Exhibit 1

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

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

VIDEOTAPED DEPOSITION OF DAVID GEORGE BEAUCHAMP

VOLUME I
(Pages 1 through 233)

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

PREPARED FOR:

Q. So I just want to get some background information from you, and I really want to start from your graduation from law school at the University of Michigan, which I believe you graduated in 1981?

A. Correct, yes.

Q. So I just want to get generally your employment background from your graduation in 1981 to the present. So where have you worked?

A. I -- I originally started at Fennemore Craig. I then went to Storey & Ross. I joined Moya Bailey Bowers & Jones, which merged into Gaston & Snow. After Gaston & Snow dissolved, the Phoenix office joined with Clark, excuse me, Quarles & Brady. Quarles & Brady merged with Streich Lang, and it was for a time known as Quarles & Brady Streich Lang in Arizona. I left Quarles & Brady, went to Gammage & Burnham. After Gammage & Burnham, I went with Bryan Cave, and I joined Clark Hill in September 2013.

Q. All right. So let's -- I assume you started work with Storey & Ross in 1981?

A. No. I started at Fennemore in 1981.

Q. I can't read my own writing.

And how long were you at Fennemore, as best you can recall?

A. Approximately a year and a half. I don't

A. Yes.

Q. Now, at Clark Hill you were the billing attorney for DenSco, correct?

A. Yes.

Q. And you were the lead attorney for DenSco, correct?

A. Depends on the matter that we were dealing with.

Q. With respect to private offering memorandums to accredited investors, you were the lead attorney, true, with respect to DenSco?

A. We never a issued private offering memorandum at Clark Hill for DenSco, because we never got the information. In terms of the preparation to prepare the private offering memorandum for DenSco, I was the lead attorney, but Daniel Schenck was my right-hand in that.

Q. Describe for me what you mean when you say Daniel Schenck was your right-hand?

A. Daniel prepared a number of private offering memorandums for a number of clients, both for the Phoenix office and other offices in the firm. He was very adept at preparing the offering and disclosure. He knew -- he knew the Reg D regulations and the changes and revisions that we have gone through over the last several years, and he was very familiar with them.

So I would bounce things off him, discuss things

with him, and he assisted me in most every private offering to some extent. And I say most every, because, you know, there have been some offerings that have come from other offices and I have used securities attorneys in those offices when I have had questions.

Q. Did you delegate to Mr. Schenck preparing a private offering memorandum for DenSco in this case?

MR. DeWULF: Object to form.

THE WITNESS: Could you break that into two questions, because I really think you have two questions there.

Q. (BY MR. CAMPBELL) No. Please answer my question if you can.

A. I worked with Daniel Schenck in taking the draft POM that had been started at Bryan Cave and to note areas in it that we needed to have further information from the client.

In addition, we prepared the language for the Forbearance Agreement, which was absolutely key, that had to be provided to the investors despite Mr. Chittick's representations to me on a regular basis that he wasn't taking any money without going through all the details with the investors.

Q. I'm trying to understand what it means when you say Mr. Schenck was your right-hand man.

was an interface person.

Q. Did you work with him while you were at Quarles & Brady, yes or no?

A. I thought I answered it. I said I don't remember.

Q. Okay. Did you work with him when you were at Gammage & Burnham?

A. I believe so.

Q. You worked with him when you were at Bryan Cave?

A. Yes, I did.

Q. And you worked with him at Clark Hill, correct?

A. Yes, I did.

Q. He was a good client. True?

MR. DeWULF: Object to form.

THE WITNESS: What do you define as a good client?

Q. (BY MR. CAMPBELL) What do you define as a good client, Mr. Beauchamp?

MR. DeWULF: Object to form.

THE WITNESS: A good client follows your advice, is respectful of your time and what you are doing for them, and tries to do the right thing.

Q. (BY MR. CAMPBELL) Mr. Chittick was a good client. True?

MR. DeWULF: Object to form.

THE WITNESS: When I was working with --

MR. DeWULF: Can I -- can I intervene here? Could you get a timeframe? Are you talking about today looking back, or are you talking about a particular point in time, Colin?

MR. CAMPBELL: You want to answer the question for him?

MR. DeWULF: No. I'm trying to --

THE WITNESS: No. I started with when --

MR. DeWULF: -- get clarity.

MR. CAMPBELL: If I want to question as to what the form is, I'll ask you.

MR. DeWULF: All right. I object to form. And for the record, I have made my seeking clarity here.

Go ahead.

THE WITNESS: Sorry. I started to answer when.

MR. DeWULF: Go ahead.

THE WITNESS: When I worked with him at Gammage, I thought he was a good client. As far as I knew, he followed my advice, with the exception of I continuously told him to get title insurance on his loans, but that was not followed.

At Bryan Cave he was a -- a good client, but, again, there were certain aspects that -- of our advice he was not following, again, not getting the title insurance

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

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

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

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

And I thought I did the absolute best job

possible to protect DenSco and its investors for -- and if he had followed my advice, that would have happened in terms of, you know, doing the best they could under the circumstances. And if he had followed the advice, I would say, yes, he was a good client, but sitting here today with the things that we know today, I would say he is a good client that kind of fell off and did not value the advice he was given, for a variety of reasons.

Q. (BY MR. CAMPBELL) Anything else you want to say, Mr. Beauchamp?

A. I'm sorry?

Q. Anything else you want to say about this topic or are you done?

A. Proceed.

Q. I'm going to hand you -- I'm going to give you a separate copy of Exhibit No. 4. Okay? This is the Rule 26.1 statement that's been done in this case.

Have you seen that before?

A. I have seen the earlier versions of this and I saw this briefly.

Q. Well, actually --

A. Or is this the first version? I'm sorry.

Q. This is the first initial Rule 26.1 --

A. Okay.

Q. -- statement?

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

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

Did you write that?

A. Yes.

Q. That's true?

A. That is true.

Q. You advised him not to do work with Mr. Menaged?

A. That was not legal advice, in my mind. That was a strong recommendation in terms of how he should be performing his business that did not fall in the category of legal advice, so it was clearly within his rights to make that decision as the client.

Q. It was his rights as the client to ignore your admonitions and work with Menaged.

Is that your testimony?

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

(The requested portion of the record was read.)

THE WITNESS: That's my testimony at that period of time on that issue.

Q. (BY MR. CAMPBELL) Has it changed? Is that your opinion today or not?

A. Clearly based upon the information that has

according to what we know, right?

A. Correct.

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

MR. DeWULF: Object to form.

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

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

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

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

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

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

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

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

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

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

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

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

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

Q. Let me see if I understand you correctly.

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

MR. DeWULF: Object to form.

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

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

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

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

Q. (BY MR. CAMPBELL) Sir --

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

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

Did I mishear you?

MR. DeWULF: Object to form.

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

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

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

MR. DeWULF: Object to form.

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

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

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

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

A. No. She wanted --

Q. What's she asking you about?

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

Q. All right.

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

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

Did I read that wrong?

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

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

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

Q. Right.

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

period until we get the facts. That's -- that's all I agreed to.

Q. Did you tell -- did you tell Shawna: Look, I'm notifying my risk manager, because of special facts and circumstances in this case. Maybe you want to get another attorney?

MR. DeWULF: Object to form.

THE WITNESS: When I talked to Shawna on the phone, I hadn't completely comprehended what she had said to me. I mean, I, you know, drove off the 51.

And I am telling you that at some point in time I had that conversation with her or her friend in Idaho, or one of the attorneys that called that we referred to dealing with the estate, but not -- not initially when she asked me. I just said I would be a caretaker.

Q. (BY MR. CAMPBELL) Look, before you undertook to represent Shawna, did you tell her there was a conflict of interest in your representing DenSco and representing the estate?

A. I did not, but I believe Michelle Tran, that's why we said we are going to file this and withdraw. And that was done just for the expediency, and that's -- that's all we did.

Q. Is there some ethical rule that says you can proceed with a conflict of interest by filing and

THE WITNESS: No, I have not.

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

MR. DeWULF: Object to form.

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

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

MR. DeWULF: Object to form.

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

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

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

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

MR. DeWULF: Object to form.

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

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

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

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

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

MR. DeWULF: Object to form.

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

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

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

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

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

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

Q. You see that you emailed Mr. Sifferman on

Do you see that?

A. Yes.

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

MR. DeWULF: Object to form.

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

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

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

MR. DeWULF: Object to form.

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

was going to be released, and I didn't have to remember any specific, but they wanted to verify it wasn't there.

Q. (BY MR. CAMPBELL) Sir, on this date and time, August 30, 2016, do you know if you had turned over the investor email to Mr. Anderson?

MR. DeWULF: Object to form.

THE WITNESS: That was all provided to Wendy Coy, and she said she was providing all of that to the receiver within a day or two of the hearing.

MR. DeWULF: Whenever is a good time to break. It's been about an hour. Actually, you have got a few more minutes. Whatever works for you.

MR. CAMPBELL: Let me just finish up this section.

MR. DeWULF: I was forgetting that we started a little bit later. We didn't start at 1:00. We started a little later, so I apologize. You have got a few more minutes.

Q. (BY MR. CAMPBELL) Mr. Beauchamp, DenSco owed fiduciary duties to its investors. True?

A. Correct.

Q. I think you have stated that multiple times in the Rule 26.1 disclosure and also in your answers to interrogatories. True?

A. Yes.

The one that I totally focused on here was the requirement that he act in the best interest of his investors, and that is what I continually in all my emails tried to enforce. The second part was that we needed to get full disclosure to his investors.

Q. You -- you do not understand that fiduciary duties include a duty of disclosure?

A. It really depends on the facts and circumstances, is my understanding, because I can think of some fiduciary duties where it's impossible to disclose. In this instance, it went hand in hand with the securities violation, so it probably was a fit.

Q. Clearly there was a fiduciary duty in your mind for DenSco to tell the investors: Before you give us another penny, you should know my client was frauded by Mr. Menaged, right?

A. Correct.

Q. And fiduciary duty includes the duty to act in your beneficiary's interests, not in your interests, correct?

A. I thought I said in the best interests of your investors, yes.

Q. So when you learned at the end of April, early May that Mr. Chittick was violating all these duties to DenSco, what did you do?

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.

timeframe, I don't remember exactly what the conversation entailed, but I think that was based upon his comments for his line of credit with the bank and his private lines of credit from other people.

Q. (BY MR. CAMPBELL) Here, let's go -- let's just turn back to page 4 of your 26.1

A. I'm sorry?

Q. Let's turn back to Exhibit 4. That's your 26.1 statement.

A. What page? I'm sorry.

Q. Page 10. Actually, let's go to page 11.

Do you see -- this is your 26.1 disclosure statement, correct?

A. Correct.

Q. You signed it under oath it's all true?

A. Correct.

Q. And you state on line 7: Mr. Chittick assured Mr. Beauchamp repeatedly he was making the requisite disclosures to investors on an as needed basis, and that he had informed a select group of investors as to the double lien issue and proposed workout. True?

A. Yes, that is what he had assured me.

Q. So from January 9th on, you told him he could raise money as long as he gave full disclosure, and as I read your 26.1 statement, he told you he was doing that?

firm of Legal Video Specialists, Phoenix, Arizona. This begins media six of the videotaped deposition of David G. Beauchamp. The time is 3:31 p.m. We are now back on the record.

Q. (BY MR. CAMPBELL) All right. Mr. Beauchamp, when we broke we were on the 26.1 disclosure statement, page 5. And you will see from line 12 to line 23, you describe your termination of representation of DenSco, correct?

Wait a minute. That might be the wrong part. That's 2013.

MR. DeWULF: I'm lost here.

Q. (BY MR. CAMPBELL) Turn to page 15, I'm sorry, line 8.

So you state under oath that, "In May 2014, Mr. Beauchamp handed Mr. Chittick a physical copy of the draft POM and asked him what Mr. Chittick's specific issues were with the disclosure. Mr. Chittick responded there was nothing wrong with the disclosure, he was simply not ready to make any kind of disclosures to his investors at this stage. Mr. Beauchamp again explained that Mr. Chittick had no choice in the matter and that he had a fiduciary duty to his investors to make these disclosures. Mr. Chittick would not budge. Faced with an intransigent client who was now acting contrary to the advice

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

That's your best memory of what happened?

A. Yes.

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

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

Q. Okay. Turn to Exhibit No. 11.

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

A. Correct.

Q. You bill all your time. True?

MR. DeWULF: Object to form.

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

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

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

was it when he called back?

A. I -- I don't remember. I remember it was a period of time after the initial conversation.

Q. Where were you when he called back?

A. I think I have indicated I don't remember that.

Q. Do you remember what day it was when he called back?

A. No. I remember I talked to Sifferman the next day, but I don't remember what day it was.

Q. Tell me what you said and tell me what he said.

A. To Sifferman?

MR. DeWULF: No.

Q. (BY MR. CAMPBELL) No. To Mr. Chittick.

A. With Denny?

I said have you looked at the language of the POM concerning the forbearance where I had the yellow stickies that I dropped off. And he said he -- first of all, he said Menaged is not going to let us say this.

And I told him that under the foreclosure agreement, you have to meet your obligations and this is the bare minimum that you have to do. You have to do this. I'm not willing to do it. And I said this is an obligation that you have to do and it's my obligation to make sure you do it, or you are going to have to find other counsel.

He then argued that -- about Menaged again. I said I'm not talking to Menaged. I'm talking to you. And he said, well, I'm not going to do it. And, okay, we -- you need to get other securities counsel, because we cannot continue.

And he said, well, I'm already talking to other people already. I'll -- I'll let you know. Don't bill me for this. Don't bill me for any of your time on this. This is for you, not me. I can't believe you are doing this. And that was it.

Q. Okay. Now, I had thought earlier you had a phone call and then you met with him face to face.

Is that wrong? Did I have it wrong?

A. I had called. We had said we were going to meet face to face, and then whatever came up, he did it on -- he called me and we didn't meet, because he had this other thing, appointment of his or whatever took too long. And I had offered, this is what we need to talk about or whatever, and he wanted it then on the phone. He didn't want to meet.

It -- yeah, I should have done it in person, but at the same time he -- he had the document, he knew what was necessary, and he wanted to do it by phone, which, you know, covered the necessary obligations.

Q. David, we don't even have an email where you

reference to any time period.

Q. So it's your testimony under oath that you were not giving him time to cure the problem before a private offering memorandum was completed?

A. That is correct. Private offering memorandum was never discussed. His new securities counsel was discussed, and he terminated lunch at that point.

Q. Who was his new securities counsel?

A. He said: You don't need to know that.

Q. Okay.

A. And he got up, grabbed his sandwich, wrapped it in a napkin and took off.

Q. You went back to him for work, correct, afterwards?

A. No. He contacted me in March 2016, I'm not sure what, and that was one of the reasons that I reached out to him in 2015, because I know the Arizona Department of Financial Institutions was doing audits of various mortgage brokers in the state. And I had planned to tell him that, but lunch didn't last long enough.

Q. You ended up reacquiring him as a client, after this luncheon meeting, to work on Arizona financial department issues?

MR. DeWULF: Object to form.

THE WITNESS: It was a very discrete issue,

completely separate from any securities work.

Q. (BY MR. CAMPBELL) So even though you had terminated him as a client, you went back to work for him in 2015. True?

MR. DeWULF: Object to form.

THE WITNESS: I did not go back to work for him until 2016, and --

Q. (BY MR. CAMPBELL) 2016.

A. -- and it was on a very limited discrete issue, because I had handled the two previous audits with the Arizona Department of Financial Institutions for him, and he thought I -- I think his reference was something about take your old letter out, dust it off and resend it.

Q. You went -- you took him back as a client, and you had him as a client at the time of his death. True?

MR. DeWULF: Object to form.

THE WITNESS: No. We were completely done with that assignment maybe two months prior to his death. I don't remember the exact dates there.

Q. (BY MR. CAMPBELL) When you went back to take him on as a client, did you ask him what had happened with respect to the securities offering?

A. It was a different conversation than that. It was something to the effect that I cannot discuss securities. I have given you advice on that previous. We

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

require an audit?

A. He is not regulated by the Arizona Department of Financial Institutions.

Q. If he was, they would require him to present them audited financial statements. True?

MR. DeWULF: Object to form.

THE WITNESS: It depends upon his entity, and we have been through that before. And I know in other instances the Arizona Department of Financial Institutions does require an audit, but they limit it to the mortgage broker's activities or the mortgage banker's as opposed to the whole internal fund, and --

Q. (BY MR. CAMPBELL) Sir, if -- if -- if the Arizona --

MR. DeWULF: Were you finished? Were you finished with your answer or no?

THE WITNESS: Yeah.

MR. DeWULF: Go ahead.

Q. (BY MR. CAMPBELL) If the Arizona financial department had required an audit, do you have an opinion over whether the audit would have shown he was cooking the books to hide what was happening?

MR. DeWULF: Object to form.

THE WITNESS: I -- that's speculation. I have no way of knowing that, what he would do in that regard.

I would hope to God he would be completely honest, like he had been in other instances previously.

Q. (BY MR. CAMPBELL) Did you ever stop to think that the work you were doing would prevent an audit of his books?

MR. DeWULF: Object to form.

THE WITNESS: In my past experience with the Arizona Department of Financial Institutions, they audit the loans closed, not the company.

MR. CAMPBELL: Why don't we break for the day and we will start tomorrow at 9:00.

MR. DeWULF: Okay.

VIDEOGRAPHER: The time is 4:32 p.m. We are ending for the day with media seven.

(Deposition Exhibit Nos. 103 through 432 were marked for identification.)

(4:32 p.m.)

_____
DAVID GEORGE BEAUCHAMP

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

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

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

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

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

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

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

Exhibit 2

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

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

VIDEOTAPED DEPOSITION OF DAVID GEORGE BEAUCHAMP

VOLUME II
(Pages 234 through 493)

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

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

PREPARED FOR:

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

A. Yes.

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

MR. DeWULF: Object to form.

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

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

Do you see that?

A. Yes.

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

Do you see that?

A. Yes.

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

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

A. Correct.

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

Is that what happened, Mr. Beauchamp?

MR. DeWULF: Object to form.

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

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

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

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

in the firm to help you resolve the question. True?

A. True.

Q. Now, you realize that DenSco was a one-man shop, right?

A. Was what?

Q. A one-man shop.

A. He had subcontractors to assist him with things. I -- I don't know everyone's -- I was not general counsel. I do not know. He was the employee, he was the officer, but he paid for outside services.

Q. What outside services did he pay for?

A. At one time he told me he paid somebody to drive by some of the prospective properties. He also told me that, I mean, he had other attorneys involved with the overall thing on certain things in litigation and stuff, of properties he had taken back. He had people providing oversight and construction management for them. He also had, at various time, for lack of a better term, runners to carry around certain things for him and stuff --

Q. All right.

A. -- to get signatures.

Q. Did you ever have a concern that DenSco, which had only one director, one shareholder and one employee, Mr. Chittick, that as their business grew from 16 to $18 million to nearly $50 million in investments, that one

so I can get you the number for that.

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

Are you with me?

A. Yes.

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

Do you see that?

A. Yes.

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

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

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

MR. DeWULF: Is that a question?

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

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

A. Yes.

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

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

A. That is correct.

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

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

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

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

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

MR. DeWULF: Object to form.

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

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

MR. DeWULF: Object to form.

Q. (BY MR. CAMPBELL) True?

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

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

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

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

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

(The requested portion of the record was read.)

MR. DeWULF: Object to form.

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

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

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

And let's go -- are you at Exhibit 4?

A. Not yet.

Q. Tell me when you are.

A. Yeah.

Q. Let's go to page 7.

All right. I want you to look at lines 17 to 26. This is your statement under oath of the facts of this case, correct?

A. Yes.

Q. And you state, "In December 2013, Mr. Chittick contacted Mr. Beauchamp for the first time in months."

Do you see that?

A. Correct.

Q. He told Mr. Beauchamp over the phone that he had run into an issue with some of his loans to Menaged, and specifically, the property securing a few DenSco loans were each subject to a second deed of trust competing for priority with DenSco's deed of trust.

Did I read that correctly?

A. That is correct.

Q. "Mr. Beauchamp reminded Mr. Chittick that he still needed to upgrade 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."

Did I read that correctly?

A. That is correct.

MR. DeWULF: Object to form.

Q. (BY MR. CAMPBELL) And that statement in your Rule 26.1 statement is the truth?

A. Correct.

Q. Now, remember when we were talking about the FREO loan in that paragraph 20 of the Complaint, this double-escrow problem was talked about.

Do you remember that?

MR. DeWULF: Object to form.

THE WITNESS: Yeah, I remember we talked about it.

Q. (BY MR. CAMPBELL) Well, when you had this conversation with Mr. Chittick in December 2013, did it help you remember back that this was a problem you saw the previous summer?

A. He did not -- I do not believe he identified the borrower in the December conversation, and -- and he said a few loans and specifically said, you know, that he

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

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

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

MR. DeWULF: Object to form.

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

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

MR. DeWULF: Object to form.

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

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

MR. DeWULF: Object to form.

THE WITNESS: I am not sure that in the brief

or his cousin, correct?

MR. DeWULF: Object to form.

THE WITNESS: That's -- that's a subject of determination. There was...

Q. (BY MR. CAMPBELL) You don't -- you don't think that wiring the money to the borrower was the catalyst for the frauds committed in this case?

MR. DeWULF: Object to form.

THE WITNESS: I haven't seen everything in terms of things subsequent to 2016 or seen the analysis to know what any catalyst was. If I had to say there was a catalyst, it was Denny Chittick unduly and improperly trusting Scott Menaged.

MR. DeWULF: You said 2016. Is that what you meant?

THE WITNESS: No. I meant 2014. Sorry.

Q. (BY MR. CAMPBELL) I want you to turn to your Exhibit No. 7. It's in Volume 1.

MR. DeWULF: Which exhibit did you say?

MR. CAMPBELL: Exhibit 7.

Q. (BY MR. CAMPBELL) So this is going to be the March billing of all time in February. And why don't you take a moment to review it, and can you point me to any billing entry that refers to this telephone call that you had regarding lending procedures on how you fund.

Q. Okay. Turn to Exhibit No. 18. 17. So 17 is your time for June.

Do you see that --

A. Yes.

Q. -- Exhibit 17?

So at least you are doing work for Mr. Chittick in June of 2016?

A. In that, I believe this completed the work for DenSco because it completed, and I thought the Arizona Department of Financial Institutions closed the audit.

Q. All right. So you were working for DenSco right up to June 28th, 2016, right?

A. Yeah, just for that assignment.

Q. When Mr. Chittick dies, you step in as attorney for DenSco, correct?

A. I was a caretaker. I wasn't an attorney.

Q. Will you turn to Exhibit No. 18?

A. Yes.

Q. I want you to look at your billing records for August of 2016.

You are billing your time for DenSco and you were expecting DenSco to pay you. True?

A. I had been told by the -- Wendy Coy that, yes, I would get paid, which she now denies.

Q. Mr. Beauchamp, starting August 1 --

Mr. Beauchamp, are you denying that as of August 1, 2016, you were the attorney for DenSco?

A. I acted on behalf of DenSco on August 1, 2016, at the request of who was -- Shawna Heuer and subsequently with the Arizona Securities Division.

Q. All right. I want you to turn to -- well, I'm sorry.

Who hired you to work for DenSco?

A. Shawna hired me initially, and then she and her new counsel had discussions with Wendy Coy and others at the Arizona Securities Division with respect to what they needed me to do, how to deal with it till they got a receiver appointed. And that's, you know, the subpoena and everything they served on me for DenSco is -- is what I was trying to deal with, plus I had the deeds of release sent to me and for the loans that were supposed to close in August that Denny had presigned.

Q. Shawna hired you to represent DenSco. True or false?

A. That's -- that's my understanding, yes.

Q. Are you trying to tell me that Wendy Coy hired you to work for DenSco?

A. When Shawna got separate counsel, I had a specific conversation with Wendy Coy and she said: You can't walk away from this. I need somebody to deal with a

subpoena. I need somebody to gather the documents. I need someone to follow through on this. You can't walk away. You know, DenSco will pay for your time, but you need to deal with this and collect the monies and deliver the deeds of release on the loans and you need -- till we get a receiver in place.

Q. Are you saying that Wendy Coy at the Arizona Corporation Commission hired you to work for DenSco and she told you she would pay you for that?

MR. DeWULF: Object to form.

THE WITNESS: In my -- one of my conversations with Wendy Coy, when she wanted to make sure that all the DenSco documents and files were preserved, she said: I'm going to serve subpoena on you for DenSco and DenSco will be responsible to pay you for your time. Because I said: Shawna has got new counsel. I'm out.

Q. (BY MR. CAMPBELL) Are you expressing the opinion that you had an attorney/client relationship with Wendy Coy of the Arizona Corporation Commission?

MR. DeWULF: Object to form.

THE WITNESS: Not -- not an attorney/client, no.

Q. (BY MR. CAMPBELL) All right. Did you have an attorney/client relationship with Shawna -- how do you pronounce her last name?

A. I believe it's Heuer.

Q. Heuer.

Did you have an attorney/client relationship with Shawna Heuer in her capacity as personal representative of the estate which owned all of DenSco's stock? So in her capacity as the shareholder.

A. I represented DenSco. I was not representing her.

Q. Understood. But was there anyone in relationship to DenSco that you went to to make decisions for DenSco? Just as Mr. Chittick was the president and he would make decisions when he was alive, was Shawna Heuer making decisions as the personal representative of the estate or were you acting autonomously?

MR. DeWULF: Object to form.

THE WITNESS: Depends on the decision. I was told by Wendy Coy and Shawna that if I get a request from a title company for the payoff amount, get the amount from Robert Koehler, have it wired to DenSco's account and then deliver the release of the deed of trust. Both of them agreed, so there was a mechanism in place to deal with that until the receiver could be put in position.

Q. (BY MR. CAMPBELL) Turn to Exhibit No. 425. That's in Volume 4. Or, no, in Volume 8. I'm sorry.

All right. Exhibit 425 are applications for fees to the receiver in this case by Clark Hill.

A. Correct.

Q. Mr. Chittick was not there to say don't tell the investors, because he was dead, right?

MR. DeWULF: Object to form.

THE WITNESS: He was not there, but the first thing was to get somebody who was authorized by a court to make decisions, and that was the testimony provided to the Court and why a receiver was appointed.

Q. (BY MR. CAMPBELL) You were the attorney for DenSco, correct?

A. I think what you are implying by attorney to DenSco means that I did everything. I wasn't general counsel. I was literally dealing with the subpoena, and after the ACC was involved and investors or their attorneys called, I told them to call the ACC.

Q. You wrote two letters to investors as the attorney for DenSco, correct?

A. Actually, I took -- I did drafts, they were revised with Shawna and the third parties' comments, and I sent them out at her request.

Q. In those letters you sent to investors as the attorney for DenSco, knowing that DenSco owed fiduciary duties to its investors, did you tell the investors what had happened --

A. We didn't --

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

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

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

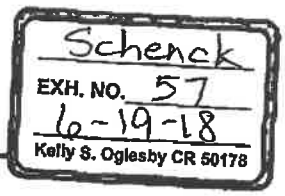
I CERTIFY that I have complied with the ethical obligations in ACJA Sections 7-206(F)(3) and 7-206-(J)(1)(g)(1) and (2).

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

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

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

Exhibit 3



Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 1/21/2014 11:02:46 AM
To: Schenck, Daniel A. [dschenck@clarkhill.com]
CC: Beauchamp, David G. [dbeauchamp@clarkhill.com]; Anderson, Robert G. [randerson@clarkhill.com]
Subject: Re: Furniture King
Attachments: DOT Easy Investments.doc; Note Easy Investment.doc; RM Easy Investments.doc

Attached are the deed and note and rm i use for every loan.
thx
dc

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

From: "Schenck, Daniel A." <DSchenck@ClarkHill.com>
To: "dcmoney@yahoo.com" <dcmoney@yahoo.com>
Cc: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>; "Anderson, Robert G." <RAnderson@ClarkHill.com>
Sent: Tuesday, January 21, 2014 11:35 AM
Subject: Furniture King

Denny,

For your information, Scott's furniture store (Furniture King) has liens on its inventory. The UCC filings are attached. The UCC filings do not state the amount of the encumbrances, but it could be a fluid amount, based on a line of credit with a vendor

On another matter, we need some documents to complete the forbearance agreement. Can you please send us a copy of the form(s) you used for (i) a loan agreement and (ii) a deed of trust. I know that you likely have dozens (if not hundreds) of loan agreements and deed of trusts, but if the same forms were used, we can review the forms to find the information we need. If multiple forms were used, please provide us a copy of each form. The forbearance agreement will refer to these documents, and will ideally detail how/where the debtor breached the terms of the agreement, but will include language regarding the lender's agreement to forbearance from pursuing its claims based on those breaches.

Thank you.

Daniel A. Schenck

CLARK HILL PLC

480.684.1118 (direct) | 480.684.1179 (fax)
Licensed in Arizona, California, Utah and Nevada
dschenck@clarkhill.com | bio | www.clarkhill.com

WHEN RECORDED MAIL TO:

DenSco Investment
6132 W. Victoria Place
Chandler, AZ 85226

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

DEED OF TRUST AND ASSIGNMENT OF RENTS

Date: January 17, 2014

TRUSTOR: Arizona Home Foreclosures, LLC

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

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

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

TRUSTEE: Quality Loan Service Corp

Address: 2141 5th Ave., San Diego, CA 92101

PROPERTY in the County of Maricopa, State of Arizona, described as: Lot 276, Subdivision Sunset Vista, according to Book 695, of Maps, Page 24, in the plat record in the Recorder's Office of Maricopa County, Arizona.

Street address: 25863 W St. James Ave., Buckeye, AZ 85326

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

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

FOR THE PURPOSE OF SECURING:

A. Performance of each and every agreement of Borrower herein contained. B. Payment of the principal sum of $43,500.00 (U.S. $Forty-three Thousand Five Hundred Dollars and No Cents). This debt is evidenced by Borrower's NOTE or NOTES dated the same date as this DEED OF TRUST, and any extension or renewal thereof (collectively, if applicable, the "Note"). C. Payment of all additional sums and interest thereon which at any time now or hereafter are owed by Borrower to Lender, or its successors or assigns. D. Payment of any amounts hereafter advanced by Lender or paid on behalf of Borrower to perform any duties or obligations of Borrower hereunder, or otherwise to protect the Property or the lien of this Deed of Trust.

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

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

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

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

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

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

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

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

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

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

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

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

IT IS MUTUALLY AGREED:

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

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

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

14. At any time or from time to time, without liability therefor and without notice, upon written request of Lender and presentation of this Deed of Trust and said Note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: (a) reconvey all or any part of said Property, consent to the making of any 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.

NOTE SECURED BY DEED OF TRUST

$43,500.00 Phoenix, AZ (Date) January 17, 2014

Property Address: 25863 W St. James Ave., Buckeye, AZ 85326

For value received, Arizona Home Foreclosures, LLC("Maker") promises to pay to the order of DenSco Investment Corporation or assigns (the "Holder"), at 6132 W. Victoria Place, Chandler, AZ 85226 (or at such other place as the Holder may designate in writing), in lawful U S. money the principal sum of $43,500.00($Forty-Three Thousand Five Hundred Dollars and No Cents) plus interest calculated on the basis of a 360-day year and charged for the actual number of days elapsed, from the date hereof until paid on the principal balance from time to time outstanding.

Interest shall accrue on the principal sum outstanding at the rate of eighteen percent (18%) per annum, and shall be payable monthly commencing one month from the date hereof (provided, however, that if there is no comparable date in the following month to the date on which this Note is executed, monthly installments of interest hereunder shall be due and payable on the last day of each of the five succeeding months). The entire principal balance, together with all unpaid accrued interest, shall be due and payable as a balloon payment on March 12, 2014, the date six months from the date of funding under this Note, or upon any earlier acceleration (the "Maturity Date"). If any payment becomes past due for more than five calendar days, Maker shall pay to Holder, in addition to the amount of the overdue payment, a late charge equal to ten percent (10%) of the unpaid accrued interest element of such overdue payment.

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

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

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

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

Signed this date: ____ _____

Borrower: Arizona Home Foreclosures, LLC **By:** X_____

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

Personally Guaranteed by: X_____ **Printed Name:** X_____

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

When recorded, mail to.

DenSco Investment
6132 W. Victoria Place
Chandler, AZ 85226

MORTGAGE

January 17, 2014

The undersigned borrower ("Borrower") acknowledges receipt of the proceeds of a loan from DenSco Investment Corporation ("Lender") in the sum of $169,000.00, as evidenced by check payable to: First American Title Ins Co ("Trustee"). The loan was made to Borrower to purchase the Real Property legally described as: Lot 217, Subdivision Monterey Point 11, according to the plat Book 363, of Maps, Page 48,in the plat record in the Recorder's Office of Maricopa County, Arizona. Address: 510 S Jackson St., Chandler, AZ 85225 At a trustee's sale conducted by Trustee, which took place on January 16, 2014, Borrower became the successful purchaser with the highest bid, and the loan is intended to fund all or part of the purchase price bid by Borrower at such trustee's sale.

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

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

Borrower: .Arizona Home Foreclosures, LLC

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

Signature._____

State of Arizona)
) ss.
County of Maricopa)

Subscribed, sworn to and acknowledged before me this ____ day of _____, 2014.

By Yomtov Scott Menaged

Commission Expires._____

_____
Notary Public

Exhibit 4

Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 9/21/2012 2:50:36 PM
To: Scott Menaged [smena98754@aol.com]
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 5

Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 9/24/2012 9:10:52 AM
To: Yomtov Menaged [smena98754@aol.com]
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 6

Message

From: Gregg Reichman [greichman@activefundinggroup.com]
Sent: 9/21/2012 9:55:41 PM
To: Scott Menaged [smena98754@aol.com]
CC: Jody Angel [Jangel@activefundinggroup.com]
Subject: RE: 6507 Straight Arrow Lane

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

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:

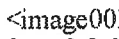
If you get a moment can you please look up a few properties:

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


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


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

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 7

Gregg Reichman

From: Gregg Reichman
Sent: Wednesday, November 14, 2012 2:06 PM
To: Scott Menaged
Cc: Jody Angel
Subject: RE: Densco

Corrected amount is $415,773.00..

Sorry
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: Gregg Reichman [mailto:greichman@activefundinggroup.com]
Sent: Wednesday, November 14, 2012 2:02 PM
To: Scott Menaged (SMENA98754@AOL.COM)
Cc: Jody Angel (Jangel@activefundinggroup.com)
Subject: Densco

Scotty:

Please let Denny know that he will receive **a single wire in the amount of $415,733.00 today** for full payoff of the following assets

11728 Mariposa Grande, Sun City Az 85373	$75,572.50
226 N. 221st Ave, Buckeye Az 85326	$50,073.50
6231 W. Maryland Avenue, Glendale Az 85301	$50,945.00
12463 W. Via Camille, El Mirage Az 85335	$40,440.00
2448 W. Sunrise Drive, Phx Az 85041	$82,049.50
11538 W. Corrine Dr, El Mirage Az 85335	$35,482.50
2126 W. Solano Drive, Phx Az 85015	$40,620.00
11927 W. Dahlia Dr, El Mirage Az 85335	$40,550.00

The wire will come from Note Acquisition Company, LLC

Please also let him know **that tomorrow, he will receive a second wire, also Note Acquisition Company, LLC in the amount of $350,655.25** for full payoff of the following assets:

25816 W. Burgess Ln, Buckeye Az 85326	$40,900.00
6111 W. Gelding Dr, Glendale Az 85306	$50,732.75
2233 E. Highland Ave, #54 Phx Az 85016	$40,800.00
2930 E. Libby St, Phx Az 85032	$60,830.00
6339 W. Pima St Phoenix Az 85043	$35,247.50
13023 W. Soledad St El Mirage Az 85335	$50,770.00
8746 W. Heber Rd, Tolleson Az 85353	$71,375.00

Also, he sent over 2 payoffs for assets that we do not want, and didn't request payoffs for and as a result we won't be sending funds for them. They are 4905 E. Grandview St, Mesa Az 85205 and 5126 N. 78th St, Scottsdale Az 85250

Thank you,
GR

AFG Active Funding Group, L.L.C.
Gregg S. Reichman
Managing Director
602-443-6148 direct to my desk
602-692-3812 - Mobile
602-252-1177 - Fax
greichman@activefundinggroup.com
bldpro@earthlink.net

Exhibit 8

Message

From: Gregg Reichman [greichman@activefundinggroup.com]
Sent: 11/11/2012 12:59:07 PM
To: Scott Menaged [smena98754@aol.com]
Subject: RE: Scotty - if Ok with you we will take Denny out of these loans.... call me

Ok.. for some reason didn't see this.

Thank you,
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: Saturday, November 10, 2012 10:21 AM
To: Gregg Reichman
Subject: Re: Scotty - if Ok with you we will take Denny out of these loans.... call me

Just got your message.... Thanks I am ok! I did respond , I said we will talk Monday and I'll get payoffs from Denny Monday

Sent from my iPhone

On Nov 10, 2012, at 6:13 AM, Gregg Reichman <greichman@activefundinggroup.com> wrote:

Scotty. Did you get this?

Gregg Reichman
Active Funding Group
602-692-3812 cell
602-252-1155 x 110 ofc
greichman@activefundinggroup.com

On Nov 9, 2012 7:32 AM, "Gregg Reichman" <greichman@activefundinggroup.com> wrote:
<image001.gif>

6111 W Gelding Dr	Glendale, 85306	$ 49,500.00
2448 W Sunrise Dr	Phx, 85041	$ 80,500.00
6231 W Maryland Ave	Glendale, 85301	$ 50,000.00

11927 W Dahlia Dr	El Mirage, 85335	$ 40,000.00
11538 W Corrine Dr	El Mirage, 85335	$ 35,000.00
2930 E Libby St	Phx, 85032	$ 60,000.00
25816 W Burgess Ln	Buckeye, 85326	$ 40,000.00
266 N 221st Ave	Buckeye, 85326	$ 49,000.00
2233 E Highland Ave #54 or #219	Phx, 85016	$ 40,000.00
13023 W Soledad St	El Mirage, 85335	$ 50,000.00
12463 W Via Camille	El Mirage, 85335	$ 40,000.00
6339 W Pima St	Phx, 85043	$ 35,000.00
2126 W Solano Dr	Phx, 85015	$ 40,000.00
8746 W Heber Rd	Tolleson, 85353	$ 70,000.00
5126 N 78th Street	Scottsdale, 85250	$ 110,000.00
11728 Mariposa Grande	SCW, 85373	$ 75,000.00
4905 E Grandview St	Mesa, 85207	$ 90,000.00

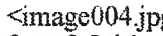

Gregg S. Reichman
Managing Director
602-443-6148 direct to my desk
602-692-3812 - Mobile
602-252-1177 - Fax
greichman@activefundinggroup.com
bidpro@earthlink.net

Exhibit 9

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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' 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.
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Davis

v.

Clark Hill PLC, et al.

Expert Report of David R. Perry

Sterling Group LLC

April 5, 2019

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1. Background

1.1 Introduction

Peter S. Davis ("Plaintiff" or "Receiver") is the court-appointed receiver of DenSco Investment Corporation ("DenSco"). The Receiver is in a dispute with Clark Hill PLC ("Clark Hill") and David G. Beauchamp ("Mr. Beauchamp").[1] This report refers to Clark Hill and Mr. Beauchamp collectively as "Defendants".

DenSco commenced operations in or around April 2001. DenSco's primary business was making loans to residential property remodelers who purchased distressed properties ("Borrowers").[2] DenSco obtained most of its funding from notes sold to individuals and entities ("Investors"). DenSco received interest on loans made to Borrowers and paid interest on notes sold to Investors.[3]

The Receiver alleges Defendants' actions in connection with legal assistance provided to DenSco (i) fell below the standard of care owed by an Arizona attorney to a client, (ii) breached fiduciary duties owed to DenSco and/or (iii) aided and abetted the breach of fiduciary duties owed to DenSco by its sole shareholder and operator, Denny Chittick ("Mr. Chittick").[4] This report refers to the Receiver's claims against Defendants as the "Alleged Actions".

Mr. Chittick died on July 28, 2016.[5] After Mr. Chittick's death, it became publicly known that Yomtov Scott Menaged ("Mr. Menaged") had defrauded DenSco of many millions of dollars over several years.[6] The Receiver claims the Alleged Actions caused DenSco to suffer economic damages related to the frauds perpetrated by Mr. Menaged.[7]

1.2 Scope of Engagement

Defendants' counsel engaged David R. Perry of Sterling Group LLC ("Sterling") to perform financial and economic analyses related to (i) the frauds perpetrated by Mr. Menaged, (ii) DenSco's financial situation and (iii) the Receiver's claims for economic damages. Appendix A contains Mr. Perry's resume, testimony experience and publications. Mr. Perry is charging $425 an hour for his work in this lawsuit.

Sterling reviewed the documents listed in Appendix B in the process of preparing this report. Sterling may revise or supplement this report if additional information is provided and/or more analysis is performed. Additionally, Sterling may prepare presentation materials, such as charts, tables and other forms of exhibits, to assist in explaining opinions at trial.

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1 "Complaint" dated October 16, 2017.
2 Beauchamp Deposition Exhibit 432 at BC 2921.
3 DenSco QuickBooks data.
4 "Complaint" dated October 16, 2017, pages 20 and 21.
5 "Complaint" dated October 16, 2017, page 20.
6 Mr. Menaged obtained loans from DenSco in the name of multiple entities. This report refers to Mr. Menaged generally rather than the specific borrowing entity unless more specificity is required.
7 "Complaint" dated October 16, 2017, page 4.

1.3 Liability

Sterling has not analyzed liability issues in the lawsuit and Sterling's analysis provides no support for the Receiver's liability claims against Defendants. If Defendants are not found liable for the Alleged Actions, all damage calculations are irrelevant.

2. Summary of Main Opinions

Sterling's analysis shows:

Mr. Menaged's Frauds

- Mr. Menaged perpetrated two distinct fraudulent schemes against DenSco.
- Mr. Chittick became aware in September 2012 that there were nine instances where both DenSco and one of its competitors, Active Funding Group LLC ("AFG"), had made loans on the same property owned by Mr. Menaged.
- If DenSco had stopped lending to Mr. Menaged in September 2012 after Mr. Chittick became aware of nine instances in which Mr. Menaged had obtained two loans on the same property, DenSco would have suffered no losses related to Mr. Menaged's frauds after September 2012.
- Mr. Chittick allowed DenSco's lending to Mr. Menaged to expand significantly starting around the beginning of 2013.
- Mr. Chittick provided Mr. Beauchamp with an incomplete and misleading picture of DenSco's relationship with Mr. Menaged in June 2013 and January 2014.
- Neither Mr. Menaged nor Mr. Chittick complied with the terms of a Forbearance Agreement signed in April 2014 resulting in millions of dollars of additional losses to DenSco.

DenSco's Financial Condition

- The interest rate paid by DenSco to Investors contained a large risk premium and was many times higher than the interest rates paid on risk-free securities.
- Investors did not require to know DenSco's net worth or see its financial statements before investing.
- DenSco suffered significant losses during the housing market collapse which resulted in DenSco's net worth being negative on a fair value basis for most, if not all, of 2009, 2010 and 2011.

- DenSco would not have had enough funds to repay its Investors in full if it had been liquidated in several years from 2009 onwards as a result of losses suffered in the housing market collapse.

- DenSco was not liquidated in or around 2009 and was able to continue in business paying Investors a 12% annual return on their investments in each year.

- DenSco demonstrated an ability to pay its Investors on time in many months when it had a negative net worth on a fair value basis.

- As a result of DenSco's improving financial performance in 2010, 2011 and 2012, DenSco would have been able to work its way through the losses it had suffered in the housing market collapse and remain in business but-for the frauds perpetrated by Mr. Menaged.

- DenSco likely had a negative net worth on a fair value basis as of September 30, 2012 as a result of the nine problem loans related to Mr. Menaged's frauds identified in September 2012.

- It is unlikely any negative net worth on a fair value basis that DenSco had as of September 30, 2012 as a result of Mr. Menaged's frauds would have caused DenSco to cease operations and/or become unable to repay its Investors if Mr. Menaged's frauds had been stopped at that time.

- Based on what Mr. Chittick knew about DenSco's financial condition and assuming Mr. Menaged would not be able to obtain many millions of dollars from other sources to reimburse DenSco, DenSco would likely have become unable to generate and/or obtain enough cash to pay for its projected obligations and fund its business requirements with a reasonable cushion at some point between January 31, 2013 and November 27, 2013.

- The scale of DenSco's problem as of November 27, 2013 and January 9, 2014 was significantly larger than the one it had faced as a result of the housing market collapse.

- Unless DenSco's liens were found to be in first position on most of the outstanding loans to Mr. Menaged and/or Mr. Menaged had been able to obtain many millions of dollars from other sources to reimburse DenSco:

    - DenSco was likely facing losses as of November 27, 2013 and 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 November 27, 2013 and January 9, 2014.

- DenSco's accountant failed to spot and/or follow up on warning signs in information provided to him in connection with the preparation of DenSco's 2013 income tax returns.

- 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.

- DenSco's outstanding loans to Mr. Menaged represented less than 15% of its portfolio until the beginning of 2013.

- DenSco's outstanding loans to Mr. Menaged increased in 2013 as a percentage of its portfolio from less than 15% at the start of the year to approximately 50% at the end of the year.

- DenSco's outstanding loans to Mr. Menaged further increased as a percentage of its portfolio in 2014, 2015 and 2016 to almost 90%.

Mr. Menaged was not DenSco's largest Borrower as of the end of any year from 2007 to 2010 but was at the end of all subsequent years.[10]

3.2 Receiver's Description of Frauds

The Receiver's December 23, 2016 status report states "Menaged perpetrated two distinct fraudulent schemes against DenSco" and describes the two fraudulent schemes as follows:[11]

> *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. 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 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.'"

[10] DenSco QuickBooks data.
[11] Davis Deposition Exhibit 479, Exhibit A, pages 7 to 10.

"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."

3.3 First Fraud

The Receiver states the First Fraud started "Sometime in 2011 or 2012".[12]

3.3.1 September 2012

Sterling reviewed several emails discussing the fact that it had been discovered in September 2012 that Mr. Menaged had obtained two loans on the same property on a number of occasions.[13] The problem loans were first identified by AFG, one of DenSco's competitors.[14] In several situations, Mr. Menaged had obtained a loan from AFG and another loan from DenSco with both loans secured by the same property.[15] AFG made Mr. Chittick aware that it had discovered problems with several of DenSco's loans.[16] An email from AFG to Mr. Menaged identifies nine properties with loans from both AFG and DenSco in September 2012.[17] DenSco's nine loans totaled approximately $1.5 million and had been made between April and August 2012.[18]

Mr. Menaged's assistant initially informed AFG that DenSco's loans had been repaid but AFG contacted Mr. Chittick who stated that DenSco's loans remained outstanding on these properties.[19] Mr. Menaged informed Mr. Chittick that AFG's loans had been repaid and AFG's accounting was at fault.[20] Mr. Menaged met with AFG to discuss the problem.[21] After meeting with Mr. Menaged, AFG spoke to Mr. Chittick and may have misled him about the problem loans.[22]

AFG's subsequent communications with Mr. Menaged show AFG considered Mr. Menaged to be responsible for the problem loans.[23] AFG required Mr. Menaged to sign an agreement to address AFG's concerns about its loans and take corrective actions.[24] Sterling has not seen the signed agreement between Mr. Menaged and AFG. The documents reviewed by Sterling indicate the agreement required Mr. Menaged to, inter alia, (i) provide additional unencumbered properties as collateral to AFG, (ii) sign a blanket deed of trust to AFG covering other properties and (iii) agree to pay certain amounts to AFG over time.

Mr. Chittick did not appear to take actions against Mr. Menaged to address DenSco's problem loans in or around September 2012. AFG was in a better position to take additional funds and/or assets from Mr. Menaged to protect its position because DenSco was not also seeking additional funds and/or assets from Mr. Menaged at the same time.

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12 Davis Deposition Exhibit 479, Exhibit A, page 7.
13 For example, Davis Deposition Exhibits 487 to 492.
14 Davis Deposition Exhibits 487 and 488.
15 Davis Deposition Exhibit 492.
16 Davis Deposition Exhibits 487 and 491.
17 Davis Deposition Exhibit 492.
18 Davis Deposition Exhibits 492 and 496.
19 Davis Deposition Exhibit 488.
20 Davis Deposition Exhibit 491.
21 Davis Deposition Exhibit 493.
22 Davis Deposition Exhibit 495.
23 Davis Deposition Exhibits 496 to 498.
24 Davis Deposition Exhibits 496 to 498, 500 and 501.

If DenSco had stopped lending to Mr. Menaged in September 2012 after Mr. Chittick became aware of nine instances in which Mr. Menaged had obtained two loans on the same property, DenSco would have suffered no losses related to Mr. Menaged's frauds after September 2012.

Unfortunately, DenSco did not stop lending to Mr. Menaged in September 2012. In contrast, DenSco significantly increased the extent of its lending to Mr. Menaged in the 15 months after September 2012 as discussed earlier in this report and summarized in the following table:[25]

Date	*Outstanding Loans to Mr. Menaged*	*% of Portfolio Represented by Mr. Menaged's Loans*
September 30, 2012	$3,584,000	9.08%
December 31, 2012	$4,650,000	11.71%
March 31, 2013	$11,688,000	23.62%
June 30, 2013	$16,183,000	31.04%
September 30, 2013	$22,382,000	40.17%
December 31, 2013	$28,454,732	48.78%

3.3.2 June 2013

The next information reviewed by Sterling with specifics on loans that were part of the First Fraud relates to June 2013. DenSco's exposure to Mr. Menaged was significantly higher by this time as shown in the above table.

In June 2013, Mr. Chittick became aware that DenSco and AFG were being sued related to loans made to Mr. Menaged on the same property.[26] The complaint in the lawsuit alleged that Mr. Menaged had attempted to encumber a property that he did not rightly own with deeds of trust to both DenSco and AFG. Mr. Chittick informed Mr. Beauchamp about the lawsuit in an email stating:

> "I have a borrower, to [sic] 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."[27]

Mr. Chittick's description of his past relationship with Mr. Menaged in the email to Mr. Beauchamp omits relevant facts including:

- Mr. Chittick had been informed in September 2012 that several properties used to secure DenSco's loans to Mr. Menaged were also used to secure loans from AFG.

[25] DenSco QuickBooks data.
[26] Beauchamp Deposition Exhibit 111. Mr. Menaged was also being sued.
[27] Beauchamp Deposition Exhibit 111.

- DenSco had significantly expanded its lending to Mr. Menaged such that Mr. Menaged's outstanding loans totaled approximately $14.5 million and represented approximately 29% of DenSco's portfolio as of May 31, 2013.[28]

Mr. Chittick did not appear to take any actions to reduce DenSco's lending to Mr. Menaged after he was made aware of the lawsuit in June 2013. Instead, DenSco's lending to Mr. Menaged further increased over the subsequent months.

3.3.3 November 2013

The next information reviewed by Sterling with specifics on loans that were part of the First Fraud relates to November 2013. DenSco's exposure to Mr. Menaged had increased significantly further by this time as shown by the table and charts discussed earlier in this report.

Mr. Chittick purportedly became aware of a problem with many of DenSco's outstanding loans to Mr. Menaged on or around November 27, 2013 when Mr. Menaged informed him that there were multiple liens on many properties as a result of the actions of Mr. Menaged's "cousin".[29] As of November 30, 2013, DenSco's outstanding loans to Mr. Menaged totaled approximately $25.4 million and represented approximately 46% of DenSco's portfolio.[30] Substantially all of DenSco's outstanding loans to Mr. Menaged at that time were part of the First Fraud according to information provided by Mr. Chittick in April 2014.[31]

Without seeking the assistance of outside professionals, Mr. Chittick and Mr. Menaged agreed on a plan to deal with the problem and started to execute their plan.[32]

3.3.4 January 2014

On January 6, 2014, Mr. Chittick received a letter from attorneys representing some of the lenders other than DenSco and AFG that had been caught up in Mr. Menaged's fraudulent scheme to obtain multiple loans on the same property.[33] Mr. Chittick forwarded the letter to Mr. Beauchamp.

Mr. Chittick provided some information about Mr. Menaged to Mr. Beauchamp in an email dated January 7, 2014 in advance of a meeting on January 9, 2014 between Mr. Chittick, Mr. Menaged and Mr. Beauchamp. Mr. Chittick's email states, inter alia:

> "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."[34]

---

28 DenSco QuickBooks data.
29 Schenck Deposition Exhibit 51 at CH 5790 to 5794; Schenck Deposition Exhibit 97 at DIC 10732.
30 DenSco QuickBooks data.
31 Beauchamp Deposition Exhibit 406.
32 Schenck Deposition Exhibit 51.
33 Schenck Deposition Exhibit 53.
34 Schenck Deposition Exhibit 51.

Mr. Chittick's positive description of his past relationship with Mr. Menaged in the email omits relevant facts. For example, the description does not mention that:

- Mr. Chittick had been informed in September 2012 that several properties used to secure DenSco's loans to Mr. Menaged were also used to secure loans from AFG.

- DenSco had significantly expanded its lending to Mr. Menaged such that Mr. Menaged's outstanding loans totaled approximately $28.5 million and represented approximately 49% of DenSco's portfolio as of December 31, 2013.[35]

- Over $30 million of the cumulative total of $50 million lent to Mr. Menaged had been lent in the last year.[36]

- Approximately $12.7 million of the $28.5 million outstanding from Mr. Menaged as of December 31, 2013 had been lent more than six months ago and was in default according to the terms of DenSco's loan agreements.[37]

- Approximately $5.1 million of the $21.6 million of loans that Mr. Menaged had repaid between November 2007 and December 2013 had not been repaid within the six-month loan term in DenSco's loan agreements and so had been in default.[38]

Additionally, Mr. Chittick and Mr. Menaged initially misled Mr. Beauchamp about the number of First Fraud loans in the meeting on January 9, 2014. Mr. Beauchamp's notes from the January 9, 2014 meeting state the problem affected "about 100 to 125 properties".[39] In contrast, Mr. Beauchamp's notes from a call with Mr. Chittick in April 2014 state the problem had initially affected 186 loans with a total value of approximately $25 million.[40]

3.4 Second Fraud

The Second Fraud began around the end of 2013 and involved Mr. Menaged obtaining loans from DenSco for properties he did not purchase.[41] Mr. Menaged was able to circumvent the extra checks that Mr. Chittick put in place after the First Fraud to ensure DenSco's funds were used to buy properties by (i) working a cashier's check scheme at banks and (ii) falsifying trustee's sale

35 DenSco QuickBooks data.
36 Appendix E.
37 Appendix F; Beauchamp Deposition Exhibit 432 at BC 2924; Schenck Deposition Exhibit 57 at CH 1410 and 1417.
38 Appendix G; Beauchamp Deposition Exhibit 432 at BC 2924; Schenck Deposition Exhibit 57 at CH 1410 and 1417.
39 Beauchamp Deposition Exhibit 145.
40 Beauchamp Deposition Exhibit 406.
41 Davis Deposition Exhibit 479, Exhibit A, page 9; Davis Deposition Exhibit 535, page 5. Excel file produced by Receiver entitled "Analysis of Loans to Yomtov Scott Menaged".

receipts.[42] Sterling understands Mr. Menaged's cashier's check scheme involved the following steps:

- Purchase a cashier's check made payable to a trustee containing DenSco's name using funds in Mr. Menaged's accounts at either JP Morgan Chase Bank or US Bank.
- Photograph the cashier's check.
- Send the photograph of the cashier's check to DenSco to support a purported payment.
- Redeposit the cashier's check into Mr. Menaged's accounts at either JP Morgan Chase Bank or US Bank.

The Receiver is pursing claims against JP Morgan Chase Bank and US Bank related to the cashier's check scheme as discussed later in this report.

Mr. Chittick and DenSco operated using accounts at Bank of America in 2014. Bank of America elected to close the accounts in the months after the Second Fraud began. Specifically, Bank of America elected to close Mr. Chittick's account in April 2014 and DenSco's accounts in November 2014.[43] Mr. Chittick opened accounts for DenSco at First Bank to replace the closed accounts at Bank of America. Sterling has not investigated whether Bank of America and/or First Bank should have taken different actions given what they knew or should have known and, if so, how different actions by Bank of America and/or First Bank would have affected the losses resulting from the Second Fraud.

3.5 Forbearance Agreement

The general plan that Mr. Menaged and Mr. Chittick had devised and started to execute in November 2013 was formalized in a Forbearance Agreement dated April 16, 2014.[44] Mr. Menaged owed approximately $35.6 million to DenSco on the date of the Forbearance Agreement.[45] Neither Mr. Menaged nor Mr. Chittick complied with the terms of the Forbearance Agreement. For example:

- The plan documented in the Forbearance Agreement involved the contribution of millions of dollars of additional funds by Mr. Menaged. Specifically, Mr. Menaged agreed inter alia, to (i) provide approximately $4.2 million from private outside financing in four tranches through September 2014 and (ii) liquidate assets expected to generate approximately $4 to $5 million.[46] Sterling has seen no evidence that Mr. Menaged contributed substantial, if any, funds obtained from private outside financing and/or asset liquidations towards solving the problems he had created for DenSco.

[42] Davis Deposition Exhibit 479, Exhibit A, page 9; Receiver's March 11, 2019 status report, page 10.
[43] Davis Deposition Exhibit 545; Mr. Davis' November 16, 2018 deposition, pages 260 to 262.
[44] Schenck Deposition Exhibit 97.
[45] Schenck Deposition Exhibit 97 at DIC 10733.
[46] Schenck Deposition Exhibit 97 at DIC 10734 and 10735.

