Trust Deeds in an aggregate principal amount approximately equal to the amount of the outstanding Notes. See "Use of Proceeds" and "Description of Securities."

Restricted Nature of Securities: The Notes are not registered and are restricted securities. This is a private placement intended to be exempt from the registration requirements under federal and applicable state securities laws, and may only be made personally by a principal of the Company to a qualified investor who intends to hold the investment to maturity. See "Description of Securities."

Risk Factors: An investment in the Notes involves a significant degree of risk. Only investors who can bear the economic risk of such an investment should purchase the Notes. See "Risk Factors" and "Investor Suitability."

Use of Proceeds: The proceeds of the offering will be used as working capital primarily for lending secured by, and the purchase of, Trust Deeds within the guidelines set by the Company. See "Use of Proceeds" and "Business."

Plan of Distribution: Notes may be purchased directly from the Company without commission. The Company intends to make a continuous offering of the Notes until the earlier of two years from the date of this memorandum or upon the sale of the maximum offering of $50 million; provided, however, the Company reserves the right to amend, modify or terminate this offering if the Company changes its operations or method of offering in any material respect. See "Description of Securities" and "Plan of Distribution."

BUSINESS

The Company was incorporated in Arizona on April 30, 2001 and is engaged primarily in the business of funding Foreclosure Specialists, who purchase houses through the preforeclosure process, and at foreclosure sales and through a sale of REO properties (Real Estate Owned by a financial institution after a foreclosure) or short sale transactions.

Target Markets and Potential Future Markets

The Company will target the funding and purchasing of Trust Deeds to qualified purchasers of foreclosed homes and qualified builders of Arizona commercial and residential projects. The primary focus is to lend money to qualified borrowers who can fulfill their loan obligation on highly marketable real properties with sufficient equity. When purchasing Trust Deeds, the Company intends to consider Trust Deeds that the loan–to–value ratio does not exceed 70 percent (70%) and the current yield is 18 percent (18%) or greater. Most of these purchased loans will have short-term maturities (less than one year), and under certain circumstances, Company may charge a higher interest rate or pass through additional costs incurred on short-term loans. Most Trust Deeds will range in size from $25,000 to $500,000, and the largest loan size is not intended to exceed $1,000,000. Each loan will be secured by its underlying real property (or in rare instances, separate real properties) as well as by personal property involved in the construction projects and personal guaranties (as determined on a case by case basis). The loans are written to be repaid in six months and all loans are structured to require monthly interest payments. A majority of the loans are paid back within three months; however, some loans are allowed to be extended on a case by case basis.

For lending to Foreclosure Specialists who purchase foreclosed homes prior to or at the foreclosure sale, the Company will target remodelers, contractors and other entities engaged in this niche real estate market, but the Company will not limit its efforts to this niche. The Company intends to have these Trust Deeds have loan-to-value ratios no greater than 70 percent, but with an objective goal of 50 percent to 60 percent. The Company anticipates that the minimum loan size will continue to be $25,000, and the maximum loan size will continue to be

Comment [A7]: Is this accurate?

$1,000,000. The values of these homes are determined to be based on the value to which they will appraise at or sell for on the retail market.

For lending on commercial projects, the Company will target established, reputable contractors and developers who are developing back-office commercial properties, medical and other professional offices, strip and pre-sold commercial centers, multi-unit apartment complexes, build-outs and high-end specialty projects on Arizona land they own or have rights to purchase. The Company intends to have these Trust Deeds have loan-to-value ratios, no greater than 65 percent but with an objective goal of 50 percent to 60 percent. The maximum loan size is intended to be $1,000,000, with subordinated participation from other lenders for larger projects, which will probably obligate the Company to act on behalf of the other participating lenders. The Company intends to directly (through an officer or employee) or indirectly (through a real estate consultant) perform due diligence to verify certain information in connection with funding a Trust Deed. The loan-to-value ratio is determined by calculating the reasonable market value of the property at the end of the construction project.

Comment [A1]: Is this still accurate?

For residential loans, the Company will seek reputable, licensed contractors who have pre-sold homes to build for qualified buyers. The Company also plans to finance builders' models, builders' "spec" homes and those projects that are highly marketable and have substantial builder equity Most of these borrowers may qualify for conventional bank financing but they may use the Company because of the faster financing, competitive over all costs, better service and personal relationships with Mr Chittick. The Company will not lend to natural persons for personal, family or household purposes.

The Company may elect to participate as an equity partner in some projects should the benefits warrant the risk. From time to time, a default occurs on a loan and the Company needs to conduct a Trustee's Sale or accept a Deed In Lieu of Foreclosure on the real property securing a loan. As such, if the Trustee conducting the Trustee's Sale does not receive a bid in excess of the Company's credit bid (in the amount of the loan, accrued interest and costs) at the Trustee's Sale, the Company becomes the owner of the subject real property. The Company intends to sell such properties as quickly as possible in an effort to minimize resulting costs and losses, and to maintain a diversified financing operation. However, the Company reserves the right to lease

any property obtained through a Trustee's Sale or a Deed in Lieu of Foreclosure until the Company determines that the property can be sold at a sufficient price. The Company may diversify its financing operations in the future to include other areas of finance. The Company does not anticipate entering any non-Arizona market without first attempting to contact the significant Note holders and discussing this market with them.

Comment [A9]: Is this accurate?

Cash Flow

The Company uses a proprietary cash flow-management model for balancing the terms of the Trust Deeds the Company makes to its borrowers with the terms of the Notes purchased by the Company's investors. The Company's objective is to have sufficient cash coming in from Trust Deed payoffs to be able to redeem all Notes as they come due and maintain reserves without any need to sell assets or issue new Notes to repay the earlier maturing Notes. See "Risk Factors - Proceeds From Subsequently Issued Notes May Be Used to Repay Earlier Maturing Notes."

Limited Due Diligence

To the extent Trust Deeds are purchased, Trust Deeds will be purchased through a network of consultants, mortgage brokers and title companies that the Company believes are reliable referral sources. Prior to purchasing a Trust Deed or funding a direct loan, the Company intends to have an officer, employee or an authorized representative conduct a due diligence review by interviewing its owner, verifying the documentation and performing limited credit investigations as are deemed appropriate by the Company, which may include visiting the subject property in a timely manner. For purchases of foreclosed homes, the Company intends to have an officer, employee or an authorized representative inspect the properties after purchase, before or during rehabilitation and after rehabilitation to ensure the property is improved to a marketable condition. The Company will not make residential loans to natural persons for personal, family or household purposes.

Comment [A10]: Does DimSco intend to inspect foreclosure auction homes? If so, at what stage (after purchase, during rehab, after rehab)?

Funding and Purchase of Loans

The Company reserves the right to approve or decline the funding of each direct loan or the purchase of each Trust Deed submitted for purchase. The Company intends to follow certain practices and procedures when it funds or purchases a Trust Deed, including without limitation,

Comment [A11]: Please provide a summary of the Company's procedures regarding how it funds (i.e., who the funds are issued to and in what amount), and how it perfects its liens (i.e., preparation of Trust Deed, execution of Trust Deed, and recording of Trust Deed).

Collections

The Company services the contracts it purchases and originates. If a customer misses a payment without making satisfactory arrangement prior to the due date, the Company's policy is to contact the customer within three to five days and watch the account closely until the payment or satisfactory arrangement has been made. At the discretion of the Company, the Company's normal documents provide that a late charge of ten percent of the interest amount due is to be assessed on a delinquent payment that is not cured within five days. If payment on a Trust Deed is thirty (30) days delinquent, an accelerated default rate goes into effect and foreclosure proceedings may begin under the Deed of Trust; provided, however, the Company may elect not to begin foreclosure proceedings if the property secured by the loan is under contract for sale or is in the process of being refinanced. The goal of the Company is to recover the principal of a loan and any interest and or any late fees assessed. If the borrower is unable in a timely manner to sell or refinance the subject property, the Company may request that the borrower execute a Deed in Lieu of Foreclosure (a "Deed in Lieu") to the Company so that the Company will gain immediate control of the subject property rather then going through the ninety (90) day process and expense associated with a Trustee's Sale. Upon the Company gaining control of the property through a Deed in Lieu or a Trustee's Sale, the Company will decide either to market the subject property at retail, which may require additional monies to improve the property to retail ready condition, or to wholesale the subject property "as is." The Company may also decide to rent the subject property as an investment property. If applicable, the management of the rental properties will be maintained by a professional management company chosen by the Company.

Comment [A12]: Is this still accurate?

Regulation

The financing of construction loans and other types of real estate transactions are regulated by various federal and state government agencies, including the Arizona Department of Financial Institutions. Arizona Revised Statues §§ 6-901 to 910, §§ 6-941 to 948 and 6-971 to 985, and regulations issued thereunder, have specific mortgage broker and mortgage banker licensing and operating requirements. The Company's management believes that it is not required to be licensed by the Arizona Department of Financial Institutions as a mortgage broker or a mortgage banker nor under certain federal laws, such as Truth-In-Lending Act or the Real Estate Settlement Procedures Act. The Company intends to take the necessary steps to ensure that the borrowers it lends to and the projects covered by such loans will not fall within the requirements imposed by the foregoing agency and acts.

The Company will not receive any points, commissions, bonuses, referral fees, loan origination fees or other similar fees in connection with its real estate loans. The Company will only receive periodic interest resulting from the application of the note rate of interest to the outstanding principal balance remaining unpaid from time to time. By limiting its compensation in this manner, the Company's management believes it does not need a license from the Arizona Department of Financial Institutions as either a mortgage loan broker or mortgage banker; provided, however, the Company reserves the right to work with and to pay a reasonable and customary mortgage broker fee to a licensed mortgage loan broker or mortgage banker for services in connection with its loans or to other third-party professionals in connection with due diligence for its loans.

Certain federal laws and regulations, such as the Truth-in-Lending Act, Real Estate Settlement Procedures Act and others contain specific requirements for lenders seeking to make loans to certain types of borrowers, which may or may not be secured by certain types of residential real property. Most of these statutes and regulations apply to transactions only if the loans are made to natural persons for personal, family or household purposes. The Company will not lend to natural persons for these purposes.

If new regulations are issued by the U.S. Federal Housing Administration (the "FHA") or if a more strict interpretation of the current FHA regulations is implemented in the future, such regulations could reduce the demand for the Company's loans from Foreclosure Specialists which could impair the Company's ability to keep all of the proceeds from this offering fully invested in loans with borrowers.

Other states in the Western United States have instituted additional restrictions concerning loans secured by private real estate, which are commonly referred to as "predatory mortgage lending laws." Although Arizona has not passed a similar statute, such provisions may come into effect in Arizona either through law or regulation during this offering. The Company's management believes that its practices will not need to change in order to comply with any of the current proposals if they should go into effect. However, there can be no assurance that such will be the case.

The Company's management believes that it is not required to register or be licensed as an investment adviser with the State of Arizona or with the U.S. Securities Exchange Commission ("SEC") pursuant to the Investment Advisers Act of 1940 (the "Advisers Act"), as amended. The Advisers Act and the analogous Arizona law generally require all persons that are engaged in the business of providing investment advice for compensation to register with the SEC or Arizona provided that such adviser is not exempt from registration. The Company's management believes that it is not engaged in the business of providing investment advice for compensation, and as such, is not required to register as an "investment adviser" with either the SEC and/or the State of Arizona. In addition, even if the Company were deemed to be engaged in the business of providing investment advice for compensation, the Company anticipates that it would be exempt from registration under the Adviser Act due to the "private fund adviser exemption" (*See* 17 C.F.R. § 275.203(m)-1) as the Company manages less than $150 million in assets and would likely be deemed a "qualifying private fund"[1] because it has fewer than the threshold number of clients that would trigger registration with the SEC and/or the State of Arizona.

[1] *See* Exemptions for Advisers to Venture Capital Funds, Private Fund Advisers with Less Than $150 Million in Assets Under Management, and Foreign Private Advisers, Advisers Act Rel. No. 3222, 76-80 (June 22, 2011), available at http://www.sec.gov/rules/final/2011/ia-3222.pdf (clarification provided regarding how real estate funds may meet the definition of "qualifying private fund").

Diversity of Risk

The Company will attempt to maintain a diverse portfolio of Trust Deeds and loans by seeking a large borrowing base, participating in several local markets, acquiring Trust Deeds for any lending into residential and commercial projects, establishing loan-to-value guidelines and limiting financing to short terms. Currently, the Company's base of borrowers exceed 150 approved and qualified borrowers. It is the Company's plan that the base of borrowers eventually will exceed 250 qualified contractors and foreclosure specialists. The Company will maintain loans throughout the Phoenix metropolitan area to reduce its risk to fluctuations in values and conditions in markets within the metropolitan area. The Company also believes that it can reduce risk by participation in various types of financing: Trust Deeds on foreclosed properties, residential Trust Deeds and lending from $50,000 tract homes and condominiums to $1,000,000 custom "spec" homes; and commercial investments for flex-office, back-office, medical/general office and retail. In addition, the Company intends to maintain general loan-to-value guidelines that currently range from 50 percent to 65 percent (but it is intended not to exceed 70%), to help protect the Company's portfolio of loans. Further, all loans are intended to be relatively short term.

Comment [A13]: Is this still accurate?

Comment [A14]: Is this still accurate?

Because of these varying degrees of diversification, the relatively short duration of each of the loans, and management's knowledge of the Phoenix metropolitan area market, the Company's management anticipates that it will not experience a significant amount of losses; however, there can be no assurance that the Company will not experience such losses. Mr. Chittick, individually, has made or participated in approximately 2800 loans secured by real estate over the last fourteen (14) years. As of the date of this Memorandum, Mr. Chittick and the Company have collectively experienced 44 loan defaults that required initiating a Trustee's sale process, with seven of such loans being settled prior to the Trustee Sale auction. Various borrowers have conveyed seven properties to the Company pursuant to a Deed in Lieu. To the extent the Company deems necessary, the Company intends to use the services of outside real estate lending consultants to assist in evaluating any loan or the security for the loan to reduce the risk of a loss of principal due to the default of a real estate loan by a borrower and the resulting foreclosure upon the security for the loan.

Comment [A15]: ? Do you wish to update the # of loans and the length of years? In 2011, you had 2800 over the last 14 years. In 2014, you likely have much more.

Comment [A15]: ? Do you have updated figures for the # of loan defaults requiring initiating a Trustee's sale and the # that settled prior to the auction?

The Company will make available to each prospective investor, prior to the consummation of the offering and sale of a Note to such investor and such investor's representative and advisers, the opportunity to ask questions and receive answers concerning the terms and conditions of this offering and to obtain any additional information that the Company may possess or may be able to obtain without unreasonable effort or expense, and which may be necessary to verify the accuracy of the information furnished to such prospective investor.

Executive Offices

The Company's office is currently located at 6132 W. Victoria Place, Chandler, Arizona 85226. Its current telephone number is 602-469-3001.

RISK FACTORS

An investment in the Notes offered by the Company involves a significant degree of risk. The securities offered hereby should not be purchased by anyone who cannot tolerate significant risk, including the possibility of losing their total investment in the Notes. In analyzing a possible investment in the Notes, prospective investors should consider carefully the following factors, together with the information contained elsewhere in this Memorandum.

Operating History

In the Company's thirteen year operating history through April, 2014, the Company has completed in excess of ___ loan transactions. However, even with these number of loans over thirteen years, the evaluation of prior company performance set forth in Prior Performance is limited in time. Accordingly, there can be no assurance that the Company will be able to continue to operate and achieve these results on a going-forward basis, which could limit the Company's ability to repay the Notes as planned.

Comment [A17]: How many loans has the Company completed through April, 2014? As of June 2013, the Company had completed 2822.

Competition

The Company is engaged in a highly competitive industry. The Company competes with banks, savings and loan institutions, credit unions, mortgage brokers, finance companies and other private investors that are established in the finance business. Competition in the finance business is based upon the lowest overall loan cost, which consists of interest rates, fees, closing costs, document fees, reputation, and availability of funds and the length of time it takes to approve a loan. The cost of funds to many of our competitors is typically lower than the Company's, allowing them to compete for borrowers on better terms, such as interest rates, which is a significant component of loan cost. The competition usually has lower costs on longer-term loans. The Company's higher cost of capital and lending rates may result, in part, in the Company acquiring Trust Deeds and lending to borrowers who are unable to obtain financing from these larger competitors. In some cases, these types of borrowers have weaker credit worthiness than other borrowers, which could expose the Company to a greater risk of

nonpayment of its loans by borrowers. See "Business-Target Markets and Potential Future Markets."

Ability to Generate Sufficient Cash Flow to Service the Outstanding Notes

The Company's ability to generate cash in amounts sufficient to pay interest on the Notes and to repay or otherwise refinance the Notes as they mature depends upon the Company's receipt of payments due under the loans that are in the Company's portfolio. The Company's financial performance and cash flow depends upon prevailing economic conditions and certain financial, business and other factors that are beyond the Company's control. These factors include, among others, economic and competitive conditions, particularly in areas in which the borrowers operate their businesses, and general economic conditions that affect the financial strength of developers and real estate investors in the areas that the Company intends to make investments. In recent years the decline of real estate values has been the largest challenge facing the real estate finance industry. This development is something new to the industry that typically sees a slow rising in values of properties or at least a stability of prices. The dramatic and prolonged decrease in values has forced the Company to change how it operates, which is requiring monthly interest payments under its loans rather then allowing the interest to compound. The Company has also shortened the maturity of loans to borrowers in some cases and is only extending the loans to a few borrowers under strict conditions. Accordingly, an investment in the Notes offered hereby involves substantial risk and Notes should not be purchased by anyone who cannot tolerate substantial risk, including the possibility of losing their total investment in the Notes. There can be no assurance that the Company will be able to continue to operate and repay the Notes as planned.

Decrease in Value of Collateral for the Loans in Company's Portfolio

The Company is responsible for collecting payments from loan obligors and for foreclosing under an applicable Trust Deed in the event of default by an obligor. If the Company is forced to conduct a Trustee's Sale to obtain ownership and possession of a property securing a loan, the value of the property may have decreased between the time that the outstanding loan

was initially made to the time of repossession pursuant to a Deed in Lieu or a Trustee's Sale. Consequently, the Company's sale of such property may result in a loss as a result of the amount owed to the Company being in excess of the value received by the Company pursuant to a subsequent sale of the property. Accordingly, an investment in the Notes offered hereby involves substantial risk and Notes should not be purchased by anyone who cannot tolerate substantial risk, including the possibility of losing their total investment in the Notes. There can be no assurance that the Company will be able to continue to operate and repay the Notes as planned.

Expansion of Real Estate Loan Base

After giving effect to this offering and the application of the net proceeds, the Company will have significant outstanding indebtedness. The Company's ability to make scheduled principal and interest payments on the Notes will depend upon the Company's ability to generate adequate revenues from its real estate lending operations. The Company has historically received approximately 18% effective interest on its real estate loans but minimal interest on its cash accounts at its bank. Therefore, in order to pay the principal and interest due on the Notes, the Company will need to loan a significant amount of its capital to its real estate loan borrowers and reloan any repayment proceeds in a timely manner. As the Company receives the proceeds from this offering, the Company intends to expand its real estate loan base in order to keep its capital loaned to its real estate loan borrowers as opposed to being in its cash accounts at the bank. If the Company cannot continue to expand its real estate loan base, it may not generate enough revenues to service its debt obligations, including the Notes. Accordingly, the Company will continue to rely upon repeat borrowers, word of mouth referrals and the referral network of outside mortgage brokers and consultants that Mr. Chittick has developed. See "Business-Target Markets and Potential Future Markets."

Comment [A18]: Is that correct?

Demand for Real Estate Loans

The Company's success depends, in part, upon its ability to continue to develop and achieve growth in its real estate lending operations and to manage this growth effectively. In

formulating and implementing its business plan, the Company relied on the judgment of its officer and consultants, and on their research and collective experience to determine customers, marketing strategy and procedure. The Company has not planned, conducted or contracted for any independent market studies concerning the anticipated demand for the Company's real estate lending services. Although the Company has reviewed general reports concerning the number of houses being built, houses for sale, jobs created and people relocating to Metropolitan Phoenix, the Company has not reviewed any specific analysis concerning the demand for its niche in real estate lending. Although Mr. Chittick and the Company have developed a network of qualified borrowers and referral sources of current borrowers and escrow officers, there can be no assurance that there will continue to be sufficient demand for loans by qualified borrowers. To the extent that there is insufficient demand for loans by qualified borrowers, this could have an adverse effect on the anticipated demand for the Company's real estate lending services and limit the Company in its efforts to generate sufficient revenues to make scheduled interest and principal payments on the Notes needed for growth. See "Business-Target Markets and Potential Future Markets."

Management of Rapid Growth

The Company's success depends, to a large extent, on its ability to achieve growth in the number of loan applications and closings, the due diligence and servicing of these loans and the ability to manage this growth effectively. This growth will challenge the Company's management, resources and systems. As part of its business strategy, the Company intends to pursue continued growth through its business contacts, marketing capabilities and marketing alliances. As the Company continues to grow, the Company will need to expand its resources and systems to manage future growth, but there can be no assurance that the Company will continue to be able to grow in the future or to even manage this growth effectively. Failure to do so could materially and adversely affect the Company's business and financial performance. See "Business," and "Management."

No Sinking Fund Provision; No Separate Loan Loss Reserve; Lack of Governmental Insurance

The Notes represent general obligations of the Company and will not be subject to redemption through a sinking fund. Although the Company does not currently maintain a loan loss reserve fund, the Company's Management tries to maintain an allowance for losses as part of the Company's general assets at a level that Management believes is adequate to absorb any anticipated losses. At this time, the Company reserves the right to maintain such reserve in the Company's discretion, but the Company has no plans to currently implement a separate loan loss reserve fund. As a result, the risk of loss on the Notes is greater than would be the case if the Notes were backed by a sinking fund or if the Company funded and maintained a separate loan loss reserve fund. Repayment of the Notes by the Company is not secured by any property owned by the Company or any third party. There will be no limitation on the amount of future indebtedness that the Company may issue, create or incur, and the Company will not be prohibited from permitting liens to be placed on or creating senior liens on its property for any purpose, including for the purpose of securing payments or additional indebtedness. Furthermore, neither the Federal Deposit Insurance Corporation nor any other state or federal government agency insures the Notes. See "Description of Securities."

Terms of Notes

The Company expects to redeem the Notes as they mature, including the initial principal balance of each Note and all accrued and unpaid interest. However, the Company has the right to redeem the Notes at any time prior to maturity upon 30 days' written notice to the Noteholder. In the case of early redemption, the Company has the absolute discretion to select the Notes that it will redeem, and there is no requirement that Notes be redeemed from Noteholders on a pro rata or any other basis. Notes redeemed prior to maturity would prevent Noteholders of the Notes called for redemption from receiving the anticipated return on such Notes. See "Description of Securities."

Proceeds From Subsequently Issued Notes May Be Used to Repay Earlier Maturing Notes

The Company may be dependent upon the proceeds of subsequently issued Notes to repay earlier maturing Notes. If sufficient proceeds from such subsequently issued Notes are not raised, the Company would rely on its cash reserves, its operating capital and proceeds from the sale of Trust Deeds to repay the earlier maturing Notes. Such funds may be insufficient to repay the earlier maturing Notes, in which event the Company may be unable to repay such Notes or the subsequently issued Notes. The ability of a Noteholder to obtain payment of principal and interest on a Note in these circumstances could be limited to the extremely unlikely event that the Noteholder gains control over and sell assets of the Company. See "Use of Proceeds" and "Description of Securities."

Variable Rates and Maturities of Notes

Each Note bears a fixed rate of interest from the date of its issuance until maturity or early redemption. However, Notes issued subsequent to those purchased by an investor may be issued at higher or lower interest rates and shorter or longer maturities, depending upon market conditions and other factors. Notes outstanding at any given time will not be modified to reflect the terms and conditions of such subsequently issued Notes. Therefore, any particular investor risks investing in the Notes on terms less favorable than may be available at later dates to future investors. See "Description of Securities."

Management anticipates that the interest rate on each Note will be determined and agreed upon on the date of issuance, in significant part, by the demand for funds and the competitive environment in the foreseeable future by the Company. Since the interest rate the Company may charge for its loans to its customers is limited by competitive and other factors, the Company may not be able to increase the interest rates charged on its loans to compensate for increases in its funding rate to investors. Similarly, the Company may not be able to decrease the funding rate to its investors to compensate for decreases in the interest rates charged on its loans to its customers. Also, market forces could eliminate the interest rate difference between the interest

rate paid to Investors and the interest rate charged to the Company's customers. See "Description of Securities."

Value of Company's Assets

The Notes, together with all other outstanding Notes and all other advances or liabilities owed by the Company to any holder of an outstanding Note, will be unsecured as to any and all assets owned by or later acquired by the Company (the "Company's Assets"). There can be no assurance that the proceeds of any sale of the Company's Assets pursuant to and following an Event of Default (as defined in "Description of Securities") would be sufficient to repay the Notes. In addition, investors in the Notes will have no ability to cause a sale of Company Assets. See "Use of Proceeds," "Business" and "Description of Securities."

Collections and Foreclosures

The Company is responsible for collecting payments from loan obligors and for foreclosing under the applicable Trust Deed in the event of default by an obligor. If the Company must complete a project repossessed by it, the Company may have to inject additional capital, which it may not be able to fully recover. Further, the completion time may be in excess of one year, causing a severe strain on the cash flow of the Company, depending upon the project size. The Company also is subject to strict state law requirements in the collection and repossession of its collateral securing each loan. Although the Company will make every effort to comply with all applicable laws, any failure to comply may subject the Company to severe monetary damages or penalties and may result in administrative or judicial action against the Company. See "Business-Regulation."

No Assurance of Conventional Financing for the Company's Operations

In addition to Note proceeds, the Company may establish lines of credit or obtain various forms of financing from a financial institution or any other person or entity. The Company's

management believes that during the past few years, conventional financing for speculative business enterprises, such as the Company's lending operations, has become more difficult to obtain. If regular, continued sale of the Notes is not successful, and the Company is not able to obtain sufficient financing from other sources, the Company may be forced to sell Trust Deeds and/or loans in its portfolio to pay maturing Notes as they come due. Mr. Chittick has provided liquidity to the Company through an equity line of credit in the past and he intends to do so in the future. When Mr. Chittick advances funds to the Company from this equity line of credit, Mr. Chittick draws an interest rate of 12% per annum from the Company. Funds advanced in this manner are generally only short term (3-5 days). If the Company were to require additional conventional financing, the lender will probably secure its loan through Mr. Chittick to the Company by requiring a lien on the Company's Assets, including the Trust Deeds. The lender's lien would have priority to any claims of any of the investors in the Notes, which puts these investors at risk. There can be no assurance the Company would be able to receive sufficient proceeds from the sale of the loans or Trust Deeds to repay any additional financing, if applicable, and to repay all of the outstanding Notes. See "Use of Proceeds," "Business" and "Description of Securities."

Comment [A19]: Is this still accurate?

Regulation

Because it will not make loans for personal, family or household purposes, the Company believes it has structured its operations to be exempt from various federal and state regulations, and particularly from regulations affecting lending and financial institutions. If it is determined that the Company has not structured its operations so that it is exempt from regulation, the Company could become subject to extensive regulation, including the Truth in Lending Act, the Homeownership and Equity Protection Act of 1994, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Real Estate Settlement Procedures Act and the Home Mortgage Disclosure Act, as well as various state laws and regulations. Failure to comply with any of these requirements or any similar state law requirement, may result in, among other results, demands for indemnification or repurchase, rescission rights, lawsuits, administrative enforcement actions and civil and criminal liability. In addition, there can be no assurance that existing regulations will not be revised to govern the activities of the Company as currently

structured. Compliance with existing or future regulation could be costly and could materially and adversely affect the operations of the Company. See "Business – Regulation," including the predatory mortgage lending discussion contained therein.

FHA Regulations

If new regulations are issued by the Federal Housing Administration or if a more strict interpretation of any of its regulations is implemented in the future, such regulations could reduce the demand for the Company's loans from prospective borrowers, which could impair the Company's ability to keep all of the proceeds from this offering fully invested. See "Business – Regulation."

No Assurance of Successful Placement of the Notes

The Notes are being privately placed by the Company to qualified investors who intend to hold them for their own account until maturity. There is no underwriter, and there is no assurance that the Company will be successful in the continued placement of the Notes in a manner sufficient to satisfy its cash flow requirements to continue funding loans to its borrowers. See "Use of Proceeds" and "Business."

Absence of Public Market/ Non-Transferability of Notes

The Notes have not been registered under the Act or any state securities law and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Act and applicable state securities laws. The Company does not intend to register the Notes under the Act or any state securities law In addition, the Notes are non-transferable without the prior written consent of the Company, which consent may be withheld in the Company's sole discretion Accordingly, there is no public or private trading market for the Notes, and it is highly unlikely that a trading market

will develop. The Company has no obligation to make any effort to cause a trading market to develop and does not intend to take any actions to cause a trading market to develop. Accordingly, and because the restricted nature of the security prohibits the purchase of the Notes for any purpose other than holding to maturity, an investor in the Notes must anticipate holding the Notes to maturity See "Description of Securities."

Impact of Change in Economic Conditions

An unforeseen change of general economic conditions, and particularly in Arizona and the southwestern United States, may adversely impact the Company's business and its ability to generate sufficient operating income to satisfy its debt obligations, including its obligations under the Notes as they become due. The Company maintains the right to adjust the interest paid in subsequently offered Notes and, on the Notes offered hereby, with a 30 days' Interest Adjustment Notice. For Notes offered by this Confidential Private Offering Memorandum, the interest paid for the Note will automatically adjust to the amount stated in the Interest Adjustment Notice unless within the 30 day notice period the Noteholder provides a written request to the Company for the Note to be prepaid. If the Noteholder provides such notice within the 30 day notice period, the interest paid on the Note will be unchanged until such time as the Company prepays the Note. In the past, Arizona's real estate market has been cyclical and has experienced severe fluctuations. Investors should anticipate that these real estate markets might experience cyclical fluctuations in the future. The Company would adjust its operations in response to changing conditions, but there can be no assurance that the Company will be able to operate as planned during periods of such fluctuation or adjust its operations to avoid the impact of such changed conditions. See "Business-Target Markets and Potential Future Markets."

Comment [A20]: "Can we adjust the interest of the Note?"

Comment [A21]: Note that giving the Noteholder an option when there is an Interest Adjustment Notice makes the unilateral interest adjustment more enforceable. Also, because it may not always be feasible to prepay a Note when a Noteholder objects to an interest adjustment, we did not obligate the Company to prepay the Note within a certain time frame. By leaving the interest rate unchanged when there is an objection (demonstrated by requesting prepayment), there is technically no penalty to the Noteholder for making an objection. In reality, the motivation to accept an interest adjustment will not be to avoid a penalty but to avoid an early prepayment that would end the investment opportunity. A court is much more likely to enforce this scenario than a penalty for not accepting a unilateral interest adjustment.

Dependence on Key Personnel

The Company is dependent on the continued services of Mr Chittick. The Company's ability to continue its lending operations would be significantly and adversely affected by the loss of Mr. Chittick if a qualified replacement could not be found without undue delay.

Although Mr. Chittick occasionally uses the services of outside consultants who have assisted Mr. Chittick in limited absences, it is unlikely that an outside consultant would be able to perform Mr. Chittick's duties as successfully as Mr Chittick has done. If Mr. Chittick is disabled or unavailable for a long period of time, Mr Chittick has developed a contingency plan for a consultant to wind down the Company's business, but there can be no assurance that such plan will be successful. See "Management-Contingency Plan in the Event of the Death or Disability of Mr. Chittick."

Management's Outside Interests and Conflicts of Interest

Mr. Chittick may maintain some activity in personal investments outside of the Company and he may manage similar types of outside portfolios as those maintained by the Company. Some of the Company's outside consultants who occasionally assist Mr. Chittick also make investments in loans secured by deeds of trust. In addition, Mr. Chittick invests in similar instruments on his own behalf. Since the Company plans to invest in portfolios similar to those of some of its consultants and Mr. Chittick, and because of the past (and limited present) consulting relationships between and among Mr. Chittick and some consultants, conflicts of interest exist and will continue to exist between the Company and the outside interests of Mr. Chittick and some consultants. See "Management."

No Protections From Investment Company Act Registration

The Company is not registered, and does not intend to register, under the Investment Company Act of 1940 in reliance upon an exclusion from the definition of an investment company provided in Section 3(c)(5) thereof. As a result, the operation and conduct of the Company's business will be subject to substantially less federal and state regulation and supervision than a registered investment company. If the Company was subject to the Investment Company Act of 1940, the Company would be required to comply with significant, ongoing regulation which would have an adverse impact on its operations. This could occur if a significant proportion of the proceeds from the sale of the Notes were invested in short-term debt

instruments for longer than a one-year period. The Company intends to take all reasonable steps to avoid such classification. See "Business."

No Protections From Investment Advisers Act of 1940 or Analogous Arizona Law

The Company is not registered or licensed, and does not intend to register or become licensed as an investment adviser with the State of Arizona or with the SEC pursuant to the Investment Advisers Act of 1940 because the Company's management believes that the Company is not engaged in the business of providing investment advice for compensation. Accordingly, the operation and conduct of the Company's business will be subject to less federal and state regulation and supervision than a registered investment adviser. If the Company was subject to the Investment Advisers Act of 1940 or the analogous Arizona law, the Company would be required to comply with significant, ongoing regulation which could cause the Company to incur additional costs, adversely impacting its operations. This could occur if the Company were deemed to be engaged in the business of providing investment advice for compensation and the Company cannot avail itself of the private investment adviser exemption under Arizona law or the forthcoming exemptions under the Rules to be promulgated by the SEC pursuant to the Dodd-Frank Act. The Company intends to take all reasonable steps to avoid such classification. See "Business."

Control by and Benefits to Insiders

Noteholders will not be able to influence the management of the Company because Mr Chittick owns all of the outstanding shares of common stock of the Company. See "Management" and "Principal Shareholder."

Difficulties and Costs of Continuous Offering

Until the *maximum* offering *proceeds* are *attained* or the Company terminates this offering, the Company expects to offer the Notes for placement on a continuing basis for two years from the date of this Memorandum unless the Company changes its operations or method of offering in any material respect prior to the expiration of the two year offering period. See "Plan of Distribution." In order to continue offering the Notes during this period, the Company will need to update this Memorandum from time to time. Keeping the information in the Memorandum current will cause the Company to incur additional costs. A failure to update this Memorandum as required could result in the Company being subject to a claim under Section 10b-5 of the Securities Act for employing a manipulative or deceptive device in the sale of securities, subjecting the Company, and possibly the management of the Company, to claims from regulators and investors. In addition, an investor might seek to have the sale of the Notes hereunder rescinded which would have a serious adverse effect on the Company's operations.

Comment [A22]: 2 year?.

Certain Charter Provisions

Arizona law provides that Arizona corporations may include provisions in their articles of incorporation or bylaws relieving directors and officers of monetary liability for breach of their fiduciary duty as director or officers, respectively, except for the liability of a director or officer resulting from: (i) any transaction from which the director derives an improper personal benefit; (ii) acts or omissions involving intentional misconduct or the absence of good faith; (iii) acts or omissions showing reckless disregard for the director's or officer's duty; or (iv) the making of an illegal distribution to shareholders or an illegal loan or guaranty.

The Company's Articles of Incorporation provide that the Company's directors are not liable to the Company or its shareholders for monetary damages for the breach of their fiduciary duties to the fullest extent permitted by Arizona law. The Company's Bylaws provide that the Company may indemnify its directors and officers as to those liabilities and on terms and conditions permitted by Arizona law including the payment of expenses incurred by a director or

officer in advance of final disposition of the proceeding following the furnishing of certain written representations.

Notes Are Unsecured General Obligations

The Notes are unsecured obligations of the Company, and Noteholders will be general unsecured creditors of the Company. The Notes do not limit the Company's ability to obtain additional capital from other sources and do not limit the Company's ability to grant such other financing sources liens or other security interests in the Company's Assets and other property If a bankruptcy proceeding is commenced by or against the Company, creditors of the Company who were granted a security interest in the Company's property will be entitled to repayment prior to any general unsecured creditors of the Company, including the Noteholders. The Company may also incur additional unsecured obligations, which could reduce the funds available for repayment of the Notes in a bankruptcy or other liquidation scenario. Title 11 of the United States Code (the Bankruptcy code") also specifies that certain other creditors be entitled to repayment prior to general unsecured creditors. There can be no assurance that the Noteholders will receive any payments in respect of the Notes if the indebtedness of any secured creditors of the Company exceeds the value of such secured creditors' collateral.

Changes in Investment and Financing Polices Without Noteholder Approval

The major business decisions and policies of the Company, including its investment and lending policies and other policies with respect to growth, operations, debt and distributions, will be determined by the Company's management. The Company's management will be able to amend or revise these and other policies, or approve transactions that deviate from these policies, from time to time without a vote of the Noteholders. Accordingly, the Noteholders will have no control over changes in strategies and policies of the Company, and such changes may not serve the interests of all the Noteholders and could materially and adversely affect the Company's financial condition or results of operations.

Issuance of Additional Debt and Equity Securities

The Company will have authority to offer additional debt and equity securities for cash, in exchange for property, services or otherwise. The Noteholders will have no preemptive right to acquire any such securities. Further, the Company is not subject to any agreement that limits or restricts the amount or the terms of additional debt that the Company may incur in the future. To the extent that the Company incurs debt and grants its creditors security interests in or other liens upon the Company's Assets or other collateral, those other creditors would enjoy priority in right of payment compared to the Noteholders, up to the value realizable from such collateral.

Concentration of Loans in Arizona

The Company's portfolio of loans is concentrated in Arizona. Consequently, the Company's operations and financial condition are dependent upon general trends in the Arizona market in which such concentration exists and, more specifically, its respective real estate market. A decline in a market in which the Company has a concentration may adversely affect the values of properties securing the Company's loans, such that the principal balance of such loans may equal or exceed the value of the underlying properties, making the Company's ability to recover losses in the event of a borrower's default unlikely. In addition, uninsured disasters such as floods, terrorism, and acts of war may adversely impact the borrowers' ability to repay loans, which could have a material adverse effect on the Company's results of operations and financial condition.

Possible Inadequacy of Allowances for Loan Losses

The Company's allowance for losses related to the loans is maintained at a level considered adequate by management to absorb anticipated losses, based upon historical experience and upon management's assessment of the collectibility of loans in the Company's portfolio from time to time. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates that may be beyond the

Company's control and such losses may exceed current estimates. Although management believes that the Company's allowance for losses related to the loans is adequate to absorb any losses on existing loans that may become uncollectible, there can be no assurance that the allowance will prove sufficient to cover actual losses related to the loans in the future.

Comment [A23]: Is this still accurate?

Broad Management Discretion as to Use of Proceeds

The net proceeds to be received by the Company in connection with this offering will be used for working capital and general corporate purposes, including the funding of loans. Accordingly, management will have broad discretion with respect to the expenditure of such proceeds. Purchasers of the Notes will be entrusting their funds to the Company's management, upon whose judgment they must depend, with limited information concerning the specific working capital requirements and general corporate purposes to which the funds will ultimately be applied. See "Use of Proceeds."

Company Is Exposed to Risks of Being a Lender

The current economic downturn could severely disrupt the market for real estate loans and adversely affect the value of any outstanding real estate loans made by the Company, and in turn the Notes. Non-performing real estate loans may require substantial negotiations by the Company with the borrower in order for the Company to ultimately obtain the underlying property used as collateral for the loan. The Company may incur additional expenses to the extent it is required to negotiate with the borrower in order to obtain the underlying property. In the event the Company is unable to obtain the underlying property, because of the unique and customized nature of a real estate loan, certain real estate loans may not be sold easily. One or more non-performing real estate loans secured by property that the Company is unable to obtain could have a negative affect on the performance of the Company and the return on your investment.

Governmental Action May Reduce Recoveries on Non-Performing Real Estate Loans

In the event the Company decides to foreclose on a real estate loan, legislative or regulatory initiatives by federal, state or local legislative bodies or administrative agencies, if enacted or adopted, could delay foreclosure, provide new defenses to foreclosure or otherwise impair the ability of the Company to foreclose on a real estate loan in default. Various jurisdictions have considered or are currently considering such actions, and the nature or extent of the limitation on foreclosure that may be enacted cannot be predicted. Bankruptcy courts could, if this legislation is enacted, reduce the amount of the principal balance on a real estate loan, reduce the interest rate, extend the term to maturity or otherwise modify the terms of a bankrupt borrower's real estate loan.

Property Owners Filing for Bankruptcy May Adversely Affect the Company and the Notes

The filing of a petition in bankruptcy automatically stops or "stays" any actions to enforce the terms of a real estate loan. Further, the bankruptcy court may take other actions that prevent the Company from foreclosing on the underlying property. A court may require modifications of the terms of a real estate loan, including reducing the amount of each monthly payment, changing the rate of interest and altering the payment schedule, thus allowing the borrower to keep the underlying property and thus preventing foreclosure by the Company and/or making the sale of the real estate less profitable. A court may also permit a borrower to cure a monetary default relating to a real estate loan by paying arrearages within a reasonable period and reinstating the original real estate loan payment schedule, even if a final judgment of foreclosure has been entered in a state court. Any bankruptcy proceeding will, at a minimum, delay the Company in achieving its investment objectives and may adversely affect the Company's profitability.

Violation of Various Federal, State and Local Laws May Result in Losses

Violations of certain federal, state or local laws and regulations relating to the protection of consumers, unfair and deceptive practices and debt collection practices may subject the

Company to damages and administrative enforcement. In the event that a real estate loan issued by the Company was not originated in compliance with applicable federal, state and local law, the Company may be subject to monetary penalties and could result in the borrowers rescinding the affected real estate loan. As a result, the Company may not be able to achieve its financial projections with respect to the particular underlying property.

Delays in Liquidation Due to State and Local Laws

Property foreclosure actions are regulated by state and local statutes and rules and are subject to many of the delays and expenses of other lawsuits, sometimes requiring several years to complete. As a result, if the Company is not able to obtain the property voluntarily from the borrower, the Company may not be able to quickly foreclose on and subsequently sell a property securing a real estate loan.

An Investment in the Notes May Not Be Consistent With Section 404 of ERISA

Persons acting as fiduciaries on behalf of a qualified profit sharing, pension or other retirement trusts subject to the Employee Retirement Income Security Act of 1974 ("ERISA") should satisfy themselves that an investment in the Notes is consistent with Section 404 of ERISA and that the investment is prudent, taking into consideration cash flow and other objectives of the investor.

There Can Be no Assurance of Confidentiality

As part of the subscription process, investors will provide significant amounts of information about themselves to the Company. Pursuant to applicable laws, such information may be made available to third parties that have dealings with the Company, and governmental authorities (including by means of securities law-required information statements that are open to public inspection). Investors that are highly sensitive to such issues should consider taking steps

to mitigate the impact upon them of such disclosures (such as by investing in the Notes through an intermediary entity).

Legal Counsel to the Company and Its President Does Not Represent the Noteholders

Each investor must acknowledge and agree in the Subscription Agreement that legal counsel representing the Company and its President does not represent, and shall not be deemed under the applicable codes of professional responsibility, to have represented or to be representing, any or all of the investors.

Legal Counsel to the Company Will Represent the Interests Solely of the Company and Its President

Documents relating to the purchase of Notes, including the Subscription Agreement to be completed by each investor, will be detailed and often technical in nature. Legal counsel to the Company will represent the interests solely of the Company and its President, and will not represent the interests of any investor Accordingly, each prospective investor is urged to consult with its own legal counsel before investing in the Company and the purchase of the Notes. Finally, in advising as to matters of law (including matters of law described in this Memorandum), legal counsel has relied, and will rely, upon representations of fact made by the Company's President. Such advice may be materially inaccurate or incomplete if any such representations are themselves inaccurate or incomplete, and legal counsel generally will not undertake independent investigation with regard to such representations.

Federal Income Tax Risks

The discussion entitled "Certain United States Federal Income Tax Considerations" includes a discussion of certain U.S. income tax risks involved in an investment in the Notes. The section does not discuss all aspects of U.S. federal income taxation that may be relevant to any particular investor and cannot address any investor's specific investment circumstances. In

addition, the section does not include a discussion of state, local or foreign tax laws. Each investor should consult its own tax advisor with respect to these and other tax consequences of an investment in the Notes.

FORWARD-LOOKING STATEMENTS

This Confidential Private Offering Memorandum, including information incorporated by reference in this Memorandum, contains forward-looking statements regarding the Company's plans, expectations, estimates and beliefs. Actual results could differ materially from those discussed in, or implied by, these forward-looking statements. When used in this Memorandum, the words "anticipate," "intend," "believe," "estimate," and other similar expressions generally identify forward-looking statements, which are found throughout this Memorandum whenever statements are made that are not historical facts. Accordingly, such forward-looking statements might not accurately predict future events or the actual performance of an investment in the Notes. In addition, you must disregard any projections and representations, written or oral, which do not conform to those contained in this Confidential Private Offering Memorandum.

USE OF PROCEEDS

The Company intends to use the net proceeds received from the sale of the Notes, primarily for operating capital, to purchase and fund Trust Deeds and to acquire interests in properties or notes, which the Company's management anticipates to be able to resell or collect as applicable. The proceeds from the sale of Notes may be used to repay earlier maturing Notes, provided, however, the Company will limit the amount of money that may be raised for this purpose so that the Company will not become subject to the Investment Company Act of 1940. See "Risk Factors – Proceeds From Subsequently Issued Notes May Be Used to Repay Earlier Maturing Notes."

The Company may use proceeds from this private placement for general business purposes, including rent, advertising, labor and administrative expenses, if needed, investment, expansion or the purchase of capital assets and to fund loans to borrowers and purchase Trust Deeds. However, the Company expects that no more than 05 percent of the proceeds of the offering will be allocated to general business purposes. The Company is not required to maintain reserves or to deposit any of the proceeds of the offering, into a reserve account, for the purpose of providing liquidity to service interest payments on, and redemption of, the Notes as they mature. The Company does not intend to maintain reserves from the proceeds of the offering in a cash reserve account. The remaining proceeds, net of cash reserves, if any, should be available to fund and purchase Trust Deeds. The Company is not required or obligated to give Noteholders notice of any changes in the Company's intended use of proceeds of the offering. See "Business."

Comment [A24]: Is this still accurate?

The following table sets forth the Company's best estimates of the use of the minimum and maximum target gross proceeds from the sale of the Notes.

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

Comment [A25]: Are these numbers still accurate?

(1) The Company does not anticipate paying costs and commissions in excess of the costs associated with this offering. The Notes may be purchased directly from the Company without commission. Notes maturing more than two years also may be purchased by investors using qualified funds (i.e., IRA, SEP IRA, ROTH IRA and Keogh Plans), through a licensed broker-dealer and with an approved custodian; provided, that such investments meet the investor suitability requirement.

(2) Company intends (but is not required) to maintain cash reserves (or access to other funds) approximately equal to a minimum of one percent of the aggregate balance of Notes outstanding in its general accounts to provide funds to service interest payments and to facilitate redemption of the Notes. This amount will be calculated using a proprietary cash-flow management model. Interest accruing in the general accounts will belong to the Company.

Comment [A26]: Is this still accurate? If so, then why does the above table state -0- for Cash Reserves?

(3) Company anticipates that its current facilities are adequate to fund real estate loans and to service the volume of contracts that would be purchased at the minimum level of proceeds. If its business is significantly increased, the Company may invest in additional personnel, computer equipment and facilities capable of processing increased data. General business expenses may also include the offering expenses.

(4) This use of the proceeds is only an estimate and the Company reserves the right to allocate the proceeds in a different manner consistent with the Confidential Private Offering Memorandum.

PRIOR PERFORMANCE

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

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

Comment [A27]: Are these details still accurate? Any updated figures?

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

Comment [A28]: Is this still accurate?

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

Comment [A29]: Is this still accurate? If not, what % of the portfolio is from Scott's entities?

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

Comment [A30]: Are these details still accurate?

Year	Loans Funded	Loan Value	Value of Loans	Loans Repaid	Loans Repaid Value	Value of Homes Repaid
2001	37	$3,378,000.00	$6,393,000.00	15	$1,452,000.00	$2,451,000.00
2002	69	$5,685,000.00	$878,000.00	65	$5,267,000.00	$9,076,300.00
2003	324	$11,673,000.00	$1,753,500.00	106	$963,500.00	$19,488,500.00
2004	185	$19,907,000.00	$30,422,600.00	170	$17,951,700.00	$26,939,500.00
2005	236	$38,955,700.00	$56,487,300.00	232	$31,001,940.00	$45,111,500.00
2006	215	$34,468,100.00	$52,784,000.00	212	$35,301,250.00	$53,057,200.00
2007	272	$42,579,634.00	$65,931,500.00	257	$41,424,815.00	$66,352,800.00
2008	304	$38,864,660.00	$63,671,300.00	257	$34,578,755.00	$56,369,400.00
2009	412	$41,419,707.00	$72,078,620.00	349	$39,416,824.00	$67,713,100.00
2010	390	$37,973,097.00	$63,771,350.00	355	$37,175,201.00	$61,666,170.00
*2011	378	$36,187,995.00	$62,220,600.00	300	$29,683,992.00	$51,004,900.00
		$306,786,893.00	$470,411,170.00		$274,216,977.00	$493,340,370.00
	2622			2319		

*Through June 30, 2011

Comment [A31]: We need final 2011 figures, together with missing 2012, 2013, and current 2014 figures.

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

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

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

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

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

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

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

In 2011, three homes were sold for a loss. The losses were absorbed by the Company. There were three homes that were sold for a gain and all interest was paid in full. One loan was foreclosed on, sold at the auction, all principle, interest, late fees and foreclosure fees associated with the sale were collected.

In 2012, _____.

In 2013, _____.

In 2014, _____ ____houses are presently in escrow, which will close in ____, to which a gain will be made.

Comment [A32]: How many homes owned by the Company are currently in escrow? Are losses or gains expected?

The Company presently has three condominiums, 12 houses and a 12-plex that are all being rented. A professional management company has been retained to manage these properties. All of these properties are listed to be sold. The rent received is at or slight negative to the cost of

Comment [A33]: Does the Company currently have any rentals? If so, how many are there and what type of properties are they?

capital for the Company. It was Management's decision to retain these properties rather than sell them and take a loss. Now that the market has shown some signs of strengthening, it is believed that these properties can be sold for minimal loss to the Company.

Comment [A34]: What is the current situation? Is a professional management company used? Are the rentals listed to be sold? Etc.

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

Comment [A35]: Current situation?

In April 2014, the Company agreed to a forbearance agreement (the "Work-Out") with two Foreclosure Specialists (the "Forbearance Debtors") regarding the terms of certain loans (collectively, the "Work-Out Loans"), which in aggregate totaled $_____ in outstanding loans to the Foreclosure Debtors. At the time of the Work-Out, $_____ in interest from the Work-Out Loans was due but unpaid. The Company and the Foreclosure Debtors agreed that the Work-Out Loans were in default under their terms as the properties that were used to secure the Work-Out Loans (each a "Forbearance Property," collectively, the "Forbearance Properties") were also used to secure approximately $_____ in loans from third parties (each an "Outside Loan," and collectively, the "Outside Loans"). According to the Foreclosure Debtors, an agent of the Foreclosure Debtors had secured the Outside Loans without the Foreclosure Debtors' knowledge. In the opinion of the Company, the liens for both the Work-Out Loans and the Outside Loans resulted in many of the Forbearance Properties having an aggregate loan-to-value ratio in excess of 100%. The Company also opined that if it foreclosed on the Forbearance Properties, a dispute would arise between the Company and the lenders of the Outside Loans regarding which lender had the first lien position over the Forbearance Properties. To mitigate its risks regarding the Outside Loans, the Company initially loaned the Forbearance Debtors approximately $5 million (the "Initial Loan") to satisfy and secure a release of the liens for some of the Outside Loans. In the Company's opinion, there still remained a risk of a dispute regarding the liens for the remaining Outside Loans. In light of these facts, the Company believed that the Work-Out provided the most feasible alternative to reach a satisfaction of the Work-Out Loans. Amongst other things, the terms of the Work-Out requires the Foreclosure Debtors to: (a) liquidate assets (expected to generate approximately $4 to $5 million); (b) apply all of its net proceeds from its operations (*i.e.*, the rental and disposition of real estate) to resolve

Comment [A36]: ? Is this accurate? Does co. loan'd appx $5 million prior to executing the Forbearance Agreement?

the lien disputes regarding the Forbearance Properties; (c) arrange for $5.2 million in private outside financing; (d) agree to keep the Outside Loans current and in compliance with their respective terms; and (e) use these and other best efforts to satisfy and payoff the Outside Loans by no later than January 2015. To protect the interest of the Company, the terms of the Work-Out also requires the Foreclosure Debtors to: (s) ratify and agree to the increases to certain Work-Out Loans as a result of the Initial Loan; (t) cause appropriate title policies to be issued to insure that the Work-Out Loans constitute a valid and enforceable first and prior lien over the subject Forbearance Properties; (u) secure and maintain a life insurance policy in the amount of $10 million, insuring the life of the principal of the Forbearance Debtors, with the Company named as the sole beneficiary; (v) provide the Company with a ratification of previous personal guarantees regarding the Work-Out Loans, together with a personal guarantee of the principal of the Forbearance Debtor regarding the terms of the Work-Out; (w) provide a new corporate guarantee (with a security agreement and retail inventory to serve as collateral) for the obligations of the Work-Out Loans and the terms of the Work-Out; (x) provide the Company details regarding the terms of the Outside Loans; (y) provide additional collateral in the event that any obligation of the Work-Out Loans are breached; and (z) reimburse the Company for $80,000 in costs incurred as a result of the Work-Out. In consideration of these obligations of the Forbearance Debtors, the Company agreed, amongst other things, to defer (but not waive) collection of interest on the Work-Out Loans while the Outside Loans are being satisfied, and with the condition that the additional loans from the Company are used to satisfy Outside Loans, the Company agreed to increase (up to 120%) the maximum allowable loan-to-value ratio for certain Forbearance Properties and to provide up to $6 million in additional loans (collectively, the "Additional Loans").

As a result of the Work-Out, including the Initial Loan and the Additional Loans, the loan to value ratio of the Company's overall portfolio averaged ____%, as of _ _____, 2014. Additionally, as of _____ _, 2014, _____% of all of the Company's outstanding loans are concentrated with one of the Forbearance Debtors and ____% is concentrated with the Forbearance Debtor. Both of these Forbearance Debtors have the same principal

Since inception through April 30, 2014, the Company has participated in [redacted] loans, with an average loan amount of $_____, with the highest single loan being $_____ and lowest being $_____ The aggregate amount of loans funded is $306,786,693 with property values totaling $470,411,170. The total amount of loans that have funded and closed is $274,416,977 with home values equaling $453,340,340. These loans have borne interest rates of 18% per annum. The interest rate paid to noteholders has ranged from 8% to 12% per annum through such date. Each and every Noteholder has been paid the interest and principle due to that Noteholder in accordance with the respective terms of the Noteholder's Notes. Despite any losses incurred by the Company from its borrowers, no Noteholder has sustained any diminished return or loss on their investment in a Note from the Company.

Comment [A37]: is July 2011, the F was 2012?

Comment [A38]: We need updated figures. Are other spreadsheets regarding interest rates, payments to Noteholders, etc?

MANAGEMENT

Directors and Executive Officers

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

Comment [A39]: What is your current age?

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

Real Estate Consultant

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

Employees

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

Contingency Plan in the Event of Death or Disability of Mr. Chittick

In the event that Mr. Chittick is unable to perform his duties to continue the operation of the Company in any capacity, Mr. Chittick has a written agreement with Robert Koehler, an owner of RLS Capital, Inc. to provide or arrange for any necessary services for the Company. Comment [A40]: Is this still accurate?

Mr. Koehler has fifteen (15) years of experience supporting real estate loan portfolios similar to the portfolio of the Company. Mr. Koehler holds a real estate license in Arizona and has worked as a loan officer in the residential and commercial transactions and has conducted due diligence effort for thousands of private purchase of notes and trust deeds. Mr Koehler is respected as a member of the Arizona real estate investment community by investors, borrowers, mortgage brokers, escrow officers and real estate agents. As part of this contingency plan, Mr. Koehler is a signatory on the Company's bank account. On a weekly basis, Mr. Koehler receives an updated spreadsheet of all properties currently being used as collateral for a loan. On a monthly basis, Mr. Koehler receives a spreadsheet of all the investors and what is owed to each of them and receives the monthly statements for all investors. Pursuant to the agreement with Mr. Koehler, upon Mr. Koehler's receipt of instructions from Mr. Chittick, or from other designated individuals or upon medical confirmation that Mr. Chittick is unable to continue to perform his duties as President of the Company for an extended period of time, Mr. Koehler will act to close down the Company's business by collecting all of the monies due on the Trust Deeds and Mr. Koehler will return all of the principal and interest owed to the investors pursuant to the Notes. Comment [A41]: Are these details accurate?

Management Compensation

As the sole shareholder, Mr. Chittick receives a salary consistent with IRS guidelines. Salary adjustments are made at year-end in order for Mr. Chittick to fund his 401(K) and to pay his income taxes. Year-end profits are taxed to Mr Chittick pursuant to the U.S. Internal Revenue Code rules applicable to Subchapter S corporations. Therefore, year-end profits may be distributed to Mr. Chittick. In addition, Mr. Chittick is paid interest on Notes funded by Mr. Chittick in the same manner as the other investors. See "Management – Management Compensation " As the Company expands its lending operations and increases the workload of

Mr. Chittick, he reserves the right to receive an increased salary so long as there is no current default under the Notes.

Ownership Compensation

The Company receives its revenue primarily from interest earned on trust deeds, rents on properties owned by the Company, interest on cash reserve accounts, and interest earned on investments made by the Company after subtracting interest paid on its debts. The amount of profits, and therefore, compensation to Mr. Chittick, will be dependent upon the amount of Notes sold, Trust Deeds acquired, loans made and the terms of such loans. After payment of its principal and interest obligations under the Notes, the Company distributes the balance to Mr. Chittick; provided, however, the Company may (but is not required to) retain earnings in the Company up to a level of "reserve" or "retained earnings" goals that the Company deems adequate. Subject to the need to adjust these goals due to special liquidity needs due to plans to repay Notes or to fund future Trust Deeds, the Company anticipates that it will be able to achieve and maintain adequate reserve goals to meet the Company's obligations.

Mr. Chittick may have significant investments in the Notes, for which the Company will pay him monthly interest on the same basis as other Noteholders which investment amount will be subordinated to all other Notes placed pursuant to this Memorandum. (Mr. Chittick currently has invested approximately $_____ in Notes, but this amount varies from $1.9 million to $3.2 million.) See "Description of Securities." The Company intends to pay to Mr. Chittick all retained earnings in excess of any reserves deemed necessary or desirable by Mr. Chittick to meet the Company's obligations.

Comment [A42]: Are these figures still accurate?

PRINCIPAL SHAREHOLDER

The following table sets forth the beneficial ownership of shares of the Company's outstanding common stock.

Name and Address	Number of Shares	Percent
Denny J. Chittick	500,000	100%
6132 W. Victoria Place		
Chandler, AZ 85226		

The Company is authorized to issue up to 25,000,000 shares of common stock, but has no intent to issue additional common stock at this time.

Comment [A53]: Are these details still accurate? Are any shares held by a trust?

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Ownership

Based on his 100 percent ownership of the Company's common stock, Mr. Chittick maintains the exclusive ability to elect directors, appoint officers and manage the operations of the Company.

Competing Businesses

During the four years prior to forming the Company, Mr Chittick personally invested in companies and in real estate loans that are substantially similar to the Company's investments in Trust Deeds. In addition to his activities on behalf of the Company, Mr. Chittick reserves the right to continue his personal investments in real estate and instruments similar to Trust Deeds, which are considered competing businesses of the Company. See "Risk Factors – Management's Outside Interests and Conflicts of Interest."

DESCRIPTION OF SECURITIES

The Company is offering up to $50 million in Notes. The minimum denomination is $50,000, and the maximum denomination is $1,000,000 in a single note. An investor may purchase more than $1,000,000 in Notes, but it will be distributed over different Notes. Denominations increase from the minimum to the maximum in additional increments with a minimum incremental increase of $10,000. Until the maximum offering proceeds are attained or the Company terminates this offering, the Company expects to offer the Notes for placement on a continuing basis for two years from the date of this Memorandum. Absent an earlier termination, the offering will continue for so long as the Company has not changed its operations or method of offering in any material respect. If the Company changes its operations or method of offering in any material respect, the Company will update the Memorandum as necessary to provide correct information to investors. The Company may experience difficulties in conducting a continuous offering of Notes. See "Risk Factors – Difficulties and Costs of Continuous Offering."

Comment [A44]: Two years?

The Notes are general obligations of the Company and are superior in priority and liquidation preference to any Notes payable to Mr. Chittick. Mr. Chittick has agreed to subordinate any Notes to which he subscribes to Notes with similar maturities placed with other investors. Although the Company has never defaulted with respect to a Note, including any regular interest payment or the principal and interest due upon the maturity of the Note, if the Company should ever be in default with respect to any Note, Mr. Chittick will subordinate any Notes he may hold until the default is cured and Mr. Chittick will also defer any compensation until the default is cured. While Mr. Chittick has agreed and will act as set forth above in this Memorandum, such agreement is not evidenced in a separate writing signed by Mr. Chittick.

Comment [A45]: Is this statement still accurate?

The Notes will bear interest at the rates stated for the term selected. The investor may elect to have interest paid monthly, quarterly or accrue and be paid at maturity. If the investor elects to have interest paid at maturity or quarterly, the interest will accrue monthly and earn compounded interest. Interest is payable on the last day of each period to the investors of the Notes at the principal office of the Company in Chandler, Arizona. At the option of the

Comment [A46]: Can the investor elect after the Note is executed or does the selection need to be made and detailed in the Note?

Company, interest payments may be paid by check mailed to the address of the investor entitled thereto as it appears on the Subscription Agreement for the Notes. An investor may request in writing to the Company that a deposit be made to a designated bank or investment account.

The Notes are not transferable without the prior written consent of the Company, which the Company may withhold in its sole discretion. The Company anticipates withholding its consent if the transfer could jeopardize the Company's exemption under Regulation D or any applicable state blue-sky law or the Company's exclusion from the definition of an investment company under the Investment Company Act of 1940.

The Notes are unsecured and are not insured or guaranteed by any state or federal government entity or any insurance company. In event of default, an investor could look only to the Trust Deeds or other assets of the Company for repayment.

As unsecured, general obligations of the Company, the Notes will not have any specific collateral. The Company's Assets include all of the Company's right, title and interest in Trust Deeds owned by the Company, together with all payments and instruments received thereto, real estate owned by the Company as a result of a deed-in-lieu of foreclosure due to a borrower default, and all proceeds of the conversion of any of the foregoing into cash or other liquid property So long as the Company is not in default on the Notes, the Company is permitted to freely transfer, sell or substitute, in the normal course of business, any Trust Deeds it owns, subject to general restrictions concerning transfers of property; provided, however, the Company may transfer, sell or substitute one or more Trust Deeds if such transfer, sale or substitution is done in connection with a plan to cure a default.

On an annual basis, the Company will retain an independent accounting firm to prepare the 1099's to be issued by the Company to the investors and to prepare the tax return for the Company. On an annual basis and upon written request from an investor, the Company will certify to the requesting investor(s) that the aggregate outstanding principal amount of all cash accounts, other property and Trust Deeds is at least equal to the principal amount of outstanding Notes as of the date of the request.

The Company maintains the right to adjust the interest paid in subsequently offered Notes and on the Notes offered hereby with a 30 days' Interest Adjustment Notice. For Notes offered by this Confidential Private Offering Memorandum, the interest paid for the Note will automatically adjust to the amount stated in the Interest Adjustment Notice unless within the 30 day notice period the Noteholder provides a written request to the Company for the Note to be prepaid. If the Noteholder provides such notice within the 30 day notice period, the interest paid on the Note will be unchanged until such time as the Company prepays the Note. Any such modification of the interest rate or term will not affect Notes then issued and outstanding.

Comment [A47]: Not: Giving the Noteholder an option when there is an Interest Adjustment Notice makes the unilateral interest adjustment more enforceable. Also, because it may not always be feasible to prepay a Note when a Noteholder objects to an interest adjustment, we did not obligate the Company to prepay the Note within a certain time frame. By leaving the interest rate unchanged when there is an objection (demonstrated by requesting prepayment), there is technically no penalty to the Noteholder for making the objection. In reality, the motivation to accept an interest adjustment will not be to avoid a penalty but to avoid an early prepayment that would end the investment opportunity. A court is much more likely to enforce this scenario than a penalty for not accepting a unilateral interest adjustment.

Notes are initially being offered at the following rates and maturities:

Note Terms (2) (3)

Note Amount (1)	6 Months	1 Year	2 Years to 5 Years
$50,000 and up	8% (4)	10% (4)	12% (4)

Comment [A48]: Are these figures still accurate?

(1) Note amounts are issued in varied denominations from $50,000 to $1,000,000, and in additional increases with a minimum of $10,000. For qualified funds, the Company will accept minimum contributions in such amounts as reasonably determined by the Company

(2) Although the Company intends to use its good faith efforts to accommodate written requests from an investor to prepay any Note prior to maturity and the Company has in fact been able to satisfy such requests in a timely manner with interest paid in full, the Company has no obligation to do so and the investor has no right to require the Company to redeem the Note prior to maturity. ~~Upon the Company's election to honor an investor's request to prepay any Note prior to maturity, the Company reserves the right to adjust any interest payable to the investor to the interest rate that would have been payable for the actual outstanding term of the Note.~~

Comment [A49]: Do you still want to make this representation? Is the statement still accurate today?

Comment [A50]: Note: Is it very questionable whether a Court would enforce a unilateral adjustment like this.

(3) The Notes may be redeemed by the Company at any time prior to maturity upon 30 days written notice to the investor at a price equal to the principal amount of the Note plus accrued interest to the date of redemption.

(4) The Company maintains the right to adjust the interest paid in subsequently offered Notes and on the Notes offered hereby with a 30 days' Interest Adjustment Notice. For Notes offered by this Confidential Private Offering Memorandum, the interest paid for the Note will automatically adjust to the amount stated in the Interest Adjustment Notice unless within the 30 day notice period the Noteholder provides a written request to the Company for the Note to be prepaid. If the Noteholder provides such notice within the 30 day notice period, the interest paid on the Note will be unchanged until such time as the Company prepays the Note.

Comment [A51]: Note: Giving the Noteholder an option when there is an Interest Adjustment Notice makes the unilateral interest adjustment more enforceable. Also, because it may not always be feasible to prepay a Note when a Noteholder objects to an interest adjustment, we did not obligate the Company to prepay the Note within a certain time frame. By leaving the interest rate unchanged when there is an objection (demonstrated by requesting prepayment), there is technically no penalty to the Noteholder for making the objection. In reality, the motivation to accept an interest adjustment will not be to avoid a penalty but to avoid an early prepayment that would end the investment opportunity. A court is much more likely to enforce this scheme than a penalty for not accepting a unilateral interest adjustment.

Comment [A52]: DGH, do we still want this condition to the Company's ability to transfer its assets?

The Company has the right to sell, encumber, mortgage, create a lien on or otherwise dispose of any or all of its property, or in any manner secure an indebtedness so that such indebtedness shall have a claim against the assets of the Company securing such indebtedness, all without the consent of the investors of the outstanding Notes provided no Notes are in default. Any security interest granted in any of the Company's assets to secure indebtedness will be superior in priority to the general claim of a Noteholder.

Default may occur with respect to one Note and not another. The Company shall be in default of a particular Note if any of the following events ("Event of Default") occurs with respect to that Note: (a) default for 30 days in any payment of interest on a Note when due; (b) default for 15 days in any payment of principal on a Note when due after maturity; (c) a filing for protection by the Company under Chapters 11 or 7 of the U.S. Bankruptcy Code or a filing for the Company under the U.S. Bankruptcy Code by creditors of the Company which filing is not dismissed within 90 days of the filing date; or (d) default for 90 days after receiving appropriate notice of a breach of any other covenant applicable to a Note. Notwithstanding the events listed above, Mr Chittick may defer any payment of interest or principal due to Mr. Chittick or an entity controlled by him on any of the Notes subscribed to personally by Mr. Chittick without creating an Event of Default.

The Company may not consolidate with or merge into any corporation, or transfer substantially all of its assets to any person, unless the successor corporation or transferee assumes the Company's obligations on the Notes. The Company has no present intention of merging with another company or consolidating with another company or transferring its assets.

PLAN OF DISTRIBUTION

The Notes may be purchased directly from the Company without commission. Notes maturing in two through five years also may be purchased with qualified monies (such as IRA, SEP IRA, ROTH IRA and KEOGH plans) through a licensed broker-dealer and with an approved custodian; provided, that such investments meet the investor suitability requirements. Transaction costs for Notes purchased with qualified funds will be paid by the Company up to one percent of the Note's face amount. The principal amount of the Note will be equal to the amount paid by the investor, and interest would be calculated on that amount.

The Notes are not registered with the SEC or any other state or federal regulatory agency. No state or federal agency has made any finding or determination as to the fairness of this offering for investment, the adequacy or accuracy of the disclosures, or any recommendation or endorsement of the Notes.

The offering and sale of the Notes is intended to be exempt from registration under the Act by virtue of one or more of the following exemptions provided by: (i) Section 4(2) of the Act, and (ii) Regulation D promulgated under the Act. See "Investor Suitability." In accordance therewith, substantial restrictions are placed on the offering and purchase of the Notes, including, but not limited to, the following:

(1) The transaction may not include any public offering. The offer to sell Notes must be directly communicated to the investor by an officer of the Company and at no time may the Company advertise or solicit by means of any leaflet, public promotional meeting, newspaper or magazine article, radio or television advertisement or any other form of general advertising or general promotion.

(2) The Notes may be purchased only for the investor's own account, for investment purposes only and not with a view to distribution, assignment, hypothecation, resale or to fractionalization in whole or in part.

(3) An investor must meet certain suitability requirements, which are set forth under "Investor Suitability."

(4) The Company must have furnished and made available for inspection all documents and information that the investor has reasonably requested relating to an investment in the Company, including its Articles of Incorporation, stock records and financial account records.

DETERMINATION OF OFFERING PRICE

The rate of return for the Notes offered hereby will be set from time to time by management of the Company to approximate a rate of return competitive with similar securities of other companies engaged in the finance industry. The Company has been in operation since April 2001 There is no market for the Company's securities and none is expected to develop. Accordingly, the rate of return on any Note bears no relation to the results of the Company, to any market price for the Company's securities, to the level of risk involved, or to any recognized measure of valuation or return on investment.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a general discussion of certain U.S. federal tax considerations and consequences that may be relevant to a decision to acquire, own and dispose of Notes by an initial holder thereof. This summary only applies to Notes held as capital assets (generally, property held for investment) within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"). Except as set forth below, this summary does not address all of the tax consequences that may be relevant to a particular Noteholder and it is not intended to be applicable to Noteholders that are subject to special tax rules, such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, U.S. expatriates, partnerships or other pass-through entities, tax-exempt organizations or dealers or traders in securities or currencies, or to Noteholders that will hold Notes as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes or that have a functional currency other than the U.S. dollar. Moreover, except as set forth below, this summary does not address the U.S. federal estate and gift tax law, the tax laws of any state, local or foreign government or alternative minimum tax consequences of the acquisition, ownership or other disposition of Notes and does not address the U.S. federal income tax treatment of Noteholders that do not acquire Notes as part of the initial distribution at their initial issue price. Each prospective investor should consult its tax advisor, attorney and accountant with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, holding and disposing of Notes.

This summary is based on current provisions of the Code, as amended, existing and proposed U.S. Treasury Regulations, current administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein. No advance tax ruling has been sought or obtained from the Internal Revenue Service regarding the tax consequences of the transactions described herein. This discussion does not address tax considerations arising under the laws of any particular state, local or foreign jurisdiction.

PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR TAX ADVISORS, ATTORNEYS AND ACCOUNTANTS REGARDING THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE NOTES IN LIGHT OF THEIR PARTICULAR SITUATIONS, AS WELL AS ANY TAX CONSEQUENCES THAT MAY ARISE UNDER THE LAWS OF ANY FOREIGN, STATE, LOCAL OR OTHER TAXING JURISDICTION.

For purposes of this summary, a "U.S. Holder" is a beneficial owner of Notes who for U.S. federal income tax purposes is (i) a citizen or resident (or is treated as a resident for U.S. federal income tax purposes) of the United States; (ii) a corporation created or organized in or under the laws of the United States or any State or political subdivision thereof; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (1) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes or (2) (a) the administration over which a U.S court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control. A "Non-U.S. Holder" is a beneficial owner of Notes who for U.S. federal income tax purposes is (i) a non-resident alien individual; (ii) a foreign corporation, or (iii) a foreign estate or trust the fiduciary of which is a nonresident alien.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such partner should consult its own tax advisor as to its consequences of holding and disposing of the Notes.

U.S. Holders

Interest

Except as set forth below, interest paid on a Note generally will be includible in a U.S. Holder's gross income as ordinary interest income at the time it is paid or accrued in accordance with the U.S. Holder's usual method of tax accounting for U.S. federal income tax purposes.

Market Discount

A holder of Notes may in very limited circumstances, transfer their Notes to third parties. If the Company authorizes such a transfer, Notes sold on a secondary market after their original issue for a price lower than their stated redemption price at maturity are generally said to be acquired at market discount. Code Section 1278 defines "market discount" as the excess, if any, of the stated redemption price at maturity of the Note, over the purchaser's initial adjusted basis in the Note. If, however, the market discount with respect to a Note is less than 1/4th of one percent (.0025) of the stated redemption price at maturity of the Note multiplied by the number of complete years to maturity from the date the subsequent purchaser has acquired the Note, then the market discount is considered to be zero. Notes acquired by holders at original issue and Notes maturing not more than one year from the date of issue are not subject to the market discount rules.

Gain on the sale, redemption or other disposition of a Note, including full or partial redemption thereof, having "market discount" will be treated as interest income to the extent the gain does not exceed the accrued market discount on the Note at the time of the disposition. A holder may elect to include market discount in taxable income for the taxable years to which it is attributable. The amount included is treated as interest income. If this election is made, the rule requiring interest income treatment of all or a portion of the gain upon disposition is inapplicable. Once the election is made to include market discount in income currently, it cannot be revoked without the consent of the IRS. The election applies to all market discount notes acquired by the holder on or after the first day of the first taxable year to which such election applies.

Sale, Exchange or Disposition of Notes

A U.S. Holder's adjusted tax basis in a Note generally will equal the cost of the Note to such U.S. Holder, increased by any original issue discount ("OID") or market discount previously included by the holder in income with respect to the Note. Upon the sale, exchange or other disposition of a Note, a U.S. Holder will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other disposition (less an amount equal to the accrued but unpaid interest which will be taxable as ordinary income) and such U.S. Holder's adjusted tax basis in the Note. Any such gain or loss generally will be capital gain or loss. In the case of a noncorporate U.S. Holder, capital gains derived in respect of a Note that is held as a capital asset and that is held for more than one year are eligible for reduced income tax rates and may be deemed a long-term capital gain. The deductibility of capital losses is subject to limitations.

Non-U.S. Holders

Interest

Subject to the discussion below under the heading "U.S. Backup Withholding and Information Reporting," payments of principal of, and interest on (including any OID), a Note to (i) a controlled foreign corporation, as such term is defined in Section 957 of the Code, which is related to the Company, directly or indirectly, through stock ownership, (ii) a person owning, actually or constructively, securities representing at least more than 50% of the total combined outstanding voting power of all classes of the Company's voting stock and (iii) banks which acquire such Note in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. withholding tax provided that the beneficial owner of the Note provides certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "U.S. Backup Withholding and Information Reporting," or an exemption is otherwise established.

If a Non-U.S. Holder cannot satisfy the requirements above, payments of interest made to a Non-U.S. Holder will be subject to a U.S. withholding tax equal to 30% of the gross payments

made to the Non-U.S. Holder unless the Non-U.S. Holder provides the Company or the Company's paying agent, as the case may be, with a properly executed (1) IRS Form W-8BEN claiming an exemption from or reduction in withholding under the benefit of an applicable income tax treaty or (2) IRS Form W-8ECI stating that interest paid on the note is not subject to withholding tax because it is effectively connected with the beneficial owner's conduct of a trade or business in the United States. Alternative documentation may be applicable in certain situations.

If a Non-U.S. Holder is engaged in a trade or business in the United States and interest on a note is effectively connected with the conduct of such trade or business, the Non-U.S. Holder, although exempt from withholding as discussed above (provided the certification requirements described above are satisfied), will be subject to U.S. federal income tax on such interest (including OID) on a net income basis in the same manner as if the Non-U.S. Holder were a U.S. Holder. In addition, if such Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or lesser rate under an applicable income tax treaty) of such amount, subject to adjustments.

Sale, Exchange or Other Disposition of Notes

Subject to the discussion below under the heading "U.S. Backup Withholding and Information Reporting," any gain realized by a Non-U.S. Holder upon the sale, exchange or other disposition of a Note generally will not be subject to U.S. federal income tax or withholding tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of such sale, exchange or disposition and certain other conditions are met. Special rules may apply upon the sale, exchange or disposition of a Note to certain Non-U.S. Holders, such as "controlled foreign corporations," "passive foreign investment companies," "foreign personal holding companies" and certain expatriates, that are subject to special treatment under the Code. Such entities and individuals should consult their own tax advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them.

U.S. Federal Estate Taxes

A Note that is held by an individual who at the time of death is not a citizen or resident (as specially defined for United States federal estate tax purposes) of the United States will not generally be subject to U.S. federal estate tax as a result of such individual's death, provided that such individual is not a shareholder owning actually or constructively more than 10% of the total combined voting power of all classes of our stock entitled to vote and, at the time of such individual's death, payments of interest with respect to such note would not have been effectively connected with the conduct by such individual of a trade or business in the United States.

U.S. Backup Withholding and Information Reporting

U.S. Holders

Information reporting requirements will apply to certain payments of principal and interest and the accrual of OID, if any, on an obligation and to proceeds of the sale, exchange or other disposition of an obligation, to certain U.S. Holders. This obligation, however, does not apply with respect to certain U.S. Holders including, corporations, tax-exempt organizations, qualified pension and profit sharing trusts and individual retirement accounts. In general, the Company is required to file with the IRS each year a Form 1099 information return reporting the amount of interest that was paid or that is considered earned by a U.S. Holder with respect to the Notes held during each calendar year, and a U.S. Holder is required to report such amount as income on its federal income tax return for that year. A U.S. backup withholding tax currently at a rate of 28% will apply to such payments if a U.S. Holder fails to provide a correct taxpayer identification number or certification of other tax-exempt status or fails to report in full dividend and interest income. Any amount withheld under the backup withholding rules is allowable as a credit against the taxpayer's U.S. federal income tax liability, provided that the required information is furnished to the IRS.

Non-U.S. Holders

Information reporting will generally apply to payments of interest on a Note to a Non-U.S. Holder and the amount of tax, if any, withheld with respect to such payments. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under the provisions of an applicable income tax treaty. Payments of principal and interest on any Notes to Non-U S. Holders will not be subject to any U.S. backup withholding tax if the beneficial owner of the Note (or a financial institution holding the note on behalf of the beneficial owner in the ordinary course of its trade or business) provides an appropriate certification to the payor and the payor does not have actual knowledge or reason to know, that the certification is incorrect. Payments of principal and interest on Notes not excluded from U.S. backup withholding tax discussed above generally will be subject to United States withholding tax at a rate of 28%, except where an applicable United States income tax treaty provides for the reduction or elimination of such withholding tax.

Comment [A53]: Is this % still accurate today?

In addition, information reporting and, depending on the circumstances, backup withholding, will apply to the proceeds of the sale of a Note within the United States or conducted through United States-related financial intermediaries unless the beneficial owner provides the payor with an appropriate certification as to its non-U.S. status and the payor does not have actual knowledge or reason to know that the certification is incorrect.

Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against a Non-U.S. Holder's U.S. federal income tax liability provided the required information is furnished to the Internal Revenue Service.

THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE ACQUISITION, OWNERSHIP, DISPOSITION OR RETIREMENT OF THE NOTES. PROSPECTIVE INVESTORS OF NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS, ATTORNEYS AND ACCOUNTANTS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.

INVESTOR SUITABILITY

General

An investment in the Notes involves significant risks and is suitable only for persons of adequate financial means who have no need for liquidity with respect to this investment and who can bear the economic risk of a complete loss of their investment. This private placement is made in reliance on exemptions from the registration requirements of the Act and applicable state securities laws and regulations.

The suitability standards discussed below represent minimum suitability standards for prospective investors. The satisfaction of such standards by a prospective investor does not necessarily mean that the Notes are a suitable investment for such prospective investor. Prospective investors are encouraged to consult their personal financial advisors to determine whether an investment in the Notes is appropriate. The Company may reject subscriptions, in whole or in part, in its absolute discretion.