- The plan documented in the Forbearance Agreement involved the extension by DenSco of two additional credit facilities with a combined limit of $6 million to Mr. Menaged (i.e., a $1 million facility and a $5 million facility). Mr. Chittick set up two accounts in DenSco's QuickBooks accounting records to monitor the amount extended under the two additional facilities. One QuickBooks account was entitled "Work Out 1 Million" and the second QuickBooks account was entitled "Work Out 5 Million". As of the date of Forbearance Agreement, the amounts outstanding on the two new facilities were approximately $0.9 million and $1.8 million respectively.[47] Mr. Chittick did not limit the amount recorded in the Work Out 5 Million account to $5 million. Additionally, Mr. Chittick set up a third new QuickBooks account entitled "Wholesale" in or around November 2014 to record credit extended to Mr. Menaged. There is no mention of a new wholesale facility in the Forbearance Agreement.

Mr. Chittick's failure to limit the additional credit extended to Mr. Menaged by DenSco to the amounts in the Forbearance Agreement increased DenSco's losses from the frauds perpetrated by Mr. Menaged. At the time the Forbearance Agreement was executed, the maximum amount of additional credit that DenSco could extend to Mr. Menaged was approximately $3.3 million under the two identified facilities.[48] Mr. Chittick arbitrarily recorded much more than an additional $3.3 million in the two QuickBooks accounts entitled "Work Out 1 Million" and "Work Out 5 Million" as detailed in later sections of this report.

3.6 New QuickBooks Accounts

Sterling analyzed the balances in the three new QuickBooks accounts that Mr. Chittick set up in DenSco's accounting records and used to record credit extended to Mr. Menaged in or after late 2013 (i.e., Work Out 1 Million, Work Out 5 Million and Wholesale).

3.6.1 "Work Out 1 Million" Account

Appendix H charts the amounts recorded in the Work Out 1 Million account by month. Appendix H shows:

- Mr. Chittick first recorded advances in the Work Out 1 Million account in December 2013 (i.e., before any work on the Forbearance Agreement had been commenced).

- Mr. Chittick allowed the balance in the Work Out 1 Million account to exceed $0.9 million by mid-January 2014 (i.e., three months before the Forbearance Agreement was executed).

- Mr. Chittick allowed the balance in the Work Out 1 Million QuickBooks account to reach $1 million limit in the Forbearance Agreement by April 2014 (i.e., the month in which the Forbearance Agreement was executed).

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[47] Schenck Deposition Exhibit 97 at DIC 10793 and 10808.

[48] $5,000,000 - $1,780,240 + $1,000,000 - $915,168 = $3,304,592. Schenck Deposition Exhibit 97 at DIC 10793 and 10808.

- The balance in the Work Out 1 Million account remained around the $1 million limit in the Forbearance Agreement through June 2016.

3.6.2 "Work Out 5 Million" Account

Appendix I charts the amounts recorded in the Work Out 5 Million account by month. Appendix I shows:

- Mr. Chittick first recorded advances in the Work Out 5 Million account in February 2014 (i.e., before the Forbearance Agreement was executed in April 2014).

- Mr. Chittick allowed the balance in the Work Out 5 Million account to first exceed the $5 million limit in the Forbearance Agreement in June 2014.

- Mr. Chittick arbitrarily continued to record advances in the Work Out 5 Million account for more than a year after the $5 million limit in the Forbearance Agreement was exceeded.

- Mr. Chittick arbitrarily allowed the balance in the Work Out 5 Million account to exceed $14 million by August 31, 2015, before decreasing slightly between September 2015 and December 2015 and remaining flat thereafter.

3.6.3 "Wholesale" Account

Appendix J charts the amounts recorded in the Wholesale account by month. Appendix J shows:

- Mr. Chittick first recorded advances in the Wholesale account in November 2014 (i.e., seven months after the Forbearance Agreement was executed in April 2014).

- Mr. Chittick allowed the balance in the Wholesale account to approach $20 million by December 2014.[49]

- Mr. Chittick continued to record more advances than repayments in the Wholesale account such that the balance approached $30 million by June 2016.

[49] The approximately $17.8 million increase in the Wholesale account balance in December 2014 did not result in a similar increase in DenSco's outstanding loans to Mr. Menaged in December 2014 primarily because the balance in another QuickBooks account related to Mr. Menaged entitled "Arizona Home Foreclosures, LLC" decreased by approximately $15.5 million in the same month.

3.7 Mr. Menaged's Frauds Summary

Based on the above and information discussed elsewhere in this report:

- Mr. Menaged perpetrated two distinct fraudulent schemes against DenSco.
- Mr. Chittick became aware in September 2012 that there were nine instances where both DenSco and one of its competitors, AFG, had made loans on the same property owned by Mr. Menaged.
- If DenSco had stopped lending to Mr. Menaged in September 2012 after Mr. Chittick became aware of nine instances in which Mr. Menaged had obtained two loans on the same property, DenSco would have suffered no losses related to Mr. Menaged's frauds after September 2012.
- Mr. Chittick allowed DenSco's lending to Mr. Menaged to expand significantly starting around the beginning of 2013.
- Mr. Chittick provided Mr. Beauchamp with an incomplete and misleading picture of DenSco's relationship with Mr. Menaged in June 2013 and January 2014.
- Neither Mr. Menaged nor Mr. Chittick complied with the terms of the Forbearance Agreement resulting in millions of dollars of additional losses to DenSco.

4. DenSco's Financial Situation

4.1 Investor Returns

DenSco recorded interest owed to Investors monthly through June 2016, the month before Mr. Chittick died.[50] DenSco allowed Investors the option of having interest (i) paid monthly in cash or (ii) accrued monthly and paid quarterly or at the maturity of the note.[51] If Investors requested, DenSco rolled accrued interest into the principal value of new notes when the prior notes matured.

Appendix K details the interest accrued and/or paid to each of the Investors by year through June 2016 and shows the interest totaled almost $42 million. Appendix L details the annualized interest rate received by each of the Investors by year through June 2016 and shows the annualized interest rate was 12% for most Investors in most years.

DenSco offered notes with maturities ranging from six months to five years.[52] DenSco stated it would use good faith efforts to return investments prior to the maturity of the notes without penalty upon the request of Investors.[53] The 12% average annual interest rate paid by DenSco was

[50] DenSco QuickBooks data; "Complaint" dated October 16, 2017, page 20.
[51] Beauchamp Deposition Exhibit 432 at BC 2965.
[52] Beauchamp Deposition Exhibit 432 at BC 2967.
[53] Beauchamp Deposition Exhibit 432 at BC 2913.

substantially higher than interest rates paid on risk-free investments of similar maturities between 2001 and 2016 as shown by the following table:[54]

Year	*Annualized Interest Rates on US Treasury Securities with Maturity of:*				
	6-Months	*1-Year*	*2-Years*	*3-Years*	*5-Years*
2001	3.45%	3.49%	3.83%	4.09%	4.56%
2002	1.72%	2.00%	2.64%	3.10%	3.82%
2003	1.08%	1.24%	1.65%	2.10%	2.97%
2004	1.61%	1.89%	2.38%	2.78%	3.43%
2005	3.50%	3.62%	3.85%	3.93%	4.05%
2006	5.00%	4.94%	4.82%	4.77%	4.75%
2007	4.62%	4.53%	4.36%	4.35%	4.43%
2008	1.66%	1.83%	2.01%	2.24%	2.80%
2009	0.28%	0.47%	0.96%	1.43%	2.20%
2010	0.20%	0.32%	0.70%	1.11%	1.93%
2011	0.10%	0.18%	0.45%	0.75%	1.52%
2012	0.13%	0.17%	0.28%	0.38%	0.76%
2013	0.09%	0.13%	0.31%	0.54%	1.17%
2014	0.06%	0.12%	0.46%	0.90%	1.64%
2015	0.17%	0.32%	0.69%	1.02%	1.53%
2016	0.46%	0.61%	0.83%	1.00%	1.33%

The interest rate risk premium paid by DenSco to Investors was highest in the years that risk-free interest rates were lowest. The above table shows the lowest interest rates were in (i) 2014 for six-month and one-year US treasury securities and (ii) 2012 for two-year, three-year and five-year US treasury securities. The following table summarizes the difference between the average interest rates paid by DenSco and the average interest rates paid on 6-month to 5-year US treasury securities between 2012 and 2014:

	2012 to 2014
Average Interest Rate Paid by DenSco to Investors	12%
Average Interest Rate Paid on 6-Month to 5-Year US Treasury Securities	0.48%
Average Interest Rate Risk Premium Paid by DenSco[55]	11.52%
Number of Times DenSco Interest Rate Higher Than Treasury Interest Rate[56]	25x

DenSco paid interest and returned principal to Investors in the normal course of business through June 2016.[57] After Mr. Chittick's death in July 2016, it became clear that (i) the vast majority of

[54] federalreserve.gov.
[55] 12% - 0.48% = 11.52%.
[56] 12% / 0.48% = 25.
[57] DenSco QuickBooks data.

DenSco's assets were worthless as a result of Mr. Menaged's frauds and (ii) DenSco was unable to repay the amounts owed to Investors.[58]

4.2 Income Tax Returns

DenSco did not (i) have its annual financial statements audited, reviewed or compiled by an accountant and/or (ii) provide its annual financial statements to Investors. DenSco did file annual income tax returns with the assistance of an accountant, David Preston of Preston CPA, PC ("Mr. Preston").

Mr. Chittick made inappropriate accounting entries to hide from Mr. Preston (and anyone else who saw DenSco's accounting records and/or income tax returns) the adverse financial effects of Mr. Menaged's frauds on DenSco's financial position.[59] Mr. Chittick's inappropriate accounting entries resulted in DenSco's losses being understated and DenSco's revenues and net worth being overstated.

Additionally, Mr. Chittick reduced the information that he provided to Mr. Preston over time as follows:

- For 2011 and 2012, Mr. Chittick provided Mr. Preston with a year-end balance sheet showing total loans by Borrower and a year-end listing of outstanding loans showing, inter alia, the loan to value ("LTV") percentage and unpaid interest on each loan.[60]

- For 2013, Mr. Chittick did not provide Mr. Preston with a year-end listing of outstanding loans showing the LTV percentage and/or unpaid interest on each loan. Mr. Chittick did provide Mr. Preston with a year-end balance sheet showing total loans by Borrower. The balance sheet provided to Mr. Preston showed total loans to Mr. Menaged as of December 31, 2013 had increased to approximately $28.5 million and represented 48.3% of DenSco's portfolio.[61]

- For 2014 and 2015, Mr. Chittick did not provide Mr. Preston with either a year-end balance sheet showing total loans by Borrower or a year-end listing of outstanding loans showing the LTV percentage and/or unpaid interest on each loan.[62]

Unfortunately, even though Mr. Preston was an Investor as well as DenSco's accountant, Mr. Preston did not take note of and/or follow up on the information that he was provided about the size and concentration of DenSco's loans to Mr. Menaged as of December 31, 2013. As a CPA tax preparer, Mr. Preston must comply with standards promulgated by the American Institute of Certified Public Accountants ("AICPA"). AICPA standards for tax services state:[63]

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58 Davis Deposition Exhibit 479, Exhibit A, page 11.
59 Beauchamp Deposition Exhibit 415 at DIC 9479; Mr. Preston's January 25, 2019 deposition, page 126.
60 DP 70 to 73; Preston Deposition Exhibit 688 at DP 80 to 85; Preston Deposition Exhibit 689 at DP 132 to 136; Preston Deposition Exhibit 689 at DP 161 to 166.
61 Preston Deposition Exhibit 690 at DP 218 to 222.
62 Preston Deposition Exhibit 691 at DP 273 to 276; DP 317 to 319.
63 Preston Deposition Exhibit 696.

> "In preparing or signing a return, a member may in good faith rely, without verification, on information furnished by the taxpayer or by third parties. However, **a member should not ignore the implications of information furnished and should make reasonable inquiries if the information furnished appears to be incorrect, incomplete, or inconsistent either on its face or on the basis of other facts known to the member.** Further, a member should refer to the taxpayer's returns for one or more prior years whenever feasible." [emphasis added]
>
> "Even though there is no requirement to examine underlying documentation, a **member should encourage the taxpayer to provide supporting data where appropriate.**" [emphasis added]

Mr. Preston had been provided with Private Offering Memoranda ("POM") that DenSco had prepared for Investors for several years.[64] DenSco's July 1, 2011 POM states:

> "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."[65]

The information provided to Mr. Preston showing Mr. Menaged's outstanding loans comprised almost 50% of DenSco's portfolio as of December 31, 2013 is inconsistent with the 10% to 15% limit discussed in DenSco's July 1, 2011 POM. The information on DenSco's outstanding loans to Mr. Menaged as of December 31, 2013 was provided to Mr. Preston at some point between February 11, 2014 (i.e., the date that the report containing this information was printed from DenSco's QuickBooks accounting records) and March 14, 2014 (i.e., the date that the page of the report containing this information was initialed as reviewed by two individuals in Mr. Preston's firm).[66] If Mr. Preston had noted the size and concentration of DenSco's outstanding loans to Mr. Menaged as of December 31, 2013, he may have asked for information on DenSco's plan to deal with the exposure to Mr. Menaged and ensured appropriate accounting entries were made from early 2014 onwards. If Mr. Chittick had been unable to hide the adverse financial effects of Mr. Menaged's frauds on DenSco's financial position for years, DenSco's losses from Mr. Menaged's frauds would likely have been substantially lower.

DenSco's income tax returns should have shown a deteriorating financial condition as a result of Mr. Menaged's frauds. However, as a result of Mr. Chittick's inappropriate accounting entries, DenSco's income tax returns for 2010 through 2015 showed consistent profits and an increasing net worth on a book value basis as set out below:[67]

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[64] Mr. Preston's January 25, 2019 deposition, pages 33 to 41.

[65] Beauchamp Deposition Exhibit 432 at BC 2957.

[66] Preston Deposition Exhibit 690 at DP 220.

[67] DP 2 and 5; Preston Deposition Exhibit 688 at DP 46 and 49; Preston Deposition Exhibit 689 at DP 101 and 104; Preston Deposition Exhibit 690 at DP 190 and 193; Preston Deposition Exhibit 691 at DP 245 and 248; DP 296 and 299.

Year	*Ordinary Business Income / (Loss)*	*Net Worth (Assets Minus Liabilities)*
2010	$140,772	-$310,744
2011	$377,042	$20,046
2012	$1,046,307	$302,584
2013	$1,166,960	$1,069,016
2014	$1,349,671	$3,771,967
2015	$823,780	$4,324,896

4.3 Housing Market Collapse

DenSco suffered significant losses during the housing market collapse. As a result, DenSco's net worth on a book value basis was negative at the end of 29 straight months from April 2009 to August 2011.[68] DenSco's net worth on a book value basis was worst at the end of May 2010 at which time it reached approximately negative $0.5 million.

DenSco's net worth on a book value basis was negative in these months despite many properties owned by DenSco as a result of loan foreclosures being recorded at above market values. As DenSco was a cash-basis taxpayer and not required to prepare annual financial statements based on US generally accepted accounting principles, it did not recognize losses on properties obtained through loan foreclosures until the properties were sold. DenSco decided to hold and rent, rather than sell immediately, many properties that it had obtained through loan foreclosures. The number and value of foreclosed properties owned by DenSco changed annually as follows:

Year	*Number of Foreclosed Properties Owned in Year*[69]	*Book Value of Foreclosed Properties Owned as of Year End*[70]
2007	0	$0
2008	4	Not available
2009	27	$2,957,001
2010	27	$2,943,959
2011	27	$2,859,166
2012	27	$1,433,428
2013	12	$0
2014	0	$0

If DenSco had immediately sold these properties, it would have recorded a loss on the sale equal to the difference between the amount of the loan and the net value realized from the sale. DenSco's income tax returns for 2012 and 2013 show it realized a loss of approximately $1.1 million in these

[68] DenSco QuickBooks data.
[69] DenSco QuickBooks data.
[70] DP 5; Preston Deposition Exhibit 688 at DP 49; Preston Deposition Exhibit 689 at DP 104; Preston Deposition Exhibit 690 at DP 193; Preston Deposition Exhibit 691 at DP 248. Sterling has not seen DenSco's income tax return for 2008.

years from the sale of the foreclosed properties.[71] Sterling has insufficient information to accurately quantify the loss that DenSco would have recognized if it had sold all properties immediately after foreclosure in or around 2009. Given the state of the housing market in 2009 and the depreciation recorded by DenSco on these properties in the years that they were owned, it is likely that DenSco's loss on sale of these properties would have been substantially higher than $1.1 million if they had been sold immediately after foreclosure in or around 2009.

As a result of Mr. Preston's work on DenSco's income tax returns, Mr. Preston knew (i) DenSco's method of accounting for foreclosed properties that had not been sold, (ii) DenSco had a negative net worth on a book value basis of over $390,000 as of December 31, 2009 and $310,000 as of December 31, 2010 before accounting for unrealized losses on foreclosed properties that had not been sold and (iii) DenSco had a positive net worth of approximately $20,000 on a book value basis as of December 31, 2011 before accounting for unrealized losses on foreclosed properties that had not been sold.[72]

The POMs that DenSco provided to Investors did not (i) contain DenSco's financial statements, (ii) disclose DenSco's net worth on a book value basis and/or (iii) describe DenSco's accounting for unrealized losses on foreclosed properties that had not been sold.[73] DenSco's 2011 POM provided the following information on foreclosed properties that had not been sold:

> "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 [sic] 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."[74]

4.4 Net Worth and Financial Condition

Sterling analyzed DenSco's net worth and financial condition as of specific dates during the time that Mr. Menaged was defrauding DenSco according to the Receiver. The Receiver states the First Fraud began "Sometime in 2011 or 2012" and the Second Fraud began around January 2014.[75]

4.4.1 December 2011

Sterling is not aware of any documents identifying outstanding loans related to the First Fraud, if any, as of December 31, 2011. Accordingly, Sterling has no basis to quantify any negative

[71] $695,177 + $406,614 = $1,101,791. Preston Deposition Exhibit 689 at DP 126; Preston Deposition Exhibit 690 at DP 206.
[72] DP 5; Preston Deposition Exhibit 688 at DP 49.
[73] For example, Beauchamp Deposition Exhibits 431 and 432.
[74] Beauchamp Deposition Exhibit 432 at BC 2959. Sterling has not seen any documents showing the basis for Mr. Chittick's belief in or around the middle of 2011 that the 27 foreclosed properties could be sold for minimal loss.
[75] Davis Deposition Exhibit 479, Exhibit A, pages 7 and 9.

adjustment to DenSco's net worth as of December 31, 2011 as a result of the frauds perpetrated by Mr. Menaged.

DenSco's 2011 income tax return shows DenSco had a net worth on a book value basis of approximately $20,000 as of December 31, 2011.[76] As discussed earlier in this report, DenSco held many foreclosed properties as of December 31, 2011 that were subsequently sold for a loss of approximately $1.1 million in 2012 and 2013. Therefore, DenSco likely had a negative net worth on a fair value basis as of December 31, 2011 (i.e., its assets were worth less than its liabilities on a fair value basis).

A negative net worth would not mean that DenSco was certain to fail and/or be unable to repay its Investors provided it stayed in business. As discussed earlier, DenSco had a negative net worth on a book value basis for much of 2009, 2010 and 2011 along with unrealized losses on properties obtained through loan foreclosures. Yet, DenSco was able to stay in business and continue to pay interest and return investments to Investors as requested.

DenSco's business concept was to lend short-term to Borrowers at 18% per year and fund the loans through longer-term Investor notes at 12% per year.[77] The 6% interest rate spread was enough to fund DenSco's operating costs and cover reasonable losses. For example, on a balance sheet with $25 million of loans funded by $25 million of notes, DenSco's 6% spread equals $1.5 million per year.[78]

The compensation that Mr. Chittick paid himself through wages or pension contributions represented the vast majority of DenSco's operating costs. Mr. Chittick was able to change his compensation as he considered appropriate and/or necessary. For example, Mr. Chittick reduced his compensation to help DenSco during the housing market collapse as summarized in the following table:[79]

	2007	*2008*	*2009*	*2010*	*2011*
Wages	$111,300	$10,000	$0	$17,868	$154,000
DB Plan	$55,000	$5,862	$0	$30,000	$54,948
Profit Sharing	$6,678	$9,235	$0	$0	$9,240
Total	$172,978	$25,097	$0	$47,858	$218,188

Based on the above, it is unlikely that DenSco's likely negative net worth as of December 31, 2011 would have caused DenSco to cease operations and/or become unable to repay its Investors if Mr. Menaged's frauds had not occurred.

[76] Preston Deposition Exhibit 688 at DP 49.
[77] Beauchamp Deposition Exhibit 432 at BC 2924; Appendix L.
[78] $25 million * 6% = $1.5 million.
[79] DenSco QuickBooks data.

4.4.2 September 2012

An earlier section of this report states (i) Mr. Chittick became aware in September 2012 that there were multiple instances of Mr. Menaged having outstanding loans from both DenSco and AFG secured by the same property and (ii) DenSco had nine problem loans totaling approximately $1.5 million in September 2012 as a result of the First Fraud.

There is no income tax return that provides information on DenSco's net worth on a book value basis as of September 30, 2012. DenSco's QuickBooks accounting records show DenSco had a net worth on a book value basis of approximately $820,000 as of September 30, 2012.[80]

DenSco held several foreclosed properties as of September 30, 2012 that were subsequently sold for a loss. Sterling has not seen appraisals or other reliable evidence of the value of the foreclosed properties held by DenSco as of September 30, 2012. DenSco realized a loss on foreclosed properties sold after September 30, 2012 of approximately $760,000.[81] Additionally, several of the foreclosed properties were sold within three months of September 30, 2012, which suggests any change in value between September 30, 2012 and the sale date would likely have been small for these properties.[82] Therefore, Sterling estimated that DenSco had a net worth of approximately $60,000 on a fair value basis as of September 30, 2012 before adjustments related to Mr. Menaged's frauds.[83]

The information provided to Sterling on the identified nine problem loans related to the First Fraud is insufficient to accurately quantify their effect on DenSco's net worth as of September 30, 2012. Additional information needed to perform an accurate quantification includes (i) legal opinions or other reliable evidence showing the relative secured positions of DenSco and AFG in each of the nine properties and (ii) appraisals or other reliable evidence of the market value of each of the nine properties as of September 30, 2012.

As discussed earlier in this report, AFG was concerned about its loans and pressured Mr. Menaged to provide additional/replacement collateral and take other steps to improve AFG's position. AFG was concerned that its liens were in second position to DenSco on $1.4 million of loans.[84] AFG's statement to Mr. Menaged that "You probably used our money to fund those silly furniture stores" suggests AFG may not have paid the trustee directly on the properties.[85] Additionally, DenSco recorded liens before or on the same day as AFG on some of the nine properties.[86] If DenSco was found to be in first position on any of the nine properties, DenSco would likely not have realized a loss on the related loans. If DenSco was found to be in second position on any of the nine properties, DenSco would likely have realized a loss on the related loans. Therefore, reliable

[80] DenSco QuickBooks data. Mr. Chittick recorded investor interest for the month as of the last day in each month. Therefore, Sterling used DenSco's accounting records as of the end of the month in net worth assessments.

[81] $58,140 + $104,053 + $71,027 + $65,220 + $53,797 + $406,614 = $758,851. Preston Deposition Exhibit 689 at DP 126; Preston Deposition Exhibit 690 at DP 206.

[82] Preston Deposition Exhibit 689 at DP 126.

[83] $820,000 - $760,000 = $60,000.

[84] Davis Deposition Exhibit 486, page 2.

[85] Davis Deposition Exhibit 488.

[86] Davis Deposition Exhibit 496.

evidence showing the relative secured positions of DenSco and AFG in each property is critical to accurately quantifying DenSco's loss on the nine loans as of September 30, 2012.

The market value of the properties as of September 30, 2012 would also significantly affect DenSco's loss on the nine loans. The Receiver's December 23, 2016 status report contains the following information on one of the nine loans:

> "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. Menaged obtained a loan of $264,100.00 from third party lender, Active Funding Group, LLC ("Active"), to purchase the property. 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 [sic] as of August 2012 due to the fraud perpetrated by Menaged."[87]

Even assuming DenSco had a second position lien on the Grayhawk Property, DenSco would have been able to recover approximately $90,000 on its $250,000 loan if Mr. Menaged's estimate of the property's market value was accurate.[88]

DenSco's nine problem loans totaled approximately $1.5 million as of September 30, 2012. Accordingly, DenSco's range of loss on the nine loans was between $0 (i.e., DenSco found to be in first position on all properties) and $1.5 million (i.e., (i) DenSco's lien found to be in second position on all properties, (ii) the market value of each property was such that a sale of each property would generate nothing for the second position lien holder and (iii) DenSco would have been unable to make any additional recoveries from Mr. Menaged through negotiations and/or legal actions).[89]

As stated earlier, DenSco had a net worth of approximately $60,000 on a fair value basis as of September 30, 2012 before any adjustments for Mr. Menaged's frauds. It is unlikely that DenSco's loss on the nine problem loans would have totaled less than $60,000. Therefore, DenSco likely had a negative net worth on a fair value basis as of September 30, 2012.

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87 Davis Deposition Exhibit 479, Exhibit A, page 8. The over-encumbered amount was $134,100 and not $144,100 based on the stated information (i.e., $380,000 - $264,100 - $250,000 = $134,100).

88 $380,000 (market value) - $26,600 (7% selling costs) - $264,100 (AFG loan) = $89,300.

89 As discussed earlier in this report, Mr. Menaged had unencumbered properties as of September 30, 2012 that he provided as additional collateral to AFG.

As discussed earlier, a negative net worth would not mean that DenSco was certain to fail and/or be unable to repay its Investors provided it stayed in business. DenSco's portfolio would be able to produce enough profits and cash flow to pay operating expenses and offset reasonable losses. Even if DenSco had lost most, if not all, of the $1.5 million outstanding on the nine problem loans identified in September 2012, it would likely have been a manageable problem for DenSco based on the millions of dollars of losses that it had already largely worked through related to the housing market collapse.

Based on the above, it is unlikely that DenSco's negative net worth as of September 30, 2012 would have caused DenSco to cease operations and/or become unable to repay its Investors if Mr. Menaged's frauds had been limited to the nine loans identified at that time.

4.4.3 November 2013

As discussed earlier in this report, Mr. Chittick purportedly became aware of a problem with the vast majority of DenSco's outstanding loans to Mr. Menaged on or around November 27, 2013.

There is no income tax return that provides information on DenSco's net worth on a book value basis as of November 30, 2013. DenSco's QuickBooks accounting records show DenSco had a net worth on a book value basis of approximately $2,380,000 as of November 30, 2013.[90]

The last foreclosed properties held by DenSco since the housing market collapse were sold in early November 2013.[91] Therefore, there is no need to make any adjustment to DenSco's net worth as of November 30, 2013 for foreclosed properties held since the housing market collapse. Accordingly, DenSco had a net worth of approximately $2,380,000 on a fair value basis as of November 30, 2013 before adjustments related to Mr. Menaged's frauds.

Because DenSco had significantly expanded its lending to Mr. Menaged in 2013, DenSco's outstanding loans to Mr. Menaged totaled approximately $25.4 million and represented approximately 46% of DenSco's portfolio as of November 30, 2013.[92] According to information provided by Mr. Chittick in April 2014, the First Fraud problem discussed between Mr. Chittick and Mr. Menaged in late November 2013 initially affected 186 loans with a total value of approximately $25 million (i.e., substantially all of the outstanding loans to Mr. Menaged at that time).[93]

Sterling does not have enough information to accurately quantify the effect of the 186 problem loans on DenSco's net worth as of November 30, 2013. Additional information needed to perform an accurate quantification includes (i) legal opinions or other reliable evidence showing the relative secured positions of DenSco and other lenders in each property, (ii) appraisals or other reliable evidence of each property's market value as of November 30, 2013 and (iii) reliable evidence

[90] DenSco QuickBooks data. Mr. Chittick recorded investor interest for the month as of the last day in each month. Therefore, Sterling used DenSco's accounting records as of the end of the month in net worth assessments.
[91] Preston Deposition Exhibit 690 at DP 193 and 206.
[92] DenSco QuickBooks data.
[93] Beauchamp Deposition Exhibit 406.

showing the outstanding balance including interest owed by Mr. Menaged to lenders other than DenSco on each property as of November 30, 2013.

DenSco's range of loss on the 186 problem loans was between $0 (i.e., DenSco found to be in first position on all properties) and approximately $25 million (i.e., (i) DenSco's lien found to be in second position on all properties, (ii) the market value of each property was such that a sale of each property would generate nothing for the second position lien holder and (iii) DenSco would have been unable to make any additional recoveries from Mr. Menaged or other lenders through negotiations and/or legal actions).

Other lenders claimed that their funds, as opposed to DenSco's funds, had been used to purchase most of the 186 properties and, as a result, their liens were superior to DenSco's liens.[94] Based on this and the other available information, it is likely that the adverse adjustment to DenSco's net worth related to the 186 problem loans would have been substantially more than $2,380,000, which would mean that DenSco had a negative net worth on a fair value basis as of November 30, 2013.

The scale of the problem purportedly identified in late November 2013 was significantly larger than the one DenSco had faced as a result of the housing market collapse. Unless DenSco's liens were found to be in first position on most of the outstanding loans to Mr. Menaged and/or Mr. Menaged had been able to obtain many millions of dollars from other sources to reimburse DenSco:

- DenSco's financial condition as of November 27, 2013 was substantially worse than its financial condition as of September 30, 2012.

- DenSco was likely facing losses as of November 27, 2013 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 November 27, 2013.

4.4.4 January 2014

As discussed earlier in this report, Mr. Chittick provided Mr. Beauchamp in early January 2014 with some, albeit incomplete and misleading, information on Mr. Menaged and the First Fraud problem. Mr. Chittick informed Mr. Beauchamp that he had agreed a plan to address the problem with Mr. Menaged and they had been implementing the plan for around a month.

DenSco's 2013 income tax return shows a net worth on a book value basis of approximately $1,070,000 as of December 31, 2013.[95] DenSco's net worth on a book value basis had decreased by approximately $1,310,000 between November 30, 2013 and December 31, 2013.[96] Major

[94] Schenck Deposition Exhibit 53 at CH 1446 and 1447.
[95] Preston Deposition Exhibit 690 at DP 193.
[96] $2,380,000 - $1,070,000 = $1,310,000.

reasons for the substantial decrease in DenSco's net worth on a book value basis in December 2013 were (i) the recording of compensation expense for Mr. Chittick of over $1.1 million in December and (ii) a reduction in interest income of over $0.3 million between November and December.[97] Based on Mr. Chittick's recording of a substantial compensation expense in December 2013 for his services, he had decided to take a different approach in late 2013 than he took during the housing market collapse when he reduced his compensation expense to help DenSco as detailed earlier in this report. Mr. Chittick may have taken a different approach because he knew that DenSco's problems in late 2013 were far worse than the problems it had faced during the housing market collapse. A later section of this report details the funds that Mr. Chittick invested into DenSco and withdrew from DenSco by month from December 2013 onwards.

The Receiver's workpapers provided to Sterling contain an Excel workbook entitled "Analysis of Menaged Loans as of 01.09.14 – Property Details".[98] Based on the Receiver's analysis and other available information, Sterling determined:

- DenSco had 204 loans to Mr. Menaged totaling approximately $29.0 million and representing approximately 51% of DenSco's portfolio as of January 9, 2014.[99]

- DenSco's loans to Mr. Menaged had increased by $3.6 million between November 30, 2013 and January 9, 2014.

- 173 of the 204 properties underlying DenSco's loans to Mr. Menaged also had a loan from another lender as of January 9, 2014.[100]

- The 173 DenSco loans to Mr. Menaged related to properties with two liens totaled approximately $23.3 million as of January 9, 2014.[101]

- The second lender on 113 of the 173 DenSco loans related to properties with two liens was AFG (i.e., the same lender involved in the nine problem loans identified in September 2012).[102]

- DenSco had made 15 loans to Mr. Menaged totaling approximately $2.8 million between early December 2013 and early January 2014 for the full purchase price of the underlying property or more.[103]

97 DenSco QuickBooks data.
98 Davis Deposition Exhibit 535.
99 Davis Deposition Exhibit 535; DenSco QuickBooks data.
100 Davis Deposition Exhibit 535.
101 Davis Deposition Exhibit 535.
102 Davis Deposition Exhibit 535.
103 Davis Deposition Exhibit 535. For example, DenSco had lent Mr. Menaged (i) $150,000 on December 3, 2013 against a property purchased on December 2, 2013 for $116,500 and (ii) $125,000 on December 11, 2013 against a property purchased on December 10, 2013 for $97,000.

- DenSco had made seven loans to Mr. Menaged totaling over $1 million between late December 2013 and early January 2014 related to properties that were not owned by Mr. Menaged.[104]

Sterling has insufficient information on the 204 properties underlying DenSco's loans to Mr. Menaged as of January 9, 2014 to accurately quantify the effect on DenSco's net worth if DenSco had stopped doing business with Mr. Menaged on January 9, 2014. Additional information needed to perform an accurate quantification includes (i) legal opinions or other reliable evidence showing the relative secured positions of DenSco and other lenders in each property, (ii) appraisals or other reliable evidence of each property's market value as of January 9, 2014 and (iii) reliable evidence showing the outstanding balance including interest owed by Mr. Menaged to lenders other than DenSco on each property as of January 9, 2014.

Sterling estimated DenSco's loss if it had stopped doing business with Mr. Menaged on January 9, 2014 based on the following assumptions:

- A decision by DenSco to stop doing business with Mr. Menaged as of January 9, 2014 would have resulted in the 204 properties being sold.
- DenSco's lien was in second position on all loans with two liens.
- The outstanding balance including interest due to lenders other than DenSco on each property was the loan amount shown on the Receiver's analysis.[105]
- The sales price of each property would have been the actual sales price for that property nearest in time to January 9, 2014 according to the Receiver's analysis.[106]
- Selling costs on each property would been equal to at least 4% of the sales price.
- DenSco would have been unable to make any additional recoveries from Mr. Menaged and/or other lenders through negotiations and/or legal actions.

Sterling's estimate of DenSco's loss based on the above assumptions totals approximately $17.7 million as detailed in Appendix M. Accordingly, DenSco likely had a substantial negative net worth on a fair value basis as of January 9, 2014.

The scale of DenSco's problem as of January 9, 2014 was significantly larger than the one it had faced as a result of the housing market collapse. Unless DenSco's liens were found to be in first position on most of the outstanding loans to Mr. Menaged and/or Mr. Menaged had been able to obtain many millions of dollars from other sources to reimburse DenSco:

[104] Davis Deposition Exhibit 535. These loans represented the start of the Second Fraud.
[105] Davis Deposition Exhibit 535.
[106] Davis Deposition Exhibit 535. For example, (i) Sterling assumed a sales price of $100,000 for a property that had been purchased on May 10, 2011 for $71,400 and sold on August 6, 2014 for $100,000 and (ii) Sterling assumed a sales price of $168,000 for a property purchased on January 6, 2014 for $168,000 and sold on August 29, 2014 for $205,000.

- 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).

> Under the balance sheet insolvency definition, insolvency occurs when liabilities exceed the reasonable market value of assets held. See, e.g., *In re Koubourlis*, 869 F.2d 1319, 1321 (9th Cir. 1989); *Clarkson Co. Ltd. v. Shaheen*, 660 F.2d 506, 513 (2d Cir. 1981), *cert. denied*, 455 U.S. 990 (1982).
>
> Consistent with the genesis of the doctrine (protecting creditors), it appears that courts analyzing fiduciary duties in troubled companies will apply the equitable insolvency test. At least one court has stated that the concept of 'zone' of insolvency refers to the extent of the risk that creditors will not be paid, rather than to balance sheet insolvency. *In re Ben Franklin Retail Stores, Inc.*, 225 B.R. 650, 655 (Bankr. N.D. Ill. 1998). See also *Credit Lyonnais*, 1991 WL 277613 at 34 n.55 (stating 'vicinity of insolvency' exists where [a] corporation was balance sheet solvent, but where there was a risk that creditors would not be paid).
>
> However, unfortunately, virtually no guidance exists in defining the 'vicinity' or 'zone' of insolvency itself. It does seem evident that a corporation may be in the 'zone' of insolvency despite having a functioning solvent operation if the risk of future non-payment to creditors is sufficiently evident. Indeed, the greater the risk to creditors, the more likely a court -- with the benefit of hindsight -- will conclude that the corporation was in the vicinity of insolvency and that fiduciary duties were owed to creditors."[107]

A treatise entitled "The Ponzi Book, A Legal Resource for Unraveling Ponzi Schemes" states that the court concluded in *Official Committee of Bond Holders of Metricom, Inc. v. Derrickson*, 2004 US Dist. LEXIS 19497, at *9 (N.D. Cal. Feb. 25, 2004) that:

> "...the 'zone of insolvency' is 'a poorly defined state that may exist when 'the corporation cannot generate and/or obtain enough cash to pay for its projected obligations and fund its business requirements for working capital and capital expenditures with a reasonable cushion to cover the variability of its business needs over time.'"[108]

As discussed in earlier sections of this report:

- DenSco likely had a negative net worth on a fair value basis in most, if not all, months from early 2009 onwards.
- DenSco had demonstrated the ability to pay its Investors on time in many months when it had a negative net worth on a fair value basis.

[107] "Fiduciary Duties & the 'Zone' of Insolvency" Anup Sathy and Marc Carmel, The Bankruptcy Strategist, April 2001, kirkland.com.

[108] The Ponzi Book, A Legal Resource for Unraveling Ponzi Schemes, Kathy Bazoian Phelps, Hon. Steven Rhodes, LexisNexis, 2012, page 7-23.

- Investors did not require to know DenSco's net worth or see its financial statements before investing.

- DenSco paid Investors a return on their investments that was substantially higher than the return Investors could earn on risk-free investments.

Furthermore, a financial professional, Mr. Preston, did not withdraw his own $100,000 investment in DenSco and/or his mother-in-law's $100,000 investment in DenSco even though he knew (i) DenSco had a negative net worth of hundreds of thousands of dollars on a book value basis at the end of both 2009 and 2010 and (ii) DenSco did not write down the foreclosed properties that it held to market value until the properties were sold. In October 2011, Mr. Preston increased his investment in DenSco by $60,000 and allowed his mother-in-law to increase hers by $100,000 even though the most recent income tax return that he had prepared for DenSco showed a negative net worth on a book value basis of over $320,000.[109]

The concentration of DenSco's loans to Mr. Menaged first exceeded the 10% to 15% discussed in the 2011 POM on or around January 31, 2013. It is unclear what amount and/or concentration of lending to Mr. Menaged would have caused Investors to withdraw their funds from DenSco. It is likely that Investors would have been significantly concerned if they had been informed in or around November 2013 of the First Fraud problem affecting approximately half of DenSco's loans as Mr. Chittick purportedly was.

Based on what Mr. Chittick knew about DenSco's financial condition and assuming Mr. Menaged would not be able to obtain many millions of dollars from other sources to reimburse DenSco, DenSco would likely have become unable to generate and/or obtain enough cash to pay for its projected obligations and fund its business requirements with a reasonable cushion at some point between January 31, 2013 and November 27, 2013.

4.7 Receiver's Solvency Analysis

The Receiver's 2016 status report includes a solvency analysis and states DenSco became insolvent in December 2012.[110] The Receiver's solvency analysis is of minimal, if any, use in this lawsuit for multiple reasons including:

- The Receiver's solvency analysis ignores the fact that DenSco's net worth on a fair value basis was negative in many months and years before December 2012 as discussed earlier in this report.

- The Receiver's solvency analysis is focused entirely on the balance sheet insolvency definition and ignores the equity insolvency definition, which is important in DenSco's situation for reasons discussed earlier in this report.

[109] DenSco QuickBooks data; DP 4; Mr. Preston's January 25, 2019 deposition, pages 24 and 25.
[110] Davis Deposition Exhibit 479, Exhibit A, pages 10 and 11 and Exhibit 1.

- DenSco was highly profitable in 2012 generating a profit in excess of $1 million after paying over $4.4 million in interest to Investors and paying over $550,000 in compensation to Mr. Chittick.[111]

- The profits generated by DenSco in 2013 would have been enough to eliminate the negative net worth of approximately $320,000 as of December 31, 2012 shown in the Receiver's solvency analysis but-for the frauds perpetrated by Mr. Menaged in 2013.

- A reliable analysis of DenSco's solvency status as of December 31, 2012 according to the balance sheet definition should be based on the facts and circumstances existing as of that date.

- The Receiver did not analyze DenSco's solvency status as of December 31, 2012 based on reliable evidence of the facts and circumstances existing as of that date including:

  - The market value of the properties underlying DenSco's loans to Mr. Menaged as of December 31, 2012.

  - The relative position of the liens held by DenSco and other lenders on the properties as of December 31, 2012.

  - The outstanding balance including interest owed by Mr. Menaged to lenders other than DenSco on each property as of December 31, 2012.

  - DenSco's ability to recover any losses on properties with two loans from other assets owned by Mr. Menaged as of December 31, 2012.

- The Receiver concluded DenSco was insolvent based on the balance sheet definition as of December 31, 2012 after adjusting the valuation of four loans. The four adjustments made by the Receiver are speculative and inappropriate for multiple reasons including:

  - The four adjustments made by the Receiver were not based on the facts and circumstances as of December 31, 2012. In fact, the four adjustments made by the Receiver were based on decisions made by Mr. Chittick in the second half of 2014 and the first half of 2015 (i.e., at a time that Mr. Chittick was advancing funds to Mr. Menaged beyond the limits documented in the Forbearance Agreement as discussed earlier in this report).

  - One of the four adjustments made by the Receiver in arriving in his negative net worth estimate of approximately $320,000 as of December 31, 2012 related to the Grayhawk Property discussed earlier in this report. The Receiver's solvency analysis includes an adjustment to write off 100% of DenSco's $250,000 loan on the Grayhawk Property on the date that it was made in August 2012. The Grayhawk Property can be used to illustrate some of the problems with the Receiver's adjustments.

[111] DenSco's QuickBooks data; Preston Deposition Exhibit 689 at DP 101.

- The Receiver's status report provides the following information on the situation around the time that DenSco made its loan on the Grayhawk Property:

> "...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. Menaged obtained a loan of $264,100.00 from third party lender, Active Funding Group, LLC ("Active"), to purchase the property. 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 [sic] as of August 2012 due to the fraud perpetrated by Menaged."[112]

- DenSco's lien may have been superior to AFG's lien on the Grayhawk Property because (i) DenSco's lien was filed earlier than AFG's lien on the Grayhawk Property and (ii) AFG was concerned about its exposure and that its funds had been used by Mr. Menaged for purposes other than purchasing properties.[113] If so, there should be no downward adjustment to DenSco's $250,000 loan on the Grayhawk Property in August 2012.

- Even if it is assumed that DenSco's lien was in second position on the Grayhawk Property, a more accurate estimate of the appropriate adjustment as of August 2012 is $134,100 as opposed to $250,000 based on the available contemporaneous market value estimate.

- For the Receiver's write down of $250,000 in August 2012 on the Grayhawk Property to have been correct, it would have required (i) DenSco's lien to have been in second position, (ii) overestimations of the market value of the Grayhawk Property in August 2012 by Mr. Menaged, DenSco and AFG and (iii) the actual market value of the Grayhawk Property in August 2012 to be around $100,000 less than Mr. Menaged's estimate.

4.8 DenSco's Financial Situation Summary

Based on the above and information discussed elsewhere in this report:

- The interest rate paid by DenSco to Investors contained a large risk premium and was many times higher than the interest rates paid on risk-free securities.

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[112] Davis Deposition Exhibit 479, Exhibit A, page 8. The over-encumbered amount was $134,100 and not $144,100 based on the stated information (i.e., $380,000 - $264,100 - $250,000 = $134,100).

[113] Davis Deposition Exhibits 488 and 496.

- Investors did not require to know DenSco's net worth or see its financial statements before investing.

- DenSco suffered significant losses during the housing market collapse which resulted in DenSco's net worth being negative on a fair value basis for most, if not all, of 2009, 2010 and 2011.

- DenSco would not have had enough funds to repay its Investors in full if it had been liquidated in several years from 2009 onwards as a result of losses suffered in the housing market collapse.

- DenSco was not liquidated in or around 2009 and was able to continue in business paying Investors a 12% annual return on their investments in each year.

- DenSco demonstrated an ability to pay its Investors on time in many months when it had a negative net worth on a fair value basis.

- As a result of DenSco's improving financial performance in 2010, 2011 and 2012, DenSco would have been able to work its way through the losses it had suffered in the housing market collapse and remain in business but-for the frauds perpetrated by Mr. Menaged.

- DenSco likely had a negative net worth on a fair value basis as of September 30, 2012 as a result of the nine problem loans related to Mr. Menaged's frauds identified in September 2012.

- It is unlikely any negative net worth on a fair value basis that DenSco had as of September 30, 2012 as a result of Mr. Menaged's frauds would have caused DenSco to cease operations and/or become unable to repay its Investors if Mr. Menaged's frauds had been stopped at that time.

- Based on what Mr. Chittick knew about DenSco's financial condition and assuming Mr. Menaged would not be able to obtain many millions of dollars from other sources to reimburse DenSco, DenSco would likely have become unable to generate and/or obtain enough cash to pay for its projected obligations and fund its business requirements with a reasonable cushion at some point between January 31, 2013 and November 27, 2013.

- The scale of DenSco's problem as of November 27, 2013 and January 9, 2014 was significantly larger than the one it had faced as a result of the housing market collapse.

- Unless DenSco's liens were found to be in first position on most of the outstanding loans to Mr. Menaged and/or Mr. Menaged had been able to obtain many millions of dollars from other sources to reimburse DenSco:

    - DenSco was likely facing losses as of November 27, 2013 and 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 November 27, 2013 and January 9, 2014.

- DenSco's accountant failed to spot and/or follow up on warning signs in information provided to him in connection with the preparation of DenSco's 2013 income tax returns.

- 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.

5. Receiver's Economic Damage Claims

A disclosure statement states the Receiver's economic damage claims include the following along with prejudgment interest thereon:[114]

Description	*Amount*
$5 Million Workout Loan	$13,656,807
$1 Million Workout Loan	$1,002,533
Non-Workout Loans	$28,332,300
Clark Hill Fees	$163,702
Total	$43,155,342

The economic damage claims in the Receiver's disclosure statement are overstated for multiple reasons including:

5.1 January 2014 Relationship Termination

The Receiver's disclosure statement states:

> "Had Clark Hill properly advised DenSco during the first week of January 2014, DenSco would have severed its relationship with Menaged, not made any new loans to Menaged, sought to rescind the initial Lobo losses, and not suffered the losses set forth in the attached schedule. Alternatively, had Clark Hill properly advised DenSco about documenting the non-workout loans, DenSco would not have suffered losses on the loans made after the second Lobo loan."[115]

[114] "Plaintiff's Fifth Supplemental Disclosure Statement" dated November 14, 2018, pages 133 to 136.
[115] "Plaintiff's Fifth Supplemental Disclosure Statement" dated November 14, 2018, page 135.

The Receiver's damages theory assumes Defendants would have been able to convince Mr. Chittick to take different actions in January 2014 if they had "properly advised" him. Mr. Chittick had already decided on a plan and started to implement the plan before he met with Mr. Beauchamp in January 2014. Sterling has not analyzed Defendants' ability to change Mr. Chittick's mind in January 2014 about how he would deal with DenSco's problems and/or conduct future business with Mr. Menaged.

Even if it is assumed that Defendants would have been able to persuade Mr. Chittick to sever DenSco's relationship with Mr. Menaged in the first week of January 2014, the First Fraud had already been completed and the Second Fraud had already started by this time. Sterling estimated the losses that DenSco would have realized if the relationship with Mr. Menaged had been severed as of January 9, 2014 at approximately $17.7 million. The economic damage claims in the Receiver's disclosure statement omit an offset for this. Therefore, the economic damage claims in the Receiver's disclosure statement are overstated.

5.2 Net Loss from Frauds

The Receiver's status report dated December 22, 2017 states:

> "Based on the Receiver's extensive analysis of Menaged's bank records, DenSco's bank records, and DenSco's QuickBooks data, the Receiver determined that Menaged paid DenSco approximately $15,328,635 in interest over the course of his borrowing relationships with DenSco. The Receiver subtracted the total interest paid by Menaged to DenSco ($15,328,635) from Menaged's loan balance ($46,288,983) and determined that DenSco's net loss from Menaged's fraudulent activities is approximately $30,960,348.
>
> The Receiver negotiated a Settlement Agreement in which the Menageds consented to the entry of a nondischargeable civil judgment in favor of the Receiver in the amount of $31,000,000 and an agreement that Menaged will cooperate with the Receiver's ongoing investigation into activities relating to DenSco. On August 8, 2017, the Receiver filed a Petition for Order Approving Settlement Agreement with Yomtov Scott Menaged and Francine Menaged (see Petition No. 32). The Receivership Court signed the Order approving the Menaged Settlement Agreement on August 11, 2017.
>
> Accordingly, on September 5, 2017, the Bankruptcy Court awarded the Receiver a nondischargeable judgment in the amount of $31,000,000 plus post-judgment interest. The Receiver recorded the judgment with the Maricopa County Recorder on October 3, 2017."[116]

[116] Davis Deposition Exhibit 534, Exhibit A, page 7.

Based on the above, the Receiver determined in 2017 that DenSco's net loss from Mr. Menaged's fraudulent activities was approximately $31 million. Accordingly, the upper limit of the Receiver's claims related to actions that allegedly would have prevented DenSco from suffering losses related to Mr. Menaged's frauds should be $31 million. Furthermore, DenSco had incurred a loss of approximately $17.7 million related to Mr. Menaged's frauds by January 9, 2014 as discussed earlier. Therefore, DenSco's incremental net loss related to Mr. Menaged's frauds after January 9, 2014 is much lower than $31 million.

The economic damage claims in the Receiver's disclosure statement totaling approximately $43.2 million are substantially larger than both (i) the Receiver's estimate of DenSco's total net loss from Mr. Menaged's frauds and (ii) DenSco's incremental net loss related to Mr. Menaged's frauds after January 9, 2014. Therefore, the economic damage claims in the Receiver's disclosure statement are overstated.

5.3 Net Loss by Investors

The Receiver's status report dated December 23, 2016 states:[117]

> "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."
>
> "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."

[117] Davis Deposition Exhibit 479, Exhibit A, page 12.

> "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.'"

Based on the above, the Receiver estimated in December 2016 that net investment losers have a combined loss of approximately $31.9 million before recoveries and approximately $25.5 million after recoveries.[118] The Receiver's most recent status report dated March 11, 2019 states distributions to approved DenSco creditors so far total $7 million and represent approximately 22.3% of approved claims.[119] This shows the Receiver has already exceeded his initial recovery estimate of 20%. The net investment loss is $24.9 million based on the distributions so far and will be reduced further by future distributions.[120]

The economic damage claims in the Receiver's disclosure statement totaling approximately $43.2 million are substantially larger than the net investment loss suffered by Investors according to the Receiver. Therefore, the economic damage claims in the Receiver's disclosure statement are overstated.

5.4 Potential Future Distributions/Recoveries

The Receiver's most recent status report dated March 11, 2019 states the Receiver currently has approximately $1.6 million in cash as well as potential future recoveries from several individuals and entities other than Defendants including:[121]

- Mr. Menaged and his bankruptcy estate
- Mr. Chittick's estate
- Net investment winners from the Ponzi scheme
- Banks involved in the cashier's check scheme
- AFG
- One DenSco borrower other than Mr. Menaged

[118] $31,911,466 * 80% = $25,529,173.
[119] Receiver's March 11, 2019 status report, page 4.
[120] $31,911,466 - $7,000,000 = $24,911,466.
[121] Receiver's March 11, 2019 status report, pages 1 to 15.

The Receiver's most recent status report does not include an estimate of total expected future recoveries from sources other than Defendants and/or total expected future distributions.

Any damage claim in this lawsuit should subtract some, if not all, of the expected future distributions and/or recoveries from individuals and entities other than Defendants. The economic damage claims in the Receiver's disclosure statement include no offset for this and are overstated.

5.5 Non-Parties at Fault

Defendants claim many "...persons or entities, who are not parties to this action, caused or contributed to all or part of the damages alleged by Plaintiff in this case."[122] Earlier sections of this report discuss a few of the individuals and entities that, according to Defendants, (i) participated in the frauds on DenSco, (ii) failed to take proper actions and/or (iii) failed to spot warning signs.

Sterling understands an appropriate damage award against Defendants, if any, should take account of the relative contribution of all individuals and entities. For example, earlier sections of this report state that (i) AFG and/or Mr. Chittick may have caused all losses suffered by DenSco related to Mr. Menaged after September 2012 and (ii) JP Morgan Chase Bank and US Bank were involved in the cashier's check scheme that was part of the Second Fraud.

The economic damage claims in the Receiver's disclosure statement include no offset for the relative contribution of individuals and entities other than Defendants. Therefore, the economic damage claims in the Receiver's disclosure statement are overstated.

5.6 Workout Loan Balances

The economic damage claims in the Receiver's disclosure statement include the balances in the Work Out 5 Million and Work Out 1 Million QuickBooks accounts.[123]

The Receiver's December 23, 2016 status report states:

> "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

[122] "Defendants' Notice of Non-Parties at Fault" dated June 7, 2018, page 1.

[123] The economic damage claims in the Receiver's disclosure statement include a higher amount than the balance in the Work Out 5 Million account because the Receiver excluded $0.4 million of interest income paid by Mr. Menaged that was used by Mr. Chittick to reduce the balance in this account ("Plaintiff's Fifth Supplemental Disclosure Statement" dated November 14, 2018, Appendix A at RECEIVER 1336). The Receiver's exclusion of the $0.4 million reduction is inconsistent with the Receiver's decision to give Mr. Menaged credit for all interest that he had paid DenSco in determining the net loss from the fraud.

to overages on properties that date back to August 2012 and the First Fraud through November 2013."[124]

The Receiver's statement that 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" is consistent with Sterling's opinion that DenSco had already suffered substantial losses on these loans before the January 9, 2014 meeting involving Mr. Beauchamp.

Under the Receiver's theory that Defendants should have been able to convince Mr. Chittick to sever DenSco's relationship with Mr. Menaged in January 2014, Sterling's analysis shows DenSco's losses would have been approximately $17.7 million (i.e., more than the balances in the two QuickBooks accounts in the middle of 2016).

Based on the above, the balances in the two QuickBooks accounts do not represent damages suffered as a result of Alleged Actions by Defendants in January 2014.

5.7 Prejudgment Interest

The Receiver claims prejudgment interest is applicable on all four components of economic damages identified in the disclosure statement (i.e., $5 Million Workout Loan, $1 Million Workout Loan, Non-Workout Loans and Clark Hill Fees).[125] Sterling understands prejudgment interest is only applicable under certain circumstances and subject to the determination of the court.

The Alleged Actions did not cause economic damages in the amounts identified in the disclosure statement for reasons discussed in earlier sections of this report. Furthermore, the economic damages resulting from the Alleged Actions 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.

5.8 Receiver's Economic Damage Claims Summary

Based on the above and information discussed elsewhere in this report:

- 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.

[124] Davis Deposition Exhibit 479, Exhibit A, page 9.
[125] "Plaintiff's Fifth Supplemental Disclosure Statement" dated November 14, 2018, pages 133 to 136.

6. Signature

Sterling may update this analysis if further information is provided and/or additional analysis is performed.

David R. Perry
For the Firm

4/5/19
Date

Appendix A

Sterling Group LLC
David R. Perry CPA/ABV/CFF, CDFA, FCA

Summary

Mr. Perry is President and Founder of Sterling Group LLC. He is a Certified Public Accountant, Accredited in Business Valuation, Certified in Financial Forensics, Certified Divorce Financial Analyst and a British Chartered Accountant. He has over 30 years of experience in accounting and finance and has primarily focused on damage calculations, financial investigations and business valuations for the last 20 years. He has analyzed companies in numerous industries and been based in the major financial capitals of New York, London and Singapore. He received the highest score in Arizona when he took the examination to become a Certified Public Accountant.

Commercial Disputes

Mr. Perry has been engaged on numerous occasions to perform economic analyses, investigations, business valuations and damage calculations related to commercial disputes.

Many of the commercial disputes in which Mr. Perry is hired involve breach of contract claims. Others involve various claims such as defamation, fraud, professional malpractice, breach of fiduciary duty and employment law violations. He has been hired to calculate damages suffered by businesses in numerous industries, including multiple cases with more than $100 million at stake.

Mr. Perry has worked on hundreds of commercial disputes including ones in which he:

- Analyzed the losses experienced by multiple real estate developments due to the lack of a wastewater treatment plant.
- Determined the damages suffered by a business as a result of alleged defamation over a multi-year period.
- Assessed the damages in a contract dispute related to video games owned by a major Japanese corporation.
- Analyzed multiple large electronic data files in a wage and hour employment class action involving a financial institution.
- Performed financial analysis to resolve disputes between various physician groups and a diagnostic imaging services provider.
- Analyzed whether a real estate developer had improperly charged development expenses to a homeowners' association.
- Calculated lost profits in a contract dispute related to the production of an organic beverage.

- Analyzed the commercial feasibility of a cleaning machine and the damages related to alleged breaches of a contract.
- Determined the loss in value of a distributor as a result of alleged actions taken by a manufacturer.
- Determined the damages in a lawsuit against an insurance carrier related to mold contamination in an apartment complex.
- Assisted a Stanford law professor to determine whether certain companies had complied with various federal and state statutes.
- Assessed the adequacy of reserves held by a homeowners' association at the time of a change in the association's control.
- Calculated damages in a dispute between two large insurance brokerage firms.
- Determined lost profits in a dispute between a homebuilder and a large publicly-traded mining company.
- Calculated damages incurred by a manufacturing company as a result of a fire at one of its production facilities.
- Valued a sports bar in connection with a dispute between a franchisee and franchisor.
- Identified misstatements in financial statements used as the basis for a large corporate acquisition and the related damages.
- Analyzed thousands of legal invoices in connection with a dispute between an insured and multiple insurers.
- Analyzed the damages incurred by the buyers of a business as a result of alleged professional malpractice.
- Identified fund flows and business relationships in a dispute about alleged international money laundering and fraud.
- Determined the present value of utility infrastructure bonds in connection with an alleged securities act infringement.
- Quantified damages in a dispute involving the delayed development of a master-planned community.

- Valued the business of a homebuilder in connection with a lawsuit with a homeowners' association.

- Analyzed misstatements in financial statements used to calculate the earn-out payments after an acquisition.

- Calculated damages in a lawsuit involving an alleged oral contract and analyzed if the alleged contract was commercially reasonable.

- Analyzed millions of records in multiple databases in connection with a lawsuit alleging failure to make commission payments.

- Assessed what percentage of the change in value of a chiropractic business was caused by alleged professional malpractice.

Intellectual Property

Mr. Perry has 20 years of experience calculating damages in intellectual property disputes. He has worked on many cases involving patents, copyrights, trademarks and trade secrets. He has performed numerous calculations of plaintiffs' lost profits, defendants' gained profits and reasonable royalties.

Examples of Mr. Perry's intellectual property experience include:

- In a patent case involving email technology, Mr. Perry issued an expert report and provided testimony explaining (i) errors in the opposing expert's damage calculation and (ii) the appropriate way to calculate damages. Mr. Perry's expert report and opinions formed the basis of a successful motion to exclude against the opposing expert.

- In a patent case involving successful casino table games, Mr. Perry issued an expert report and provided testimony on the plaintiff's damages. The court awarded damages in the exact amount shown in Mr. Perry's expert report.

- In a patent case involving internet search technologies, Mr. Perry issued multiple expert reports on damages suffered by the patent holder as a result of alleged infringement by an industry-leading internet search provider.

- In a patent case involving a product renewal method used by an industry-leading web services provider, Mr. Perry issued multiple expert reports. Mr. Perry's expert reports identified errors in the opposing expert's damage calculations and described the appropriate way to calculate damages.

- In two patent and trade secret cases involving golf tee time booking systems, Mr. Perry issued an expert report and determined the damages suffered by the intellectual property owners.

- In a copyright case involving software used by major electronic payment processors, Mr. Perry issued multiple expert reports and provided testimony. Mr. Perry's expert reports identified errors in the opposing expert's calculations and explained his own damage assessment.

- In a copyright and trade secret case involving software used in online courses offered by two Silicon Valley companies, Mr. Perry issued multiple expert reports and provided testimony. Mr. Perry's expert reports identified errors in the opposing expert's calculations and explained his own damage assessment.

- In a copyright case involving alleged unauthorized copying by a law firm, Mr. Perry issued an expert report discussing the revenues received by the law firm from the alleged improper acts.

- In a trademark case involving online and brick and mortar sales by an industry leading tire and wheel retailer, Mr. Perry issued four reports and provided testimony. Mr. Perry's expert reports identified errors in the opposing expert's calculations and explained his own damage assessments.

- In a trade secret case involving two large insurance brokers, Mr. Perry issued an expert report. Mr. Perry's expert report identified errors in the opposing expert's calculations and explained his own damage assessments.

Other intellectual property disputes that Mr. Perry has worked on involve such items as golf clubs, agricultural equipment, casino slot machines, outdoor patio products, pest control products, quality improvement methodologies, office products, health products, software products, mining industry equipment, and customer lists.

Individual Claims

Mr. Perry is regularly engaged to calculate the present value of economic losses allegedly suffered by individuals and/or to comment on calculations performed by other experts.

Mr. Perry's economic loss assessments are used to help resolve employment, medical malpractice, personal injury and wrongful death disputes.

Examples of the types of analysis that Mr. Perry has performed on numerous occasions related to claims brought by individuals include:

- Determine the present value of lost earnings in an alleged wrongful termination case based on the difference between the plaintiff's expected earnings in the position from which he was dismissed and his expected earnings from replacement position.

- Calculate the present value of lost earnings and household services in an alleged wrongful death case considering the deceased's future income and personal consumption if he had lived longer.

- Rebut calculations of the present value of an individual's lost earnings, future medical costs and household services prepared by another expert related to a work-related accident.

- Assess the present value of economic losses suffered by an individual as a result of alleged medical malpractice after considering available information and the reports of medical and vocational experts.

Marital Dissolution

Mr. Perry is frequently engaged in marital dissolution matters to value closely-held businesses and conduct forensic accounting.

Mr. Perry has several credentials (i.e., Accredited in Business Valuation, Certified in Financial Forensics and a Certified Divorce Financial Analyst) that are useful in marital dissolution matters.

Mr. Perry's marital dissolution experience includes engagements in which he:

- Critiqued another expert's opinions about the value of an executive's alleged book of business, which resulted in a Court finding "...Mr. Perry's criticism of the [other expert's] approach was well-founded and very persuasive."

- Prepared charts and spreadsheets that tracked the flow of funds over time and allowed the attorney and his client to understand where certain community monies had gone.

- Valued a multi-million-dollar business that cleans the tools used to manufacture microchips in connection with a marital dissolution.

- Reviewed accounting and public records for numerous inter-related corporations and partnerships to determine the marital community's interest in each entity.

- Critiqued a valuation of a design business prepared by another expert and prepared a report correcting the other expert's errors.

- Valued over ten billion dollars of interests in public and private telecommunications companies as part of a divorce proceeding.

- Assisted an attorney in preparing for multiple depositions in a complex divorce involving multiple business entities.

- Analyzed documents to determine whether substantial obligations reported by one spouse were actual debts and/or community liabilities.

Business Improvement

Mr. Perry has managed numerous business improvement projects for large corporations and institutions. Mr. Perry's business improvement experience includes engagements in which he:

- Managed a team of business analysts and computer programmers to design and implement a customer/product information system in over 30 countries.
- Designed and implemented a management information system that provided information on revenues, costs and risks for a business that trades foreign exchange and interest rate products.
- Managed a team to perform an Operational Review of the second-largest bank in Romania and present findings to officials of the World Bank and European Commission.
- Performed a key role in the restructure of the US operations of a major international bank to eliminate duplicate and non-core businesses and increase profitability.
- Managed due diligence assignments for companies seeking to expand in the UK and Eastern Europe and presented comprehensive reports to management and directors.
- Analyzed the benefits, costs and risks of alternative general ledger options for a large US bank, which resulted in higher quality financial reporting and significant cost savings.
- Managed the design and implementation of risk management processes for the US operations of a major international bank resulting in an improved grading by the Federal Reserve Board.
- Prepared a Business Continuity Plan for a complex $30 million business.
- Managed the audit of one of the world's largest banks that involved work in over 30 countries, analysis of complex transactions and direct communication with federal regulators.
- Audited many companies in numerous industries during eight years with a Big-Four public accounting firm.
- Performed numerous investigations involving fraud, conflict of interests, internal controls and compliance with established policies and procedures.
- Analyzed the derivative portfolios and related risk management controls of numerous banks in the United Kingdom and United States.

Sterling Group LLC
David R. Perry CPA/ABV/CFF, CDFA, FCA

Professional History

Sterling Group	President	Scottsdale
The Kenrich Group	Vice President	Phoenix
Sterling Group	President	Scottsdale
Lancaster Consulting	Principal Consultant	Phoenix
Standard Chartered Bank	Vice President - Finance	New York and Singapore
KPMG	Senior Manager	London, Houston and New York

Professional Credentials

Certified Public Accountant (Honored for highest score in Arizona on CPA examination).

Accredited in Business Valuation.

Certified in Financial Forensics.

Certified Divorce Financial Analyst.

Fellow of the Institute of Chartered Accountants of England and Wales.

Professional Affiliations

American Institute of Certified Public Accountants.

Arizona Society of Certified Public Accountants.

Institute for Divorce Financial Analysts

National Association of Forensic Economics

Education and Training

Bachelor's degree in Physics from London University in England (Highest Honors).

Post-graduate studies in accounting leading to Chartered Accountant qualification.

Numerous technical skills and management development courses in the U.K. and U.S.

Sterling Group LLC
David R. Perry CPA/ABV/CFF, CDFA, FCA

Testimony Experience

Cannabis Renaissance Group, LLC, et al. v. Fennemore Craig, PC, et al.
Maricopa County Superior Court, Arizona
Date of deposition testimony: February 13, 2019

Appell, et al. v. Lane & Ehrlich, Ltd., et al.
Maricopa County Superior Court, Arizona
Date of deposition testimony: October 30, 2018

Ritchie Capital Management, LLC, et al. v. Dentons US LLP
Circuit Court of Cook County, Illinois
Date of deposition testimony: June 15, 2018

L-3 Communications Corporation, et al. v. Serco Inc.
United States District Court, Eastern District of Virginia
Date of deposition testimony: November 8, 2017

Arizona Oncology Associates, PC v. Nelson
Arbitration in Phoenix, Arizona
Date of deposition testimony: August 4, 2017
Dates of arbitration testimony: August 24 and 25, 2017

Porterfield, et al. v. Hanson Aggregates LLC, et al.
Maricopa County Superior Court, Arizona
Date of deposition testimony: April 11, 2017

Westminster Securities Corporation, et al. v. Uranium Energy Corporation, et al.
United States District Court, Southern District of New York
Dates of deposition testimony: February 23, 2017 and June 27, 2017

Chu, et al. v. Dam, et al.
Maricopa County Superior Court, Arizona
Date of deposition testimony: June 14, 2016

Cable Shopping Network, LLC v. AOR Direct, LLC
Maricopa County Superior Court, Arizona
Date of hearing testimony: March 17, 2016

Wyle Inc., et al. v. ITT Corp. et al.
Supreme Court of the State of New York, County of New York
Date of deposition testimony: March 2, 2016

Sterling Group LLC
David R. Perry CPA/ABV/CFF, CDFA, FCA

Nelson v. Ellis, et al.
Maricopa County Superior Court, Arizona
Date of deposition testimony: February 24, 2016
Date of trial testimony: September 28, 2016

GoDaddy.com, LLC v. RPost Communications Limited, et al.
United States District Court, District of Arizona
Date of deposition testimony: January 25, 2016

Atkins, et al. v. Snell & Wilmer LLP, et al.
Maricopa County Superior Court, Arizona
Dates of deposition testimony: September 28, 2015 and November 4, 2015
Dates of trial testimony: October 19 and 20, 2016

In the Matter of the Estate of Robert Mazet, III
Maricopa County Superior Court, Arizona
Date of deposition testimony: July 30, 2015

Garcia v. Troon South Investments, LLC, et al.
Maricopa County Superior Court, Arizona
Date of deposition testimony: June 15, 2015

Fuciarelli v. City of Scottsdale
United States District Court, District of Arizona
Date of deposition testimony: June 5, 2015

Canyon Communications, LLC v. Grandl Corporation, et al.
Maricopa County Superior Court, Arizona
Date of deposition testimony: April 29, 2015

Giannosa v. Arthur J. Greene Construction Co.
Circuit Court of Cook County, Illinois
Date of deposition testimony: April 10, 2015

Rahn v. City of Scottsdale
Maricopa County Superior Court, Arizona
Date of deposition testimony: March 19, 2015

Crawford v. Freeman
Maricopa County Superior Court, Arizona
Date of deposition testimony: March 13, 2015

Sterling Group LLC
David R. Perry CPA/ABV/CFF, CDFA, FCA

Johnson vs. Johnson, et al.
Maricopa County Superior Court, Arizona
Date of deposition testimony: January 6, 2015

Agostino v. Bridgewater Marketing LLC, et al.
Maricopa County Superior Court, Arizona
Date of hearing testimony: December 3, 2014

Strojnik v. Roadrunner Glass Company, et al.
Maricopa County Superior Court, Arizona
Date of deposition testimony: November 21, 2014

Abel Commercial Ventures, LLC, et al. v. Southwest Next Partners, et al.
Maricopa County Superior Court, Arizona
Date of deposition testimony: November 4, 2014

Estate of Steven Edward Lewis, et al. v. Lycoming, et al.
United States District Court, Eastern District of Pennsylvania
Date of deposition testimony: June 10, 2014

Princeton Payment Solutions, LLC v. ACI Worldwide, Inc., et al.
United States District Court, Eastern District of Virginia
Date of deposition testimony: December 11, 2013

Knight Transportation, Inc., et al. v. Baldwin & Lyons, Inc., et al.
United States District Court, District of Arizona
Dates of deposition testimony: October 16 and 17, 2013

Edwards Family Trust and Edwards Family Great Grandchildren's Trust
Maricopa County Superior Court, Arizona
Date of trial testimony: September 30, 2013

Wilson v. PNC Mortgage, et al.
Maricopa County Superior Court, Arizona
Date of trial testimony: June 19, 2013

Macey & Aleman, et al. v. Simmons, et al.
United States District Court, Northern District of Illinois, Eastern Division
Date of deposition testimony: October 25, 2012

Kelsey v. Boyd, et al.
Maricopa County Superior Court, Arizona
Date of deposition testimony: September 25, 2012

Sterling Group LLC
David R. Perry CPA/ABV/CFF, CDFA, FCA

AKH Company, Inc. v. The Reinalt-Thomas Corporation d/b/a Discount Tire, et al.
United States District Court, Central District of California
Date of deposition testimony: September 24, 2012

Haney v. BNSF Railway Company
Coconino County Superior Court, Arizona
Date of deposition testimony: April 27, 2012

Kolomitz v. BNSF Railway Company
Maricopa County Superior Court, Arizona
Date of deposition testimony: December 6, 2011

Landmark Towers Condominium Association v. Carlyle/CP Landmark Towers, LP, et al.
Maricopa County Superior Court, Arizona
Date of deposition testimony: September 15, 2011

Aardema, et al. v. Northwest Dairy Association, et al.
District Court for Fifth Judicial District of State of Idaho, County of Twin Falls
Date of deposition testimony: September 9, 2011
Dates of trial testimony: June 18, 19 and 26, 2012

Winckler v. BNSF Railway Company
Maricopa County Superior Court, Arizona
Date of deposition testimony: April 7, 2011
Date of trial testimony: March 29, 2018

Black v. BNSF Railway Company
Maricopa County Superior Court, Arizona
Date of deposition testimony: January 12, 2011
Date of trial testimony: March 28, 2013

Davis v. BNSF Railway Company
Maricopa County Superior Court, Arizona
Date of deposition testimony: January 11, 2011

Aguilar v. Macayo Restaurants, LLC
Maricopa County Superior Court, Arizona
Date of deposition testimony: October 8, 2010

Phoenix Benefits, Inc., et al. v. Spellicy, et al.
Arbitration in Phoenix, Arizona
Date of arbitration testimony: September 28, 2010

Garcia v. Regis Corporation
United States District Court, District of Arizona
Date of deposition testimony: July 27, 2010

Arizona Heart Institute v. Kresock
Arbitration in Scottsdale, Arizona
Date of arbitration testimony: June 28, 2010

York v. Blue Line Equipment, LLC, et al.
Arbitration in Phoenix, Arizona
Date of arbitration testimony: June 15, 2010

Wellements, Inc. v Kan-Pak, Inc.
Arbitration in Wichita, Kansas
Date of deposition testimony: September 10, 2009
Date of arbitration testimony: February 12, 2010

Sahakian v. STATS ChipPAC, Inc., et al.
United States District Court, District of Arizona
Date of deposition testimony: May 29, 2009

SK Ranch Homeowners Association v. KB Home Phoenix, Inc., et al.
Pinal County Superior Court, Arizona
Date of deposition testimony: March 5, 2009

TWA Restaurant Group, Inc. v. 3rd Base, Inc., et al.
Arbitration in Phoenix, Arizona
Date of arbitration testimony: February 19, 2009

Kawar v. JPMorgan Chase
United States District Court, District of Arizona
Date of deposition testimony: January 28, 2009

Unzueta, et al v. Brundage-Bone Concrete Pumping, Inc., et al.
Maricopa County Superior Court, Arizona
Date of deposition testimony: December 10, 2008

Smith v. BNSF Railway Company
Maricopa County Superior Court, Arizona
Date of deposition testimony: July 2, 2008

Marquette Equipment Finance, LLC v. Rowe Fine Furniture, Inc., et al.
United States District Court, Eastern District of Virginia
Date of deposition testimony: February 23, 2008

Mirage Crossing Resort Casitas HOA, Inc. v. Mirage Homes Construction, Inc. et al.
Maricopa County Superior Court
Date of deposition testimony: July 12, 2007

Abbett, et al v. Terravita Corp., et al.
Maricopa County Superior Court, Arizona
Date of deposition testimony: March 1, 2007

Advante, et al. v. Mintel, et al.
United States District Court, Northern District of California
Date of deposition testimony: February 8, 2007

Allen, et al v. Del Webb's Coventry Homes, Inc., et al.
Maricopa County Superior Court, Arizona
Date of deposition testimony: January 19, 2007

Eagle Mountain Community Association v. Eagle Mountain Investors, LLC
Maricopa County Superior Court, Arizona
Date of deposition testimony: June 28, 2006
Date of trial testimony: July 19, 2006

Lefkowitz v. CIGNA, et al.
Maricopa County Superior Court, Arizona
Date of deposition testimony: March 30, 2006

Shuffle Master, Inc. v. Awada, et al.
United States District Court, District of Nevada
Date of deposition testimony: March 1, 2006

Geraci v. Schimweg, et al.
Arbitration in Phoenix, Arizona
Date of deposition testimony: January 21, 2005

Blakemore v. Blakemore
Maricopa County Superior Court, Arizona
Date of deposition testimony: October 15, 2004
Date of trial testimony: October 18, 2004 and October 19, 2004

Sterling Group LLC
David R. Perry CPA/ABV/CFF, CDFA, FCA

Barnett v. CIGNA
United States District Court, District of Arizona
Date of trial testimony: August 20, 2004

Brake Masters Systems, Inc. v. Shajari, et al.
Arbitration in Phoenix, Arizona
Date of arbitration testimony: May 11, 2004

North American Enterprises v. McLeodUSA
Maricopa County Superior Court, Arizona
Date of deposition testimony: March 16, 2004
Date of trial testimony: April 6, 2004

Brake Masters Systems, Inc. v. Castillo, et al.
Arbitration in Tucson, Arizona
Date of arbitration testimony: March 10, 2004

Lewis v. Smith, et al.
United States District Court, District of Arizona
Date of deposition testimony: June 25, 2003

Brake Masters Systems, Inc. v. Diehl, et al.
Arbitration in Tucson, Arizona
Date of arbitration testimony: May 6, 2002

Autumn Creek Associates et al. v. TIG Insurance Company
Lawsuit in Phoenix, Arizona
Date of deposition testimony: February 27, 2001

Publications (last ten years)

None

Appendix B

Appendix B

Davis v. Clark Hill PLC, et al.
Documents Considered

1. Court Filings

   - "Complaint" dated October 16, 2017
   - "Answer" dated January 8, 2018
   - "Notice of Services of Preliminary Expert Opinion Declaration" dated March 9, 2018 and declaration of Mark T. Hiraide
   - "Plaintiff's Initial Disclosure Statement" dated March 9, 2018 and Exhibits A through E
   - "Defendants' Initial Rule 26.1 Disclosure Statement" dated March 9, 2018
   - "Scheduling Order" dated May 16, 2018
   - "Defendants' Notice of Non-Parties at Fault" dated June 7, 2018
   - "Plaintiff's Fourth Disclosure Statement" dated July 11, 2018
   - "Plaintiff's Fifth Disclosure Statement" dated November 14, 2018 and Appendix A

2. Transcripts and Exhibits:

   - Transcript from Mr. Menaged's October 20, 2016 rule 2004 examination and Exhibits 1 to 12
   - Transcript from Mr. Menaged's December 8, 2017 interview/deposition
   - Exhibits 1 to 102 to Mr. Schenck's June 19, 2018 deposition
   - Exhibits 103 to 197 and 199 to 436 to Mr. Beauchamp's July 19, 2018 deposition
   - Exhibits 437 to 452 to Ms. Hauer's August 22, 2018 deposition
   - Exhibits 453 to 470 to Mr. Sifferman's August 31, 2018 deposition
   - Transcript from Mr. Davis' November 16, 2018 deposition and Exhibits 471 to 550
   - Transcript from Mr. Koehler's December 17, 2018 deposition and Exhibits 647 to 662
   - Transcript from Mr. Preston's January 25, 2019 deposition and Exhibits 681 to 696

Davis v. Clark Hill PLC, et al.
Documents Considered

3. Documents labeled:

- BC 1959 to 1962, 1965 to 1978, 2013, 2021 to 2025, 2912 to 2981 and 3074 to 3093

- CH 46 to 49, 212 to 227, 245 to 265, 368 to 376, 513 to 523, 636, 708 to 710, 803 to 810, 816 to 818, 828 to 850, 914, 956 to 968, 1015 to 1021, 1087 to 1091, 1129 to 1130, 1135 to 1136, 1176 to 1182, 1224 to 1227, 1410 to 1418, 1433, 1445 to 1465, 1494 to 1499, 1502 to 1503, 1574 to 1575, 1595, 1606 to 1618, 1632 to 1654, 1672 to 1686, 1689, 1758, 1787 to 1803, 1807 to 1815, 1819 to 1835, 1928, 1930 to 1953, 2014, 2017 to 2021, 2024 to 2032, 2045 to 2132, 2308 to 2317, 2321 to 2322, 2338 to 2340, 2405, 2503, 2507 to 2540, 2591 to 2608, 2611 to 2629, 2673 to 2679, 2739 to 2774, 2825 to 2827, 2887 to 2923, 2935 to 2981, 3609 to 3627, 3696 to 3715, 3746 to 3782, 3869 to 3871, 4202 to 4204, 4206 to 4207, 4294 to 4314, 4324 to 4332, 4886 to 4890, 5221 to 5226, 5263 to 5265, 5289 to 5291, 5451 to 5453, 5550, 5728, 5790 to 5807, 5916 to 5920, 6376 to 6379, 6381 to 6383, 6655, 6694 to 6708, 7183 to 7186, 8016 to 8024, 8028 to 8045, 8054 to 8066, 8320 to 8343, 8361 to 8369, 8434 to 8437, 8445 to 8447, 8475 to 8487, 8940 to 8942, 8985 to 8987, 9027 to 9030, 9195 to 9196, 9219 to 9222, 9714 to 9715, 9889, 10087, 10225 to 10226, 10228 to 10229, 10243 to 10244, 10357 to 10358, 10428 to 10432, 10474 to 10483, 11140 to 11145, 13387 to 13393, 13481 to 13487, 13617 to 13623, 14215 to 14217, 14225 to 14227, 14538 to 14542, 14572 to 14575, 14585 to 14588, 14596 to 14599, 14625, 14634 to 14641, 14682 to 14693, 15071 to 15073, 17997 to 18010 and 18012 to 18013

- CHIT 1 to 19, 1879 to 1880 and 1885 to 1886

- D 100857 to 100930, 127389 to 127405, 134585 to 134598 and 147529 to 150198

- DIC 53 to 69, 942, 965 to 1032, 1158 to 1167, 2357 to 2424, 2445, 3336 to 3338, 3340 to 3342, 3344 to 3418, 3427 to 3442, 3481 to 3483, 3486 to 3487, 3490 to 3491, 3495 to 3575, 3612 to 3620, 3633 to 3634, 3637 to 3639, 3655 to 3657, 3660 to 3661, 3667 to 3668, 3693 to 3696, 5382 to 5387, 5395, 5398 to 5407, 5410 to 5411, 5413 to 5414, 5418 to 5425, 5427 to 5437, 5439 to 5442, 5444 to 5447, 5550 to 5553, 5558 to 5567, 6050, 6177, 6203 to 6208, 6219 to 6220, 6236 to 6244, 6261 to 6263, 6266 to 6269, 6272 to 6288, 6322 to 6326, 6330 to 6331, 6334 to 6335, 6340 to 6341, 6346 to 6347, 6364 to 6365, 6371 to 6372, 6384 to 6385, 6388 to 6389, 6397 to 6398, 6402 to 6403, 6420 to 6421, 6429 to 6431, 6435 to 6436, 6441 to 6442, 6449 to 6450, 6452 to 6453, 6458, 6462 to 6463, 6465 to 6468, 6495 to 6496, 6504 to 6506, 6516 to 6518, 6526, 6533 to 6536, 6539 to 6540, 6549 to 6550, 6552 to 6553, 6558 to 6559, 6568 to 6569, 6576 to 6581, 6590 to 6599, 6607, 6611 to 6614, 6625 to 6630, 6651 to 6653, 6663 to 6664, 6676 to 6681, 6686 to 6690, 6695, 6702 to 6704, 6757 to 6758, 6761 to 6763, 6790 to 6791, 6797 to 6798, 6803 to 6806, 6822 to 6823, 6831 to 6836, 6847 to 6850, 6874 to 6876, 6879 to 6880, 6894 to 6895, 6904 to 6909, 6911 to 6914, 6931 to 6960, 6963 to 6966, 6976 to 6978, 6992 to 7002, 7012 to 7014, 7017 to 7019, 7028 to 7029, 7032 to 7035, 7037 to 7041, 7061 to 7062, 7070 to 7071, 7074 to 7076, 7084 to 7087, 7094 to 7096, 7102 to 7107, 7125 to 7126, 7152, 7221 to 7222, 7293, 7313 to 7314, 7324 to 7327, 7512 to 7515, 7521 to 7525, 8049, 8063, 8579 to 8581, 8584 to 8590, 8639, 8653 to 8656, 8660 to 8800, 8802 to 8945, 8950 to 9019, 9315 to 9318, 9462 to 9500, 9519 to 9522, 9528, 9565 to 9570,

9575 to 9584, 9587 to 9590, 9596 to 9598, 9610 to 9611, 9620 to 9621, 9632 to 9634, 9636 to 9645, 9678 to 9685, 9702 to 9704, 9771 to 9778, 9825 to 9829, 9840 to 9844, 9874 to 9879, 9904 to 9907, 9932 to 9936, 9939 to 9946, 10017 to 10022, 10035 to 10039, 10042, 10065 to 10068, 10071 to 10079, 10111 to 10115, 10125 to 10126, 10134 to 10136, 10140 to 10143, 10150 to 10151, 10157 to 10158, 10160 to 10161, 10220 to 10221, 10228 to 10233, 10237 to 10244, 10248, 10264 to 10265, 10328, 10341 to 10342, 10460 to 10461, 10463 to 10464, 10469 to 10473, 10481 to 10483, 10486 to 10503, 10509 to 10511, 10522 to 10523, 10527 to 10528, 10544 to 10562, 10609 to 10610, 10731 to 10834, 10894, 10896, 10900 to 10912, 10914 to 10934, 10936 to 10941, 10943 to 10948, 10950 to 10952, 10955 to 10959, 10970, 10976, 10993 to 11005, 11018 to 11025, 11051 to 11054, 11104 to 11113, 11128 to 11136, 11212 to 11217, 11255 to 11265, 11339 to 11342, 11356 to 11357, 11362, 11367 to 11368, 11373 to 11375, 11391 to 11399, 11416 to 11417, 11427 to 11428, 11444, 11507 to 11508, 11513 to 11516, 11626, 11665 to 11667, 11813 to 11815, 11830 to 11833, 11836 to 11838, 11851 to 11854, 11861 to 11863, 11892 to 11894, 11897 to 11902, 11918 to 25330, 37682 to 37687, 37694 to 37699, 52993 to 52994, 53951 to 57145 and 70481 to 70840

- DOCID 58039 to 58040, 60449, 62190, 62697, 65266 to 65267, 66228, 67119, 68100 to 68103 and 71543 to 71544
- DP 1 to 534 and 594 to 601
- RECEIVER 1 to 176, 190 to 204, 1308 to 1324, 1326 to 1327, 1340 to 1345, 1479, 1549 to 1551 and 1566 to 1573
- R-RFP-Response 792 to 816 and 917

4. Documents without Bates numbers:

- DenSco QuickBooks files
- Documents with description "Box 148 - Docs supporting Receiver's solvency analysis"
- September 2012 emails related to multiple properties with two loans
- Bills, billing information and engagement letters related to Mr. Preston's work for DenSco
- Letter from Geoffrey Sturr to John DeWulf dated January 17, 2018
- "Petition No. 71 – Petition for Order Approved Receiver's Status Report dated March 15, 2019 and attached Status Report dated March 11, 2019
- "The Ponzi Book – A Legal Resource for Unraveling Ponzi Schemes" Kathy Bazoian Phelps & Hon. Steven Rhodes, LexisNexis, 2012

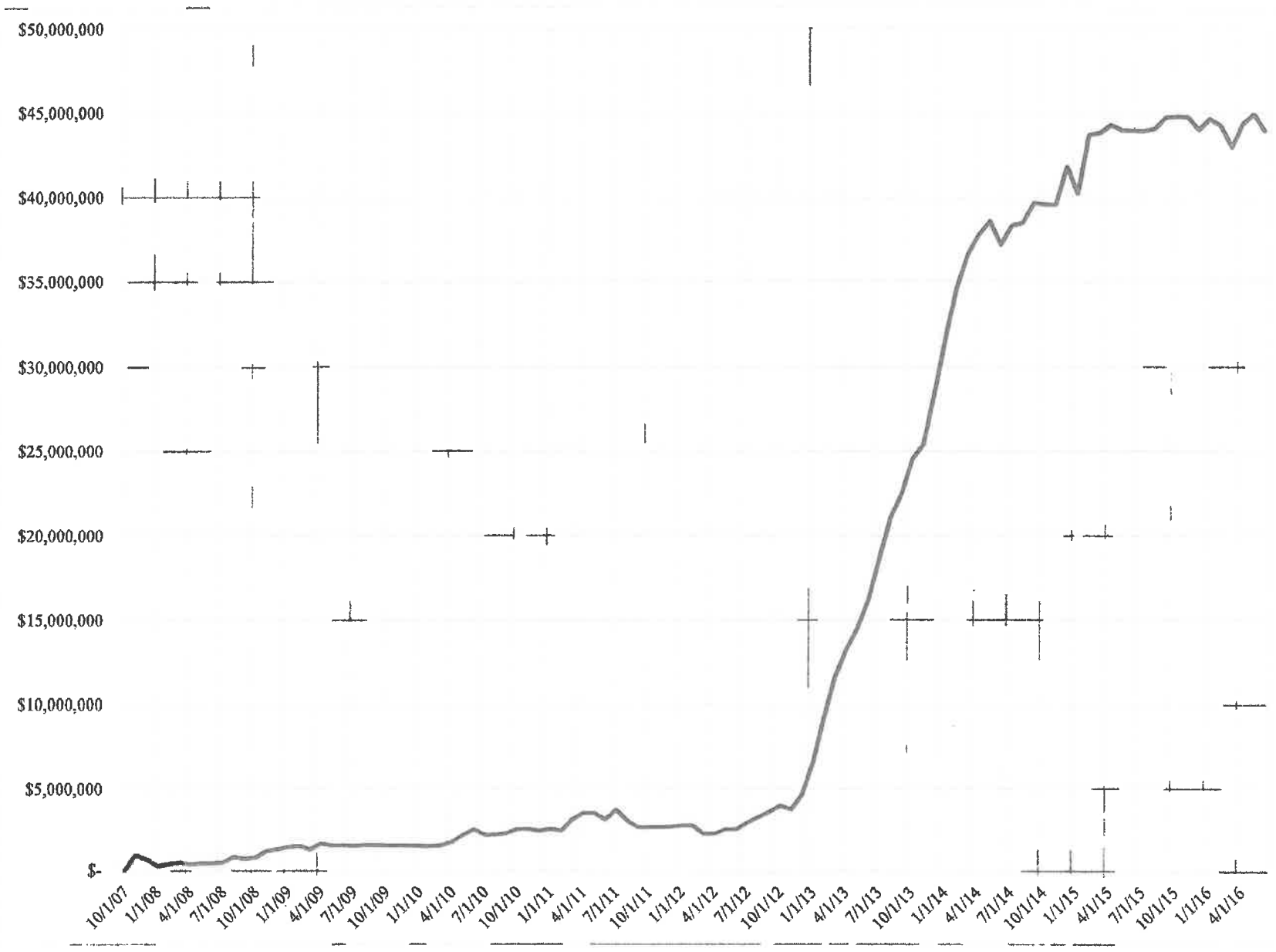
5. Information from:

   - aicpa.org
   - denscoreceiver1.godaddysites.com
   - federalreserve.gov
   - irs.gov
   - kirkland.com
   - prestoncpa.biz

Appendix C

Davis v. Clark Hill PLC, et al.
Mr. Menaged's Outstanding Loans (Dollars)

Appendix C



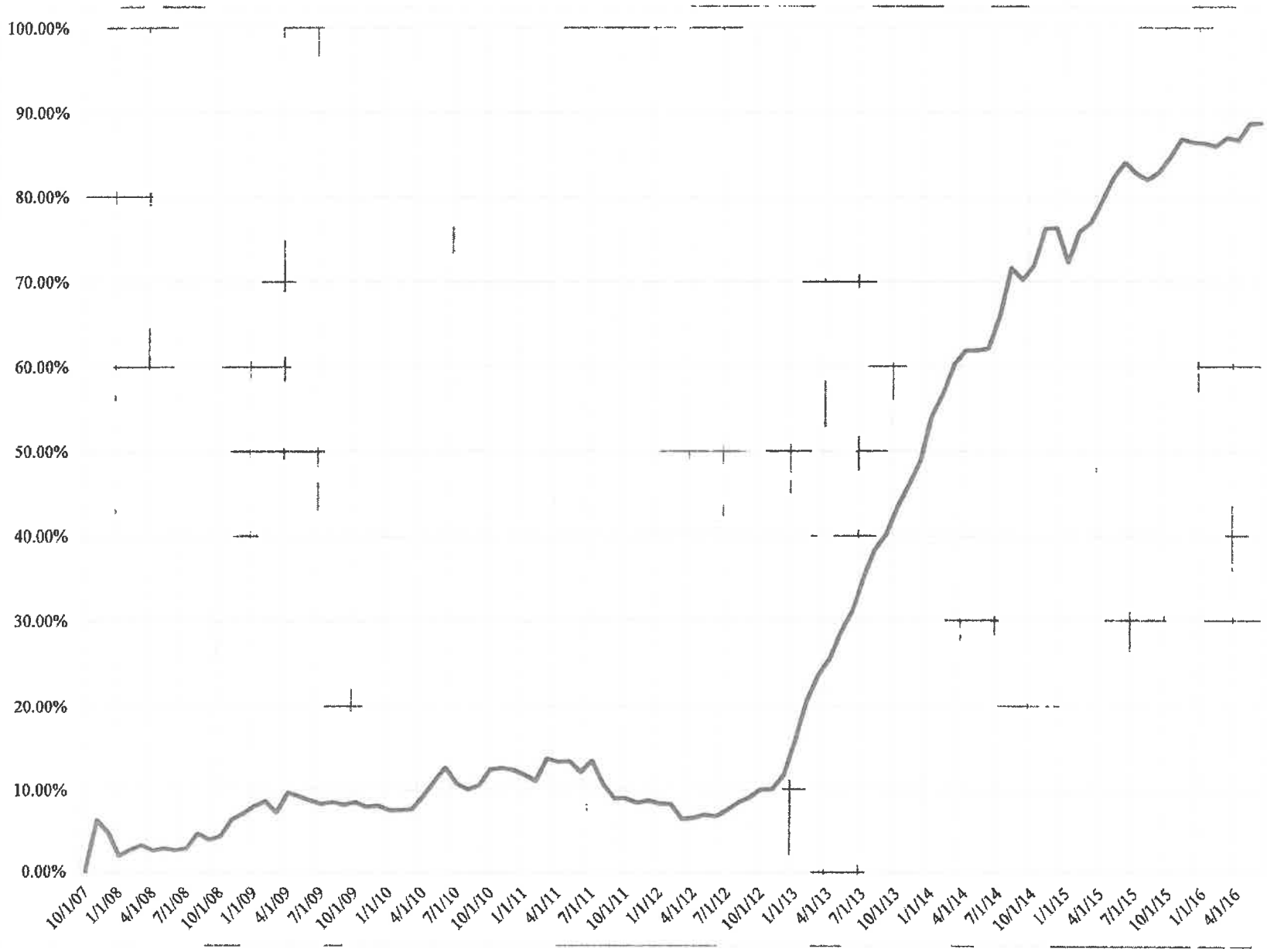
Source: DenSco QuickBooks data

Appendix D

Davis v. Clark Hill PLC, et al.

Mr. Menaged's Outstanding Loans (Percentage of Portfolio)

Appendix D



Source: DenSco QuickBooks data

Appendix E

Davis v. Clark Hill PLC, et al.
Mr. Menaged's Loans (November 2007 to December 2013)

Appendix E

Year	*Quarter*	*Total Amount of Loans in Quarter*	*Total Amount of Loans in Year*	*Cumulative Amount of Loans Since 2007*	*Number of Loans in Quarter*	*Number of Loans in Year*	*Cumulative Number of Loans Since 2007*
2007	Qtr4	$ 1,064,801			6		
2007	Total		$ 1,064,801	$ 1,064,801		6	6
2008	Qtr1	$ 195,000			2		
2008	Qtr2	$ 335,000			3		
2008	Qtr3	$ 361,000			4		
2008	Qtr4	$ 1,030,000			6		
2008	Total		$ 1,921,000	$ 2,985,801		15	21
2009	Qtr1	$ 654,500			10		
2009	Qtr2	$ 931,000			13		
2009	Qtr3	$ 671,000			7		
2009	Qtr4	$ 486,000			4		
2009	Total		$ 2,742,500	$ 5,728,301		34	55
2010	Qtr1	$ 124,500			2		
2010	Qtr2	$ 1,938,000			14		
2010	Qtr3	$ 547,000			9		
2010	Qtr4	$ 766,000			19		
2010	Total		$ 3,375,500	$ 9,103,801		44	99
2011	Qtr1	$ 1,158,000			14		
2011	Qtr2	$ 1,943,000			27		
2011	Qtr3	$ 1,966,000			18		
2011	Qtr4	$ 1,300,000			8		
2011	Total		$ 6,367,000	$ 15,470,801		67	166
2012	Qtr1	$ 80,000			1		
2012	Qtr2	$ 650,000			5		
2012	Qtr3	$ 1,185,000			5		
2012	Qtr4	$ 1,870,000			15		
2012	Total		$ 3,785,000	$ 19,255,801		26	192
2013	Qtr1	$ 8,450,000			50		
2013	Qtr2	$ 5,305,000			42		
2013	Qtr3	$ 8,670,000			67		
2013	Qtr4	$ 8,337,732			58		
2013	Total		$ 30,762,732	$ 50,018,533		217	409
2007 to 2013	Grand Total	$ 50,018,533	$ 50,018,533		409	409	

Sources: "Analysis of Loans to Yomtov Scott Menaged" prepared by the Receiver; DenSco QuickBooks data

Appendix F

Davis v. Clark Hill PLC, et al.
Mr. Menaged's Outstanding Loans (December 31, 2013)

Appendix F

Year	Quarter	Total Amount of Loans in Quarter Outstanding as of 12/31/2013	Total Amount of Loans in Year Outstanding as of 12/31/2013	Cumulative Amount of Loans Since 2007 Outstanding as of 12/31/2013	Age of Loans Outstanding as of 12/31/2013					
					Less Than 6 Months	6 Months to 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	Over 4 Years
2007	Qtr4	$ -			$ -	$ -	$ -	$ -	$ -	$ -
2007	Total		$ -	$ -						
2008	Qtr1	$ 85,000			$ -	$ -	$ -	$ -	$ -	$ 85,000
2008	Qtr2	$ -			$ -	$ -	$ -	$ -	$ -	$ -
2008	Qtr3	$ -			$ -	$ -	$ -	$ -	$ -	$ -
2008	Qtr4	$ -			$ -	$ -	$ -	$ -	$ -	$ -
2008	Total		$ 85,000	$ 85,000						
2009	Qtr1	$ -			$ -	$ -	$ -	$ -	$ -	$ -
2009	Qtr2	$ -			$ -	$ -	$ -	$ -	$ -	$ -
2009	Qtr3	$ -			$ -	$ -	$ -	$ -	$ -	$ -
2009	Qtr4	$ -			$ -	$ -	$ -	$ -	$ -	$ -
2009	Total		$ -	$ 85,000						
2010	Qtr1	$ -			$ -	$ -	$ -	$ -	$ -	$ -
2010	Qtr2	$ -			$ -	$ -	$ -	$ -	$ -	$ -
2010	Qtr3	$ 70,000			$ -	$ -	$ -	$ -	$ 70,000	$ -
2010	Qtr4	$ -			$ -	$ -	$ -	$ -	$ -	$ -
2010	Total		$ 70,000	$ 155,000						
2011	Qtr1	$ -			$ -	$ -	$ -	$ -	$ -	$ -
2011	Qtr2	$ 62,000			$ -	$ -	$ -	$ 62,000	$ -	$ -
2011	Qtr3	$ 110,000			$ -	$ -	$ -	$ 110,000	$ -	$ -
2011	Qtr4	$ -			$ -	$ -	$ -	$ -	$ -	$ -
2011	Total		$ 172,000	$ 327,000						
2012	Qtr1	$ -			$ -	$ -	$ -	$ -	$ -	$ -
2012	Qtr2	$ 300,000			$ -	$ -	$ 300,000	$ -	$ -	$ -
2012	Qtr3	$ 250,000			$ -	$ -	$ 250,000	$ -	$ -	$ -
2012	Qtr4	$ 1,520,000			$ -	$ -	$ 1,520,000	$ -	$ -	$ -
2012	Total		$ 2,070,000	$ 2,397,000						
2013	Qtr1	$ 6,580,000			$ -	$ 6,580,000	$ -	$ -	$ -	$ -
2013	Qtr2	$ 3,700,000			$ -	$ 3,700,000	$ -	$ -	$ -	$ -
2013	Qtr3	$ 7,440,000			$ 7,440,000	$ -	$ -	$ -	$ -	$ -
2013	Qtr4	$ 8,337,732			$ 8,337,732	$ -	$ -	$ -	$ -	$ -
2013	Total		$ 26,057,732	$ 28,454,732						
2007 to 2013	Grand Total	$ 28,454,732	$ 28,454,732		$ 15,777,732	$ 10,280,000	$ 2,070,000	$ 172,000	$ 70,000	$ 85,000
As Percentage of Total Loans to Mr. Menaged			56.9%							
As Perentage of Outstanding Loans to Mr. Menaged as of December 31, 2013					55.4%	36.1%	7.3%	0.6%	0.2%	0.3%

Sources: "Analysis of Loans to Yomtov Scott Menaged" prepared by the Receiver; DenSco QuickBooks data

Appendix G

Davis v. Clark Hill PLC, et al.
Mr. Menaged's Repaid Loans (November 2007 to December 2013)

Appendix G

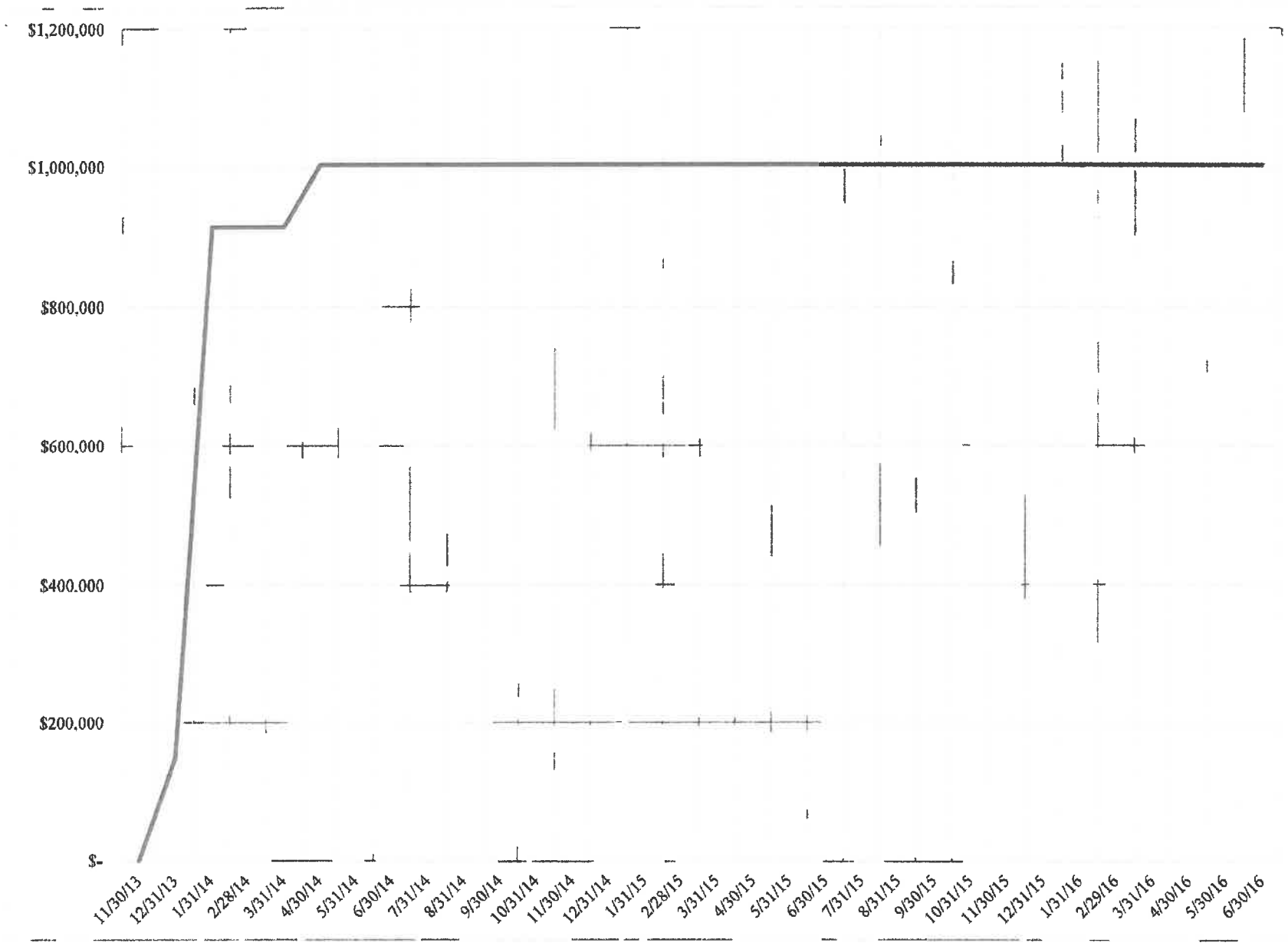
Year	Quarter	Total Amount of Loans in Quarter Repaid by 12/31/2013	Total Amount of Loans in Year Repaid by 12/31/2013	Cumulative Amount of Loans Since 2007 Repaid by 12/31/2013	Age of Loan at Time of Repayment: Less Than 6 Months	6 Months to 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	Over 4 Years
2007	Qtr4	$ 1,064,801			$ 805,801	$ 115,000	$ -	$ -	$ -	$ 144,000
2007	Total		$ 1,064,801	$ 1,064,801						
2008	Qtr1	$ 110,000			$ 110,000	$ -	$ -	$ -	$ -	$ -
2008	Qtr2	$ 335,000			$ 260,000	$ -	$ -	$ -	$ -	$ 75,000
2008	Qtr3	$ 361,000			$ 244,000	$ 80,000	$ -	$ -	$ -	$ 37,000
2008	Qtr4	$ 1,030,000			$ 1,030,000	$ -	$ -	$ -	$ -	$ -
2008	Total		$ 1,836,000	$ 2,900,801						
2009	Qtr1	$ 654,500			$ 252,000	$ 105,000	$ -	$ 42,500	$ 255,000	$ -
2009	Qtr2	$ 931,000			$ 697,000	$ -	$ 85,000	$ -	$ 149,000	$ -
2009	Qtr3	$ 671,000			$ 381,000	$ 250,000	$ -	$ -	$ 40,000	$ -
2009	Qtr4	$ 486,000			$ 306,000	$ -	$ 180,000	$ -	$ -	$ -
2009	Total		$ 2,742,500	$ 5,643,301						
2010	Qtr1	$ 124,500			$ 124,500	$ -	$ -	$ -	$ -	$ -
2010	Qtr2	$ 1,938,000			$ 1,138,000	$ -	$ 800,000	$ -	$ -	$ -
2010	Qtr3	$ 477,000			$ 477,000	$ -	$ -	$ -	$ -	$ -
2010	Qtr4	$ 766,000			$ 511,000	$ -	$ 205,000	$ 50,000	$ -	$ -
2010	Total		$ 3,305,500	$ 8,948,801						
2011	Qtr1	$ 1,158,000			$ 973,000	$ 70,000	$ 40,000	$ 75,000	$ -	$ -
2011	Qtr2	$ 1,881,000			$ 1,511,000	$ 150,000	$ 220,000	$ -	$ -	$ -
2011	Qtr3	$ 1,856,000			$ 1,634,000	$ -	$ 222,000	$ -	$ -	$ -
2011	Qtr4	$ 1,300,000			$ 940,000	$ 100,000	$ 260,000	$ -	$ -	$ -
2011	Total		$ 6,195,000	$ 15,143,801						
2012	Qtr1	$ 80,000			$ 80,000	$ -	$ -	$ -	$ -	$ -
2012	Qtr2	$ 350,000			$ -	$ 190,000	$ 160,000	$ -	$ -	$ -
2012	Qtr3	$ 935,000			$ 300,000	$ -	$ 635,000	$ -	$ -	$ -
2012	Qtr4	$ 350,000			$ 350,000	$ -	$ -	$ -	$ -	$ -
2012	Total		$ 1,715,000	$ 16,858,801						
2013	Qtr1	$ 1,870,000			$ 1,500,000	$ 370,000	$ -	$ -	$ -	$ -
2013	Qtr2	$ 1,605,000			$ 1,605,000	$ -	$ -	$ -	$ -	$ -
2013	Qtr3	$ 1,230,000			$ 1,230,000	$ -	$ -	$ -	$ -	$ -
2013	Qtr4	$ -			$ -	$ -	$ -	$ -	$ -	$ -
2013	Total		$ 4,705,000	$ 21,563,801						
2007 to 2013	Grand Total	$ 21,563,801	$ 21,563,801		$ 16,459,301	$ 1,430,000	$ 2,807,000	$ 167,500	$ 444,000	$ 256,000
As Percentage of Total Loans to Mr. Menaged			43.1%							
As Perentage of Repaid Loans to Mr. Menaged as of December 31, 2013					76.3%	6.6%	13.0%	0.8%	2.1%	1.2%

Sources: "Analysis of Loans to Yomtov Scott Menaged" prepared by the Receiver; DenSco QuickBooks data

Appendix H

Davis v. Clark Hill PLC, et al.
"Work Out 1 Million" QuickBooks Account

Appendix H

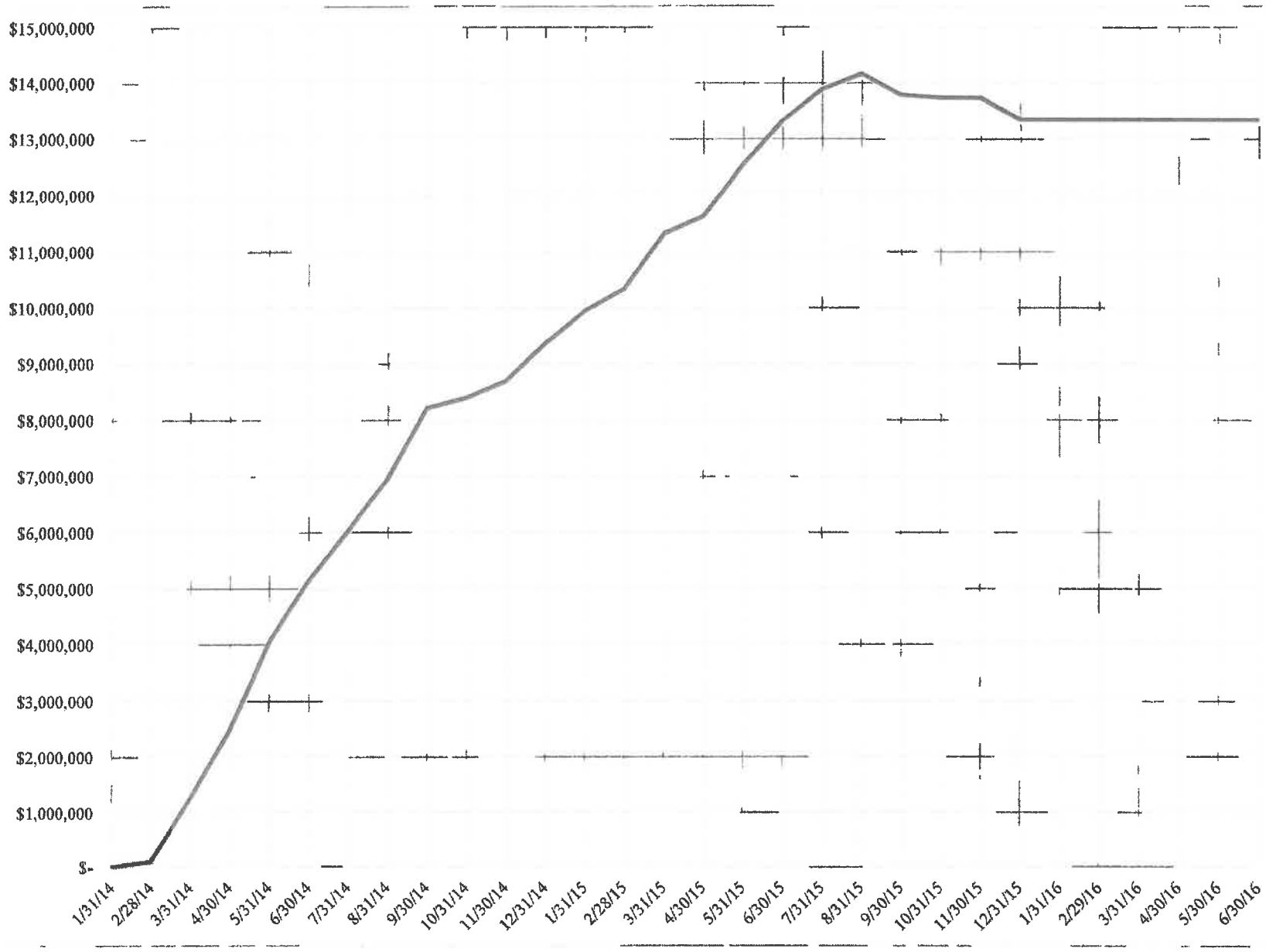


Source: DenSco QuickBooks data

Appendix I

Davis v. Clark Hill PLC, et al.
"Work Out 5 Million" QuickBooks Account

Appendix I

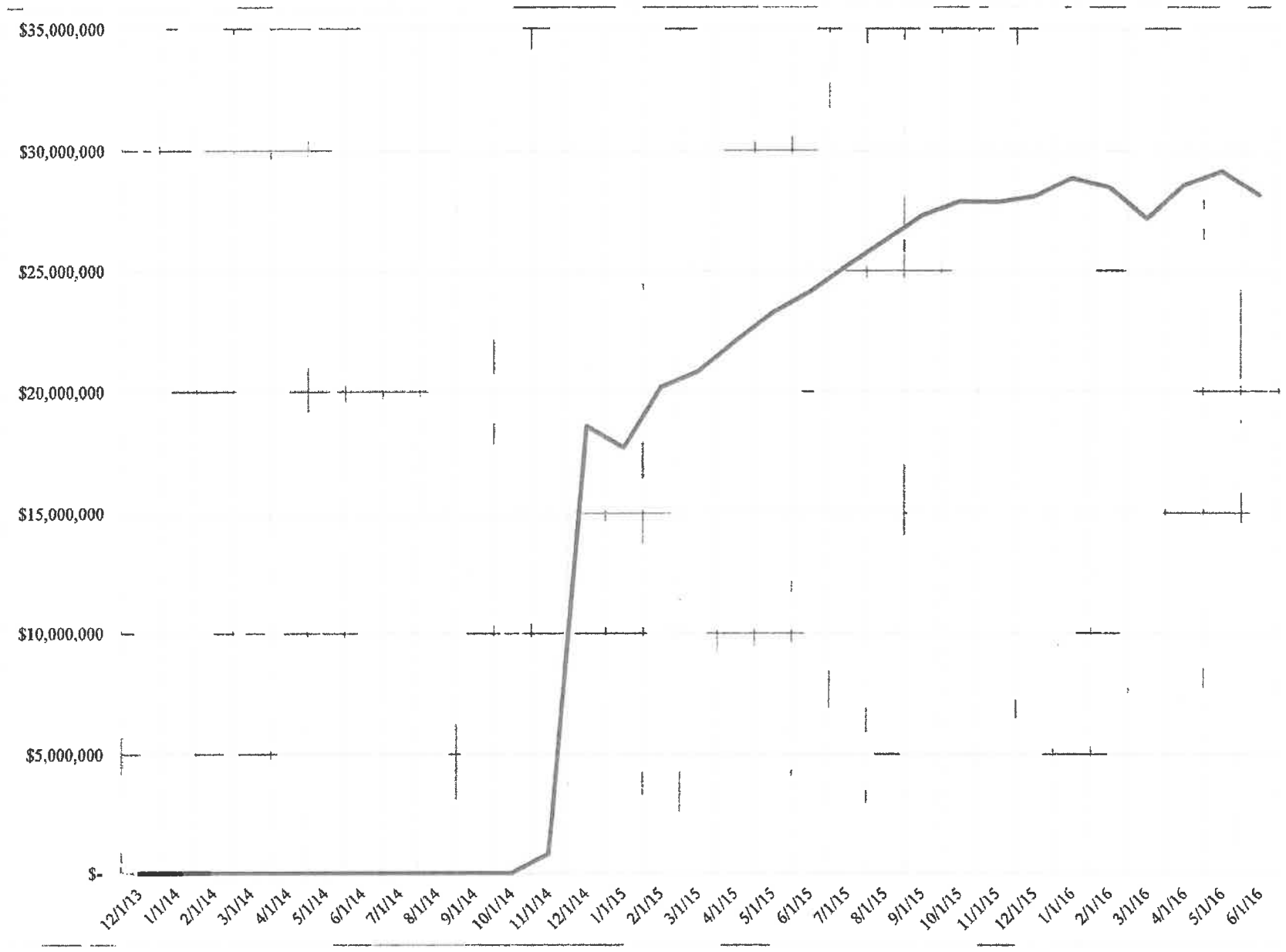


Source: DenSco QuickBooks data

Appendix J

Davis v. Clark Hill PLC, et al.
"Wholesale" QuickBooks Account

Appendix J



Source: DenSco QuickBooks data

Appendix K

Davis v. Clark Hill PLC, et al.
Investor Interest (May 2001 to June 2016)