The Company will require each investor to represent in writing, among other things, that (i) by reason of the investor's business or financial experience, or that of the investor's professional advisor, the investor is capable of evaluating the merits and risks of an investment in the Notes and of protecting its own interest in connection with the transaction, (ii) the investor is acquiring the Notes for its own account for investment only and not with a view toward the resale or distribution thereof, (iii) the investor is aware that the Notes have not been registered under the Act or any state securities laws and that there is no market for the Notes, (iv) such investor meets the suitability requirements set forth below and (v) they have read and taken full cognizance of the Risk Factors and other information set forth in this Confidential Private Offering Memorandum.

Suitability Requirements

Except as set forth below, each investor must represent in writing that it: (a) is "sophisticated" in so far as it is sufficiently knowledgeable and experienced in financial and business matters to be able to evaluate the merits and risks of an investment in the Notes either alone or with a purchaser representative; (b) is able to bear the economic risk of an investment in the Notes, including a loss of the entire investment; and (c) qualifies as an "accredited investor," as such term is defined in Rule 501(a) of Regulation D under the Act and must demonstrate the basis for such qualification. To be an accredited investor, an investor must fall within any of the following categories at the time of sale of Notes to that investor:

(1) A bank as defined in Section 3(a)(2) of the Act or a savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary capacity; a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; an insurance company as defined in Section 2(13) of the Act; an investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; a Small Business Investment Company licensed by the United States Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of $5,000,000; an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;

(2) A private business development company as defined in Section 202(a) (22) of the Investment Advisers Act of 1940;

(3) An organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust or partnership, not formed for the specific purpose of acquiring the Notes, with total assets in excess of $5,000,000;

(4) Any director, executive officer, or general partner of the Company, or any director, executive officer, or general partner of a general partner of the Company;

(5) Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of such person's purchase of the Notes exceeds $1,000,000 (excluding the value of such person's primary residence) (Explanation: when calculating net worth, a person may include his or her equity in personal property and real estate (except a residence), cash, short-term investments, stock and securities. Any inclusion of equity in personal property or real estate should be based on the fair market value of such property less debt secured by such property. The asset side of the calculation may not include the value of the person's residence; the liability side of the calculation may not include the debt secured by the residence, unless the amount of the debt exceeds the value of the residence, in which case that excess portion must be counted as a liability in calculating net worth);

(6) Any natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with that person's spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

(7) Any trust with total assets in excess of $5,000,000 not formed for the specific purpose of acquiring the Notes, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) of Regulation D; and

(8) An entity in which all of the equity owners are accredited investors (as defined above).

As used in this Memorandum, the term "net worth" means the excess of total assets over total liabilities. In determining income an investor should add to the investor's adjusted gross income any amounts attributable to tax exempt income received, losses claimed as limited partner in any limited partnership, deductions claimed for depletion, contributions to an IRA, KEOGH, SEP IRA or ROTH IRA retirement plan, alimony payments, and any amount by which income from long-term capital gains has been reduced in arriving at adjusted gross income.

Exhibit 61

Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 6/11/2014 11:48:06 AM
To: Scott Menaged [smena98754@aol.com]
Subject: Re: Email to approve Substitution of Revised Pages for Forbearance Documents With DenSco Investment

i told him your wife was having surgery so he'll be fine for this week!

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

From: Scott Menaged <smena98754@aol.com>
To: Denny Chittick <dcmoney@yahoo.com>
Sent: Wednesday, June 11, 2014 11:47 AM
Subject: Re: Email to approve Substitution of Revised Pages for Forbearance Documents With DenSco Investment

Tell him I am away till Friday and then Friday I will email someone

We will keep trying to delay till it looks better and better

Sent from my iPhone

On Jun 11, 2014, at 11:45 AM, Denny Chittick <dcmoney@yahoo.com> wrote:

> ok he's bugging me about it, maybe by the end of the week.
>
> DenSco Investment Corp
> www.denscoinvestment.com
> 602-469-3001 C
> 602-532-7737 f
>
> ----- Forwarded Message -----
> **From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
> **To:** Denny Chittick <dcmoney@yahoo.com>
> **Sent:** Wednesday, June 11, 2014 11:39 AM
> **Subject:** RE: Email to approve Substitution of Revised Pages for Forbearance Documents With DenSco Investment

Denny:

We still have not received the emails with the requested authorizations set forth below. To avoid any confusion, we will prepare these as separate letters to be signed and returned so that this process should be easier.

If you have any questions, please let me know.

Best, David

David G. Beauchamp

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

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Thursday, May 15, 2014 8:34 PM
To: Beauchamp, David G.
Subject: Re: Email to approve Substitution of Revised Pages for Forbearance Documents With DenSco Investment

thx i'll take care of it.
dc

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

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: "Denny J. Chittick (dcmoney@yahoo.com)" <dcmoney@yahoo.com>
Sent: Thursday, May 15, 2014 8:14 PM
Subject: Email to approve Substitution of Revised Pages for Forbearance Documents With DenSco Investment

Denny:

Please read the following instructions and call me if you have any questions. It might make sense to use this email as a checklist.

1. **As I indicated in the previous emails to you with the revised documents, we need an email from Scott authorizing Clark Hill, PLC to:**

a. Substitute the revised clean page (previously emailed to, initialed by and returned by Scott) into the executed Forbearance Agreement;

b. Substitute the revised pages (emailed to, initialed by and previously returned by Scott) into the executed $5 Million Promissory Note;

c. Substitute the revised page (emailed to, initialed by and previously returned by Scott) into the executed $1 Million Promissory Note;

d. To make the clean-up edits to the respective pages in the Forbearance Documents as described and referenced on the one-page list of clean up edits (dates, etc.) (emailed to, initialed by and previously returned by Scott), and to substitute such revised pages into the respective Forbearance Document as referenced in that list; and

e. To agree to and consent to all of the changes to the Forbearance Documents, and to acknowledge and agree that such changes do not constitute and will not constitute, either individually or in the aggregate, the basis to challenge the enforcement of any of the Forbearance Documents.

2. We will also need an email from Scott's wife authorizing Clark Hill, PLC to:

a. To make the clean-up edit to the respective page in the Representation and Disclaimer Agreement as described and referenced on the one-page list of clean up edits (dates, etc.) (emailed to, initialed by and previously returned by Scott), and to substitute such revised page into the respective Representation and Disclaimer Agreement as referenced in that list; and

b. To agree to and consent to the changes to the Forbearance Documents that Scott has authorized, and to acknowledge and agree that such changes do not constitute and will not constitute, either individually or in the aggregate, the basis to challenge the enforcement of such Representation and Disclaimer Agreement and / or any of the Forbearance Documents.

3. We will also need an email from you, as President of DenSco authorizing Clark Hill, PLC. to:

a. Substitute the revised clean page (previously emailed to, initialed by and returned by Scott) into the executed Forbearance Agreement;

b. Substitute the revised pages (emailed to, initialed by and previously returned by Scott) into the executed $5 Million Promissory Note;

c. Substitute the revised page (emailed to, initialed by and previously returned by Scott) into the executed $1 Million Promissory Note;

d. To make the clean-up edits to the respective pages in the Forbearance Documents as described and referenced on the one-page list of clean up edits (dates, etc.) (emailed to, initialed by and previously returned by Scott), and to substitute such revised pages into the respective Forbearance Document as referenced in that list; and

e. To agree to and consent to all of the changes to the Forbearance Documents, and to acknowledge and agree that such changes do not constitute and will not constitute, either individually or in the aggregate, the basis to challenge the enforcement of any of the Forbearance Documents.

Please call if you have any questions.

Thank you.

Best regards, David

David G. Beauchamp

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

recommending to another party any transaction or matter addressed herein.

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.

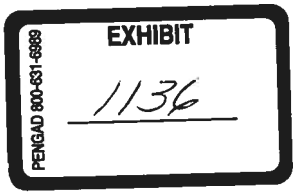
FEDERAL TAX ADVICE DISCLAIMER: Under U. S. Treasury Regulations, we are informing you that, to the extent this message includes any federal tax advice, this message is not intended or written by the sender to be used, and cannot be used, for the purpose of avoiding federal tax penalties.

Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 6/12/2014 9:53:30 AM
To: Scott Menaged [smena98754@aol.com]
Subject: david

ok he's a little insistent now. he is going to send you me a letter. he says that we've waited so long that now he needs to be more formal. so i'll send that to you when i get it.
dc

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



Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 6/16/2014 10:04:41 AM
To: Scott Menaged [smena98754@aol.com]
Subject: work out agreement

ok i guess dave is losing sense of humor with our delay. he sent me a packet marked with blue, green, pink tabs for all of us to sign and initial. i've done my part, i'm mailing it to you. it all has to be original signatures. so once you get it plz do what it says and forward it back to him. there is a postage paid envelope enclosed.
thx
dc

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

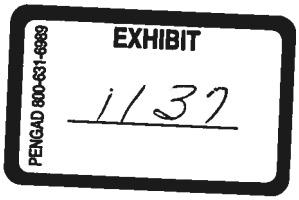


Exhibit 62

AUTHORIZATION TO UPDATE FORBEARANCE DOCUMENTS

This Authorization to Update Forbearance Documents (the "**Authorization**") is entered into on the dates set forth below and to be effective the 16th day of April, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company ("**AHF**"), Easy Investments, LLC, an Arizona limited liability company ("**EI**"), Furniture King, LLC, an Arizona limited liability Company ("**FK**"), Yomtov "Scott" Menaged ("**Scott**"), Francine Menaged ("**Francine**"), and DenSco Investment Corporation, an Arizona corporation ("**DenSco**").

Recitals

A. WHEREAS AHF, EI, FK, Scott, and DenSco are the parties to a certain Forbearance Agreement, executed on April 16, 2014 (the "**Forbearance Agreement**"), together with other documents executed in connection with the Forbearance Agreement (collectively, the "**Forbearance Documents**").

B. WHEREAS having recognized that "April 14, 2014" was stated in various pages of the Forbearance Documents where they should have stated "April 16, 2014" and certain other inconsistencies with respect to the amounts due under the financings, the parties desire to make the necessary corrections.

C. WHEREAS Clark Hill, PLC ("**Clark Hill**") has been previously authorized by each of the parties to make the necessary corrections to the Forbearance Documents and as referenced on the attached **Exhibit A**. The replacement pages were previously circulated and approved by all parties.

D. WHEREAS the parties now wish to authorize and direct Clark Hill to insert the replacement pages as set forth below.

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. **Recitals**. The Recitals set forth above and Exhibit A attached hereto are incorporated into this Agreement.

2. **Forbearance Agreement**. Recognizing that "April 14, 2014" was stated in one (1) page of the Forbearance Agreement where it should have stated "April 16, 2014", AHF, EI, FK, Scott and DenSco desire to make the necessary correction. The corrected version of page 1 of the Forbearance Agreement ("**FA-1**") with "April 16, 2014" stated in the first paragraph as the execution date of the Forbearance Agreement has been circulated and approved. The corrected version of page 3 of the Forbearance Agreement ("**FA-3**") with a new first sentence in Section 1 which includes an updated figure of $35,639,880.71 as the principal sum now due and payable under the Loans, as of close of business on April 16, 2014, has been circulated and approved. AHF, EI, FK, Scott and DenSco each hereby authorize and approve of the following:

   a. Clark Hill is instructed to substitute FA-1 and FA-3 into the corresponding pages of the executed original of the Forbearance Agreement; and

b. The Forbearance Agreement with the inclusion of FA-1 and FA-3 will be deemed the original.

3. **Scott Guaranty**. Scott is a party to a certain Guaranty Agreement, executed on April 16, 2014 (the "**Scott Guaranty**"), in favor of DenSco. Recognizing that "April 14, 2014" was stated in one (1) page of the Scott Guaranty where it should have stated "April 16, 2014", Scott desire to make the necessary correction. The corrected version of page 1 of the Scott Guaranty ("**SG-1**") with "April 16, 2014" stated in the first paragraph as the execution date of the Scott Guaranty has been circulated and approved. Scott hereby authorizes and approves of the following:

a. Clark Hill is instructed to substitute SG-1 into the corresponding page of the executed original of the Scott Guaranty; and

b. The Scott Guaranty with the inclusion of SG-1 will be deemed the original.

4. **Furniture King Guaranty**. FK is a party to a certain Guaranty Agreement, executed on April 16, 2014 (the "**Furniture King Guaranty**"), in favor of DenSco. Recognizing that "April 14, 2014" was stated in one (1) page of the Furniture King Guaranty where it should have stated "April 16, 2014", FK desire to make the necessary correction. The corrected version of page 1 of the Furniture King Guaranty ("**FKG-1**") with "April 16, 2014" stated in the first paragraph as the execution date of the Furniture King Guaranty has been circulated and approved. FK hereby authorizes and approves of the following:

a. Clark Hill is instructed to substitute FKG-1 into the corresponding page of the executed original of the Furniture King Guaranty; and

b. The Furniture King Guaranty with the inclusion of FKG-1 will be deemed the original.

5. **Additional Loan**. AHF, EI, and Scott are the parties (as the "Borrowers") to a certain Secured Line of Credit Promissory Note, executed on April 16, 2014, with a Principal Amount of $1,000,000.00, payable to DenSco (the "**Additional Loan Note**"). Recognizing that "April 14, 2014" was stated in three (3) pages of the Additional Loan Note where it should have stated "April 16, 2014", AHF, EI, and Scott desire to make the necessary corrections. The corrected version of page 1 of the Additional Loan Note ("**ALN-1**") with "April 16, 2014" stated in the top right as the date of the Additional Loan Note has been circulated and approved. The corrected version of page 2 of the Additional Loan Note ("**ALN-2**") with "April 16, 2014" stated in the "Forbearance Agreement" section as the date of the Forbearance Agreement has been circulated and approved. The corrected version of page 3 of the Additional Loan Note ("**ALN-3**") with "Nine Hundred Fifteen Thousand One Hundred Sixty-Seven AND 89/100 DOLLARS ($915,167.87)" stated in Section 2 as the amount of funds previously advanced to Borrowers, pursuant to the terms of the Additional Loan Note, as of close of business on April 16, 2014, has been circulated and approved. In addition, the corrected version of page 5 of the Additional Loan Note ("**ALN-5**") with "April 16, 2014" stated in Section 8 as the date of both the Furniture

King Guaranty and the Security Agreement (defined herein) has been circulated and approved. AHF, EI, Scott and DenSco each hereby authorize and approve of the following:

a. Clark Hill is instructed to substitute ALN-1, ALN-2, ALN-3, and ALN-5 into the corresponding pages of the executed original of the Additional Loan Note; and

b. The Additional Loan Note with the inclusion of ALN-1, ALN-2, ALN-3, and ALN-5 will be deemed the original.

6. **Additional Funds Loan**. AHF, EI, FK, and Scott are the parties (as the "Borrowers") to a certain Secured Line of Credit Promissory Note, executed on April 16, 2014, with a Principal Amount of $5,000,000.00, payable to DenSco (the "**Additional Funds Loan Note**"). Recognizing that "April 14, 2014" was stated in three (3) pages of the Additional Funds Loan Note where it should have stated "April 16, 2014", AHF, EI, FK, and Scott desire to make the necessary corrections. The corrected version of page 1 of the Additional Funds Loan Note ("**AFLN-1**") with "April 16, 2014" stated in the top right as the date of the Additional Funds Loan Note has been circulated and approved. The corrected version of page 2 of the Additional Funds Loan Note ("**AFLN-2**") with (i) "April 16, 2014" stated in the "Forbearance Agreement" section as the date of the Forbearance Agreement, and (ii) with "One Million Seven Hundred Eighty Thousand Two Hundred Thirty-Nine AND 76/100 DOLLARS ($1,780,239.76)" stated in Section 2 as the amount of funds previously advanced to Borrowers, pursuant to the terms of the Additional Funds Loan Note, as of close of business on April 16, 2014 has been circulated and approved. In addition, the corrected version of page 4 of the Additional Funds Loan Note ("**AFLN-4**") with "April 16, 2014" stated in Section 8 as the date of the Security Agreement has been circulated and approved. AHF, EI, FK, Scott and DenSco each hereby authorize and approve of the following:

a. Clark Hill is instructed to substitute AFLN-1, AFLN-2, and AFLN-4 into the corresponding pages of the executed original of the Additional Funds Loan Note; and

b. The Additional Funds Loan Note with the inclusion of AFLN-1, AFLN-2, and AFLN-4 will be deemed the original.

7. **Security Agreement**. FK is the "Debtor" in that certain Security Agreement, executed on April 16, 2014, in favor of DenSco as the "Secured Party" (the "**Security Agreement**"). Recognizing that "April 14, 2014" was stated in two (2) pages of the Security Agreement where it should have stated "April 16, 2014", FK desires to make the necessary corrections. The corrected version of page 1 of the Security Agreement ("**SA-1**") with "April 16, 2014" stated at the top of the page as the date of the Security Agreement and in the "Obligations Secured" section as the date of the Forbearance Agreement has been circulated and approved. In addition, the corrected version of page 2 of the Security Agreement ("**SA-2**") with "April 16, 2014" stated in the "Obligations Secured" section as the date of both the Additional Funds Loan Note and the Additional Loan Note has been circulated and approved. FK and DenSco each hereby authorize and approve of the following:

a. Clark Hill is instructed to substitute SA-1 and SA-2 into the corresponding pages of the executed original of the Security Agreement; and

b. The Security Agreement with the inclusion of SA-1 and SA-2 will be deemed the original.

8. **Representation and Disclaimer Agreement**. Scott and Francine are the parties to a certain Representation and Disclaimer Agreement, in favor of DenSco (the "**Disclaimer**"), executed on April 16, 2014. Recognizing that the "April 14, 2014" was stated in one (1) page of the Disclaimer where it should have stated "April 16, 2014", Scott and Francine desire to make the necessary correction. The corrected version of page 1 of the Disclaimer ("**D-1**") with "April 16, 2014" stated in the first paragraph as the execution date of the Disclaimer has been circulated and approved. Scott and Francine each hereby authorize and approve of the following:

a. Clark Hill is instructed to substitute D-1 into the corresponding page of the executed original of the Disclaimer; and

b. The Disclaimer with the inclusion of D-1 will be deemed the original.

9. **Consent**. Each of the parties hereto agree to and consent to all of the changes to the Forbearance Documents, as detailed in this Authorization, and acknowledge and agree that such changes do not constitute, either individually or in the aggregate, the basis to challenge the enforcement of any of the Forbearance Documents.

10. **Counterparts**. This Authorization may be executed in several counterparts, each of which counterpart shall be deemed an original instrument and all of which together shall constitute a single Authorization. The failure of any party hereto to execute this Authorization, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder.

[signatures on following page]

IN WITNESS WHEREOF, the undersigned parties have executed this Authorization on the dates set forth below and to be effective April 16, 2014.

AHF:

ARIZONA HOME FORECLOSURES, LLC

By: _____
Yomtov "Scott" Menaged
Its: Member
Dated: 6-18-14

EI:

EASY INVESTMENTS, LLC

By: _____
Yomtov "Scott" Menaged
Its: Member
Dated: 6-18-14

FK:

FURNITURE KING, LLC

By: _____
Yomotov "Scott" Menaged
Its: Manager
Dated: 6-18-14

Scott:

_____
Yomtov "Scott" Menaged
Dated: 6-18-14

Francine:

_____
Francine Menaged
Dated: 6-18-14

DenSco:

DENSCO INVESTMENT CORPORATION

By: _____
Denny Chittick
Its: President
Dated: 6-16-14

{Signature Page of Authorization to Update Forbearance Documents}

EXHIBIT A

Errata Sheet

Forbearance Agreement

Page 1-changed reference to April 14, 2014 to April 16, 2014 in the first paragraph.
Page 3-replace first sentence in Section 1 to include updated figure of $35,639,880.71 as the principal sum now due and payable under the Loans, as of close of business on April 16, 2014

Guaranty Agreement (Scott Menaged)

Page 1-changed reference to April 14, 2014 to April 16, 2014 in the first paragraph

Guaranty Agreement (Furniture King, LLC)

Page 1-changed reference to April 14, 2014 to April 16, 2014 in the first paragraph

Secured Line of Credit Promissory Note $1M

Page 1-changed date at the top right of the page from April 14, 2014 to April 16, 2014
Page 2-changed reference to April 14, 2014 to April 16, 2014 under the "Forbearance Agreement" paragraph
Page 3- replaced the last sentence in Section 2 to include updated figure of $915,167.89 as the amount of funds previously advanced to Borrowers, pursuant to the terms of the Additional Loan Note, as of close of business on April 16, 2014
Page 5-changed reference to date April 14, 2014 to April 16, 2014 in the first paragraph

Secured Line of Credit Promissory Note $5M

Page 1-changed reference to date at the top right of the page from April 14, 2014 to April 16, 2014
Page 2- changed reference to April 14, 2014 to April 16, 2014 under the "Forbearance Agreement" paragraph
- replaced the last sentence in Section 2 to include updated figure of $1,780,239.76 as the amount of funds previously advanced to Borrowers, pursuant to the terms of the Additional Funds Loan Note, as of close of business on April 16, 2014
Page 4-changed April 14, 2014 to April 16, 2014 under Section 8. Security and Guaranty

Security Agreement

Page 1 -changed date from April 14, 2014 to April 16, 2014
-changed reference to April 14, 2014 to April 16, 2014 in the "Obligations Secured" section
Page 2-changed both references to April 14, 2014 to April 16, 2014 in the first paragraph

Representation and Disclaimer Agreement

Page 1-changed reference to April 14, 2014 to April 16, 2014 in the first paragraph

Exhibit 63

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Kenneth Frakes, #021776
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Attorneys for Plaintiff

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA
IN THE COUNTY OF MARICOPA

PETER S. DAVIS, as Receiver of DENSCO INVESTMENT CORPORATION, an Arizona corporation,

Plaintiff,

vs.

U.S. BANK, NA, a national banking organization; HILDA H. CHAVEZ and JOHN DOE CHAVEZ, a married couple; JP MORGAN CHASE BANK, N.A., a national banking organization; SAMANTHA NELSON f/k/a SAMANTHA KUMBALECK and KRISTOFER NELSON, a married couple; and VIKRAM DADLANI and JANE DOE DADLANI, a married couple.

Defendants.

Case No.: CV2019-011499

COMPLAINT
(Breach of Contract)

(*TIER 3*)

(Eligible for Commercial Court)

Plaintiff, Peter S. Davis, as Receiver of DenSco Investment Corporation ("Plaintiff") brings this Complaint against Defendants U.S. Bank, N.A. ("US Bank"), JPMorgan Chase Bank, N.A. ("Chase"), Hilda Chavez ("Chavez"), Samantha Nelson ("Nelson"), and Vikram Dadlani ("Dadlani").[1]

[1] US Bank, Chase, Chavez, Nelson, and Dadlani, may be collectively referred to as "Defendants".

INTRODUCTION.

Yomtov Scott Menaged ("Menaged") is sitting in Federal prison for a series of crimes he perpetrated against DenSco Investment Corporation ("DenSco") and its investors. He defrauded DenSco in excess of $46,000,000.00. His fraudulent scheme required a series of financial transactions that he ran through US Bank and Chase. However, US Bank and Chase (and their employees) are also to blame. Defendants knew that Menaged was defrauding DenSco and continued to facilitate the financial transactions and operations that formed the lifeblood of Menaged's fraudulent scheme. But for Defendants' substantial assistance, Menaged could not have scammed DenSco out of tens-of-millions of dollars. It is time that Defendants make DenSco whole.

Accordingly, Plaintiff brings this action to recover compensatory and punitive damages for the losses DenSco suffered as a result of Defendants' aiding and abetting Menaged's fraud.

PARTIES, JURISDICTION, AND VENUE.

1. At all material times relevant to the claims set forth below, DenSco was an investment company that raised approximately $85 million from investors to make short term "hard money loans" to "foreclosure specialists" who were buying homes in foreclosure proceedings at trustee's sales. DenSco would charge its borrowers 15% to 18% interest for these loans, and they were to be secured by a deed of trust recorded against the purchased property.

2. On August 18, 2016, the court in *Arizona Corporation Commission v. DenSco Investment Corporation*, Maricopa County Superior Court, Case No. CV2016-014142 entered its *Order Appointing Receiver*, which appointed Plaintiff as Receiver of DenSco Investment Corporation ("Receivership Order").

3. The Receivership Order authorizes Plaintiff, to, among other things, employ attorneys and other professionals that are necessary for the proper collection, preservation, and maintenance of Receivership Assets. This includes bringing claims that the DenSco

Receivership Estate may have against third party tortfeasors that have damaged DenSco.

4. Plaintiff has determined that DenSco holds significant claims against Defendants for aiding and abetting Menaged's fraudulent scheme.

5. Defendant US Bank is a national banking association that is authorized to conduct business in the State of Arizona and conducting business in Maricopa County, Arizona. This Court has personal jurisdiction over US Bank because US Bank provided banking services in Arizona to Arizona residents and Arizona businesses.

6. At all times material hereto, Defendant Chavez and John Doe Chavez, wife and husband, were and are residing in Maricopa County, Arizona.

7. At all times material hereto Defendant Chavez was acting for, and on behalf of, the marital community. Plaintiff does not know the true name of the defendant denominated as John Doe Chavez but will substitute the true name of the party prior to entry of judgment.

8. Defendant Chase is a national banking association that is authorized to conduct business in the State of Arizona and conducts business in Maricopa County, Arizona. This Court has personal jurisdiction over Chase because Chase provided banking services in Arizona to Arizona residents and Arizona businesses.

9. At all times hereto, Defendants Samantha Nelson (formerly known as Samantha Kumbaleck) and Kristofer Nelson, wife and husband, were and are residing in Maricopa County, in the state of Arizona.

10. At all times alleged Defendant Samantha Nelson was acting for, and on behalf of, the marital community.

11. At all times hereto, Defendants Vikram Dadlani and Jane Doe Dadlani, were husband and wife, and were residing in Maricopa County, in the State of Arizona.

12. At all times alleged Defendant Vikram Dadlani was acting for, and on behalf of, the marital community. Plaintiff does not know the true name of the defendant denominated as Jane Doe Dadlani but will substitute the true name of the party prior to

entry of judgment.

13. This Court has subject matter jurisdiction under Article VI, § 14 of the Arizona Constitution and A.R.S. § 12-123.

14. Venue is proper in Maricopa County under A.R.S. §12-401 because US Bank and Chase conduct business or reside in Maricopa County.

MENAGED'S FRAUDULENT SCHEME.

15. Upon information and belief, Menaged was the sole member of Easy Investments, LLC ("Easy Investments").

16. Upon information and belief, Menaged was the sole member of Arizona Home Foreclosures, LLC ("AZHF").

17. Menaged held himself, Easy Investments, and AZHF to be in the business of purchasing homes being foreclosed upon at trustee's sales.

18. DenSco made "hard money loans" to Menaged, Easy Investments, and AZHF for the stated purpose of purchasing foreclosed upon homes at trustees' sales.

19. Menaged, however, defrauded DenSco by not using the funds that he, Easy Investments, or AZHF borrowed from DenSco ("DenSco Loan Proceeds") to purchase homes at trustee's sales, but rather, he used the DenSco Loan Proceeds for his own personal benefit.

20. Menaged would email DenSco lists of properties in foreclosure proceedings ("Identified Properties").

21. In those emails, Menaged intentionally misrepresented to DenSco that (1) he was the winning bidder on properties that were sold at a trustee's sale; (2) his companies, Easy Investments or AZHF, needed financing to purchase the Identified Properties; and (3) requested that DenSco loan Easy Investments or AZHF the funds required to complete the purchase of the Identified Properties.

22. These emails included, among other things, (1) the addresses of the Identified Properties that Menaged misrepresented to DenSco that he intended to complete the

purchase with the DenSco Loan Proceeds; and (2) the amount of the loan that Menaged needed.

23. The DenSco Loan Proceeds were supposed to be secured with deeds of trust recorded against the Identified Properties purchased.

24. These misrepresentations were material to DenSco.

25. Menaged never intended to purchase the Identified Properties, but rather intended for DenSco to rely on these material misrepresentations and loan him money.

26. DenSco relied on the truth of Menaged's material misrepresentations and loaned Menaged, Easy Investments, and AZHF the funds required for Menaged to complete the purchase of the Identified Properties.

27. DenSco did not know that Menaged's representations were false.

28. DenSco had the right to rely on the truth of Menaged's misrepresentations, and such reliance were reasonable and justified under the circumstances.

29. DenSco expected that the DenSco Loan Proceeds would be used for the specific purpose of purchasing the Identified Properties, secured by a deed of trust at the agreed upon interest rate of 15%-18%.

30. Menaged, however, did not use the DenSco Loan Proceeds to purchase the Identified Properties. Rather, he used the DenSco Loan Proceeds for his own personal benefit.

31. As a result, DenSco was damaged.

MENAGED'S INDICTMENT AND GUILTY PLEA.

32. On or about May 16, 2017 Menaged was indicted in the United States District Court, District of Arizona, Case No. CR-17-00680-PHX-GMS(MHB) (the "District Court Action"), for Wire Fraud, Aggravated Identity Theft, Conspiracy to Defraud, and Forfeiture, in connection with his ownership, and management, of his real estate and furniture businesses.

33. On or about August 4, 2017, Menaged and Francine Menaged entered into a

Settlement Agreement with Plaintiff, whereby the Menageds consented to the entry of a nondischargeable civil judgment in favor of Plaintiff in the amount of $31,000,000.00, and whereby Plaintiff agreed to offset the judgment in an amount equal to the gross recovery from third parties that is related to Menaged's cooperation.

34. On or about October 17, 2017, Menaged pleaded guilty to Conspiracy to Commit Bank Fraud, Aggravated Identity Theft, and Money Laundering Conspiracy, in the District Court Action.

35. Menaged was sentenced to 17 years in a federal prison.

36. Menaged could not conduct this scheme on his own. This is where Defendants come in.

MENAGED'S CASHIER'S CHECK SCHEME: THE US BANK YEARS.

37. From December 2012 through May 2016, Menaged and his business Easy Investments maintained a series of accounts with US Bank.

38. Upon information and belief, Menaged banked at US Bank's branch located at 6611 W. Bell Road, Glendale, Arizona, which is located in a Fry's grocery store.

39. Upon information and belief, Defendant Chavez worked at US Bank and was the manager of the US Bank branch at 6611 W. Bell Road, Glendale, Arizona.

40. Upon information and belief, Defendant Chavez was Menaged's main contact at US Bank. She committed the wrongful acts set forth below while conducting official US Bank business.

41. US Bank and Defendant Chavez may be referred to as "the US Bank Defendants."

42. From December 2012 through May 2016, Menaged emailed DenSco a list of Identified Properties that were in foreclosure proceedings. Menaged intentionally misrepresented that he (or his company) attended the various trustee's sale public auctions and was the winning bidder to purchase the Identified Properties.

43. In those emails, he would set forth the address of the Identified Property that

he purportedly purchased, and request financing from DenSco.

44. Relying on Menaged's misrepresentations, DenSco made the requested loans and wired the DenSco Loan Proceeds to Menaged's Easy Investments account at US Bank.

45. DenSco's wire transfers to US Bank included the following information:

a. The name of the originator: "DenSco Investment Corp";

b. The name of the recipient: "Easy Investments, LLC"; and

c. The amount of the DenSco loan transferred to Menaged for the purchase of the Identified Properties.

46. Upon information and belief, nearly all funds in Menaged's Easy Investments account at US Bank consisted of the DenSco Loan Proceeds made to Menaged to purchase the Identified Properties.

47. The US Bank Defendants knew almost all of the funds in Menaged's Easy Investments account at US Bank consisted of the DenSco Loan Proceeds because they accepted the wire transfers from DenSco, kept records of Easy Investments' account, and compiled this information in the US Bank bank statements evidencing this.

48. On or about the day that DenSco wired the DenSco Loan Proceeds to Menaged's Easy Investments' account, Menaged, or his assistant Veronica Castro, would visit the US Bank branch to obtain cashier's checks.

49. The cashier's checks that Menaged or Castro obtained from US Bank consisted of the DenSco Loan Proceeds.

50. The amount of the cashier's checks that the US Bank Defendants created for Menaged were equal to the amount of the DenSco Loan Proceeds that DenSco wired to Menaged's Easy Investments account on or about that particular day, less the $10,000.00 deposit that Menaged would have had to deposit with the trustee as the winning bidder.

51. Upon information and belief, Defendant Chavez, or other US Bank employees, would assist Managed and Castro in obtaining the cashier's checks.

52. Menaged or Castro instructed the US Bank Defendants to (1) make the cashier's checks payable to the trustee who allegedly conducted the public sale of the foreclosed property; and (2) in the amount for which Menaged misrepresented to DenSco that he purchased the property, less the $10,000.00 deposit that Menaged would have had to deposit with the trustee as the winning bidder.

53. Menaged or Castro also instructed the US Bank Defendants to memorialize on each individual cashier's checks' memo line: "DenSco Payment [and address of the property]" or "DenSco [and address of the property]".

54. The US Bank Defendants prepared the cashier's checks in accordance with Menaged's or Castro's instructions.

55. On almost all occasions, Menaged did not use the US Bank cashier's checks to purchase the Identified Properties as he had represented to DenSco.

56. Rather, the purpose of these cashier's checks was to defraud DenSco, as it was Menaged's intention to use the DenSco Loan Proceeds for his personal benefit.

57. Specifically, Menaged used the US Bank cashier's checks to provide assurances to DenSco, and make DenSco believe, that he would be using the DenSco Loan Proceeds to purchase the Identified Properties.

58. To provide these assurances to DenSco, Menaged or Castro took a picture of each cashier's check prepared and issued by US Bank.

59. Upon information and belief, if Menaged was at the US Bank branch obtaining the cashier's checks, he would electronically send the photos of the cashier's checks to DenSco while at the branch.

60. Upon information and belief, if Castro was at the US Bank branch obtaining the cashier's checks, she would take these pictures and send them to Menaged while at the US Bank branch, and then Menaged would forward them to DenSco.

61. Immediately after the electronic photo of the cashier's checks was sent to DenSco, the US Bank Defendants would then redeposit the cashier's checks, which

consisted of the DenSco Loan Proceeds, back into Menaged's Easy Investments' account.

62. Then, Menaged would use the DenSco Loan Proceeds for his own personal benefit.

63. Menaged and the US Bank Defendants worked together to create, photograph, and then immediately redeposit at least 41 cashier's checks in the total amount of $6,931,048.00, which allowed Menaged to use the DenSco Loan Proceeds for his own personal benefit.

US BANK DEFENDANTS KNEW THAT MENAGED WAS DEFRAUDING DENSCO.

64. The US Bank Defendants knew, and were generally aware, that Menaged was using the cashier's checks to defraud DenSco for several reasons.

65. First, the US Bank Defendants knew that Menaged promoted himself and Easy Investments as being in the business of purchasing foreclosed homes from public auctions because he regularly told them.

66. Also, upon information and belief, Defendant Chavez knew that Menaged and Easy Investments were in the business of purchasing foreclosed homes at public auctions because she was interested in purchasing foreclosed properties as rentals, and Defendant Chavez met with Menaged to mentor her in the business.

67. Second, Menaged told the US Bank Defendants that DenSco was his and Easy Investments' lender and that DenSco loaned funds to Managed and his companies for the intended purchase of homes in foreclosure proceedings.

68. The US Bank Defendants knew that DenSco loaned money to Menaged and Easy Investments because DenSco wired the DenSco Loan Proceeds to Menaged's Easy Investments account at US Bank and the wire transfers listed DenSco as "the originator."

69. The US Bank Defendants knew that the cashier's checks that Menaged or Castro obtained consisted of DenSco Loan Proceeds because it would receive DenSco's wire transfer which listed DenSco as "the originator" and then they created the cashier's

checks which memorialized that they were DenSco's payment for a certain property on the cashier's checks' memo lines.

70. Third, the US Bank Defendants knew that DenSco had the expectation that the DenSco Loan Proceeds wired into Menaged's Easy Investments account would be used to purchase the Identified Properties because the US Defendants would prepare cashier's checks that would:

a. be approximately equal to the total amount that DenSco wired to Menaged's Easy Investments' account;

b. be made payable to a trustee that conducted the public auction; and

c. memorialize the cashier's checks' purported purpose by stating in their memo lines: "DenSco Payment [property address]."

71. Fourth, the US Bank Defendants knew that Menaged was not using the DenSco Loan Proceeds to complete the purchase of the Identified Properties, but rather to perpetuate his fraud, because the US Bank Defendants would immediately redeposit the cashier's checks back into the Easy Investments account for him.

72. Fifth, the US Bank Defendants knew that Menaged was not using the DenSco Loan Proceeds for their intended purpose of purchasing the Identified Properties at trustee's sales, but rather, Menaged was using the DenSco Loan Proceeds for his personal benefit because, upon information and belief, he would withdraw large amounts of the redeposited DenSco Loan Proceeds in cash from the US Bank's Easy Investments' account and transfer redeposited DenSco Loan Proceeds from his US Bank Easy Investments account to his other US Bank accounts.

THE US BANK DEFENDANTS SUBSTANTIALLY ASSISTED MENAGED.

73. As discussed above, the US Bank Defendants had actual knowledge of Menaged's fraud and substantially assisted Menaged in defrauding DenSco by knowing that Menaged was defrauding DenSco and performing routine banking services that allowed him to perpetuate his fraudulent scheme.

74. Upon information and belief, these routine banking services included, but were not limited to:

a. accepting wire transfers from DenSco knowing that the DenSco Loan Proceeds were not going to be used for their intended purpose of purchasing homes in foreclosure proceedings;

b. creating cashier's checks knowing that they consisted of DenSco Loan Proceeds and were not going to be used for their intended purpose of purchasing homes in foreclosure proceedings;

c. redepositing the cashier's checks for Menaged into his Easy Investments account knowing that they consisted of DenSco Loan Proceeds and that Menaged would use the redeposited DenSco Loan Proceeds for his own benefit;

d. allowing Menaged to withdraw substantial amounts of DenSco Loan Proceeds in the form of cash from the Easy Investments Account; and

e. transferring the DenSco Loan Proceeds from Menaged's Easy Investments accounts to his other accounts at US Bank.

75. Also, and upon information and belief, Menaged requested that the US Bank Defendants keep substantial amounts of cash at US Bank branch at 6611 W. Bell Road, Glendale, Arizona to ensure adequate cash was available for Menaged's regular and substantial cash withdrawals.

76. Upon information and belief, the US Bank Defendants accommodated this request and changed its policies at the US Bank branch at 6611 W. Bell Road, Glendale, Arizona and kept up to $20,000.00 of cash at any given time for Menaged's cash withdrawals.

77. The US Bank Defendants also substantially assisted Menaged in defrauding DenSco by ignoring its own policies and procedures.

78. Upon information and belief, US Bank has a "hold period" on redeposited cashier's checks, where the redeposited funds would not be available to the account owner for several days.

79. Upon information and belief, the US Bank Defendants materially assisted Menaged's fraudulent scheme against DenSco by violating their own internal policies and procedures by intentionally "over-riding" these holds on the redeposited cashier's checks to allow Menaged immediate access to the redeposited DenSco Loan Proceeds.

80. The US Bank Defendants materially assisted Menaged's fraudulent scheme against DenSco by continuing to furnish routine banking services to Menaged, despite:

a. knowing that Easy Investments' business account was used for the purchase of properties at trustee's sales;

b. knowing DenSco loaned money to Easy Investments for purchasing the Identified Properties at trustee's sales;

c. knowing that Menaged was obtaining cashier's checks with the DenSco Loan Proceeds for the purported purchase of the Identified Properties, but instead was redepositing them back into his Easy Investments account; and

d. knowing that Menaged instead used the DenSco Loan Proceeds for his own personal use.

81. Without the material and substantial assistance that the US Bank Defendants provided to Menaged, Menaged could not have conducted his fraudulent scheme against DenSco from December 2012 through April of 2014.

82. The US Bank Defendants intended to assist Menaged in this scheme because Menaged moved millions of dollars through his Easy Investment account at US Bank, and therefore, the US Bank Defendants had a financial motive to maintain Menaged's business at US Bank.

83. The US Bank Defendants benefited from Menaged's fraudulent scheme by maintaining Menaged's business accounts.

84. The US Bank Defendants, through their actions as described above, acted to serve US Bank's own interests, having reason to know and consciously disregarding a substantial risk that their conduct might significantly injure the rights of others, including

DenSco.

85. The US Bank Defendants, through the actions as described above, consciously pursued a course of conduct knowing that it created a substantial risk of significant harm to others, including DenSco.

86. Because the US Bank Defendants aided and abetted Menaged in defrauding DenSco, DenSco was damaged in an amount to be proved at trial, but no less than $1,000,000.00.

MENAGED'S CASHIER'S CHECK SCHEME: THE CHASE YEARS.

87. From April 2014 through at least November 2016, Menaged and AZHF banked with Chase.

88. Upon information and belief, Menaged banked at Chase's branch located at 8999 East Shea Boulevard, Scottsdale, Arizona.

89. From April 2014 through at least November 2016, Defendants Nelson and Dadlani worked at Chase and were managers at the Chase branch located at 8999 East Shea Boulevard, Scottsdale, Arizona. They committed the wrongful acts set forth below while conducting official Chase business.

90. Upon information and belief, Defendants Nelson and Dadlani were Menaged's main contacts at Chase.

91. Chase, Nelson, and Dadlani may be referred to as "the Chase Defendants."

92. From April 2014 through at least November 2016, Menaged emailed DenSco a list of properties that were in foreclosure proceedings. He intentionally misrepresented that he (or his company) attended the trustee's sale public auctions and was the winning bidder to purchase the Identified Properties.

93. In those emails, he would set forth the address of the Identified Property purportedly purchased, and request financing from DenSco.

94. Relying on Menaged's misrepresentations, DenSco wired the requested DenSco Loan Proceeds to Menaged's AZHF account at Chase.

95. DenSco's wire transfers to Chase included the following information:

a. The name of the originator: "DenSco Investment Corp";

b. The name of the recipient: "Arizona Home Foreclosure, LLC"; and

c. The amount of the DenSco loan transferred to Menaged for the purchase of the Identified Properties.

96. Upon information and belief, nearly all funds in Menaged's AZHF account at Chase consisted of the DenSco Loan Proceeds to purchase the Identified Properties.

97. The Chase Defendants knew that most of the funds in Menaged's Easy AZHF account at Chase consisted of the DenSco Loan Proceeds because Chase accepted the wire transfers from DenSco, kept records of AZHF's account transactions, and compiled this information in the Chase bank statements evidencing this.

98. After Chase received a DenSco wire transfer, Menaged would email the Chase Defendants and request them to issue cashier's checks from his AZHF account.

99. In those emails to the Chase Defendants, Menaged instructed them to (1) make the cashier's check payable to the trustee who allegedly conducted the public auction of the foreclosed property; and (2) in the amount for which Menaged misrepresented to DenSco that he purchased the property, less the $10,000.00 deposit that Menaged would have had to deposit with the trustee as the winning bidder.

100. In those emails to the Chase Defendants, Menaged also instructed the Chase Defendants to memorialize on each individual cashier's check's memo line: "DenSco Payment [and address of the property]" or "DenSco [and address of the property]".

101. The Chase Defendants prepared the cashier's checks from AZHF's account in accordance with Menaged's emailed instructions.

102. The Chase cashier's checks consisted of DenSco Loan Proceeds.

103. In addition, when a Chase Defendant prepared the cashier's checks in accordance with Menaged's instructions, he or she stamped the back of the cashier's checks "Not Used For Intended Purposes," and prepared a withdrawal slip and a corresponding

deposit slip for the identical amount of the cashier's checks so that Menaged could redeposit the cashier's checks back into his AZHF account after he took pictures of them.

104. The withdrawal slip would contain the total amount of all cashier's checks being issued (e.g., four or five checks at a time) and the deposit slip would be for the same amount as the withdrawal slip.

105. The Chase Defendants prepared this packet prior to Menaged's arrival at the branch and had the packet waiting for him to further his fraudulent scheme.

106. When Menaged arrived at the Chase branch, the Chase Defendants would then hand him the withdrawal slips, cashier's checks, and deposit slips in one paperclip.

107. Menaged did not prepare any of the paperwork himself. He instead relied on Chase to fill out the withdrawal slips and the deposit slips for him before he arrived at the branch.

108. On almost all occasions, Menaged did not use the DenSco Loan Proceeds to purchase the Identified Properties as he had represented to DenSco.

109. Rather, the purpose of these cashier's checks was to defraud DenSco, as it was Menaged's intention to use the DenSco Loan Proceeds for his personal benefit.

110. Specifically, Menaged used the Chase cashier's checks to provide assurances to DenSco, and make DenSco believe, that he would be using the DenSco Loan Proceeds to purchase the Identified Properties.

111. To provide these assurances to DenSco, Menaged would take photos of the cashier's checks and electronically send the photos to DenSco.

112. Menaged often took a picture of the cashier's checks in front of a Chase Defendant.

113. The Chase Defendants had no problem assisting Menaged in defrauding DenSco. Upon information and belief, on at least one occasion, a Chase Defendant took the picture for Menaged on his cell phone so that he could provide the false assurances to DenSco.

114. The Chase Defendants typically did not ask Menaged to show his identification at any point during the transaction of receiving and redepositing the cashier's checks.

115. Immediately after Menaged sent the electronic photo of the cashier's checks to DenSco, the Chase Defendants would then redeposit the cashier's check, comprised of the DenSco Loan Proceeds, back into Menaged's AZHF account.

116. Then, Menaged would use the DenSco Loan Proceeds for his own personal benefit.

117. Menaged and the Chase Defendants worked together to create, photograph, and then immediately redeposit at least 1,349 cashier's checks, in the total amount of $312,108,679.00, which Menaged used for his personal benefit.

CHASE DEFENDANTS KNEW THAT MENAGED WAS DEFRAUDING DENSCO.

118. The Chase Defendants knew, and were generally aware, that Menaged was using this cashier's check scheme to defraud DenSco for several reasons.

119. The Chase Defendants knew that Menaged promoted himself and AZHF as being in the business of purchasing foreclosed homes from public auctions because he regularly sold them.

120. Also, upon information and belief, Defendant Nelson (or another bank officer or employee) knew that Menaged was in the business of purchasing foreclosed properties as she expressed interest in purchasing a foreclosed home for her personal use.

121. Menaged told the Chase Defendants that DenSco was his and AZHF's lender and that DenSco loaned funds to Managed and his companies for the intended purchase of homes in foreclosure proceedings.

122. The Chase Defendants knew that DenSco loaned money to Menaged and AZHF because DenSco wired the DenSco Loan Proceeds to Menaged's accounts at Chase and the wire transfers listed DenSco as "the originator."

123. The Chase Defendants knew that the cashier's checks consisted of DenSco Loan Proceeds because Chase would receive DenSco's wire transfer which listed DenSco as "the originator," and then they created the cashier's checks which memorialized that the checks were DenSco's payment for a certain property on the cashier's checks' memo lines.

124. The Chase Defendants knew that DenSco had the expectation that the DenSco Loan Proceeds that it wired into Menaged's Chase accounts would be used to purchase the Identified Properties because the Chase Defendants would prepare cashier's checks that would:

a. be approximately equal to the total amount that DenSco wired to Menaged's Easy Investments' account;

b. be made payable to a particular trustee that conducted the public auction; and

c. memorialize the cashier's checks' purported purpose by stating in their memo lines: "DenSco Payment [property address]."

125. The Chase Defendants knew that Menaged was using the cashier's checks to provide false assurances to DenSco because (1) a Chase Defendant had asked Menaged why he would take pictures of the cashier's checks; (2) Menaged told her that he was sending photos of the cashier's checks to DenSco to provide assurances to DenSco that the DenSco funds were actually being used to purchase the Identified Properties; and (3) the Chase Defendants redeposited the checks back into Menaged's AZHF's account.

126. The Chase Defendants knew that Menaged was generally not using the cashier's checks to purchase the Identified Properties because (1) when a Chase Defendant prepared the cashier's checks in accordance with Menaged's instructions, he or she stamped the back of the cashier's checks "Not Used For Intended Purpose;" and (2) they prepared a corresponding deposit slip for the identical amount of the cashier's checks so that Menaged could redeposit cashier's checks back into his AZHF account after he took pictures of them.

127. From time to time, Menaged used a cashier's check for its intended purpose to purchase one of the Identified Properties at a trustee's sale.

128. The Chase Defendants and Menaged came up with a system whereby Menaged provided them with notice that he was going to take a cashier's check and did not want the Chase Defendants to redeposit that particular cashier's check back into AZHF's account.

129. Upon information and belief, the Chase Defendants instructed Menaged that Chase would assume all of the cashier's checks would be redeposited in the AZHF account and would mark the cashier's checks as "Not Used For Intended Purposes" prior to Menaged's arrival at the Chase branch, unless Menaged indicated in his email to the Chase Defendants that he intended to take a certain cashier's check with him when he left the branch.

130. If Menaged did not inform the Chase Defendants that he intended to take a cashier's check with him when he left the branch, Chase would automatically prepare the cashier's checks for redeposit and would mark the cashier's checks "Not Used For Intended Purposes" before Menaged arrived to "pick up" the checks.

131. When Menaged intended to take a cashier's check, he indicated in his emails to Chase "taking with me," or something similar, next to the dollar amount or trustee's name. That was Menaged's signal to the Chase Defendants that the cashier's check would not be redeposited so that the Chase Defendants would not mark it "Not Used For Intended Purposes."

132. In nearly every other case, however, and unbeknownst to DenSco, Menaged and the Chase Defendants redeposited the checks back into AZHF's account at Chase.

133. Menaged and the Chase Defendants did this nearly every single business day of the week from April 2014 through June 2015.

134. Upon information and belief, there are thousands of transactions whereby Menaged and the Chase Defendants would withdraw the DenSco Loan Proceeds in the form of cashier's checks and redeposit those funds on the very same day.

135. The Chase Defendants knew that Menaged was not using the DenSco Loan

Proceeds to complete the purchase of the Identified Properties because the Chase Defendants would redeposit the cashier's checks back into Menaged's bank account for him immediately after he took pictures of the cashier's checks.

136. The Chase Defendants knew that Menaged was not using the DenSco Loan Proceeds for their intended purpose of purchasing the Identified Properties at trustee's sales, but rather, Menaged was using the DenSco Loan Proceeds for his personal benefit because, upon information and belief, he would withdraw large amounts of the redeposited DenSco Loan Proceeds in cash from his Chase accounts and transfer the redeposited DenSco Loan Proceeds from his AZHF account to Menaged's other Chase accounts.

THE CHASE DEFENDANTS SUBSTANTIALLY ASSISTED MENAGED.

137. As discussed above, the Chase Defendants had actual knowledge of Menaged's fraud and substantially assisted Menaged in defrauding DenSco by knowing that Menaged was defrauding DenSco and performing routine banking services that allowed him to perpetuate his fraudulent scheme.

138. Upon information and belief, these routine banking services included, but were not limited to:

a. accepting wires from DenSco knowing that the funds were not going to be used for their intended purpose of purchasing homes in foreclosure proceedings;

b. creating cashier's checks knowing that they consisted of DenSco Loan Proceeds and that they were not going to be used for their intended purposes of purchasing homes in foreclosure proceedings;

c. redepositing the cashier's checks for Menaged into his accounts knowing that they consisted of DenSco Loan Proceeds and that Menaged would use the redeposited DenSco Loan Proceeds for his own benefit;

d. allowing Menaged to withdraw substantial amounts of DenSco Loan Proceeds in the form of cash;

e. and transferring DenSco Loan Proceeds from Menaged's AZHF

Accounts to his other accounts at Chase.

139. The Chase Defendants materially assisted Menaged in defrauding DenSco by instructing Menaged on how to circumvent Chase and government procedures to avoid scrutiny when he engaged in these cash transactions.

140. For instance, the Chase Defendants informed Menaged that a cash transaction over $10,000 needed to be reported to government authorities.

141. The Chase Defendants also informed Menaged that any cash transactions just under $10,000, such as $9,900, could trigger an internal suspicious activity report, which is a report Chase generates when it appears someone is conducting transactions in a manner that suggests that the person is trying to intentionally circumvent the $10,000 reporting requirement.

142. The Chase Defendants advised and instructed Menaged to withdraw or deposit cash in amounts that would not cause Chase to write up a suspicious activity report.

143. Menaged followed the Chase Defendants' instructions on how to avoid scrutiny and deposited or withdrew cash from his AZHF's account in amounts that did not require the transaction to be reported to governmental authorities, nor cause Chase to write up a suspicious activity report.

144. The Chase Defendants also substantially assisted Menaged's fraud by facilitating Menaged's gambling with DenSco Loan Proceeds.

145. Menaged frequently gambled with DenSco Loan Proceeds by using his AZHF debit card at casinos.

146. The Chase Defendants knew that Menaged gambled significant amounts of DenSco Loan Proceeds at casinos because they kept records and because of the facts set forth below.

147. The Chase Defendants assisted Menaged in defrauding DenSco by helping him use DenSco Loan Proceeds in the AZHF account for gambling purposes.

148. Menaged's AZHF debit card had a spending limit and Chase would decline

the card when Menaged exceeded the limit at the casino.

149. The Chase Defendants assisted Menaged in defrauding DenSco by increasing the spending limits on Menaged's AZHF debit card to approximately $40,000 so he could gamble at casinos with the DenSco Loan Proceeds without Chase's fraud prevention department flagging the account or declining his debit card.

150. Upon Menaged's request, the Chase Defendants assisted Menaged in defrauding DenSco by contacting the Chase debit-card fraud prevention department to remove suspensions or "flags" on the AZHF debit card due to the high dollar amounts that were being charged at casinos so that he could gamble with the DenSco Loan Proceeds.

151. The Chase Defendants also assisted Menaged in defrauding DenSco by initiating outgoing wire transfers and issuing cashier's checks from the DenSco Loan Proceeds in Menaged's AZHF account to various casinos.

152. In short, the Chase Defendants knew that the funds in Menaged's AZHF account were DenSco Loan Proceeds, but facilitated Menaged's fraud by making it easier, among other things, to gamble with those funds.

153. The Chase Defendants also assisted Menaged in defrauding DenSco by confirming with various casinos that the cashier's checks or wire transfers from AZHF's account were legitimate, if the casinos called them to verify the transactions.

154. The Chase Defendants also assisted Menaged in defrauding DenSco because even though the Chase Defendants knew the DenSco Loan Proceeds were to be used for the purchase of Identified Properties at trustee's sales, the Chase Defendants transferred DenSco Loan Proceeds funds from AZHF's account into other accounts held by Menaged personally and by his other businesses, for Menaged's own use.

155. The Chase Defendants substantially assisted Menaged's fraud by not following its own policies and procedures.

156. Upon information and belief, Chase's system does not recognize wire transferred funds as being immediately available to be withdrawn.

157. The Chase Defendants routinely and intentionally "over-rode" holds on the AZHF account to allow them to immediately issue cashier's checks after Chase received DenSco's wire transfer.

158. Upon information and belief, Chase ordinarily had a policy for a 5-7 day hold on redeposited cashier's checks. Against its own policy, Chase routinely and intentionally "over-rode" those holds to allow Menaged to immediately use the redeposited DenSco Loan Proceeds for his own gain. Thus, Chase would release these holds so that the funds were immediately available to Menaged for his own personal use.

159. It was also contrary to Chase's policy to issue cashier's checks by email request. Upon information and belief, Chase's policy required the account holder to be at the bank in person to sign the required documentation to obtain a cashier's check. Chase ignored that policy and issued cashier's checks to Menaged based upon his email requests.

160. The Chase Defendants also substantially assisted Menaged in defrauding DenSco by continuing to furnish routine banking services to Menaged, despite:

a. knowing the AZHF business account was for the purchase of Identified Properties at trustee's sales;

b. knowing DenSco loaned the DenSco Loan Proceeds to AZHF for purchasing properties at trustee's sales;

c. knowing Menaged was assuring DenSco the DenSco Loan Proceeds were being used to purchase properties at trustee's sales; and

d. knowing that Menaged instead used the DenSco Loan Proceeds for his own personal use.

161. Without the material and substantial assistance that the Chase Defendants provided to Menaged, Menaged could not have operated his fraudulent scheme against DenSco from April of 2014 through June 2015.

162. The Chase Defendants intended to assist Menaged in this scheme because Menaged moved millions of dollars through his accounts at Chase, and therefore, the Chase

Defendants had a financial motive to maintain Menaged's business.

163. The Chase Defendants benefited from Menaged's fraudulent scheme by, among other things, maintaining Menaged's business accounts.

164. The Chase Defendants, through its actions as described above, acted to serve Chase's interests, having reason to know and consciously disregard a substantial risk that its conduct might significantly injure the rights of others, including DenSco.

165. The Chase Defendants, through their actions as described above, consciously pursued a course of conduct knowing that it created a substantial risk of significant harm to others, including DenSco.

166. Because the Chase Defendants aided and abetted Menaged in defrauding DenSco, DenSco was damaged in an amount to be proved at trial, but no less than $1,000,000.00.

COUNT ONE
(Aiding and Abetting: US Bank; Chavez)

167. DenSco re-alleges and reincorporates paragraphs 1 through 166 of this Complaint as if fully set forth herein.

168. Menaged was engaged in fraudulent conduct for which he would be liable to DenSco.

169. The US Bank Defendants were aware that Menaged was engaging in such conduct.

170. The US Bank Defendants provided substantial assistance or encouragement to Menaged with the intent of promoting Menaged's fraudulent conduct.

COUNT TWO
(Aiding and Abetting: Chase; Nelson; Dadlani)

171. DenSco re-alleges and reincorporates paragraphs 1 through 170 of this Complaint as if fully set forth herein.

172. Menaged was engaged in fraudulent conduct for which he would be liable to DenSco.

173. The Chase Defendants were aware that Menaged was engaging in such conduct.

174. The Chase Defendants provided substantial assistance or encouragement to Menaged with the intent of promoting Menaged's fraudulent conduct.

PRAYER FOR RELIEF

Wherefore, based upon the foregoing, Plaintiff prays for judgment against Defendants as follows:

A. For an award of compensatory damages against U.S. Bank, N.A. in an amount to be determined at trial.

B. For an award of compensatory damages against Defendants Hilda Chavez and John Doe Chavez, wife and husband, in an amount to be determined at trial.

C. For an award of compensatory damages against J.P. Morgan Chase Bank, N.A. to be determined at trial;

D. For an award of compensatory damages against Defendants Samantha Nelson and Kristofer Nelson, wife and husband, in an amount to be determined at trial.

E. For an award of compensatory damages against Defendants Vikram Dadlani and Jane Doe Dadlani, husband and wife, in an amount to be determined at trial.

F. For an award of punitive damages;

G. For an award of prejudgment interest and costs;

H. For such other and further relief as this Court deems just and proper under the circumstances.

. . .

. . .

DATED this ____ day of August, 2019.

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IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

Peter S. Davis, as Receiver of DenSco Investment Corporation, an Arizona corporation, Plaintiff, v. Clark Hill PLC, a Michigan limited liability company; David G. Beauchamp and Jane Doe Beauchamp, husband and wife, Defendants.	No. CV 2017-013832 **COMPLAINT** (Eligible for Commercial Court)

For his Complaint against Defendants Clark Hill PLC, David G. Beauchamp, and Jane Doe Beauchamp, Plaintiff Peter S. Davis, as the court-appointed receiver of DenSco Investment Corporation ("Plaintiff" or "Receiver"), alleges as follows.

SUMMARY OF PLAINTIFF'S CLAIMS

1. From July 2001 to July 2016, DenSco Investment Corporation ("DenSco") raised approximately $85 million from investors. DenSco's investors were told *(i)* DenSco would use that money to make short-term "hard money" loans to "foreclosure specialists" who were buying foreclosed homes; *(ii)* the loans would

always be "secured through first position trust deeds," so that DenSco would, in the event a borrower defaulted, recover the loaned funds by taking possession of the property; and *(iii)* DenSco would reduce risk "by attempting to ensure that one borrower will not comprise more than 10 to 15 percent of the total portfolio."

2. During that fifteen-year period, DenSco relied on attorney David G. Beauchamp ("Beauchamp") and the law firms with which he was affiliated for legal advice.

3. In January 2014, Beauchamp and his law firm, Clark Hill PLC ("Clark Hill"), learned that the promises DenSco had made to its investors were untrue and that DenSco's sole owner, shareholder, and operator, Denny Chittick ("Chittick"), had grossly mismanaged DenSco. They were told that two companies controlled by DenSco's single largest borrower, Yomotov "Scott" Menaged ("Menaged"), had fraudulently obtained from DenSco as many as 125 loans that were not secured by a first-position deed of trust. They also learned that Menaged and his companies accounted for 25% or more of DenSco's total loan portfolio.

4. Clark Hill and Beauchamp were told that Chittick and Menaged had agreed that DenSco would refrain from enforcing its current loan agreements with Menaged and his companies, and would instead loan millions more to them, without DenSco first investigating how the fraud had occurred, where DenSco's money had gone, and the impact of the fraud on DenSco's financial position. They were also told that Chittick planned to have DenSco raise new money from investors to fund efforts to help Menaged "fix" the problem before disclosing to those investors the fraud, its effect on DenSco, and the agreement Chittick and Menaged had made.

5. Clark Hill and Beauchamp were in a position to protect DenSco and its investors from further harm. They should have advised DenSco to immediately cease taking any new investor funds, investigate the circumstances of the fraud, assess the Company's options upon the completion of that investigation, and solicit new investor

funds if, and only if, the solicitation was in DenSco's interests and adequate disclosures were made. They did not.

6. If Clark Hill and Beauchamp had properly advised DenSco, an investigation would have revealed that Menaged was a con man who had made up a story about his "cousin" having committed the fraud. The investigation would have also revealed that DenSco was insolvent as a result of Menaged's fraud. DenSco and its investors would have been best served if DenSco had severed its relationship with Menaged and taken all available steps to recover its losses from Menaged.

7. Clark Hill and Beauchamp instead breached fiduciary duties owed DenSco and helped Chittick breach fiduciary duties he owed the Company. Knowing that Chittick had not conducted any investigation of Menaged's "cousin" story, Clark Hill and Beauchamp blessed and helped implement a "work out" agreement with Menaged under which DenSco loaned millions more to the con man. They told Chittick that DenSco could raise new money from investors to fund additional loans to Menaged without first investigating the circumstances of the fraud, assessing its impact on DenSco's financial position, and making disclosures to those investors.

8. Chittick, aided and abetted by Clark Hill and Beauchamp, breached his fiduciary duties to DenSco and its investors by causing DenSco to: *(i)* make 2,712 new loans to Menaged over the next two years for which DenSco has suffered losses in excess of $25 million; *(ii)* obtain more than $15 million from investors who were never told of Chittick's mismanagement of DenSco, Menaged's fraud, and the "work out" agreement; and *(iii)* misdirect investors' money to fund the "work out," rather than use the money as promised to investors when they invested.

9. After Chittick committed suicide in July 2016, Clark Hill and Beauchamp ran the day-to-day operations of DenSco for a period of time. Despite Chittick's death, Clark Hill and Beauchamp sought to conceal from the Receiver, DenSco's investors, and others the fraud Menaged had committed before January 2014, their role in Chittick's two-year attempt to cover up his mismanagement of DenSco that had

allowed the fraud to occur, and Chittick's misuse, with their assistance, of investor funds after January 2014.

10. Plaintiff brings this action to recover compensatory damages for the financial losses DenSco suffered as a result of Clark Hill's and Beauchamp's negligence, breaches of fiduciary duty, and aiding and abetting Chittick's breaches of fiduciary duty, as well as punitive damages. He also seeks an order requiring Clark Hill to disgorge or forfeit all legal fees it charged DenSco while breaching fiduciary duties owed DenSco.

PARTIES, JURISDICTION, AND VENUE

11. Plaintiff was appointed as DenSco's Receiver in *Arizona Corporation Commission v. DenSco Investment Corporation, an Arizona Corporation*, Maricopa County Superior Court, Case No. CV2016-014142 (the "Receivership Court"). He has obtained approval from the Receivership Court to pursue this action.

12. Defendant Clark Hill is a law firm, organized as a Michigan limited liability company, which maintains offices in Scottsdale, Arizona, among other places.

13. Defendant Beauchamp is a lawyer and a member of Clark Hill; he joined the firm in September 2013.

14. Clark Hill and Beauchamp had an attorney-client relationship with, and provided legal services to, DenSco between September 2013 and September 2016.

15. Beauchamp is an Arizona resident who is married to Defendant Jane Doe Beauchamp. Beauchamp was acting for the benefit of his marital community during the relevant time period.

16. This Court has subject matter jurisdiction under Article VI, § 14 of the Arizona Constitution and A.R.S. § 12-123. It has personal jurisdiction over Defendants Clark Hill and Beauchamp because they provided professional services in Arizona to an Arizona corporation.

17. Venue is proper in Maricopa County under A.R.S. § 12-401 because Defendant Clark Hill does business in Maricopa County and Defendant Beauchamp is a resident of Maricopa County.

FACTUAL ALLEGATIONS

18. DenSco is an Arizona corporation that began operating in April 2001. DenSco's primary business was making short-term, high-interest loans to "foreclosure specialists" who bought homes that were being foreclosed upon, usually through a trustee's sale. DenSco's office was in Chandler, Arizona.

19. Chittick was DenSco's sole shareholder. He was the Company's only Director, served as its President, Vice President, Treasurer, and Secretary, and was its only employee.

20. Beauchamp began representing DenSco in 2002 or 2003.

21. From 2003 until September 2016, Beauchamp advised DenSco on general business, litigation, securities law, and other legal matters.

22. In 2007, while he was a partner of Gammage & Burnham, PLLC, Beauchamp participated in the preparation of, and advised DenSco regarding, the loan documents that DenSco used in making loans to "foreclosure specialists" and other borrowers. Those documents included a Mortgage, Note Secured by Deed of Trust, and Deed of Trust and Assignment of Rents. The Mortgage was intended to serve as evidence that DenSco had paid directly to a trustee the proceeds of a loan a borrower had obtained from DenSco to buy property from the trustee at a trustee's sale. Because there was often a delay in a trustee recording a trustee's deed after a trustee's sale, DenSco recorded its Mortgage immediately after a trustee's sale had been completed to establish its lien rights. Once a trustee's deed was recorded, DenSco would record its Deed of Trust and Assignment of Rents. Beauchamp advised DenSco in 2007 and thereafter that these documents and procedures would ensure that DenSco had a first lien position on its loans.

23. Beauchamp also prepared private offering memoranda that DenSco used to raise money from investors. Beauchamp did so in 2003, 2005, 2007, 2009, and 2011.

24. DenSco had fewer than 125 investors, who either had a personal relationship with Chittick or had been referred to him by someone who did.

25. As the private offering memoranda Beauchamp prepared stated, DenSco offered its investors "General Obligation Notes" that were "secured by a general pledge of all assets owned by or later acquired by [DenSco]," with DenSco's largest asset being "the real estate deeds of trust ('Trust Deeds')" that secured the loans DenSco was making to "foreclosure specialists" and others.

26. Given the importance of the Trust Deeds to DenSco's investors, the private offering memoranda Beauchamp prepared told investors that *(i)* "[a]ll real estate loans funded by [DenSco] have been and are intended to be secured through first position trust deeds"; *(ii)* Chittick, whom investors knew and trusted, "would "analyz[e], negotiat[e], originat[e], purchas[e] and servic[e] Trust Deeds by himself"; and *(iii)* DenSco would "strive to achieve a diverse borrower base by attempting to ensure that one borrower will not comprise more than 10 to 15 percent of the total portfolio."

27. Each private offering memorandum issued by DenSco also contained a "prior performance" section which summarized DenSco's "history in raising money from investors, the number of loans made, the aggregate amount of such loans, the underlying values of the security for such loans and any problems with respect to such loans." The section concluded with a representation such as the one made in the July 1, 2011 private offering memorandum (the "2011 POM"): "Since inception through June 30, 2011, the Company has participated in 2622 loans, . . . Each and every Noteholder has been paid the interest and principle (sic) due to that Noteholder in accordance with the respective terms of the Noteholder's Notes. Despite any losses incurred by the Company from its borrowers, no Noteholder has sustained any diminished return or loss on their investment in a Note from the Company."

28. The Notes DenSco sold to its investors were in specified amounts (between $50,000 and $1 million) and paid varying rates of interest, depending on their term. In the 2011 POM, for example, DenSco offered to pay 8% interest on a six-month note, 10% on a one-year note, and 12% on a note of between two and five years.

29. As Beauchamp told a Gammage & Burnham lawyer in 2007, DenSco had an "ongoing roll-over of the existing investors every six months or so," with DenSco offering to issue new Notes to investors as previous Notes expired.

30. Beauchamp knew that DenSco's investors received monthly statements, which depicted the Notes as stable, secure investments. The statements showed the date of an investor's initial purchase of a Note(s), the current maturity date(s), the monthly payment of interest, a monthly balance with accrued interest, and a recap of the amount of interest received in the current year and previous years on Notes that had been "rolled over."

31. Beauchamp advised DenSco that it was appropriate for DenSco to use private offering memoranda that were designed to remain in effect for two years. The 2011 POM, for example, said that DenSco "intends to offer the Notes for placement on a continuing basis until the earlier of (a) the sale of the maximum offering," which was $50 million, "or (b) two years from the date of this memorandum," i.e., until July 1, 2013. That memorandum, and previous memoranda, acknowledged DenSco's ongoing disclosure obligations under the securities laws, stating that "[i]n order to continue offering the Notes during this period, [DenSco] will need to update this Memorandum from time to time." But Beauchamp never advised DenSco to update a private offering memorandum during the two-year period a memorandum was in effect, and no memorandum was ever amended to disclose new material facts or to correct any information no longer current or true.

32. The 2011 POM was the last private offering memorandum DenSco issued.

33. Chittick distributed the 2011 POM to DenSco's investors through a July 19, 2011 email (copied to Beauchamp) which stated, in part, "I update this memorandum every two years. I work with David Beauchamp (securities attorney) to review all the statues [sic] and laws in Arizona as it pertains to my business and all the states that I have investors in. This is to ensure that I'm filing all the forms and following all the rules . . ."

34. In June 2013, Beauchamp was a partner of Bryan Cave LLP.

35. Through a June 10, 2013 email, Beauchamp told Bryan Cave lawyers that DenSco "is a client which makes high interest loans (18% with no other fees) secured by first lien position against real estate. . . . DenSco has previously had aggregate investor loans outstanding at approximately $16 to $18 million from its investors. We are starting the process to update and renew DenSco's private offering memo (renew it every two years) and we have now been advised that DenSco now has almost $47 million in aggregate investor loans outstanding."

36. Although Bryan Cave had an "internal compliance procedure" requiring Beauchamp to conduct "due diligence" on each of the statements made in the new DenSco private offering memorandum he was preparing, Beauchamp did not do so.

37. Beauchamp did not seek to determine whether the representation in the draft memorandum, that "[t]he Company continues to strive to achieve a diverse borrower base by attempting to ensure that one borrower will not comprise more than 10 to 15 percent of the total portfolio," was accurate. Had he done so, Beauchamp would have learned that as of July 1, 2013, approximately 30% of DenSco's loan portfolio consisted of loans made to Menaged or companies he controlled.

38. Beauchamp knew, from his discussions with Chittick and the text of the draft private offering memorandum he was preparing, that DenSco continued to represent to investors that its loans were in first position. The draft memorandum, like the 2011 POM, stated that "[a]ll real estate loans funded by the Company have been and are intended to be secured through first position trust deeds." Beauchamp also

reviewed DenSco's website on June 17, 2013. The website stated, under a "Lending Guidelines" heading: "First Position ONLY!"

39. Yet Beauchamp failed to perform any due diligence to determine whether DenSco's loans were, in fact, in first position. Had he done so, Beauchamp would have learned that as of July 1, 2013 $6.48 million, or approximately 40% of the approximately $16.2 million of loans DenSco had made to Menaged and his companies as of that date, were not in first position.

40. Not only did Beauchamp fail to conduct due diligence on DenSco's loan portfolio, he ignored evidence of deficiencies in DenSco's lending practices when it was handed to him. On June 14, 2013, Chittick sent Beauchamp by email a copy of a complaint that had been filed in Arizona Superior Court by Freo Arizona, LLC. The defendants were DenSco; one of Menaged's companies, Easy Investments, LLC; and another "hard money" lender, Active Funding Group, LLC.

41. According to the complaint, Freo had acquired a foreclosed home at a trustee's sale and filed its lawsuit to establish that it owned the property free and clear of liens asserted by DenSco and Active Funding Group. The complaint and other documents Beauchamp received identified by street address and legal description the home at issue; they also identified the names of the former owners.

42. Chittick's transmittal email described Menaged, the owner of Easy Investments, as a borrower that DenSco had "done a ton of business with, million[s] in loans and hundreds of loans." He said that DenSco would "piggy back with [Menaged's] attorney to fight" the lawsuit but wanted Beauchamp to be aware of the litigation, and asked that he contact Menaged's attorney.

43. The complaint put Beauchamp on notice that DenSco was not in first position on at least one of its loans. It expressly alleged that Easy Investments had "attempted to encumber the property with deeds of trust to Active [Funding Group] and DenSco," which put Beauchamp on notice that Menaged, one of DenSco's major

borrowers, had obtained loans from both DenSco and another "hard money" lender, each intended to be secured by the same property.

44. Beauchamp did nothing to investigate these facts and whether they were indicative of a broader breakdown in DenSco's underwriting practices.

45. If Beauchamp had sought to review records available through the Maricopa County Recorder's website relating to the property described in the Freo lawsuit, he would have found: *(i)* a Deed of Trust and Security Agreement With Assignment of Rents given by Easy Investments in favor of Active Funding Group, that Menaged had signed on March 25, 2013; and *(ii)* a Deed of Trust and Assignment of Rents given by Easy Investments in favor of DenSco, that Menaged had signed on April 2, 2013. Both signatures were witnessed by a notary public.

46. Beauchamp did not complete an updated private offering memorandum for DenSco before July 1, 2013, when the 2011 POM expired.

47. Beauchamp knew at the time, as he told another Bryan Cave attorney, that DenSco had "approximately 60 investor notes that are scheduled to expire in the next 6 months." Because DenSco had not updated the 2011 POM and did not issue a new private offering memorandum in July 2013, Beauchamp knew that DenSco would be accepting those "roll over" investments, and was likely to accept money from new investors, without providing those investors with an up-to-date offering memorandum.

48. Through a letter dated August 30, 2013, DenSco was advised that Beauchamp would be leaving Bryan Cave effective August 31, 2013 to join Clark Hill.

49. When Beauchamp moved his law practice to Clark Hill, DenSco retained Clark Hill and became a client of the firm.

50. DenSco's retention of Clark Hill was confirmed through a letter dated September 12, 2013. The letter stated that DenSco had engaged Clark Hill to represent it "with regard to the legal matters transferred to Clark Hill PLC from Bryan Cave LLP." Through an email exchange that day, Beauchamp and Chittick identified the

transferred matters to include "general corporate" and files relating to the 2011 POM and the new private offering memorandum Beauchamp had begun preparing in 2013.

51. Clark Hill's engagement letter made clear that Clark Hill viewed DenSco as its client, and had not agreed to also represent Chittick.

52. At DenSco's request, Beauchamp opened a "new matter" in Clark Hill's accounting and filing systems on September 13, 2013 for work the firm would perform in advising DenSco on securities law matters, including the preparation of a new private offering memorandum.

53. Clark Hill and Beauchamp did not begin work on a new private offering memorandum during the remaining months of 2013.

54. On Monday, January 6, 2014, Clark Hill and Beauchamp learned that as many as 52 loans DenSco had made to two of Menaged's companies – Easy Investments (one of the defendants in the Freo lawsuit Chittick had sent Beauchamp in June 2013) and Arizona Home Foreclosures – were not "secured through first position trust deeds," as stated in the 2011 POM, and as DenSco had claimed as recently as June 17, 2013 on its website. They acquired that information through a demand letter DenSco had received earlier that day from a law firm representing two companies that had also made loans to Easy Investments and Arizona Home Foreclosures, and a third company which had been assigned such loans, all of which were identified in the letter as the "Lenders." Chittick promptly sent the letter to Beauchamp.

55. The demand letter identified, with reference to specific loan numbers and street addresses, 52 loans that the Lenders had made to Easy Investments and Arizona Home Foreclosures to acquire foreclosed homes at trustee sales. The letter asserted that the Lenders' loans had been made by "certified funds delivered directly to the trustee" and secured by "promptly recorded deeds of trust confirming a senior lien position on each of the Properties."

56. The demand letter went on to assert that DenSco had "engaged in a practice of recording a 'mortgage' on each of the [52 properties] on around the same

time as the Lenders were recording their senior deeds of trust" and that each such mortgage falsely stated that DenSco had "provided purchase money funding" and that its "loans are 'evidenced by a check payable' to the trustee for each of the Properties." The letter asserted that DenSco could not claim to be in a senior lien position on those properties "since in each and every instance, only the Lenders provided the applicable trustee with certified funds supporting the Borrower's purchase money acquisition for each of the Properties."

57. The letter demanded that DenSco sign subordination agreements acknowledging that it did not have a first position lien on any of the 52 properties, and said that if DenSco refused to do so, the companies would assert claims against DenSco for fraud and conspiracy to defraud; negligent misrepresentation; and wrongful recordation pursuant to A.R.S. § 33-420.

58. It should have been obvious to Beauchamp, in light of the allegations in the Freo lawsuit he had received the previous June and the claims made in the demand letter, that Easy Investments and Arizona Home Foreclosures had purposefully obtained, for each of the 52 properties, a loan from one of the Lenders, and had then obtained a second loan from DenSco that was supposed to be secured by the same property.

59. Beauchamp spoke to Chittick by telephone on January 6, 2014. Beauchamp's notes from that call state that Chittick told him DenSco's "largest borrower" – Menaged – "had a guy working in his office and was getting 2 loans on each property," and that Chittick and Menaged "had already fixed about 6 loans." The notes reflect that Beauchamp planned to meet with Chittick on Thursday, January 9, 2014.

60. Clark Hill and Beauchamp recognized, or should have recognized, that the claims made in the demand letter affected a material portion of DenSco's loan portfolio. They knew from the 2011 POM that DenSco's average loan amount was $116,000, so that DenSco's potential exposure for the 52 under-secured or unsecured

loans was likely to be approximately $6 million or more, or approximately 13% of the $47 million that Beauchamp understood DenSco had raised from investors as of June 2013.

61. On January 7, 2014, Beauchamp received an email from Chittick, copied to Menaged, which contained information relevant to the demand letter and said that Chittick was bringing Menaged to the planned January 9 meeting.

62. Chittick's email said that DenSco had, since 2007, loaned $50 million to "a few different LLC's" controlled by Menaged. Among those limited liability companies were Easy Investments and Arizona Home Foreclosures.

63. Chittick's email said that "[b]ecause of our long term relationship, when [Menaged] needed money, [I] would wire the money to his account and he would pay the trustee," Menaged would sign a Mortgage that referenced the payment to the trustee, and Chittick would cause the Mortgage to be recorded.

64. Chittick's statement put Beauchamp on notice that Chittick had failed to comply with the terms of the Mortgage document Beauchamp and Gammage & Burnham had prepared in 2007, which called on DenSco to make payments directly to a trustee, and that Chittick had allowed the fraud committed by Easy Investments and Arizona Home Foreclosures to have occurred, by not paying loan proceeds directly to a trustee, and instead wiring funds directly to Menaged.

65. Chittick's email went on to say that Menaged had told him in November 2013 that DenSco had been defrauded by Menaged's "cousin," who allegedly worked with Menaged in managing Easy Investments and Arizona Home Foreclosures. Menaged claimed that his "cousin" had "receiv[ed] the funds from [DenSco], then request[ed] them from . . . other lenders [who] cut a cashiers check for the agreed upon loan amount . . . [took] it to the trustee and . . . then record[ed] a [deed of trust] immediately." Chittick explained that "sometimes" DenSco had recorded its mortgage before another lender's deed of trust was recorded, but in other cases it had not. According to Chittick, "[t]he cousin absconded with the funds."

66. It should have been obvious to Beauchamp, in light of the allegations in the Freo lawsuit he had received the previous June and the claims made in the demand letter, that Menaged's story about his "cousin" having perpetrated the fraud could be called into doubt. Chittick's acceptance of the story, without conducting an independent investigation, should have concerned Beauchamp.

67. Chittick's email said "I know that [I] can't sign the subordination [agreement] because that goes against everything that [I] tell [DenSco's] investors."

68. Chittick concluded his email by telling Beauchamp that he and Menaged had agreed upon a "plan to fix this," which included DenSco loaning additional monies to Menaged, and a joint effort by DenSco and Menaged to raise funds to pay off the senior liens on the double-encumbered properties.

69. Beauchamp met with Chittick and Menaged on Thursday, January 9, 2014.

70. Beauchamp learned in the January 9, 2014 meeting that there were lenders in addition to the three companies identified in the January 6, 2014 demand letter who held liens senior to DenSco's liens. According to Beauchamp's notes from that meeting, the number of loans made by DenSco that were not in first position and were either under-secured or unsecured was between 100 and 125. Based on that information and the 2011 POM's average loan amount of $116,000, Beauchamp knew that DenSco had potentially lost between $11.6 and $14.5 million, representing between 25% and 30% of the $47 million that Beauchamp understood DenSco had raised as of June 2013. If Beauchamp had pressed Chittick for details during that meeting, he would have learned that, as of November 2013, when Chittick first learned of the fraud, 186 loans, with a value of approximately $25 million – more than 40% of DenSco's total loan portfolio – were either under-secured or unsecured.