Appendix K

Ref #	Investor	Annual Interest Payments																
		2001 (8 Months)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 (6 Months)	Overall
1	Alber Family Trust	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,065	$ 5,304	$ 5,976	$ 5,976	$ 5,976	$ 2,988	$ 28,285
2	Angels Investments, LLC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,630	12,000	20,630
3	Badiani, Nishel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	36,357	-	36,357
4	BLL Capital, LLC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	870	5,406	6,276
5	Brinkman, Rob	-	12,021	13,210	18,600	19,422	20,348	24,134	24,268	25,892	25,385	29,409	32,430	35,006	30,890	40,344	21,574	370,932
6	Brown, Craig & Tomie	-	-	-	-	-	-	-	-	-	2,000	42,167	52,817	58,317	60,000	60,000	30,000	305,300
7	Bunger Estate, LLC	-	-	-	-	-	-	-	-	-	-	-	-	23,850	95,400	95,400	47,700	262,350
8	Bunger, Alexandra	-	-	-	-	-	-	-	-	-	-	-	-	-	50,000	-	-	50,000
9	Bunger, Cassidy	-	-	-	-	-	-	-	-	-	-	-	-	-	50,000	-	-	50,000
10	Bunger, Connor	-	-	-	-	-	-	-	-	-	-	-	-	-	50,000	-	-	50,000
11	Bunger, Steven	-	-	-	-	-	-	-	-	-	-	-	-	313,416	342,100	379,366	114,300	1,149,182
12	Burdett, Tony - IRA	-	-	-	-	-	-	-	-	-	-	17,499	40,267	52,659	64,735	72,945	39,871	287,975
13	Burkhart, Kennen	-	-	-	2,451	3,482	3,777	3,787	3,787	3,787	3,787	4,782	23,432	20,895	20,546	21,606	10,053	126,170
14	Burkhart, Kennen - IRA	-	-	-	3,856	6,289	7,087	7,986	8,999	10,140	11,426	12,875	29,919	50,072	56,422	63,578	34,752	303,401
15	Bush, Warren	-	-	-	-	7,673	15,313	18,134	20,434	23,026	25,393	26,431	27,500	28,705	30,062	30,860	15,430	268,961
16	Butler, Mary - IRA	-	-	-	-	-	-	-	-	-	-	-	17,372	35,178	39,639	44,666	24,415	161,270
17	Butler, Van	-	-	-	-	-	-	-	-	8,045	24,659	30,496	32,439	33,501	34,699	35,460	18,081	217,380
18	Butler, Van - IRA	-	-	-	-	-	-	-	-	-	-	-	17,372	35,178	39,639	44,666	24,415	161,270
19	Byrne, Thomas & Sara Living Tru	-	-	-	-	-	-	-	-	-	-	-	-	28,133	30,301	30,301	15,151	103,886
20	Careywood on Eagle Wings, LLC	-	-	-	-	-	-	-	-	-	-	3,541	-	-	-	-	-	3,541
21	Caro McDowell Revocable Trust	-	-	-	-	-	5,924	12,120	12,120	12,120	12,120	14,924	24,000	29,267	36,000	36,000	18,000	212,596
22	Carr, Bev	-	-	-	-	1,160	7,200	7,163	1,767	-	-	-	-	-	-	-	-	17,290
23	Carrick, Erin Trust	-	-	-	-	-	-	-	-	-	-	-	-	6,337	24,249	24,249	12,124	66,959
24	Carrick, Gretchen Trust	-	-	-	-	-	-	-	-	-	-	5,795	22,111	30,301	30,301	30,301	15,151	133,959
25	Cate, Averill	-	-	-	-	-	-	-	-	-	-	-	3,602	7,272	9,960	9,960	4,980	35,773
26	Chittick, Arden	-	-	-	719	6,060	6,532	9,696	10,065	17,097	27,887	31,424	35,410	39,901	44,961	48,418	24,209	302,379
27	Chittick, Denny	43,374	166,356	142,269	125,918	130,650	135,874	147,675	125,516	120,000	120,000	120,000	120,000	120,000	-	-	-	1,617,632
28	Chittick, Denny - 401k	-	-	-	-	-	1,515	4,710	8,117	10,321	11,630	15,197	20,389	27,033	34,622	-	-	133,533
29	Chittick, Denny - DB Plan	-	-	-	-	-	8,255	21,288	30,964	35,634	40,153	49,051	62,240	106,918	-	-	-	354,504
30	Chittick, Eldon	11,750	30,000	66,993	81,377	87,840	91,340	96,565	102,840	102,840	102,840	111,497	76,184	88,745	91,249	94,070	48,204	1,284,334
31	Cohen, Herb	-	-	-	-	-	-	-	-	-	-	-	7,183	30,000	30,000	30,000	15,000	112,183
32	Davis, Glen	-	-	-	5,524	22,465	27,836	33,713	37,989	42,029	44,285	48,866	57,783	66,728	75,191	80,971	42,344	585,724
33	Davis, Glen - IRA	-	-	-	-	-	-	10,899	15,426	17,382	19,587	22,071	24,870	28,024	31,578	35,583	19,450	224,868
34	Davis, Jack	-	-	-	-	-	-	-	-	-	-	-	-	-	-	952	4,673	5,625
35	Davis, Jack/Samantha	-	-	-	1,301	8,514	9,594	10,811	11,599	8,608	7,207	7,207	7,207	7,207	7,207	7,207	3,603	97,269
36	Detota, Scott	-	-	-	-	-	-	786	6,441	7,258	11,254	15,947	17,969	25,479	28,816	25,932	12,966	152,849
37	Dirk Wright Memorial Schoolarsh	-	-	-	-	-	-	665	845	75	-	-	-	-	-	-	-	1,586
38	Dirk, Amy - IRA	-	-	-	-	-	-	-	-	-	-	-	3,663	9,635	10,857	12,234	6,687	43,076
39	Dirks, Bradley - IRA	-	-	-	-	-	-	-	-	-	-	-	-	15,359	24,198	27,267	14,904	81,728
40	Dupper Living Trust	-	-	-	-	-	-	-	-	-	-	-	-	29,041	96,963	96,963	48,482	271,449
41	Emck, Todd	-	-	-	-	-	-	-	-	-	-	-	18,847	24,241	24,241	24,241	12,120	103,690
42	Farfante, Dino	-	6,810	30,301	37,503	73,927	103,313	103,313	77,146	53,181	42,633	-	-	-	-	-	-	528,128
43	Fischer Family Holdings, LLC	-	-	-	-	-	-	-	-	-	-	-	28,776	119,917	158,172	1,400	-	308,265
44	Four Futures Corp	-	-	-	10,772	38,524	74,638	79,512	179,750	66,884	-	52,733	314,158	487,093	541,000	188,534	-	2,033,599
45	Gelbricht, Jacqueline	-	-	-	-	21,667	35,000	-	-	-	-	-	-	-	-	-	-	56,667
46	Global Qwest, Inc.	-	-	-	-	-	-	-	-	-	-	-	3,057	-	-	-	-	3,057
47	Gould, Scott - IRA	5,971	15,281	1,671	741	-	28,128	41,530	46,541	52,045	43,260	-	-	-	-	-	-	235,167
48	Grant, Stacy - IRA	-	-	-	-	-	-	-	-	-	-	3,670	9,977	11,243	12,669	14,275	7,803	59,636
49	Griswold, Russ	-	-	-	-	2,639	6,060	3,447	-	-	-	-	3,650	12,000	12,000	12,000	6,000	57,796
50	Griswold, Russ - IRA	-	-	-	-	-	-	2,691	6,682	7,530	8,485	9,561	10,774	12,140	13,680	15,415	8,426	95,383
51	Gumbert, Mike	2,000	22,143	38,567	54,067	71,467	72,000	72,000	72,000	72,000	80,000	87,000	96,000	96,000	96,000	96,000	48,000	1,075,243
52	Hafiz, Nihad	-	-	11,467	24,000	24,000	33,700	83,250	69,200	60,000	60,000	60,000	60,000	60,000	60,000	60,000	30,000	695,617
53	Hahn Family Limited Trust	-	-	-	955	10,008	18,892	23,408	36,989	44,681	45,021	45,404	45,836	51,061	52,013	52,522	26,472	453,263
54	Harvey, Chris	-	-	-	-	-	-	-	-	-	6,186	9,519	10,235	7,535	-	-	-	33,475

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Appendix K

Ref #	Investor	Annual Interest Payments																
		2001 (8 Months)	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016 (6 Months)*	*Overall*
55	Hey, Ralph	-	-	-	-	-	-	-	-	-	-	1,859	7,845	9,320	10,858	10,858	5,429	46,168
56	Hickman, Dale	-	-	-	4,103	8,124	13,774	17,670	25,642	35,845	49,429	58,952	66,326	74,354	101,809	110,800	59,145	625,974
57	Hickman, Kathy	-	-	-	-	2,300	2,987	3,030	3,030	3,030	3,030	250	-	-	-	-	-	17,657
58	Hood, Craig	-	-	-	-	-	-	-	-	-	-	155,121	208,962	176,789	159,222	172,762	92,384	965,240
59	Howze, Lee	-	-	-	-	5,173	9,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600	4,800	105,973
60	Hughes, Bill & Judy and IRA	-	-	-	-	-	23,420	42,882	48,321	54,449	61,856	79,175	82,395	83,131	83,875	84,590	42,588	686,682
61	Hughes, Judy - IRA	-	-	-	-	-	1,064	2,359	3,250	4,256	22,500	26,092	26,812	27,548	28,292	29,007	14,796	185,975
62	Imdieke Revocable Trust	-	-	-	-	-	-	-	68,333	222,250	319,333	360,000	377,000	536,433	616,000	710,667	354,000	3,564,016
63	Jetton, James	-	-	-	-	-	-	-	-	-	-	-	1,841	6,575	7,409	8,039	4,299	28,162
64	Jones, Les	-	-	-	-	-	1,367	12,667	24,717	30,000	35,367	36,000	36,000	36,000	36,000	30,000	-	278,117
65	Jones, Les - IRA	-	-	-	-	-	-	-	-	-	-	12,389	20,616	26,505	32,624	36,894	20,166	149,195
66	Kasler, Ralph - IRA	-	-	-	-	-	-	-	-	11,344	23,082	26,009	29,308	33,025	37,213	41,933	22,920	224,834
67	Kelly, Mike	-	8,071	21,233	41,578	46,851	52,162	59,408	59,279	1,714	-	-	-	-	-	-	-	290,296
68	Kent, Mary	-	-	-	-	-	-	1,333	12,000	15,000	24,000	25,365	28,582	32,207	35,073	36,847	22,874	233,281
69	Kent, Mary - IRA	-	-	-	3,842	11,901	12,822	13,197	14,871	16,497	4,609	-	-	-	-	-	-	77,740
70	Kent, Paul	5,468	19,717	27,844	43,811	54,210	54,210	54,210	54,210	54,210	53,710	41,310	35,360	31,810	30,210	30,210	15,105	605,600
71	Kimble, Don	-	-	-	-	-	-	-	-	-	1,213	1,160	-	-	-	-	-	2,373
72	Kimble, Don - IRA	-	-	-	-	-	-	-	-	-	4,500	8,723	9,829	3,546	-	-	-	26,598
73	Koehler, Robert - IRA	-	-	-	-	-	3,574	9,490	12,310	13,871	15,631	17,613	19,847	22,364	25,200	28,396	15,521	183,817
74	Kopel, Jemma	-	-	-	-	-	-	-	2,551	6,665	7,510	8,462	9,536	12,317	24,990	24,721	7,025	103,776
75	Kopel, Roy - IRA	-	-	-	-	-	-	-	-	10,646	14,033	15,812	17,818	20,078	22,624	25,493	13,935	140,438
76	Lawson, Robert	-	-	-	-	-	-	-	-	-	-	-	6,329	13,485	15,195	16,283	8,643	59,935
77	Ledet, Wayne	-	-	-	-	-	-	-	-	-	-	13,165	19,065	21,442	28,079	32,451	22,539	136,740
78	Ledet, Wayne - IRA	-	-	-	2,962	12,233	9,097	-	-	-	6,747	26,221	29,546	33,293	37,516	42,274	23,107	222,996
79	Ledet, Wayne - ROTH IRA	-	-	-	-	-	-	-	-	-	-	-	4,548	12,867	14,615	15,701	8,462	56,194
80	Lee Group, Inc.	-	-	-	-	-	-	-	10,667	24,000	27,000	36,000	36,000	36,000	36,000	36,000	18,000	259,667
81	Lee, Terry & Lil	-	-	-	-	-	-	-	-	-	3,000	12,000	12,000	12,000	12,000	12,000	6,000	69,000
82	Lent, Lillian - IRA	-	-	-	-	204	2,182	2,459	2,770	3,122	3,518	3,964	4,467	5,033	5,671	6,391	3,493	43,274
83	Lent, Manuel	-	-	-	-	-	2,672	3,646	2,833	-	-	-	-	-	-	-	-	9,152
84	Lent, Manuel - IRA	-	-	-	-	899	5,187	5,845	6,586	7,421	8,363	9,423	10,618	11,965	13,483	15,192	8,304	103,287
85	LJL Capital, LLC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,040	6,462	7,502
86	Locke, Bill & Jean	-	-	-	-	-	5,999	13,223	17,082	21,852	21,139	20,670	18,146	24,463	27,112	23,304	11,515	204,503
87	McArdle, James	-	-	-	-	-	-	-	-	-	18,315	38,393	49,801	69,241	68,107	65,134	32,567	341,558
88	McCoy, James & Lesley Trust	-	-	-	-	-	-	35,733	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	24,000	443,733
89	Meikle, Gregg	-	-	-	-	-	-	-	-	-	1,876	6,579	4,843	-	-	-	-	13,298
90	Miller, LF Fund	-	-	-	-	-	-	-	-	-	-	-	-	3,763	12,120	12,120	6,060	34,064
91	Miller, Mar & Pat Trust	-	-	-	-	-	-	-	-	-	14,518	35,549	35,741	105,952	205,944	183,365	91,683	672,752
92	Minchuk, Lawrence Trust	-	-	-	-	-	-	-	-	-	-	29,167	55,500	66,000	36,000	-	-	186,667
93	Moss Family Trust	-	-	-	4,666	6,933	13,964	31,613	36,861	36,861	6,144	4,208	9,736	11,280	13,746	15,140	8,096	199,249
94	Moss, Kaylene - IRA	-	-	-	-	-	-	-	-	-	-	-	18,605	32,807	36,968	41,656	22,769	152,804
95	Muscat, Vince	-	-	2,467	34,667	55,967	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	30,000	723,100
96	Nesta Capital, Inc.	-	-	-	-	-	-	-	-	-	-	-	2,269	20,787	17,750	-	-	40,807
97	Non Lethal Defense, Inc	-	-	-	333	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	6,000	138,333
98	Odenthal, Brian	-	7,914	17,384	18,181	18,181	18,181	18,181	18,181	18,181	18,181	18,181	18,181	18,267	21,571	23,230	12,148	264,140
99	Odenthal, Brian - IRA	-	-	-	-	-	-	-	-	-	-	428	4,113	5,713	7,642	9,126	5,486	32,506
100	Page, Jolene	-	-	-	-	-	-	-	-	-	-	2,172	155,230	260,930	312,377	337,033	168,686	1,236,427
101	Patel, Greg	-	-	-	-	-	-	3,412	3,853	-	-	-	-	-	-	-	-	7,265
102	Paxton, Smalerie	-	-	-	-	-	-	-	-	-	-	72,725	94,168	121,793	121,793	121,793	60,896	593,167
103	Pearce, Marelene - IRA	-	-	-	-	-	-	-	-	-	-	5,966	10,360	12,470	14,407	16,564	9,054	68,820
104	Pearce, Marlene	-	-	-	-	-	-	-	-	-	-	-	-	3,988	-	-	-	3,988
105	Petranek, Doriann	-	-	-	-	-	2,290	6,632	7,473	8,421	9,488	12,451	16,595	22,996	26,804	29,819	18,230	161,199
106	Phalen Family Trust	-	-	-	-	-	25,067	59,000	60,000	66,000	73,000	79,345	83,400	87,067	89,400	96,400	50,700	769,379
107	Phalen, Jeff - IRA	-	-	-	-	-	-	-	-	-	-	4,972	25,996	34,559	52,699	59,383	32,459	210,067
108	Preston Revocable Living Trust	-	-	-	-	-	-	8,070	12,120	12,120	12,120	13,449	19,393	19,393	19,393	19,393	9,696	145,147

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Ref #	Investor	Annual Interest Payments																
		2001 (8 Months)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 (6 Months)	Overall
109	Princeville Investment Group SW	-	-	-	-	-	-	3,117	-	-	1,128	751	-	13,500	3,466	-	-	21,962
110	Quigley, Karen	-	-	-	-	-	-	-	-	-	-	-	10,240	12,881	509	-	-	23,630
111	Ray, John	-	-	-	-	5,541	-	-	-	-	-	-	-	-	-	-	-	5,541
112	Rivera, Ray	-	-	-	7,143	13,588	4,695	-	-	-	-	-	-	-	-	-	-	25,426
113	Rzonca, Pete	-	-	-	-	-	-	-	-	-	-	-	1,404	12,861	14,454	19,673	12,000	60,392
114	Saltire LLC	-	-	-	-	-	300	18,181	18,181	18,181	18,181	18,181	18,181	18,181	18,181	18,181	9,090	173,016
115	Sanders, JoAnn	-	-	-	-	-	-	-	-	-	-	-	6,207	8,203	9,243	10,415	5,693	39,761
116	Schlotz GB 12, LLC - IRA	-	-	-	-	-	-	-	-	-	-	-	-	14,956	20,413	23,002	8,882	67,253
117	Schloz, Mary - IRA	-	-	-	-	-	-	-	-	-	-	8,369	13,871	15,630	17,479	19,152	10,163	84,663
118	Schloz, Stanley - IRA	-	-	-	-	-	-	-	-	-	781	10,605	14,126	15,408	16,604	18,669	10,101	86,294
119	Schloz, Stanley - ROTH IRA	-	-	-	-	-	-	-	-	-	356	14,678	21,011	1,860	-	-	-	37,906
120	Schloz, Stanley L	-	-	-	-	-	-	-	-	-	1,241	4,981	15,289	19,469	20,416	21,063	10,740	93,199
121	Schreiber, John	-	-	-	7,499	42,839	20,342	-	-	-	-	-	-	-	-	-	-	70,680
122	Scroggin, Annette - IRA	-	-	-	-	-	-	-	-	-	-	-	4,586	19,144	21,572	24,308	13,287	82,898
123	Scroggin, Annette - ROTH	-	-	-	-	-	-	-	-	-	-	-	1,561	6,136	6,915	7,791	4,259	26,662
124	Scroggin, Mike	-	-	-	-	-	-	-	-	-	-	-	6,050	18,000	18,000	18,000	9,000	69,050
125	Scroggin, Mike - IRA	-	-	-	-	-	-	-	-	-	-	-	10,283	47,350	53,355	60,122	32,862	203,971
126	Scroggin, Mike - ROTH	-	-	-	-	-	-	-	-	-	-	-	2,806	10,928	12,314	13,876	7,585	47,508
127	Sherriff, Stewart	-	-	-	-	-	2,056	18,181	18,181	18,181	18,181	18,181	18,181	18,181	18,181	18,181	9,090	174,771
128	Siegford, Gary	-	27	29,862	34,742	41,305	57,425	62,194	60,620	60,722	61,653	61,762	61,762	61,762	61,762	61,762	30,881	748,240
129	Siegford, GE	-	-	-	-	-	17,802	60,602	62,219	64,450	85,518	96,363	102,900	110,248	119,090	121,332	65,679	906,202
130	Smith Trust, Carsyn P	-	-	-	-	-	-	-	1,226	8,168	10,270	13,150	15,963	18,576	21,605	19,584	-	108,542
131	Smith Trust, Mckenna	-	-	-	-	-	-	-	1,226	8,147	10,268	13,147	15,960	18,572	21,601	20,079	-	109,001
132	Smith Trust, Tony & Saundra	-	-	-	-	-	22,917	44,083	60,000	80,750	85,500	83,000	90,400	99,000	92,000	77,100	30,000	764,750
133	Smith, Tony - IRA	-	-	-	-	-	-	-	-	-	16,162	23,760	26,773	30,169	33,995	38,307	20,938	190,104
134	Sterling, Donald	-	-	-	-	-	-	-	-	-	-	-	1,350	9,000	8,250	6,000	3,000	27,600
135	Sundance Debt Partners, LLC	-	-	-	-	-	-	-	-	-	-	-	-	-	88,402	-	-	88,402
136	Swirt, Nancy	-	-	-	-	-	-	-	-	-	1,393	6,679	7,602	8,620	9,736	10,602	5,672	50,304
137	Swirtz, William	-	-	-	-	-	-	13,730	51,590	103,923	176,590	195,757	195,757	195,757	195,757	195,757	97,878	1,422,494
138	Thermogen	-	-	-	34,226	23,000	-	-	-	-	-	-	-	-	-	-	-	57,226
139	Thomas Stevenson	-	-	-	-	-	-	-	-	-	-	-	-	-	7,254	-	-	7,254
140	Thompson, Coralee	-	-	-	-	-	-	-	2,774	56,079	105,971	142,807	192,469	219,870	229,642	244,820	128,534	1,322,966
141	Thompson, Gary	-	-	-	-	-	-	-	-	34,548	93,262	120,117	165,799	187,205	200,248	215,002	112,765	1,128,946
142	Trainor, Jimmy	-	-	-	-	-	-	-	-	-	-	-	42,671	49,855	55,200	58,185	30,501	236,412
143	Tsai, Jeff	-	-	-	-	-	-	-	-	-	-	5,231	2,817	-	-	-	-	8,048
144	Tuttle, Steve	-	-	-	3,786	6,821	7,686	8,661	9,760	10,998	12,392	9,217	7,867	12,212	15,487	16,678	8,339	129,904
145	Underwood, Wade	-	-	-	-	1,464	6,527	7,137	7,200	7,200	7,200	7,291	8,078	11,837	14,408	15,633	8,360	102,335
146	Walterscheid, Leonard	-	-	-	9,166	6,485	1,010	-	-	-	-	-	-	-	-	-	-	16,661
147	Weiskopf Enterprises, LLC	-	-	-	-	-	-	-	-	-	-	-	-	12,201	26,912	10,764	-	49,876
148	Weiskopf Trust	-	-	-	-	-	-	-	-	-	-	-	-	87,762	89,680	35,227	-	212,669
149	Weiskopf, Laure - IRA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,395	18,395
150	Weiskopf, Tom - IRA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	863	863
151	Wellman Family Living Trust	-	-	-	-	1,949	5,021	5,021	5,021	6,689	9,090	9,090	9,090	9,090	12,604	12,726	6,363	91,757
152	Wellman, Carol	-	-	-	-	2,300	2,987	3,030	3,030	3,030	9,056	11,678	15,151	15,151	16,322	16,363	8,181	106,278
153	Wellman, Carol - ROTH	-	-	-	-	-	-	-	-	-	1,624	3,769	4,247	4,786	5,655	6,491	3,548	30,120
154	Wenig, Brian	-	-	-	-	-	-	-	-	-	-	-	-	8,611	15,831	17,029	9,106	50,577
155	Wenig, Mark	-	-	-	4,253	22,287	31,943	34,398	36,521	36,643	36,643	38,940	40,105	40,544	47,104	48,057	24,029	441,463
156	Will, John	-	-	-	-	-	-	6,047	13,377	1,079	-	-	-	-	-	-	-	20,503
157	Zones, Michael	-	-	-	-	-	-	-	-	-	9,867	46,733	48,800	55,618	60,000	66,000	48,000	335,018
158	Others (unmatched)	1,112	-	307	-	-	-	-	-	-	-	-	-	-	-	-	-	1,419
	Overall	$ 69,676	$ 288,340	$ 403,575	$ 622,741	$ 938,343	$1,224,654	$1,589,326	$1,896,950	$2,124,717	$2,540,335	$3,292,284	$4,414,455	$6,117,645	$6,873,369	$6,323,055	$3,049,556	$41,769,022

Source: DenSco QuickBooks data.

Appendix L

Davis v. Clark Hill PLC, et al.
Annualized Investor Returns (May 2001 to June 2016)

Appendix L

		Annualized Interest Rates															
Ref #	*Investor*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*
1	Alber Family Trust											7%	9%	10%	10%	10%	10%
2	Angels Investments, LLC															12%	12%
3	Badiani, Nishel															14%	
4	BLL Capital, LLC															6%	12%
5	Brinkman, Rob		13%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
6	Brown, Craig & Tomie										13%	12%	12%	12%	12%	12%	12%
7	Bunger Estate, LLC													13%	12%	12%	12%
8	Bunger, Alexandra														13%	0%	
9	Bunger, Cassidy														13%	0%	
10	Bunger, Connor														13%	0%	
11	Bunger, Steven													12%	12%	13%	12%
12	Burdett, Tony - IRA											12%	12%	12%	12%	12%	12%
13	Burkhart, Kennen				12%	12%	12%	12%	12%	12%	12%	11%	12%	12%	12%	12%	12%
14	Burkhart, Kennen - IRA				12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
15	Bush, Warren					12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
16	Butler, Mary - IRA												12%	12%	12%	12%	12%
17	Butler, Van									13%	12%	12%	12%	12%	12%	12%	12%
18	Butler, Van - IRA												12%	12%	12%	12%	12%
19	Byrne, Thomas & Sara Living Tru													12%	12%	12%	12%
20	Careywood on Eagle Wings, LLC											13%					
21	Caro McDowell Revocable Trust						13%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
22	Carr, Bev					13%	12%	12%	11%								
23	Carrick, Erin Trust													10%	12%	12%	12%
24	Carrick, Gretchen Trust											12%	12%	12%	12%	12%	12%
25	Cate, Averill												9%	10%	10%	10%	10%
26	Chittick, Arden				9%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
27	Chittick, Denny [2]	10%	15%	12%	11%	12%	13%	35%	20%	10%	9%	9%	7%	9%	0%		
28	Chittick, Denny - 401k						11%	11%	12%	12%	12%	12%	12%	12%	13%		
29	Chittick, Denny - DB Plan						11%	12%	12%	12%	12%	12%	11%	11%	0%		
30	Chittick, Eldon	13%	11%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
31	Cohen, Herb												11%	12%	12%	12%	12%
32	Davis, Glen				12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
33	Davis, Glen - IRA							12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
34	Davis, Jack															8%	12%
35	Davis, Jack/Samantha				13%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
36	Detota, Scott							10%	12%	12%	12%	12%	12%	12%	12%	12%	12%
37	Dirk Wright Memorial Schoolarsh							12%	12%	13%							
38	Dirk, Amy - IRA												13%	12%	12%	12%	12%
39	Dirks, Bradley - IRA													12%	12%	12%	12%
40	Dupper Living Trust													12%	12%	12%	12%
41	Einck, Todd												12%	12%	12%	12%	12%
42	Farfante, Dino		12%	12%	12%	12%	12%	12%	12%	12%	13%						
43	Fischer Family Holdings, LLC												11%	12%	12%	5%	
44	Four Futures Corp				11%	12%	12%	12%	12%	11%		11%	12%	12%	12%	12%	
45	Gelbricht, Jacqueline					11%	13%										
46	Global Qwest, Inc.												11%				
47	Gould, Scott - IRA [2]	1612%		24%			13%	11%	12%	12%	12%	0%					

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		Annualized Interest Rates															
Ref #	*Investor*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*
48	Grant, Stacy - IRA											12%	12%	12%	12%	12%	12%
49	Griswold, Russ												12%	12%	12%	12%	12%
50	Griswold, Russ - IRA					0%	0%	5%	12%	12%	12%	12%	12%	12%	12%	12%	12%
51	Gumbert, Mike	14%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
52	Hafiz, Nihad			12%	12%	12%	6%	11%	12%	12%	12%	12%	12%	12%	12%	12%	12%
53	Hahn Family Limited Trust				8%	10%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
54	Harvey, Chris										13%	12%	12%	11%			
55	Hey, Ralph											10%	12%	12%	12%	12%	12%
56	Hickman, Dale				12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
57	Hickman, Kathy					11%	12%	12%	12%	12%	12%	6%					
58	Hood, Craig											12%	12%	12%	12%	12%	12%
59	Howze, Lee					12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
60	Hughes, Bill & Judy and IRA						10%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
61	Hughes, Judy - IRA						10%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
62	Imdieke Revocable Trust								12%	12%	12%	12%	12%	12%	12%	12%	12%
63	Jetton, James												12%	12%	12%	12%	12%
64	Jones, Les						12%	12%	12%	12%	12%	12%	12%	12%	12%	11%	
65	Jones, Les - IRA											12%	12%	12%	12%	12%	12%
66	Kasier, Ralph - IRA									12%	12%	12%	12%	12%	12%	12%	12%
67	Kelly, Mike		13%	12%	12%	12%	12%	12%	12%	4%							
68	Kent, Mary							9%	12%	12%	12%	12%	12%	12%	12%	12%	12%
69	Kent, Mary - IRA				11%	12%	12%	12%	12%	12%	11%						
70	Kent, Paul	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
71	Kimble, Don									0%	12%	13%					
72	Kimble, Don - IRA										13%	12%	12%	13%			
73	Koehler, Robert - IRA						12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
74	Kopel, Jemma								11%	12%	12%	12%	12%	12%	12%	12%	12%
75	Kopel, Roy - IRA									12%	12%	12%	12%	12%	12%	12%	12%
76	Lawson, Robert												11%	12%	12%	12%	12%
77	Ledet, Wayne											13%	12%	12%	12%	12%	12%
78	Ledet, Wayne - IRA				13%	12%	13%				11%	12%	12%	12%	12%	12%	12%
79	Ledet, Wayne - ROTH IRA												13%	12%	12%	12%	12%
80	Lee Group, Inc.								12%	12%	12%	12%	12%	12%	12%	12%	12%
81	Lee, Terry & Lil										10%	12%	12%	12%	12%	12%	12%
82	Lent, Lillian - IRA					8%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
83	Lent, Manuel						11%	12%	12%								
84	Lent, Manuel - IRA					10%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
85	LJL Capital, LLC															6%	12%
86	Locke, Bill & Jean						12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
87	McArdle, James										12%	12%	12%	12%	12%	12%	12%
88	McCoy, James & Lesley Trust							13%	12%	12%	12%	12%	12%	12%	12%	12%	12%
89	Meikle, Gregg										12%	12%	13%				
90	Miller, LF Fund													12%	12%	12%	12%
91	Miller, Mar & Pat Trust										12%	12%	12%	12%	12%	12%	12%
92	Minchuk, Lawrence Trust											13%	12%	12%	12%		
93	Moss Family Trust				13%	12%	12%	12%	12%	12%	9%	13%	12%	12%	12%	12%	12%
94	Moss, Kaylene - IRA												12%	12%	12%	12%	12%

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Appendix L

		Annualized Interest Rates															
Ref #	*Investor*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*
95	Muscat, Vince			8%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
96	Nesta Capital, Inc.												10%	12%	12%		
97	Non Lethal Defense, Inc				4%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
98	Odenthal, Brian		12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
99	Odenthal, Brian - IRA											9%	12%	12%	12%	12%	12%
100	Page, Jolene											6%	12%	12%	12%	12%	12%
101	Patel, Greg							12%	13%								
102	Paxton, Smalerie											12%	12%	12%	12%	12%	12%
103	Pearce, Marelene - IRA											13%	12%	12%	12%	12%	12%
104	Pearce, Marlene													10%			
105	Petranek, Doriann						12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
106	Phalen Family Trust						12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
107	Phalen, Jeff - IRA											11%	12%	12%	12%	12%	12%
108	Preston Revocable Living Trust							13%	12%	12%	12%	12%	12%	12%	12%	12%	12%
109	Princeville Investment Group SW							14%				19%		13%	11%		
110	Quigley, Karen												12%	12%	6%		
111	Ray, John					13%											
112	Rivera, Ray				13%	12%	12%										
113	Rzonca, Pete												9%	12%	12%	12%	12%
114	Saltire LLC						3%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
115	Sanders, JoAnn											0%	12%	12%	12%	12%	12%
116	Schlotz GB 12, LLC - IRA													13%	12%	12%	11%
117	Schloz, Mary - IRA											13%	12%	12%	12%	12%	12%
118	Schloz, Stanley - IRA										10%	11%	12%	12%	12%	12%	12%
119	Schloz, Stanley - ROTH IRA										5%	11%	12%	6%			
120	Schloz, Stanley L										7%	8%	12%	12%	12%	12%	12%
121	Schreiber, John				11%	12%	11%										
122	Scroggin, Annette - IRA												10%	12%	12%	12%	12%
123	Scroggin, Annette - ROTH												11%	12%	12%	12%	12%
124	Scroggin, Mike												10%	12%	12%	12%	12%
125	Scroggin, Mike - IRA												11%	12%	12%	12%	12%
126	Scroggin, Mike - ROTH												11%	12%	12%	12%	12%
127	Sherriff, Stewart						9%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
128	Siegford, Gary		0%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
129	Siegford, GE						12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
130	Smith Trust, Carsyn P								9%	12%	12%	12%	12%	12%	12%	13%	
131	Smith Trust, Mckenna								9%	12%	12%	12%	12%	12%	12%	12%	
132	Smith Trust, Tony & Saundra						12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
133	Smith, Tony - IRA										12%	12%	12%	12%	12%	12%	12%
134	Sterling, Donald												12%	12%	12%	12%	12%
135	Sundance Debt Partners, LLC														15%		
136	Swirt, Nancy										12%	12%	12%	12%	12%	12%	12%
137	Swirtz, William							12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
138	Thermogen				14%	12%											
139	Thomas Stevenson														10%		
140	Thompson, Coralee								12%	12%	12%	12%	12%	12%	12%	12%	12%
141	Thompson, Gary									13%	12%	12%	12%	12%	12%	12%	12%

Davis v. Clark Hill PLC, et al.
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Appendix L

		Annualized Interest Rates															
Ref #	*Investor*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*
142	Trainor, Jimmy												13%	12%	12%	12%	12%
143	Tsai, Jeff											13%	11%				
144	Tuttle, Steve				12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
145	Underwood, Wade					12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
146	Walterscheid, Leonard				12%	11%	9%										
147	Weiskopf Enterprises, LLC													12%	12%	12%	
148	Weiskopf Trust													12%	12%	12%	
149	Weiskopf, Laure - IRA																13%
150	Weiskopf, Tom - IRA																13%
151	Wellman Family Living Trust					10%	10%	10%	10%	11%	12%	12%	12%	12%	12%	12%	12%
152	Wellman, Carol					11%	12%	12%	12%	12%	13%	12%	12%	12%	12%	12%	12%
153	Wellman, Carol - ROTH										12%	12%	12%	12%	12%	12%	12%
154	Wenig, Brian													12%	12%	12%	12%
155	Wenig, Mark				11%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
156	Will, John							13%	12%	7%							
157	Zones, Michael										13%	12%	12%	12%	12%	13%	12%
158	Others										0%						
	Overall	**12%**	**14%**	**12%**	**12%**	**12%**	**12%**	**13%**	**12%**	**12%**	**12%**	**12%**	**12%**	**12%**	**12%**	**12%**	**12%**

Source: DenSco QuickBooks data.

[1] The interest rates in the above table were calculated using averages of month-end investment balances. Accordingly, the interest rates may be slightly inaccurate.

[2] The highly unusual looking interest rates in the above table are likely the result of timing issues related to the payment of interest and/or inaccuracies in the interest or investment balances in DenSco's QuickBooks. For example, (i) the interest owed to Mr. Chittick for December 2001 was recorded in QuickBooks as paid in January 2002, which leads to an understated interest rate for 2001 and overstated interest rate for 2002 and (ii) QuickBooks shows interest was paid to Scott Gould in each year from 2001 to 2004 but QuickBooks shows few, if any, investments by Scott Gould in these years.

Appendix M

Davis v. Clark Hill PLC, et al.
January 9, 2014 Loss on Mr. Menaged's Outstanding Loans

Appendix M

RECEIVER'S ANALYSIS											STERLING'S ANALYSIS				
		DenSco Loan Data		3rd Party Loan Data		Purchase Information		Sale Information							
Loan No.	Address	Loan Date	Loan Balance as of 01/09/14	Lender Name	Loan Amount	Purchase Date	Purchase Price	Sale Date	Sale Price	Notes	Assumed Market Value as of 1/9/14	Assumed Selling Costs	Net Proceeds After Selling Costs	Net Proceeds Available to DenSco	DenSco Loss Estimate
1192	8122 N 32nd Ave	03/17/08	85,000	N/A	-	09/29/08	QC Deed	07/09/15	$ 89,900	DenSco loan before QC Deeded to Easy	89,900	3,596	86,304	86,304	-
2120	822 E Orange Ave	09/21/10	70,000	N/A	-	03/15/10	QC Deed	04/09/14	113,000	DenSco loan well after purchase	113,000	4,520	108,480	108,480	-
2509	196 Leisure World (aka 908 S Power Rd #196)	05/11/11	62,000	N/A	-	05/10/11	71,400	08/06/14	100,000		100,000	4,000	96,000	96,000	-
2672	5126 N 78th St	07/20/11	110,000	N/A	-	01/24/11	QC Deed	03/03/14	164,900	DenSco loan well after purchase	164,900	6,596	158,304	158,304	-
3364	14894 N 97th Place	05/09/12	300,000	Active Funding Group, LLC	322,100	05/07/12	332,100	08/25/15	378,000	DenSco loan well after purchase	378,000	15,120	362,880	40,780	259,220
3610	20802 N Grayhawk Dr #1076	08/20/12	250,000	Active Funding Group, LLC	264,100	08/17/12	274,100	07/25/14	350,000		350,000	14,000	336,000	71,900	178,100
3736	9103 E Charter Oak Dr	10/12/12	400,000	Bank Loan	476,576	07/31/93	352,000	N/A	N/A	Transferred to the Receiver; Purchase price per D0099652	352,000	14,080	337,920	-	400,000
3814	18202 N Cave Creek Rd #215	11/06/12	30,000	N/A	-	11/09/09	QC Deed	03/20/14	32,000	DenSco loan well after purchase; QC Deed to 3rd party (unknown price) who sold ppty on 05/08/14 for $32,000 (per Zillow)	32,000	1,280	30,720	30,720	-
3817	7513 N 47th Dr	11/06/12	20,000	N/A	-	01/28/11	17,800	05/21/14	41,000	DenSco loan well after purchase	41,000	1,640	39,360	39,360	-
3828	1605 W Winter Dr	11/13/12	300,000	Bank Loan	250,000	01/17/08	509,348	N/A	N/A	Transferred to the Receiver; Purchase price per D0099700	509,348	20,374	488,974	238,974	61,026
3829	702 W Wilshire Dr	11/13/12	140,000	N/A	-	01/22/09	QC Deed	05/14/15	260,000	DenSco loan well after purchase	260,000	10,400	249,600	249,600	-
3882	10721 W Laurelwood Ln	12/13/12	120,000	Active Funding Group, LLC	122,000	12/07/12	132,000	10/22/14	170,000		170,000	6,800	163,200	41,200	78,800
3883	9555 E Raintree Dr #1004	12/13/12	120,000	Bank Loan	142,500	11/07/03	150,000	N/A	N/A	Transferred to the Receiver	150,000	6,000	144,000	1,500	118,500
3885	9555 E Raintree Dr #1020	12/13/12	100,000	Bank Loan	180,000	12/22/06	225,000	N/A	N/A	Transferred to the Receiver	225,000	9,000	216,000	36,000	64,000
3913	1892 E Ellis Dr	12/28/12	140,000	Active Funding Group, LLC	146,500	12/27/12	164,000	12/26/14	198,000		198,000	7,920	190,080	43,580	96,420
3914	3740 E Sexton St	12/28/12	150,000	Active Funding Group, LLC	176,000	12/27/12	186,000	02/25/15	235,000		186,000	7,440	178,560	2,560	147,440
3926	320 S 70th St #9	01/03/13	120,000	Active Funding Group, LLC	129,000	01/02/13	139,000	04/22/14	134,000		134,000	5,360	128,640	-	120,000
3927	7204 W Wanner St	01/03/13	90,000	Active Funding Group, LLC	107,000	01/02/13	117,000	05/22/14	146,000		146,000	5,840	140,160	33,160	56,840
3929	3016 W Laurel Ln	01/04/13	80,000	Active Funding Group, LLC	93,100	01/03/13	103,100	02/13/14	120,000		120,000	4,800	115,200	22,100	57,900
3933	9451 E Becker Ln #B1057	01/04/13	110,000	Active Funding Group, LLC	134,000	01/03/13	144,000	08/19/14	136,000		136,000	5,440	130,560	-	110,000
3957	1500 N Markdale #1	01/16/13	120,000	Active Funding Group, LLC	137,263	01/15/13	147,263	06/01/15	170,000		147,263	5,891	141,372	4,109	115,891
3959	5420 W Sunnyside Dr	01/16/13	100,000	Active Funding Group, LLC	117,500	01/15/13	118,500	07/22/15	165,000		118,500	4,740	113,760	-	100,000
3975	1080 E Redwood Dr	01/24/13	120,000	Active Funding Group, LLC	140,900	01/23/13	150,900	08/15/14	195,000		195,000	7,800	187,200	46,300	73,700
3976	2402 E Yucca St	01/24/13	200,000	Active Funding Group, LLC	229,000	01/23/13	239,000	12/21/14	280,000		280,000	11,200	268,800	39,800	160,200
3977	7771 W Marlette Ave	01/24/13	120,000	Active Funding Group, LLC	139,000	01/23/13	149,000	05/29/15	194,900		149,000	5,960	143,040	4,040	115,960
3987	18356 W Mission Ln	01/28/13	150,000	Active Funding Group, LLC	168,501	01/25/13	178,501	09/23/14	174,900		174,900	6,996	167,904	-	150,000
3994	9016 S 41st Ln	01/30/13	160,000	Active Funding Group, LLC	179,000	01/29/13	189,000	03/10/15	220,000		189,000	7,560	181,440	2,440	157,560
3997	311 N Kenneth Pl	01/31/13	220,000	Active Funding Group, LLC	257,494	01/30/13	267,494	09/19/14	315,500		315,500	12,620	302,880	45,386	174,614
3998	2367 E Balsam Dr	01/31/13	230,000	Active Funding Group, LLC	276,600	01/30/13	286,600	07/10/15	345,201		286,600	11,464	275,136	-	230,000
3999	26733 N 53rd Ln	01/31/13	100,000	Active Funding Group, LLC	126,600	01/30/13	136,600	12/02/15	159,900		136,600	5,464	131,136	4,536	95,464
4003	4529 E Sharon Dr	02/01/13	150,000	Active Funding Group, LLC	170,100	01/31/13	180,100	08/12/14	199,900		199,900	7,996	191,904	21,804	128,196
4004	7575 E Indian Bend Rd #212	02/01/13	120,000	Active Funding Group, LLC	144,000	01/31/13	154,000	03/23/15	168,000		154,000	6,160	147,840	3,840	116,160
4011	18203 W Ruth Ave	02/05/13	150,000	Active Funding Group, LLC	166,000	02/04/13	176,000	02/04/14	215,900		215,900	8,636	207,264	41,264	108,736
4020	12802 W Willow Ave	02/07/13	80,000	Active Funding Group, LLC	89,500	02/06/13	99,500	10/22/14	117,500		117,500	4,700	112,800	23,300	56,700
4027	11106 W Dana Ln	02/11/13	130,000	Active Funding Group, LLC	158,001	02/08/13	168,001	12/29/14	196,000		168,001	6,720	161,281	3,280	126,720
4032	10510 E Sunnyside Dr	02/14/13	1,600,000	N/A - Not until 2015	-	02/06/13	2,200,000	N/A	N/A	DenSco loan well after purchase: Menaged's personal residence; USBank loan did 04/20/15	2,200,000	88,000	2,112,000	2,112,000	-
4033	10401 N 52nd St #105	02/14/13	100,000	Active Funding Group, LLC	119,000	02/13/13	144,000	05/21/15	140,000		144,000	5,760	138,240	19,240	80,760
4034	11571 W Hopi St	02/14/13	100,000	Active Funding Group, LLC	114,000	02/13/13	134,000	12/26/14	148,500		134,000	5,360	128,640	14,640	85,360
4035	23949 W Hadley St	02/14/13	90,000	Active Funding Group, LLC	94,500	02/13/13	116,500	04/03/15	129,900		116,500	4,660	111,840	17,340	72,660
4038	3150 E Beardsley Rd #1076	02/15/13	100,000	Active Funding Group, LLC	105,500	02/14/13	127,500	02/06/15	133,000		127,500	5,100	122,400	16,900	83,100
4061	22261 W Moonlight Path	02/27/13	80,000	Active Funding Group, LLC	86,200	02/26/13	106,200	08/14/14	122,000		122,000	4,880	117,120	30,920	49,080
4069	3333 W Apollo Rd	02/28/13	100,000	Active Funding Group, LLC	110,500	02/27/13	125,500	05/21/15	155,000		125,500	5,020	120,480	9,980	90,020
4077	5357 S Ranger Trail	03/01/13	230,000	Active Funding Group, LLC	281,000	02/28/13	291,000	08/29/14	265,000		265,000	10,600	254,400	-	230,000
4093	2360 E Carmel Ave	03/05/13	90,000	Active Funding Group, LLC	100,000	03/04/13	120,000	07/17/15	160,000		120,000	4,800	115,200	15,200	74,800
4094	5211 N 193rd Ave	03/05/13	210,000	Active Funding Group, LLC	231,000	03/04/13	256,000	01/16/14	305,000		305,000	12,200	292,800	61,800	148,200
4109	12827 W Desert Mirage Dr	03/08/13	130,000	Active Funding Group, LLC	145,200	03/07/13	180,200	05/26/15	190,000		180,200	7,208	172,992	27,792	102,208
4116	6332 W Sonora St	03/11/13	60,000	Active Funding Group, LLC	61,500	03/08/13	81,500	06/23/15	120,000		81,500	3,260	78,240	16,740	43,260

Davis v. Clark Hill PLC, et al.
January 9, 2014 Loss on Mr. Menaged's Outstanding Loans

Appendix M

RECEIVER'S ANALYSIS											STERLING'S ANALYSIS				
		DenSco Loan Data		3rd Party Loan Data		Purchase Information		Sale Information							
Loan No.	Address	Loan Date	Loan Balance as of 01/09/14	Lender Name	Loan Amount	Purchase Date	Purchase Price	Sale Date	Sale Price	Notes	Assumed Market Value as of 1/9/14	Assumed Selling Costs	Net Proceeds After Selling Costs	Net Proceeds Available to DenSco	DenSco Loss Estimate
4118	2048 E Marilyn Ave	03/12/13	130,000	Active Funding Group, LLC	131,500	03/11/13	161,500	06/16/16	260,950		161,500	6,460	155,040	23,540	106,460
4122	1431 E Bridgeport Pkwy	03/14/13	210,000	Active Funding Group, LLC	209,600	03/13/13	262,100	11/20/14	287,000		262,100	10,484	251,616	42,016	167,984
4129	2210 W Marco Polo Rd	03/18/13	100,000	Active Funding Group, LLC	109,300	03/15/13	134,300	12/09/14	157,500		134,300	5,372	128,928	19,628	80,372
4130	18650 N 91st Ave #3301	03/18/13	100,000	Active Funding Group, LLC	114,303	03/15/13	139,303	10/08/15	171,000		139,303	5,572	133,731	19,428	80,572
4136	14556 N 154th Ln	03/16/13	120,000	Active Funding Group, LLC	126,000	03/18/13	151,000	06/20/14	159,900		159,900	6,396	153,504	27,504	92,496
4146	4627 E Red Range Way	03/21/13	290,000	N/A	-	03/14/13	355,000	11/04/16	300,001	Sell Wholesale Funding loan dtd 08/08/14; Property Foreclosed by 3rd party lender	355,000	14,200	340,800	340,800	-
4152	18131 W Ruth Ave	03/25/13	190,000	Active Funding Group, LLC	188,000	03/22/13	238,000	05/05/14	275,000		275,000	11,000	264,000	76,000	114,000
4180	7089 W Andrew Ln	04/03/13	170,000	Active Funding Group, LLC	175,500	03/22/13	212,500	04/18/14	250,000		250,000	10,000	240,000	64,500	105,500
4185	3826 E Palmer St	04/05/13	160,000	Azben Ltd, LLC / Sell Whol	160,080	04/04/13	200,100	05/28/14	179,900		179,900	7,196	172,704	12,624	147,376
4201	4320 E Encinas Ave	04/11/13	160,000	Active Funding Group, LLC	162,000	04/10/13	202,000	02/11/14	215,000		215,000	8,600	206,400	44,400	115,600
4227	15677 W Ripple Cir	04/19/13	80,000	Active Funding Group, LLC	77,000	04/18/13	120,900	02/03/15	120,000		120,900	4,836	116,064	39,064	40,936
4228	7389 W Tierra Buena Ln	04/19/13	100,000	Active Funding Group, LLC	102,000	04/18/13	140,900	09/17/14	161,500		161,500	6,460	155,040	53,040	46,960
4229	436 N 159th Ave	04/19/13	140,000	Active Funding Group, LLC	136,500	04/18/13	180,000	04/18/15	226,500		180,000	7,200	172,800	36,300	103,700
4233	1262 E Clifton Ave	04/22/13	121,867	Active Funding Group, LLC	168,000	04/19/13	210,000	12/05/13	246,000		246,000	9,840	236,160	68,160	53,707
4241	16832 W Toronto Way	04/23/13	110,000	Active Funding Group, LLC	126,000	04/22/13	158,600	09/21/15	169,900		158,600	6,344	152,256	26,256	83,744
4253	4303 E Cactus Rd #201	04/29/13	100,000	Active Funding Group, LLC	112,000	04/26/13	133,000	03/08/16	150,000		133,000	5,320	127,680	15,680	84,320
4280	23922 W Desert Bloom St	05/06/13	90,000	Active Funding Group, LLC	91,000	05/03/13	125,000	01/21/16	146,900		125,000	5,000	120,000	29,000	61,000
4287	4745 W Golden Ln	05/13/13	60,000	Active Funding Group, LLC	55,000	05/06/13	75,000	04/08/14	103,000		103,000	4,120	98,880	43,880	16,120
4289	7703 W Lamar Rd	05/13/13	100,000	Active Funding Group, LLC	98,000	05/10/13	137,900	01/26/15	149,900		137,900	5,516	132,384	34,384	65,616
4307	2681 S Palm St	05/21/13	300,000	Azben Ltd, LLC / Sell Whol	301,600	05/20/13	377,000	04/10/14	343,300		343,300	13,732	329,568	27,968	272,032
4308	711 E Potter Dr	05/21/13	130,000	Active Funding Group, LLC	130,000	05/20/13	162,100	06/26/15	185,000		162,100	6,484	155,616	25,616	104,384
4313	19296 W Adams St	05/23/13	110,000	Active Funding Group, LLC	125,000	05/22/13	144,000	04/25/14	159,900		159,900	6,396	153,504	28,504	81,496
4314	18169 W Saguaro Ln	05/23/13	120,000	Active Funding Group, LLC	117,000	05/21/13	152,500	01/08/14	168,000		168,000	6,720	161,280	44,280	75,720
4322	3354 W Monona Dr	05/29/13	80,000	Active Funding Group, LLC	84,000	05/28/13	104,600	05/12/15	139,000		104,600	4,184	100,416	16,416	63,584
4338	2945 E Dunbar Dr	06/05/13	80,000	Active Funding Group, LLC	54,000	06/04/13	100,000	12/16/14	110,000		100,000	4,000	96,000	42,000	38,000
4342	11744 W Hadley St	06/06/13	100,000	Active Funding Group, LLC	93,000	06/05/13	138,000	02/02/15	151,000		138,000	5,520	132,480	39,480	60,520
4343	23827 W Gibson Ln	06/06/13	110,000	Active Funding Group, LLC	103,800	06/05/13	150,000	08/10/15	195,000		150,000	6,000	144,000	40,200	69,800
4344	15020 N 133rd Ln	06/06/13	90,000	Active Funding Group, LLC	85,200	06/05/13	128,100	01/28/14	145,000		145,000	5,800	139,200	54,000	36,000
4352	3154 W Foothills Dr	06/10/13	100,000	Active Funding Group, LLC	99,000	06/07/13	150,100	04/13/15	153,900		150,100	6,004	144,096	45,096	54,904
4361	614 W Aire Libre Ave	06/12/13	140,000	Active Funding Group, LLC	108,000	06/11/13	180,000	12/24/15	183,500		180,000	7,200	172,800	64,800	75,200
4381	3237 W Pleasant Ln	06/21/13	160,000	Active Funding Group, LLC	138,000	06/14/13	211,100	08/15/14	219,900		211,100	8,444	202,656	64,656	95,344
4383	9423 W McRae Way	06/21/13	100,000	Active Funding Group, LLC	93,000	06/19/13	130,001	05/05/14	120,000		120,000	4,800	115,200	22,200	77,800
4384	23819 W Hidalgo Ave	06/21/13	110,000	Active Funding Group, LLC	90,000	06/19/13	150,000	12/03/15	179,900		150,000	6,000	144,000	54,000	56,000
4386	2182 E Arabian Dr	06/24/13	140,000	Active Funding Group, LLC	120,000	06/20/13	179,000	05/19/14	178,000		178,000	7,120	170,880	50,880	89,120
4393	25209 S Saddletree Dr	06/26/13	100,000	Active Funding Group, LLC	98,400	06/21/13	123,001	08/29/14	142,000		123,001	4,920	118,081	19,681	80,319
4395	3002 N 70th St #144	06/26/13	50,000	Active Funding Group, LLC	35,000	06/25/13	53,100	12/10/15	72,000		53,100	2,124	50,976	15,976	34,024
4397	2968 E Lynx Way	06/27/13	240,000	Active Funding Group, LLC	207,000	06/26/13	294,000	06/10/14	302,000		302,000	12,080	289,920	82,920	157,080
4409	3326 E Oriole Dr	07/03/13	150,000	Active Funding Group, LLC	132,000	07/02/13	199,100	09/25/14	217,900		199,100	7,964	191,136	59,136	90,864
4410	9521 E Posada Ave	07/03/13	120,000	Active Funding Group, LLC	105,000	07/02/13	164,000	03/29/15	186,500		164,000	6,560	157,440	52,440	67,560
4411	5335 S Monte Vista St	07/05/13	260,000	Active Funding Group, LLC	231,000	07/03/13	332,000	08/25/14	314,000		332,000	13,280	318,720	87,720	172,280
4417	17540 N Estrella Vista Dr	07/09/13	140,000	Active Funding Group, LLC	120,000	07/08/13	170,955	06/17/14	155,000		155,000	6,200	148,800	28,800	111,200
4422	8224 S 74th Ave	07/10/13	100,000	Active Funding Group, LLC	78,000	07/09/13	122,800	05/26/15	140,000		122,800	4,912	117,888	39,888	60,112
4430	5414 S Heather Dr	07/12/13	170,000	Active Funding Group, LLC	150,000	07/11/13	214,000	06/05/14	200,000		200,000	8,000	192,000	42,000	128,000
4431	25852 S Beech Creek Dr	07/12/13	120,000	Active Funding Group, LLC	117,340	07/11/13	146,676	03/31/14	175,000		175,000	7,000	168,000	50,660	69,340
4434	2210 S Keene St	07/15/13	200,000	Active Funding Group, LLC	201,000	07/12/13	270,390	05/09/14	295,000		295,000	11,800	283,200	82,200	117,800
4438	6346 W Valencia Dr	07/17/13	100,000	Active Funding Group, LLC	84,000	07/16/13	121,000	05/26/15	157,000		121,000	4,840	116,160	32,160	67,840
4444	11979 N 154th Dr	07/18/13	110,000	Active Funding Group, LLC	105,000	07/17/13	149,000	11/12/15	146,900		149,000	5,960	143,040	38,040	71,960
4446	6024 E Wethersfield Rd	07/18/13	250,000	Active Funding Group, LLC	200,000	07/17/13	322,500	03/18/14	378,500		378,500	15,140	363,360	163,360	86,640
4454	2733 S Ananea St	07/22/13	160,000	Active Funding Group, LLC	138,000	07/19/13	206,000	07/18/14	204,900		206,000	8,240	197,760	59,760	100,240
4459	1427 W Windsong Dr	07/23/13	200,000	Active Funding Group, LLC	186,000	07/22/13	268,000	04/17/14	287,000		287,000	11,480	275,520	89,520	110,480
4481	13512 W Marshall Ave	07/29/13	130,000	Active Funding Group, LLC	105,000	07/24/13	170,100	08/03/14	168,000		170,100	6,804	163,296	58,296	71,704
4482	10440 W Hammond Ln	07/29/13	100,000	Geared Equity, LLC	111,600	07/25/13	139,500	12/01/14	145,900		139,500	5,580	133,920	22,320	77,680