71. The information Beauchamp learned in the January 9, 2014 meeting confirmed what was evident from the January 6, 2014 demand letter – that DenSco did not have the diverse loan portfolio promised to investors in the 2011 POM, and had,

under Chittick's management, loaned at least 25% of its portfolio to Menaged and his companies. If Beauchamp had pressed Chittick for details during that meeting, he would have learned that, as of January 1, 2014, more than 45% of DenSco's loan portfolio were loans to Menaged and his companies.

72. Beauchamp's notes from the January 9, 2014 meeting also reflect that he, Chittick, and Menaged discussed how to implement Chittick's and Menaged's plan to jointly raise funds to pay off the senior lenders on the double-encumbered properties within a ninety-day period.

73. Based on the information Beauchamp received from Chittick before and during the January 9, 2014 meeting, Clark Hill and Beauchamp should have promptly advised Chittick that:

a. DenSco had to immediately cease accepting investor funds and could not accept any money from investors on the basis of an out-of-date offering memorandum they now knew contained material misrepresentations and omitted material information;

b. before deciding whether additional investment should be solicited, DenSco had to first investigate the circumstances under which the Menaged entities had obtained loans from both DenSco and the lenders who claimed to have senior liens;

c. before deciding whether additional investment should be solicited, DenSco had to also investigate and assess the impact of the fraud on DenSco's financial position; if the fraud had rendered DenSco insolvent or in the zone of insolvency, then DenSco had to consider duties owed to its investors and other creditors in making business decisions; and

d. if, after conducting those investigations and assessments, DenSco decided that it was in DenSco's interest to loan additional monies to Menaged and his companies, refrain from enforcing its rights and remedies against them, and raise investor funds in the process, DenSco could only do so utilizing an

offering memorandum or other disclosure document that made appropriate disclosures to investors.

74. Clark Hill and Beauchamp failed to do so.

75. Clark Hill and Beauchamp did not promptly advise Chittick that DenSco had to immediately cease accepting investor funds and could not accept any money from investors until a new disclosure document had been issued and provided to such investors. Clark Hill and Beauchamp did not advise Chittick of the potential civil and criminal liability he and DenSco faced if DenSco accepted investor funds without such disclosure.

76. To the contrary, after Beauchamp and Chittick spoke by telephone on January 10, 2014, Chittick wrote that Beauchamp told him "I can raise money."

77. Beauchamp's advice was also documented in an email exchange he had with Chittick two days later, on January 12, 2014. Chittick said "if both Scott and [I] can raise enough money, we should be able to have this all done in 30 days easy." He told Beauchamp that he had "spent the day contacting every investor that has told me they want to give me more money," and thought he could have $5 to $6 million within the next ten business days. Rather than tell Chittick that DenSco must immediately cease accepting or soliciting any investor money, and warn Chittick of his and DenSco's potential civil and criminal liability if DenSco did so, Beauchamp gave his approval of Chittick's plan, and told Chittick he "should feel very honored that you could raise that amount of money that quickly."

78. Clark Hill and Beauchamp did not promptly advise Chittick that before deciding whether additional investment should be solicited, DenSco had to first investigate the circumstances under which the Menaged entities had obtained loans from both DenSco and the lenders who claimed to have senior liens.

79. If an investigation had been conducted, easily accessible public records would have revealed that Menaged's claim to have been victimized by his "cousin" was false, and that Menaged himself had perpetrated a massive fraud on DenSco by taking

advantage of DenSco's lax lending practices and obtaining duplicate loans on more than 100 properties.

80. Clark Hill and Beauchamp did not promptly advise Chittick that before deciding whether additional investment should be solicited, DenSco had to also investigate and assess the impact of the fraud on DenSco's financial position; nor did they further advise DenSco that if the investigation and assessment resulted in a finding that DenSco was insolvent or in the zone of insolvency, DenSco had to consider duties owed to its investors and other creditors in making business decisions.

81. If an investigation and assessment of the fraud's impact had been conducted, DenSco would have determined that the fraud had rendered the Company insolvent.

82. If Clark Hill and Beauchamp had properly advised Chittick, then Chittick would have caused DenSco to terminate its relationship with Menaged and his companies, pursue its remedies against Menaged and his companies, and explore whether DenSco could survive as a going concern or would have to liquidate.

83. Having failed to properly advise DenSco, Clark Hill and Beauchamp then took actions that were not in DenSco's interest, but were instead intended to protect Chittick.

84. They did so even though Chittick was not a client of Clark Hill, and despite the glaring conflict between Chittick's interests and those of Clark Hill's only client, DenSco.

85. On January 10, 2014, Beauchamp opened a "new matter" in Clark Hill's accounting and filing systems captioned "work-out of lien issue."

86. Clark Hill and Beauchamp knew when that file was opened that Chittick intended to breach fiduciary duties owed DenSco by: *(i)* accepting without questioning Menaged's explanation that his "cousin" was responsible for the fraud committed by Easy Investments and Arizona Home Foreclosures; *(ii)* failing to investigate the true facts of the fraud; *(iii)* failing to assess the impact of the fraud on DenSco's financial

position; *(iv)* committing DenSco to loan millions more to Menaged and his companies without conducting such an investigation and assessment; and *(v)* accepting and soliciting funds from investors based on an out-of-date offering memorandum Clark Hill and Beauchamp knew contained material misrepresentations and omitted material information.

87. Clark Hill and Beauchamp went on to negotiate, first with Menaged's lawyer and then with Menaged, a Term Sheet, which was signed on January 17, 2014, a Forbearance Agreement, which was signed by Chittick (for DenSco) and Menaged on or about April 16, 2014, and documents to memorialize additional loans DenSco made to Menaged and his companies.

88. Clark Hill's and Beauchamp's misplaced devotion to Chittick's interests, and disregard of the duties they owed to their only client, DenSco, was evidenced by numerous statements Beauchamp made during the negotiation of the Forbearance Agreement. For example, in a January 21, 2014 email, Beauchamp told Chittick the Forbearance Agreement was needed to "give you protection if any of your investors raise questions."

89. In response to revisions of a draft of the Forbearance Agreement that Menaged's lawyer had made, Beauchamp wrote in a February 7, 2014 email: "Based on your previous changes, the Forbearance Agreement would be prima facia evidence that Denny Chittick had committed securities fraud because the loan documents he had Scott sign did not comply with DenSco's representations to DenSco's investors in its securities offering documents. Unfortunately, this agreement needs to not only protect Scott from having this agreement used as evidence of fraud against him in litigation, the agreement needs to comply with Denny's fiduciary obligation to his investors as well as not become evidence to be used against Denny for securities fraud."

90. Another example of Clark Hill's and Beauchamp's misplaced devotion to Chittick is Beauchamp's February 20, 2014 email to lawyers in Clark Hill's offices in Michigan and Pennsylvania, seeking assistance on the Forbearance Agreement, in

which Beauchamp conflated DenSco and Chittick as the firm's client. Beauchamp wrote: "Our client is an investment fund that has made approximately 185 loans to two affiliated LLCs that are collectively referred to as Borrower. . . . Without any additional documentation or any legal advice, our client has been reworking his loans and deferring interest payments to assist Borrower/Guarantor to pay off some of the duplicate loans. When we became aware of this issue, we advised our client that he needs to have a Forbearance Agreement in place to evidence the forbearance and the additional protections he needs."

91. These and other statements make plain that Clark Hill and Beauchamp were aware that Chittick's conduct violated Chittick's duties to their client, DenSco, and rather than seeking to vindicate DenSco's interest, they helped DenSco's unfaithful agent Chittick cover up his wrongdoing.

92. The Forbearance Agreement included a schedule of the loans DenSco had made to Menaged, members of his family, Easy Investments, and Arizona Home Foreclosures, including loans DenSco made between December 2013 and April 15, 2014. Those loans totaled $37,456,620.47, well over half of the aggregate amounts DenSco had raised from investors.

93. Based on the January 9, 2014 "work out" agreement blessed by Clark Hill and Beauchamp and the terms of the Forbearance Agreement that Clark Hill and Beauchamp negotiated and documented, DenSco made 2,712 loans to Menaged and his companies from January 2014 through June 2016, for which DenSco has suffered losses in excess of $25 million.

94. It was not until after the Forbearance Agreement was signed that Clark Hill and Beauchamp took any steps to prepare an updated and corrected private offering memorandum for DenSco. In mid-May 2014, Clark Hill prepared a preliminary draft of that document. The draft reflected Clark Hill's belief that it represented both DenSco and Chittick, despite the terms of Clark Hill's engagement letter and the unconsentable conflict arising from Chittick's breach of fiduciary duties owed DenSco. The draft

stated, in part, that Clark Hill "represent[ed] the Company and its President." Clark Hill never sent that draft to DenSco and took no further steps to prepare a new private offering memorandum for DenSco's use.

95. DenSco never issued a new private offering memorandum but continued to raise money from investors in return for promissory notes based on the out-of-date 2011 POM, which contained material misrepresentations and omitted material information. DenSco received more than $15 million from investors from January 2014 through June 2016.

96. Chittick committed suicide on July 28, 2016.

97. After Chittick's death, Clark Hill and Beauchamp took over the day-to-day management of DenSco, including communicating with investors, representatives of the Securities Division of the Arizona Corporation Commission, and Plaintiff. In those communications, Clark Hill and Beauchamp did not disclose material information about their knowledge of the fraud committed by Menaged before January 2014; DenSco's lax lending practices and failure to follow its own lending documents which allowed the fraud to occur; the negotiations which resulted in the Forbearance Agreement; their role in its preparation; the continued lending to Menaged and his companies contemplated by that agreement; their knowledge of DenSco's solicitation and receipt of investor funds after January 2014 based on the out-of-date and materially misleading 2011 POM; the misuse of investment proceeds contrary to the representations made to investors; and the general cover up of wrongdoing by Chittick.

CLAIMS FOR RELIEF

Count One
(Legal Malpractice)

98. Paragraphs 1 to 97 are incorporated herein.

99. Clark Hill and Beauchamp were DenSco's lawyers.

100. While representing DenSco, Clark Hill and Beauchamp breached the applicable standard of care.

101. While representing DenSco, Clark Hill and Beauchamp breached fiduciary duties they owed to DenSco.

102. By failing to comply with the standard of care and breaching their fiduciary duties, Clark Hill and Beauchamp caused injury to DenSco.

103. DenSco suffered resulting damage in an amount to be proven at trial. Plaintiff's damages are liquidated. Plaintiff seeks prejudgment interest on the losses suffered by DenSco as a result of certain loans made to Menaged and his companies. Plaintiff also seeks prejudgment interest on all disgorged fees.

Count Two
(Aiding and Abetting Breach of Fiduciary Duties)

104. Paragraphs 1 to 97 are incorporated by reference.

105. As a director and officer of DenSco, Chittick owed fiduciary duties to DenSco.

106. Chittick breached his fiduciary duties to DenSco.

107. Clark Hill and Beauchamp knew that Chittick intended to breach and in fact breached his fiduciary duties to DenSco.

108. Clark Hill and Beauchamp, in breach of fiduciary duties they owed to DenSco, aided and abetted Chittick in his breach of fiduciary duties to DenSco.

109. By reason of Chittick's breach of fiduciary duty, DenSco was injured.

110. DenSco suffered resulting damage in an amount to be proven at trial. Plaintiff's damages are liquidated. Plaintiff seeks prejudgment interest on the losses suffered by DenSco as a result of certain loans made to Menaged and his companies. Plaintiff also seeks prejudgment interest on all disgorged fees.

WHEREFORE, Plaintiff prays:

a. For an award of compensatory damages against Clark Hill and Beauchamp for their negligence, breaches of fiduciary duty, and aiding and abetting Chittick's breaches of fiduciary duty;

b. For an order requiring Clark Hill to disgorge and pay to Plaintiff all attorneys' fees DenSco paid to Clark Hill for work performed on or after January 9, 2014;

c. For an award of punitive damages;

d. For an award of prejudgment interest;

e. For costs incurred herein, pursuant to A.R.S. § 12-341; and

f. For such other relief as may be equitable to the Court.

DATED this 16th day of October, 2017.

OSBORN MALEDON, P.A.

By _____

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Exhibit 65

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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.	Cause No. PB 2016-051754 NOTICE OF CLAIM AGAINST ESTATE OF DENNY J. CHITTICK (Assigned to Commissioner Andrew Russell)

1. The Claimant is Peter S. Davis in his capacity as court appointed Receiver of DenSco Investment Corporation ("DenSco") in *Arizona Corporation Commission v. DenSco Investment Corporation, an Arizona corporation*, Maricopa County Superior Court, case No. CV2016-014142 ("Receiver").

2. The Estate of Denny J. Chittick is indebted to the Receiver in the amount of $46,811,635.54 as detailed in paragraph 3 below.

3. The Receiver's claims against Estate of Denny J. Chittick are as follows:

A. At all material times, Chittick was the sole owner, officer, employee and shareholder of DenSco. From and after November 27, 2013, Chittick was aware that DenSco had been defrauded. At that point DenSco was insolvent, or would soon be insolvent, or was, or would

become, unable to pay its debts as they became due. On or about December 31, 2014, Chittick transferred all of the funds in his DenSco 401(k) Plan ($359,609.00) and transferred it to a new account at Vanguard. Likewise, on or about December 31, 2014, Chittick transferred all of the funds from the DenSco Defined Benefit Plan ($1,817,243.03) to a certificate of deposit at an FDIC insured bank. Additionally, on or about December 31, 2014, Chittick's caused DenSco to convert $1,448,460.49 from his personal investment in DenSco, into DenSco stock in Chittick's name, as a book entry.

I. CHITTICK'S PERSONAL INVESTMENT ACCOUNT

On December 31, 2014, Chittick converted $1,448,460.49 from his personal investment in DenSco into DenSco stock. Between January 29, 2015 and June 28, 2016, Chittick caused DenSco to make "distributions" to Chittick, in the total sum of $555,000.00 (cash), which were funded by a corresponding liquidation of Chittick's shares of DenSco stock In other words, Chittick caused DenSco to redeem Chittick's shares of DenSco stock for a total amount of $555,000.00, during a time period when the true value of the shares of stock would have been worthless, or nearly worthless, given that DenSco had been defrauded out of millions of dollars and was insolvent or would soon be insolvent, or was, or would become, unable to pay its debts as they became due.

Additionally, Chittick caused DenSco to transfer $120,000 (cash) as "distributions," to Chittick, between January 31, 2014 and December 26, 2014. These "distributions" were in addition to the annual wages Chittick was paid by DenSco and were made at a time that DenSco was insolvent, or would soon be insolvent, or was, or would become, unable to pay its debts as they became due.

Last, Chittick caused DenSco to transfer $11,963.90 as "wages" to Chittick's minor children. These funds may have been deposited into an IRA account for the benefit of the children.

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II. CHITTICK'S 401(K) PLAN.

On or about December 31, 2014, Chittick caused, or directed, the transfer of all funds in his 401(k) Plan from DenSco into a 401(k) plan at Vanguard in Chittick's name. At this time, the funds in the 401(k) Plan had been invested in DenSco, so the true value of the 401(k) investment was worthless or nearly worthless. Still, Chittick transferred $359,609.00 as "funds of the plan" to the new account at Vanguard. Even if the value of the 401(k) plan was worth $359,609.00 at the time of its transfer, $121,799.71 belonged to DenSco. These funds include $84,800.00 from transfers made to the 401(k) plan which Chittick characterized as "wages," but in reality were a type of distribution from DenSco to Chittick, from and after December 23, 2013. Additionally, the $121,799.71 includes $36,999.71 in interest that accrued on the 401(k) Plan's investor balance after November 27, 2013, or the date that Chittick became aware of the fraud committed against DenSco by Menaged. These transfers left DenSco with even less money to pay its creditors, at a time when it already was insolvent, or would soon be insolvent, or was, or would become, unable to pay its debts as they became due.

III. CHITTICK'S DEFINED BENEFIT PLAN

Chittick participated in a Defined Benefit Pension Plan at DenSco. All of the funds in this account were invested in DenSco. On or about December 24, 2014, Chittick caused the liquidation of all "funds" in the Defined Benefit Pension Plan at DenSco and directed the transfer of the liquidated funds to a secure investment in the form of a certificate of deposit at an FDIC insured bank. The actual value of the investment in the Defined Benefit Pension Plan was worthless, or nearly worthless. Still, Chittick transferred $1,817,243.03 out of the Defined Benefit Plan into the certificate of deposit. Even if the value of the investment in the Defined Benefit Plan was $1,817,243.03 at the time of its transfer, $867,289.00 of these funds were the property of DenSco

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because $867,289.00 was transferred to the Defined Benefit Plan as a type of distribution for Chittick over and above his annual wages, plus $9,405.49 in interest that accrued on the Defined Benefit Pension Plan's investor balance, after November 27, 2013, or the date that Chittick became aware of the fraud committed against DenSco by Menaged. The $1,817,243.03 is funds belonging to DenSco. Even if the value of the Defined Benefit Pension Plan was truly worth $1,817,243.03 on the date of its transfer, at least $876,694.49 of those funds belongs to DenSco. These transfers left DenSco with even less money to pay its creditors, at a time when it already was insolvent, or would soon be insolvent, or was, or would become, unable to pay its debts as they became due.

Claims: As a result of the foregoing actions by Chittick, the Receiver has the following claims against Chittick: Conversion, common law fraud, breach of fiduciary duty as director and officer of DenSco, fraudulent transfer (both actual and constructive) pursuant to A.R.S. §§ 44-1004 et seq., unjust enrichment, or, alternatively, gross negligence or negligence as an officer or director of DenSco.

B. Chittick was the sole owner, officer, employee and shareholder of DenSco. Chittick transferred funds in the form of purported secured loans from DenSco to Yomtov Scott Menaged or his related entities as an investment of the cash assets of DenSco. Menaged was to sign a Promissory Note for the monies loaned to him from DenSco, purchase real property with the lent funds, and sign a first position Deed of Trust, or mortgage, with DenSco as a beneficiary on the real property purchased by Menaged or his related entities. All DenSco monies loaned to Menaged were to be repaid by Menaged with interest. If a default occurred, DenSco's first priority secured interest in the real property purchased by Menaged was intended to protect DenSco's loans. However, Menaged defrauded DenSco by taking advantage of DenSco's lending practices and in numerous instances,

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DenSco' s loans to Menaged or his related entities were not secured with a first position deed of trust or Menaged failed to even purchase any real property the proceeds of the DenSco loans to Menaged.

To date, the Receiver has identified 91 remaining DenSco loans to Menaged, or his related entities, totaling $43,947,819.61. From these 91 loans, it appears that only 6 real properties were actually purchased by Menaged or his related entities, however, these properties are not secured by a 1st position lien in favor of DenSco. The Receiver has determined that of the $43,947,819.61 that was lent to Menaged or his related entities, $14,339,339.79 was advanced to Menaged under a forbearance agreement to purportedly ensure DenSco had first position liens on property previously purchased by Menaged with previous DenSco loans, and $28,122,300.00 appears to represent unsecured loans to Menaged. It is not yet known what Menaged has done with the $28,122,300.00 of DenSco funds. Menaged filed for Chapter 7 bankruptcy relief on April 20, 2016.

Chittick failed to institute or follow proper management and control of DenSco's business operations which enabled and contributed to the fraud committed against DenSco by Menaged. Chittick was aware of the fraud committed against DenSco, by Menaged, at least by November 27, 2013. Despite his actual knowledge of the fraud by Menaged, Chittick continued to accept monies for investors into DenSco, and continued to make loans to Menaged and his related entities, adding to the liabilities of DenSco which could not be met. Chittick's failure to provide proper management and control of DenSco's operations also included the preparation of false, or inaccurate financial records of DenSco, upon which the tax liability of DenSco was based, resulting in artificially inflated tax liabilities of DenSco. The tax liability of DenSco was borne by Chittick since DenSco was treated as an S corp for tax purposes. However, DenSco presumably would reimburse Chittick for the tax liability he paid related to DenSco's income in the form of draws and/or payroll. Therefore, to the extent that DenSco transferred funds, or other value, to Chittick that was based upon an

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artificially inflated tax liability of DenSco, DenSco was harmed in an amount to be determined, in addition to the loss of the $43,947,819.61, earlier discussed.

Claims: As a result of the foregoing actions by Chittick, the Receiver has the following claims against Chittick: common law fraud, misrepresentation, breach of fiduciary duty as director and officer of DenSco, fraudulent transfer (both actual and constructive) pursuant to A.R.S. §§ 44-1004 et seq., aiding and abetting Yomtov Scott Menaged in his torts against DenSco, unjust enrichment, or, alternatively, gross negligence or negligence as an officer or director of DenSco.

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

5. The Receiver's claims against the Estate of Denny J. Chittick are unsecured.

6. The Receiver shall mail a copy of the Notice of Claim against Estate of Denny J. Chittick to the Personal Representative.

DATED this 9th day of December,2016.

GUTTILLA MURPHY ANDERSON, P.C.

Ryan W. Anderson,
Attorneys for the Receiver

Original of the foregoing filed
this 9th day of December, 2016, with:

Clerk of the Maricopa County Superior Court

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Copy of the foregoing hand-delivered this
9th day of December, 2016 to:

Commissioner Andrew Russell
Maricopa County Superior Court
Northeast Regional Center
18380 N. 40th Street
Phoenix, Arizona 85032

Copy of the foregoing mailed this
this 9th day of December, 2016 to:

Clark Hill, PLC
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Peter S. Davis, Receiver of Densco Investment Corporation
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By: _____

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Exhibit 66

Exhibit 66

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Attorneys for the Receiver

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR MARICOPA COUNTY

ARIZONA CORPORATION COMMISSION, Plaintiff, v. DENSCO INVESTMENT CORPORATION, an Arizona corporation, Defendant.	Cause No. CV2016-014142 PETITION NO. 43 PETITION TO APPROVE SETTLEMENT AGREEMENT BETWEEN RECEIVER, SHAWNA CHITTICK HEUER, INDIVIDUALLY AND AS PERSONAL REPRESENTATIVE OF ESTATE OF DENNY J. CHITTICK, PAUL THEUT AS GUARDIAN AD LITEM FOR TY AND DILLON CHITTICK AND RANASHA CHITTICK (Assigned to the Honorable Teresa Sanders)

Peter S. Davis, as the court appointed Receiver of DenSco Investment Corporation ("Receiver"), respectfully petitions the Court to approve the Settlement Agreement between the Receiver, Shawna Chittick Heuer, both individually and as the personal representative of the Estate of Denny J. Chittick in Maricopa County Superior Court Cause No. PB2016-051754 (the "Estate of Chittick,"), Paul Theut, as the Court Appointed Guardian Ad Litem (the "GAL") for Ty Riley Chittick and Dillon Cash Chittick and Ranasha Chittick as follows:

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I. PARTIES TO THE SETTLEMENT AGREEMENT

1. In July of 2016, Denny J. Chittick, the sole shareholder, board member and employee of DenSco Investment Corporation ("DenSco") died. Thereafter, Shawna Chittick Heuer was appointed as the personal representative of the Estate of Chittick by the probate court for Maricopa County, Arizona in proceeding PB 2016-051754 (the "Probate Proceeding"). Shawna Chittick Heuer, individually and as the Personal Representative of the Estate of Chittick is a party to the Settlement Agreement.

2. On August 18, 2016, Peter S. Davis was appointed by the Maricopa County Superior Court pursuant to an *Order Appointing Receiver* in Cause No. CV2016-014142 ("Receivership Order") as the Receiver of DenSco. The Receiver, on behalf of DenSco, is a party to the Settlement Agreement.

3. At the time of his death, Mr. Chittick had two minor children, Ty Riley Chittick and Dillon Cash Chittick ("Chittick Children"). As beneficiaries of testamentary trusts established for their benefit, the Chittick Children are the sole beneficiaries of Mr. Chittick under the terms of his Last Will and Testament dated May 9, 2009. On May 22, 2017, the Personal Representative filed Petition No. 26 seeking the appointment of Paul Theut as the Guardian Ad Litem for the Chittick Children. On August 28, 2017, pursuant to the Court's Order re: Petition No. 26, Paul Theut was appointed as the Guardian Ad Litem for the Chittick Children. Paul Thuet as the GAL of the Chittick Children is a party to the Settlement Agreement.

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4. Ranasha Chittick is the ex-wife of Mr. Chittick and the mother of the Chittick Children. Ranasha Chittick is a party to the Settlement Agreement.

II. BACKGROUND OF THE DISPUTES AND RECEIVER'S INVESTIGATION

5. On September 7, 2016, the Estate of Chittick sent a letter to the Receiver and the Arizona Corporation Commission indicating that the Estate of Chittick interpreted the Receivership Order to allow the Personal Representative to appoint herself as "director and president" of DenSco and in doing so, the Personal Representative would seek to become the "Plan Administrator" of the DenSco Defined Benefit Plan ("DB Plan"). Despite the Receiver's appointment in the DenSco matter only a few weeks old, the Estate of Chittick's request required the Receiver to take an initial look at Mr. Chittick's "personal" investments in DenSco and the DB Plan.

6. The Receiver's initial investigation determined, according to the records of DenSco, that Mr. Chittick was a DenSco investor with a total investor balance of $3,625,313 as of December 23, 2014. However, Mr. Chittick's investments in DenSco were completely liquidated and removed from DenSco in December 2014.

7. As the Receiver investigated the fraudulent schemes perpetrated upon DenSco by Yomtov Scott Menaged, the Receiver determined that Mr. Chittick liquidated his DenSco investments after Mr. Chittick was aware of the initial fraud scheme perpetrated by Mr. Menaged against DenSco[1]. Specifically, Mr. Chittick caused the liquidation of his personal

[1] The Receiver in Petition No. 32- *Petition for Order Approving Settlement Agreement with Yomtov Scott Menaged and Francine Menaged*, has described in detail the two fraudulent schemes that were perpetrated by Menaged upon DenSco.

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investment in DenSco by removing from DenSco $359,609 in a 401k Plan and $1,817,243 in the DB Plan. Mr. Chittick moved these funds from DenSco into more secure investments with third party financial institutions.

8. In response to the Estate of Chittick's September 7, 2016, letter, the Receiver advised the Estate of Chittick that he was actively investigating the fraudulent schemes of Mr. Menaged and that the administrative issue of control of the DB Plan was not an immediate priority of the Receiver. The Estate of Chittick initially indicated it would be willing to wait for the Receiver to address issues related to the DB Plan.

9. Meanwhile, the Receiver independently determined that Mr. Chittick likely paid significant federal and state income taxes on fictional income of DenSco. The Receiver believed after preparing and filing amended and corrected tax returns, that significant tax refunds could be recovered for the creditors of DenSco and Estate of Chittick.

10. After a meeting with the Estate of Chittick to discuss a collaborative effort to recover the tax refunds[2], the Estate of Chittick insisted that any agreement to work together to recover the tax refunds would require the Receiver to relinquish control of the DB Plan to the Personal Representative. The Receiver was not prepared to address both issues and attempted to get the Estate of Chittick to agree to work together to recover the tax refunds and agree to have any tax refunds held in escrow pending resolution of issues between the Receiver and the Estate of Chittick.

[2] A collaborative effort is necessary to explore and cause the recovery of any tax refunds as the fictional DenSco income was reported and paid through Mr. Chittick's personal tax returns and therefore any refunds would flow back through the Estate of Chittick.

11. On December 9, 2017, the Receiver filed his Notice of Claim against the Estate of Chittick, which sought an approved claim of $43,947,819.61 ("DenSco Probate Claim").

12. On December 16, 2016, the Receiver sought the engagement of Special Counsel TJ Ryan to prosecute the DenSco Probate Claim.

13. On December 20, 2016, the Estate of Chittick filed its Petition No. 11 seeking, among other things, a judicial determination that the DB Plan was not an asset of the Receivership Estate and seeking approval to retain a CPA to amend DenSco's tax returns.

14. On December 21, 2016, the Receiver filed his Petition No. 13 seeking the approval to employ Marvin "Bucky" Swift as Special Counsel to assist the Receiver in evaluating issues related to the DB Plan. On January 18, 2017, over the objection of the Estate of Chittick, the Court approved the employment of Mr. Swift as Special Counsel.

15. On February 3, 2017, the Estate of Chittick filed its Notice of Disallowance of Claim against the Estate of Chittick, denying the DenSco Probate Claim. As a result, the Receiver would need to file a lawsuit against the Estate of Chittick to establish that DenSco was a creditor of the Chittick Estate.

16. After briefing was completed on Petition No. 11, the Court set oral argument for February 24, 2017. As the Receiver and Estate of Chittick continued a dialogue on the issues, oral argument on Petition No. 11 was continued until November 21, 2017.

17. On or about April 3, 2017, a total of thirty-eight DenSco investors who had filed creditor claims against the Estate of Chittick in the Probate Proceeding agreed to assign their claims to the Receiver.

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18. Thereafter, the Estate of Chittick and the Receiver worked to fashion a comprehensive resolution to the myriad of issues including a resolution of disputes over the DB Plan, 401K plan, treatment of the DenSco Probate Claim and recovery of the tax refunds.

A. OVERVIEW OF DISPUTE REGARDING DB PLAN

19. As set forth above, the Estate of Chittick has sought to have the Receiver relinquish control of the DB Plan to enable the Personal Representative to facilitate the payment of the balance of funds in the DB Plan to the Chittick Children.

20. During his initial investigation into the DB Plan, the Receiver discovered numerous potentially serious issues surrounding the formation and operation of the DB Plan. It became clear to the Receiver that Mr. Chittick appeared to engage in self-dealing transactions that could cause an independent party to conclude that Mr. Chittick used the DB Plan as a subterfuge to defraud DenSco's creditors. For example, the Receiver discovered:

- There is no executed version of the DB Plan;[3]
- Several crucial amendments to the Plan have never been signed by Mr. Chittick;
- The DB Plan never filed any IRS Form 5500s (which is the annual information return required to be filed with respect to the DB Plan), despite the fact that it appears the DB Plan's third party administrator prepared the returns and instructed Chittick of their required filing;
- The DB Plan was grossly overfunded based upon the unsigned Form 5500's prepared for but not filed for the DB Plan;

[3] The version of the Plan attached to the Estate of Chittick's Petition No. 11 is undated and unsigned.

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- The DB Plan did not have a separate trust agreement; and
- Mr. Chittick caused the DB Plan to engage in a number of self-dealing prohibited transactions including: (a) investing the DB Plan's assets in DenSco stock; and (b) after the DB Plan's TPA informed Mr. Chittick that the investment in DenSco stock was a prohibited transaction, he caused the Plan to sell the stock to DenSco for a "profit" in excess $879,000.00, at a time when DenSco was insolvent and when Mr. Chittick was aware of the fraud scheme perpetrated upon DenSco by Mr. Menaged.

21. Moreover, as the Receiver continued to investigate, it was discovered that internal DenSco accounting records detailed that the financial transactions that occurred "within" the DB Plan were accounting entries and not supported by any evidence of the deposit or transfer of tangible funds. It was discovered that the only legitimate cash transaction that took place was the initial deposit of $77,009.10 to DenSco's "Wiring" bank account at FirstBank. Essentially, the Receiver determined that the over $1,800,000.00 that has "accrued" in the DB Plan was fictional.

22. Additionally, during the Estate of Chittick's investigation into the DB Plan, it discovered an inconsistency in the DB Plan documents which created a dispute about who is the proper beneficiary under the DB Plan. While the DB Plan's form documents approved by the IRS states specifically that, in the absence of a clear beneficiary designation, the Estate of Chittick is the proper beneficiary, the DB Plan Summary Plan Description states that the Chittick Children are the beneficiaries.

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23. Given his findings set forth above, the Receiver had significant concerns that the DB Plan was not properly established, operated or maintained by Mr. Chittick or DenSco, leading the Receiver to conclude that, based on the actions of Mr. Chittick, the DB Plan never met the requirements for a qualified retirement plan and it should be treated a non-qualified retirement plan.

24. The Estate of Chittick strongly contested the Receiver's interpretation and analysis with respect to the qualified status of the DB Plan, and its representatives and experts have argued that, despite any alleged defects in the maintenance and operation of the DB Plan, its assets are not and cannot be treated as assets of DenSco but rather are subject to a credible claim by the Estate of Chittick or the Chittick Children.

25. While the Receiver and the Estate of Chittick disagreed upon the facts, the potential legal ramifications of Mr. Chittick's operation of the DB Plan and the tax ramifications of the Receiver's treatment of the DB Plan as a non-qualified retirement plan, the Parties generally agree that the disputed issues are extremely complicated and factually intensive and there is scant binding legal precedent to guide the Parties or a court on how to resolve these issues. Accordingly, it is reasonable to conclude that whatever judicial decision is made as to the disposition of the assets of the DB Plan, it would be subject to appeal, given the amount in controversy and the lack of clear law on these issues.

26. As of September 29, 2017, the universe of assets of the DB Plan is $1,839,111.02 invested in a certificate of deposit at FirstBank.

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B. OVERVIEW OF DISPUTE REGARDING 401K PLAN

27. During his investigation of the DB Plan, the Receiver discovered critical flaws with the 401k Plan similar to the DB Plan. Namely, that the money that was removed from DenSco purporting to be the accumulated funds in the 401k Plan were fictional book entities and did not reflect actual dollars deposited or maintained in a 401k Plan. This discovery lead the Receiver to conclude that, based on the actions of Mr. Chittick, the 401(k) Plan never met the requirements for a qualified retirement plan and should therefore be treated as a non-qualified retirement plan.

28. The Estate of Chittick contested the Receiver's interpretation and analysis with respect to the qualified status of the 401(k) Plan, and argued that, despite any alleged defects in the maintenance and operation of the 401(k) Plan, its assets are not and cannot be treated as assets of DenSco but rather are subject to a credible claim by the Chittick Children, the designated beneficiaries. Moreover, the Estate of Chittick highlighted numerous legal decisions that protected the assets in a 401k plan despite issues as to its qualified status.

29. While the Receiver and the Estate of Chittick have disagreed upon the facts and the potential legal ramifications of Mr. Chittick's formation and operation of the 401k Plan, the Receiver concedes that there is a significant amount of law that provides significant protections from actions by creditors, such as the Receiver, when seeking to recover funds from a 401k Plan. Moreover, the funds in the 401(k) plan have already been distributed to trusts for the benefit of the Chittick Children, who by all accounts are innocent parties.

30. The Receiver has determined that the assets of the 401k Plan, approximately $359,609, were distributed by the Personal Representative to trusts for the Chittick Children.

C. OVERVIEW OF DISPUTE REGARDING TAX REFUNDS

31. The Receiver, during his investigation into the financial activities of DenSco, determined that DenSco over-reported its actual income and, as a result, excessive state and federal income taxes were paid on fictional income of DenSco.

32. As his investigation progressed, the Receiver discovered a previously unknown letter from Chittick to the Personal Representative which, among other things, confirmed that Mr. Chittick intentionally misrepresented DenSco's financial position and knowingly paid excess income taxes to hide from his accounting professionals DenSco's insolvency.

33. Due to Mr. Chittick's ownership of DenSco and its tax treatment, excess income taxes related to DenSco's reported income were paid by Mr. Chittick though his personal tax returns. Therefore, the Estate of Chittick and Personal Representative are necessary to assist in the facilitation and recovery of the tax refunds.

34. The Receiver believes that somewhere between $1,000,000 and $1,200,000 of excessive income taxes were paid by Mr. Chittick in respect of over-reported DenSco income, and that such amounts may be recoverable from the applicable taxing authorities.

III. THE SETTLEMENT

35. Attached as Exhibit "A" is a copy of the Settlement Agreement between the Parties.

36. The fundamental provisions of the Settlement Agreement are as follows:

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- DenSco will pay $675,000.00 to the Estate of Chittick in exchange for a resolution of all issues relating to the DB Plan and 401k Plan and Tax Refunds. [See Exhibit "A" ¶A.]
- With respect to the DB Plan, 100% of assets of the DB Plan [at least $1,839,111.02] are deemed to be the property of DenSco and the Parties will not contest the Receiver's treatment of the DB Plan as a non-qualified deferred compensation plan. [See Exhibit "A" ¶E.]
- With respect to the 401k Plan, 100% of the proceeds will remain property of the Chittick Children. [See Exhibit "A" ¶I.]
- With respect to the Tax Refunds, the Estate of Chittick has agreed to cede complete control and all rights to all potential tax refunds that the Receiver may recover from the United States Treasury and the State of Arizona [an amount believed to be somewhere between $1,000,000 and $1,200,000] to DenSco. [See Exhibit "A" ¶A.]
- With respect to the recovery of the Tax Refunds, the Personal Representative and Receiver will work together to prepare and file the necessary paperwork to seek to recover the Tax Refunds, but the Receiver will be responsible for all professional fees in an effort to recover the Tax Refunds. [See Exhibit "A" ¶F.]
- If there are penalties or other fees from the pursuit or recovery of the Tax Refunds and the treatment of the DB Plan, those fees will be paid and borne by the DenSco Receivership. [See Exhibit "A" ¶G.]

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- The Estate of Chittick has agreed to allow the Receiver to have a $5,000,000 allowed claim in the Probate Proceeding ("Allowed Claim"). The Allowed Claim cannot be payable from the consideration under the Settlement Agreement, but in the event other assets are recovered by the Estate of Chittick a total of 70% of those recoveries will be applied to the payment of the Allowed Claim. [See Exhibit "A" ¶J.]
- The Receiver shall pay $2,300.00 to Pension Strategies, the administrator of the DB Plan; [See Exhibit "A" ¶H.]
- The Settlement Agreement is contingent upon approval by the Probate Court and Receivership Court. [See Exhibit "A" ¶O.]
- The Settlement Agreement contains comprehensive mutual releases between and among the Parties and specifically compromises the claims of the thirty-eight DenSco investors who had filed creditor claims in Probate proceeding and assigned their claims to the Receiver. [See Exhibit "A" ¶P.]

IV. THE RECEIVER'S RECOMMENDATION TO APPROVE THE SETTLEMENT AGREEMENT

37. The Receiver recommends that the Court approve the Settlement Agreement between the Parties. As set forth above, the issues that are being compromised with respect to the DB Plan and 401(k) Plan are factually and legally complex. The Receiver has determined that the potential legal fees from advancing these disputes could exceed $675,000 which is the consideration being paid under the Settlement Agreement. Moreover, the Receiver has estimated the gross recovery under the Settlement Agreement to be between $1.8M and $3M to the DenSco Receivership. This range of the potential monetary recovery

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under the Settlement Agreement accounts for the unknown amount that may be recovered from the Tax Refunds. However, under the Settlement Agreement 100% of whatever is recovered in the form of tax refunds shall be property of the DenSco Receivership. Moreover, pursuant to the Settlement, if there are additional recoveries by the Estate of Chittick in the Probate Proceeding, the Receiver shall receive 70% of those additional recoveries in partial satisfaction of its approved claim of $5M in the Probate Proceeding.

38. Finally, the Settlement Agreement allows the Receiver to reduce his ongoing legal fees and expenses for his Special Counsel who would be critical and necessary to advance litigation to recover these funds for the DenSco Receivership Estate from the DB Plan and 401K Plan. Based on the foregoing, the Receiver recommends that the Court approve the Settlement Agreement between the Parties.

V. THE STATUS OF SETTLEMENT AGREEMENT

39. As set forth above, the Settlement Agreement is contingent upon the approval by the Probate Court and the GAL.

40. On October 23, 2017, the GAL and the Receiver filed in the Probate Proceeding a *Joint Petition for Single Transaction Authority Under A.R.S. §14-5409* ("Joint Petition") seeking the approval of the Settlement Agreement and authorizing the GAL to execute the Settlement Agreement.

41. On October 26, 2017, the Personal Representative filed in the Probate Proceeding her *Petition to Approve Settlement Agreement Resolving Claims against Chittick Estate and Chittick Children* (P.R. Petition) seeking approval of the Settlement Agreement.

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42. The Joint Petition and P.R. Petition are currently set for a hearing on December 6, 2017, in the Probate Proceeding. It is anticipated that both the Joint Petition and P.R. Petition will be approved at the December 6th hearing.

43. Given the complexity of the issues and the desire to resolve these disputes as efficiently as possible, the Receiver [upon consultation with the Estate of Chittick] has filed this Petition in advance of the hearings in the Probate Proceeding and the hearing set for November 21, 2017 on Petition No. 11.

44. It is contemplated that upon the approval of the Joint Petition and P.R. Petition, the Receiver shall provide notice to the Court of the approvals and lodge a fully executed copy of the Settlement Agreement with the Court along with a final proposed form of Order.

WHEREFORE, the Receiver respectfully requests that the Court enter an order approving the Settlement Agreement as lodged herewith.

Respectfully submitted this 17th day of November, 2017.

GUTTILLA MURPHY ANDERSON, P.C.

/s/ Ryan W. Anderson
Ryan W. Anderson
Attorneys for the Receiver

2359-001(306223)

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SETTLEMENT AGREEMENT

This Settlement Agreement (this "Agreement") is made by and between Peter S. Davis, as Receiver of DenSco Investment Corporation in Maricopa County Superior Court Cause No. CV2016-014142 (the "Receiver"); Shawna Chittick Heuer, as the personal representative of the Estate of Denny J. Chittick in Maricopa County Superior Court Cause No. PB2016-051754 (the "Estate of Chittick," and Shawna Chittick Heuer, in such capacity, the "Personal Representative"); Paul Theut, as the Court Appointed Guardian Ad Litem (the "GAL") for Ty Riley Chittick and Dillon Cash Chittick; and Ranasha Chittick. The parties hereto are sometimes individually referred to herein as a "Party" and collectively as the "Parties."

RECITALS

1. Whereas in July of 2016, Denny J. Chittick died. Thereafter, Shawna Chittick Heuer was appointed as the personal representative of the Estate of Chittick by the probate court for Maricopa County, Arizona (the "Probate Court") in proceeding PB 2016-051754 (herein, the "Probate Proceeding");

2. Whereas Ty Riley Chittick and Dillon Cash Chittick are the minor children of Denny J. Chittick and Ranasha Chittick ("Chittick Children"). As beneficiaries of testamentary trusts established for their benefit, the Chittick Children are the sole beneficiaries of Denny J. Chittick under the terms of his Last Will and Testament dated May 9, 2009;

3. Whereas on or about August 18, 2016, Peter S. Davis was appointed by the Maricopa County Superior Court (the "Receivership Court") pursuant to an *Order Appointing Receiver* in Cause No. CV2016-014142 as the Receiver of DenSco Investment Corporation (hereinafter "DenSco"), an Arizona corporation;

4. Whereas, at the time of his death, Denny J. Chittick was the sole shareholder, board member and employee of DenSco;

5. Whereas, at the time of his death, DenSco had established and maintained the DenSco Investment Corporation Defined Benefit Plan and Trust (the "DB Plan") in which Denny J. Chittick was sole trustee. The DB Plan currently has approximately $1,834,988.93 of assets;

6. Whereas, at the time of his death, Denny J. Chittick had established the DenSco Investment Corporation 401(k) Plan (the "401(k) Plan") through his employment at DenSco, which had a balance of approximately $359,000.00 at the time of his death;

7. Whereas, the Parties, during their investigation into the issues related to the DB Plan, determined an inconsistency in the DB Plan documents that created a current dispute about who is the proper beneficiary under the DB Plan. While the DB Plan form document approved by the IRS states specifically that, in the absence of a clear beneficiary designation, the Estate of

EXHIBIT "A"

Chittick is the proper beneficiary, the DB Plan Summary Plan Description states that the Chittick Children are the beneficiaries;

8. Whereas, the Receiver, during his investigation into the assets of DenSco, has significant concerns that the DB Plan was not properly established, operated or maintained by Denny J. Chittick or DenSco, leading the Receiver to conclude that, based on the actions of Denny J. Chittick, the DB Plan never met the requirements for a qualified retirement plan and should therefore be treated a non-qualified retirement plan;

9. Whereas, because the Receiver has concluded that the DB Plan should be treated as a non-qualified retirement plan and because DenSco was insolvent at the date of Denny J. Chittick's death and continues to be insolvent, the DB Plan assets are the property of DenSco. The Receiver has taken the position that the Estate of Chittick or the Chittick Children are general creditors of DenSco with respect their position as beneficiaries of the DB Plan;

10. Whereas, the Estate of Chittick contests the Receiver's interpretation and analysis with respect to the qualified status of the DB Plan, and its representatives have argued that, despite any alleged defects in the maintenance and operation of the DB Plan, its assets are not and cannot be treated as assets of DenSco but rather are subject to a credible claim by the Estate of Chittick or the Chittick Children;

11. Whereas, the Receiver, during his investigation into the assets of DenSco, has significant concerns that the 401(k) Plan was not properly established, operated or maintained by Denny J. Chittick or DenSco, leading the Receiver to conclude that, based on the actions of Denny J. Chittick, the 401(k) Plan never met the requirements for a qualified retirement plan and should therefore be treated as a non-qualified retirement plan.

12. Whereas, the Estate of Chittick contests the Receiver's interpretation and analysis with respect to the qualified status of the 401(k) Plan, and its representatives have argued that, despite any alleged defects in the maintenance and operation of the 401(k) Plan, its assets are not and cannot be treated as assets of DenSco but rather are subject to a credible claim by the Chittick Children, the designated beneficiaries;

13. Whereas, the Receiver, during his investigation into the financial activities of DenSco, has determined that DenSco over-reported its actual income and, as a result, excessive state and federal income taxes may have been paid. Due to Denny J. Chittick's ownership of DenSco and its tax treatment, excess income taxes related to DenSco's reported income were paid by Denny J. Chittick though his personal tax returns. The Receiver believes that somewhere between $1,000,000 and $1,200,000 of excessive income taxes were paid by Denny J. Chittick in respect of over-reported DenSco income, and that such amounts may be recoverable from the applicable taxing authorities ("Tax Refunds"); and

14. Whereas without admitting the truth or validity of any claim or defense, the Parties desire to settle all claims that the Receiver and the Parties may have against each other including but not limited to claims regarding the DB Plan, 401(k) Plan and Tax Refunds.

AGREEMENT

In consideration of the above Recitals, which are incorporated as substantive provisions hereof, and the mutual promises contained herein, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Parties agree as follows:

A. Settlement Funds. Upon approval of this Agreement, as set forth below, the Receiver shall pay a total of $675,000.00("Settlement Funds") to the Estate of Chittick. The Parties agree that the Settlement Funds are in consideration for the agreement of the Estate of Chittick to sell and transfer to the Receiver the right (i) to receive 100% of the Tax Refunds, as set forth in Section G below, less Tax Impositions agreed to be borne by the Receiver, as provided therein, and (ii) to exercise control over the tax refund application process.

B. Segregation of Settlement Funds. Upon execution of this Agreement, and pending court approval hereof as contemplated by Section O below, the Receiver shall maintain the Settlement Funds in a separate and segregated bank account that will not be subject to any other creditor claims, in a manner reasonably satisfactory to the Estate of Chittick.

C. Withdrawal of Petition No. 11 and Creditor Claim. Upon court approval of this Agreement, as described in Section O below, the Estate of Chittick shall withdraw Petition No. 11 filed in Receivership Court in Maricopa County Superior Court Cause No. CV2016-014142 (the "Receivership Proceeding") and ask the court to vacate the hearing on Petition No. 11 currently set for November 11, 2017. Upon court approval of this Agreement, as described in Section O below, the Estate of Chittick shall also withdraw the creditor claim it filed in the DenSco Receivership Proceeding.

D. Beneficiary Designation under DB Plan. The Parties agree that despite inconsistencies in the DB Plan documents, the Chittick Children are the named beneficiaries under the DB Plan.

E. Treating DB Plan as a Non-Qualified Deferred Compensation Plan. Neither the Estate of Chittick, the Chittick Children nor Ranasha Chittick will contest the Receiver's treatment of the DB Plan as a non-qualified deferred compensation plan, and the Parties and their agents shall take no actions and make no statements that are inconsistent with, or in contravention of, that treatment, except to the extent required by law.

F. Tax Reporting and Refunds. The Receiver, the Personal Representative and the Estate of Chittick shall work cooperatively to prepare and file the necessary tax forms and/or amended tax returns (collectively, the "Returns") to pursue refund claims for previously paid state and federal income taxes. The Receiver shall be solely responsible for any and all fees and expenses that may be incurred in the pursuit of the refund claims, including any professional fees and expenses incurred by the Personal Representative or the Estate of Chittick in providing the cooperation required by this Agreement. The Personal Representative and the Estate of Chittick agree to use their commercially reasonable efforts to facilitate the Receiver's pursuit of the tax refund claims, which may include, among other things, reviewing, executing and filing the Returns on behalf of Denny J. Chittick, subject to the conditions that the Returns (i) must have

been prepared or reviewed and approved by David Preston, CPA, DenSco's historic accountant, or by another accountant selected by the Personal Representative, or (ii) if the Returns are not prepared by David Preston, CPA, must reflect that they have been prepared by an independent certified public accountant selected by the Receiver. With respect to the Settlement Funds, the Receiver agrees not to issue any IRS Form 1099 or comparable federal or state filing that could suggest that the Settlement Funds are to be treated as taxable income to the recipient of such funds.

G. Tax Refunds/Responsibility for Tax Impositions. The Receiver shall receive 100% of any Tax Refunds that are recovered from any state of federal taxing authority, subject to the provisions of this Agreement. The Receiver shall also be responsible to bear any taxes, penalties, charges, interest, or any other fees and costs (collectively, "Tax Impositions") that are assessed against or imposed upon the Estate of Chittick or the Personal Representative by any state or federal taxing authority as a result of (i) the Receiver's pursuit of the tax refund claims, or (ii) the Receiver's determination to treat the DB Plan as a non-qualified deferred compensation plan (including, without limitation, Tax Impositions resulting from (a) changes to DenSco's reported taxes resulting as a consequence of that determination or (b) the tax reporting made or required to be made as a consequence of that determination), or (iii) conduct undertaken by the Personal Representative that is consistent with the requests of the Receiver in performing her obligation of reasonable cooperation as set forth in Section F above. All such Tax Impositions shall be borne, in the first instance, in the form of offsets against the amount of any Tax Refunds to be realized (including with respect to any Tax Refunds paid to the Estate of Chittick), but in the event any such Tax Impositions are assessed against the Estate of Chittick, the Receiver shall reimburse the Estate of Chittick for all such Tax Impositions. In order to effectuate the foregoing assurance, the Receiver hereby agrees that any claims made for the reimbursement of Tax Impositions will constitute Administrative Claims for the purposes of the Receivership Proceeding. Prior to distributing amounts to claimants in the Receivership Proceeding, the Receiver shall make a reasonable judgment (after having given the Estate of Chittick an opportunity to offer its input and advice) as to whether future Tax Impositions are anticipated, and if they are, shall take reasonable steps to preserve the receivership estate's ability to perform its duties under this Section G, including maintaining a reserve of funds from which Tax Impositions may be paid. In the event of a disagreement between the Receiver and the Estate of Chittick as to the likelihood or the amount of potential future Tax Impositions, or as to the size of a reserve reasonably necessary to provide for the payment of future Tax Impositions, the Estate of Chittick shall have the right to petition the Receivership Court to determine the proper amount for any such reserve (recognizing that the protections set forth in this paragraph were a material consideration to the Estate of Chittick and the Personal Representative in agreeing to transfer to the Receiver the right to receive 100% of the Tax Refunds). The Parties understand that the ability to recover and the amount of any recovery of Tax Refunds is subject to the approval of the Internal Revenue Service and of applicable state taxing authorities. Neither the Estate of Chittick, the Personal Representative, nor the Chittick Children are in a position to represent or warrant, and they do not represent, warrant, guaranty or offer any other assurance, that any Tax Refunds will be recovered. The Receiver represents and warrants that he is familiar with the uncertainty involved in the tax refund process, and is satisfied that, having been given the right to control the process, he is in a position to maximize the recovery of Tax Refunds. The Receiver further agrees that any agreement entered into between the Receiver, on the one hand, and either

the Internal Revenue Service or applicable state taxing authorities, on the other hand, to compromise or settle either the Tax Refund claims or issues arising in connection with the tax treatment of the DB Plan, will include an unconditional release of both the Estate of Chittick and the Personal Representative as a condition to the effectiveness of any such agreement.

H. Responsibility for fees and costs of DB Plan. The Receiver is informed that certain fees and expenses incurred by Pension Strategies are due and owing relating to the DB Plan, in the amount of $2,300. The Receiver shall be responsible to pay all such fees and expenses related to the administration of the DB Plan.

I. Waiver of claims as to the 401(k) Plan. The Receiver is informed that the Chittick Children have already received, directly or indirectly, a distribution of the 401(k) Plan. As additional consideration under this Agreement, the Receiver hereby waives any claims against the Chittick Children or against any investment vehicle into which monies from the 401(k) Plan were distributed relating to the 401(k) Plan of the distribution of monies therefrom.

J. Claim in Probate Case. Upon the approval of this Agreement as set forth in Section M below, the Estate of Chittick and the Personal Representative shall deliver a Notice of Allowance to the Receiver, allowing the Receiver's creditor claim filed with the Estate of Chittick in the amount of $5,000,000.00 (the "Allowed Probate Claim"). The Allowed Probate Claim will not be payable from, and the Receiver will have no claim or recourse against, either the Settlement Funds, any other assets held by the Estate of Chittick that have previously been disclosed in writing to the Receiver, or any other amounts payable by the Receiver to the Estate of Chittick pursuant to this Agreement, and it is contemplated under this Agreement that the Allowed Probate Claim may never be paid. For purposes of implementing the foregoing, the Receiver hereby waives any right to claim an offset against the Settlement Funds for purposes of satisfying part of the Allowed Probate Claim. In the event any additional assets are recovered by or collected into the Estate of Chittick (the "Recovered Assets"), the Parties agree that 70% of the amounts so collected, without reduction for estate administration expenses, shall be applied to the payment of the Allowed Probate Claim. Upon execution of this Agreement, the Estate of Chittick and the Personal Representative shall agree to provide an open-ended extension to the Receiver of the period in which to file a petition for payment of the Allowed Probate Claim in the Probate Proceeding in circumstances where assets available for the payment of the Allowed Probate Claim, in accordance with this Section J, exist. For purposes of allowing finality with respect to the Probate Proceeding, if at any time the cooperation of the Estate of Chittick and the Personal Representative in the prosecution of applications for Tax Refunds is no longer required, which may occur upon the Estate of Chittick executing an IRS Form 2848 in favor of the Receiver delegating authority to the Receiver to prosecute such claims, the Parties agree that the Personal Representative shall have the right to close the Probate Proceeding, subject to making an irrevocable assignment to the Receiver of any interest held by the Estate of Chittick in any future Recovered Assets (with the result that 100% of the amount of any future Recovered Assets shall inure to the benefit of the Receiver for application against the Allowed Probate Claim). Nothing herein shall prevent the Personal Representative from closing the Estate of Chittick so long as reasonable steps have been taken, or reasonable alternative procedures exist, to protect the rights of the Receiver under this Agreement.

K. GAL to Seek Appointment as "Special Conservator". The GAL shall seek approval (incident to the other court approvals already required in this Agreement) to be appointed as a special conservator and to ask the Court to give the GAL authority to execute this Agreement on behalf of the minor children pursuant to A.R.S. § 14-5409.

L. Fees and Expenses of GAL. Either the Estate of Chittick or the Chittick Children shall be responsible for any fees and expenses of the GAL or any conservator for the Chittick Children.

M. Fees and Expenses of Estate of Chittick's Tax Reporting. The Estate of Chittick shall be responsible for any fees and expenses in the preparation and filing of any tax or other returns required to be filed by the Estate of Chittick in the administration of the Estate of Chittick.

N. Agreement for Joint Directive to First Bank. Upon approval of this Agreement in accordance with Section O, and if necessary, the Estate of Chittick agrees to cooperate with the Receiver's efforts to recover any funds of the DB Plan located at First Bank, or any other financial institution, including executing a joint directive to First Bank directing the turnover of funds of the DB Plan to the Receiver or stipulating to a motion filed by the Receiver directing the turnover of funds of the DB Plan to the Receiver.

O. Approval of Agreement/Treatment of Claims. This Agreement is conditioned on the approval of both the Receivership Court and the Probate Court, and the appointment of Paul Theut as both GAL and "special conservator" for the limited purposes described in Section K above. This Agreement shall become binding upon and enforceable against the Parties upon the entry of orders from both the Receivership Court in the Receivership Proceeding and the Probate Court in the Probate Proceeding approving this Agreement. If such approval is not obtained, this Agreement shall be considered null and void and of no force and effect, and no Party shall be bound by any agreements or concessions set forth herein. Following approval of this Agreement, claims made by any Party against the Receiver pursuant to this Agreement shall be treated as Administrative Claims in the Receivership Proceeding.

P. Mutual Releases. Each of the following releases shall be effective upon the approval of this Agreement in accordance with Section O above.

The Receiver, on his own behalf and on behalf of his attorneys, employees, partners, agents, predecessors, successors, assigns, assignors, and legal representatives (including, without limitation, on behalf of those attorneys, employees, partners, officers, directors, agents, predecessors, assignors, and legal representatives of DenSco existing prior to the appointment of the Receiver) (all of the foregoing, collectively for purposes of this paragraph, the "Releasing Parties"), hereby releases and forever discharges the Estate of Chittick, the Personal Representative (individually and in her capacity as Personal Representative), Ty Riley Chittick, Dillon Cash Chittick and Ranasha Chittick, and each of their respective attorneys, employees, agents, predecessors, successors, assigns, assignors, executors, administrators, and legal representatives, but expressly excluding from the scope of this release, for the avoidance of doubt, Clark Hill PLC, any attorneys rendering advice to DenSco at a time when they were

employed by or practicing law at Clark Hill PLC, and each of their respective successors, assigns, assignors, executors, administrators, and legal representatives, from all claims that the Receiver or the Releasing Parties may have against them, whether known or unknown, including but not limited to claims regarding the DB Plan, the 401(k) Plan, the sources from which and the manner in which each was funded, the operations and management of DenSco by Denny J. Chittick, the Tax Refunds, the administration of the Estate of Chittick, and the related proceedings in the Probate Court, including claims that may arise in the future, excluding, however, claims relating to enforcement of the rights, duties or obligations arising under this Agreement or any assessment from any state or federal taxing authority for Mr. Denny Chittick knowingly filing false corporate or personal income tax returns. The determination of whether Mr. Chittick knowingly filed a false corporate or personal income tax return shall be made without giving effect to any changes in the character or amount of any items of income, deductions or expenses previously reported if such changes resulted from the Receiver's treatment of the DB Plan as a non-qualified deferred compensation plan.

In addition, the Receiver hereby releases, with the same effect as if each of the following persons was named in the preceding paragraph as a Releasing Party, any and all claims of James Trainor; Dori Ann Davis; Glen P. Davis IRA; Glen P. Davis; Gary L. Thompson; Coralee Thompson; Jolene Page; Robert B. Hahn; Todd Einck; Laurie Weiskopf; Thomas Weiskopf; Judith E. Siegford; Gary Siegford; Michael J. Zones; Jim McArdle; Nancy L. Swirtz; William J. Swirtz; Pete Rzonsco; Marvin and Patricia Miller; Branson Smith (The Branson and Saundra Smith Trust); Branson Smith (Branson M. Smith IRA *aka* Tony Smith IRA); Mary L. Butler (IRA); Van H. Butler (IRA); Van H. Butler; Marlene Pearce; Terry Lee (re: The Lee Group, Inc. and 6541 N. Paseo Tamayo, Tucson, AZ 85750); Terry Lee; Lil Lee; Julie Kent; Paul Kent; Mary Kent; William S. Sherriff on behalf of self-investment and that of Saltine LLC; James McCoy; James and Lesley McCoy Trust; Wayne J. Ledet; Vincent I. Muscat; Muscat Family Trust; Wade Underwood; LJL Capital; Russell T. Griswold; Russ Griswold-IRA; Valerie J. Paxton; and Kaylene Moss (collectively, the "Assigning Investors"). The Receiver hereby represents and warrants to the Estate of Chittick that (i) each of the Assigning Investors has assigned their respective claims against the Estate of Chittick to the Receiver pursuant to an Assignment of Chose of Action with an effective date of April 3, 2017 (the "Investor Assignment Form"), an example of which is attached hereto as Exhibit "A", (ii) each Investor Assignment Form is substantially identical to Exhibit "A" other than with the respect to the particular investor or investors named therein, and (iii) each Investor Assignment Form authorizes the Receiver to enter into this Agreement and to release all claims. In the event any of the Assigning Investors subsequently dispute the authority of the Receiver to enter into this Agreement on their behalf, or hereafter assert claims against the Estate of Chittick or the Personal Representative that are inconsistent with the agreements made by such Assigning Investor pursuant to that person's applicable Investor Assignment Form, the Receiver agrees to reasonably cooperate with the Estate of Chittick and the Personal Representative to establish the authority of the Receiver under the applicable Investor Assignment Form to bind such Assigning Investor and to cause all claims asserted by such person to be dismissed with prejudice.

The Estate of Chittick and the Personal Representative, on their own behalf and on behalf of their respective attorneys, employees, partners, agents, predecessors, successors, assigns, assignors, and legal representatives (collectively, for purposes of this paragraph, the "Releasing Parties"),

hereby release and forever discharge the Receiver and his attorneys, employees, agents, predecessors, successors, assigns, assignors, executors, administrators, and legal representatives, but expressly excluding from the scope of this release those attorneys, legal representatives, and professional advisors who provided services to DenSco prior to the appointment of the Receiver, their successors and assigns, from all claims that the Estate of Chittick or the Releasing Parties may have against them, including but not limited to claims regarding the DB Plan, the 401(k) Plan and any Tax Refunds, excluding, however, any allowed claim made by the Estate of Chittick in the Receivership Proceeding and claims relating to enforcement of the rights, duties or obligations arising under this Agreement. This release shall not apply, prejudice, or otherwise frustrate any putative or potential causes of action that the Estate of Chittick and/or the Personal Representative may hold or have against Clark Hill PLC and its lawyer, David G. Beauchamp, as expressly contemplated in that Tolling Agreement executed May 25, 2017 by and between the Estate of Chittick and the Personal Representative, on one hand, and Clark Hill PLC and David G. Beauchamp, on the other hand. Any such claims are not subject to or contemplated by this release, and shall in all events expressly survive the execution of this Agreement.

Dillon Cash Chittick, by and through the approval of the GAL, on his own behalf and on behalf of his attorneys, employees, partners, agents, predecessors, successors, assigns, assignors, and legal representatives (collectively, for purposes of this paragraph, the "Releasing Parties"), hereby releases and forever discharges the Receiver and his attorneys, employees, agents, predecessors, successors, assigns, assignors, executors, administrators, and legal representatives from all claims that Dillon Cash Chittick and the Releasing Parties may have against them, including but not limited to claims regarding the DB Plan, the 401(k) Plan and any Tax Refunds, excluding, however, claims relating to enforcement of the rights, duties or obligations arising under this Agreement.

Ty Riley Chittick, by and through the approval of the GAL, on his own behalf and on behalf of his attorneys, employees, partners, agents, predecessors, successors, assigns, assignors, and legal representatives (collectively, for purposes of this paragraph, the "Releasing Parties"), hereby releases and forever discharges the Receiver and his attorneys, employees, agents, predecessors, successors, assigns, assignors, executors, administrators, and legal representatives from all claims that Ty Riley Chittick and the Releasing Parties may have against them, including but not limited to claims regarding the DB Plan, the 401(k) Plan and any Tax Refunds, excluding, however, claims relating to enforcement of the rights, duties or obligations arising under this Agreement.

Ranasha Chittick, on her own behalf and on behalf of her attorneys, employees, partners, agents, predecessors, successors, assigns, assignors, and legal representatives (collectively, for purposes of this paragraph, the "Releasing Parties"), hereby releases and forever discharges the Receiver and his attorneys, employees, agents, predecessors, successors, assigns, assignors, executors, administrators, and legal representatives from all claims that Ranasha Chittick and the Releasing Parties may have against them, including but not limited to claims regarding the DB Plan, the 401(k) Plan and any Tax Refunds, excluding, however, claims relating to enforcement of the rights, duties or obligations arising under this Agreement.

Q. Attorneys' Fees. Each Party hereto shall be responsible for the payment of its own costs, attorneys' fees and all other expenses incurred in connection with each Party's

investigation, negotiation and execution of this Agreement. The Estate of Chittick shall bear its attorneys' fees solely from either the Settlement Funds or from other assets held by the Estate of Chittick as of the date of entering into this Agreement. If any Party commences an action against any other Party to enforce or interpret any of the terms hereof, the losing or defaulting Party shall pay to the prevailing Party, as determined by the Receivership Court, all costs and expenses, including reasonable attorneys' fees and disbursements, incurred in connection with the prosecution or defense of such action.

R. Further Assurances. The Parties to this Agreement shall execute any further or additional instruments, and they shall perform any further acts, which may become necessary in order to effectuate and carry out the purposes hereof.

S. Entire Agreement. This Agreement contains the entire agreement and understanding among the Parties concerning the subject matter hereof and supersedes and replaces all prior negotiations, agreements and proposed agreements, written or oral, relating thereto. Each of the Parties hereto acknowledges that no other Party, nor any agent or attorney of any Party, has made any promise, representation, or warranty whatsoever, express or implied, not contained herein concerning the subject matter hereof, to induce it to execute this Agreement, and each Party acknowledges that this Agreement has not been executed in reliance on any promise, representation or warranty not contained herein. This Agreement shall not be amended, modified or supplemented at any time unless by a writing executed by the Parties hereto.

T. Opportunity to Consult with Counsel. The Parties acknowledge that they have had the opportunity to consult with and obtain the advice of counsel prior to entering this Agreement, and that each has entered into this Agreement voluntarily and free from coercion, duress or undue influence.

U. No Tax or Legal Advice. The Parties have not sought, nor have they received, tax or legal advice of any kind from any other Party or that Party's respective attorneys or tax advisors. The Parties have sought, or shall seek, to the extent they each deem it appropriate to do so, tax and legal advice regarding this Agreement, if any, from their own respective tax and legal advisors.

V. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the state of Arizona applicable to contracts executed and intended to be performed entirely within the state of Arizona by residents of the state of Arizona. Any action at law, suit in equity or judicial proceeding for the enforcement or interpretation of this Agreement or any provision hereof shall be instituted only in the Receivership Court.

W. Counterparts. This Agreement may be signed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

X. Representation of Authority. The signatories to this Agreement represent and warrant that they have full authority to execute this Agreement and to bind the Party on whose behalf they are signing to the provisions hereof.

Y. Severability. Should any portion of this Agreement be ruled unenforceable or invalid, such ruling shall not affect the enforceability or validity of the remaining portions of this Agreement.

Z. Headings. Article and section headings are inserted herein solely for convenience, and the same shall not by themselves alter, modify, limit, expand or otherwise affect the meaning of any provision of this Agreement.

AA. Assignment and Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and assigns; provided, however, that nothing herein shall relieve any Party of any obligation under this Agreement, except upon the express written consent of each other Party to whom such obligation is owed.

BB. Interpretation. This Agreement shall be interpreted fairly in light of the intentions of the Parties as set forth in this Agreement. The Parties each hereby waive the benefit of any rule or law or statute requiring that ambiguities be interpreted against the Party preparing this Agreement or causing the ambiguity.

CC. No Admissions. The execution of this Agreement is not, and shall not be construed to be, an admission of liability by any Party, or an acknowledgement by any Party that any other Party's claims have any basis or merit, but instead is entered into as a compromise and settlement of disputed claims.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the day and year written below.

Peter S. Davis, as Receiver of DenSco Investment Corporation in Cause No. CV2016-014142

_____ Dated: 11/13/2017

Peter S. Davis, as Receiver

Shawna Chittick Heuer, individually and in her capacity as the Personal Representative of the Estate of Denny J. Chittick

_____ Dated: _____

Shawna C. Heuer

_____ Dated: _____

Ty Riley Chittick
By: Paul Theut
His: Court-Appointed Guardian Ad Litem

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AA. Assignment and Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and assigns; provided, however, that nothing herein shall relieve any Party of any obligation under this Agreement, except upon the express written consent of each other Party to whom such obligation is owed.

BB. Interpretation. This Agreement shall be interpreted fairly in light of the intentions of the Parties as set forth in this Agreement. The Parties each hereby waive the benefit of any rule or law or statute requiring that ambiguities be interpreted against the Party preparing this Agreement or causing the ambiguity.

CC. No Admissions. The execution of this Agreement is not, and shall not be construed to be, an admission of liability by any Party, or an acknowledgement by any Party that any other Party's claims have any basis or merit, but instead is entered into as a compromise and settlement of disputed claims.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the day and year written below.

Peter S. Davis, as Receiver of DenSco Investment Corporation in Cause No. CV2016-014142

_____ Dated:_____
Peter S. Davis, as Receiver

Shawna Chittick Heuer, individually and in her capacity as the Personal Representative of the Estate of Denny J. Chittick

Shawna Heuer Dated: 11·10·17
Shawna C. Heuer

_____ Dated:_____
Ty Riley Chittick
By: Paul J. Theut, Esq.
His: Court-Appointed Guardian Ad Litem

_____ Dated: _____

Dillon Cash Chittick
By: Paul Theut
His: Court-Appointed Guardian Ad Litem

Ranasha Chittick Dated: 9-22-17

Ranasha Chittick

Exhibit A

ASSIGNMENT OF CHOSE OF ACTION

THIS ASSIGNMENT OF CHOSE OF ACTION is made effective as of 3rd day of April, 2017, by and between the undersigned (the "Assignor"), and PETER S. DAVIS, as Receiver for the DENSCO INVESTMENT CORPORATION (the "Assignee"), in consideration of the mutual covenants herein contained and other good and valuable consideration, the sufficiency of which is hereby acknowledged.

WHEREAS, DenSco Investment Corporation ("DenSco") is an Arizona Corporation formed by Denny J. Chittick ("Chittick"), who is the sole owner, shareholder and operator;

WHEREAS, the Assignor is a current investor of DenSco;

WHEREAS, Chittick passed away on July 28, 2016, and the Assignee is the court appointed receiver for DenSco appointed pursuant to the *Order Appointing Receiver*, dated August 18, 2016 in *Arizona Corporation Commission v. DenSco Investment Corporation* CV2016-014142;

WHEREAS, an estate for Chittick was opened and established by Application of the Personal Representative on August 4, 2016 in the Probate Division of the Maricopa County Superior Court in case no. PB2016-051754 (the "Estate");

WHEREAS, Arising out of Chittick's operation of DenSco during his life, Assignor has individual claims against Chittick and his Estate for, including but not limited to, breach of fiduciary duties, negligence and gross negligence, conversion, unjust enrichment, fraudulent transfer, fraud, intentional misrepresentation, and negligent misrepresentation;

WHEREAS, Assignor desires to assign to Assignee, all of Assignor's legal and equitable claims which Assignor may have against Chittick and his Estate arising from any matter, including but not limited to Assignor's investment in DenSco and Chittick's operation and management of DenSco.

NOW THEREFORE:

1. Assignor hereby assigns to Assignee any and all claims, demands, and causes of action of any kind or nature whatsoever, whether present or past, known or unknown, that the Assignor now has or may have against Chittick and his Estate arising from any issue or mater whatsoever, including but no limited to Chittick's operation and management of DenSco.

2. The Assignor agrees that Assignee may, in its own name, and for its own

benefit, free and clear of any claims by the Assignor, prosecute, collect, settle, compromise, and grant releases on said claims as Assignee, in its sole discretion, deems advisable.

ENTERED into effective as of the date first noted above.

By: _____

PRINTED NAME: _____

Exhibit 67

SEALED

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF ARIZONA

United States of America,

Plaintiff,

vs.

1. Yomtov Scott Menaged
Counts 1-24,

2. Veronica Castro
(a.k.a. Veronica Gutierrez Reyes)
Counts 1-24,

3. Alberto Pena
Counts 12-24,

4. Troy Flippo
Counts 12-24,

Defendants.

CR-17-00680-PHX-GMS(MHB)

INDICTMENT

VIO: 18 U.S.C. § 371
(Conspiracy)
Counts 1, 12

18 U.S.C.§1343
(Wire Fraud)
Counts 2-6, 13-18

18 U.S.C.§1028A(a)(1) and (c)(5)
(Aggravated Identity Theft)
Counts 7-11, 19-24

18 U.S.C. § 981(a)(1)(c); 28 U.S.C. §2461(c)
(Forfeiture Allegation)

THE GRAND JURY CHARGES:

At all times material to this indictment, within the District of Arizona and elsewhere:

INTRODUCTION

1. From in and around 2003, through the date of this indictment, the defendant YOMTOV SCOTT MENAGED ("Menaged"), was the sole owner and manager of several real estate entities and retail furniture stores located and operating in the Phoenix, Arizona area.

2. From in and around 2011, to the date of this indictment, Menaged owned and operated Furniture King, LLC, an entity that included, at various times, retail furniture locations throughout the Phoenix metropolitan area that operated under the names Furniture King, Furniture and Electronic King, American Furniture, Furniture Pluss, and Scott's Fine Furniture.

3. Defendant VERONICA CASTRO aka, VERONICA GUTIERREZ REYES ("Castro"), is a longtime associate and employee of Menaged.

4. On or about September 8, 2015, Menaged established a merchant dealer account with Wells Fargo Bank, N.A. ("Wells Fargo"), in the name of Furniture King that allowed Menaged to offer customers of his retail stores instant access to a line of credit through Wells Fargo to make furniture purchases. Menaged listed Furniture King's deposit account at JP Morgan Chase Bank, N.A, ending in 1381. Menaged further listed annual sales from Furniture King as $3,200,000.00.

5. The credit line applications with Wells Fargo for Furniture King customers were prepared by hand in the retail stores and each packet generally included: an invoice/receipt for the purchase of furniture that detailed the prospective customers' personal identification information and signature; a terms of the lending agreement form that was also purportedly signed by the customer; and a copy of the customers' drivers' license. The application packets were scanned and ultimately sent via electronic mail from Menaged's email account to Wells Fargo.

6. On or about December 15, 2015, Castro established a merchant dealer account with Synchrony Financial ("Synchrony") in the name of Furniture and Electronic King that allowed customers to obtain credit from Synchrony to make purchases in the store. On the application, Castro listed herself as the sole member of Furniture and Electronic King. Castro listed Furniture and Electronic King's deposit account at JP Morgan Chase Bank, N.A., ending in 5893. Castro further listed annual sales for Furniture and Electronic King as $3,400,000.00.

7. The credit line applications with Synchrony for Furniture and Electronic King customers were prepared in store and generally included the customers' personal identification information. After the application documents were filled out, a store employee would input the information into an online Synchrony software program called Business Center in order to allow Synchrony to process the transactions. Synchrony required its merchant dealer account clients to maintain the customers' prepared applications and paperwork at the store location for future reference if requested.

8. On or about April 20, 2016, Menaged filed for bankruptcy pursuant to Chapter 7 of the United States Bankruptcy Code.

9. On or about December 21, 2016, defendant ALBERTO PENA ("Pena") established a merchant dealer account with Synchrony in the name of American Furniture that allowed customers to obtain credit from Synchrony to make purchases in the store. Pena listed himself as the owner of American Furniture and listed American Furniture's deposit account at JP Morgan Chase Bank, N.A., ending in 9052. Pena further listed annual sales for American Furniture as $2,100,000.00.

10. The credit line applications and customer personal identification information for American Furniture customers were submitted to Synchrony using the Business Center software.

11. On or about January 12, 2017, defendant TROY FLIPPO ("Flippo") established a merchant dealer account with Synchrony in the name of Furniture Pluss that allowed customers to obtain credit from Synchrony to make purchases in the store. Flippo listed himself as the sole member of Furniture Pluss and listed Furniture Pluss's deposit account at BBVA Compass Bank ending in 9310. Flippo further listed annual sales from Furniture Pluss as $2,700,000.00.

12. The credit line applications and customer personal identification information for Furniture Pluss customers were submitted to Synchrony using the Business Center software.

COUNT 1
Conspiracy to Defraud
[18 U.S.C. § 371]

13. The factual allegations in paragraphs 1 through 12 of the indictment are incorporated by reference and re-alleged as though fully set forth herein.

14. From on or about September 8, 2015, the exact date being unknown to the Grand Jury, and continuing thereafter up to and including the date of this indictment, in the District of Arizona and elsewhere, defendants YOMTOV SCOTT MENAGED and VERONICA CASTRO, did unlawfully, voluntarily, intentionally, and knowingly conspire, combine, confederate, and agree together and with each other, and with other individuals, both known and unknown to the Grand Jury, to commit Bank Fraud. Specifically, MENAGED and CASTRO did knowingly execute and attempt to execute a scheme or artifice to defraud and to obtain money, funds, credits, and assets, by and under the custody and control of a financial institution, namely Wells Fargo Bank, N.A., a federally insured financial institution as defined under Title 18, United States Code Section 20, by means of materially false and fraudulent pretenses, representations, and promises in violation of Title 18, United States Code, Section 1344.

MANNER AND MEANS

15. Among the manner and means by which MENAGED and CASTRO and their co-conspirators carried out the conspiracy were the following:

a. MENAGED, CASTRO, and others created fabricated receipts of purchases allegedly made at Furniture King stores by customers when, in fact, no sale had ever occurred.

b. MENAGED, CASTRO, and others submitted credit applications in the names, and with the personal identification information, of individuals who were recently deceased in order to obtain credit from Wells Fargo.

c. MENAGED, CASTRO, and others hand prepared and signed applications

associated with the credit accounts before electronically submitting the applications to Wells Fargo.

d. MENAGED, CASTRO, and others altered identification documents including drivers' licenses submitted along with the credit applications they sent to Wells Fargo.

OVERT ACTS

16. In furtherance of the conspiracy, and to affect the objects and purposes thereof, the following overt acts, among others, occurred within the District of Arizona.

a. On or about December 16, 2015, MENAGED and CASTRO established a credit account in the name of deceased individual G.B. at Wells Fargo and incurred approximately $16,500.00 in fraudulent charges.

b. On or about December 16, 2015, MENAGED and CASTRO caused Wells Fargo to wire $23,825.25 into the Furniture King bank account ending in 1381.

c. On or about December 18, 2015, MENAGED and CASTRO established a credit account in the name of deceased individual C.H. at Wells Fargo and incurred approximately $14,981.00 in fraudulent charges.

d. On or about December 18, 2015, MENAGED and CASTRO caused Wells Fargo to wire $13,730.09 into the Furniture King bank account ending in 1381.

e. On or about December 20, 2015, MENAGED and CASTRO established a credit account in the name of deceased individual J.H. at Wells Fargo and incurred approximately $11,000.00 in fraudulent charges.

f. On or about December 21, 2015, MENAGED and CASTRO caused Wells Fargo to wire $26,884.64 into the Furniture King bank account ending in 1381.

g. On or about December 23, 2015, MENAGED and CASTRO established a credit account in the name of C.S. and incurred approximately $15,000.00 in fraudulent charges.

h. On or about December 23 2015, MENAGED and CASTRO caused Wells

Fargo to wire $29,159.82 into the Furniture King bank account ending in 1381.

i. On or about January 2, 2016, MENAGED and CASTRO established a credit account in the name of deceased individual E.M. at Wells Fargo and incurred approximately $10,000.00 in fraudulent charges.

j. On or about January 3, 2016, MENAGED and CASTRO caused Wells Fargo to wire $14,561.21 into the Furniture King bank account ending in 1381.

All in violation of Title 18, United States Code, Section 371.

COUNTS 2 to 6
Wire Fraud
[18 U.S.C. § 1343]

17. The factual allegations in paragraphs 1 through 16 of the indictment are incorporated by reference and re-alleged as though fully set forth herein.

18. Beginning in or around September 2015, and continuing thereafter up to and including the date of this Indictment, in the District of Arizona and elsewhere, defendants YOMTOV SCOTT MENAGED and VERONICA CASTRO, along with others known and unknown to the Grand Jury, did knowingly and intentionally devise a scheme and artifice to defraud, and to obtain money by means of false and fraudulent pretenses, representations, and promises, namely by electronically submitting false and fraudulent credit applications to Wells Fargo Bank, N.A. in the names of individuals whose identities had been stolen.

19. On or about the dates listed below, in the District of Arizona and elsewhere, for the purpose of executing and attempting to execute the aforesaid scheme and artifice to defraud and to obtain money by means of material false and fraudulent pretenses, representations, and promises, MENAGED and CASTRO, along with others known and unknown to the Grand Jury, caused Wells Fargo to issue the following electronic funds transfers as set forth below, with each transfer being a separate count of the indictment:

COUNT	DATE OF APPLICATION	WIRE FROM WELLS FARGO	DEPOSIT ACCOUNT
2	12/16/15	$14,660.25	Furniture King Account XXX-1381
3	12/18/15	$13,730.09	Furniture King Account XXX-1381
4	12/20/15	$10,081.50	Furniture King Account XXX-1381
5	12/23/15	$13,747.50	Furniture King Account XXX-1381
6	01/02/16	$9,165.00	Furniture King Account XXX-1381

All in violation of Title 18, United States Code, Section 1343.

COUNTS 7 to 11
Aggravated Identity Theft
[18 U.S.C. § 1028A(a)(1) and (c)(5)]

20. The factual allegations in paragraphs 1 through 19 of the indictment are incorporated by reference and re-alleged as though fully set forth herein.