RECEIVER'S ANALYSIS											STERLING'S ANALYSIS				
		DenSco Loan Data		3rd Party Loan Data		Purchase Information		Sale Information							
Loan No.	Address	Loan Date	Loan Balance as of 01/09/14	Lender Name	Loan Amount	Purchase Date	Purchase Price	Sale Date	Sale Price	Notes	Assumed Market Value as of 1/9/14	Assumed Selling Costs	Net Proceeds After Selling Costs	Net Proceeds Available to DenSco	DenSco Loss Estimate
4483	13920 W Maui Ln	07/29/13	100,000	Azben Ltd. LLC / Sell Whol	107,200	07/25/13	134,100	03/18/14	135,000		135,000	5,400	129,600	22,400	77,600
4484	10020 N 66th Dr	07/29/13	80,080	Azben Ltd. LLC / Sell Whol	81,360	07/25/13	101,701	11/19/14	103,500		101,701	4,068	97,633	16,273	63,727
4495	16527 W Post Dr	08/01/13	100,000	Active Funding Group, LLC	87,000	07/31/13	130,900	07/16/14	127,070		130,900	5,236	125,664	38,664	61,336
4500	10025 W Williams St	08/02/13	90,000	Active Funding Group, LLC	67,000	08/01/13	111,500	07/13/15	130,000		111,500	4,460	107,040	40,040	49,960
4501	2216 W Plata Cir	08/02/13	110,000	Active Funding Group, LLC	113,200	08/02/13	141,500	01/05/15	145,000	Sale price per D140075	141,500	5,660	135,840	22,640	87,360
4503	15456 S 47th Place	08/05/13	190,000	Active Funding Group, LLC	162,000	08/02/13	238,600	03/19/14	249,900		249,900	9,996	239,904	77,904	112,096
4504	39817 N Messner Way	08/06/13	150,000	Geared Equity, LLC	152,800	08/05/13	191,000	11/07/14	185,000		191,000	7,640	183,360	30,560	119,440
4505	2105 S 108th Ave	08/06/13	110,000	Azben Ltd. LLC / Sell Whol	112,000	08/05/13	140,000	04/04/14	135,000		135,000	5,400	129,600	17,600	92,400
4508	11530 W Flores Dr	08/07/13	90,000	Active Funding Group, LLC	78,000	08/06/13	115,000	05/27/15	139,900		115,000	4,600	110,400	32,400	57,600
4509	1561 E Mia Ln	08/07/13	200,000	Active Funding Group, LLC	171,000	08/06/13	260,000	03/02/15	278,000		260,000	10,400	249,600	78,600	121,400
4512	1502 W Wood Dr	08/08/13	120,000	Azben Ltd. LLC / Sell Whol	118,240	08/07/13	147,800	05/01/14	159,900		159,900	6,396	153,504	35,264	84,736
4513	16010 N 170th Ln	08/08/13	110,000	Azben Ltd. LLC / Sell Whol	110,480	08/07/13	138,100	05/05/14	133,000		133,000	5,320	127,680	17,200	92,800
4514	2895 E Millbrae Ln	08/08/13	230,000	Azben Ltd. LLC / Sell Whol	236,960	08/07/13	296,200	06/06/14	306,000		306,000	12,240	293,760	56,800	173,200
4516	18425 N 56th Ln	08/09/13	100,000	Azben Ltd. LLC / Sell Whol	98,000	08/08/13	122,500	02/12/14	135,000		135,000	5,400	129,600	31,600	68,400
4519	23851 W Wier Ave	08/12/13	120,000	Active Funding Group, LLC	102,000	08/09/13	153,000	05/06/14	170,000		170,000	6,800	163,200	61,200	58,800
4523	10125 E Lobo Ave	08/14/13	160,000	Azben Ltd. LLC / Sell Whol	160,560	08/13/13	-	N/A	N/A	Trustee's Deed rescinded, see 20130792791	-	-	-	-	160,000
4524	23687 W Wayland Dr	08/14/13	90,000	Azben Ltd. LLC / Sell Whol	90,400	08/13/13	113,000	02/13/14	132,500		132,500	5,300	127,200	36,800	53,200
4530	1750 W Potter Dr	08/19/13	100,000	Active Funding Group, LLC	87,000	08/15/13	132,000	06/24/14	142,855		132,000	5,280	126,720	39,720	60,280
4532	516 W Dublin St	08/21/13	90,000	Azben Ltd. LLC / Sell Whol	90,400	08/16/13	113,000	01/08/14	134,900	Trustee's Deed not recorded, see D140605	134,900	5,396	129,504	39,104	50,896
4534	3043 S Cortland	08/21/13	120,000	Azben Ltd. LLC / Sell Whol	127,960	08/19/13	159,949	06/18/14	164,900		159,949	6,398	153,551	25,591	94,409
4536	18915 N Sunsites Dr	08/22/13	140,000	Azben Ltd. LLC / Sell Whol	137,600	08/19/13	172,000	04/28/14	167,000		167,000	6,680	160,320	22,720	117,280
4539	1355 S Yale St	08/23/13	130,000	Azben Ltd. LLC / Sell Whol	129,520	08/20/13	161,900	02/10/14	167,000		167,000	6,680	160,320	36,800	99,200
4540	839 S Chatsworth	08/23/13	120,000	Active Funding Group, LLC	99,000	08/21/13	151,000	06/03/15	178,000		151,000	6,040	144,960	45,960	74,040
4541	31008 W Columbus Ave	08/23/13	80,000	Active Funding Group, LLC	81,000	08/22/13	107,000	08/04/14	115,000		107,000	4,280	102,720	21,720	58,280
4544	17016 S 27th Place	08/26/13	140,000	Active Funding Group, LLC	117,000	08/23/13	178,500	06/19/14	195,000		178,500	7,140	171,360	54,360	85,640
4545	3150 E Beardsley Rd #1030	08/27/13	59,332	Active Funding Group, LLC	87,000	08/26/13	130,000	12/26/13	149,900		149,900	5,996	143,904	56,904	2,428
4546	15550 N Frank Lloyd Wright Blvd #1005	08/27/13	220,000	Active Funding Group, LLC	175,000	08/26/13	267,000	05/29/14	257,000		267,000	10,680	256,320	81,320	138,680
4554	2027 S 101st Dr	08/30/13	100,000	Azben Ltd. LLC / Sell Whol	100,926	08/29/13	126,158	07/24/14	127,000		126,158	5,046	121,112	20,186	79,814
4556	8987 W Peck Dr	09/03/13	120,000	Azben Ltd. LLC / Sell Whol	126,400	08/30/13	158,000	02/19/14	172,000		172,000	6,880	165,120	38,720	81,280
4562	4625 W Carson Rd	09/04/13	100,000	KIH, LLC / Sell Wholesale I	104,800	09/03/13	131,000	01/27/14	153,000		153,000	6,120	146,880	42,080	57,920
4569	8116 E Onza Ave	09/09/13	110,000	50780, LLC	112,960	09/06/13	141,200	02/14/14	145,000		145,000	5,800	139,200	26,240	83,760
4573	11634 W Adams St	09/12/13	100,000	50780, LLC	108,720	09/11/13	135,900	02/19/14	149,900		149,900	5,996	143,904	55,184	64,816
4574	25863 W St James Ave	09/12/13	80,000	50780, LLC	86,015	09/11/13	107,519	04/10/14	123,000		123,000	4,920	118,080	32,065	47,935
4578	1040 S 220th Ln	09/16/13	90,000	Azben Ltd. LLC / Sell Whol	94,480	09/13/13	118,100	02/09/15	145,000		118,100	4,724	113,376	18,896	71,104
4579	977 S Colonial Dr	09/16/13	140,000	Azben Ltd. LLC / Sell Whol	144,080	09/13/13	180,100	05/31/14	190,000		180,100	7,204	172,896	28,816	111,184
4584	11509 E Pratt Ave	09/17/13	90,000	Geared Equity, LLC	142,407	09/16/13	178,000	12/05/13	210,000		210,000	8,400	201,600	59,193	30,807
4585	3154 W Via Montova Dr	09/17/13	100,000	Geared Equity, LLC	106,887	09/16/13	133,600	04/10/14	155,000		155,000	6,200	148,800	41,913	58,087
4589	16739 W Navajo St	09/19/13	160,000	Azben Ltd. LLC / Sell Whol	175,207	09/18/13	219,000	04/08/14	259,900		259,900	10,396	249,504	74,297	85,703
4591	126 S Hassett	09/20/13	120,000	Azben Ltd. LLC / Sell Whol	119,287	09/19/13	149,100	02/10/14	160,000		160,000	6,400	153,600	34,313	85,687
4592	2716 S Milburn	09/20/13	110,000	Azben Ltd. LLC / Sell Whol	121,040	09/19/13	151,300	01/27/14	185,000		185,000	7,400	177,600	56,560	53,440
4598	11603 W Oglesby Ave	09/23/13	100,000	Azben Ltd. LLC / Sell Whol	103,687	09/20/13	129,600	04/03/14	143,000		143,000	5,720	137,280	33,593	66,407
4599	1629 S 85th Dr	09/23/13	90,000	Azben Ltd. LLC / Sell Whol	92,807	09/20/13	116,000	03/18/14	142,500		142,500	5,700	136,800	43,993	46,007
4604	707 E Potter Dr	09/25/13	170,000	Geared Equity, LLC	178,407	09/24/13	223,000	N/A	N/A	Transferred to the Receiver	223,000	8,920	214,080	35,673	134,327
4607	1942 S Emerson #252	09/26/13	50,000	Azben Ltd. LLC / Sell Whol	48,567	09/25/13	60,700	02/24/14	68,500		68,500	2,740	65,760	17,193	32,807
4611	14904 W Port Royale Ln	09/27/13	100,000	Geared Equity, LLC	102,407	09/26/13	128,000	04/10/14	136,000		136,000	5,440	130,560	28,153	71,847
4616	25234 W Darrell Dr	10/01/13	100,000	Azben Ltd. LLC / Sell Whol	107,280	09/30/13	134,100	12/15/14	137,500		134,100	5,364	128,736	21,456	78,544
4618	15835 N 47th St	10/01/13	220,000	Active Funding Group, LLC	237,000	10/01/13	295,801	05/08/14	299,900		295,801	11,832	283,969	46,969	173,031
4619	3740 W Villa Theresa Dr	10/03/13	90,000	Active Funding Group, LLC	90,500	10/02/13	113,051	07/16/14	132,000		113,051	4,522	108,529	18,029	71,971
4624	15143 E Aspen Dr	10/04/13	210,000	Active Funding Group, LLC	209,000	10/03/13	261,100	07/09/14	270,000		261,100	10,444	250,656	41,656	168,344
4625	114 E Valley View Dr	10/04/13	120,000	Active Funding Group, LLC	125,500	10/03/13	157,000	03/10/15	184,000		157,000	6,280	150,720	25,220	94,780
4626	12614 N 62nd St	10/04/13	149,641	Active Funding Group, LLC	224,000	10/03/13	280,200	12/19/13	320,000		320,000	12,800	307,200	83,200	66,441
4627	10769 W Runion Dr	10/07/13	150,000	Active Funding Group, LLC	151,000	10/04/13	188,951	11/05/14	180,000		188,951	7,558	181,393	30,393	119,607

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Appendix M

RECEIVER'S ANALYSIS											STERLING'S ANALYSIS				
		DenSco Loan Data		3rd Party Loan Data		Purchase Information		Sale Information							
Loan No.	Address	Loan Date	Loan Balance as of 01/09/14	Lender Name	Loan Amount	Purchase Date	Purchase Price	Sale Date	Sale Price	Notes	Assumed Market Value as of 1/9/14	Assumed Selling Costs	Net Proceeds After Selling Costs	Net Proceeds Available to DenSco	DenSco Loss Estimate
4628	7752 E Obispo Ave	10/07/13	150,000	Active Funding Group, LLC	148,800	10/04/13	186,000	01/08/14	218,000		218,000	8,720	209,280	60,480	89,520
4636	4705 N Brookview Ter	10/11/13	160,000	Active Funding Group, LLC	157,500	10/10/13	197,000	04/17/14	215,000		197,000	7,880	189,120	31,620	128,380
4637	8742 W Pioneer St	10/11/13	100,000	Active Funding Group, LLC	108,500	10/10/13	133,500	05/22/15	163,000		133,500	5,340	128,160	19,660	80,340
4642	11954 W Belmont Dr	10/15/13	100,000	Active Funding Group, LLC	98,400	10/11/13	123,000	07/28/15	154,900		123,000	4,920	118,080	19,680	80,320
4643	842 E Sheffield Ave	10/15/13	100,000	Active Funding Group, LLC	133,000	10/11/13	169,100	07/31/14	180,000		169,100	6,764	162,336	29,336	70,664
4644	18146 W Puget Ave	10/16/13	90,000	Azben Ltd, LLC / Sell Whol	95,200	10/15/13	119,000	10/03/14	132,000		119,000	4,760	114,240	19,040	70,960
4645	14869 W Caribbean Ln	10/16/13	100,000	Azben Ltd, LLC / Sell Whol	100,800	10/15/13	126,000	12/17/14	141,000		126,000	5,040	120,960	20,160	79,840
4649	3014 W Rose Garden Ln	10/17/13	110,000	Azben Ltd, LLC / Sell Whol	117,280	10/16/13	146,600	02/13/14	146,800		146,800	5,872	140,928	23,648	86,352
4652	4119 W Valley View Dr	10/18/13	110,000	Azben Ltd, LLC / Sell Whol	115,200	10/17/13	144,000	05/18/15	160,000		144,000	5,760	138,240	23,040	86,960
4656	4906 W Gelding Dr	10/21/13	90,000	Azben Ltd, LLC / Sell Whol	94,400	10/18/13	118,000	02/26/14	139,000		139,000	5,560	133,440	39,040	50,960
4658	3830 W Anderson Dr	10/22/13	100,000	Azben Ltd, LLC / Sell Whol	105,756	10/21/13	132,196	05/06/14	140,000		132,196	5,288	126,908	21,152	78,848
4659	4728 W Carson Rd	10/22/13	110,000	Geared Equity, LLC	111,360	10/21/13	139,200	06/02/14	135,500		139,200	5,568	133,632	22,272	87,728
4662	3247 E Maldonado Dr	10/23/13	120,000	Azben Ltd, LLC / Sell Whol	118,400	10/21/13	148,000	07/18/14	165,000		148,000	5,920	142,080	23,680	96,320
4663	978 N 85th Place	10/24/13	180,000	Geared Equity, LLC	183,280	10/23/13	229,100	12/16/14	270,000		229,100	9,164	219,936	36,656	143,344
4665	635 S St Paul	10/25/13	120,000	Geared Equity, LLC	128,080	10/24/13	160,100	04/09/14	173,000		160,100	6,404	153,696	25,616	94,384
4669	12602 N 60th St	10/24/13	260,000	Azben Ltd, LLC / Sell Whol	260,000	10/28/13	328,600	05/06/14	339,000		328,600	13,144	315,456	55,456	204,544
4670	2229 W Steed Ridge	10/30/13	220,000	Azben Ltd, LLC / Sell Whol	224,800	10/29/13	281,000	06/16/14	299,900		281,000	11,240	269,760	44,960	175,040
4671	23846 W Gibson Ln	10/30/13	120,000	Azben Ltd, LLC / Sell Whol	118,240	10/29/13	147,900	06/25/14	165,000		147,900	5,916	141,984	23,744	96,256
4672	9537 E Plana Ave	10/30/13	120,000	Azben Ltd, LLC / Sell Whol	115,200	10/29/13	144,000	04/22/14	169,000		144,000	5,760	138,240	23,040	96,960
4684	1791 E Gary Dr	11/01/13	120,000	Active Funding Group, LLC	125,600	10/31/13	157,000	11/27/13	187,900	Sale price per 11/26/13 letter (Menaged email)	187,900	7,516	180,384	54,784	65,216
4687	7030 W Pontiac Dr	11/05/13	140,000	Active Funding Group, LLC	140,000	11/04/13	175,300	09/09/15	220,000		175,300	7,012	168,288	28,288	111,712
4688	9832 E Olla Ave	11/06/13	130,000	Azben Ltd, LLC / Sell Whol	133,600	11/05/13	167,000	04/10/14	170,000		167,000	6,680	160,320	26,720	103,280
4689	17661 W Marconi Ave	11/06/13	170,000	Active Funding Group, LLC	152,500	11/05/13	218,500	05/12/14	249,000		218,500	8,740	209,760	57,260	112,740
4690	4119 W Grovers Ave	11/07/13	110,000	Active Funding Group, LLC	110,000	11/06/13	137,800	03/07/14	157,500		157,500	6,300	151,200	41,200	68,800
4703	14365 W Verde Ln	11/13/13	150,000	Active Funding Group, LLC	120,000	11/12/13	180,000	05/05/14	209,900		180,000	7,200	172,800	52,800	97,200
4710	25510 W Whyman St	11/18/13	90,000	Azben Ltd, LLC / Sell Whol	93,600	11/15/13	117,000	04/18/14	154,900		117,000	4,680	112,320	18,720	71,280
4711	1697 S 233rd Ln	11/18/13	80,000	Azben Ltd, LLC / Sell Whol	84,160	11/15/13	105,200	05/19/14	119,900		105,200	4,208	100,992	16,832	63,168
4715	2507 W Bent Tree Dr	11/19/13	160,000	Azben Ltd, LLC / Sell Whol	165,600	11/18/13	207,000	02/11/14	225,900		225,900	9,036	216,864	51,264	108,736
4718	10836 E Arcadia Ave	11/21/13	100,000	Azben Ltd, LLC / Sell Whol	99,280	11/20/13	124,100	07/28/14	137,500		124,100	4,964	119,136	19,856	80,144
4719	523 W Sundance Way	11/21/13	75,000	Azben Ltd, LLC / Sell Whol	79,760	11/20/13	99,700	10/17/14	114,900		99,700	3,988	95,712	15,952	59,048
4722	1820 S 106th Ln	11/22/13	90,000	Active Funding Group, LLC	87,000	11/21/13	119,000	03/18/14	132,000		119,000	4,760	114,240	27,240	62,760
4727	23805 W Papago St	12/03/13	150,000	N/A	-	12/02/13	116,500	05/15/14	136,000		116,500	4,660	111,840	111,840	38,160
4729	8742 W Grovers Ave	12/04/13	117,500	N/A	-	12/03/13	117,500	04/24/14	139,900		117,500	4,700	112,800	112,800	4,700
4731	28730 N Nobel Rd	12/05/13	288,900	N/A	-	12/04/13	288,211	06/10/14	295,000		288,211	11,528	276,683	276,683	12,217
4732	5916 W Fetlock Trl	12/05/13	329,000	N/A	-	12/05/13	307,000	09/03/14	325,000	Purchase price per D143047	307,000	12,280	294,720	294,720	34,280
4737	13033 W Columbine Dr	12/11/13	125,000	N/A	-	12/10/13	97,000	06/26/14	114,500		97,000	3,880	93,120	93,120	31,880
4738	17732 W Desert Bloom St	12/11/13	125,500	N/A	-	12/10/13	125,500	05/05/14	153,000		125,500	5,020	120,480	120,480	5,020
4740	1070 N Robins Way	12/12/13	158,100	N/A	-	12/11/13	153,100	04/17/14	177,500		153,100	6,124	146,976	146,976	11,124
4753	4749 N 108th Ave	12/18/13	152,500	N/A	-	12/17/13	152,500	04/22/14	174,900		152,500	6,100	146,400	146,400	6,100
4754	3450 W Crocus Dr	12/18/13	154,000	N/A	-	12/17/13	151,000	04/14/14	184,900		151,000	6,040	144,960	144,960	9,040
4755	40320 N High Noon Way	12/18/13	244,200	N/A	-	12/17/13	238,200	12/16/15	275,000		238,200	9,528	228,672	228,672	15,528
4776	1225 N 36th St #2111	12/26/13	113,100	N/A	-	12/24/13	113,100	03/26/14	132,000		113,100	4,524	108,576	108,576	4,524
4777	1119 E Potter Dr	12/26/13	236,100	N/A	-	12/24/13	236,100	05/20/14	252,000		236,100	9,444	226,656	226,656	9,444
4779	4073 S Wayne Pl	12/27/13	276,700	N/A	-	12/26/13	276,700	09/15/14	285,900		276,700	11,068	265,632	265,632	11,068
4780	3308 W Apollo Rd	12/27/13	128,100	N/A	-	N/A	N/A	N/A	N/A	Sold to 3rd party at Tree Sale (20140072144), never owned by Menaged	-	-	-	-	128,100
4783	16222 W Miami St	12/30/13	120,000	N/A	-	N/A	N/A	N/A	N/A	Sold to 3rd party at Tree Sale (20140189804), never owned by Menaged	-	-	-	-	120,000
4785	936 S Sailfish Dr	12/31/13	156,300	N/A	-	N/A	N/A	N/A	N/A	Sold to 3rd party at Tree Sale (20140023171), never owned by Menaged	-	-	-	-	156,300
4789	6033 S 15th Dr	01/02/14	113,901	N/A	-	N/A	N/A	N/A	N/A	Sold to 3rd party at Tree Sale (20140414646), never owned by Menaged	-	-	-	-	113,901

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January 9, 2014 Loss on Mr. Menaged's Outstanding Loans

Appendix M

RECEIVER'S ANALYSIS											STERLING'S ANALYSIS				
		DenSco Loan Data		3rd Party Loan Data		Purchase Information		Sale Information							
Loan No.	Address	Loan Date	Loan Balance as of 01/09/14	Lender Name	Loan Amount	Purchase Date	Purchase Price	Sale Date	Sale Price	Notes	Assumed Market Value as of 1/9/14	Assumed Selling Costs	Net Proceeds After Selling Costs	Net Proceeds Available to DenSco	DenSco Loss Estimate
4790	6923 E Lakeview Ave	01/02/14	173,600	N/A	-	N/A	N/A	N/A	N/A	Sold to 3rd party at Tree Sale (20140084107), never owned by Menaged	-	-	-	-	173,600
4791	711 W Stottler Dr	01/02/14	139,200	N/A	-	01/02/14	139,200	05/06/14	178,000		139,200	5,568	133,632	133,632	5,568
4795	5526 N Robles Crt	01/06/14	166,000	N/A	-	N/A	N/A	N/A	N/A	Sold to 3rd party at Tree Sale (20140029135), never owned by Menaged	-	-	-	-	166,000
4796	6134 W Charter Oak Rd	01/06/14	168,000	N/A	-	01/03/14	168,000	08/29/14	205,000		168,000	6,720	161,280	161,280	6,720
4797	6341 S Kimberlee Way	01/06/14	186,000	N/A	-	N/A	N/A	N/A	N/A	Sold to 3rd party at Tree Sale (20140480921), never owned by Menaged	-	-	-	-	186,000
	TOTAL:		**28,954,541**		**23,296,798**		**34,482,670**		**34,841,477**		**36,478,634**	**1,459,145**	**35,019,489**	**12,058,108**	**17,711,002**

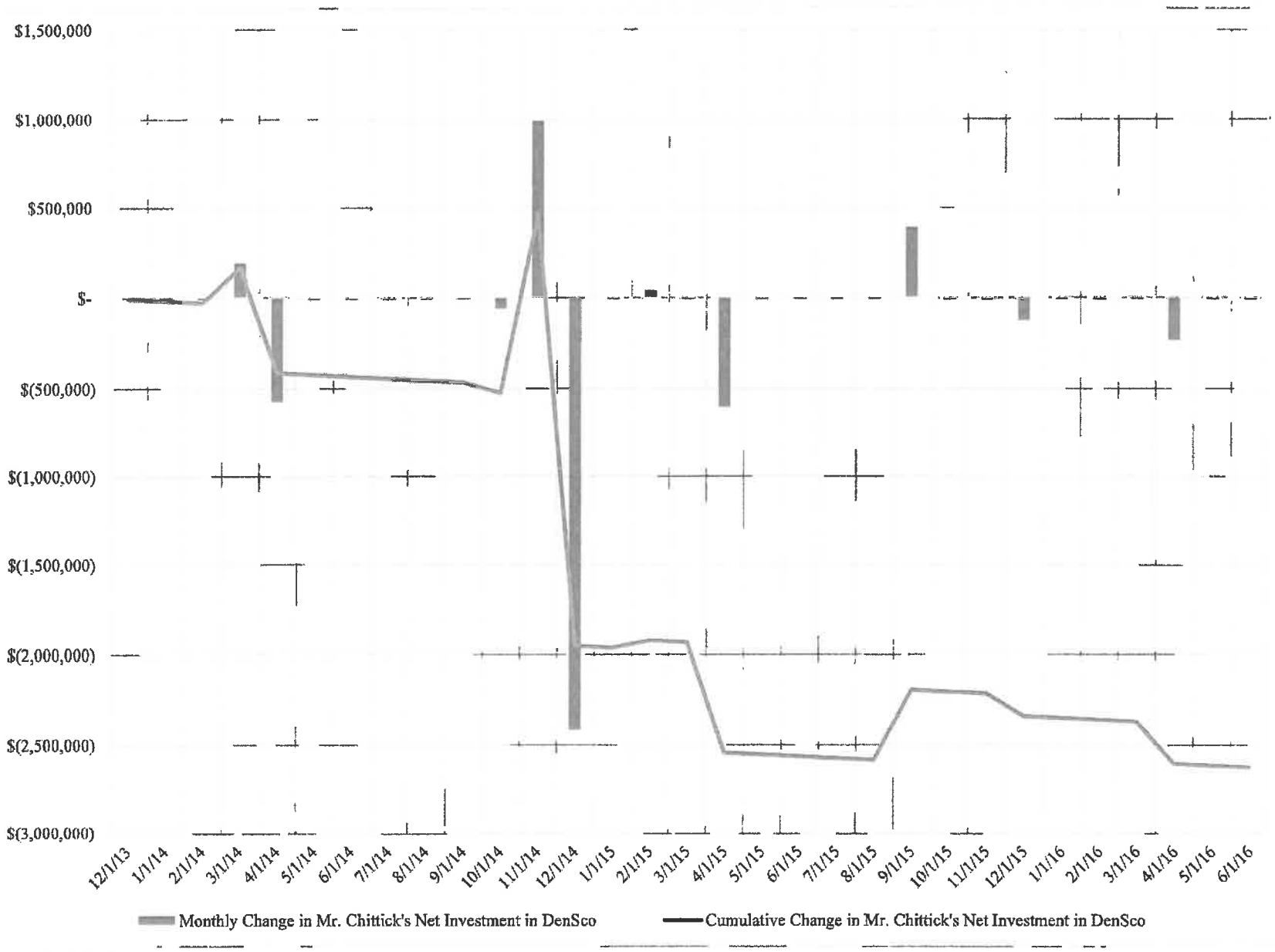
Sources:
Excel workbook entitled "Analysis of Menaged Loans as of 01.09.14 – Property Details" prepared by Receiver.

Appendix N

Davis v. Clark Hill PLC, et al.

Mr. Chittick's Net Investment Changes (December 2013 to June 2016)

Appendix N



Source: DenSco QuickBooks data

Exhibit 10

Message

From: Gregg Reichman [greichman@activefundinggroup.com]
Sent: 7/1/2013 1:44:02 PM
To: Veronica Gutierrez [veronicagutierrez@live.com]; Scott Menaged [SMENA98754@aol.com]
CC: Laura Boucher [lboucher@activefundinggroup.com]; Melissa Shields [mshields@activefundinggroup.com]; Prime Foreclosures [adubois@activefundinggroup.com]; Jody Angel [Jangel@activefundinggroup.com]
Subject: New buying entity

Veronica – as a follow up to my discussion and agreement with Scott we will not be funding any more loans for the entity Easy Investments, LLC.

Scott will be using a different entity for his purchases that are financed with AFG from this point forward. Please provide us with the name of that entity, a copy of the operating agreement and articles of organization.

Thank you,

GR

Gregg S. Reichman
Active Funding Group,LLC
602-443-6148 direct
602-692-3812 mobile
greichman@activefundinggroup.com

Exhibit 11

Message

From: Gregg Reichman [greichman@activefundinggroup.com]
Sent: 7/10/2013 2:57:15 PM
To: Gould, Scott [scottgould@cox.net]; Scott Menaged [SMENA98754@aol.com]; Jody Angel [jangel@activefundinggroup.com]
CC: lboucher@activefundinggroup.com; veronicagutierrez@live.com
Subject: Review of assets

Scott:

As a follow up to our telephone discussion from yesterday, here is a summary as you requested. There are 3 "asset categories" as detailed in our prior agreement.

- Properties listed on "Exhibit A": AFG is to receive 100% of the distributable cash available after any secured lender receives its required payoff.
- Properties listed on "Exhibit B": AFG is to receive 50% of the distributable cash available after any secured Lender receives its required payoff
- Properties listed on "Exhibit C": These properties were free and clear at the time of the agreement. AFG is to receive 80% of the distributable cash available after payment of Escrow/Title fees but in no event less than the original principal amounts reflected in the recorded deeds of trust for these assets.

Thus far, 5 assets covered under the agreement have sold. Here is a chart listing the assets and the amount of funds due AFG in accordance with the terms of the agreement:

Exhibit	Parcel	Property Address	AFG Loan	Paid Off	Distribution to AFG
A	8	6618 S McAllister Ave, Tempe 85283	4149	12/31/2012	14,061.40
A	9	1302 W Culver St, Phoenix 85007	3978	3/19/2013	21,205.24
B	14	266 N 221st Ave, Buckeye 85326	5128	4/26/2013	33,013.33
B	16	2126 W Solano Dr, Phoenix 85015	5126	4/26/2013	28,280.18
B	18	2930 E Libby St, Phoenix 85032	5121	5/1/2013	6,582.11

Total due $103,142.26.

In our conversation yesterday you correctly pointed out that it would be ideal for us to be including these charges as a part of your payoff through Escrow and we will certainly do that into the future as requested.

Please let us know when this can be cleaned up and we appreciate your attention to this matter.

Best regards,

GR

Gregg S. Reichman
Managing Director
602-443-6141 direct
602-692-3812 mobile
greichman@activefundinggroup.com

Exhibit 12

SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release ("the Agreement") is made and entered into this ___ day of February, 2014, by and among the following Parties:

PLAINTIFF – Freo Arizona, LLC, a Delaware limited liability company ("Plaintiff").

DEFENDANTS - Easy Investments, LLC, an Arizona limited liability company; Active Funding Group, LLC, an Arizona limited liability company ("Defendants").

RECITALS

A. Background

1. Joshua and Kathryn Guidone were the owners of the property located at 7089 W. Andrew Lane, Peoria, Arizona, 85383 (the "Property") and trustors for a Deed of Trust on the Property. On December 12, 2012, a Notice of Trustee's Sale was recorded and a trustee's sale was scheduled due to the default of the Guidones on the loan secured by the Deed of Trust. Prior to the trustee's sale, Plaintiff Freo entered into a contract to purchase the Property from the Guidones.

2. On behalf of Plantiff Freo and the Guidones, Nayriam Silver, an escrow agent, obtained a Payoff Statement from Ocwen Loan Servicing Group, LLC ("Ocwen") for the loan that was the subject of the noticed trustee's sale. The sale to Plantiff Freo would result in sufficient funds to completely pay off the Guidones' secured loan. Ocwen represented to Plaintiff Freo and the Guidones that Ocwen would cancel the trustee's sale and release the Deed of Trust due to the sale of the Property to Plaintiff Freo and the payment to Ocwen of the payoff amount of $153,167.59.

3. On March 18, 2013, the sale closed and the Warranty Deed transferring the Property to Plaintiff Freo was recorded and the payoff was tendered on behalf of the Guidones to Ocwen. On March 19, 2013, Ocwen received and accepted its requested payoff amount of $153,167.59.

4. Despite the completion of the sale and the payment to Ocwen, Ocwen failed to timely instruct the trustee to cancel the trustee's sale. A trustee's sale occurred on March 22, 2013, on the paid-off Ocwen Deed of Trust and Defendant Easy Investments obtained a Trustee's Deed upon Sale. Ocwen subsequently caused a Deed of Release and

Reconveyance and a Cancellation of Notice of Trustee's Sale to be recorded.

5. Defendant Easy subsequently encumbered the Property by granting interests in the Property to Defendant Active.

6. Plaintiff Freo filed a declaratory judgment action, CV2012-007663 in Maricopa County Superior Court seeking a ruling as to the rights and interests of the parties in regards to the Property (the "Action"). The parties' claims and defenses are more fully set forth in the pleadings, motions, and disclosures in the subject Action.

B. Plaintiff and Defendants desire to enter into this Agreement in full settlement and discharge of all claims which have been or might be made by or on behalf of Plaintiff, by reason of the circumstances described in Recital A above upon the terms and conditions set forth herein. Defendants also hereby discharge any and all related claims which have been or might be made against Plaintiff as a result of the circumstances described in Recital A above upon the terms and conditions set forth herein.

AGREEMENT

The above parties hereto agree as follows:

1.0 **Release and Discharge**

1.1 In consideration for the claims released herein by Defendants, Plaintiff does hereby completely release, waive, and forever discharge Defendants from any and all past, present, or future claims, demands, obligations, actions, causes of action, rights, damages, costs, losses of services, expenses, and compensation of any nature whatsoever, whether based on a tort, contract, statutory, common law, or other theory of recovery, which Plaintiff now has, or which may hereafter accrue or otherwise be acquired, on account of, or may in any way grow out of past events, acts, or omissions related to circumstances described in Recital A above, including, without limitation, any and all known or unknown claims for amounts owed to Plaintiff, which have resulted or may result from any alleged past acts or omissions of Defendants.

1.2 In consideration of the claims released herein by Plaintiff, Defendants also contemporaneously hereby completely release and forever discharge Plaintiff from any and all past, present, or future claims, demands, obligations, actions, causes of action, rights, damages, costs, losses of services, expenses, and compensation of any nature whatsoever, whether based on a tort, contract, statutory, common law, or other theory of recovery, which Defendants now have, or which may hereafter accrue or otherwise be acquired, on account of, or may in any way grow out of past events, acts, or

omissions related to the circumstances described in or related to Recital A above, including, without limitation, any and all known or unknown claims for amounts owed to Defendants, which have resulted or may result from any past acts or omissions of Plaintiff.

1.3 This release and discharge shall also apply to (if and as applicable) Plaintiff's and Defendants' past, present, and future officers, directors, members, managers, attorneys, agents, servants, spouses, representatives, employees, departments, agencies, subsidiaries, affiliates, predecessors, successors-in-interest, and assigns and all other persons, firms, corporations, or other entities with whom any of the former have been, are now, or may hereafter be affiliated (collectively, the "Released Parties").

1.4 Plaintiff and Defendants acknowledge and agree that the release and discharge set forth above is a general release. Plaintiff and Defendants expressly waive and assume the risk of any and all claims for damages arising out of or related to the matters set forth in the Action which exist as of this date, but of which Plaintiff and/or Defendants do not know or suspect to exist, whether through ignorance, oversight, error, negligence, or otherwise, and which, if known, would materially affect their decision to enter into this Agreement. Plaintiff and Defendants assume the risk that the facts or law may be other than they believe. It is understood and agreed to by Plaintiff and Defendants that this settlement is a compromise of disputed claims. Furthermore, the Parties acknowledge and agree that this agreement is not to be construed as an admission of liability on the part of the Plaintiff or Defendants (or any related entities identified herein as Released Parties), by whom liability is expressly and categorically denied.

1.5 Notwithstanding anything to the contrary in this Agreement, Defendants do not waive their claims that their interests in the Property are superior to the Plaintiff. Plaintiff agrees to sign the quit claim deed and release of *lis pendens* referenced below to release Plaintiff's own claims to the Property.

1.6 In the event Plaintiff avoids any portion of this Agreement under (i) 11 U.S.C. §§ 544, 547, 548, 549, 550 or 553, or (ii) applicable non-bankruptcy law permitting the avoidance of preferential or fraudulent transfers, then the release contained above shall be void, and Defendants shall be entitled to immediately pursue all of their rights and remedies against Plaintiff.

2.0 Consideration

2.1 Plaintiff agrees that it will execute and deliver a quit claim deed of the subject Property to Defendant Easy Investments, LLC and execute and deliver a release of *lis pendens* upon complete execution of this Agreement by both parties, complete execution of a settlement agreement between Plaintiff and Ocwen Loan

Servicing, LLC, and Plaintiff Freo's receipt of settlement funds from Ocwen (the settlement funds are anticipated to be received in no more than 45 days from the execution of the settlement agreements. Copies of the quit claim deed and the release of *lis pendens* to be signed are attached hereto as **Exhibits A** and **B**.

2.2 Upon completion of the terms and conditions of Section 2.1 above, Plaintiff and Defendants agree to file a stipulation to dismiss the claims pending between them in CV2012-007663 with prejudice, with each party bearing their own costs and attorneys' fees.

2.3 All Parties agree and acknowledge the sufficiency of the consideration and releases described herein.

3.0 Attorneys' Fees

Each party hereto shall bear all attorneys' fees and costs arising from the actions of his, her, or its own counsel in connection with this Agreement, the issues and/or documents referred to herein, and all related matters.

4.0 Representation of Comprehension of Document

In entering into this Agreement, Plaintiff and Defendants represent that they have had the opportunity to consult with attorneys of their own choice, concerning the legal and tax consequences of this Agreement; that the terms of this Agreement have been completely read; and that the terms of this Agreement are fully understood and voluntarily accepted by Plaintiff and Defendants.

5.0 Warranty of Capacity to Execute Agreement

Plaintiff and Defendants represent and warrant that no other person or entity has, or has had, any interest in the claims, demands, obligations, or causes of action referred to in this Agreement, except as otherwise set forth herein; that Plaintiff and Defendants have the sole right and exclusive authority to execute this Agreement; and that neither Plaintiff nor Defendants have sold, assigned, transferred, conveyed, or otherwise disposed of any of the claims, demands, obligations, or causes of action referred to in this Agreement.

6.0 Governing Law

The Agreement shall be construed, interpreted, and enforced in accordance with the laws of the State of Arizona.

7.0 Additional Documents

Plaintiff and Defendants agree to cooperate fully and execute any and all supplementary documents and to take all additional actions which may be reasonably

necessary or appropriate to give full force and effect to the basic terms and intent of this Agreement.

8.0 **Entire Agreement and Successors in Interest**

This Agreement contains the entire agreement between Plaintiff and Defendants with regard to the matters set forth in it and shall be binding upon and inure to the benefit of the executors, administrators, personal representatives, heirs, successors, and assigns of each and of the Released Parties.

9.0 **Effectiveness**

This Agreement may be executed in counterparts, each of which shall be deemed to be an original as against any party whose representative's signature appears thereon—whether a facsimile version or photocopied duplicate thereof—and all of which shall together constitute the same instrument.

FREO ARIZONA, LLC, a Delaware limited liability company

DATED: _____ By: _____

Its: _____

EASY INVESTMENTS, LLC, an Arizona limited liability company

DATED: 2/27/14 By: _____

Its: Managing member

ACTIVE FUNDING GROUP, LLC, an Arizona limited liability company

DATED: _____ By: _____

Its: _____

Exhibit 13

Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 1/16/2014 2:39:57 PM
To: Yomtov Menaged [smena98754@aol.com]
Subject: Fw: Densco Investment Corp. adv. Freo v. Easy Inv. CV2013-007663
Attachments: Case Info CV2013-007663.pdf

yes yet another attorney, this is my attorney for my corporation , which i probably need to change. i think this is the law suit that you got a summary judgement on and we won, now they are fighting it. read below
dc

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

----- Forwarded Message -----
From: Kurt A. Johnson <KJ@arizonalegal.us>
To: 'Denny Chittick' <dcmoney@yahoo.com>
Sent: Thursday, January 16, 2014 12:39 PM
Subject: RE: Densco Investment Corp. adv. Freo v. Easy Inv. CV2013-007663

Denny,

I just received a notice in the mail on this case that Freo Arizona has filed a Motion for Reconsideration of the ruling on the Motion for Summary Judgment that it apparently lost.

As far as I can tell, you have never been dismissed from this lawsuit. And if someone agreed to dismiss you, they never filed any paperwork on it.

Thanks, Kurt
602.720.2160 tel

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Tuesday, September 24, 2013 6:42 PM
To: Kurt A. Johnson
Subject: Re: Densco Investment Corp. adv. Freo v. Easy Inv. CV2013-007663

oh this one. my borrower bought a property that the trustee sold twice, so everyone is suing everyone. this one is not settled, i believe it wil be this week. i'll find out and let you knwo.
thx
dc

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

From: Kurt A. Johnson <KJ@arizonalegal.us>
To: Denny Chittick <dcmoney@yahoo.com>
Sent: Tuesday, September 24, 2013 6:05 PM
Subject: Densco Investment Corp. adv. Freo v. Easy Inv. CV2013-007663

Denny,

On September 5, you told me this case has been dismissed against Densco. Yesterday, I received in the mail from the Plaintiff copies of its discovery statement and sent to Densco as a Defendant (via my office).

I just checked the online case docket. The most recent filing posted online was for September 20. But Densco is not shown as being dismissed out but is still listed as a Defendant.

Do you have a written copy of anything agreeing to dismiss you? If so, you might want to file it with the Court (for which the Court will charge $237 as an answer fee). If you need me to contact Joe Glenn, Plaintiff's attorney, please let me know.

P.s. Attached is my change of address as Statutory Agent for Densco. I will file with ACC tonight.

Warm regards, Kurt

Law Office of Kurt Johnson
3317 East Bell Road, Suite 101-265
Phoenix, Arizona 85032-2724
602.505.8117 tel
602.801.2841 fax
KJ@ArizonaLegal.us

Exhibit 14

Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 9/11/2013 4:07:20 PM
To: Beauchamp, David G. [dbeauchamp@clarkhill.com]
Subject: Re: DenSco Investment files
Attachments: DGB - Densco.pdf

Yes, i was waiting for you to email and find out which docs you wanted?
i've attached the letter.
thx
dc

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

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: "Denny J. Chittick (dcmoney@yahoo.com)" <dcmoney@yahoo.com>
Sent: Wednesday, September 11, 2013 3:52 PM
Subject: DenSco Investment files

Denny:

Have you received your letter to transfer your files from Bryan Cave? I have not seen anything yet and I was just wondering what happened.

If you have any questions, please call me.

Best regards, David

David G. Beauchamp

CLARK HILL PLC

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

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 15

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

see them. You can see them. Anyone who runs a chain is going to see them. Figure out what's going on and call me back."

And he said, "I'm going to figure it out and call you back real fast." I said, "Okay, great," and that was the end of that call.

Q. All right. And then did you have another conversation with him later?

A. I did.

Q. How much time went by, roughly?

A. I think a day.

Q. And had you talked to Mr. Chittick again in the meantime?

A. No.

Q. Okay. Did he call you or did you call him, that is Scott Menaged call you or did you call Scott Menaged?

A. I don't remember.

Q. All right. Tell us what was said in that conversation?

A. He said, "I'm starting to gain an understanding of what's going on with this. I don't have a full understanding of it yet. I'm finding that this -- that there is a significant problem with not just your loans, other loans and other things in my office, and I think I have had employee crime. I'm not sure yet."

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?

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 16

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**

Exhibit 17

DenSco / workout

Beauchamp, David G.

Schenck
EXH. NO. 58
6-19-18
Kelly S. Oglesby CR 50178

From: Beauchamp, David G.
Sent: Tuesday, January 21, 2014 3:26 PM
To: Anderson, Robert G.
Cc: Schenck, Daniel A.
Subject: FW: update

I just confirmed with Denny that Scott and he agreed to ALSO use another title company to speed up the process. We will get the name of the escrow officer and the title company later today.

Thanks, David

David G. Beauchamp

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

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Tuesday, January 21, 2014 2:13 PM
To: Beauchamp, David G.
Subject: Re: update

ok we'll use aonther title office. i've confirmed it with Scott.
dc

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

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: Denny Chittick <dcmoney@yahoo.com>
Sent: Tuesday, January 21, 2014 1:57 PM
Subject: RE: update

Denny:

If I knew the attorney that they are now using, I could try to confirm the timing. If you or Scott talk to Dan or the others, please try to get a name.

I understand the fine line that you are taking. I am just very concerned about the payoffs getting so far ahead of the documentation. I have authorized the preparation of the Forbearance Agreement and the related documents. Under normal circumstances, this should be finalized and signed before you

advance all of this additional money. We plan to get the documents to you and Scott later this week. Hopefully, we can get the documents signed later this week.

Best, David

David G. Beauchamp

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

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

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 18

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:

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

to get it would kind of see the road map of what still needed to be done.

And so, you know, more work was probably done, maybe not on the POM, but maybe on the Forbearance Agreement, that, you know, just for ourself. I don't know if I even billed for it or was told to bill for it or we wrote it off, but there was more work that was done just trying to make it in better shape to hand it off to the next counsel.

Q. Let me see if I have this right.

A. Okay.

Q. The reason Mr. -- did Mr. Beauchamp tell you the reason he was terminating the client?

A. Yeah. It was over the POM issues, that Denny was not going to make the amendments -- that wasn't going to amend the POM, or at least, you know, work with us to amend it and -- or was going to try to get someone else to do it or something, as though he didn't like already, in the first draft, the issues we were spotting, he thought it was not what he was going to prepare to do. And then because of that said, well, for us to work on this, we are going to have to do at least this, that's in this first draft.

Q. I'm confused.

MR. DeWULF: I'm sorry?

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 19

Message

From: Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]
Sent: 1/21/2014 12:57:00 PM
To: Denny Chittick [dcmoney@yahoo.com]
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

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602-532-7737 f

Exhibit 20

Message

From: Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]
Sent: 1/31/2014 7:27:23 AM
To: 'dcmoney@yahoo.com' [dcmoney@yahoo.com]
CC: Beauchamp, David G. [dbeauchamp@clarkhill.com]
Subject: Important - Attorney Client Privileged

Denny:

Until you have the Forbearance Agreement and the other documents in place, you are not protected with respect to Scott OR your investors. You have no rights to any of the additional collateral that Scott has agreed to give you, until the Forbearance Agreement is signed and the other documents are also signed and filed as may be necessary.

Please remember that Scott also characterized the last issue with Jeff "as only a few word issues" and it was a major point that you were forced to concede. Unless Scott's signed documents are different than your regular form documents, he is required to have your lien be in first position, but Jeff would not agree to that. Jeff knows that he can argue you waived the timely payment of interest, so Jeff can get Scott out of being in default. That changes the whole dynamic of who is responsible to pay all of the costs to deal with this problem.

Best, David

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

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Friday, January 31, 2014 08:08 AM
To: Beauchamp, David G.
Subject: Re: Forbearance agreement

i talked to scott last night. he said that he adn jeff went over it. jeff had some wording he wanted changed, otherwise was fine with it. he told me jeff was going to call you and walk through the few changes and scott would sign.

i'll talk to scott today.
thx
dc

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

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: "'dcmoney@yahoo.com'" <dcmoney@yahoo.com>
Cc: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
Sent: Friday, January 31, 2014 7:18 AM
Subject: Fw: Forbearance agreement

Denny:

See email from Jeff below. Just as I previously indicated, Jeff is treating this as your problem and not that you are going out of your way to help Scott. Somehow you need to put pressure on Scott to get this relationship in the proper perspective. You are helping Scott not the other way around.

We should talk.

Best, David

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

----- Original Message -----
From: Goulder, Jeffrey [mailto:jeffrey.goulder@stinsonleonard.com]
Sent: Friday, January 31, 2014 06:25 AM
To: Beauchamp, David G.
Subject: Forbearance agreement

David - I have spoken with Scott about the draft forbearance. I am traveling today, but I will get you comments next week. Thanks.

Jeffrey J. Goulder | Partner | Stinson Leonard Street LLP
1850 N. Central Avenue, Suite 2100 | Phoenix, AZ 85004-4584
T: 602.212.8531 | M: 602.999.4350 | F: 602.586.5217
jeffrey.goulder@stinsonleonard.com | http://www.stinsonleonard.com

Stinson Leonard Street LLP is officially open for business! Please update your records to reflect the new email address and firm name.

ve spoken with Scott about the draft forbearance. I am traveling today, but I will get you comments next week. Thanks.

Jeffrey J. Goulder | Partner | Stinson Leonard Street LLP
1850 N. Central Avenue, Suite 2100 | Phoenix, AZ 85004-4584
T: 602.212.8531 | M: 602.999.4350 | F: 602.586.5217
jeffrey.goulder@stinsonleonard.com | 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 nam

Exhibit 21

Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 2/10/2014 6:19:40 PM
To: Yomtov Menaged [smena98754@aol.com]
Subject: Fw: a few questions about changes

paragraph 5, they want to change back to 2 yr versus 1 yr renewals, is that ok? deal killer ?

David says, that it's typical to have 6 month extensions, so asking for 2 yr is outside of what is normal. he thinks that 1 yr, and based on performance another 1 yr is more than adequate.

paragraph L, wants to have not to exceed number, i'm guessing 20k should be reasonable?

he says his bill is at 32k now, plus until everything is done, and we are back to normal operating , it's not fair to put a cap on it now. i have to now disclose to my investors what we are doing. if someone decides to sue me base on that, or there are other costs then i would have to take on the risk of that.

paragraph 9, change to 10 days from 5, i thought that was fine.

ok

paragraph 13, and paragraph L can they be combined? the terms are ok.

they are going to change L to refer 13.

this may be a problem, they want to add a paragrah that basically says, i won't puruse a fraud civil case, but it doesn't limit to me to recover financially.
i don't care about him going to prison, i want my money back.

david has to talk to the litigators and he'll get back to me.

so yes some progress
dc

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602-532-7737 f

Exhibit 22

Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 2/11/2014 3:56:56 PM
To: Scott Menaged [smena98754@aol.com]
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 23

Exhibit 23

FORBEARANCE AGREEMENT

THIS FORBEARANCE AGREEMENT ("**Agreement**") is executed on April ___, 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 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 ten (10) 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.

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. (insert from page 8-26)

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 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.

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):

21. **Choice of Law**. THIS ~~NOTE~~ 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.

Need to insert addresses of all parties

22. **Severability**. If any provision of this Note is unenforceable, the enforceability of the other provisions shall not be affected 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 default under the Forbearance Agreement or any other Loan Documents, shall be deemed to be an event of default ("Event of Default") hereunder.

24. **Remedies**. Upon the occurrence of an Event of Default, then at the option of the holder hereof, the entire balance of principal together with all accrued interest thereon, and all other amounts payable by Borrowers under the Loan 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 Loan Documents, and any judgment for such principal, interest, and other amounts shall bear interest at the Default Interest Rate, subject to the limitations contained in Paragraph 15 hereof. No delay or omission on the part of the holder hereof in exercising any right under this Note or under any of the other Loan Documents hereof shall operate as a waiver of such right

25. **Waiver**. Borrowers and endorsers of this Note 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 Loan Documents) and expressly agree that, without in any way affecting the liability of Borrowers or endorsers, the holder hereof may extend any maturity date or the time for payment of any installment due hereunder, otherwise modify the Loan Documents, accept additional security, release any person liable, and release any security. Borrowers and endorsers waive, to the full extent permitted by law, the right to plead any and all statutes of limitations as a defense.

26. ~~**Interpretation**. Headings at the beginning of each numbered section of this Note are intended solely for convenience and are not part of this Note. 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 Note, any other document required hereunder or in connection with any Loans Documents. 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.~~ All parties were advised to and were given the opportunity to consult with independent counsel before executing this Note Agreement and the Forbearance Agreement Documents.

27. **Integration**. This Note contains the complete understanding and agreement of the holder hereof and Borrowers and supersedes all prior representations, warranties, agreements, arrangements, understandings, and negotiations.

28. **Binding Effect**. This Note will be binding upon, and inure to the benefit of, the holder hereof, Borrowers and their respective successors and assigns. Borrowers may not delegate their obligations under the Loan Documents.

If not necessary delete

[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

EXHIBIT A

LENDER LOANS AND ENCUMBERED PROPERTIES

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 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:

_____

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 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.

_____
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, 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.

_____
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 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.

_____
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 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.

_____
Notary Public

My Commission Expires:

_____

Exhibit 24

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 25

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 26

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 27

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 28

Exhibit 28

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 29

DenSco / Workout

Beauchamp, David G.

From: Beauchamp, David G.
Sent: Monday, February 03, 2014 2:40 PM
To: Denny Chittick
Subject: RE: Forbearance agreement

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

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To: dbeauchamp@clarkhill.com
Subject: Forbearance agreement

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Exhibit 30

Exhibit 30

Den Sco / workout

Beauchamp, David G.

From: Denny Chittick <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

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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
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Sent: Monday, February 03, 2014 12:08 PM
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Cc: Beauchamp, David G.
Subject: Re: Forbearance agreement

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Denny said that he would prepare that with Scott.

Thanks, David

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----- 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

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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

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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.

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Exhibit 31

Exhibit 31

Den Sec / 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
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Exhibit 32

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
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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

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<3640_001.pdf>

Exhibit 33

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 34

Confidential Private Offering Memorandum

DenSco Investment Corporation

~~July 1, 2011~~
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 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~~thirteen years of operation from April, 2001 through ~~June~~April, ~~2011,~~2014, 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: 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 ~~first $500,000~~balance of $____ in principal amount of Notes on ~~an~~a "~~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~~, 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 ~~are inspected~~ after purchase, before or during rehabilitation and after rehabilitation to ~~insure~~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.

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,

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~~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.

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~~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 ~~as a "private investment adviser" under rules and regulations of the SEC and/or the State of Arizona given that the Company~~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

[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").

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 intended to be 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~~thirteen year operating history through ~~June~~April, ~~2011,~~2014, the Company has completed in excess of ~~2622~~_____ loan transactions. However, even with these number of loans over ~~ten~~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.

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~~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~~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 ("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."

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~~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~~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~~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.

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
		$306,786,893.00	$470,411,170.00		$274,416,977.00	$453,340,370.00
	2622			2319		

***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 loan was foreclosed on, sold at the auction, all principle, interest, late fees and foreclosure fees associated with the sale were collected. ~~One house is~~

In 2012. _____.

In 2013. _____.

In 2014. _____. _____ houses are 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 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.

Since inception through ~~June~~April 30, ~~2011,~~2014, 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~~Mr. Koehler has ~~twelve~~fifteen (~~12~~15) years of experience supporting real estate loan portfolios similar to the portfolio of the Company. ~~Robert~~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. ~~Robert~~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, ~~Robert~~Mr. Koehler is a signatory on the Company's bank account. On a weekly basis, ~~Robert~~Mr. Koehler receives an updated spreadsheet of all properties currently being used as collateral for a loan. On a monthly basis, ~~Robert~~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 ~~Robert~~Mr. Koehler, upon ~~Robert~~Mr. Koehler's receipt of instructions from ~~Denny~~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, ~~Robert~~Mr. Koehler will act to close down the Company's business by collecting all of the monies due on the Trust Deeds and ~~Robert~~Mr. Koehler 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 6132 W. Victoria Place Chandler, AZ 85226	500,000	100%

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

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Ownership

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

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~~maintains the right to adjust the interest ~~rate~~ paid ~~on~~in subsequently ~~issued Notes or the term of such Notes~~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.

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

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.

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Rendering set	Standard

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Split/Merged cell	
Padding cell	

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Moved to	0
Style change	0
Format changed	0
Total changes	170

Exhibit 35

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 in 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]: ?? DenSco can adjust the interest of the Notes?

Comment [A2]: Note: Giving the Noteholder an option when there is an Interest Adjustment Notice makes the unilateral interest adjustment more enforceable. Also, because it may not always be feasible to prepay a Note when a Noteholder objects to an interest adjustment, we did not obligate the Company to prepay the Note within a certain time frame. By leaving the interest rate unchanged when there is an objection (demonstrated by requesting prepayment), there is technically no penalty to the Noteholder for making the objection. In reality, the motivation to accept an interest adjustment will not be to avoid a penalty but to avoid an early prepayment that would end the investment opportunity. A court is much more likely to enforce this scenario than a penalty for not accepting a unilateral interest adjustment.

Comment [A3]: ? Is this still accurate?

one Note and not another. The Notes may be purchased directly from the Company without commission. The Company intends to offer the Notes on a continuous basis until the earlier of (a) the sale of the maximum offering, or (b) two years from the date of this memorandum; provided, however, the Company reserves the right to amend, modify and/or terminate this offering if the Company changes its operations or method of offering in any material respect. See "Description of Securities" and "Plan of Distribution."

Comment [A4]: DGB, what is the maximum duration we can use here?

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

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

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

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

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

(3) Offering expenses, estimated at $25,000, will be paid from the Company's general operating funds. Comment [A5]: ? Is this still accurate?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TABLE OF CONTENTS

MEMORANDUM SUMMARY

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

The Company

DenSco Investment Corporation, an Arizona corporation (the "Company"), is an Arizona corporation, which has been in operation since April, 2001. In the thirteen years of operation from April, 2001 through April, 2014, the Company has engaged in [ ] 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 [A6]: How many loans in 13 year period. According to July 2011 POM, the Company did 2622 loans from April 2001 to June 2011.

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 still 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 [AS]: 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 still 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 DenSco intent 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 amounts), 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 want 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 [A16]: ? 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 2011, the Company had completed 2622.

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 this still accurate?

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]: ?? DenSco can adjust the interest of the Notes?

Comment [A21]: 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.

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 years?

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 estimates state "-0-" for Cash Reserve?

(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	$2,431,000.00
2002	69	$5,685,000.00	$878,000.00	66	$5,267,000.00	$9,076,300.00
2003	124	$11,673,000.00	$1,753,500.00	106	$963,500.00	$14,488,500.00
2004	185	$19,907,000.00	$30,422,600.00	170	$17,951,700.00	$26,939,500.00
2005	236	$34,955,700.00	$50,487,300.00	232	$31,001,940.00	$45,111,500.00
2006	215	$34,468,100.00	$52,784,000.00	212	$35,301,250.00	$53,057,200.00
2007	272	$42,579,634.00	$65,931,500.00	257	$41,424,815.00	$65,482,800.00
2008	304	$38,864,660.00	$63,671,300.00	257	$34,578,755.00	$56,369,400.00
2009	412	$41,114,707.00	$72,078,020.00	349	$39,416,824.00	$67,713,100.00
2010	390	$37,973,097.00	$63,771,350.00	355	$37,175,201.00	$61,666,170.00
*2011	378	$36,187,995.00	$62,240,600.00	*300	$29,883,992.00	$51,004,900.00
		$306,786,893.00	$470,411,170.00		$274,416,977.00	$453,340,370.00
	2622			2319		

*Through June 30, 2011

Comment [A31]: We need final 2011 figures, together with adding 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? DenSco loaned 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 [ ] loans, with an average loan amount of $_____, with the highest single loan being $_____ and lowest being $_____. The aggregate amount of loans funded is $306,786,893 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.

Comment [A37]: In July 2013 the # was 2622.

Comment [A38]: We need updated figures. Are other representations regarding interest rates, payments to Noteholders, etc?

MANAGEMENT

Directors and Executive Officers

The Director and Executive Officer of the Company are: Denny J. Chittick, 4[ ] 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. 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 [A40]: Is this still accurate?

Comment [A41]: Are these details still 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 6132 W. Victoria Place Chandler, AZ 85226	500,000	100%

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

Comment [A43]: 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]: 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.

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 figure 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.

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.

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 scenario than a penalty for not accepting a unilateral interest adjustment.

Comment [A52]: DGB, do we still want this condition to the Company's ability to transfer 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 36

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

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

VIDEOTAPED DEPOSITION OF SHAWNA CHITTICK HEUER

Phoenix, Arizona
August 22, 2018
9:11 a.m.

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

PREPARED FOR:

thought David knew Denny had died. We thought David had received the investor letter in an email, and as we talked to him, we discovered he had no idea Denny had died, had not received any information through email.

And if I remember, I thought I called him, but he might have made the first -- he might have made the phone call and then handed the phone to me. I don't remember exactly how it was, but we were sitting there together talking to David.

Q. And that was the first time that David was aware that Mr. Chittick had passed away?

A. And if I remember correctly, David was driving and he pulled off the side of the road and asked me to repeat what I said.

Q. This was a traumatic, emotional time when all of you are sharing this information for the first time?

A. Yes.

Q. Was anything asked of Mr. Beauchamp in that call? Were you asking him to do anything?

A. I think I asked if I could meet with him, because I didn't know what to do. And we were very confused because we -- you know, he is saying he didn't know, didn't get the email. Robert is saying I didn't get the email, I didn't know. You know, we were trying to figure out what to do. And we had people calling and

Q. Let's look at Exhibit 417, which is the next exhibit in there.

A. Okay.

Q. I think this is the first written communication between you --

A. Uh-huh.

Q. -- and Mr. Beauchamp, at least what I have seen.

A. I believe, yes.

Q. And it -- what I'm reading this email from you to be saying is that you think there needs to be a communication to the investors to let them know what the circumstances were.

Is that fair?

A. Yes.

Q. And then you were asking for his input?

A. Yes.

Q. David's input on it?

A. Yes.

Q. And do you recall whether this was sent to the investors?

A. Yes. I sent it from Denny's dcmoney@yahoo email. He was getting a lot of emails, and we felt that this would be the best way to communicate once and that's it to the investors to say this is what's happened, just to let them know, because the phone would not stop

A. Yes.

Q. -- and did not know a lot about what the current situation was?

A. Yes.

Q. What do you remember in that regard?

A. I remember when we met with him on Monday, that that was one of the first things he said, was that: I haven't talked to your brother in a long time. I had to look back through my notes to see the last time that I had spoken to him.

And that he didn't know, you know, what led up to this. He just wanted to know what do you know, what's happened, you know.

Yes, he had told me that there had been -- I think in my mind it was like a year and a half, maybe, since he had talked with my brother maybe, I think I remember. It had been a long time, and that surprised me.

Q. I'm going to ask you to identify some documents, if I could. If you would look at 413.

You mentioned earlier that there was a communication to investors that your brother had put together prior to his death.

A. Correct.

Q. Does Exhibit 413 look familiar to you?

A. Yes. The investor letter, yes. This is what we

and to aid the company?

A. How David helped me?

Q. Yes.

A. He explained to me what my position was as the PR. He helped me with trying to figure out how to communicate with the investors, and just offered me some guidance on how to put one foot in front of the other.

Q. Was he helpful to you?

A. Yes, I felt. Yes.

Q. Did you gain an opinion or an impression of him as to his intentions, his professionalism, anything in general from your talks and meetings with him?

A. I think he wanted to help. I think he liked my brother, and I think he felt bad for my situation and offered guidance.

Q. Did you ever -- well, let me back up.

On the email communications that were put together to the investors --

A. Yes.

Q. -- to apprise them of the situation, did you -- in the procedures you were following, did you normally have an opportunity to review those --

A. Yes.

Q. -- before they went out to the investors?

A. Yes.

know, the year and a half or whatever time period since he had spoken to my brother, until his passing and me contacting him, that these were the things that they had worked on previously and had not completed.

Q. Did you -- do you remember him telling you that he had terminated the relationship with DenSco at some point in time?

A. I don't remember him saying he had terminated, but just that he had not spoken to Denny in a long time and he didn't know of what had been going on.

Q. And you mentioned that that was a year and a half or two years? Do you remember that?

A. I think it was a year and a half, but I wouldn't know exact, the time, but it had been quite a while.

Q. Did you take from the fact that he had not communicated with Denny that he would not have served as his lawyer for that period of time either?

A. I didn't really make that connection, because --

Q. In order to be Denny or DenSco's lawyer, wouldn't he have had to communicate with Denny for that period of time?

A. If Denny would have needed it, I guess.

Q. You just didn't really think about it at the time?

A. No, I didn't really put the connection together.

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

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

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

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

Kelly Sue Oglesby _____ 9/3/2018
Kelly Sue Oglesby Date
Arizona Certified Reporter No. 50178

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

_____ 9/3/2018
JD REPORTING, INC. Date
Arizona Registered Reporting Firm R1012

Exhibit 37

DenSco / Wahoot

Beauchamp, David G.

From: Denny Chittick <dcmoney@yahoo.com>
Sent: Thursday, June 12, 2014 8:43 AM
To: Beauchamp, David G.
Subject: Re: Email to approve Substitution of Revised Pages for Forbearance Documents With DenSco Investment

ok i'll make sure he gets it done more timely this time. sorry.
dc

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

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: "'dcmoney@yahoo.com'" <dcmoney@yahoo.com>
Cc: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>; "Schenck, Daniel A." <DSchenck@ClarkHill.com>
Sent: Thursday, June 12, 2014 8:42 AM
Subject: Re: Email to approve Substitution of Revised Pages for Forbearance Documents With DenSco Investment

Denny:

The informal email approach works if it is done in close timing to the approval of the changes. Due to the amount of lapsed time, we need to be more formal to complete the process.

Sorry, David

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Thursday, June 12, 2014 08:25 AM
To: Beauchamp, David G.
Subject: Re: Email to approve Substitution of Revised Pages for Forbearance Documents With DenSco Investment

then why did you spend all that time with those multiple emails and pages?
i talked to scott last night,he's going to forward the emails that you sent me just like you requested. probably be tomrorow.
dc

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

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: "'dcmoney@yahoo.com'" <dcmoney@yahoo.com>
Cc: "Schenck, Daniel A." <DSchenck@ClarkHill.com>; "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
Sent: Wednesday, June 11, 2014 11:48 AM
Subject: Re: Email to approve Substitution of Revised Pages for Forbearance Documents With DenSco Investment

Denny:

I thought a simple letter to print and sign might be easier. We will get it to you later today.

Thanks, David

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Wednesday, June 11, 2014 11:45 AM
To: Beauchamp, David G.
Subject: Re: Email to approve Substitution of Revised Pages for Forbearance Documents With DenSco Investment

oh i thought he had he done it when i forwarded it to him what weeks ago! i'll get on him. he's in the hospital today, his wife is having surgery.
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, 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;

Exhibit 38

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

Exhibit 39

Message

From: Beauchamp, David G. [DBeauchamp@ClarkHill.com]
Sent: 7/30/2016 3:10:03 PM
To: Davis, Darrell E. [ddavis@clarkhill.com]
CC: Sifferman, Mark S. [msifferman@clarkhill.com]
Subject: Re: Very bad personal News

Not that I am aware of.

Sent from my iPhone. Please excuse any typos.

> On Jul 30, 2016, at 3:08 PM, Davis, Darrell E. <DDavis@ClarkHill.com> wrote:
>
> I'm so sorry to hear that David. Truly tragic. Are there any irregularities with his fund?
>
>
>
>> On Jul 30, 2016, at 3:03 PM, Beauchamp, David G. <DBeauchamp@ClarkHill.com> wrote:
>>
>> Darrell and Mark:
>>
>> Sorry to bother both of you on the weekend.
>>
>> I just got a call that the sole owner of a client (DenSco Investment Corporation), good friend and sole Manager of a real estate investment fund ($25 million +) committed suicide on Thursday night. I am one of two people named to clean up and shut down the fund.
>>
>> I do not know what to think and I do not understand why or what brought him to that. As of now, I am to wait for a package with instructions that Denny sent to me just before he committed suicide. Initially the thought is that his actions were based on personal issues and not business related.
>>
>> However, I just thought his investors (very high profile and possibly some of Darrell's clients) will need to know and they are likely to start calling when the word gets out.
>>
>> Is there something I should do to set up internal procedures at the firm?
>>
>> Thanks, David
>>
>> Sent from my iPhone. Please excuse any typos.

Exhibit 40

Beauchamp, David G.

From: Beauchamp, David G.
Sent: Friday, August 12, 2016 1:12 AM
To: Craig Hood
Cc: acatejr@gmail.com; amydirks@hotmail.com; anthjen@yahoo.com; artnina@hotmail.com; Aztonysmith@aol.com; aztonysmith@gmail.com; barryluchtel@gmail.com; bdirks5@cox.net; bji@cox.net; bjlocke64@yahoo.com; bjodenthal@frontier.com; brian.wenig@honeywell.com; burdett.anthony@gmail.com; butlerv@yahoo.com; carricks3@ak.net; czj528@hotmail.com; dariosdad@gmail.com; dave@prestoncpa.biz; davedubay@gmail.com; dhowze@cox.net; don-cindy@cableone.net; Doriann@cox.net; eileencohen@me.com; epcarrick@gmail.com; glenpdavis@gmail.com; gsiegford@msn.com; hahnaz2@cox.net; hey.ralph01 @gmail.com; hikthestik@aol.com; jackdds@myway.com; jamccoy32@gmail.com; jbhok@yahoo.com; jemmakopel@hotmail.com; jgsiegford@yahoo.com; jimmy@flytrapproductions.com; jimpatmc44@gmail.com; jkjetto@yahoo.com; Jphalen00@aol.com; jwalker113@cox.net; kayell121@cs.com; kaylene.moss@avnet.com; kennenl@yahoo.com; landonluchtel@gmail.com; lanka2000@yahoo.com; Laurieweiskopf@gmail.com; lkopel22@hotmail.com; mark.wenig@gmail.com; mbencekent@yahoo.com; mlminvestor@gmail.com; mrsbeasley68@verizon.net; mscroggin@me.com; nihad@yahoo.com; nswirtz@me.com; patsmiller21@gmail.com; Paul_a_kent@yahoo.com; pearces@mailhaven.com; Peter.Rzonca@Avnet.com; pldupper@gmail.com; quelalively@yahoo.com; ralph@kaisertile.net; rbrinkman@yahoo.com; rgriswold3@stny.rr.com; robertflawson@gmail.com; rzkoehler@yahoo.com; sdetota@yahoo.com; sdetota99@yahoo.com; sdtuttle@gmail.com; smschloz@msn.com; steve@bunger.me; stewart.sherriff@gmail.com; switchback62@hotmail.com; terryleeAZ@comcast.net; thomasbyrne11@gmail.com; thompscg2@cox.net; trovita@gmail.com; uaflyor767 @gmail.com; valeriepaxton@gmail.com; vimuscat@gmail.com; wadeunderwood@hotmail.com; wbush1120@comcast.net; wjswirtz@me.com; wka@caribbeanpoolsaz.com; yusuf@comsiscomputer.com
Subject: RE: Question about Densco Legal Fees?

Craig:

You are raising good questions.

1. Unfortunately, I am the only person who is still able to represent DenSco and the Investors to deal with the current issues. Denny was the only Director and officer of DenSco. After Denny died, there is no other Director or officer of DenSco who can retain legal counsel for DenSco for these matters. We had previously planned that if Denny had died to simply have his Will filed with the Probate Court and have the Personal Representative of Denny's Estate be granted the authority to act with respect to the DenSco stock because Denny was the sole shareholder. Unfortunately, the current financial position of DenSco creates too much personal liability for anyone to become a director or officer of DenSco at this time. On the other hand, if a court appoints a Receiver for DenSco or if DenSco is put into bankruptcy, then the court can appoint legal counsel for DenSco or authorize the Receiver or the Bankruptcy Trustee to appoint legal counsel for DenSco. I was asked to stay on for the interim time by a couple of Investors, the Chittick Family, and this decision was discussed with and consented to by the Securities Division as the best approach under the circumstances. This decision was agreed to as the best way to proceed so that there would be someone who would be responsible for DenSco and be the "custodian of records" to gather and help protect DenSco's records, assets and to be able to respond to its current legal matters until someone could be appointed to take over. The current legal matters include responding to the Subpoena from the Securities Division, to finish the investigation of the AZ Department of Financial Institutions

("ADFI") which is almost complete (with hopefully no fines being assessed against DenSco) and most importantly to protect and preserve any rights of DenSco in the Scott Menaged bankruptcy case. With respect to the legal fees, the decision to allow DenSco to pay for these legal services was based on the procedures used by AZ with respect to banks prior to going into Receivership (by ADFI) and companies prior to a Receivership being appointed in connection with alleged securities violations (Securities Division). In those situations, the reasonable legal fees and costs incurred prior to the transition to the Receiver are paid from the remaining assets of the entity (in this case that is DenSco).

2. I will have to get back to you with respect to a current estimate. (Our accounting office is closed for the day and the time for this week has not yet been included. There are also outstanding invoices for my work with respect to resolving the ADFI audit, but I believe that is less than $4,000.) I have tried to be as diligent and limit my time as much as possible in this matter, but I have become the person to receive all of DenSco's files and information until the Securities Division decides what to do with DenSco or a bankruptcy petition is filed to take control of DenSco. My telephone number has somehow been circulated to several outside parties who have called me to try to use half-truths to take some of DenSco's assets without paying full consideration. More importantly, I have been asked to keep the Investors informed as the information has become available and what are the next steps for decisions. As you have seen from my emails, I have limited my answers to Investors to commonly asked questions and to issues that had to be addressed in the investigation by the AZ Securities Division. A significant portion of our work has been focused on dealing with the Securities Division, including working on response to the extensive Subpoena served on DenSco to provide all of DenSco's documents and records since its inception. Further, we have had to obtain and need to review several of the documents in connection with the Scott Menaged bankruptcy so that we can take the necessary steps to preserve DenSco's claims in that bankruptcy. Unfortunately, there are key deadlines in that bankruptcy that will pass before a Receiver can be appointed, and have the necessary time to review the information to understand DenSco's claims. We have to step in and take action to preserve DenSco's claims against Menaged's assets. We do not intend to file a claim, but only take actions to preserve DenSco's rights to pursue a claim if the Receiver (hopefully with the input of the Investors) decides that there is sufficient proof to substantiate the claims and that there are sufficient assets to justify the costs to obtain a judgment. We will not take any action which will require DenSco to proceed with any claim, but we need to preserve DenSco's ability to make a claim if the facts justify it.

I have worked with the Securities Division to try to limit that document production request in order to limit the costs to DenSco. Even after working to limit this Subpoena, the remaining documents and information to be assembled and provided is a major undertaking. Currently there are approximately 60 banker's boxes of information as well as one or more computers with documents and communications on them that need to be reviewed for confidential information and the non-confidential documents and emails will need to be delivered to the Securities Division along with a privilege log of the confidential documents. Some of the attorneys for individual Investors have rightfully demanded that the boxes of materials be copied and be reviewed for confidential material BEFORE having the boxes simply turned over to the Securities Division. Normally only copies of documents and other material are provided so that the original documents and other key material is retained by the company in case it should be needed. This is very important in this instance where several of the original documents will be necessary to collect the Good Loans as well as to be evidence to establish the alleged fraud as opposed to taking the risk that these documents could become "lost" at the Securities Division. Unfortunately, key documents have been previously lost in state investigations, including in several matters at the AZ Corporation Commission. Further, these files also contain confidential information and material that should not necessarily be provided and become part of the record that others could examine. Some of this confidential material was delivered to DenSco under confidentiality agreements, which would subject DenSco to liability if these are turned over and become public information without DenSco first attempting to protect the information. We do not need to create any more liability to third parties for DenSco.

The full estimate of legal fees will depend on the length of time before the Receiver is appointed. The estimated time line for the Receiver to be appointed is approximately 4 weeks or longer. Even using that as a time line for an estimate, it is very hard to give an estimate of our total fees to respond to the Subpoena until I know what the Securities Division will accept as being an adequate response to the Subpoena. In addition, we have not had an opportunity to have more than have a few telephone calls and to review a few documents from the more than 11 page docket summary of the

Menaged Bankruptcy case. As I indicated above, the deadlines to preserve DenSco's rights to assert claims will expire in a few weeks unless we are able to either convince the Bankruptcy Judge to grant our request for an extension of the deadline in the current schedule or to obtain consents from the Bankruptcy Trustee for this case and the Debtor's counsel. Either option will require that we do enough research to be able to demonstrate that DenSco likely has a successful claim against Scott Menaged. The claim against Scott under his personal guarantee should be sufficient to allow DenSco to make a claim, but we will need to be able to provide evidence concerning the other claims that involve fraud. If there is a bankruptcy court finding of fraud by Menaged, that should be sufficient to prevent DenSco's claims against Menaged from being discharged at the end of his bankruptcy case. If those claims are not discharges, then DenSco will still be able to assert its claims against Menaged and anything he owns in the future.

3. As indicated above, I and a few other attorneys who are helping me are working on behalf of DenSco (and the Investors) on several matters. We are billing our time when we have performed legal services on behalf of DenSco or the Investors. That includes my time preparing the email updates to the Investors, which is why I have tried to not respond to questions in individual emails, unless the same question appears in a number of emails. We are working on behalf of DenSco and the Investors with respect to obtaining, reviewing and otherwise dealing with the DenSco records, working with the Securities Division and responding to its Subpoena, and working to preserve DenSco's rights in connection with the Scott Menaged bankruptcy. All of that time is properly billable.

Sincerely, David

David G. Beauchamp

CLARK HILL PLC
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From: Craig Hood [mailto:greeraz@gmail.com]
Sent: Thursday, August 11, 2016 12:39 PM
To: Beauchamp, David G.
Subject: Question about Densco Legal Fees?

Hello David, thanks for the meeting update from yesterday!
I have a few questions about the legal expense aspects of this situation that the entire group is interested in knowing:

1. I'm assuming that you are being paid for your current work by Densco. Can you please confirm this?
2. Assuming you are not doing this pro bono, how much in legal fees have been accrued related to this event? Can you estimate the expense as proceedings continue?
3. If 1 & 2 are true, are you billing to answer individual investor emails and phone calls, respond to group emails, provide email updates on the situation, and attend meetings?

For the sake of everyones' time, especially yours, we want to be efficient in our communication. However, as a group, we need to understand how to preserve as much of our remaining equity as possible, and be conscious of anything, or any expense that might diminish that.

Best,

Craig Hood

Exhibit 41

To: Beauchamp, David G.[DBeauchamp@ClarkHill.com]
From: rzkoehler@gmail.com
Sent: Wed 8/3/2016 9:09:05 PM
Subject: Re: Email to Investors of Densco Investment Corporation ("DenSco")

David,

I am not comfortable agreeing to provide the duties listed in your proposed letter to the investors. I think the investors would be best served by having a 3rd party evaluation completed by a professional.

I am aware that Denny listed me as a possible resource to help liquidate Densco if Denny could not perform his duties. However, I have not had any involvement in the Densco business and no legal authority to act on behalf of the company. As an investor I have a vested interest in a smooth and efficient liquidation. When a group is established to process the liquidation I am willing to assist as an interested investor.

I ask you remove my name from this letter as I believe the message to investors can be delivered clearly without my involvement.

Robert Koehler
RLS Capital, Inc.
480-945-2799 phone
480-990-1499 fax

On Wed, Aug 3, 2016 at 8:18 PM, Beauchamp, David G. <DBeauchamp@clarkhill.com> wrote:

Dear DenSco Investors:

As a follow up to the email from Denny Chittick's Family that was distributed on Sunday, I met late Monday with Shawna Chittick Heuer (Denny's sister) and Robert Koehler to discuss Denny's unfortunate and untimely passing and the steps to resolve the obligations of DenSco to each of you. Robert was referenced as a possible resource in the Confidential Private Offering Memorandum ("POM") that you were provided in connection with your investment into DenSco. The intent was that if Denny ever became unable to perform his duties for DenSco, that Robert was a person who might be able to assist with the close down of DenSco's business. Unfortunately, Robert would have a conflict of interest in performing the anticipated wind-down duties for DenSco due to his fiduciary obligations to his current business. So we have asked Robert to suggest someone to help collect the monies due DenSco if we are to proceed with the wind-down of DenSco.

For your reference, Robert Koehler is an Investor in DenSco and he is familiar with certain aspects of the real estate investment business. After much discussion with Robert, he agreed to review certain of Denscos' loan files and to do a very preliminary review of DenSco's loans to its borrowers. This preliminary review will simply be to determine which of DenSco's loans seem to be fully secured and that DenSco's records show timely payment of the past payments so that we can consider these to be "Good Loans." Robert will also try to identify the date due as specified in the respective promissory note for each of these Good Loans to try to determine when such loan is to be paid off, which will hopefully add to DenSco's money that is anticipated to be returned to the Investors as part of each Investor's invested capital. Robert will also try to identify the "Troubled Loans," by reviewing the loan files and DenSco's payment records to determine which loans are either unsecured, or the respective borrower is not current with its payments of interest or the principal, or if Denny's notes indicate that these loans are owed by an entity currently in bankruptcy or are guaranteed by someone who is in personal bankruptcy. Unfortunately, there are also claims that DenSco has against either Auction.com or Scott Menaged (or some other parties) that we need to better understand. Robert anticipates having his preliminary review of the Good Loans to be done by Friday of this week and we will share that information with you. At the same

time, we are also trying to get a good estimate of the balance of the principal amounts owed to Investors and any unpaid and accrued interest that is owed.

As part of the plan moving forward, we have filed the Will of Denny J. Chittick ("Denny's Will") and the necessary filings with the Probate Court to have Shawna designated as the Personal Representative of Denny's Estate, which is what Denny's Will provides. Shawna is an accountant and she has both the experience and the skill set from her every day position to work with the necessary people to recover proceeds owed to DenSco and to return the recovered proceeds to the Investors. The probate filing is necessary so that Shawna could have the necessary authority to control DenSco and to have the authority to make decisions on behalf of DenSco, with the input of Investors as we propose below. However, if we determine that DenSco's recoverable proceeds are likely to be significantly or materially insufficient to return the Investors' capital to the Investors, then Shawna is unlikely to assume the control of DenSco and we will work with the various state authorities to have a Receiver named for DenSco, and such Receiver will be responsible to come up with an acceptable plan to collect the proceeds owed to DenSco and to return as much of the Investor's money as possible.

This problem with DenSco's Troubled Loans developed over time and it will take some time to understand those Troubled Loans, how those loans came into existence as well as how to maximize the return on those loans to maximize the return of capital to the Investors. If whoever is in charge of DenSco does not work with the Investors, then DenSco will either be put into bankruptcy or have a Receiver appointed, which will incur costs on behalf of the Investors and DenSco that will significantly reduce what will be available to return to the Investors. For example, one of the recent reports concerning liquidation of companies owing money to investors indicated that the costs associated with a bankruptcy or a Receiver can reduce the amount to be paid to investors by almost half or even a much more significant reduction like the situation with Mortgages Ltd. Since the Troubled Loans stopped paying interest last October, which caused an immediate problem with DenSco's cash-flow, Denny has taken every step available to him to try to enable DenSco to meet its obligations to Investors until he could find another solution to avoid significant losses to DenSco's Investors. Specifically, Denny previously liquidated or mortgaged all of his personal assets to loan money to DenSco to allow DenSco to continue to make its interest payments to its Investors until he had nothing left to put into DenSco.

As indicated above, the initial plan that we are trying to follow is intended for us to determine (and share with you): what does DenSco own; what is the current balance in DenSco's bank account; what loans are timely paying and when such loans are anticipated to be liquidated with the balance paid to DenSco. Initially, we believe that all of the Good Loans should be paid off within 6 months. We hope to have more specific information by Friday of this week.

There are also significant unsecured and secured loans that are subject to the personal bankruptcy of Yomtov "Scott" Menaged. These unsecured and secured loans to Scott Menaged need to be analyzed as well as the bankruptcy case so that we can determine what is likely to be paid to resolve these loans. In addition, to these loans, we also need to determine the status of the life insurance policy and other collateral that were to secure certain of the unsecured loans. Unfortunately, this will take more time than a couple days, but this information will be provided as soon as we can obtain and confirm it. This information should be available in a couple of weeks if third parties involved in the bankruptcy case timely provide the information that we have requested.

We also understand that there is a significant amount of money that is currently tied up with Auction.com that involves certain transactions involving Scott Menaged. Given the lack of initial information available concerning these transactions in Denny's office, it will take more time to understand these transactions and to determine what can be done to recover this amount of money. We will hopefully be able to have an understanding of these transactions, who has the money and what can be done to collect the money owed to DenSco. So this will likely take at least 45 days to obtain and confirm this information so that it can be shared with you.

In order to maximize the available return to all of the Investors, which is what Denny urged us to do in his last instructions, we would like to keep DenSco out of a protracted bankruptcy or a contentious Receivership proceeding. As indicated above, various studies have shown that the third party costs and legal and other professional fees and costs and the inherent delays in bankruptcy and / or Receivership proceedings can consume more than 35% of the available money that should or would otherwise be available to be returned to Investors. As we proceed, it may be necessary to have the final distribution and allocation to Investors approved by a court to satisfy any fiduciary duties for some Investors and that can be accommodated by a judicial review and approval of a settlement plan without a full bankruptcy proceeding. Again, if we determine that DenSco's recoverable proceeds are likely to be significantly or materially insufficient to return the Investors' capital to the Investors, then Shawna is unlikely to assume the control of DenSco and we will work with the various state authorities to have a Receiver named for DenSco, which Receiver will come up with an acceptable plan to collect the proceeds owed to DenSco and to return as much of the Investor's money as possible.

If we are going to proceed informally to keep costs down, we understand that we need to communicate with you on a regular basis and we need to be able to receive communication from you as the Investors. To have good and open communication, we would like to create an "Advisory Board" of 5 Investors to meet with and to advise DenSco with respect to the information obtained and how that information can best be used to cost-effectively help DenSco to recover funds that are owed to DenSco. We intend to structure this as an Advisory Board to protect the members of this Advisory Board from any potential liability based upon their role with DenSco. Specifically, the Advisory Board would only have an advisory position with DenSco as opposed to a full authority position, which is to distinguish this situation from having these Investors appointed to the Board of Directors. If you would be interested in participating in this Advisory Board, please let me know by return email and confirm that you would have the availability and willingness to participate in the necessary meetings (in person or by phone). Ideally, we would like to have a "cross-section of Investors" on this Advisory Board to help DenSco evaluate the information as it becomes available and to assist analyzing various decisions and the effect that such decisions would have on the Investors.

As indicated above, we hope to have a more detailed analysis of the Good Loans by the end of this week.

Sincerely, David

David G. Beauchamp

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have received it in error, please notify us immediately by reply e-mail and then delete this message from your system. Please do not copy it or use it for any purposes, or disclose its contents to any other person. Thank you for your cooperation.

Exhibit 42

COMMISSIONERS
DOUG LITTLE – Chairman
BOB STUMP
BOB BURNS
TOM FORESE
ANDY TOBIN

JODI JERICH
EXECUTIVE DIRECTOR

MATTHEW J. NEUBERT
DIRECTOR

SECURITIES DIVISION
1300 West Washington, Third Floor
Phoenix, AZ 85007
TELEPHONE: (602) 542-4242
FAX: (602) 714-8120
E-MAIL: securitiesdiv@azcc.gov

ARIZONA CORPORATION COMMISSION

August 4, 2016

David Beauchamp, Esq.
Clark Hill PLC
14850 N. Scottsdale Rd
Suite 500
Scottsdale, AZ 85254

Re: Denny J. Chittick and Densco Investments Corporation

Dear Mr. Beauchamp:

Thank you for contacting the Securities Division yesterday. I appreciate your willingness to speak with us and to take control of a very sad and problematic situation. We look forward to working with you to resolve any issues that may arise.

As discussed yesterday, we have tentatively set a meeting for Wednesday, August 10, 2016, in the afternoon. Please confirm the meeting time and location.

In addition, we discussed that no assets should be dissipated until a receiver and/or a forensic accountant has reviewed the books and records of Densco Investments Corporation and a plan is in place regarding the business.

Please contact me if you have any further questions or information. I may be reached at the number listed below.

Sincerely,

Wendy Coy
Director of Enforcement
Securities Division
Arizona Corporation Commission

Exhibit 43

Exhibit 43

Beauchamp, David G.

From: Beauchamp, David G.
Sent: Sunday, July 31, 2016 7:52 PM
To: Robert Koehler
Subject: Fwd: Densco - email

1of 2

Sent from my iPhone. Please excuse any typos.

Begin forwarded message:

> **From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
> **Date:** July 31, 2016 at 7:41:37 PM MST
> **To:** Shawna Heuer <2chittickboys2@gmail.com>
> **Subject: Re: Densco - email**
>
> Shawna:
>
> Unfortunately, I do not know what information Denny put in his letter to Robert. Did the letter give any reason for concern as to what
>
> Sent from my iPhone. Please excuse any typos.
>
> On Jul 31, 2016, at 6:56 PM, Shawna Heuer <2chittickboys2@gmail.com> wrote:
>
> > Hi David, I might be putting the cart before the horse, but have had phone calls of concern and I feel like we should communicate to calm some nerves. What do you think if this is sent to his investors tonight? I have sent this to Robert in hopes he will agree and send from his densco email account he set up. Or should I do it from Denny's email address?
> >
> > **Dear Densco Investors,**
> >
> > **With the absence of your July month end statements, and/or payments, and the concern you must have, it is with broken heart we share the passing of Denny J. Chittick on Thursday July 28th. His family has gathered and plans have not yet been finalized.**
> >
> > **A meeting with Denny's attorney is planned for Monday, August 1st, to form a course of action. Further information will be transmitted within 48 hours of that meeting.**
> >
> > **Thank you for your patience and understanding in this matter and your kind condolences to the family.**
> >
> > What do you think?

Thank you,

Shawna Chittick Heuer

Exhibit 44

Beauchamp, David G.

From: Beauchamp, David G.
Sent: Monday, August 08, 2016 11:02 PM
To: Brian Imdieke
Subject: RE: Additional DenSco Information

Brian:

Thank you.

I agree with what your email. Many of them are calling me too.

Best regards, David

David G. Beauchamp

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From: Brian Imdieke [mailto:bji6173@gmail.com]
Sent: Monday, August 08, 2016 8:32 PM
To: Beauchamp, David G.
Subject: RE: Additional DenSco Information

I understand. If I can be of some kind of service, please let me know.
A number of investors are panicking and every one of them is absolutely positive that he/she knows exactly what needs to be done.....right now.
It's crazy. I've tried to reason with some of them, but it's not happening.
Good luck....

From: Beauchamp, David G. [mailto:DBeauchamp@ClarkHill.com]
Sent: Monday, August 08, 2016 6:41 PM
To: Brian Imdieke
Subject: RE: Additional DenSco Information

Brian:

The tone of the meeting has changed from what had been described to me as a simple exchange of ideas and information. We received a very extensive subpoena earlier today that directs us to provide significant financial and other records going back to the beginning of DenSco. It also asks for a significant amount of information concerning the investors and the loans to the borrowers. It also wants all of this information by 10:00 am on Wednesday morning, prior to the Wednesday afternoon meeting. Needless to say, we have not been able to locate all of those records and we do not have the time to locate and make those records available by Wednesday morning.

In addition, the Director of Enforcement made it very clear in a telephone conversation today that she is running the meeting and she has an agenda for the meeting that has to be followed. However, she declined several times to share the agenda prior to the meeting. That sounds a lot more confrontational than what was initially described to us. She has also had someone from her office get back to me late today and state that no Investors (or their attorneys) should

be at the meeting. According to her office, it will be too difficult to keep to the agenda if there are too many other people there. I will have to report back to you after the meeting.

Sincerely, David

David G. Beauchamp

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dbeauchamp@clarkhill.com | www.clarkhill.com

From: Brian Imdieke [mailto:bji6173@gmail.com]
Sent: Sunday, August 07, 2016 8:40 PM
To: Beauchamp, David G.
Subject: Re: Additional DenSco Information

Thanks much David. I really would like to attend, if possible.

Brian Imdieke,
Sent from my iPhone

On Aug 7, 2016, at 6:42 PM, Beauchamp, David G. <DBeauchamp@ClarkHill.com> wrote:

> Brian:
>
> Although we had asked for a meeting, this meeting has been turned into a meeting that the Director of enforcement for the Securities Division has decided to take over and run. I will check to see if the Director has any problem with a few Investors attending the meeting and let you know.
>
> Best regards, David
>
> Sent from my iPhone. Please excuse any typos.
>
> On Aug 7, 2016, at 4:14 PM, Brian Imdieke <bji6173@gmail.com> wrote:
>
> > I see that you have a meeting with someone from the AZ corporation commission on Wednesday. Is that a meeting that a couple of us investors can attend on behalf of the investor group?
>
> ---
>
> **From:** Beauchamp, David G. [mailto:DBeauchamp@ClarkHill.com]
> **Sent:** Friday, August 05, 2016 8:29 PM
> **To:** acatejr@gmail.com; amydirks@hotmail.com; anthjen@yahoo.com; artnina@hotmail.com; Aztonysmith@aol.com; aztonysmith@gmail.com; barryluchtel@gmail.com; bdirks5@cox.net; bji@cox.net; bjlocke64@yahoo.com; bjodenthal@frontier.com; brian.wenig@honeywell.com; burdett.anthony@gmail.com; butlerv@yahoo.com; carricks3@ak.net; czj528@hotmail.com; dariosdad@gmail.com; dave@prestoncpa.biz; davedubay@gmail.com; dhowze@cox.net; don-cindy@cableone.net; Doriann@cox.net; eileencohen@me.com; epcarrick@gmail.com; glenpdavis@gmail.com; greeraz@gmail.com; gsiegford@msn.com; hahnaz2@cox.net; hey.ralph01@gmail.com; hikthestik@aol.com; jackdds@myway.com; jamccoy32@gmail.com; jbhok@yahoo.com; jemmakopel@hotmail.com; jgsiegford@yahoo.com; jimmy@flytrapproductions.com; jimpatmc44@gmail.com; jkjetto@yahoo.com; Jphalen00@aol.com; jwalker113@cox.net; kayell121@cs.com; kaylene.moss@avnet.com; kennenl@yahoo.com; landonluchtel@gmail.com;

lanka2000@yahoo.com; Laurieweiskopf@gmail.com; lkopel22@hotmail.com; mark.wenig@gmail.com; mbencekent@yahoo.com; mlminvestor@gmail.com; mrsbeasley68@verizon.net; mscroggin@me.com; nihad@yahoo.com; nswirtz@me.com; patsmiller21@gmail.com; Paul_a_kent@yahoo.com; pearces@mailhaven.com; Peter.Rzonca@Avnet.com; pldupper@gmail.com; quelalively@yahoo.com; ralph@kaisertile.net; rbrinkman@yahoo.com; rgriswold3@stny.rr.com; robertflawson@gmail.com; rzkoehler@yahoo.com; sdetota@yahoo.com; sdetota99@yahoo.com; sdtuttle@gmail.com; smschloz@msn.com; steve@bunger.me; stewart.sherriff@gmail.com; switchback62@hotmail.com; terryleeAZ@comcast.net; thomasbyrne11@gmail.com; thompscg2@cox.net; trovita@gmail.com; uaflyor767@gmail.com; valeriepaxton@gmail.com; vimuscat@gmail.com; wadeunderwood@hotmail.com; wbush1120@comcast.net; wjswirtz@me.com; wka@caribbeanpoolsaz.com; yusuf@comsiscomputer.com
Subject: Additional DenSco Information

DenSco Investors:

As I indicated in my email that was sent out to each of you late Wednesday, we have been working as fast as possible to go through DenSco's paper files and computer records. We are continuing our efforts to obtain as much information as possible concerning DenSco's outstanding loans to its borrowers and what assets might be available to recover on loans in default. Unfortunately, the information is not good. Accordingly, we have been in communication with the AZ Corporation Commission – Securities Division to work with that office to discuss the best plan to maximize the recovery of funds owed to DenSco. We will be meeting with the Director of Enforcement next Wednesday to work through the necessary steps so that the State of Arizona can lend its oversight, if not its direct assistance, in this effort to recover the money that is owed to DenSco and its Investors. We will be able to provide more information after that meeting.

In the interim, we have had someone quickly go through the boxes of files and other information in DenSco's office to help determine the exact status. Please understand that this is very preliminary information and it will be subject to further review and supplemental information that we hope to obtain. The following estimates are derived from the information that was found after Denny's passing. These estimates were compiled in a very short period of time and all information provided will need to be revisited, reviewed and confirmed at a later date preferably by a third party, but this is what we now believe to be the case. Obviously, further information will also need to be obtained concerning the bankruptcy of Scott Menaged and the various claims that he supposedly owes to DenSco.

DenSco has in excess of one million dollars in its bank accounts. As additional interest is collected on the paying loans, this amount should increase.

There are approximately 138 loans listed in the DenSco portfolio.

50 of these 138 loans appear to be secured by first position deeds of trust and the documents indicate that these loans should be available for liquidity within 0-6 months through normal business or the accelerated sale of notes. These 50 loans (secured by first position deeds of trust) represent roughly $4,981,736.00 of principal and accrued interest (*principal $4,925,614.31 interest $56,121.69*) and continue to earn interest at the rate of 18% per annum.

An additional 5 of these 138 loans appear to be first position deeds of trust which will require collection via foreclosure or collection through bankruptcy court and appear to be related to Scott Menaged in some form. (One property with a deed of trust to secure one of these loans was supposedly released from the protections of the automatic stay of the bankruptcy court earlier this week.) These 5 loans represent roughly $2,533,000 of principal and interest (*principal $1,980,000 and estimated collectable accrued interest $553,000*).

The 83 remaining loans do not appear to be secured via first position Deed of Trust recordings. While they all do appear to have signed promissory notes and deeds of trust in each file, there is no evidence of recording and involve Arizona Home Foreclosures, LLC and Scott Menaged and represent approximately $28,178,600.

Additionally, there appears to be an unsecured note (accounts receivable) from Scott Menaged to DenSco in an approximate amount of $14,339,339.79.

Summary:
$4,981,736 notes that are believed to be secured by deeds of trust and should be liquidated in the near future;
$2,533,000 notes that are supposedly secured but require collection/involve Scott Menaged;
$28,178,600 that involve Scott Menaged but we are unsure of security, will require collection via courts;
$14,339,339 supposedly unsecured note from Scott Menaged, will require collection via courts, and
$1,000,000 (Estimated in DenSco bank accounts)

$51,032,675.00

Last stated investor balance per Denny's spreadsheet as of June 2016
$51,184,005.27

As noted above and in my previous email to each of you, Scott Menaged is in personal bankruptcy and he claimed in his bankruptcy filing that he does not have any assets. According to third parties involved in Scott's bankruptcy, we have obtained the following information that we believe to be reliable. Scott filed his personal bankruptcy in April 2016 (pro per, which means without legal counsel) and he failed to provide the necessary schedules of creditors and notices to the creditors as the bankruptcy law requires. The US Trustee appointed for this bankruptcy case, Jill H. Ford, took action to require that Scott's bankruptcy estate retain legal counsel and comply with the bankruptcy requirements . The bankruptcy estate has now retained Cody Jess of Schian Walker, PLC as Debtor's legal counsel. Cody Jess informed me that he was retained in early July and that the notice to DenSco was mailed either late last Monday / early Tuesday, so Denny likely received the notice on Wednesday, which was Denny's first notice of the bankruptcy filing. Supposedly, Denny talked to Scott on Wednesday and Scott confirmed the information in the notice. Unfortunately, that probably led to Denny taking his life the next day on Thursday.

Cody Jess also claimed that both of Scott's other entities that are on the $14,000,000 (+) unsecured note (or guaranteed that note) are not in the bankruptcy, but Arizona Home Foreclosure has conveyed all of its homes and it no longer has any assets. However, that is contrary to the information in DenSco's files. Further, Cody Jess also claimed that Furniture King is not in the bankruptcy, but it does not matter because it has no value due to the several liens already filed against it. Cody said that DenSco never filed a UCC-1 to secure its security interest in the assets of Furniture King. That UCC-1 was part of the forbearance package that we prepared in 2014. That package was supposed to be signed in my office, but Scott convinced Denny to not do the signing in my office. I gave all of the documents to Denny and told Denny to get them all signed (where the stickers were) and to have certan documents notarized and to have the UCC-1 filed with the Arizona Secretary of State. Denny subsequently told me that the UCC-1 had been filed. However, I checked today and that UCC-1 was never filed and made of record against Furniture King.

Based upon all of the new information set forth above, please understand that we now believe that a different strategy might be more effective with respect to the collection of the money owed to DenSco, the liquidation of DenSco and the return of funds to DenSco's Investors. That is why we have reached out to the State of Arizona to determine if the Securities Division can lend assistance in the collection of the money owed to DenSco.

We will keep you informed as we obtain more information.

Sincerely, David

David G. Beauchamp

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dbeauchamp@clarkhill.com | www.clarkhill.com

Exhibit 45

Beauchamp, David G.

From: Beauchamp, David G.
Sent: Friday, August 12, 2016 3:38 PM
To: James F. Polese
Cc: Kevin R. Merritt (kmerritt@gblaw.com)
Subject: RE: DenSco Investment Corporation

Jim:

Good set of emails!

Thank you.

Best regards, David

David G. Beauchamp

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480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

From: James F. Polese [mailto:jpolese@gblaw.com]
Sent: Friday, August 12, 2016 3:02 PM
To: 'Wendy Coy'
Cc: 'shawnaseverest@gmail.com'; Gary Clapper; Kevin R. Merritt; Beauchamp, David G.
Subject: RE: DenSco Investment Corporation

Ms. Coy:

I think we can get our list of acceptable receivers by Monday afternoon. I may not have CVs but you will have the list.

I don't think we need further colloquy on the issue of the production. As I am sure you are aware when you have a one person entity. Differentiating between what is personal and what is corporate becomes blurry. I know of only the single laptop that was used for both. Who actually is the owner – I don't know.

I do want to reiterate that our client has instructed us to work as cooperatively as possible with you and with investors in the effort to unravel this mess. It remains our view at this point in time from what we have seen that DenSco and Mr. Chittick were the victims of a fraud, not the perpetrators.

James F. Polese
602.256.4499 Direct | 602.405.3807 Mobile
jpolese@gblaw.com

From: Wendy Coy [mailto:WC@azcc.gov]
Sent: Friday, August 12, 2016 2:49 PM
To: James F. Polese
Cc: 'shawnaseverest@gmail.com'; Gary Clapper; Kevin R. Merritt; 'dbeauchamp@clarkhill.com'
Subject: RE: DenSco Investment Corporation

Mr. Polese –

Thank you for your prompt response. The Securities Division needed to clarify the representation of the DenSco. Also, I wanted to address a couple of points in your email.

It is my understanding that Mr. Chittick's personal laptop is also the corporate computer and contains corporate records. If there is a separate corporate computer, please let us know. The Securities Division does not need or want any of the personal information of Mr. Chittick. However, if there is corporate information within the personal information, I believe that would be covered by the subpoena.

I believe I indicated to Mr. Beauchamp that I understood the position stated by counsel on the documents.

As to the appointment of the receiver, I appreciate the position that the estate is willing to work with the Securities Division on the appointment of a receiver. I did discuss two possible receivers with Mr. Beauchamp last Wednesday. Both have worked with this office before and have good reputations for controlling expenses. The Securities Division believes either would be appropriate to appoint on this matter. I am able to forward their CV's and fee schedules if you would like the information. We are more than willing to consider any one you suggest.

Due to the precarious situation DenSco is in, the sooner we can move forward with a receiver the better. With that being said, if possible would you be able to provide me your receiver suggestions by Monday afternoon?

I would be willing to discuss any of these issues with you in person or over the phone at any time. I will be checking emails throughout the weekend. I plan to be in the office Saturday morning.

If there is anything else, please let me know.

Wendy Coy

Wendy Coy
Director of Enforcement
Arizona Corporation Commission
Securities Division
1300 W. Washington, 3rd Floor
Phoenix, Arizona 85007
(602)542-0633

From: James F. Polese [mailto:jpolese@gblaw.com]
Sent: Friday, August 12, 2016 1:53 PM
To: Wendy Coy <WC@azcc.gov>
Cc: 'shawnaseverest@gmail.com' <shawnaseverest@gmail.com>; Gary Clapper <GRC@azcc.gov>; Kevin R. Merritt <KMerritt@gblaw.com>; 'dbeauchamp@clarkhill.com' <dbeauchamp@clarkhill.com>
Subject: RE: DenSco Investment Corporation

Ms. Coy:

As my letter made clear, we are counsel for the estate. As we understand it, Mr. Beauchamp remains as counsel for DenSco, if for no other reason than there is no mechanism in place to make any change.

Your email states that the subpoena is directed to DenSco but in your meeting with our client you apparently stated that you intended any documents that were personal to Mr. Chittick relating to investors, whether or not corporate records, to be within the scope of the subpoena, including his personal laptop.

Even if your subpoena sought only corporate documents, our involvement would nonetheless be mandated. DenSco had a single owner, officer and director. With his death the only owner of the company is the estate. While our client has no interest in running the company pending the appointment of a receiver, matters must be addressed, such as the Division's subpoena.

The reason the estate has taken the lead with respect to compliance with the subpoena is that Mr. Beauchamp and Clark Hill find themselves in somewhat of an awkward position, given the wild allegations being made. Mr. Beauchamp is caught between continued representation and not wishing to be accused of acting in a way that compromises the company in any way, such as the loss of the attorney client privilege. Accordingly, whether this firm takes the lead or Clark Hill, the procedures for the review of the corporate records for attorney client privilege, the preparation of the privilege log and the delivery of disks that contain the responsive documents of the corporation to the subpoena is going to be followed and the expense thereof will be borne by the corporation – a fact to which you acknowledged in your conversation with David Beauchamp today.

We anticipate that the boxes containing the post-2011 documents will be delivered either late today or Monday. As I noted in my letter, we will do the review for privilege and arrange for the production as expeditiously as possible.

I trust this addresses the matters raised in your email.

We have had further discussions with Mr. Beauchamp about his conversation with you today about the appointment of a receiver. As my letter to you inferred, we fully expect that a receiver will be appointed. We wish that it would be otherwise since, in my experience, a receiver is both incredibly inefficient and expensive and in the final analysis of little benefit to the investors. But our client has neither the time, inclination nor experience to step into the role of active management. She recognizes that a receiver will be needed.

I understand that you asked David if the estate would stipulate to the appointment of a receiver if we had input into the appointment. Although we have not expressly discussed this with our client, we believe that the estate would be willing to enter into such a stipulation provided that receiver was one with whom the estate was comfortable. In that regard, I will tender to you a list of individuals early next week that I think would be acceptable to the estate.

Please let me know if you have any further questions.

James F. Polese
602.256.4499 Direct | 602.405.3807 Mobile
jpolese@qblaw.com

From: Wendy Coy [mailto:WC@azcc.gov]
Sent: Friday, August 12, 2016 12:31 PM
To: James F. Polese; Kevin R. Merritt; 'dbeauchamp@clarkhill.com'
Cc: 'shawnaseverest@gmail.com'; Gary Clapper
Subject: RE: DenSco Investment Corporation

Mr. Polese, Mr. Merritt and Mr. Beauchamp –

Thank you for your correspondence. Mr. Polese you indicate that you have been retained by Ms. Heuer, the personal representative for the Estate of Denny J. Chittick, deceased. However, you fail to indicate if you also represent the entity, DenSco Investment Corporation. The subpoena was directed to the Custodian of Records for DenSco Investment Corporation. Please advise if you have been retained as DenSco's. If not, please notify me who represents DenSco.

Thank you.

Wendy Coy
Director of Enforcement
Arizona Corporation Commission
Securities Division
1300 W. Washington, 3rd Floor
Phoenix, Arizona 85007
(602)542-0633

From: Patti Meloserdoff [mailto:pmeloserdoff@gblaw.com] **On Behalf Of** James F. Polese
Sent: Friday, August 12, 2016 11:57 AM
To: Wendy Coy <WC@azcc.gov>; Gary Clapper <GRC@azcc.gov>
Cc: James F. Polese <jpolese@gblaw.com>; 'shawnaseverest@gmail.com' <shawnaseverest@gmail.com>; 'dbeauchamp@clarkhill.com' <dbeauchamp@clarkhill.com>; Kevin R. Merritt <KMerritt@gblaw.com>
Subject: DenSco Investment Corporation

Ms. Coy and Mr. Clapper, please see the attached letter from James Polese.

Patti Meloserdoff
Legal Assistant
602.256.4480 Direct | pmeloserdoff@gblaw.com

GAMMAGE & BURNHAM
World Class Counsel. Arizona Roots.
2 North Central Ave., 15th Floor | Phoenix, AZ 85004
602.256.0566 | 602.256.4475 Fax | www.gblaw.com

Exhibit 46

Message

From: Glen Davis [glenpdavis@gmail.com]
Sent: 8/4/2016 6:02:14 AM
To: Beauchamp, David G. [dbeauchamp@clarkhill.com]
CC: Dori Ann Davis [doriann@cox.net]; Glen Davis [glenpdavis@gmail.com]
Subject: Re: Email to Investors of Densco Investment Corporation ("DenSco")

Thank you for this communication Mr. Beauchamp.

Although I would like to understand more about the requirements and duties of the Advisory Board you describe in your email and since my and my wife's (also an investor) focus has been on little other than this matter since hearing of Denny's unfortunate passing, I offer my interest and availability to serve in the board if it pleases the other investors.

I can be reached at this email address and the cell phone number below.

If not chosen to serve on the board, I'd offer that there are 5 basic groups that should be represented:

1. "Old Insight Enterprise employees" (I am in this group)
2. Local Phoenix and neighborhood business people
3. Tucson investors
4. Idaho and family
5. All others

I mention this for your benefit since much of the informal communications over the past days has taken place within these groups.

Again, thank you for your communication.

Regards,

Glen Davis
602.692.5862

(Sent on the run. Please excuse spelling and dictation errors.).

On Aug 3, 2016, at 11:34 PM, Beauchamp, David G. <DBeauchamp@ClarkHill.com> wrote:
Dear DenSco Investors:

As a follow up to the email from Denny Chittick's Family that was distributed on Sunday, I met late Monday with Shawna Chittick Heuer (Denny's sister) to discuss Denny's unfortunate and untimely passing and the steps to resolve the obligations of DenSco to each of you. The intent was to discuss what information we collectively had available concerning DenSco and its outstanding loans and to determine the best procedure to close down DenSco's business and to return the capital contributed by DenSco's Investors. Each of us had already talked to a few people in the real estate investment business to discuss how we could obtain a preliminary analysis of DenSco's current loans. Specifically, we wanted to determine what information might be in DenSco's available files and records to indicate the likelihood of

being able to collect the monies due DenSco so we could proceed with the wind-down of DenSco and the payments to the Investors..

Shawna was able to find someone familiar with certain aspects of the real estate investment business to do a very brief and superficial review of the loans to DenSco's borrowers which paperwork was in DenSco's files. This preliminary review will simply be to determine if DenSco's records indicate which of DenSco's loans seem to be fully secured and if DenSco's records show timely payment of the past payments so that we can consider these to be "Good Loans." We also will try to identify the date due as specified in the respective promissory note for each of these Good Loans to have an indication when each such loan is to be paid off. This money will add to DenSco's money that is anticipated to be returned to the Investors at the end of the wind-down process. We have also requested help to identify the "Troubled Loans," by reviewing the loan files and DenSco's payment records to determine which loans are either unsecured, or the respective borrower is not current with its payments of interest or the principal, or if Denny's records indicate that these loans are owed by an entity currently in bankruptcy or are guaranteed by someone who is in personal bankruptcy. Unfortunately, there are also claims that DenSco has against either Auction.com or Scott Menaged (or some other parties) that we need to better understand. We believe that this preliminary review of the Good Loans will be done by Friday of this week and we will share that information with you. At the same time, we are also trying to get a good estimate of the balance of the principal amounts owed to Investors and any unpaid and accrued interest that is owed.

As part of the plan moving forward, we have filed the Will of Denny J. Chittick ("Denny's Will") and the necessary filings with the Probate Court to have Shawna designated as the Personal Representative of Denny's Estate, which is what Denny's Will provides. Shawna is an accountant and she has both the experience and the skill set from her every day position to work with the necessary people to recover proceeds owed to DenSco and to return the recovered proceeds to the Investors. The probate filing is necessary so that Shawna could have the necessary authority to control DenSco and to have the authority to make decisions on behalf of DenSco, with the input of Investors as we propose below. However, if we determine that DenSco's recoverable proceeds are likely to be significantly or materially insufficient to return the Investors' capital to the Investors, then Shawna is unlikely to assume the control of DenSco and we will work with the various state authorities to have a Receiver named for DenSco, and such Receiver will be responsible to come up with an acceptable plan to collect the proceeds owed to DenSco and to return as much of the Investor's money as possible.

This problem with DenSco's Troubled Loans developed over time and it will take some time to understand those Troubled Loans, how those loans came into existence as well as how to maximize the return on those loans to maximize the return of capital to the Investors. If whoever is in charge of DenSco does not work with the Investors, then DenSco will either be put into bankruptcy or have a Receiver appointed, which will incur costs on behalf of the Investors and DenSco that will significantly reduce what will be available to return to the Investors. For example, one of the recent reports concerning liquidation of companies owing money to investors indicated that the costs associated with a bankruptcy or a Receiver can reduce the amount to be paid to investors by almost half or even a much more significant reduction. Since many of the Troubled Loans stopped paying interest last October, DenSco has suffered a severe cash-flow problem. To resolve this cash-flow problem, Denny has taken every step available to him to try to enable DenSco to meet its obligations to Investors until he could find another solution to avoid significant losses to DenSco's Investors. Specifically, Denny previously liquidated or mortgaged all of his personal assets to loan money to DenSco to allow DenSco to continue to make its interest payments to its Investors until he had nothing left to put into DenSco.

As indicated above, the initial plan that we are trying to follow is intended for us to determine (and share with you): what does DenSco own; what is the current balance in DenSco's bank account; what loans are timely paying and

when such loans are anticipated to be liquidated with the balance paid to DenSco. Initially, we believe that all of the Good Loans should be paid off within 6 months. We hope to have more specific information by Friday of this week.

There are also significant unsecured and secured loans that are subject to the personal bankruptcy of Yomtov "Scott" Menaged. These unsecured and secured loans to Scott Menaged need to be analyzed as well as the bankruptcy case so that we can determine what is likely to be paid to resolve these loans. In addition, to these loans, we also need to determine the status of the life insurance policy and other collateral that were to secure certain of the unsecured loans. Unfortunately, this will take more time than a couple days, but this information will be provided as soon as we can obtain and confirm it. This information should be available in a couple of weeks if third parties involved in the bankruptcy case timely provide the information that we have requested.