21. On or about the dates listed below, in the District of Arizona and elsewhere, YOMTOV SCOTT MENAGED and VERONICA CASTRO, and others known and unknown to the Grand Jury, did knowingly possess, transfer, and use a means of identification of another person, without lawful authority, during and in relation to the wire fraud offenses described in Counts 2 through 6 of this indictment, that is, MENAGED and CASTRO did knowingly possess and use the names, dates of birth, social security numbers, addresses, and in some instances telephone numbers, and email addresses of actual persons, identified by their initials below, to electronically submit false and fraudulent credit applications to Wells Fargo and caused Wells Fargo to issue payments to Furniture King as described below, with each transaction being a separate court of the indictment:

COUNT	DATE OF APPLICATION	ACTUAL PERSON
7	12/16/15	G.B.
8	12/18/15	C.H.
9	12/20/15	J.H.
10	12/23/15	C.S.
11	01/02/16	E.M.

All in violation of Title 18, United States Code, Sections 1028A(a)(1) and (c)(5).

COUNT 12
Conspiracy to Defraud
[18 U.S.C. § 371]

22. The factual allegations in paragraphs 1 through 21 of the indictment are incorporated by reference and re-alleged as though fully set forth herein.

23. From on or about December 15, 2015 , the exact date being unknown to the Grand Jury, and continuing thereafter up to and including the date of this indictment, in the District of Arizona and elsewhere, defendants YOMTOV SCOTT MENAGED, VERONICA CASTRO, TROY FLIPPO, and ALBERTO PENA did unlawfully, voluntarily, intentionally, and knowingly conspire, combine, confederate, and agree together and with each other, and with other individuals both known and unknown to the Grand Jury, to commit Bank Fraud. Specifically, MENAGED, CASTRO, FLIPPO, and PENA did knowingly execute and attempt to execute a scheme or artifice to defraud and to obtain money, funds, credits, and assets, by and under the custody and control of a financial institution, namely Synchrony Financial, a federally insured financial institution as defined under Title 18, United States Code Section 20, by means of materially false and fraudulent pretenses, representations, and promises in violation of Title 18, United States Code, Section 1344.

MANNER AND MEANS

24. Among the manner and means by which MENAGED, CASTRO, FLIPPO, PENA, and their co-conspirators carried out the conspiracy were the following:

a. MENAGED, CASTRO, FLIPPO, and PENA prepared false and fraudulent Financial Merchant Applications with Synchrony representing that CASTRO, FLIPPO, and PENA owned and operated the furniture stores when, in fact, MENAGED controlled and operated the businesses.

b. MENAGED, CASTRO, FLIPPO, and PENA, submitted credit applications in the names, and with the personal identification information, of individuals who were recently deceased in order to obtain credit from Synchrony.

c. MENAGED, CASTRO, FLIPPO, PENA, and others prepared and signed applications associated with the credit accounts before electronically submitting the applications and corresponding personal identification information to Synchrony using an online program.

OVERT ACTS

25. In furtherance of the conspiracy, and to affect the objects and purposes thereof, the following overt acts, among others, occurred within the District of Arizona.

a. On or about December 15, 2015, MENAGED and CASTRO prepared and submitted a false Synchrony Financial Merchant Application in the name of Furniture and Electronic King, LLC listing CASTRO as the sole member of the company.

b. On or about June 9, 2016, MENAGED and CASTRO established a credit account in the name of deceased individual A.T. at Synchrony and incurred approximately $17,895.00 in fraudulent charges.

c. On or about June 10, 2016, MENAGED and CASTRO caused Synchrony to wire $26,436.09 into the Furniture and Electronic King bank account ending in 5893.

d. On or about June 21, 2016, MENAGED and CASTRO established a credit account in the name of deceased individual J.S. at Synchrony and incurred approximately

$16,880.00 in fraudulent charges.

e. On or about June 22, 2016, MENAGED and CASTRO caused Synchrony to wire $15,997.18 into the Furniture and Electronic King bank account ending in 5893.

f. On or about December 21, 2016, MENAGED and PENA prepared and submitted a false Synchrony Financial Merchant Application in the name of American Furniture LLC listing PENA as the owner of the company.

g. On or about January 8, 2017, MENAGED and PENA established a credit account in the name of deceased individual T.L. at Synchrony and incurred approximately $15,860.00 in fraudulent charges.

h. On or about January 8, 2017, MENAGED and PENA caused Synchrony to wire $16,441.05 into the American Furniture bank account ending in 9052.

i. On or about January 16, 2017, MENAGED and PENA established a credit account in the name of deceased individual K.J. and incurred approximately $16,789.60 in fraudulent charges.

j. On or about January 16, 2017, MENAGED and PENA caused Synchrony to wire $15,881.28 into the American Furniture bank account ending in 9052.

k. On or about January 12, 2017, MENAGED and FLIPPO prepared and submitted a false Synchrony Financial Merchant Application in the name of Furniture Pluss listing FLIPPO as the sole member of the company.

l. On or about January 21, 2017, MENAGED and FLIPPO established a credit account in the name of deceased individual L.B. at Synchrony and incurred approximately $16,840.00 in fraudulent charges.

m. On or about January 22, 2017, MENAGED and FLIPPO caused Synchrony to wire $47,107.21 into the Furniture Pluss bank account ending in 9310.

n. On or about January 21, 2017, MENAGED and FLIPPO established a credit account in the name of deceased individual G.L. at Synchrony and incurred approximately $16,000.00 in fraudulent charges.

o. On or about January 22, 2017, MENAGED and FLIPPO caused Synchrony to wire $47,107.21 into the Furniture Pluss bank account ending in 9310.

All in violation of Title 18, United States Code, Section 371.

COUNTS 13-18
Wire Fraud
[18 U.S.C. § 1343]

26. The factual allegations in paragraphs 1 through 25 of the indictment are incorporated by reference and re-alleged as though fully set forth herein.

27. Beginning in or around December 2015, and continuing thereafter up to and including the date of this indictment, in the District of Arizona and elsewhere, defendants YOMTOV SCOTT MENAGED, VERONICA CASTRO, ALBERTO PENA, TROY FLIPPO, along with others known and unknown to the Grand Jury, did knowingly and intentionally devise a scheme and artifice to defraud, and to obtain money by means of false and fraudulent pretenses, representations, and promises, namely by electronically submitting false and fraudulent credit applications to Synchrony Financial in the names of individuals whose identities had been stolen.

28. On or about the dates listed below, in the District of Arizona and elsewhere, for the purpose of executing and attempting to execute the aforesaid scheme and artifice to defraud and to obtain money by means of material false and fraudulent pretenses, representations, and promises, MENAGED, CASTRO, PENA, FLIPPO, along with others known and unknown to the Grand Jury, caused Synchrony to issue the following electronic funds transfers as set forth below, with each transfer being a separate count of the indictment:

COUNT	DATE OF APPLICATION	WIRE FROM SYNCHRONY	DEPOSIT ACCOUNT
13	6/9/16	$26,436.09	Furniture and Electronic King Account XXX-5893
14	6/21/16	$15,997.18	Furniture and Electronic King Account XXX-5893
15	1/8/17	$16,441.05	American Furniture Account XXX-9052
16	1/1617	$15,881.28	American Furniture Account XXX-9052
17	1/21/17	$47,107.21	Furniture Pluss Account XXX-9310
18	1/21/17	$47,107.21	Furniture Pluss Account XXX-9310

All in violation of Title 18, United States Code, Section 1343.

COUNTS 19-24
Aggravated Identity Theft
[18 U.S.C. § 1028A(a)(1) and (c)(5)]

29. The factual allegations in paragraphs 1 through 28 of the indictment are incorporated by reference and re-alleged as though fully set forth herein.

30. On or about the dates listed below, in the District of Arizona and elsewhere, YOMTOV SCOTT MENAGED, VERONICA CASTRO, ALBERTO PENA, TROY FLIPPO, and others known and unknown to the Grand Jury, did knowingly possess, transfer, and use a means of identification of another person, without lawful authority, during and in related to the wire fraud offenses described in Counts 13 through 18 of this indictment, that is, MENAGED, CASTRO, PENA, and FLIPPO did knowingly possess and use the names, dates of birth, social security numbers, addresses, and in some instances

telephone numbers, and email addresses of actual persons, identified by their initials below, to electronically submit false and fraudulent credit applications to Synchrony and caused Synchrony to issue payments as described below, with each transaction being a separate count of the indictment:

COUNT	DATE OF APPLICATION	ACTUAL PERSON
19	6/9/16	A.T.
20	6/21/16	J.S.
21	1/8/17	T.L.
22	1/16/17	K.J.
23	1/21/17	L.B.
24	1/21/17	G.L.

All in violation of Title 18, United States Code, Sections 1028A(a)(1) and (c)(5).

FORFEITURE ALLEGATIONS

31. The Grand Jury realleges and incorporates the allegations of Counts 1 through 24 of this indictment, which are incorporated by reference as though fully set forth herein.

32. Pursuant to Title 18, United States Code, Section 981, Title 21, United States Code, Sections 853 and 881, and Title 28, United States Code, Section 2461(c), and upon conviction of one or more of the offenses alleged in Counts of this Indictment, the defendants shall forfeit to the United States of America all right, title, and interest in (a) any property constituting, or derived from, any proceeds the persons obtained, directly or indirectly, as the result of the offense, and (b) any of the defendants' property used, or intended to be used, in any manner or part, to commit, or to facilitate the commission of such offense, including but not limited to: A sum of money equal to at least $2,112,405.97 in United States currency, representing the amount of money involved in the offenses. If more than one defendant is convicted of an offense, the defendants so convicted are jointly and severally liable for the amount involved in such offense.

33. If any of the forfeitable property, as a result of any act or omission of the defendant:

a. cannot be located upon the exercise of due diligence;

b. has been transferred or sold to, or deposited with, a third person;

c. has been placed beyond the jurisdiction of the Court;

d. has been substantially diminished in value; or

e. has been commingled with other property which cannot be subdivided without difficulty;

it is the intent of the United States to seek forfeiture of any other property of said defendant up to the value of the above-described forfeitable property, pursuant to 21 U.S.C. Section 853(p).

All in accordance with Title 18, United States Code, Section 981, Title 21, United States Code, Sections 853 and 881, Title 28, United States Code Section 2461(c), and Rule 32.2, Federal Rules of Criminal Procedure.

A TRUE BILL

S/
FOREPERSON OF THE GRAND JURY
Date: May 16, 2017

ELIZABETH A. STRANGE
Acting United States Attorney
District of Arizona

S/
MONICA EDELSTEIN
Assistant U.S. Attorney

Exhibit 68

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF ARIZONA

United States of America

v.

Yomtov Scott Menaged

JUDGMENT IN A CRIMINAL CASE
(For Offenses Committed On or After November 1, 1987)

No. CR-17-00680-001-PHX-GMS

Molly Patricia Brizgys (CJA)
Attorney for Defendant

USM#: 74322-408

THE DEFENDANT ENTERED A PLEA OF guilty on 11/17/2017 to Counts 1 and 10 of the Indictment and Count 1 of the Information.

ACCORDINGLY, THE COURT HAS ADJUDICATED THAT THE DEFENDANT IS GUILTY OF THE FOLLOWING OFFENSE(S): violating Title 18, U.S.C. §371, Conspiracy to Commit Bank Fraud, a Class D Felony offense, as charged in Count 1 of the Indictment; Title 18, U.S.C. §1028A, Aggravated Identity Theft, a Class E Felony offense, as charged in Count 10 of the Indictment; Title 18, U.S.C. §1956(h), Money Laundering Conspiracy, a Class C Felony offense, as charged in Count 1 of the Information.

IT IS THE JUDGMENT OF THIS COURT THAT the defendant is committed to the custody of the Bureau of Prisons for a term of **TWO HUNDRED FOUR (204) MONTHS.** This consists of **SIXTY (60) MONTHS** on Count 1 of the Indictment, **ONE HUNDRED EIGHTY (180) MONTHS** on Count 1 of the Information, terms to run concurrent, and **TWENTY-FOUR (24) MONTHS** on Count 10 of the Indictment, consecutive to all counts, with credit for time served. Upon release from imprisonment, the defendant shall be placed on supervised release for a term of **THIRTY-SIX (36) MONTHS.** This term consists of **THIRTY-SIX (36) MONTHS** on Count 1 of the Indictment, **THIRTY-SIX (36) MONTHS** on Count 1 of the Information, and **TWELVE (12) MONTHS** on Count 10 of the Indictment, all such terms to run concurrently.

The Court recommends that the defendant be placed in an institution in or near the State of Arizona.

IT IS ORDERED that all remaining counts are dismissed on motion of the United States.

IT IS FURTHER ORDERED that defendant's interest in the following property shall be forfeited to the United States: $709,405.40 seized from Bank United Account #9853340927, held in the name Joseph Menaged RVT UAD Joseph Menaged Trustee.

The defendant agrees to a permanent waiver of discharge of debts in connection with his bankruptcy case currently pending in United States Bankruptcy Court, District of Arizona, case number 2:16-bk-04268-PS.

CRIMINAL MONETARY PENALTIES

The defendant shall pay to the Clerk the following total criminal monetary penalties:

SPECIAL ASSESSMENT: $300.00 **FINE:** WAIVED **RESTITUTION:** $33,558,407.76

The Court finds the defendant does not have the ability to pay a fine and orders the fine waived.

The defendant shall pay restitution to the following victims in the following amounts: DenSco, in the amount of $31,446,001.79; Wells Fargo Bank, in the amount of $1,145,392.81; Synchrony Bank, in the amount of $967,013.16.

The defendant shall pay a special assessment of $300.00 which shall be due immediately.

The defendant shall pay a total of $33,858,707.76 in criminal monetary penalties, due immediately. Having assessed the defendant's ability to pay, payments of the total criminal monetary penalties are due as follows: Balance is due in payments during the term of supervised release and will commence within 60 days after the release from imprisonment. The Court will set the payment plan based on an assessment of the defendant's ability to pay at that time.

If incarcerated, payment of criminal monetary penalties are due during imprisonment at a rate of not less than $25 per quarter and payment shall be made through the Bureau of Prisons' Inmate Financial Responsibility Program. Criminal monetary payments shall be made to the Clerk of U.S. District Court, Attention: Finance, Suite 130, 401 West Washington Street, SPC 1, Phoenix, Arizona 85003-2118. Payments should be credited to the various monetary penalties imposed by the Court in the priority established under 18 U.S.C. § 3612(c). The total special assessment of $300.00 shall be paid pursuant to Title 18, United States Code, Section 3013 for Counts 1 and 10 of the Indictment and Count 1 of the Information.

Any unpaid balance shall become a condition of supervision and shall be paid within 90 days prior to the expiration of supervision. Until all restitutions, fines, special assessments and costs are fully paid, the defendant shall immediately notify the Clerk, U.S. District Court, of any change in name and address. The Court hereby waives the imposition of interest and penalties on any unpaid balances.

SUPERVISED RELEASE

It is ordered that while on supervised release, the defendant must comply with the mandatory and standard conditions of supervision as adopted by this court, in General Order 17-18, which incorporates the requirements of USSG §§ 5B1.3 and 5D1.2. Of particular importance, the defendant must not commit another federal, state, or local crime during the term of supervision. Within 72 hours of sentencing or release from the custody of the Bureau of Prisons the defendant must report in person to the Probation Office in the district to which the defendant is released. The defendant must comply with the following conditions:

MANDATORY CONDITIONS

1) You must not commit another federal, state or local crime.

2) You must not unlawfully possess a controlled substance. The use or possession of marijuana, even with a physician's certification, is not permitted.

3) You must refrain from any unlawful use of a controlled substance. The use or possession of marijuana, even with a physician's certification, is not permitted. Unless suspended by the Court, you must submit to one drug test within 15 days of release from imprisonment and at least two periodic drug tests thereafter, as determined by the court.

STANDARD CONDITIONS

1) You must report to the probation office in the federal judicial district where you are authorized to reside within 72 hours of sentencing or your release from imprisonment, unless the probation officer instructs you to report to a different probation office or within a different time frame.

2) After initially reporting to the probation office, you will receive instructions from the court or the probation officer about how and when you must report to the probation officer, and you must report to the probation officer as instructed.

3) You must not knowingly leave the federal judicial district where you are authorized to reside without first getting permission from the court or the probation officer.

4) You must answer truthfully the questions asked by your probation officer.

5) You must live at a place approved by the probation officer. If you plan to change where you live or anything about your living arrangements (such as the people you live with), you must notify the probation officer at least 10 days before the change. If notifying the probation officer in advance is not possible due to unanticipated circumstances, you must notify the probation officer within 72 hours of becoming aware of a change or expected change.

6) You must allow the probation officer to visit you at any time at your home or elsewhere, and you must permit the probation officer to take any items prohibited by the conditions of your supervision that he or she observes in plain view.

7) You must work full time (at least 30 hours per week) at a lawful type of employment, unless the probation officer excuses you from doing so. If you do not have full-time employment you must try to find full-time employment, unless the probation officer excuses you from doing so. If you plan to change where you work or anything about your work (such as your position or your job responsibilities), you must notify the probation officer at least 10 days before the change. If notifying the probation officer at least 10 days in advance is not possible due to unanticipated circumstances, you must notify the probation officer within 72 hours of becoming aware of a change or expected change.

8) You must not communicate or interact with someone you know is engaged in criminal activity. If you know someone has been convicted of a felony, you must not knowingly communicate or interact with that person without first getting the permission of the probation officer.

9) If you are arrested or questioned by a law enforcement officer, you must notify the probation officer within 72 hours.
10) You must not own, possess, or have access to a firearm, ammunition, destructive device, or dangerous weapon (i.e., anything that was designed, or was modified for, the specific purpose of causing bodily injury or death to another person such as nunchakus or tasers).
11) You must not act or make any agreement with a law enforcement agency to act as a confidential human source or informant without first getting the permission of the court.
12) If the probation officer determines that you pose a risk to another person (including an organization), the probation officer may require you to notify the person about the risk and you must comply with that instruction. The probation officer may contact the person and confirm that you have notified the person about the risk.
13) You must follow the instructions of the probation officer related to the conditions of supervision.

SPECIAL CONDITIONS

The following special conditions are in addition to the conditions of supervised release or supersede any related standard condition:

1) You must cooperate in the collection of DNA as directed by the probation officer.
2) You must notify the court of any material change in your economic circumstances that might affect your ability to pay restitution, fines or special assessments.
3) You must participate as instructed by the probation officer in a program of substance abuse treatment (outpatient and/or inpatient) which may include testing for substance abuse. You must contribute to the cost of treatment in an amount to be determined by the probation officer.
4) You must not use or possess alcohol or alcoholic beverages.
5) You must participate in a mental health assessment and follow any directions by the probation officer or treatment provider, which may include taking prescribed medication. You must contribute to the cost of treatment in an amount to be determined by the probation officer.
6) You must submit your computers (as defined in 18 U.S.C. § 1030(e)(1)) or other electronic communications or data storage devices or media, to a search. You must warn any other people who use these computers or devices capable of accessing the Internet that the devices may be subject to searches pursuant to this condition. Failure to submit to a search may be ground for revocation of release. A probation officer may conduct a search pursuant to this condition only when reasonable suspicion exists that there is a violation of a condition of supervision and that the computer or device contains evidence of this violation. You must consent to and cooperate with the seizure and removal of any hardware and/or data storage media for further analysis by law enforcement or the probation officer with reasonable suspicion concerning a violation of a

condition of supervision or unlawful conduct. Any search will be conducted at a reasonable time and in a reasonable manner.

7) You are restricted from engaging in the following occupation, business, or profession: Any profession in which you are singularly responsible for the collection, allocation or distribution of another's funds.

8) You must comply with the standard condition of supervision requiring full-time employment at a lawful occupation. This may include participation in training, counseling, and/or daily job searching as directed by the probation officer. If not in compliance with the condition of supervision, the defendant may be required to perform up to 20 hours of community service per week until employed as approved or directed by the probation officer.

9) You are prohibited from making major purchases, in excess of $500, incurring new financial obligations, or entering into any financial contracts without the prior approval of the probation officer.

10) You must provide the probation officer with access to any requested financial information and authorize the release of any financial information. The probation office may share financial information with the U.S. Attorney's Office.

11) You must cooperate with the Internal Revenue Service and pay all tax liabilities. You must file timely, accurate and lawful income tax returns and provide proof to the probation officer.

12) You must submit your person, property, house, residence, vehicle, papers, or office to a search conducted by a probation officer. Failure to submit to a search may be grounds for revocation of release. You must warn any other occupants that the premises may be subject to searches pursuant to this condition.

THE COURT FINDS that you have been sentenced in accordance with the terms of the plea agreement and that you have waived your right to appeal and to collaterally attack this matter. The waiver has been knowingly and voluntarily made with a factual basis and with an understanding of the consequences of the waiver.

The Court may change the conditions of probation or supervised release or extend the term of supervision, if less than the authorized maximum, at any time during the period of probation or supervised release. The Court may issue a warrant and revoke the original or any subsequent sentence for a violation occurring during the period of probation or supervised release.

The Court orders commitment to the custody of the Bureau of Prisons and recommends that the defendant be placed in an institution in or near the State of Arizona.

The defendant is remanded to the custody of the United States Marshal.

Date of Imposition of Sentence: **Tuesday, December 19, 2017**

Dated this 20th day of December, 2017.

G. Murray Snow
United States District Judge

RETURN

I have executed this Judgment as follows: _____

defendant delivered on _____ to _____ at _____, the institution designated by the Bureau of Prisons with a certified copy of this judgment in a Criminal case.

_____ By: _____
United States Marshal Deputy Marshal

Exhibit 69

ELIZABETH A. STRANGE
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Attorneys for Plaintiff

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF ARIZONA

United States of America, Plaintiff, vs. Yomtov Scott Menaged, Defendant.	CR- 17-00680-1-PHX-GMS **PLEA AGREEMENT**

Plaintiff, United States of America, and the defendant, YOMTOV SCOTT MENAGED, hereby agree to dispose of this matter on the following terms and conditions:

1. **PLEA**

The defendant will plead guilty to Count 1 of the indictment charging the defendant with a violation of 18 United States Code (U.S.C.) § 371, Conspiracy to Commit Bank Fraud, a class D felony offense, and to Count 10 of the indictment charging the defendant with a violation of 18 U.S.C. § 1028A, Aggravated Identity Theft, a class E felony offense. The defendant will also plead guilty to a one-count information charging the defendant

with a violation of 18 U.S.C. § 1956(h), Money Laundering Conspiracy, a Class C felony offense.

2. **MAXIMUM PENALTIES**

a. A violation of 18 U.S.C. § 371 is punishable by a maximum fine of $250,000, a maximum term of imprisonment of 5 years, or both, and a term of supervised release of 3 years. A maximum term of probation is five years.

b. A violation of 18 U.S.C. § 1028, is punishable by a maximum fine of $250,000, a mandatory term of imprisonment of 2 years consecutive to any other term of imprisonment imposed, or both, and a term of supervised release of not more than one year.

c. A violation of 18 U.S.C. § 1956(h) is punishable by a maximum fine of $500,000, a maximum term of imprisonment of 20 years, or both, and a term of supervised release of 3 years. The maximum term of probation is five years.

d. According to the Sentencing Guidelines issued pursuant to the Sentencing Reform Act of 1984, the Court shall order the defendant to:

(1) make restitution to any victim of the offense pursuant to 18 U.S.C. § 3663 and/or 3663A, unless the Court determines that restitution would not be appropriate;

(2) pay a fine pursuant to 18 U.S.C. § 3572, unless the Court finds that a fine is not appropriate;

(3) serve a term of supervised release when required by statute or when a sentence of imprisonment of more than one year is imposed (with the understanding that the Court may impose a term of supervised release in all other cases); and

(4) pay upon conviction a $100 special assessment for each count to which the defendant pleads guilty pursuant to 18 U.S.C. § 3013.

e. The Court is required to consider the Sentencing Guidelines in determining the defendant's sentence. However, the Sentencing Guidelines are advisory, and the Court is free to exercise its discretion to impose any reasonable sentence up to the maximum set

by statute for the crime(s) of conviction, unless there are stipulations to the contrary that the Court accepts.

3. **AGREEMENTS REGARDING SENTENCING**

a. Stipulation-Fraud Loss for Money Laundering Conspiracy. Pursuant to Fed. R. Crim. P. 11(c)(1)(C), the United States and the defendant stipulate that the loss associated with the defendant's unlawful conduct as it relates to the money laundering conspiracy in the information is $34,000,000.00.

b. Stipulation-Sentencing Cap. Pursuant to Fed. R. Crim. P. 11(c)(1)(C), the United States and the defendant stipulate that the defendant shall be sentenced to a term of imprisonment of no less than 120 months' incarceration, but that the term of imprisonment cannot exceed 204 months' incarceration.

c. Stipulation-Bankruptcy Case. Pursuant to Fed. R. Crim P. 11(c)(1)(C), the United States and the defendant stipulate that the defendant shall execute a permanent waiver of discharge of debts in connection with his bankruptcy case currently pending in the United States Bankruptcy Court for the District of Arizona (2:16-BK-04268-PS) pursuant to the terms included under Section 8b of *this* agreement.

d. Restitution. Pursuant to 18 U.S.C. § 3663 and/or 3663A, the defendant specifically agrees to pay restitution of $2,112,405.97 as it related to Count 1 of the indictment, to all victims directly or proximately harmed by the defendant's "relevant conduct," including conduct pertaining to any dismissed counts or uncharged conduct, as defined by U.S.S.G. § 1B1.3, regardless of whether such conduct constitutes an "offense" under 18 U.S.C. §§ 2259, 3663 or 3663A. Specifically, the defendant agrees to restitution in the amount of $1,145,392.81 to Wells Fargo Bank, N.A., and $967,013.16 to Synchrony Bank. In addition, the defendant understands that restitution is mandatory with respect to Count 1 of the information filed in this case. Pursuant to 18 U.S.C. § 3663 and/or 3663A, the defendant specifically agrees to pay restitution as ordered by the Court to all victims directly or proximately harmed by the defendant's "relevant conduct," including conduct pertaining to any dismissed counts or uncharged conduct, as defined by U.S.S.G. § 1B1.3,

regardless of whether such conduct constitutes an "offense" under 18 U.S.C. §§ 2259, 3663 or 3663A, but in no event more than $34,000,000.00. The defendant understands that restitution will be included in the Court's Order of Judgment and that an unanticipated restitution amount will not serve as grounds to withdraw the defendant's guilty plea or to withdraw from this plea agreement.

e. Assets and Financial Responsibility. The defendant shall make a full accounting of all assets in which the defendant has any legal or equitable interest. The defendant shall not (and shall not aid or abet any other party to) sell, hide, waste, spend, or transfer any such assets or property before sentencing, without the prior approval of the United States (provided, however, that no prior approval will be required for routine, day-to-day expenditures). The defendant also expressly authorizes the United States Attorney's Office to immediately obtain a credit report as to the defendant in order to evaluate the defendant's ability to satisfy any financial obligation imposed by the Court. The defendant also shall make full disclosure of all current and projected assets to the U.S. Probation Office immediately and prior to the termination of the defendant's supervised release or probation, such disclosures to be shared with the U.S. Attorney's Office, including the Financial Litigation Unit, for any purpose. Finally, the defendant shall participate in the Inmate Financial Responsibility Program to fulfill all financial obligations due and owing under this agreement and the law.

f. Acceptance of Responsibility. If the defendant makes full and complete disclosure to the U.S. Probation Office of the circumstances surrounding the defendant's commission of the offense, and if the defendant demonstrates an acceptance of responsibility for this offense up to and including the time of sentencing, the United States will recommend a two-level reduction in the applicable Sentencing Guidelines offense level pursuant to U.S.S.G. § 3E1.1(a). If the defendant has an offense level of 16 or more, the United States will recommend an additional one-level reduction in the applicable Sentencing Guidelines offense level pursuant to U.S.S.G. § 3E1.1(b).

4. **AGREEMENT TO DISMISS OR NOT TO PROSECUTE**

a. Pursuant to Fed. R. Crim. P. 11(c)(1)(A), the United States, at the time of sentencing, shall dismiss the following charges: Counts 2-9, and Counts 11-24 for the indictment.

b. This office shall not prosecute the defendant for any offenses committed by the defendant, and known by the United States, related to additional activity associated with the defendant's conduct outlined in the indictment and information.

c. This agreement does not, in any manner, restrict the actions of the United States in any other district or bind any other United States Attorney's Office.

5. **COURT APPROVAL REQUIRED; REINSTITUTION OF PROSECUTION**

a. If the Court, after reviewing this plea agreement, concludes that any provision contained herein is inappropriate, it may reject the plea agreement and give the defendant the opportunity to withdraw the guilty plea in accordance with Fed. R. Crim. P. 11(c)(5).

b. If the defendant's guilty plea or plea agreement is rejected, withdrawn, vacated, or reversed at any time, this agreement shall be null and void, the United States shall be free to prosecute the defendant for all crimes of which it then has knowledge and any charges that have been dismissed because of this plea agreement shall automatically be reinstated. In such event, the defendant waives any and all objections, motions, and defenses based upon the Statute of Limitations, the Speedy Trial Act, or constitutional restrictions in bringing later charges or proceedings. The defendant understands that any statements made at the time of the defendant's change of plea or sentencing may be used against the defendant in any subsequent hearing, trial, or proceeding subject to the limitations of Fed. R. Evid. 410.

6. **WAIVER OF DEFENSES AND APPEAL RIGHTS**

The defendant waives (1) any and all motions, defenses, probable cause determinations, and objections that the defendant could assert to the indictment or information; and (2) any right to file an appeal, any collateral attack, and any other writ or motion that challenges the conviction, an order of restitution or forfeiture, the entry of

judgment against the defendant, or any aspect of the defendant's sentence, including the manner in which the sentence is determined, including but not limited to any appeals under 18 U.S.C. § 3742 (sentencing appeals) and motions under 28 U.S.C. §§ 2241 and 2255 (habeas petitions), and any right to file a motion for modification of sentence, including under 18 U.S.C. § 3582(c). This waiver shall result in the dismissal of any appeal, collateral attack, or other motion the defendant might file challenging the conviction, order of restitution or forfeiture, or sentence in this case. This waiver shall not be construed to bar an otherwise-preserved claim of ineffective assistance of counsel or of "prosecutorial misconduct" (as that term is defined by Section II.B of Ariz. Ethics Op. 15-01 (2015)).

7. **DISCLOSURE OF INFORMATION**

a. The United States retains the unrestricted right to provide information and make any and all statements it deems appropriate to the U.S. Probation Office and to the Court in connection with the case.

b. Any information, statements, documents, and evidence that the defendant provides to the United States pursuant to this agreement may be used against the defendant at any time.

c. The defendant shall cooperate fully with the U.S. Probation Office. Such cooperation shall include providing complete and truthful responses to questions posed by the U.S. Probation Office including, but not limited to, questions relating to:

(1) criminal convictions, history of drug abuse, and mental illness; and

(2) financial information, including present financial assets or liabilities that relate to the ability of the defendant to pay a fine or restitution.

8. **FORFEITURE, CIVIL, AND ADMINISTRATIVE PROCEEDINGS**

a. Nothing in this agreement shall be construed to protect the defendant from administrative or civil forfeiture proceedings or prohibit the United States from proceeding with and/or initiating an action for civil forfeiture. Pursuant to 18 U.S.C. § 3613, all monetary penalties, including restitution imposed by the Court, shall be due immediately upon judgment, shall be subject to immediate enforcement by the United States, and shall

be submitted to the Treasury Offset Program so that any federal payment or transfer of returned property the defendant receives may be offset and applied to federal debts (which offset will not affect the periodic payment schedule). If the Court imposes a schedule of payments, the schedule of payments shall be merely a schedule of minimum payments and shall not be a limitation on the methods available to the United States to enforce the judgment.

b. The defendant agrees to a permanent waiver of discharge of debts in connection with his bankruptcy case currently pending in the United States Bankruptcy Court for the District of Arizona under Case Number 2:16-bk-04268-PS (hereinafter the "Pending Bankruptcy Case") pursuant to 11 U.S.C. § 727 and 11 U.S.C. § 523(a)(10) in accordance with the following terms:

1. The defendant understands and agrees that, as result of this waiver of discharge, he will permanently be denied a discharge in the Pending Bankruptcy Case or any other or future bankruptcy, of all of his debts, whether sole and separate or community, which were or could have been listed or scheduled by the defendant in the Pending Bankruptcy Case (for example, debts that arose or were incurred before the date of the order for relief in the Pending Bankruptcy Case).

2. The defendant expressly waives his rights to a community discharge under the provisions of 11 U.S.C. § 524(a)(3). The defendant's community property, if any, shall remain subject to collection for payment of community debts.

3. The defendant agrees that in light of his waiver of discharge, any and all creditors shall be entitled to pursue the collection of any and all debts claimed to be owed for the defendant's debts and for community debts as to which there has been a waiver of discharge as provided herein.

4. The defendant acknowledges that he is knowingly and voluntarily consenting to and agreeing to a permanent waiver of discharge in the Pending Bankruptcy Case and in any later filed bankruptcy of all of his sole and separate and community debts and claims that are listed on the Schedules in this case or that could have been listed

on the Schedules in this case (for example, debts that arose or were incurred before the date of the order for relief in the Pending Bankruptcy Case).

5. The defendant fully understands that by agreeing to the waiver of discharge, the debts and claims as to which the defendant is waiving discharge are and shall forever be non-dischargeable in bankruptcy and that all of the defendant's property and assets will forever be subject to collection to satisfy all such non-discharged debts and claims.

6. The defendant fully understands and agrees that the debts and claims as to which the defendant is waiving discharge will forever be barred from discharge in any subsequent filed bankruptcy under 11 U.S.C. § 523(a)(10) and that, for the purposes of any later filed bankruptcy case by, or on behalf of or for the benefit of, the defendant, this waiver of discharge shall be deemed a denial of discharge under 11 U.S.C. § 727(a)(2), (3), (4), (5), (6), (7) and (10) within the meaning of 11 U.S.C. 523(a)(10).

9. **ELEMENTS**

Conspiracy to Commit Bank Fraud

In or about September 2015, and continuing through in or about January 2017, in the District of Arizona:

1. There was an agreement between two or more persons to commit the crime charged in Count 1 of the indictment;

2. The defendant became a member of the conspiracy knowing of its object and intending to help accomplish it; and

3. At least one member of the conspiracy performed at least one overt act for the purpose of carrying out the conspiracy.

Aggravated Identity Theft

On or about December 23, 2015, in the District of Arizona:

1. The defendant knowingly used without legal authority a means of identification of another person;

2. The defendant knew that the means of identification belonged to a real person; and

3. The defendant did so during and in relation to an enumerated felony, namely 18 U.S.C. § 1343 (Wire Fraud).

Conspiracy to Commit Money Laundering

In or about January 2014, through in or about June 2016, in the District of Arizona:

1. Two or more people agreed to try to accomplish a common and unlawful plan to commit a violation of Section 1956 and 1957; and

2. The defendant knew about the plan's unlawful purpose and voluntarily joined in it.

10. FACTUAL BASIS

a. The defendant admits that the following facts are true and that if this matter were to proceed to trial the United States could prove the following facts beyond a reasonable doubt:

b. From in and around 2011, Yomtov Scott Menaged ("Menaged") owned and operated retail furniture stores including a store known as Furniture King located in the Phoenix metropolitan area. On or about September 8, 2015, Menaged established a merchant dealer account with Wells Fargo Bank, N.A. ("Wells Fargo") in the name of Furniture King that allowed the store to offer customers instant access to a line of credit to make furniture purchases. The deposit account utilized by Furniture King was located at JP Morgan Chase Bank ("Chase"). Beginning in or around December 2015, the defendant submitted false and fraudulent credit applications to Wells Fargo using the names and personal identification information of deceased individuals and caused Wells Fargo to deposit payments to the Furniture King merchant account located at Chase. The defendant and others created false and fraudulent credit applications and receipts, also listing the names and personal identification information of the deceased individuals to submit to Wells Fargo after the payments had already been issued to Furniture Kings' merchant bank account. In fact, no furniture purchase transaction ever took place between the listed

customer and the Furniture King store and the false paperwork was created to conceal the fraud scheme from Wells Fargo.

c. On or about December 23, 2015, one of the fraudulent credit applications was submitted in the name of C.S. The defendant obtained C.S.'s name online from the Obituary Section of the newspaper and discovered that an individual with the name C.S. had passed away. The defendant then ran a credit check for C.S. to obtain C.S.'s personal identification information to use to submit the fraudulent credit application to Wells Fargo. C.S. is not deceased, but has never set foot into Furniture King nor has he made any purchases from the defendant at any time. As a result of the fraudulent credit application, which utilized accurate personal identification information for C.S., including his name and social security number, a credit for $13,747.50 was sent via wire transfer to the Furniture King Bank account at Chase controlled by defendant. In the same way that defendant defrauded Wells Fargo, the defendant also defrauded Synchrony Bank using a similar scheme. The loss associated with the defendant's bank fraud schemes as charged in the indictment totals $2,112,405.97.

d. The defendant perpetrated the bank fraud and stolen identity schemes largely to obtain cash quickly after a prior real estate fraud, as described in the information, no longer provided the defendant with a source of cash. In addition to operating furniture stores, the defendant was also involved in real estate investing. The defendant was the sole owner and manager of a number of real estate investing businesses including Arizona Home Foreclosures ("AHF"), a company that the defendant utilized to purchase foreclosed properties at Trustee's Sales to quickly rehabilitate and sell at a profit.

e. From January 2014, and continuing until about June 2016, the defendant and AHF continued to utilize hard-money lender DenSco Investment Corporation ("DenSco") to obtain short-term, high interest loans to make home purchases. During the same time, the defendant, with the assistance of others, including his employees and associates, defrauded DenSco by embezzling millions of dollars without purchasing properties with the loans obtained from DenSco. The defendant identified properties to purchase at

Trustee's Sales and listed the properties and sales prices in email messages from defendant's email account, or an employee's email account, to DenSco's principal, D.C. D.C. and DenSco then electronically transferred the funds by electronic wire directly from DenSco's bank account to the defendant's bank account held in the name of AHF. D.C. and DenSco required the defendant to provide a copy of the bank cashier's check that was intended to be used in the real estate purchase and Trustee's Sales Receipts to document any successful real estate purchases. For each purported purchase, the defendant utilized his email account, or directed his employees to email, an image of a bank cashier's check and a copy of a Trustee Certificate of Sale Receipt to D.C. and DenSco. The documentation sent to DenSco, however, was completely fabricated. Instead of utilizing the DenSco funds to make real estate purchases, the defendant, with the assistance of his employees and associates, created bogus Trustee Certificate of Sale Receipts purporting to support legitimate real estate purchases when in fact, no sale had ever taken place. In addition, the images of cashier's checks sent to D.C. and DenSco were never transacted or utilized to purchase property; instead, the defendant requested a cashier's check be drawn on his bank account, took an image of the cashier's check to transmit to D.C. and DenSco, and then simply redeposited the check into his own bank accounts.

f. Between January 2013 through June 2016, the defendant obtained approximately 2,712 loans from DenSco totaling approximately $734,484,440.67. Of the 2,712 loans made by DenSco, only 96 involved actual property transactions, the remaining 2,616 represented phantom real estate purchases. After embezzling the funds, the defendant used the money for personal expenses including, among others: car payments; trips to Las Vegas; gambling; personal mortgage payments; and large transfers of funds to family members and associates. The defendant further utilized new loans from DenSco to pay back outstanding DenSco loans in order to conceal the embezzlement. As a result of the phantom real estate fraud scheme, the defendant defrauded DenSco out of at least $34,000,000.00.

g. The defendant shall swear under oath to the accuracy of this statement and, if the defendant should be called upon to testify about this matter in the future, any intentional material inconsistencies in the defendant's testimony may subject the defendant to additional penalties for perjury or false swearing, which may be enforced by the United States under this agreement.

APPROVAL AND ACCEPTANCE OF THE DEFENDANT

I have read the entire plea agreement with the assistance of my attorney. I understand each of its provisions and I voluntarily agree to it.

I have discussed the case and my constitutional and other rights with my attorney. I understand that by entering my plea of guilty I shall waive my rights to plead not guilty, to trial by jury, to confront, cross-examine, and compel the attendance of witnesses, to present evidence in my defense, to remain silent and refuse to be a witness against myself by asserting my privilege against self-incrimination, all with the assistance of counsel, and to be presumed innocent until proven guilty beyond a reasonable doubt.

I agree to enter my guilty plea as indicated above on the terms and conditions set forth in this agreement.

I have been advised by my attorney of the nature of the charges to which I am entering my guilty plea. I have further been advised by my attorney of the nature and range of the possible sentence and that my ultimate sentence shall be determined by the Court after consideration of the advisory Sentencing Guidelines.

My guilty plea is not the result of force, threats, assurances, or promises, other than the promises contained in this agreement. I voluntarily agree to the provisions of this agreement and I agree to be bound according to its provisions.