We also understand that there is a significant amount of money that is currently tied up with Auction.com that involves certain transactions involving Scott Menaged. Given the lack of initial information available concerning these transactions in Denny's office, it will take more time to understand these transactions and to determine what can be done to recover this amount of money. We will hopefully be able to have an understanding of these transactions, who has the money and what can be done to collect the money owed to DenSco. So this will likely take at least 45 days to obtain and confirm this information so that it can be shared with you.

In order to maximize the available return to all of the Investors, which is what Denny urged us to do in his last instructions, we would like to keep DenSco out of a protracted bankruptcy or a contentious Receivership proceeding. As indicated above, various studies have shown that the third party costs and legal and other professional fees and costs and the inherent delays in bankruptcy and / or Receivership proceedings can consume more than 35% of the available money that should or would otherwise be available to be returned to Investors. As we proceed, it may be necessary to have the final distribution and allocation to Investors approved by a court to satisfy any fiduciary duties for some Investors and that can be accommodated by a judicial review and approval of a settlement plan without a full bankruptcy proceeding. Again, if we determine that DenSco's recoverable proceeds are likely to be significantly or materially insufficient to return the Investors' capital to the Investors, then Shawna is unlikely to assume the control of DenSco and we will work with the various state authorities to have a Receiver named for DenSco, which Receiver will come up with an acceptable plan to collect the proceeds owed to DenSco and to return as much of the Investor's money as possible.

If we are going to proceed informally to keep costs down, we understand that we need to communicate with you on a regular basis and we need to be able to receive communication from you as the Investors. To have good and open communication, we would like to create an "Advisory Board" of 5 Investors to meet with and to advise DenSco with respect to the information obtained and how that information can best be used to cost-effectively help DenSco to recover funds that are owed to DenSco. We intend to structure this as an Advisory Board to protect the members of this Advisory Board from any potential liability based upon their role with DenSco. Specifically, the Advisory Board would only have an advisory position with DenSco as opposed to a full authority position, which is to distinguish this situation from having these Investors appointed to the Board of Directors. If you would be interested in participating on this Advisory Board, please let me know by return email and confirm that you would have the availability and willingness to participate in the necessary meetings (in person or by phone). Ideally, we would like to have a "cross-section of Investors" on this Advisory Board to help DenSco evaluate the information as it becomes available and to assist analyzing various decisions and the effect that such decisions would have on the Investors.

As indicated above, we hope to have a more detailed analysis of the Good Loans by the end of this week.

Sincerely, David

David G. Beauchamp

CLARK HILL PLC

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

Exhibit 47

Exhibit 47

Message

From: Grove, Lindsay L. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=LSTRINGER]
Sent: 8/18/2016 1:52:47 PM
To: Beauchamp, David G. [dbeauchamp@clarkhill.com]
Subject: RE: Additional DenSco Information

Yes "jphalen00@aol.com" is on the investor distribution list.

Lindsay L. Grove

CLARK HILL PLC
480.684.1133 (direct) | 480.684.1199 (fax)

From: Beauchamp, David G.
Sent: Thursday, August 18, 2016 1:51 PM
To: Grove, Lindsay L.
Subject: Fwd: Additional DenSco Information

Please confirm. I believe they are listed based on the number of previous emails from them.

Thanks, David

Sent from my iPhone. Please excuse any typos.

Begin forwarded message:
From: "jphalen00@aol.com" <jphalen00@aol.com>
Date: August 18, 2016 at 1:44:28 PM MST
To: <DBeauchamp@ClarkHill.com>
Subject: Re: Additional DenSco Information
David,
I just wanted to ensure we are on the investor list, Phalen Family Trust, Jeff Phalen or Cindy Phalen.
Thx.
Jeff Phalen 520-909-1018
-----Original Message-----
From: Beauchamp, David G. <DBeauchamp@ClarkHill.com>
To: Thomas Byrne <thomasbyrne11@gmail.com>
Cc: acatejr <acatejr@gmail.com>; amydirks <amydirks@hotmail.com>; anthjen <anthjen@yahoo.com>; artnina <artnina@hotmail.com>; Aztonysmith <Aztonysmith@aol.com>; aztonysmith <aztonysmith@gmail.com>; barryluchtel <barryluchtel@gmail.com>; bdirks5 <bdirks5@cox.net>; bji <bji@cox.net>; bjlocke64 <bjlocke64@yahoo.com>; bjodenthal <bjodenthal@frontier.com>; brian.wenig <brian.wenig@honeywell.com>; burdett.anthony <burdett.anthony@gmail.com>; butlerv <butlerv@yahoo.com>; carricks3 <carricks3@ak.net>; czj528 <czj528@hotmail.com>; dariosdad <dariosdad@gmail.com>; dave <dave@prestoncpa.biz>; davedubay <davedubay@gmail.com>; dhowze <dhowze@cox.net>; don-cindy <don-cindy@cableone.net>; Doriann <Doriann@cox.net>; eileencohen <eileencohen@me.com>; epcarrick <epcarrick@gmail.com>; glenpdavis <glenpdavis@gmail.com>; greeraz <greeraz@gmail.com>; gsiegford <gsiegford@msn.com>; hahnaz2 <hahnaz2@cox.net>; hey.ralph01 <hey.ralph01@gmail.com>; hikthestik <hikthestik@aol.com>; jackdds <jackdds@myway.com>; jamccoy32 <jamccoy32@gmail.com>; jbhok <jbhok@yahoo.com>; jemmakopel <jemmakopel@hotmail.com>; jgsiegford <jgsiegford@yahoo.com>; jimmy <jimmy@flytrapproductions.com>; jimpatmc44 <jimpatmc44@gmail.com>; jkjetto <jkjetto@yahoo.com>; Jphalen00 <Jphalen00@aol.com>; jwalker113

<jwalker113@cox.net>; kayell121 <kayell121@cs.com>; kaylene.moss <kaylene.moss@avnet.com>; kennenl <kennenl@yahoo.com>; landonluchtel <landonluchtel@gmail.com>; lanka2000 <lanka2000@yahoo.com>; Laurieweiskopf <Laurieweiskopf@gmail.com>; lkopel22 <lkopel22@hotmail.com>; mark.wenig <mark.wenig@gmail.com>; mbencekent <mbencekent@yahoo.com>; mlminvestor <mlminvestor@gmail.com>; mrsbeasley68 <mrsbeasley68@verizon.net>; mscroggin <mscroggin@me.com>; nihad <nihad@yahoo.com>; nswirtz <nswirtz@me.com>; patsmiller21 <patsmiller21@gmail.com>; Paul_a_kent <Paul_a_kent@yahoo.com>; pearces <pearces@mailhaven.com>; Peter.Rzonca <Peter.Rzonca@Avnet.com>; pldupper <pldupper@gmail.com>; quelalively <quelalively@yahoo.com>; ralph <ralph@kaisertile.net>; rbrinkman <rbrinkman@yahoo.com>; rgriswold3 <rgriswold3@stny.rr.com>; robertflawson <robertflawson@gmail.com>; rzkoehler <rzkoehler@yahoo.com>; sdetota <sdetota@yahoo.com>; sdetota99 <sdetota99@yahoo.com>; sdtuttle <sdtuttle@gmail.com>; smschloz <smschloz@msn.com>; steve <steve@bunger.me>; stewart.sherriff <stewart.sherriff@gmail.com>; switchback62 <switchback62@hotmail.com>; terryleeAZ <terryleeAZ@comcast.net>; thompscg2 <thompscg2@cox.net>; trovita <trovita@gmail.com>; uaflyor767 <uaflyor767@gmail.com>; valeriepaxton <valeriepaxton@gmail.com>; vimuscat <vimuscat@gmail.com>; wadeunderwood <wadeunderwood@hotmail.com>; wbush1120 <wbush1120@comcast.net>; wjswirtz <wjswirtz@me.com>; wka <wka@caribbeanpoolsaz.com>; yusuf <yusuf@comsiscomputer.com>
Sent: Fri, Aug 12, 2016 8:09 am
Subject: Re: Additional DenSco Information
Tom:

In your previous email, I thought you were asking for me to explain the discrepancy in my previous comments. Basically, I do not know how many of the 80+ deeds of trust were timely and properly recorded. I never was involved in any of the loan closings. I have not had access to the current loan files to look that up. All I have had access to are a couple of brief summaries of those files. One prepared by Denny and one by the outside real estate professional after Denny's death. The Securities Division has those files now and I am trying to get those files.

I have copied all of the Investors in my email last night and the morning. So you should have the email addresses of all of the investors. I currently do not have a list of the names of all of the Investors. I am in the process of getting that information and I will share that when I get that. I would encourage the Investors to communicate and coordinate your efforts. You have had very definite influence with the Securities Division and you should be able to continue that.

Sincerely, David Beauchamp

Sent from my iPhone. Please excuse any typos.

On Aug 12, 2016, at 7:28 AM, Thomas Byrne <thomasbyrne11@gmail.com> wrote:
David,

Your response really did not answer my question. So I will ask it directly - how many, if any, of the deed of trust documents (that were related to any of the "not good loans" - which seem to number something approaching 80+) were properly and timely filed against the real property?

Secondly, I would like to ask that we get a list of names and emails of all known Investor's in DenSco so that we can take the opportunity to discuss matters independently amongst ourselves.

Tom

On Aug 12, 2016, at 12:30 AM, Beauchamp, David G. <DBeauchamp@ClarkHill.com> wrote:
Sorry, another email that should have been copied to all Investors. Tom raised a good question that everyone should have the benefit of understanding.

Best regards, David

David G. Beauchamp

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480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

From: Beauchamp, David G.
Sent: Thursday, August 11, 2016 11:00 PM
To: Thomas Byrne
Cc: Stan Schloz
Subject: RE: Additional DenSco Information

Tom:

Good catch. This also goes to the amount of independent review that needs to be done with the DenSco files for the bad loans. There are over 60 banker's boxes of DenSco files and information from Denny's house. I was trying to get information to the investors as fast as I could. Since I did not have access to the files with the outstanding loans, I had to rely upon numbers and information that was either in the summary of the DenSco files that were electronically sent to me or the information that was prepared by the real estate person who did a quick review of the current loan files. In both instances, I used and relied upon this information without doing any independent review. In reviewing my notes from the information I was provided, I believe that I compounded the misinformation by referencing information taken from two different places even though each of the references had been calculated using two slightly different methods.

Specifically, some of the deeds of trust as security for the outstanding loans were sent to the title company to be recorded in connection with the purchase of the property by the borrower. Other deeds of trust were recorded in connection with a loan from DenSco to the existing owner of the property after the owner already owned the property. I believe that in the files notes. there was a reference that 83 deeds of trust were not showing as being current liens on properties related to Scott despite the fact that those houses were supposed to be collateral in favor of DenSco. I referenced those deeds of trust as not being recorded, but I should have referenced those liens as not currently being shown as effective liens on these properties. I do not know for sure if these deeds of trust were not recorded or were somehow "circumvented". These are some of the questions that will need to be reviewed after the non-current loans are reviewed in depth.

This review will be part of the forensic review, which review will also have to include a detailed title review for the properties that were supposed to secure notes but no longer show a lien in favor of DenSco on the property. For example, we will need more than a current title report to show if a loan secured by a deed of trust on a property was "circumvented. As an example, a borrower has sometimes been able to record a quit claim deed to convey a property to an affiliate and then that affiliate subsequently conveys the property to a third party (or gets a new loan on that property) with the new owner or new lender relying upon a title report that only reviews the title records for the last owner of the property. Specifically, this title report only shows liens that were recorded against the affiliate as the owner and do not show the lien recorded against the property when the original borrower used that property as collateral for the loan. (I believe that is the situation with the loan that was to be secured by Scott's house at 10510 East Sunnyside Drive in Scottsdale.) Normally, a title company's review of the title for a property is supposed to go beyond a quit claim deed (to the prior owner) to see if the quit claim deed was used to circumvent a recorded obligation to a third party. Again this can happen and has happened particularly when no title insurance is ordered with

the quit claim deed, but I have been told that this often requires help from someone at the title company in order to be successful.

I apologize for any confusing information that I have shared, but I have tried to get the best information out to the Investors as quickly as I could. Unfortunately, the loans in question will need to be investigated more thoroughly that I could do over the last week without access to current title data.

Sincerely, David

David G. Beauchamp

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dbeauchamp@clarkhill.com | www.clarkhill.com

From: Thomas Byrne [mailto:thomasbyrne11@gmail.com]
Sent: Thursday, August 11, 2016 5:15 AM
To: Beauchamp, David G.
Cc: Stan Schloz
Subject: Re: Additional DenSco Information

David,

In your original summary, you said the 83 deeds of trust (related to Scott / his entities) were not recorded. Below you mention "certain deeds of trust were circumvented", can you be clear - how many deeds of trust of these 83 were recorded on a timely fashion or at all?

Tom

On Aug 10, 2016, at 7:55 PM, Beauchamp, David G. <DBeauchamp@ClarkHill.com> wrote:
Stan:

I appreciate you asking for a vote on this approach. However, the Securities Division was pretty definite (confirmed by our legal research) that the Division (on behalf of the AZ Corporation Commission) can ask the Superior Court to approve the appointment of a Receiver without any input from the company or the Investors. If that is the approach that the Securities Division elects to pursue, I would encourage that we talk to Mr. Byrne and modify the options so that we can present the options as instructions for the court to give to the Receiver, if any is appointed. It should be persuasive to the court to include specific instructions if a substantial number of Investors vote in favor of the instructions.

With respect to Mr. Byrne's question concerning the rights of DenSco to certain assets, it appears that certain deeds of trust were circumvented by having the real property transferred by quit claim deed right before the deed of trust was recorded. I understand that is not conclusive, but it does show a pattern of conduct that seems to infer an intent to defraud DenSco.

Just a suggestion. Please let me know if you think a different approach makes more sense.

Sincerely,

David Beauchamp

David G. Beauchamp

CLARK HILL PLC

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From: Stan Schloz [mailto:SMSCHLOZ@msn.com]
Sent: Wednesday, August 10, 2016 9:12 AM
To: Thomas Byrne; Beauchamp, David G.
Cc: acatejr@gmail.com; amydirks@hotmail.com; anthjen@yahoo.com; artnina@hotmail.com; Aztonysmith@aol.com; aztonysmith@gmail.com; barryluchtel@gmail.com; bdirks5@cox.net; bji@cox.net; bjlocke64@yahoo.com; bjodenthal@frontier.com; brian.wenig@honeywell.com; burdett.anthony@gmail.com; butlerv@yahoo.com; carricks3@ak.net; czj528@hotmail.com; dariosdad@gmail.com; dave@prestoncpa.biz; davedubay@gmail.com; dhowze@cox.net; don-cindy@cableone.net; Doriann@cox.net; eileencohen@me.com; epcarrick@gmail.com; glenpdavis@gmail.com; greeraz@gmail.com; gsiegford@msn.com; hahnaz2@cox.net; hey.ralph01@gmail.com; hikthestik@aol.com; jackdds@myway.com; jamccoy32@gmail.com; jbhok@yahoo.com; jemmakopel@hotmail.com; jgsiegford@yahoo.com; jimmy@flytrapproductions.com; jimpatmc44@gmail.com; jkjetto@yahoo.com; Jphalen00@aol.com; jwalker113@cox.net; kayell121@cs.com; kaylene.moss@avnet.com; kennenl@yahoo.com; landonluchtel@gmail.com; lanka2000@yahoo.com; Laurieweiskopf@gmail.com; lkopel22@hotmail.com; mark.wenig@gmail.com; mbencekent@yahoo.com; mlminvestor@gmail.com; mrsbeasley68@verizon.net; mscroggin@me.com; nihad@yahoo.com; nswirtz@me.com; patsmiller21@gmail.com; Paul_a_kent@yahoo.com; pearces@mailhaven.com; Peter.Rzonca@Avnet.com; pldupper@gmail.com; quelalively@yahoo.com; ralph@kaisertile.net; rbrinkman@yahoo.com; rgriswold3@stny.rr.com; robertflawson@gmail.com; rzkoehler@yahoo.com; sdetota@yahoo.com; sdetota99@yahoo.com; sdtuttle@gmail.com; steve@bunger.me; stewart.sherriff@gmail.com; switchback62@hotmail.com; terryleeAZ@comcast.net; thompscg2@cox.net; trovita@gmail.com; uaflyor767@gmail.com; valeriepaxton@gmail.com; vimuscat@gmail.com; wadeunderwood@hotmail.com; wbush1120@comcast.net; wjswirtz@me.com; wka@caribbeanpoolsaz.com; yusuf@comsiscomputer.com
Subject: Re: Additional DenSco Information

I totally agree with Mr. Byrne's analysis. It seems to me we need to come to a group decision on the options Thomas outlined ASAP. In that process I hope Densco, the family and the investors can come together with a common strategy with David as the attorney. Big order! I have little hope of having any funds available other than the good funds identified to date. I would support any of the Byrne options. My goal is get what we can as soon as we can. David, would appreciate you taking the lead on this. Appreciate your effort and responsiveness.
Stan Schloz

From: Thomas Byrne <thomasbyrne11@gmail.com>
Sent: Wednesday, August 10, 2016 7:59 AM
To: Beauchamp, David G.
Cc: acatejr@gmail.com; amydirks@hotmail.com; anthjen@yahoo.com; artnina@hotmail.com; Aztonysmith@aol.com; aztonysmith@gmail.com; barryluchtel@gmail.com; bdirks5@cox.net; bji@cox.net; bjlocke64@yahoo.com; bjodenthal@frontier.com; brian.wenig@honeywell.com; burdett.anthony@gmail.com; butlerv@yahoo.com; carricks3@ak.net; czj528@hotmail.com; dariosdad@gmail.com; dave@prestoncpa.biz; davedubay@gmail.com;

dhowze@cox.net; don-cindy@cableone.net; Doriann@cox.net; eileencohen@me.com; epcarrick@gmail.com; glenpdavis@gmail.com; greeraz@gmail.com; gsiegford@msn.com; hahnaz2@cox.net; hey.ralph01@gmail.com; hikthestik@aol.com; jackdds@myway.com; jamccoy32@gmail.com; jbhok@yahoo.com; jemmakopel@hotmail.com; jgsiegford@yahoo.com; jimmy@flytrapproductions.com; jimpatmc44@gmail.com; jkjetto@yahoo.com; Jphalen00@aol.com; jwalker113@cox.net; kayell121@cs.com; kaylene.moss@avnet.com; kennenl@yahoo.com; landonluchtel@gmail.com; lanka2000@yahoo.com; Laurieweiskopf@gmail.com; lkopel22@hotmail.com; mark.wenig@gmail.com; mbencekent@yahoo.com; mlminvestor@gmail.com; mrsbeasley68@verizon.net; mscroggin@me.com; nihad@yahoo.com; nswirtz@me.com; patsmiller21@gmail.com; Paul_a_kent@yahoo.com; pearces@mailhaven.com; Peter.Rzonca@Avnet.com; pldupper@gmail.com; quelalively@yahoo.com; ralph@kaisertile.net; rbrinkman@yahoo.com; rgriswold3@stny.rr.com; robertflawson@gmail.com; rzkoehler@yahoo.com; sdetota@yahoo.com; sdetota99@yahoo.com; sdtuttle@gmail.com; smschloz@msn.com; steve@bunger.me; stewart.sherriff@gmail.com; switchback62@hotmail.com; terryleeAZ@comcast.net; thompscg2@cox.net; trovita@gmail.com; uaflyor767@gmail.com; valeriepaxton@gmail.com; vimuscat@gmail.com; wadeunderwood@hotmail.com; wbush1120@comcast.net; wjswirtz@me.com; wka@caribbeanpoolsaz.com; yusuf@comsiscomputer.com

Subject: Re: Additional DenSco Information

David,

Thanks for the answers. While the path outline above might be acceptable to some investors, it will be important that we potentially consider alternative additional options together as a group (and/or allow for some individual investor choice).

My biggest challenge with the above path is it seems to allocate 100% of the potentially good funds (lets call it $10 million) to the efforts related to recovering what is unsecured/uncertain/legally complicated funds. And it also allows hourly-paid lawyers, advisors, accountants, etc to consume those funds without an clear / easy way to control.

An alternative path could be to allow investors to take all or some of the good funds in exchange for releasing their claim on the unrecovered funds. Thus those that might want to take the 20 cents (on the dollar) payment now (on all or a portion of their investment in Densco) could do so now and at least have some piece of mind that hourly legal/other bills aren't going to take their ultimate recovery to zero.

And if that is too complicated, we could alternatively agree as a group to allocate some amount (say $500k) to a legal recovery fund for the benefit of all and distribute the remaining good funds (say $9.5 million). Then the legal recovery costs would be quantified.

At this point, I have very little (zero really) clarity and comfort that recovery of additional assets will be possible. And thus, if asked to make a decision at this point, I would not personally be inclined to put significant existing dollars against a costly 2-3 year complex legal process with at vague outcome at best.

And lastly, prior to putting $$'s against a protracted legal pursuit, it is going to paramount to be absolutely clear what Densco (and hence us investors) have, if anything, more than an unsecured claim. Was any valid security interest or real property lien filing ever done on the assets Densco loaned funds against related to Menaged (and related entities)?

thx, Tom

On Tue, Aug 9, 2016 at 8:44 PM, Beauchamp, David G. <DBeauchamp@clarkhill.com> wrote:

DenSco Investors:

Set forth below are some questions that an Investor sent to me (several other Investors had similar questions). So I believe the questions and answers should be shared with all of the Investors.

Please understand that I am not the financial or bankruptcy expert to evaluate the potential recovery from Scott Menaged or the other unsecured claims. I have asked a couple of people for help to provide you with some direction, but they were not comfortable to even make an educated guess. Despite the fact that I am not an expert in these types of matters and I am not qualified to make any projections, please see my preliminary thoughts below. However, please understand that these preliminary thoughts could be proven to be completely wrong if we are able to obtain better information.

We need to know realistically what to expect so we can plan the rest of our lives. **** Until I know what the Securities Division plans to do, I do not know what chance DenSco has to go after Scott Menaged and to recover the substantial majority of the Investors' money. If I had to guess, I believe a Receiver will be appointed, but the Receiver is not to pursue a fraud or collection case/action until the Receiver has sufficient evidence for the Receiver to believe that the fraud case is more likely than not to be successful and that the defendant has sufficient available assets to satisfy any judgment that may be obtained. Since the Menaged bankruptcy case was filed as a "no asset" bankruptcy, that does not look promising, but the US Trustee has taken actions to bring assets into that case that Scott Menaged had tried to exclude. That sounds promising, but I have no idea as to the value of those additional assets. Again, only time and investigation can clarify the answers to these questions.

I need you best-guess answer on:

What are the chances of getting any money at all back in the future? **** I do not know how much you previously invested, but any return to investors is generally done on a pro-rata basis based on the amount you had invested. According to a preliminary review of DenSco's records, there is approximately $51 + million invested. So you should receive a percentage of any assets recovered and not needed for the costs of the Receivership or its collection efforts, calculated as follows: (Available DenSco proceeds) multiplied by the percentage determined by: (the amount you invested) divided by ($51 million.)

Will the money from Densco's bank account and good loans go to pay legal fees in the future? **** That will be the decision of the Receiver so long as the Receiver can demonstrate that there is a greater likelihood of success in the

collection efforts as noted above. Normally, a good portion of the initially available funds are applied to investigation costs and the pursuit of potential recovery.

If there is a chance of getting any money back; if so how long in the future would you think it would be? **** In these types of matters, they can last two to three years or longer. In this case, I believe that the anticipated problems to collect all of DenSco's assets from Scott Menaged and Auction.com, I believe it will be longer than 3 years. If sufficient funds are collected and available, there is sometimes (rare but it happens) an interim distribution before all of the potential assets are collected.

Do any lawyers, forensic auditors, and anyone else that you hire get paid hourly or on a contingency basis? ****In some collection cases, there are modified contingency fees negotiated by the Receiver, but fraud actions (with questionable assets for collection) are difficult cases to get attorneys to take on a contingency fee basis.

We really appreciate your efforts so far and hopefully the results turn out well.

Thanks again for what you are doing.

****

David G. Beauchamp

CLARK HILL PLC

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480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

Exhibit 48

Beauchamp, David G.

From: Bill jean Locke <bjlocke64@yahoo.com>
Sent: Monday, August 15, 2016 4:40 PM
To: Beauchamp, David G.
Subject: Re: e mails

thank you, david!

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: Bill jean Locke <bjlocke64@yahoo.com>
Sent: Monday, August 15, 2016 1:40 PM
Subject: RE: e mails

Jean:

You are on the list of email addresses to receive the emails. So you should have received all of the emails. I will be sending less emails as this matter is starting to transition to a Receiver.

Sincerely, David

David G. Beauchamp

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dbeauchamp@clarkhill.com | www.clarkhill.com

From: Bill jean Locke [mailto:bjlocke64@yahoo.com]
Sent: Monday, August 15, 2016 12:47 PM
To: Beauchamp, David G.
Subject: Re: e mails

perhaps we missed an email.

we would like to be included to receive any emails, as we are investors too.

we have to rely on the powers that be as we are unable to do much---handicapped and dementia.

please help keep us informed.

jean locke

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: Craig Hood <greeraz@gmail.com>
Cc: "acatejr@gmail.com" <acatejr@gmail.com>; "amydirks@hotmail.com" <amydirks@hotmail.com>; "anthjen@yahoo.com" <anthjen@yahoo.com>; "artnina@hotmail.com" <artnina@hotmail.com>; "Aztonysmith@aol.com" <Aztonysmith@aol.com>; "aztonysmith@gmail.com" <aztonysmith@gmail.com>; "barryluchtel@gmail.com" <barryluchtel@gmail.com>; "bdirks5@cox.net" <bdirks5@cox.net>; "bji@cox.net" <bji@cox.net>; "bjlocke64@yahoo.com" <bjlocke64@yahoo.com>; "bjodenthal@frontier.com" <bjodenthal@frontier.com>; "brian.wenig@honeywell.com" <brian.wenig@honeywell.com>; "burdett.anthony@gmail.com" <burdett.anthony@gmail.com>; "butlerv@yahoo.com" <butlerv@yahoo.com>; "carricks3@ak.net" <carricks3@ak.net>; "czj528@hotmail.com" <czj528@hotmail.com>; "dariosdad@gmail.com" <dariosdad@gmail.com>;

"dave@prestoncpa.biz" <dave@prestoncpa.biz>; "davedubay@gmail.com" <davedubay@gmail.com>; "dhowze@cox.net" <dhowze@cox.net>; "don-cindy@cableone.net" <don-cindy@cableone.net>; "Doriann@cox.net" <Doriann@cox.net>; "eileencohen@me.com" <eileencohen@me.com>; "epcarrick@gmail.com" <epcarrick@gmail.com>; "glenpdavis@gmail.com" <glenpdavis@gmail.com>; "gsiegford@msn.com" <gsiegford@msn.com>; "hahnaz2@cox.net" <hahnaz2@cox.net>; "hey.ralph01@gmail.com" <hey.ralph01@gmail.com>; "hikthestik@aol.com" <hikthestik@aol.com>; "jackdds@myway.com" <jackdds@myway.com>; "jamccoy32@gmail.com" <jamccoy32@gmail.com>; "jbhok@yahoo.com" <jbhok@yahoo.com>; "jemmakopel@hotmail.com" <jemmakopel@hotmail.com>; "jgsiegford@yahoo.com" <jgsiegford@yahoo.com>; "jimmy@flytrapproductions.com" <jimmy@flytrapproductions.com>; "jimpatmc44@gmail.com" <jimpatmc44@gmail.com>; "jkjetto@yahoo.com" <jkjetto@yahoo.com>; "Jphalen00@aol.com" <Jphalen00@aol.com>; "jwalker113@cox.net" <jwalker113@cox.net>; "kayell121@cs.com" <kayell121@cs.com>; "kaylene.moss@avnet.com" <kaylene.moss@avnet.com>; "kennenl@yahoo.com" <kennenl@yahoo.com>; "landonluchtel@gmail.com" <landonluchtel@gmail.com>; "lanka2000@yahoo.com" <lanka2000@yahoo.com>; "Laurieweiskopf@gmail.com" <Laurieweiskopf@gmail.com>; "lkopel22@hotmail.com" <lkopel22@hotmail.com>; "mark.wenig@gmail.com" <mark.wenig@gmail.com>; "mbencekent@yahoo.com" <mbencekent@yahoo.com>; "mlminvestor@gmail.com" <mlminvestor@gmail.com>; "mrsbeasley68@verizon.net" <mrsbeasley68@verizon.net>; "mscroggin@me.com" <mscroggin@me.com>; "nihad@yahoo.com" <nihad@yahoo.com>; "nswirtz@me.com" <nswirtz@me.com>; "patsmiller21@gmail.com" <patsmiller21@gmail.com>; "Paul_a_kent@yahoo.com" <Paul_a_kent@yahoo.com>; "pearces@mailhaven.com" <pearces@mailhaven.com>; "Peter.Rzonca@Avnet.com" <Peter.Rzonca@Avnet.com>; "pldupper@gmail.com" <pldupper@gmail.com>; "quelalively@yahoo.com" <quelalively@yahoo.com>; "ralph@kaisertile.net" <ralph@kaisertile.net>; "rbrinkman@yahoo.com" <rbrinkman@yahoo.com>; "rgriswold3@stny.rr.com" <rgriswold3@stny.rr.com>; "robertflawson@gmail.com" <robertflawson@gmail.com>; "rzkoehler@yahoo.com" <rzkoehler@yahoo.com>; "sdetota@yahoo.com" <sdetota@yahoo.com>; "sdetota99@yahoo.com" <sdetota99@yahoo.com>; "sdtuttle@gmail.com" <sdtuttle@gmail.com>; "smschloz@msn.com" <smschloz@msn.com>; "steve@bunger.me" <steve@bunger.me>; "stewart.sherriff@gmail.com" <stewart.sherriff@gmail.com>; "switchback62@hotmail.com" <switchback62@hotmail.com>; "terryleeAZ@comcast.net" <terryleeAZ@comcast.net>; "thomasbyrne11@gmail.com" <thomasbyrne11@gmail.com>; "thompscg2@cox.net" <thompscg2@cox.net>; "trovita@gmail.com" <trovita@gmail.com>; "uaflyor767@gmail.com" <uaflyor767@gmail.com>; "valeriepaxton@gmail.com" <valeriepaxton@gmail.com>; "vimuscat@gmail.com" <vimuscat@gmail.com>; "wadeunderwood@hotmail.com" <wadeunderwood@hotmail.com>; "wbush1120@comcast.net" <wbush1120@comcast.net>; "wjswirtz@me.com" <wjswirtz@me.com>; "wka@caribbeanpoolsaz.com" <wka@caribbeanpoolsaz.com>; "yusuf@comsiscomputer.com" <yusuf@comsiscomputer.com>
Sent: Friday, August 12, 2016 1:12 AM
Subject: RE: Question about Densco Legal Fees?

Craig:

You are raising good questions.

1. Unfortunately, I am the only person who is still able to represent DenSco and the Investors to deal with the current issues. Denny was the only Director and officer of DenSco. After Denny died, there is no other Director or officer of DenSco who can retain legal counsel for DenSco for these matters. We had previously planned that if Denny had died to simply have his Will filed with the Probate Court and have the Personal Representative of Denny's Estate be granted the authority to act with respect to the DenSco stock because Denny was the sole shareholder. Unfortunately, the current financial position of DenSco creates too much personal liability for anyone to become a director or officer of DenSco at this time. On the other hand, if a court appoints a Receiver for DenSco or if DenSco is put into bankruptcy, then the court can appoint legal counsel for DenSco or authorize the Receiver or the Bankruptcy Trustee to appoint legal counsel for DenSco. I was asked to stay on for the interim time by a couple of Investors, the Chittick Family, and this decision was discussed with and consented to by the Securities Division as the best approach under the circumstances. This decision was agreed to as the best way to proceed so that there would be someone who would be responsible for DenSco and be the "custodian of records" to gather and help protect DenSco's records, assets and to be able to respond to its current legal matters until someone could be appointed to take over. The current legal matters include responding to the Subpoena from the Securities Division, to finish the investigation of the AZ Department of Financial Institutions ("ADFI") which is almost complete (with hopefully no fines being assessed against DenSco) and most importantly to protect and preserve any rights of DenSco in the Scott Menaged bankruptcy case. With respect to the legal fees, the decision to allow DenSco to pay for these legal services was based on the procedures used by AZ with respect to banks prior to going into Receivership (by ADFI) and companies prior to a Receivership being appointed in connection with alleged

securities violations (Securities Division). In those situations, the reasonable legal fees and costs incurred prior to the transition to the Receiver are paid from the remaining assets of the entity (in this case that is DenSco).

2. I will have to get back to you with respect to a current estimate. (Our accounting office is closed for the day and the time for this week has not yet been included. There are also outstanding invoices for my work with respect to resolving the ADFI audit, but I believe that is less than $4,000.) I have tried to be as diligent and limit my time as much as possible in this matter, but I have become the person to receive all of DenSco's files and information until the Securities Division decides what to do with DenSco or a bankruptcy petition is filed to take control of DenSco. My telephone number has somehow been circulated to several outside parties who have called me to try to use half-truths to take some of DenSco's assets without paying full consideration. More importantly, I have been asked to keep the Investors informed as the information has become available and what are the next steps for decisions. As you have seen from my emails, I have limited my answers to Investors to commonly asked questions and to issues that had to be addressed in the investigation by the AZ Securities Division. A significant portion of our work has been focused on dealing with the Securities Division, including working on response to the extensive Subpoena served on DenSco to provide all of DenSco's documents and records since its inception. Further, we have had to obtain and need to review several of the documents in connection with the Scott Menaged bankruptcy so that we can take the necessary steps to preserve DenSco's claims in that bankruptcy. Unfortunately, there are key deadlines in that bankruptcy that will pass before a Receiver can be appointed, and have the necessary time to review the information to understand DenSco's claims. We have to step in and take action to preserve DenSco's claims against Menaged's assets. We do not intend to file a claim, but only take actions to preserve DenSco's rights to pursue a claim if the Receiver (hopefully with the input of the Investors) decides that there is sufficient proof to substantiate the claims and that there are sufficient assets to justify the costs to obtain a judgment. We will not take any action which will require DenSco to proceed with any claim, but we need to preserve DenSco's ability to make a claim if the facts justify it.

I have worked with the Securities Division to try to limit that document production request in order to limit the costs to DenSco. Even after working to limit this Subpoena, the remaining documents and information to be assembled and provided is a major undertaking. Currently there are approximately 60 banker's boxes of information as well as one or more computers with documents and communications on them that need to be reviewed for confidential information and the non-confidential documents and emails will need to be delivered to the Securities Division along with a privilege log of the confidential documents. Some of the attorneys for individual Investors have rightfully demanded that the boxes of materials be copied and be reviewed for confidential material BEFORE having the boxes simply turned over to the Securities Division. Normally only copies of documents and other material are provided so that the original documents and other key material is retained by the company in case it should be needed. This is very important in this instance where several of the original documents will be necessary to collect the Good Loans as well as to be evidence to establish the alleged fraud as opposed to taking the risk that these documents could become "lost" at the Securities Division. Unfortunately, key documents have been previously lost in state investigations, including in several matters at the AZ Corporation Commission. Further, these files also contain confidential information and material that should not necessarily be provided and become part of the record that others could examine. Some of this confidential material was delivered to DenSco under confidentiality agreements, which would subject DenSco to liability if these are turned over and become public information without DenSco first attempting to protect the information. We do not need to create any more liability to third parties for DenSco.

The full estimate of legal fees will depend on the length of time before the Receiver is appointed. The estimated time line for the Receiver to be appointed is approximately 4 weeks or longer. Even using that as a time line for an estimate, it is very hard to give an estimate of our total fees to respond to the Subpoena until I know what the Securities Division will accept as being an adequate response to the Subpoena. In addition, we have not had an opportunity to have more than have a few telephone calls and to review a few documents from the more than 11 page docket summary of the Menaged Bankruptcy case. As I indicated above, the deadlines to preserve DenSco's rights to assert claims will expire in a few weeks unless we are able to either convince the Bankruptcy Judge to grant our request for an extension of the deadline in the current schedule or to obtain consents from the Bankruptcy Trustee for this case and the Debtor's counsel. Either option will

require that we do enough research to be able to demonstrate that DenSco likely has a successful claim against Scott Menaged. The claim against Scott under his personal guarantee should be sufficient to allow DenSco to make a claim, but we will need to be able to provide evidence concerning the other claims that involve fraud. If there is a bankruptcy court finding of fraud by Menaged, that should be sufficient to prevent DenSco's claims against Menaged from being discharged at the end of his bankruptcy case. If those claims are not discharges, then DenSco will still be able to assert its claims against Menaged and anything he owns in the future.

3. As indicated above, I and a few other attorneys who are helping me are working on behalf of DenSco (and the Investors) on several matters. We are billing our time when we have performed legal services on behalf of DenSco or the Investors. That includes my time preparing the email updates to the Investors, which is why I have tried to not respond to questions in individual emails, unless the same question appears in a number of emails. We are working on behalf of DenSco and the Investors with respect to obtaining, reviewing and otherwise dealing with the DenSco records, working with the Securities Division and responding to its Subpoena, and working to preserve DenSco's rights in connection with the Scott Menaged bankruptcy. All of that time is properly billable.

Sincerely, David

David G. Beauchamp

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From: Craig Hood [mailto:greeraz@gmail.com]
Sent: Thursday, August 11, 2016 12:39 PM
To: Beauchamp, David G.
Subject: Question about Densco Legal Fees?

Hello David, thanks for the meeting update from yesterday!
I have a few questions about the legal expense aspects of this situation that the entire group is interested in knowing:

1. I'm assuming that you are being paid for your current work by Densco. Can you please confirm this?
2. Assuming you are not doing this pro bono, how much in legal fees have been accrued related to this event? Can you estimate the expense as proceedings continue?
3. If 1 & 2 are true, are you billing to answer individual investor emails and phone calls, respond to group emails, provide email updates on the situation, and attend meetings?

For the sake of everyones' time, especially yours, we want to be efficient in our communication. However, as a group, we need to understand how to preserve as much of our remaining equity as possible, and be conscious of anything, or any expense that might diminish that.

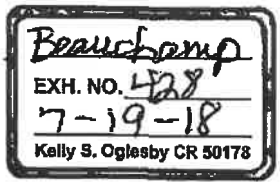
Best,

Craig Hood

Exhibit 49

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA



ARIZONA CORPORATION COMMISSION, Plaintiff, vs. DENSCO INVESTMENT CORPORATION, Defendant.	NO. CV2016-014142

REPORTER'S TRANSCRIPT OF DIGITAL RECORDING

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

PREPARED FOR:

REPORTER'S TRANSCRIPT OF DIGITAL RECORDING

INDEX TO EXAMINATIONS

JUDGE BUSTAMANTE: Thanks. This is CV 2016-014142 Arizona Corporation Commission versus DenSco Investment Corporation.

May I have appearances, please.

MS. COY: Wendy Coy for the Arizona Corporation Commission.

MR. POLESE: And James Polese and Chris Hering on behalf of the Estate of Denny Chittick, who was the sole shareholder of the entity, who is recently deceased.

JUDGE BUSTAMANTE: Okay. Thank you.

MR. WILK: Your Honor, Lawrence C. Wilk of Jaburg & Wilk, here on behalf of James C. Sell. I want to thank you for your indulgence in allowing him to appear telephonically, and I am hoping he is on the phone.

JUDGE BUSTAMANTE: Okay.

MR. WILK: He is one of the people that's up for appointment as receiver in this case.

JUDGE BUSTAMANTE: Okay. Thank you.

And I know he is -- as soon as he calls in, she is going to -- Bernadette will let me know. So hopefully that will be soon.

MR. POLESE: We have a paper, Your Honor, we would like to hand up to the Court --

JUDGE BUSTAMANTE: Perfect.

MR. POLESE: -- on the issue of both who the

receiver should be, as well as some attorney/client privileged matter that we think needs to be addressed (inaudible).

JUDGE BUSTAMANTE: Oh, goodness. Okay. Give me just a moment to review this.

Have you had an opportunity to review it, Ms. Coy?

MS. COY: Not really. I just got it when I sat down. If I could approach, I don't have it in a PDF format, but I have the resumés of two candidates that the Commission believes are appropriate for this.

JUDGE BUSTAMANTE: Okay. Sure.

MR. POLESE: (Inaudible).

MS. COY: Yes. I have emailed them, but --

JUDGE BUSTAMANTE: And Mr. Polese, do you want -- do you want to give me a summary here --

MR. POLESE: Oh, sure.

JUDGE BUSTAMANTE: -- of your position?

MR. POLESE: In short, Your Honor, we have been talking with the Estate about who was the appropriate individual, and we hoped that we would have a stipulation to the Court. Unfortunately, we are not able to do that.

There are two issues. One is who the receiver should be. My discussions with Ms. Coy had been whether Mr. Sell, who the State is very adamant in wanting, is the

appropriate individual, or our candidate, for want of a better term, who is Mr. Giallanza, who is also in the courtroom today, who we think is a much better fit both in terms of experience and cost for this particular receivership.

In addition, there is an issue -- I'm sorry. In addition, there is an issue with respect to attorney/client privilege with respect to communications with Mr. David Beecham -- Beauchamp of Clark Hill, who was counsel for both the company and Mr. Chittick, and the issue has been raised as to who has the right to waive the attorney/client privilege. We have addressed that issue.

We think that receiver order, whoever the receiver is, should be instructed that he or she cannot waive any attorney/client privilege with respect to the company, unless the Estate also agrees. Otherwise, they will have to get a court order before they do that, the presumption being that any communications would apply to both the Estate and the corporation. That's the (inaudible).

JUDGE BUSTAMANTE: Okay. So at this point you are not objecting -- as the Estate, you are not objecting -- objecting to the appointment of a receiver; it's just a matter of who that receiver is?

MR. POLESE: That's correct. In fact, we think

the receiver needs to be appointed as soon as possible. So if the Court can hear testimony today, that would be great, because there are payoffs that are coming due early next week.

Everybody knows that we need to get somebody in place to protect the good notes that are out there that are -- that are going to be collected. And then once those are all -- a handle is gotten as to those, then we can sit back and see where there -- where there are other avenues to go.

Our view is this is not a forensic accounting case, because I think the company's records are going to be determined to be in very good order. What -- this is a situation, I think, at this time is that DenSco got scammed by one of its borrowers, but will -- the Court can hear more of that if it wants to hear testimony on these issues.

JUDGE BUSTAMANTE: Okay. Ms. Coy, how do you want to proceed today?

MS. COY: Your Honor, we agree with a number of things that Mr. Polese indicated. We, too, agree and believe that a receiver needs to be immediately appointed.

This is a situation in which it came to my attention approximately two weeks ago, if not a little less than that, and we were told that DenSco raised money,

approximately $50 million, from investors, and that he recently killed himself. He was the sole owner, sole shareholder, sole officer and director of DenSco. There is assets out there that need to be preserved for the protection of the investors.

We started following up and started speaking with Mr. Beauchamp, who was at that time or had been corporate counsel. We met with corporate counsel and the personal representative of Mr. Chittick's estate and discussed the possibility of doing a joint stipulation to appoint to receiver.

When they asked who we had in mind, we had indicated there were two individuals -- I gave you both their resumés -- Mr. Peter Davis and Mr. Jim Sell. Both are forensic accountants.

Based on information provided by the company's estate, it documented there is approximately 138 loans outstanding. Approximately 50 of those loans appear to do what they said they were going to do. There is first deeds of trust in place secured to DenSco Corporation, and those were funded by investors. Those are paying and those are working.

They told us there were five of the loans that appeared to be secured with first position deeds of trust, but would require foreclosure and collection.

The remaining ones, approximately 83 of the loans, which total $28 million, were given to one borrower and were unsecured and they were funded at approximately 100 percent loan-to-value, which is contrary to the way the offering documents indicated.

In addition, that same borrower received a loan of over $14 million that's also unsecured. So based on the company's records that were provided to us at the time, and this was about the end of the first week, there was close to $42 million unsecured and outstanding.

The Securities Division position is that we need a forensic accountant. Whether the accounting records are in good shape or not is great. The forensic accountant can trace the funds and find out where they went.

This action is based on the Arizona Securities Act, and it deals with the offer and sale of securities. And we made allegations that those -- that DenSco committed fraud, when they offered and sold these securities, for not disclosing problems with the 83 loans, problems in providing an unsecured note. That individual is currently in bankruptcy that has the approximately $42 million.

There are 341 meetings that need to be attended to. There is a 2004 Exam that's coming up that needs to be attended to. All of that involves accounting review

information, basically following the train of -- the flow of the money.

Mr. Giallanza, who is being promoted by Mr. Polese and the Estate, has a deep background in real estate. Mr. Sell has a deep background in real estate. Two of the receiverships that I worked with him on involved liquidating assets of real estate. So he has got both that need to be done, and if the majority of the -- well, the 50 loans that are paid, it's a matter of collecting on that.

At this point I think the biggest disagreement between the defendant's estate and the Commission is the perspective they are looking at the case. We are looking at it, this is based on our action, it's a forensic accounting case that has -- was based in real estate, but only about a tenth of the money that was raised is really in real estate at this point. The rest has gone; we don't know where.

They are looking at it that it's a real estate case. The problem is, the majority of the loans have been unsecured, and we need somebody, from the State's perspective and for the best protection of the investors, to go in, track the money, and get the money back from the individual who borrowed it. So that's why our position is it's a forensic accounting case, not necessarily just a

real estate case.

And yes, people can -- you know, Mr. Sell or Mr. Davis can hire somebody to do the real estate. In Mr. Sell's case, if you look at his resumé, he has got extensive experience liquidating real estate. You get a two for one there, versus Mr. Giallanza who would have to hire the forensic accountant, and he could handle the real estate transactions.

So basically we are asking you to select either Mr. Sell or Mr. Davis. Both of them have had experience with our office. We know how they work. They understand the securities laws.

Unfortunately, I have spoken -- or fortunately, I have spoken to Mr. Giallanza. He has got good experience in mortgages. He doesn't have experience in securities. The Landmarc case that he has done did not allege fraud in any of their pleadings. And yes, he recovered money, but so did Mr. Davis in his receiverships, and so has Mr. Sell.

Last night I got an email from Mr. Giallanza that -- and I believe they are attached to the pleading he filed and I haven't looked through them yet. They are pleadings from a federal case that Mr. Sell was involved in as a receiver. He started as a receiver in a State case in approximately 2004. The criminal case was

prosecuted in approximately 2013.

I handled the receivership for the State from two -- getting him appointed through the criminal case. I was also appointed as a Special Assistant U.S. Attorney and assisted in the prosecution.

A lot of the information that was provided in these pleadings, they are taken out of context, and the issues were resolved. And in fact Mr. Sell's work product was upheld by the federal court, and the person, the documents and the pleadings that are attached to Mr. Polese's pleading, was the defendant in the case and is now serving seven to nine years in federal pen, based on the Ponzi scheme where they overvalued all the assets, and were upset that Mr. Sell did not find those overvaluations valid.

Basically, again, the State believes that we need a forensic accountant in place and to liquidate the asset and trace the funds.

As to the attorney/client privileged information, we understand that issue. It's come up in a number of real estate -- I'm sorry -- a number of receiverships that I have dealt with. And the way I personally know it was handled is when the attorney/client privilege waiver comes up and whether it's necessary or not, we make a motion to the Court, or the receiver made a

motion to the Court and let the judge decide.

And in this case I understand the sensitivity between having a corporate counsel and a personal lawyer, basically the same individual. I understand the issues that come up. I think the best way to handle it is the receiver should not -- we shouldn't put anything in the order ordering the receivership, but I think what needs to be done is it needs to come in front of the Court, especially with the sensitivity of the personal aspect and the professional aspect being dealt with.

Under normal circumstances, the company has corporate counsel, and the personal aspect isn't there. I recognize the sensitivity there, and I think the best bet would let the judge make the decision as to whether or not that attorney/client privilege should be waived, and I don't think it needs to be addressed in the order appointing the receiver.

And again, I would just like to say in this case the State brought the case, and technically the company is the defendant here, and the defendant is basically pushing to have their person put into place. I'm not sure that's appropriate in this point. From enforcing the Securities Act, we need a forensic accountant as a receiver, and we defer to the Court on the attorney/client privilege waiver, and I think a motion should be filed on a regular

basis or whenever that issue arises.

I think that it.

JUDGE BUSTAMANTE: Okay. Do -- so do you want to take testimony of your two proposed receivers, and we will take testimony of the defendant's proposed receivers, or do you just want me to review the resumés?

MS. COY: I don't know that it's entirely necessary to put on an evidentiary hearing. I think based on the recommendations from the parties and I believe based on the review of their resumés, it's strong enough.

If you have questions after the review of the resumés, I have got people, I have got both the Commission's candidates here and I think they can take the stand if you have questions of them, but I think based on their resumé, you can go forward with just that, but we are here if you want testimony.

JUDGE BUSTAMANTE: Okay. Mr. Polese, what's your proposal in terms of selecting a receiver?

MR. POLESE: My proposal is, Your Honor, that since Mr. Giallanza is here and since the State remains adamant that he somehow is not qualified, that he take the stand, go through briefly his -- his resumé and address these, what we think to be pretty irrelevant arguments as to why he is not qualified.

I do want to point out one thing that the Court

needs to focus on. Nobody is suggesting that the missing, quote, $42 million, is going to be found in DenSco or the Estate's hands. Where it's going to be found is, if ever, is in the estate of a bankrupt. Okay?

And I'm not sure how, as a practical matter, the receiver of this company gets its hands on records of a bankrupt's -- of a bankrupt, when there is a trustee in bankruptcy appointed. And more importantly, if we -- if we spend hundreds of thousands of dollars tracing where $42 million went, that simply adds to that bankrupt's estate. DenSco does not profit handsomely by doing that trustee's work.

I mean, I -- I don't know who all the creditors of this Mr. Scott Menaged, who is the individual at this point everybody is pointing the finger to, who seemed to have scammed DenSco into making inappropriate loans, what turned out to be totally inappropriate loans.

How that actually came about, I'm not here and competent to tell you, but it does seem, from what I know in our one-week representation of this estate is, that money is gone. It went to him. He then crawled into bankruptcy and filed a no-asset bankruptcy. Whether he shoved it up his nose, gambled it away to Vegas, or gave it to his girlfriend, we don't know.

But if -- if what the State is saying is we have

to have a correct forensic accounting to track that money down, first of all, I would ask the State, how are you going to get his records? When he is in bankruptcy, you have no right to do that. And second of all, if you do recover money, all you are doing is adding to that estate, and we are just one of a number. DenSco is just one of a number of creditors. So we are going to do all the work and pay all the bills so we can increase the estate of a bankrupt, with a lot of the money going to somebody else. That, to me, doesn't seem smart.

On the issue of the forensic accountant versus real estate, Mr. Sell would be appointed the receiver. He would then hire his accounting firm to do forensic accounting. Peter Davis would be hired as the receiver. He would then hire his own accounting firm to do the forensic accounting.

The notion that the receiver is going to also be doing the accounting work is, quite frankly, a skip and a shorthand that's inappropriate. Mr. Giallanza is not going to do any forensic accounting. He will hiring an accounting firm, just like Mr. Sell will do, and just like Mr. Davis will do, except they will hire their own captive accounting firms, and I don't think that's appropriate.

And while the State somehow thinks it's inappropriate for the Estate to recommend, quote, our

person, as I put in the footnote number 1, I don't know Mr. Giallanza. Never met him until this morning. Never spoke with him. Nobody in my firm has ever had any relationship whatsoever with Mr. Giallanza. We have no skin in the game. We are looking for the best person that we think is available.

On the other hand, Ms. Coy seemed absolutely wedded to Mr. Sell with whom, quote, she has a good working relationship. Well, our position is the State ought not to be able to dictate who the receiver is to have a sycophant. It should -- the receiver should be working for the Court, not for the Division.

But Mr. Giallanza is here. I would like to put him on the stand. I would like to go through these objections, have the Court, whatever -- answer whatever questions you have, and if other individuals you want on the stand, that's fine.

JUDGE BUSTAMANTE: Okay. I'm feeling at a disadvantage here, because I haven't had an opportunity to review your memo.

MR. POLESE: I know.

JUDGE BUSTAMANTE: I haven't had an opportunity to review either one of the resumés.

Do you have a copy of the resumé of --

MR. POLESE: It's attached to our papers, Your

Honor.

MS. COY: It's attached to your papers.

Okay. I'm going to take a break and review everything, and then we may have some testimony.

So all of the proposed receivers are here. Is that accurate, or we have one on the line and then -- okay. And so we will have him call back in; I can't imagine it's going to take me too long, but maybe ten minutes, and then we will resume. Okay?

MR. POLESE: Okay.

JUDGE BUSTAMANTE: Do any of you have a proposed order regarding the appointment of a receiver?

MS. COY: Yes, we do.

JUDGE BUSTAMANTE: Okay. If I could review that as well.

MR. POLESE: And we have no objection to that order, as -- as the language that's in it. Our objection is it needs additional language.

JUDGE BUSTAMANTE: Okay.

MR. POLESE: And that's about the attorney/client privilege.

JUDGE BUSTAMANTE: The attorney/client privilege language. Okay.

MS. COY: Excuse me. If I can approach.

JUDGE BUSTAMANTE: Yes.

MS. COY: Here is the order for preliminary injunction, and here is the order appointing the receiver.

Do you have yours with you?

MR. POLESE: Oh, yeah. It's the --

MS. COY: Do you have the preliminary injunction?

MR. POLESE: Yeah.

JUDGE BUSTAMANTE: And do you have any proposed language in regards to the attorney/client privilege?

MR. POLESE: No, Your Honor --

JUDGE BUSTAMANTE: Okay.

MR. POLESE: -- but we can certainly submit it to the Court.

JUDGE BUSTAMANTE: Okay.

MS. COY: You have both of them.

JUDGE BUSTAMANTE: I have what you need. Okay.

All right. I'm guessing about ten minutes and I will be back.

MS. COY: Thank you.

JUDGE BUSTAMANTE: Thank you.

(A recess was taken.)

JUDGE BUSTAMANTE: Okay. We have Mr. Sell on the line, so I am just going to let him participate here. Maybe.

It's not coming up. Is it coming up on that

screen?

BERNADETTE: (Inaudible).

JUDGE BUSTAMANTE: Yeah.

MR. WILK: It's not going through?

JUDGE BUSTAMANTE: It's not. Ask Bernadette to have him call directly into the courtroom.

MS. COY: Okay.

JUDGE BUSTAMANTE: We will see if that line works. We have been having issues with our new system.

(Inaudible).

JUDGE BUSTAMANTE: Wow.

MR. SELL: Yes.

JUDGE BUSTAMANTE: Hello?

BERNADETTE: Oh, can you hear me, Judge?

JUDGE BUSTAMANTE: I can.

BERNADETTE: Mr. Sell, are you there?

JUDGE BUSTAMANTE: Mr. Sell?

(Inaudible).

RECORDING: Thanks for holding. We will be right with you.

JUDGE BUSTAMANTE: I don't know if that's even on it. Does that sound familiar? I don't usually call us, so I don't know if that's ours or if that's Mr. Sell.

(Inaudible).

JUDGE BUSTAMANTE: Maybe have Bernadette

disconnect whatever she has going on?

MR. POLESE: Did he put the Court on hold?

JUDGE BUSTAMANTE: Hello? No.

Yay. Mr. Sell?

MR. SELL: Hello?

JUDGE BUSTAMANTE: Hello. Good morning. Yay.

Okay. I am just -- we will let you know if we need to hear from you. So you can just hopefully hear everything that's going on in the courtroom.

MR. SELL: All right. Yes.

JUDGE BUSTAMANTE: Okay. We are back on the record in CV 2016-014142. And we took a break so that I could review the recent pleading that was submitted, as well as everybody's resumé.

I have -- I have also reviewed the Order for Preliminary Injunction. I have signed the Order for Preliminary Injunction. And I have also reviewed the Order Appointing Receiver, and I will include the language that it is further ordered the receiver may not waive the attorney/client privilege as to Chittick's communications with Beauchamp without the Estate's consent. The receiver must obtain Court approval before waiving the privilege as to DenSco if the Estate does not consent to the waiver.

So the only issue left to be determined is who the receiver will be, and I will hear brief testimony from

each proposed receiver. If we can keep it about ten minutes per receiver, that would be great.

So Ms. Coy, we will begin with your proposed receivers.

MS. COY: Okay. We will go ahead, since Jim is on the phone first, or Mr. Sell is on the first phone, we can go ahead with him.

Do we need to swear him in?

JUDGE BUSTAMANTE: Yes, you do.

Mr. Sell, if you could please stand up and raise your right hand so that you may be sworn in.

MR. SELL: Okay.

JAMES C. SELL,

called as a witness herein, having been first duly sworn, was examined and testified as follows:

JUDGE BUSTAMANTE: Proceed.

DIRECT EXAMINATION

Q. (BY MS. COY) Mr. Sell, can you give us, do you have any certifications?

A. Yes. I am a certified public accounting -- accountant in the State of Arizona, I am a certified fraud

examiner, and I am certified in internal controls.