I understand that if I am granted probation or placed on supervised release by the Court, the terms and conditions of such probation/supervised release are subject to modification at any time. I further understand that if I violate any of the conditions of my probation/supervised release, my probation/supervised release may be revoked and upon

such revocation, notwithstanding any other provision of this agreement, I may be required to serve a term of imprisonment or my sentence otherwise may be altered.

This written plea agreement, and any written addenda filed as attachments to this plea agreement, contain all the terms and conditions of the plea. Any additional agreements, if any such agreements exist, shall be recorded in a separate document and may be filed with the Court under seal; accordingly, additional agreements, if any, may not be in the public record.

I further agree that promises, including any predictions as to the Sentencing Guideline range or to any Sentencing Guideline factors that will apply, made by anyone (including my attorney) that are not contained within this written plea agreement, are null and void and have no force and effect.

I am satisfied that my defense attorney has represented me in a competent manner.

I fully understand the terms and conditions of this plea agreement. I am not now using or under the influence of any drug, medication, liquor, or other intoxicant or depressant that would impair my ability to fully understand the terms and conditions of this plea agreement.

10-17-17

Date: October 16, 2017

YOMTOV SCOTT MENAGED
Defendant

APPROVAL OF DEFENSE COUNSEL

I have discussed this case and the plea agreement with my client in detail and have advised the defendant of all matters within the scope of Fed. R. Crim. P. 11, the constitutional and other rights of an accused, the factual basis for and the nature of the offense to which the guilty plea will be entered, possible defenses, and the consequences of the guilty plea including the maximum statutory sentence possible. I have further discussed the concept of the advisory Sentencing Guidelines with the defendant. No assurances, promises, or representations have been given to me or to the defendant by the

United States or any of its representatives that are not contained in this written agreement. I concur in the entry of the plea as indicated above and that the terms and conditions set forth in this agreement are in the best interests of my client. I agree to make a bona fide effort to ensure that the guilty plea is entered in accordance with all the requirements of Fed. R. Crim. P. 11.

10/17/2017
Date

MOLLY BRIZGYS
Attorney for Defendant Menaged

APPROVAL OF THE UNITED STATES

I have reviewed this matter and the plea agreement. I agree on behalf of the United States that the terms and conditions set forth herein are appropriate and are in the best interests of justice.

ELIZABETH A. STRANGE
Acting United States Attorney
District of Arizona

10/17/17
Date

MONICA EDELSTEIN
Assistant U.S. Attorney

ACCEPTANCE BY THE COURT

12/19/17
Date

HONORABLE G. MURRAY SNOW
United States District Judge

Exhibit 70

Exhibit 70

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Attorneys for the Receiver

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR MARICOPA COUNTY

ARIZONA CORPORATION COMMISSION, Plaintiff, v. DENSCO INVESTMENT CORPORATION, an Arizona corporation, Defendant.	Cause No. CV2016-014142 PETITION NO. 32 PETITION FOR ORDER APPROVING SETTLEMENT AGREEMENT WITH YOMTOV SCOTT MENAGED AND FRANCINE MENAGED (Assigned to the Honorable Teresa Sanders)

Peter S. Davis, as the court appointed Receiver of DenSco Investment Corporation, respectfully petitions the Court for an Order approving a settlement agreement between the Receiver, Yomtov Scott Menaged and Francine Menaged as follows:

I. Background

1. On August 18, 2016, this Court entered its *Order Appointing Receiver*, which appointed Peter S. Davis as Receiver of DenSco Investment Corporation ("DenSco") DenSco is an Arizona Corporation formed by Denny J. Chittick in April of 2001.

2. Denny J. Chittick (now deceased) was the sole owner, shareholder and operator of DenSco. DenSco was a "hard money lender" and its primary business was in funding "hard money" loans for the purchase of real estate secured by deeds of trust.

3. DenSco's hard money loans were funded from monies that DenSco raised from its investors. DenSco raised more than $85 Million from its investors pursuant to a securities offering, in which the investors of DenSco were essentially unsecured general creditors of DenSco.

4. Between 2007 and 2008, DenSco began a lending relationship with Yomtov Scott Menaged ("Menaged") and loaning Menaged monies for the purchase of residential real estate through foreclosure auctions. Menaged utilized two limited liability companies to solicit loans from DenSco.

5. Menaged learned through his ongoing relationship with DenSco that he could take advantage of DenSco's lending practices and defraud DenSco by employing a series of fraudulent schemes including: 1) intentionally obtaining two (2) hard money loans on a single property that Menaged had "purchased" at a foreclosure auction by tricking different hard money lenders into believing that their respective loan was going to be secured against the real property in a first position, and 2) falsifying documents to trick DenSco into believing that Menaged had purchased property at a foreclosure auction and that DenSco's loan was secured against the related property, when in fact Menaged never purchased the property at all.

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II. DenSco Claims Against Menaged

6. Starting sometime in 2011, Menaged began intentionally soliciting DenSco and other unrelated hard money lenders for two hard money loans on the same subject real property that Menaged had purchased at a foreclosure auction by being the highest bidder.

7. When seeking loans from DenSco and the other unrelated hard money lenders, both DenSco and the other unrelated hard money lenders were led to believe by Menaged that they would be the sole lender on the property and their loan would be secured against the property with a first position Deed of Trust.

8. Menaged learned that the delay in the recordation of the Foreclosure Trustees' Deed to the Buyer and the lending practices of DenSco allowed Menaged the opportunity to defraud DenSco and the other hard money lenders by seeking two loans on property he purchased.

9. Menaged learned that while other hard money lenders would deliver funds it intended to lend to Menaged directly to the Foreclosure Trustee, DenSco's lending practices were to deliver loan proceeds directly to Menaged, who was then obligated to deliver the loan proceeds to the Foreclosure Trustee to finalize Menaged's purchase.

10. Menaged executed multiple promissory notes, deeds of trust and other documents from DenSco and the other hard money lenders with the knowledge that he was soliciting two separate loans from two separate lenders who unbeknownst to each other believed that they were the only lender and would be the only secured creditor in first

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position. (Hereinafter this fraudulent scheme of obtaining two hard money loans on hundreds of properties purchased by Menaged will be referred to as the "First Fraud").

11. Menaged orchestrated the First Fraud, to defraud DenSco by obtaining two loans from separate lenders though the use of fraud and deception, at least one hundred and seventy nine (179) times between 2011 and 2013. Not until November of 2013, did DenSco became aware of the First Fraud.

12. DenSco learned that Menaged had double encumbered over one hundred (100) properties and that Menaged had intentionally misled DenSco to believe that DenSco was the only lender with a promissory note secured by a Deed of Trust in first position on all the subject properties.

13. Specifically, on November 27, 2013, Menaged met with Denny J. Chittick and lied to Mr. Chittick about the facts and circumstances of the First Fraud. When confronted by DenSco, Menaged told Mr. Chittick that his wife had cancer and that Menaged's "cousin" had masterminded the First Fraud while he was distracted by taking care of his sick wife.

14. When DenSco confronted the Defendant about the use of the proceeds from the First Fraud, Menaged told DenSco that the Defendant's cousin had absconded to Israel with the proceeds wrongfully gained from the First Fraud.

15. Between November 2013 and April 2014, DenSco and Menaged sorted through all of the properties double encumbered by DenSco and other lenders as a result of the Defendants' actions in the operation of the First Fraud.

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16. Menaged concocted a resolution of the First Fraud by entering into a Forbearance Agreement (and the related, attached, incorporated, amended and additional documents incorporated into the Forbearance Agreement therein) with DenSco.

17. Pursuant to the Forbearance Agreement, Menaged, at the time of the Forbearance Agreement, was indebted to DenSco in the amount of $37,420,120.47.

18. As set forth in the Forbearance Agreement, Menaged admitted that certain properties were used as security for one or more loans from one or more other lenders and that DenSco may not be in first position on each respective property.

19. As set forth in the Forbearance Agreement, Menaged guaranteed the repayment of $37,420,120.47 to DenSco and agreed to liquidate his other assets, which he represented to be valued at approximately $4 to $5 Million Dollars, use rental income from his properties and other means to pay the sum due under the Forbearance Agreement.

20. A total of $16,652,090.59 is due from Menaged under the Forbearance Agreement as of April 20, 2016, the day Menaged filed for relief under Chapter 7 of the United States Bankruptcy Court.

21. Apparently, due to the massive amounts of money that were owed to DenSco by Menaged under the Forbearance Agreement, DenSco and Menaged continued to do business together with DenSco agreeing to continue funding hard money loans to Menaged for the purchase of real estate from foreclosure auctions. However, after the discovery of the First Fraud, DenSco and Menaged altered their business practices for all future loans from DenSco to Menaged.

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22. Starting in January 2014, for new loans between DenSco and Menaged, DenSco required that Menaged provide copies of the specific cashier's checks, issued by Menaged's bank to the respective foreclosure trustee, as well as copies of the receipts received by Menaged from the foreclosure trustee for the purchase of a property by Menaged at a trustee's sale.

23. DenSco's requirement that Menaged provide DenSco the evidence that Menaged had purchased the underlying real property (by providing a copy of the cashier's check used by Menaged to purchase the property and a copy of the receipt that Menaged received from the foreclosure trustee) was a direct result of Menaged's fraudulent actions that gave rise to the First Fraud.

24. Under the new lending practices, Menaged obtained a total of 2,712 loans from DenSco between January 2014 and June 2016. However, the Receiver has determined that only 96 of these loans were secured by the actual purchase of real estate at a trustees' sale or otherwise.

25. The Receiver determined that Menaged engaged in a systematic and comprehensive scheme to defraud DenSco for a second time through the use and creation of falsified checks, deeds, contracts and receipts related to the purported purchase of real property at a trustee's sale (the "Second Fraud"). The Receiver has determined that despite the new requirement that Menaged was to provide DenSco with evidence of each cashier's check and receipt confirming each purchase, Menaged caused the issuance of cashier's checks that Menaged never intended to use for the purchase of properties and intentionally

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falsified trustee's sale receipts purporting to evidence the purchase of properties that never happened.

26. The Second Fraud is sophisticated in that Menaged obtained cashier's checks from his bank to make it appear that he was actually using the DenSco loan proceeds to purchase property from a foreclosure trustee, when in fact, Menaged obtained the cashier's check for the sole purpose of simply taking a picture of the cashier's check to send to DenSco to make it appear that the DenSco funds were being used to purchase real property. Additionally, Menaged executed, notarized and provided to DenSco a series of documents purporting to give DenSco a first position lien against the property that Menaged had falsely represented to DenSco was purchased by Defendant, including a Mortgage, Deed of Trust and Promissory Note.

27. The Second Fraud is sophisticated in that Menaged falsified hundreds of receipts from foreclosure trustees in an effort to confirm that Menaged actually purchased the property at the foreclosure sale. Menaged skillfully created fraudulent receipts from different companies, foreclosure trustees, law firms and other organizations for the sole purpose of convincing DenSco that it used DenSco's funds to purchase real property. Each individual fraudulent receipt was intricately prepared by Menaged for the sole purpose to defraud DenSco and trick DenSco into believing that Menaged had actually used DenSco's funds for the purchase of real property, when in fact, Menaged simply utilized DenSco's funds for his own purposes.

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II. Settlement and Recent Developments

28. On April 20, 2016, Menaged filed for relief under Chapter 7 of the United States Bankruptcy Court.

29. On January 1, 2017, the Receiver filed his *Verified Complaint to Determine Dischargability of Debt* (the "Adversary Proceeding") in the United States Bankruptcy Court for the District of Arizona against Menaged and his wife, Francine Menaged (hereinafter referred to as the "Menageds") seeking a judicial determination that the amount of $47,156,641.92 constitutes a nondischargeable obligation of the Menageds under 11.U.S.C. §523(1), and judgment in favor of the Receiver against the Menageds' marital community for at least $47,156,641.92. The Receiver named Francine Menaged for the sole purpose of binding the Menageds' marital community.

30. Eventually, Menaged has admitted that he devised, facilitated, and operated the First Fraud and utilized the proceeds from the First Fraud for other purposes, including repayment of other DenSco loans, living expenses, gambling and the acquisition of personal assets.

31. Soon thereafter, the Receiver and Menaged began preliminary settlement negotiations and the Receiver began to conduct an independent analysis of the myriad of Menaged bank accounts in an effort to determine the source and use of the DenSco funds that were provided to Menaged and attempt to determine the uses of DenSco's funds were paid to Menaged and then returned to DenSco.

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32. On or about May 24, 2017, Menaged was indicted and arrested for his role in an alleged effort to defraud Wells Fargo Bank and Synchrony Financial though the issuance and use of fraudulent credit cards. The criminal case is *USA vs Yomtov Scott Menaged* and currently pending in United States District Court, CR17-0680-PHX-GMS. The Receiver is informed that Menaged remains in custody awaiting trial.

33. The Receiver has nearly completed his forensic analysis of the Menaged bank accounts and initially found that it was difficult to determine how much DenSco money Menaged misappropriated by looking solely at his bank accounts (personal & business) because many of the loan payoffs were coordinated by the title companies when properties were sold. If a property sold, the sales proceeds were typically deposited to the title company, who then disbursed funds to DenSco to pay off its lien, and any remaining funds were disbursed to Menaged. However, analyzing DenSco's financial information, in detail, enabled the Receiver to calculate all interest payments received from Menaged. From this analysis, the Receiver was able to determine that if you subtract the total interest paid by Menaged to DenSco ($15,328,635) from the Menaged loan balance ($46,288,983), then DenSco's net loss from Menaged's fraudulent activities is $30,960,348.

34. After negotiations, the Menageds agreed to a Settlement Agreement which included the consent to the entry of a nondischargeable civil judgment in favor of the Receiver in the amount of $31,000,000; an agreement that Menaged would cooperate with the Receiver's ongoing investigation into activities relating to DenSco [to the extent that such cooperation and testimony does not violate his privilege against self -incrimination under the

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Fifth Amendment to the United States Constitution]. A copy of the Settlement Agreement is attached hereto as Exhibit "A"

35. Under the terms of the Settlement Agreement, in the event Menaged's cooperation results in monetary recoveries for the Receiver against third parties after the date of the Settlement Agreement, the Receiver agrees to reduce the amount of the Judgment by an amount equal to the gross recovery from the third party that is related to Menaged's cooperation.

36. The Receiver recommends that the Court approve the Settlement Agreement for a series of reasons. First, the amount of the judgement, $31,000,000 is the amount that the Receiver has determined that Menaged owes DenSco, after conducting a detailed analysis of the loan transactions between Menaged and DenSco. Second, the Receiver believes it is critically important to reduce DenSco's claim against the Menageds into a judgment, so that the Receiver can begin efforts to locate and recover any funds that have been transferred by Menaged to third parties. The Receiver believes that without a judgement, DenSco's future collection activity will be significantly more complicated and complex. Third, while the Receiver would have preferred a compromise with Menaged resulting in a substantial monetary payment to the Receiver, given that Menaged is currently incarcerated and at the very least likely to be in custody until his criminal trial is completed, the Receiver does not believe Menaged has the financial resources to pay a monetary settlement to the Receiver.

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WHEREFORE, the Receiver respectfully requests that the Court enter an order approving the Settlement Agreement between the Receiver, Yomtov Scott Menaged and Francine Menaged.

Respectfully submitted this 8th day of August, 2017.

GUTTILLA MURPHY ANDERSON, P.C.

/s/ Ryan W. Anderson
Ryan W. Anderson
Attorneys for the Receiver

2359-001(291942)

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SETTLEMENT AGREEMENT

This settlement agreement (the "**Agreement**") is made by and between Peter S. Davis, as Receiver of DenSco Investment Corporation (the "**Receiver**") and Yomtov S. Menaged ("**Scott**") and Francine Menaged ("**Francine**"). Scott and Francine may be referred to herein jointly as the "**Menageds.**" The parties hereto are sometimes individually referred to herein as a "**Party**" and collectively as the "**Parties**".

RECITALS

Whereas, on or about April 20, 2016, ("**Petition Date**") Scott filed for relief under Chapter 7 of the United States Bankruptcy Code (the "**Bankruptcy**"). The Menageds are husband and wife; and

Whereas, on or about August 18, 2016, the Receiver was appointed by the Maricopa County Superior Court pursuant to an *Order Appointing Receiver* in Cause No. CV2016-014142 (the "**Receivership**"), as the Receiver of DenSco Investment Corporation (hereinafter "**DenSco**"), an Arizona corporation; and

Whereas, on January 1, 2017, the Receiver filed his *Verified Complaint to Determine Dischargeability of Debt* seeking a judicial determination that the amount of $47,156,641.92 constitutes a nondischargeable obligation of the Menageds to DenSco under 11 U.S.C. §523(a), and a judgment in favor of the Receiver against Scott and the Menageds' marital community for at least $47,156,641.92 (the "**Adversary**"). The Receiver named Francine for the sole purpose of binding the Menageds' marital community to any judgment the Receiver obtained in the Adversary; and

Whereas, the Receiver has alleged that Scott obtained loans from DenSco by fraud and deceit and the DenSco funds have been used by Scott to conduct unrelated business operations outside the intended purpose of the DenSco loans and for the personal benefit of the Menageds; and

Whereas, the Receiver has alleged that DenSco is insolvent and has demanded that Scott repay the loan obligations to DenSco and turnover assets to DenSco that have been improperly transferred to third parties for the benefit of the Menageds; and

Whereas, without admitting the truth or validity of any claim or defense, the Parties desire to settle all claims that the Receiver may have regarding the amount owed by the Menageds to the Receiver including, but not limited to, those alleged in the Adversary.

AGREEMENT

In consideration of the above Recitals and the mutual promises contained herein, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Parties agree as follows:

A. Consent to Entry of Judgment. The Menageds consent to the entry of a nondischargeable civil judgment in favor of the Receiver in the amount of $31,000,000.00. A form of judgment is attached hereto as Exhibit "A" (the "**Judgment**").

B. No Restriction on Enforcement of Judgment. The Menageds acknowledge that upon the approval of this Agreement, the Receiver shall immediately be permitted to record and enforce the Judgment against the available assets of the Menageds.

C. Scott's Cooperation. Scott agrees to use his commercially reasonable best efforts to cooperate with Receiver's ongoing investigations into activities relating to DenSco *except to the extent that such cooperation and testimony does not violate his privilege against self-incrimination under the Fifth Amendment to the United States Constitution. Scott's refusal to testify based on his assertion of this privilege shall not be a breach of this Agreement.*

D. Judgment Offset for Cooperation. In the event that Scott's cooperation results in monetary recoveries for the Receiver against third parties after the date of this Agreement, the Receiver agrees to reduce the amount of the Judgment in an amount equal to the gross recovery from the third party that is related to Scott's cooperation.

E. Receiver's Cooperation. Receiver agrees to use his commercially reasonable best efforts to provide the Menageds or their agents with financial information and sworn testimony relating to the Receiver's investigations into activities relating to DenSco and the Menageds' historical business and financial activities.

F. Review of Electronic Records of the Menageds. During the course of the Receivership, Menaged allowed the Receiver to obtain a forensic copy of over 77GB of data from the Menageds' personal computers and cellular telephone. The Menageds recently permitted the Receiver to review this data with the understanding that the Receiver shall not waive the attorney-client privilege as to any of the data. If a dispute arises as to the potential privileged nature of a document in the 77GB of data from the Menageds' computers and cellular telephone, the Parties agree that any dispute shall be resolved by court in the Bankruptcy (the "**Bankruptcy Court**").

G. Approval of Agreement. The Receiver shall file a petition in the Receivership court seeking the approval of this Agreement. The effectiveness of this Agreement is conditioned upon the approval of the Agreement by the court in the Receivership (the "**Receivership Court**"). Upon approval of this Agreement, the Parties shall file a stipulation for entry of the Judgment. This Agreement shall not become effective until and unless approved by the Receivership Court.

H. Mutual Releases. The Receiver hereby, on his own behalf and on behalf of his attorneys, employees, partners, agents, predecessors, successors, assigns, assignors, and legal representatives, releases and forever discharges Yomtov S. Menaged, Francine Menaged and their attorneys, employees, agents, predecessors, successors, assigns, assignors, executors, administrators, and legal representatives from any and all claims, including but not limited to those asserted in the Adversary, except claims relating to enforcement of rights, duties, or obligations under this Agreement. Yomtov S. Menaged and Francine Menaged hereby, on their

Exhibit "A"

own behalf and on behalf of their attorneys, employees, partners, agents, predecessors, successors, assigns, assignors, and legal representatives, release and forever discharge the Receiver and Receiver's attorneys, employees, agents, predecessors, successors, assigns, assignors, executors, administrators, and legal representatives from any and all claims, including but not limited to those asserted in the Adversary, except claims relating to enforcement of rights, duties or obligations under this Agreement.

I. Subsequent Litigation. Menageds knowingly waive any defenses to litigation initiated by the Receiver that may require the Menageds to be named as nominal parties or defendants in furtherance of efforts by the Receiver to recover assets that may have been transferred by the Menageds to third parties.

J. Attorneys' Fees. Each Party hereto shall be responsible for the payment of its own costs, attorneys' fees and all other expenses incurred in connection with the Receiver's investigation and this Agreement. If any Party commences an action against the other Party to enforce or interpret any of the terms hereof, the losing or defaulting Party shall pay to the prevailing Party as determined by the Bankruptcy Court all costs and expenses, including reasonable attorneys' fees and disbursements, incurred in connection with the prosecution or defense of such action.

K. Further Assurances. The Parties to this Agreement shall execute any further or additional instruments, and they shall perform any acts which may become necessary, in order to effectuate and carry out the purposes hereof.

L. Entire Agreement. This Agreement contains the entire agreement and understanding among the Parties concerning the subject hereof and supersedes and replaces all prior negotiations, agreements and proposed agreements, written or oral, relating thereto. Each of the Parties hereto acknowledges that no other Party, nor any agent or attorney of any Party, has made any promise, representation, or warranty whatsoever, express or implied, not contained herein concerning the subject matter hereof, to induce it to execute this Agreement and acknowledges that this Agreement has not been executed in reliance on any promise, representation or warranty not contained herein. This Agreement shall not be amended, modified or supplemented at any time unless by a writing executed by the Parties hereto.

M. Opportunity to Consult with Counsel. The Parties acknowledge that they have had the opportunity to consult with and obtain the advice of counsel prior to entering this Agreement, and have entered this Agreement voluntarily and free from coercion, duress or undue influence.

N. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the state of Arizona applicable to contracts executed and intended to be performed entirely within the state of Arizona by residents of the state of Arizona. Any action at law, suit in equity or judicial proceeding for the enforcement or interpretation of this Agreement or any provision therefore shall be instituted only in the Bankruptcy Court.

Exhibit "A"

O. Counterparts. This Agreement may be signed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

P. Representation of Authority. The signatories to this Agreement represent and warrant that they have full authority to execute this Agreement and to bind the Party on whose behalf they are signing to the provisions hereof.

Q. Severability. Should any portion of this Agreement be ruled unenforceable or invalid, such ruling shall not affect the enforceability or validity of the remaining portions of this Agreement.

R. Headings. Article and section headings are inserted herein solely for convenience and the same shall not by themselves alter, modify, limit, expand or otherwise affect the meaning of any provision of this Agreement.

S. Assignment and Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and assigns; provided, however, that nothing herein shall relieve any Party of any obligation under this Agreement, except upon the express written consent of the other Party.

T. Interpretation. This Agreement shall be interpreted fairly in light of the intentions of the Parties as set forth in this Agreement. The Parties each hereby waive the benefit of any rule or law or statute requiring that ambiguities be interpreted against the Party preparing the Agreement or causing the ambiguity.

U. No Admissions. The execution of this Agreement is not to be construed as an admission of liability by either Party, or an acknowledgement by either Party that the other Party's claims have any basis, but is a compromise and settlement of disputed claims.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the day and year written below.

Peter S. Davis, as Receiver of DenSco Investment Corporation in Cause No. CV2016-014142

Peter S. Davis, as Receiver — Dated: 07/07/17

Scott Menaged — Dated: 07/05/17

Francine Menaged — Dated: 07/04/17

Exhibit "A"

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Attorneys for Receiver

IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF ARIZONA

In Re: YOMTOV SCOTT MENAGED, Debtor.	Case No. 2:16-bk-04268-PS Adv. Case No. 2:17-ap-00116-PS **JUDGMENT**
PETER S. DAVIS, AS RECEIVER OF DENSCO INVESTMENT CORPORATION, Plaintiff, vs. YOMTOV SCOTT MENAGED, FRANCINE MENAGED, and their marital community, Defendants.	

Plaintiff, Peter S. Davis, the court-appointed receiver of DenSco Investment Corporation ("Plaintiff" or "Receiver") having filed a *Verified Complaint to Determine Dischargeability of Debtor ("Adversary Complaint")* on January 31, 2017 in Adversary Case No. 2:17-ap-00116-PS against Yomtov S. Menaged and Francine Menaged, husband and wife, ("Menageds" or "Defendants") seeking a joint and several judgment in favor of the Receiver against each of the Defendants, and their marital community, and a judicial determination that the judgment is non dischargeable pursuant to 11 U.S.C. § 523(a).

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Exhibit "A"

The Receiver and Defendants have reached a settlement of the Adversary Complaint and in doing so have agreed to the entry of a non-dischargeable civil judgment in favor of the Receiver and against Yomtov S. Menaged and Francine Menaged, jointly and severally, and their marital community in the amount of thirty-one million dollars ($31,000,000.00).

NOW, THEREFORE, IT IS ORDERED:

1. That Peter S. Davis, the Receiver of Densco Investment Corporation, is awarded, judgment against Yomtov S. Menaged and Francine Menaged, jointly and severally, and their marital community in the amount of thirty-one million dollars ($31,000,000.00) plus post judgment interest from the date of entry of this judgment at the legal rate interest pursuant to 28 U.S.C §1961;

IT IS FURTHER ORDERED:

2. The Receiver shall immediately record and enforce this Judgment against the available assets of Yomtov S. Menaged and Francine Menaged, or either, or both of them; and

IT IS FURTHER ORDERED:

3. That this Judgment is based upon fraud and is a debt that is non-dischargeable in bankruptcy by either Defendant pursuant to 11 U.S.C. § 523(a).

DATED AND SIGNED ABOVE

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Exhibit "A"

Exhibit 71

OSBORN MALEDON
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May 13, 2019

VIA EMAIL (sojin.bae@mendes.com)
AND FIRST-CLASS MAIL

SoJin Bae
MENDES & MOUNT LLP
750 Seventh Avenue
New York, New York 10019

Re: *Davis v. Clark Hill, et al., Maricopa County Superior Court No. CV2017-013832*
Rule 408 Policy Limits Demand

Dear Ms. Bae:

This firm represents the plaintiff, Peter S. Davis, as the Receiver of DenSco Investment Corporation, in the above-referenced action. Clark Hill disclosed more than a year ago that Clark Hill is insured by various underwriters represented by your firm and for whom Mendes & Mount serves as monitoring counsel. Insurance professionals say bad claims do not get better with time. This case is proof. Clark Hill is dealing with bad witnesses, worse facts, a substantial amount of compensatory damages, and a high likelihood of an angry jury ready to send a message with punitive damages.

The Complaint was filed in October 2017. Plaintiff has taken substantial discovery, deposing all relevant Clark Hill lawyers involved in the case, and receiving voluminous emails and notes from Clark Hill. Things looked bad for Clark Hill before discovery and the outlook has only become worse after discovery. This letter assumes the underwriters are familiar with the underlying facts of the case set out in Plaintiff's various Rule 26.1 disclosure statements and Plaintiff's pending motion for determination of a prima facie case on punitive damages.

(A) David Beauchamp and Ed Hood

To understand Clark Hill's exposure to substantial damages, you and your colleagues and those monitoring the claim for the respective underwriters should watch the *complete video deposition* of David Beauchamp. Mr. Beauchamp is a terrible witness for Clark Hill. He drafted Clark Hill's disclosure statements under Arizona's unique disclosure Rule 26.1 with counsel. Mr. Beauchamp and Mr. Hood (Clark Hill's in-house general counsel) both verified the statement of facts in these disclosures. Mr. Beauchamp also answered written interrogatories under oath. Mr. Beauchamp's complete testimony, encompassing his written verified statements, his interrogatory answers and his testimony under oath, is riddled with contradictions and statements that contemporaneous documents do not back up. Over two days, he repeatedly contradicted himself, made up statements on the fly, and spun a flimsy story that will not hold up and will only anger a jury. Here is just one example: Mr. Beauchamp admitted that Denny

Chittick did not want to disclose material facts to investors as it would cause a "run on the bank" and destroy the business. At the same material time, however, Mr. Beauchamp also testified that Chittick told him he was making oral disclosures of the same material facts to investors as he continued to raise monies. These two contradictory statements of fact by Mr. Beauchamp cannot simultaneously exist in the same universe.

Under Arizona rules, Mr. Beauchamp's deposition can be used for any purpose during his examination in front of the jury. In the first few days of trial, Clark Hill's main witness will be thoroughly discredited.

Clark Hill, through Mr. Hood, has embraced Mr. Beauchamp, word for word. The firm will rise or fall with him. This is not a case about a rogue lawyer; the firm stands behind Mr. Beauchamp's defense one hundred percent. Mr. Beauchamp's testimony will be followed by Mr. Hood's embrace of Mr. Beauchamp. In our assessment, an Arizona jury will not only find Clark Hill liable, but will be incensed by what they see as Clark Hill's wrongful and outrageous conduct.

(B) Conflicts of Interest

Clark Hill's problems in this case include multiple conflicts of interest and actions Clark Hill took despite those conflicts. A jury will readily see that the actions Clark Hill took at the outset of the representation (September 2013 through May 2014) were intended to protect Chittick and Clark Hill, not Clark Hill's client DenSco. A jury will also readily see, and be outraged by, the actions Clark Hill took after Chittick's July 2016 death, to protect its own interests.

From the very beginning of the case, a conflict of interest was evident between DenSco, Clark Hill's client, and Denny Chittick, DenSco's president. DenSco owed a fiduciary duty to its investors, a fact admitted numerous times by Clark Hill. These fiduciary duties included a duty of disclosure, honesty, loyalty and fidelity. Denny Chittick, DenSco's president, did not want to follow these fiduciary duties and disclose material facts to DenSco's investors for fear disclosure would create a "run on the bank" and put DenSco out of business. Faced with this conflict between what was in DenSco's interests (follow its fiduciary duties) and what was in Chittick's interests (don't follow fiduciary duties), Clark Hill consistently advanced Denny Chittick's interests at the expense of DenSco and the fiduciary duty it owed its investors. For example, Clark Hill initially put off disclosure to investors until a forbearance agreement could be completed, which took four months. Millions of dollars were invested in that time.

In advancing Denny Chittick's interests, Clark Hill also advanced its own interests. If DenSco failed, Clark Hill's inexplicable failure to finish the 2013 POM shortly after DenSco retained Clark Hill in September 2013, or Clark Hill's sitting silently by while Chittick said (according to David Beauchamp) to delay and hold off doing any work on the POM, most certainly would have resulted in a lawsuit for liability against Clark Hill. Clark Hill repeatedly told Denny Chittick to follow its advice to protect himself from a lawsuit from DenSco's

investors. An Arizona jury will easily see that Clark Hill was also trying to protect itself from DenSco's investors.

Clark Hill has engaged in a coverup of massive proportions. Clark Hill contends it terminated its relationship with DenSco in May 2014 when Denny Chittick allegedly refused to issue a new POM. As set out below, nothing is further from the truth. Clark Hill did not prepare a materially accurate POM, as it now claims. The document it drafted was an empty shell, with no meaningful disclosure of key facts, such as the *Freo* lawsuit, the double-encumbrance problem, Chittick's gross mismanagement, and the circumstances leading to, and terms of, the forbearance agreement. Clark Hill then "put its pencil down" and gave Denny Chittick over a year to fix DenSco's problems, and told him he could do so before eventually issuing a POM. The termination story was made up after Denny Chittick's death to hide the fact that Clark Hill simply went silent hoping that Denny Chittick could work out DenSco's problems and save both himself and Clark Hill.

When Chittick committed suicide, Clark Hill not only invented the termination story, in a more amazing act of hubris, Clark Hill opened a file to represent DenSco in its windup and wrote letters to the investors that they *should not hire a receiver* because a receiver would reduce recovery of monies for the investors. To be sure, a receiver, would pursue Clark Hill for its actions in this case; which is exactly what happened once a receiver was appointed and Clark Hill's conduct came to light.

When representing DenSco, Clark Hill did not disclose to the receiver or the Securities Division of the Arizona Corporation Commission its involvement in Mr. Menaged's first fraud. Clark Hill even worked with lawyers representing the Estate of Denny Chittick (David Beauchamp's former law partners, to whom Beauchamp had referred the Estate) to create a non-existent and fake "attorney client privilege" over the DenSco documents to slow down the receiver. Clark Hill filed an affidavit supporting the argument that Clark Hill's client was both DenSco and Chittick personally. Mr. Beauchamp testified in his deposition that this was a misrepresentation to the Court, but not an "intentional" one.

As you and the underwriters know, attorneys who act for their own interests and who are disloyal to their client because of conflicts of interest do not fare well with juries.

(C) Aiding and Abetting Breaches of Fiduciary Duty and Punitive Damages

Bad and discredited witnesses and conflicts of interest will damage Clark Hill. The bare facts are just as damning. Discovery has confirmed the allegations in the Complaint and revealed both an overwhelming case of professional negligence and a damning pattern of Clark Hill misconduct by aiding and abetting a continuing breach of fiduciary duty by Mr. Chittick, the President of DenSco.

Clark Hill aided and abetted (and amplified) Mr. Chittick's breaches of fiduciary duty by, among other things, assisting him in causing DenSco to continuously raise funds from investors,

without disclosing highly material facts, helping document a "work out" agreement that was not in DenSco's interests, and advising DenSco to continue its egregiously lax lending relationship with Scott Menaged, resulting in damages to DenSco in excess of $24,000,000. Plaintiff disclosed as its expert witness Neil Wertlieb, who opines that Clark Hill's malpractice is not limited to one or two unfortunate mistakes but instead is an all-encompassing "reckless" and "irresponsible" failure by Mr. Beauchamp and Clark Hill to adhere to the standard of care in nearly every facet of their representation of DenSco. That conduct provides overwhelming evidence that Clark Hill substantially assisted Denny Chittick in breaching his fiduciary duties.

As detailed in Plaintiff's Fifth Rule 26.1 Disclosure Statement, and in Plaintiff's Motion for Determination of a Prima Facie Case for Punitive Damages, the beginning of Clark Hill's misconduct starts from the first day of Mr. Beauchamp's employment with Clark Hill on September 1, 2013. Mr. Beauchamp opened a Clark Hill file to prepare an updated Private Offering Memorandum for DenSco. At the time, DenSco's July 2011 POM had expired by its own terms two months earlier. Mr. Beauchamp knew this, as he prepared the expired 2011 POM. Mr. Beauchamp also knew that the existing 2011 POM lacked crucial facts any investor should know, such as the *Freo* lawsuit. Despite the urgent need to draft an updated and accurate POM, when Mr. Beauchamp opened his Clark Hill file he testified that he also agreed not to do any work on it because Mr. Chittick told him not to. Worse, Mr. Beauchamp did not advise Mr. Chittick that DenSco could not, under any circumstances, take investor money unless and until it issued a new POM. Mr. Beauchamp knew at the time that one-half of DenSco's investors were "rolling over" their investments in the second half of 2013. Thus, from the outset of Clark Hill's representation, the firm was aiding and abetting Mr. Chittick's breaches of fiduciary duty.

Had Clark Hill and Mr. Beauchamp met the standard of care, they would have advised DenSco in September 2013 to seek bankruptcy protection and liquidate (since it could not raise capital given its financial condition and previous material misrepresentations in what was effectively a continuous offering) or would have withdrawn from the representation if DenSco refused to follow that advice. They failed to do so and chose instead to continue negligently advising DenSco and providing substantial assistance to Mr. Chittick's breaches of fiduciary duty.

Clark Hill kept on aiding and abetting Mr. Chittick's continuing breaches of his fiduciary duties even after the details of Mr. Chittick's lax lending practice and Menaged's misuse of money were revealed again (first in summer 2013), and again (in a December 2013 phone call), and again (in a January 2014 demand letter), and again (in a January 2014 face-to-face meeting). The aiding and abetting did not stop until Clark Hill was finally replaced with the appointment of a Receiver for DenSco years later.

Several facts stand out as extraordinary:

(1) The length of the aiding and abetting. It started in September 2013 and ended with the appointment of a Receiver years later in August 2016.

(2) The depth of the aiding and abetting. Clark Hill's misconduct is no mere sin of omission. Clark Hill prepared a forbearance agreement that not only violated the expired POM, but was a thinly veiled attempt to make DenSco appear to be something other than it was, an insolvent entity unable to pay its debts.

(3) The complete participation by Clark Hill in a cover-up of Chittick's breaches of fiduciary duty. The Receiver will prove that Clark Hill never terminated its representation of DenSco; rather, Clark Hill stood back and gave Chittick time to dig himself out of a hole (without telling investors about the hole). Why? To protect its own interests.

(4) The effort to represent DenSco after Mr. Chittick's death so that Clark Hill could discourage the appointment of a receiver, and keep its misconduct hidden. Mr. Beauchamp admitted he made a false representation to the Court, but he didn't "intend" to.

(5) The false statements made by Clark Hill in its own Rule 26.1 disclosures to cover up what they did. Any competent internal investigation of this case by general counsel would have disclosed the myriad problems existing in Mr. Beauchamp's statement and conduct. We cannot fathom why Clark Hill verified the Rule 26.1 disclosure that Mr. Beauchamp prepared; that is something that Clark Hill's general counsel will have to explain to the jury.

(D) Joint and Several Liability

Based on its disclosures, Clark Hill's strategy is to hope that the jury will blame other non-parties under Arizona's comparative fault statute. However, even this all-eggs-in-one-basket strategy is likely to backfire because Arizona law provides that a defendant is "responsible for the fault of another person," including non-parties, if both the defendant and the other person at fault acted in concert. Ariz. Rev. Stat. § 12-2506(D)(1). That is, Clark Hill will be jointly and severally liable if it "enter[ed] into a conscious agreement to pursue a common plan or design to commit an intentional tort." § 12-2506(F)(1).

Clark Hill has admitted that DenSco owed fiduciary duties to its investors, and that Clark Hill was aware that DenSco owed these fiduciary duties. Aiding and abetting a breach of fiduciary duty is an intentional tort. Part of Plaintiff's theory of the case is that Clark Hill initially advised DenSco that it did not need to disclose material facts to investors while a forbearance agreement was drawn up. Then, Clark Hill negotiated and recommended a forbearance agreement between DenSco and Menaged that itself was a breach of fiduciary duty to DenSco's investors. The forbearance agreement violated the terms of the 2011 Private Offering Memorandum by subordinating DenSco's debt to other hard money lenders and was a fig leaf to fool investors that DenSco was working itself out of an overwhelming debt. Then, Clark Hill sat quietly by and allowed DenSco over a year to work itself out of the Menaged fraud problem—telling Chittick that DenSco could do so without disclosing a thing to investors.

Plaintiff will argue that by its multiple acts of aiding and abetting a breach of fiduciary duty that DenSco owed to its investors, Clark Hill is jointly and severally liable with both Chittick and Menaged for damages.

(E) Policy Limits Demand

Clark Hill, by reason of its conduct, is at risk for a substantial compensatory and punitive damages claim. Our expert has pegged compensatory damages at $24,000,000. In a prior jury trial involving a breach of fiduciary duty claim on which Osborn Maledon was plaintiff's counsel, the jury awarded punitive damages for breach of fiduciary duty slightly in excess of a 2:1 ratio on compensatory damages. We will seek an even higher ratio in this case given the grave nature of the fault.

An Arizona jury will find that Clark Hill had conflicts of interest, is not truthful about what happened in this case, and that the lack of candor starts in the general counsel's office and goes all the way down to the line attorney on the case, Mr. Beauchamp. Both have signed verifications and testified in this case with answers that a jury will see are demonstrably false.

Given the multi-million dollar profits Clark Hill has publicly published to the national bar, the substantial amount of compensatory damages, and the aggravated nature of Clark Hill's conduct in the case, the Receiver has concluded that Clark Hill will face liability in excess of its insurance coverage. Even if Clark Hill reduces liability by its non-party at fault defenses, and putting aside that it is acting in concert and is jointly and severally liable, the punitive damage claim will bring damages over the policy limits. The Receiver hereby makes a policy limits demand on all of Clark Hill's coverage, from its first layer to its last, up to the remaining limits of the $30,000,000 policies at issue.

This policy limit demand settlement offer expires at midnight on July 1, 2019.

Sincerely,

Colin F. Campbell

CFC/klm
8064798

cc: John E. DeWulf