Q. Okay. Have you done receiverships in the past?

A. Receiverships at the, oh, late 1980s.

Q. Okay. And have any of your past receiverships involved servicing of mortgages?

A. Yes --

Q. Can you --

A. -- I have. Actually, several of them have, residential mortgages and commercial mortgages.

Q. Are those entities or are those receiverships listed on your resumé?

A. Yes, they are.

Q. Can you give us the names of those that had real estate related?

A. Avanti Mortgage, Alert Mortgage, CFC Financial Services, American National Mortgage Partners, Mathon.

Q. Okay. On --

A. There are some other ones that involve divorce cases where I was the receiver, and they did involve real estate.

Q. Any -- on the CFC Financial Services, did you have to service mortgages?

A. Yes. We had about 40 files in active collection accounts. CFC Financial Services was an escrow company. It was the old TransAmerica Title escrow company that

became Chase Service Company, then Continental Service Company, and then CFC Financial Services.

Q. Did you also have to deal with any foreclosure issues on the servicing of those mortgages?

A. Yes.

Q. And have you had occasion to liquidate real property through any of your receiverships?

A. Yes. Most of my receiverships, I would have had real estate to liquidate, and those properties would have been all over the United States.

Q. And can you give us a general idea of what you would do to liquidate the real estate?

A. Depending on the nature of it -- well, first, if it was a loan that was defaulted and a foreclosing on the property, and then list the property for sale. And I would list the property for sale through a realty agent in the area where the property is located.

Q. How would you determine the value of the various real estate properties?

A. Typically I would have those properties appraised by an independent appraiser.

Q. Okay. Have you handled matters involving allegations of securities fraud?

A. Yes. Over many years and in many different cases --

Q. And do you --

A. -- and in many different capacities.

Q. Do you have -- through your forensic accounting experience, have you reviewed the records and determined whether fraud has taken place?

A. Yes, on numerous occasions.

Q. Have you had occasions to review books and records and determined that no fraud has taken place?

A. Yes, I have.

Q. And if you were -- if you were appointed to DenSco receivership, how would you handle the real estate aspects?

A. I -- I am not sure exactly what you mean as how I would handle the real estate aspect. It depends on what was needed for the real estate.

Q. Okay.

A. I mean, some of my receiverships, I had unfinished houses that I had to complete construction on. So it depends on, you know, the condition of the property, and I actually hold title to the property or I have to foreclose on it or I have to clear title to be able to sell the property.

Q. And in -- if you are appointed to the -- to -- as a receiver in this matter, who would you report to?

A. I report to the Court.

MS. COY: Hold on just a minute.

All right. I have no further questions for Mr. Sell.

JUDGE BUSTAMANTE: Mr. Polese.

CROSS EXAMINATION

Q. (BY MR. POLESE) Mr. Sell, did I hear your testimony that the receivership experience you have is principally back in the '80s?

A. Yes, that's when I -- the first receivership that I actually served on was in 1980. '86. About '86, '87, somewhere in that timeframe.

Q. And --

A. In Avanti Mortgage.

Q. Okay. Now, am I correct, sir, that if you are retained as the receiver, you would be retained personally as the receiver? You personally, not your company?

A. That's correct.

Q. Okay. And if forensic accounting work would be needed, you would retain your company to do that work, correct?

A. Yes, specific people within that company or myself.

Q. Okay.

A. Depending on what was needed and when it was needed.

Q. Okay.

A. It would be cost effective to use somebody that is experienced, that bills at a lower rate, to do a lot of the detail work.

Q. But you would not normally seek the services of an outside other forensic accounting firm, correct?

A. Correct. Typically -- no. I typically in the past have used members of my own staff. The one member that I would use, the company where I am, and that is Susan Rutledge. And she is a QuickBook expert and I have worked with her or she has worked for me for about the last ten years.

Q. And I --

A. (Inaudible).

Q. I'm sorry. I didn't mean to cut you off, sir.

A. I said probably longer than ten years. It's been quite a while.

Q. Okay. Now, I understand that you -- that your billing rate is $250 an hour, and you have got staff that's roughly about $160 an hour, and as low as -- some as low as $60 an hour, is that correct?

A. That's correct.

Q. Okay. And I assume -- and that staff would be

the ones that would be principally employed in connection with any forensic accounting work?

A. It depends on the nature of the work that needed to be done. And I don't know if the -- the company, the subject company of this action, has employees or not, but to the extent that they did, I would probably employ them.

Q. Okay. I can tell you, sir, this was a one-man show.

A. Okay.

Q. But there, again, Mr. Sell, my understanding is, and no one has corrected me, that the records are supposed to be in pretty good shape, that -- that the company president was somewhat anal about his records.

But just to answer the question is, you -- you would either do the forensic accounting work or supervise the forensic accounting work?

A. That's correct.

Q. Okay. Now --

A. That would all be, you know, the day-to-day collections work that would need to be done on the performing loans --

Q. Right.

A. -- which is more a ministerial type job which doesn't require (inaudible).

Q. Is that accounting services or is that in your

role as receiver, or both?

A. That would be both. That would be part of the accounting services that the receiver would be required to perform. And it's cost effective to have somebody on the staff that bills at a much lower rate, a bookkeeper, for those types of services, than somebody that is a forensic accountant.

Q. Okay. But again, that would be services that would be performed for the receivership by your accounting firm as an accounting firm?

A. Yes.

Q. Okay. You mentioned that you have been involved in securities fraud investigations.

Do you understand that the purchase and sale of secured mortgage loans as to being a security?

A. It depends on the circumstances. If -- if you are matching an individual investor with an individual borrower, it may be an exempt transaction, but if you are raising money for a pool to be loaned out to individuals, then yes, I believe it absolutely is in a security.

Q. Okay. Are you familiar with the Landmarc Capital receivership?

A. Somewhat. I do know that that was a hard-money lender that was put into receivership years ago.

Q. And you understood that that --

A. (Inaudible).

Q. I'm sorry. Again, I didn't -- I didn't mean to cut you off.

A. Okay. Other than in general terms, no.

Q. Okay. But we would both agree that if you are raising capital for investors to invest in as a hard-money lender in first deeds of trust, et cetera, that basically you are offering securities out there to investors?

A. Correct. And that's what occurred in -- in Mathon and American National Mortgage Partners. They were all mortgage, you know, they were all pools of investors' funds that were used to make loans.

The only difference is whether it was made on residential properties or on commercial property. If it's pooled funds and it was raised that way, it's still a security, but the type of real estate and the type of collateral may differ.

Q. Right.

And -- and that's your understanding was what is involved in the Landmarc Capital matter as well, correct?

A. I am not that familiar with what occurred in Landmarc Capital, but from the general knowledge I have is -- was that it was a hard-money lender and that there were investors involved.

Now, I don't know if -- you know, I don't know

beyond just the overall general. I don't know the back end of it, but individual borrowers or if it was pooled funds. I just was not involved in that investigation at all.

Q. Okay. Let me ask you, have you ever had situations where your billing practices as a receiver have been questioned by either the court or the interested parties?

A. My billing practices?

Q. Yeah, your bills.

A. My bills. You know, it's not uncommon, particularly in a receivership, for everything a receiver does to be challenged by the people whose entity has been placed into receivership.

Q. Okay. Did you ever receive criticism from a court?

A. I don't recall receiving criticism from a court.

Q. Okay. Do you remember receiving any criticism from the U.S. Department of Justice in connection with any matter that you were retained?

A. I had a -- to a degree, to who was to pay for the maintenance of a database that I was working on as receiver.

Q. So the answer to the question is at least you -- you -- there was some criticism, although you think the

criticism was unjustified?

A. Correct. I believe that the -- that communication wasn't clear as to when the termination of the request that I maintain the database and when the -- actually, I believe it was either the IRS or FBI maintained the database on their own after a certain point.

Q. Okay. Am I correct that in the United States versus Shade matter, where you were serving as conservator, that the total fees that you received in that was $7.5 million?

A. What -- what case was that?

Q. Shade, Duane Hamblin Shade.

A. Oh. Oh, Slade. Slade. That was the one -- that was the Mathon case. And those fees related to everything, the staff that existed that I took over when I took over the company as receiver, attorney's fees, rents, everything.

And so yes, that was a $175 million case, and that may well have been the total amount that was paid out for various lawsuits and foreclosures, real estate appraisals, everything, employees. But as far as my fees, no, it wasn't 7.5 million.

Q. Well, looking on a schedule that I have attached to papers that unfortunately are not in front of you and I

can't show you, but it shows on real estate investments, that the receiver fees were $1.8 million, and litigation of receiver and the bankruptcy of the receiver fees were $1,085,000, and in the receivership there were $1.9 million.

And this is a schedule that I believe you prepared and filed with the Court in connection with a response to an order from the Court for documents and information.

A. Okay.

MR. POLESE: Your Honor, it's attached as Exhibit 4 to our papers.

JUDGE BUSTAMANTE: I'm looking at it. Thank you.

Q. (BY MR. POLESE) Do you have any reason to believe that the document is inaccurate or is not the way you tendered it to the Court?

A. I believe that the -- all those fees were paid out by the receiver for various services. It wasn't just for receiver services. It wasn't just my fee, you know. It was -- it was for everything.

Q. Well, I -- with respect to real estate and investments, it says there is a column for settlements paid, legal fees, professional fees, overhead costs, other expenses, and receiver fees, and the receiver fees are

$1.8 million.

A. Okay. And within those receiver fees, there would be more than just my fee.

Q. Well, who else -- who else was the receiver, other than you?

A. I was the receiver, but under the receiver, I had the staff of the company that I had taken over, Mathon. And like I say, that was $175 million receivership. That's what was raised from the public.

Q. Well, Mr. Sell, I don't want to argue with you over a document you don't have in front of you, but I will note for the Court that there is clearly a column for overhead costs in each of these, and presumably overhead costs would include staff and other for the entity in question, would it not?

A. I don't know without looking at it, but I -- I -- there may have been some overhead that was separated out, but I'm telling you that that fee wasn't all just my --

Q. Let me ask you one final question.

A. (Inaudible).

Q. I'm sorry. Again, I didn't mean to cut you off.

A. Okay.

Q. Are you finished with your response?

A. Well, all I am saying is it didn't include -- it

did include what I was paid, or it included what I was paid, as well as what other people were paid during the course of the receivership.

And there were some categories that were broken out, depending on whether they were independent counsel that worked on a specific project or a specific piece of property. For example, there were attorneys in Connecticut. There were attorneys in Maryland. There -- it was necessary to defend legal all over the country or to bring various jurisdictions. And depending on the nature of the action, it would either -- it came under the general umbrella of receivership fees, or it would vet out separately where I had the data readily available to set them out separately.

Q. Well, again, I would point out to the Court that there is a separate listing for legal fees in each of these categories, and that amount is quite substantial as well.

One last question to you. Do you know Mr. Giallanza?

A. No, I do not.

Q. Okay.

A. I don't believe I have ever met him.

Q. Okay.

A. If I did, I just don't recall.

Q. All right. You have no -- no opinion one way or the other as to whether or not he is competent to serve as the receiver in this matter?

A. No, I do not.

MR. POLESE: All right. Thank you, Mr. Sell.

JUDGE BUSTAMANTE: Redirect?

MS. COY: Yes. Just a couple questions.

REDIRECT EXAMINATION

Q. (BY MS. COY) Mr. Sell, how long -- when were you initially appointed on the Mathon matter?

A. Oh, my. It's been at least -- I have to go back and look at the date of the receivership order, but that is the case that has gone on for over ten years at this point.

Q. So the fees that you were paid that Mr. Polese raised, that would have been for the entire scope of your work?

A. Yes, for -- to that point in time, because the report, you know, filed is probably a couple years old.

Q. Okay. And I think there is some clarification.

You have been doing receivership since 1980, correct?

A. Yes, since nine -- since mid to late 1980s was

when I did my first.

Q. And you have done receiverships throughout that time until the present, correct?

A. Correct.

Q. Have you ever -- in the Mathon case that was race raised, were your fees approves in that case by the court?

A. Yes, they were.

Q. And were your figures and calculations related to restitution to the investors, was that approved by the court?

A. Yes. Once you submitted any of the paperwork related to your fees and expenses related with Mathon or any of your other receiverships, were you always -- well, let me rephrase that. I'm sorry.

Your fees that -- and costs related to your most recent receiverships, have those ever had the fees denied?

A. No.

Q. And have you -- you -- your resumé lists out quite a number of issues or actual testimony.

Have you testified in your receivership matters?

A. Yes, many times.

MS. COY: Okay. I have no further questions.

MR. POLESE: Your Honor, I just have a couple questions.

MR. WILK: Your Honor, can I indulge the Court --

JUDGE BUSTAMANTE: Yes.

MR. WILK: -- to just clarify two things that Mr. Coy brought out about Mr. Sell?

JUDGE BUSTAMANTE: Yes.

MR. WILK: Again, this is Lawrence C. Wilk on behalf of Mr. Sell.

EXAMINATION

Q. (BY MR. WILK) Jim, in --

A. Yeah.

Q. -- in Mathon specifically, was there a mechanism set up so that the investors would have say in everything that was going on in the case?

A. Yes, there was. And that's the typical receivership, particularly a large one, there has always been an investor committee that's involved that reviewed and to a large extent participate in the decisions that are made.

Q. And especially in light of billing, was the -- was that committee advised of what the bills were and continually given information as to what was being expected in the case?

A. Yes. They were actively involved and well aware of everything that was going on in that case and in other cases they would have been a receiver on.

Q. And specifically in Mathon, those were pretty sophisticated investors that were involved in that process, correct?

A. Yes. They were mostly wealthy sophisticated investors.

Q. And they did not object to the fees that are being the subject of the questions that this request is asking?

A. That's correct.

MR. WILK: No further questions.

JUDGE BUSTAMANTE: Okay. Mr. Polese, go ahead.

RECROSS EXAMINATION

Q. (BY MR. POLESE) Just to -- Mr. Sell, did I understand you to say that at no time were your fees in any of the matters where you were retained, whether as a conservator or trustee or receiver, have been challenged?

A. I -- I don't believe they have. We have had discussions about them and there have been issues on fees from time to time. And that's the whole point of the process, to have the fee applications submitted to the

Court. I doubt that there isn't ever an attorney bill that isn't objected to --

Q. My question is, did you --

A. -- by someone in a case.

Q. Did you have to --

A. (Inaudible). Pardon me?

Q. I'm sorry. Did you have to modify your fee request, in light of objections, to get it approved by the Court?

A. I don't believe that's ever occurred.

Q. Okay.

A. I don't believe there has ever been a modification of a fee application.

Q. And with respect to your liquidation of properties, when it came to real estate matters, if you didn't have the expertise, you simply turned to an outside company, right, such as an appraiser or a real estate broker to sell properties?

A. Yes, in most instances. And then some receiverships, there was already an agreement of who the real estate agent would be. I have had divorce receiverships where when I entered into the receivership, there was already somebody in place that was agreed by the parties to sell any real estate that there was.

The only thing that -- provision other than that

that would have been in there, was if I objected to the sale of a piece of property at a price I didn't think was reasonable, then it would go before the court for a hearing and the judge's ultimate approval.

Q. If you need to hire an outside expert, whether it's an appraiser or a realtor or whatever expertise, did you find that process to be cumbersome, time consuming, and expensive?

A. Not really. It's fairly easy to find out who is qualified.

MR. POLESE: Okay. I have nothing further.

JUDGE BUSTAMANTE: Any redirect based on those questions?

MS. COY: No, thank you.

JUDGE BUSTAMANTE: Okay. Mr. Sell, it's up to you whether you want to stay on the line or not.

MR. SELL: Okay.

JUDGE BUSTAMANTE: Do you want to go ahead and stay on the line or do you want me to disconnect?

MR. WILK: No. I will stay on.

JUDGE BUSTAMANTE: Okay. Ms. Coy.

MS. COY: Mr. Davis, would you like to testify --

MR. DAVIS: Sure.

MS. COY: -- be questioned?

MR. DAVIS: Would love to.

JUDGE BUSTAMANTE: Go ahead and come on up, Mr. Davis, and you can just go ahead and come on around here. I know it's a little awkward there.

MS. COY: New courtroom.

JUDGE BUSTAMANTE: Yes.

And then you can have a seat right here in front of this monitor, but before you have a seat, I'm going to ask you to raise your right hand so you may be sworn in.

BERNADETTE: What's your full name?

THE WITNESS: Peter Davis.

PETER DAVIS,

called as a witness herein, having been first duly sworn, was examined and testified as follows:

JUDGE BUSTAMANTE: Okay. Go ahead and have a seat.

Ms. Coy.

DIRECT EXAMINATION

Q. (BY MS. COY) Mr. Davis, can you state your name.

A. Peter Davis.

Q. Can you give us -- or have you had certification, review of business certifications?

A. Yes, I did.

Q. Can you tell us what those are?

A. Yes. I am a CPA. I am a certified fraud examiner, I am a certified insolvency and restructuring advisor, I am a certified turnaround professional, and I am accredited in business valuation, and I am certified in financial forensics.

Q. Thank you.

Have you done any receiverships involving the offer and sale of securities?

A. Yes.

Q. Have you done any receiverships that involve securities fraud?

A. Yes.

Q. Have you done any receiverships that have involved real estate transactions?

A. Yes.

Q. Servicing those transactions or collecting on real estate transactions?

A. Yes, I have.

Q. And since we got into it earlier, have you had any fee statements or has there been any subject or questions on your fee statements by the Court at any point

on any of your cases?

A. There have been questions about my fees from time to time. They have all been resolved and my fees have always been approved.

Q. And you have testimony experience?

A. Yes. I have testified as an expert probably over 100 times at this point.

Q. And with respect to the receiverships that you have done that have related to real estate transactions, can you tell me what types of things you have done with those receiverships?

A. Well, yes. I have liquidated property. I have analyzed the loans, looked at the secured proper -- secured nature of the loans and have come up with equitable ways to distribute funds that I have back to the victims or the underlying investors. I have also looked at where the money went, because there is often shortfalls.

Q. Have you had occasion to, in any of your receiverships, to find securities fraud violations that had occurred?

A. Well, yes.

Q. And have you had any occasion in your receiverships to find that fraud has never occurred or hadn't occurred in a receivership?

A. Yes, those have occurred as well.

Q. And how long have you been acting as a receiver?

A. For more than ten years.

Q. And on the cases where you have had investors, have you been able to get a return back to the -- not a return -- have you been able to get money back to the investors on their investments?

A. Oh, yes. In most cases, that happens. Some cases, there just aren't assets available.

Q. And do you also, on any of your receiverships, work with the investors in any type of investor agreement to keep them informed of what's happening in the receiverships?

A. Yes. I have set up investor committees and similar groups like that to keep investors regularly informed. We set up websites. We will have conference calls or town halls.

Q. Do they -- do those investors or the investor committees meet with you and talk about the direction of your receivership and why you want to go different ways, and your fee structures?

A. Yes, particularly about litigation and forensic accounting projects, so the big pieces of work that can happen when engaged can be expensive, whether we go contingent or hourly. And then on forensic accounting,

our budgets are often set forth, approved, and then we move forward.

Q. And have you handled matters that have gone disputing bankruptcy issues that involved your receiverships?

A. Well, yes. So state court receivership or federal receivership where there is entities in bankruptcy that are related or the interplay there, yes, I have been part of those cases. The Titan Capital Holdings case right now, there is -- the largest investment we have is in bankruptcy. It's a hard-money lender, and so there is an interplay between us and the bankruptcy court.

Q. And approximately how many receiverships have you done?

A. I think almost 100. I haven't counted them, but I have been a receiver a lot.

Q. And those are put in your resumé?

A. Yes. My curriculum vitae I call it, sorry, but yes.

Q. CV is easier to pronounce.

MS. COY: Okay. At this point I have no further questions.

JUDGE BUSTAMANTE: Mr. Polese.

CROSS EXAMINATION

Q. (BY MR. POLESE) Peter, we know each other, correct?

A. We do.

Q. One of the receiverships that you did was Gates-04 back in 2006, I believe?

A. That's correct.

Q. And that's where we had interaction?

A. Yes.

Q. In that case, what was the recovery to the investors as a percentage of their investments?

A. Well, for those investors who stayed in the bankruptcy plan, it was established there were no recoveries.

Q. So there was no recovery in that.

And what -- do you recall the amount of fees that were -- that were charged in that particular case?

A. I don't recall, but there were fees. There were in fact the administrative fees, the professional fees weren't paid in full.

Q. Administrative fees were quite -- quite extensive in that case?

A. They were, yes. There was a lot of litigation in that case.

Q. There is -- there is a contingent in this case, as I understand from the State, that it may be that there was a defalcation, but it was defalcation by a guy who is now in bankruptcy, as opposed to DenSco itself, and the recovery might be from that bankruptcy estate. I want you to assume that for purposes of this particular line of questioning.

Would you agree with me that there would be very little incentive for DenSco to spend a lot of money trying to trace money in the bankrupt's estate unless he was the primary creditor of that estate?

A. Well, I wouldn't necessarily agree, because I don't know all the facts and circumstances surrounding the Chapter 7.

Q. Unfortunately, neither -- none of us here in this room know.

A. Okay. But I have experience in cases where there is a Chapter 7 bankruptcy, which is a liquidating bankruptcy, where a large creditor, like we would be here, $42 million is a lot of money, where the trustee may agree, and I have had this happen, to allow us to pursue litigation separately and apart and have a preferred arrangement for payment.

So, you know, there may be some money that goes back to the estate, the Chapter 7 bankruptcy estate, but

then there would be an appropriate amount that would come back to the receivership for pursuing that action, and taking into account the risk that's undertaken and the legal costs and out-of-pocket costs that would happen.

And sometimes, in the cases I have had, that's the only way to motivate the trustee to pursue a certain action. Because if it's a no-asset estate, the trust -- the trustee I think is Jill Ford in this case, may not have an incentive to -- to -- may not have monies and resources to pursue an action, so it's left to the creditors to pursue it. And this -- this happens frequently, like banks and others, where there has been an underlying bankruptcy fraud.

I mean, $42 million is a lot of money, and I heard what you said. He may have snorted it or spent it on women or whatever. We don't know that. That's a lot of money to burn through. And so oftentimes there is something there, it's a fraudulent transfer, alter ego, friends and family, offshore assets, and that's where it gets interesting.

And if -- if the estate has been really, you know, dried completely to zero, then it may be us as the last man standing, depending on the other creditors and their willingness. Now, they may want to co-fund something, but we have to see who is willing to put money

forward and really chase this down. And what is it? We have to understand what it is.

But I -- I believe that in a case like this, the forensic piece shouldn't be that costly, and the reason I say that is because there is two parts. The first is trying to get intel as to where the money may be, so starting kind of at the end where that money may have ended up. And the second part is then tracing from here down, you know, from where it would have started, from DenSco down to the estate of the person in Chapter 7. I don't want to butcher his name, so I don't want to say it, but there.

So there is two directions you can go in, but if we can get intel about where it is, then that shortens that pathway. You need the forensic accounting for the lit -- to support it in litigation to develop the opinions of fraudulent transfer and alter ego, you know, or substantive consolidation or whatever the cause of action may be.

So that's -- that's generally how I do it and why I think there is a -- there is a shortcut path potentially. And again, you know, we don't know the details, and this may be just wishful thinking from me, but I would look at it that way.

In fact, in Titan, there was almost no money in

that estate in the beginning. And so there is -- there is no ability to do a forensic accounting, and a decision was made early on we can't.

But we have identified where the big pots are, we are going to try to chase those down and get what we can back in, and already one of those is a dead end. So we have to be very careful about how we spend money.

Q. And you would acknowledge -- you would acknowledge that the ability to go first, you would find out where the money went, whether or not it's even recoverable, that you would have to coordinate with the trustee in bankruptcy, because it's the trustee in bankruptcy's claim, not DenSco's claim?

A. Correct. There -- there may be separate DenSco claims that are not the trustee's, but that is absolutely correct, that for a transfer that happened from that bankruptcy estate when it was pre-bankruptcy, those would be owned by the trustee and it would be a negotiation, and it may be the best interest of DenSco to let the trustee pursue them. And that may be. We have done that in some cases, but I don't -- I don't know that.

And I have done it in a number of cases, where we are pursuing it or the secured lender who has retained me as an expert is paying the bill to pursue it, because there is some fraud in the bankruptcy.

Q. And Peter, I just want to confirm that your arrangement would be the same as that as Mr. Sell with his company, and that is that you personally would be the receiver, and you would retain Simon Consulting to do the accounting piece if there was further accounting work?

A. I think that's basically accurate. The way we typically word it, and I'm not sure I would have the ability to say this in this case, but it's Peter S. Davis of Simon Consulting is the named receiver, and then I do submit a separate application to employ my firm to assist me, correct.

Q. But typically you would not seek competitive biddings to do any forensic accounting piece?

A. No, there wouldn't be.

Q. Do you know Mr. Giallanza?

A. Yes.

Q. Okay. And can you tell the Court what you think of Mr. Giallanza, both from his character and standing in the community, as well as his competency to serve as a receiver?

A. Well, I serve on two committees or slash boards with Mr. Giallanza, and he has an excellent reputation. Personally, he is a very good man. He gives a lot of time to the community, to the State Bar, legal -- State Bar Foundation for legal aid. And then also the St. Thomas

More Society. So I have known him for a number of years through those organizations.

And on the large Landmarc case that he worked on, I had some interaction with him and it went very well. I know the recoveries went very well, and the reputation of what happened in Landmarc contrasted with Mortgages Limited, which I was familiar with, that Landmarc was a much more efficient case that was done.

So I am aware of that, and I did work a little bit on -- I can't remember the role that I had, but I had some connection to Landmarc. I may have been opposed to Mr. Giallanza. I don't remember. But I do recall that reputationally, that it was very positive in terms of the outcome of that case.

Q. So the investors got a substantial recovery in Landmarc?

A. Yes, and the professional fees were well managed.

Q. And one final point is, I just want to confirm that your -- your billing rate for you personally 250 an hour?

A. Correct.

Q. And -- and your staff is anywhere from $90 on up?

A. Well, under 250, correct.

Q. Well, so as low as 90, but up to -- up to 250?

A. That's correct.

MR. POLESE: Thank you, Your Honor. We have no further questions.

JUDGE BUSTAMANTE: Ms. Coy?

REDIRECT EXAMINATION

Q. (BY MS. COY) Mr. Davis, just a couple questions.

Chapter 7's are usually a personal bankruptcy, correct?

A. Yes. Generally, yes.

Q. And if that individual operated numerous businesses but he filed personal bankruptcy, would you, as the receiver, look to those business assets?

A. Absolutely, and they are not in bankruptcy.

Q. And they are not in bankruptcy?

A. Correct. Absolutely.

Q. Okay. Each case that you do would have -- you know, you can't guarantee that you will get 100 percent recovery, and you can't tell people there is going to be zero, correct?

A. Yes. Correct.

Q. You actually have to go in, review the records,

and make determinations and recommendations as to what would be best, correct?

A. Yes.

Q. And I forgot to ask this earlier.

Who would you report to if you were appointed receiver in this case?

A. The Court.

MS. COY: Thank you.

EXAMINATION

Q. (BY JUDGE BUSTAMANTE) Mr. Davis, I just have a question for you in regards to a document that I had reviewed earlier about you have a sophisticated and efficient scanning software system.

A. Thank you for asking that.

Q. Can you expand on that?

A. Well, we invested a lot of money and have the license to --

MR. POLESE: Your Honor, could we ask you to speak up?

THE WITNESS: I'm sorry, Mr. Polese. I'm sorry. Is that better?

MR. POLESE: Yeah, that's good.

THE WITNESS: I think when I turn sideways to

look at the judge, the microphone --

JUDGE BUSTAMANTE: I will try to turn it up a little bit.

THE WITNESS: We have a software program, that we control and own the license to, that allows us to automatically import all of the data from bank statements and credit card statements. And so when we are doing a forensic accounting, that's the big part of it. So it's allowed us to increase the speed and vastly reduce the costs of doing a forensic accounting.

It's almost like we can take -- recently we did a million pages of bank statements, scanned them all in; and this would have taken six months and cost over $100,000, and we were able to complete it for, like, under $20,000 in two or three weeks. And so the fee reduction is astounding at the efficiency we have been able to reach by using this software.

It basically scans all the bank statements. It uses an algorithm, so it knows how to pick up the data and run the balances. Scans them all in, dumps it into Excel, and then we go through the Excel and just proof it, but it proofs itself, and then we put in the canceled checks. That's the only thing you have to input, are the canceled checks.

So you put the memo section and who the payee

is. And then it's done. Because the amount and the date of the canceled check is already in there from the -- from the data scan. So the speed at which these things can be done is extremely fast.

JUDGE BUSTAMANTE: Any follow-up questions?

MR. POLESE: Follow-up, please?

JUDGE BUSTAMANTE: Sure.

RECROSS EXAMINATION

Q. (BY MR. POLESE) Peter, if the books and records of DenSco are as good as everyone seems to think they are, would you think that forensic accounting, extensive forensic accounting work would be even needed in DenSco? It might be needed with respect to these other entities that are bankrupt, but with respect to DenSco, would you think that that would be needed?

A. I don't think it would be. And what we would need to do is just get comfortable. And I have done this, where these accounting systems, QuickBooks is easy to manipulate, but if the individual behind DenSco was a one-man shop and he did it all and he kept meticulous records, and some people do, then we should be able to proof it fairly quickly. In other words, do some sanity checks. Make sure the data is believable, make sure it's

trustworthy, and it could save an incredible cost by doing it that way. But that's absolutely correct.

Q. Okay. One last question.

If the Court decides that Mr. Giallanza is the perfect person to serve as receiver, would Simon Consulting consider requesting the opportunity to bid on doing any forensic accounting work that the receiver might need?

A. Well, if Mr. Giallanza was determined he needed someone, we do that work. I have worked for other receivers and trustees, bankruptcy trustees, so --

Q. And I think you said you have worked with Mr. Giallanza on the Landmarc matter?

A. Yeah. I couldn't remember whether if it was either I worked with him or I had a case opposed to him, but there was some connection on Landmarc. But I wouldn't have any opposition, you know, to assisting another fiduciary in a case.

Q. So -- so Simon could clearly do any forensic accounting work?

A. Yes, absent conflicts, and I don't have a conflict, so --

MR. POLESE: Okay. Thank you, Your Honor.

JUDGE BUSTAMANTE: Ms. Coy, do you have any follow-up questions in regards to the issue I asked?

MS. COY: No, Your Honor.

JUDGE BUSTAMANTE: Okay. Thank you, Mr. Davis. You can go ahead and step down.

MR. POLESE: Your Honor, I know this is odd, but could I ask Mr. Sell the same question I just asked Mr. Davis? And that is, if Mr. Giallanza were appointed, would -- would Mr. Sell consider having his accounting firm bid for any forensic accounting that might be needed?

JUDGE BUSTAMANTE: Sure.

Mr. Sell, did you hear that question?

MR. SELL: Yes, I did. And certainly. You know, the type of software that Peter was talking about -- and I know Peter and we have worked on different aspects of different cases together, and, you know, I use similar software to the one he uses.

JUDGE BUSTAMANTE: I -- I think the question was in regards to whether your company would be willing to do the forensic accounting if ultimately Mr. Defresco --

MR. POLESE: Giallanza.

JUDGE BUSTAMANTE: -- Giallanza was appointed.

THE WITNESS: Yes. And the answer is yes. And I don't have any conflict with him, so there would be no problem.

JUDGE BUSTAMANTE: Okay. Anybody else? Ms. Coy?

MS. COY: No, Your Honor.

JUDGE BUSTAMANTE: Okay. Mr. Polese?

MR. POLESE: Mr. Giallanza, please.

MR. WILK: Your Honor, could I be excused from the courtroom for about five minutes?

JUDGE BUSTAMANTE: Yes. No problem.

Mr. Giallanza, if you can please -- Giallanza?

MR. GIALLANZA: Yes.

JUDGE BUSTAMANTE: Okay. If you could please raise your right hand so you may be sworn in.

BERNADETTE: Would you spell your name?

THE WITNESS: Yes. It's G-i-a-l-l-a-n-z-a.

TOM GIALLANZA,

called as a witness herein, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

Q. (BY MR. POLESE) Mr. Giallanza, you are presently the receiver for the Landmarc Capital case?

A. I am presently the deputy receiver --

Q. Okay.

A. -- for Landmarc Capital Investment, and have been so since the inception of the case.

Q. And how many years has that been?

A. The case began on June 24th, 2009.

Q. And would you just briefly explain to the Court what your role as the deputy receiver is --

A. Yes, I --

Q. -- and has been?

A. It has been my role to essentially operate Landmarc Capital, which operates solely under the authority of the Court. The State, the State's Office and Corporation Commission have dissolved it, but by virtue of the Court orders, we operate Landmarc.

The purpose of that is to allow for recovery of as many dollars as possible from what had been 380-plus loans that had been made by Landmarc. Landmarc was what we have heard in the courtroom as a hard-money lender. They were licensed by the Arizona Department of Financial Institutions, and they -- they made a portfolio of loans, and in the process they, they skirted many of the regulations and the laws that other companies seemed to be able to follow.

Ultimately, when a couple of complainants had arrived at the Department complaining about their treatment by Landmarc, the Department decided to investigate, and at the end of the investigation they presented to the Court facts to establish that Landmarc

was indeed insolvent. And what we asked the Court to do at that time was to allow us to operate the company to see if we could recover assets and somehow get back funds to many of the claimants that had been injured in the process.

So in a nutshell, I have -- I have operated Landmarc to this day with that objective in mind. We -- we had -- we had filed with the Court, over the course of seven years, actually, we filed just under 100 petitions seeking the Court's authority to consummate contracts or implement agreements that had been arrived at by virtue of the negotiations I mostly conducted, so that we could then reach a specific objective in the receivership.

And most all of those petitions, all the Court orders, all the reports, when we took away the company, we also took away the website and took off all the information that said that they were the best thing since sliced bread. I put instead on that website, that's there for anybody to look at, download, review, all the petitions, all the Court orders, all the reports, everything chronologically that's happened in the case from the beginning to our most recent August 2nd certified order from the Court.

So it became a very quick way for all of the many people that have been injured or participated in the

receivership to obtain answers and download the documentation if they chose, but it's -- it's still there for everybody to review.

Q. And what -- what is the fee that you have been charging in the Landmarc case? What is your --

A. Well, in the Landmarc case, I -- I -- I had two, two lives, so to speak. When the Landmarc case began, I was the assistant superintendent for the Department of Financial Institutions. I became the deputy superintendent when the superintendent departed, and I ultimately terminated my relationship when the State realized that, you know, we had -- we were spending way more than the income would allow in the State, and we had to scale back staff, you know, from 51 employees to under 30.

I put myself on that list, but I asked for the Court's permission to continue as the deputy receiver. I believe it's petition 22. I filed that, by agreement with the new super -- the then superintendent, where what I did was I capped my hourly billing, which the rate I agreed to was $125 an hour. I capped my hourly billing on that, so that it -- I would never gross more than what I had been paid as a gross salary as a State employee. It's never changed, other than it's gone down.

I agreed voluntarily, when the State legislature

has not funded any additional funds for the -- this -- excuse me -- this receivership, so I agreed to voluntarily, as of July of this year, reduce my fees by a cap, a cap I reduced 50 percent. So that way we would have less need for external funding from the State.

So $125 an hour, but, you know, I don't make that because it's capped.

Q. And I will ask you briefly, if you were hired in this case, your hourly rate would be higher than $125 an hour, right?

A. I would like to -- I would hope to receive $185 an hour.

Q. What percentage of recovery -- tell the Court basically what the recovery has been in the Landmarc case?

A. Well, so far we have -- we have -- we have been able to achieve a recovery that works out to be slightly over 40 percent of what the original investors had either subscribed to and/or paid in for their investment in a specific loan.

And, you know, that -- that -- that doesn't sound like a great number to somebody that's lost the other percent, but we have been able to do it with -- in a down market, for practical purposes, until the last few years.

Q. Now, prior to working for the State Department

of Financial Institutions, your background was deeply in real estate, correct?

A. Yes. For the most part, yes.

Q. And you are not -- you do not have an accounting background?

A. No, I do not.

Q. Okay. Does the lack of an accounting background in anyway inhibit you in conducting your receivership in the Landmarc Capital case?

A. No, I don't believe it has. And I -- I -- I -- I employ experts where needed. And in the accounting area, we did have to follow the money in Landmarc extensively.

Q. Who did the forensic accounting there?

A. At that time we brought in Larry Field, who was, you know, certified as a forensic, forensics expert and also CPA, and had had a substantial experience in the forensic accounting field.

So he -- he was -- he was a tremendous assistance early on, and I simply would have to review his work product and make certain that we were getting, the receivership was getting the input needed from that expert, and it worked very well.

There were multiple, multiple sets of books maintained by Landmarc, and part of the difficulty was we

had to try as best we could to reconcile everything and understand where all the money flowed to, so that we can -- we would be able to present the Court with evidence of the equitable value of the investments that had been made.

Q. Did you find retaining outside forensic accountants to be expensive, time consuming, inefficient?

A. No, not at all.

Q. With respect to -- you understand the State has resisted having you appointed as the -- as the receiver in this case?

A. I do now, yes.

Q. And one of the objections that has been raised, I believe, is that you don't have a receiver bond?

A. Oh, no.

Q. I am asserting today you don't have a bond to serve as a receiver in this receivership?

A. Oh, no. You know, it's not customary to walk around with a bond.

Q. How -- how difficult would it be for you to get a receivership bond?

A. I don't believe very difficult. I mean, by way of example, when the issue was raised in a brief discussion I had with Ms. Coy yesterday, I applied and it's in process. But again, there is nothing to suggest

that I would have the right to ask for a bond, because I have not been appointed, so --

Q. Now, there has been some suggestion that you don't have a lot of experience testifying in court in receivership matters.

Do you understand that's one of the criticisms raised by the Securities Division?

A. I do. But I -- if I may --

Q. Yeah.

A. -- I --

Q. Can you respond to that criticism?

A. In -- yes. Maybe it would be best to say that in the course of almost 100 petitions to the Court, I view it as a -- something to be proud of that I did not have to testify, because in fact if -- if a lot of the work is done prior to bringing the issue to the court, if testimony is needed, there are many places and people to go to for that testimony and evidence, but I did not believe it's my role to be sitting in court providing testimony, if there was a way to avoid that. So in all of those petitions, I have never testified. I have been in court, I have answered the Court's questions, but not to provide testimony or for evidence.

Q. Another criticism raised by the Division is that you don't have a backup accounting firm at the ready to do

forensic accounting.

What's your response to that criticism?

A. Well, I have -- I think I have heard, sitting in this courtroom, that I probably have at least two sources I can go to immediately if it were needed. And that's -- that's ordinarily how -- how things operate. You try to find, by the process of evaluation, the best expert, you try to obtain the best price possible for that service, and then you present that to the Court for its authorization. It's not that cumbersome.

Q. Do you maintain a separate business office or you operate out of your house?

A. I -- I maintained, up until about a year and a half ago, a separate business office, but a year and a half ago, discussions with the then receiver, the then superintendent of the Department, I pointed out that since we were very close to the end of the receivership, I wanted to mentor some of the people within the Department that would inherit the files, the data, the information that we had gathered, so that after I was gone and after the receivership was buttoned up, the calls that inevitably would come in, wouldn't end up being on the -- there would be somebody to answer, deal with, provide the input necessary.

So I have been allowed to essentially rent space

from the Department. I am physically located inside my old department, and the mentoring process is going on.

Q. So is it fair to say that your overhead is extremely small as a receiver in the Landmarc case?

A. It is, yes.

Q. Now, there has been some contention that you never raised any fraud issues in the Landmarc case, and we are going to have fraud issues here so you are just not competent to do that.

What would your response, to the Court, to that criticism be?

A. Well, I share -- I share with Ms. Coy the fact that early on in the receivership, we realized that there was a million-dollar E&O policy that might be available to handle what we at that time thought was a substantial matter of improper behavior on the part of the CPA that represented the owner of the company.

However, we were also aware that to the extent that you -- you allege and provide all sorts of evidence that there may have been or there are allegations of fraud, it severely hampers your ability to ultimately achieve a recovery from an E&O carrier. And we were operating with no reserve fund, because the State had swept it. So the objective to attempt to recover as much of that million-dollar E&O policy was very important.

So when you go back and look at the original documentation, and then all the documentation thereafter, you won't find allegations of fraud, but I assure you, I know what it looks like, and I authorized cases when I was at the Department to deal with fraud. I served on a joint committee where 44 individuals were indicted for mortgage fraud. I served as a mortgage expert for the federal government in all of those indictments, and 40 of the 44 people, and two of the cases I testified in as the mortgage expert, they were found guilty of that fraud.

Q. So is it fair to say that you downplayed the existence of fraud in Landmarc in order to get your hands on the E&O policy?

A. Yes, it is, but we recovered over $978,000.

Q. Have you ever, during your time as the receiver in Landmarc, had your fees challenged by the Court or not paid?

A. No.

Q. I don't think we have anything -- oh, on the tax papers filed today, there was a two-page CV, and I just want you to confirm that these two pages are in fact your CV that -- that have already been (inaudible).

A. I (inaudible).

MR. POLESE: Ms. Coy may have some questions.

MS. COY: Oh, yeah.

CROSS EXAMINATION

Q. (BY MS. COY) Mr. Giallanza, how many receiverships have you done that had securities violations involved?

A. Just one.

Q. And that's Landmarc?

A. Yes.

Q. And what's your experience with matters -- are you familiar with the Arizona Securities Act?

A. Somewhat, yes.

Q. Okay. Have you dealt with any appointment in being a receiver under the Arizona Securities Act?

A. No.

Q. The banking department, or DFI, has a specific receivership statute, correct?

A. Correct.

Q. And it's -- to your knowledge, is it different than the Arizona Securities Act --

A. Yes.

Q. -- receivership?

A. Yes. I understood the question.

Q. And you indicated that, when we spoke, that you had testified on a number of, or at least two, federal trials, but as a mortgage expert, correct?

A. Yes.

Q. But that didn't involve any type of financial analysis, is that correct?

A. No. My -- my -- I was not called upon to give any input or testimony on financial aspects.

Q. And have you submitted any type of reports -- I understand you submitted a number of them in the Landmarc case to the Court related to mortgages and the hard-money lending.

Have you personally submitted any documents to the Court outlining the financial aspects, financial analysis that a CPA would do?

A. There -- there have been -- there have been reports made available to the Court. I -- I -- I believe the answer is yes to that.

Q. Okay. But they -- that weren't your analysis?

A. Oh, no, no. They were not mine. They were -- they were reports that I was tendering, but they were -- the work was done by one of the entities that I had hired.

Q. In this particular case, I think you have heard information that there were a large number of loans; however, the majority of the loans, approximately $42 million, has essentially disappeared and were unsecured, but a small percentage, maybe one-tenth, related to the mortgages that needed to be collected.

What would you do with respect to the 42 million in tracing those accounts?

A. Well, again, I think that's where you bring in people that have the expertise to track those accounts. And as I suggested, there is a couple of names I have been given right here in this courtroom today, but I do not -- I don't undertake that myself. I just make certain I quarterback those that do.

Q. Now, you indicated that you believed there was fraud in the Landmarc case, but yet you didn't file documents with the Court to indicate that. Is that correct?

A. That's correct. The -- the -- the statute, again, you referenced is very specific. In order to get the Court to give you that injunction, and the right to be the receiver, insolvency is the critical factor.

And so there seemed to be no immediate benefit from that, but sometimes it's done. But we found no basis to put in the allegations of fraud, because at that point we would be giving up access, perhaps, to the E&O policy.

Q. Have any of the -- but you did find fraud in Landmarc, correct?

A. Yes.

Q. The principals of Landmarc committed fraud?

A. Yes.

Q. Have they been prosecuted for that?

A. No.

Q. Has anybody done jail time for that type of fraud?

A. No.

Q. And I think we confirmed that you have no accounting background, correct?

A. That's correct.

Q. And are you going to continue to have an office at DFI if you are appointed receiver in this case?

A. I -- I -- I -- if I were to be appointed receiver, I would immediately discuss that with the current superintendent and suggest that I separate. I would stop in, I would give my reports, but I would no longer office there.

Q. Back on the criminal aspects for the fraud that you found in Landmarc, did you refer that to any type of criminal prosecutorial agency?

A. The Corporation Commission was fully aware of the Landmarc matter, and I -- I will leave it there.

Q. Okay. But is the Corporation Commission a criminal prosecutorial agency?

A. Well, we are approaching this, from your perspective, on securities, and if there had been securities fraud, that's where I would think there would

have been involvement.

But yes, I shared the information with the Justice Department, and they are -- they were fully aware of what we were doing and how we intended to handle the Landmarc receivership.

Q. One of the discussions -- let me step back.

As a receiver, have you had -- have you had reason to pursue matters in bankruptcy court?

A. Yes.

Q. What type of matters have you pursued in bankruptcy court?

A. Most that we have had to deal with in bankruptcy court were instances where if we were pursuing an asset that we had -- we had a borrower that perhaps was not current or meeting its obligations, we would initiate foreclosure. And very often what would -- what would occur is that that borrower would then file bankruptcy simply as a method of delaying what ultimately would have to occur. And that's probably most of the instances.

There were other instances. In one, the receivership owned 50 percent of a very large asset, a 197-acre asset in Flagstaff, and the other 50 percent was owned by an entity that decided to rid itself of the -- the burden of the receivership and actually went into court, filed bankruptcy, and suggested to the bankruptcy

court that the 50 percent owner should be able to swallow the other 50 percent owner and force a plan on everybody.

So we -- you know, I objected to that. And after about a year and a half of back and forth, we were successful in getting the Court to rule that an action would have to take place.

In that process, the other owner suggested that the property was only worth $1.9 million, and the public auction finally fetched 5.7 million.

Q. With your background and experience, do you -- how do you -- are you the one that values the real estate that you are looking at, for instance, in Landmarc?

A. No. You know, in Landmarc, the 387 assets were, you know, some vacant land, some commercial properties, some individual family residences. And what I tended to do, given that the entity was out of money, is I would utilize appraisers only on the large commercial properties.

Where I felt that I needed to save dollars on the residential and on the vacant land, I would generally get a minimum of three competent brokers that work in that specialty, and so land brokers versus just the regular everyday real estate broker, and then I would get them to give opinions of value in writing. And I would take those and I would, after questioning those individuals, I would

have a fair assessment of the range that that property could be valued at, but it was done in a least expensive way as opposed to full appraisals.

MS. COY: At this time I have no further questions.

MR. POLESE: Nothing further, Your Honor.

JUDGE BUSTAMANTE: Okay. Thank you. You can go ahead and step down.

I am going to review all the resumés, again, in light of the testimony that I just heard, and I will issue a decision in regards to receivership as soon as possible. I understand the urgency of the situation, so I assure you it will be soon.

Thank you all. You all have a good day.

MR. POLESE: Thank you, Your Honor.

JUDGE BUSTAMANTE: Thank you, Mr. Sell. I am going to go ahead and disconnect you.

* * *

C E R T I F I C A T E

I, KELLY SUE OGLESBY, Arizona Certified Reporter No. 50178, do hereby certify that the foregoing printed pages constitute a full, true, and accurate record of the proceedings had in the foregoing matter, all to the best of my skill and ability.

I further certify that I am in no way related to any of the parties hereto, nor am I in any way interested in the outcome thereof.

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 7/27/2017

Kelly Sue Oglesby
Arizona Certified Reporter No. 50178

Date

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

JD REPORTING, INC.
Arizona Registered Reporting Firm R1012

Date

Exhibit 50

FILED
8/18/2016 3:39 PM
MICHAEL K. JEANES, Clerk
By M. Patrick
M.J Patrick, Deputy

ARIZONA CORPORATION COMMISSION
Wendy Coy, #013195
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STATE OF ARIZONA

MARICOPA COUNTY SUPERIOR COURT

ARIZONA CORPORATION COMMISSION Plaintiff v. DENSCO INVESTMENT CORPORATION, an Arizona corporation Defendant.	No. CV 2016-014142 **ORDER APPOINTING RECEIVER**

Plaintiff the Arizona Corporation Commission ("ACC") having filed a Verified Complaint and an Application for Appointment of a Receiver for the Defendant hereto (collectively "Receivership Defendant"), the Court finds, based upon the papers filed by the ACC, that this Order Appointing Receiver is both necessary and appropriate in order to prevent waste and dissipation of the assets of the Receivership Defendant to the detriment of investors.

IT IS THEREFORE ORDERED:

1. This Court hereby takes exclusive jurisdiction and possession of the assets, monies, securities, choses in action, and properties, real and personal, tangible and intangible, of whatever kind and description, wherever situated, of the Receivership Defendant, (hereinafter, "Receivership Assets").

2. Peter Davis located at 3200 N. Central Ave, Ste 2460, Phoenix, AZ 85012 with the phone number of 602-279-7500, email www.simoncanvelting.net is appointed Receiver for the Receivership Assets. The Receiver shall file with the Clerk of this Court a bond in the sum of $ 100,000.00, without need for sureties approved by the Court, to assure his conscientious performance of the duties and responsibilities imposed by this Order. The Receiver is hereby authorized to take and have possession and control of the Receivership Assets. Until further order of this Court, the Receiver shall have complete and exclusive control, possession, and custody of all Receivership Assets. The Receiver shall be the agent of the court and shall be accountable directly to this Court.

3. All persons, including, but not limited to, Defendant and their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Order by personal service or otherwise, and specifically including any bank or other financial or depository institution holding accounts for or on behalf of the Receivership Defendant, shall promptly deliver to the Receiver all Receivership Assets in the possession or under the control of any one or more of them and shall promptly surrender all books and records of any kind pertaining or belonging to the Receivership Defendant.

4. The Defendant shall fully cooperate with and assist the Receiver, which shall include, but not be limited to, providing information to the Receiver that the Receiver deems necessary to exercising the authority and discharging the responsibilities of the Receiver under this Order; providing any password required to access any computer, electronic file, or telephonic data in any medium; advising all persons who owe money to the Receivership Defendant that all debts should be paid directly to the Receiver; and provide to the Receiver all keys and codes necessary to gain or to secure access to any Receivership Assets or Receivership Records.

5. All persons, including, but not limited to, Defendant and its officers, agents, servants, employees, attorneys, and all persons in active concert or participation with it, who receive actual notice of this Order by personal service or otherwise, are enjoined from in any way

interfering with the operation of the Receivership or in any way disturbing the Receivership Assets and from filing or prosecuting any actions or proceedings which involve the Receiver or which affect the Receivership Assets, specifically including any proceeding initiated pursuant to the United States Bankruptcy Code, except with the prior permission of this Court. Any actions so authorized to determine disputes relating to Receivership Assets shall be filed in this Court.

6. Defendant and its officers, agents, servants, employees, attorneys, and all persons in active concert or participation with it, is hereby restrained and enjoined from directly or indirectly destroying, secreting, defacing, transferring or otherwise altering or disposing of any documents of the Defendant, including, but not limited to, books, records, accounts, writings, drawings, graphs, charts, photographs, audio and video recordings, computer records and other data compilations, electronically stored records, or any other papers of any kind or nature. Defendant is also restrained and enjoined from excusing debts owed to the Defendant or transferring, receiving, altering selling, encumbering, pledging, assigning, liquidating, or otherwise disposing of any assets owned, controlled, or in the possession or custody of, or in which an interest is held or claimed by, the Receivership Defendant, or the Receiver.

7. All banks, broker-dealers, savings and loans, escrow agents, title companies, commodity trading companies, or other financial institutions shall cooperate with all reasonable requests of the Receiver relating to implementation of this Order, including transferring funds at his direction and producing records related to the assets of the Receivership Defendant.

8. The Receiver is hereby authorized to make appropriate notification to the United States Postal Service to forward delivery of any mail addressed to the Receivership Defendant, any company or entity under the direction or control of any of the Receivership Defendant, to any Post Office box or other mail depository, to himself. Further, the Receiver is hereby authorized to open and inspect all such mail, to determine the location or identity of assets or the existence and amount of claims.

9. The Receiver is hereby authorized to open one or more bank accounts with financial institutions insured by an agency of the United States. The Receiver shall deposit all Receivership Assets in such designated accounts and shall make all payments and disbursements from the Receivership Assets from such accounts. The Receiver shall be responsible, to the best of his ability, to collect and allocate the loan proceeds, both principal and interest, and to make land payments to the lenders.

10. The Receiver is hereby authorized to make such ordinary and necessary payments, distributions, and disbursements as he deems advisable or proper for the marshaling, maintenance or preservation of the Receivership Assets. The Receiver shall have the authority to contact and negotiate with any creditors of the Receivership Defendant, for the purpose of compromising or settling any claim. To this purpose, in those instances in which Receivership Assets serve as collateral to secured creditors, the Receiver may surrender such assets to secured creditors, and shall have the authority to make such surrender conditional upon the waiver of any deficiency of collateral. Furthermore, the Receiver is authorized to renew, cancel, terminate, or otherwise adjust any pending lease agreements to which the Receivership Defendant are a party.

11. The Receiver is hereby directed to prevent the inequitable distribution of assets and determine, adjust, and protect the interests of persons with an interest in or claim against the Receivership Assets.

12. The Receiver is hereby directed to file with this Court and serve upon the parties, within 30 days after entry of this Order, a preliminary report setting out the identity, location and value of the Receivership Assets, and any liabilities pertaining thereto. Further, at the time the Receiver makes such report, he shall recommend to the Court whether, in his opinion, based on his initial investigation, claims against Defendant, should be adjudged in the Bankruptcy Court. After providing the parties an opportunity to be heard, this Court will determine whether to accept the Receiver's recommendation and, if appropriate, issue an order authorizing the Receiver to commence a bankruptcy proceeding.

13. Except by leave of this Court, during pendency of the Receivership ordered herein, the Defendant, and all other persons and entities be and hereby are stayed from taking any action to establish or enforce any claim, right, or interest for, against, on behalf of, in, or in the name of, any of the Receivership Defendant, any of their subsidiaries, affiliates, partnerships, assets, documents, or the Receiver or the Receiver's duly authorized agents acting in their capacities as such, including, but not limited to, the following actions:

a. Commencing, prosecuting, continuing, entering, or enforcing any suit or proceeding, except that such actions may be filed to toll any applicable statute of limitations;

b. Accelerating the due date of any obligation or claimed obligation; filing or enforcing any lien; taking or attempting to take possession, custody, or control of any asset; attempting to foreclose, forfeit, alter, or terminate any interest in any asset, whether such acts are part of a judicial proceeding, are acts of self-help, or otherwise;

c. Executing, issuing, serving, or causing the execution, issuance or service of, any legal process, including, but not limited to, attachments, garnishments, subpoenas, writs of replevin, writs of execution, or any other form of process whether specified in this Order or not; or

d. Doing any act or thing whatsoever to interfere with the Receiver taking custody, control, possession, or management of the assets or documents subject to this receivership, or to harass or interfere with the Receiver in any way, or to interfere in any manner with the exclusive jurisdiction of this Court over the assets or documents of the Receivership Defendant.

14. Except as otherwise provided in this Order, all persons and entities in need of documentation from the Receiver shall in all instances first attempt to secure such information by submitting a formal written request to the Receiver, and, if such request has not been responded to

within fifteen (15) days of receipt by the Receiver, any such person or entity may thereafter seek an Order of this Court with regard to the relief requested.

15. The Receivership Defendant will have access to the business records, including copies of computer records, of the Receivership Defendant upon twenty-four (24) hour notice to the Receiver and under the receivers' supervision. The Receivership Defendant will not remove the business records from the Receiver.

16. The Receiver is hereby authorized to employ such employees, accountants, and attorneys as are necessary and proper for the collection, preservation and maintenance of the Receivership Assets.

17. The Receiver is hereby authorized and directed to receive and collect any and all sums of money due or owing to the Receivership Defendant, whether the same are now due or shall hereafter become due and payable, and is authorized to incur such reasonable expenses and make such disbursements as are necessary and proper for the collection, preservation, maintenance and operation of the Receivership Assets. The Receiver shall be authorized to compromise or adjust obligations which may be owed to the Receivership Estate. The Receiver shall seek and obtain the approval of the Court for any proposed compromise or settlement. Court approval may be sought on an expedited basis.

18. The Receiver is authorized to liquidate Receivership Assets, as may in his discretion be advisable. The Receiver shall first seek and obtain the approval of this Court for the proposed sale. Court approval may be sought on an expedited basis.

19. The Receiver is hereby authorized to institute, defend, compromise or adjust such actions or proceedings in state or federal courts now pending and hereafter instituted, as may in his discretion be advisable or proper for the protection of the Receivership Assets or proceeds therefrom, and to institute, prosecute, compromise or adjust such actions or proceedings in state or federal court as may in his judgment be necessary or proper for the collection, preservation and maintenance of the Receivership Assets.

20. The Receiver is hereby authorized to institute such actions or proceedings to impose a constructive trust, obtain possession and/or recover judgment with respect to persons or entities who received assets or funds traceable to investor monies. All such actions shall be filed in this Court.

21. The Receiver shall be authorized, after notice and hearing, to seek Court approval for the amendment of the Receivership Order to include additional parties to the pending litigation.

22. Upon the request of the Receiver, any peace officer of this State is authorized and directed to assist the Receiver in carrying out his duties to take possession, custody or control of, or identify the location of, any Receivership Assets. The Receiver is authorized to remove any person from any premises or real estate constituting a Receivership Asset that attempts to interfere with the Receiver, his attorneys or agents in the performance of their duties. The Receiver is further authorized to change any locks or other security mechanisms with respect to any premises or other assets that constitute Receivership Assets.

23. The Receiver shall keep the ACC and the Receivership Defendant apprised at reasonable intervals of developments concerning the operation of the receivership, and shall provide to the ACC upon request any documents under the control of the Receiver.

24. The Receiver shall seek and obtain the approval of this Court prior to disbursement of professional fees and expenses to himself or counsel, by presentation of a written application therefor and after consultation with the ACC or in accordance with further order of the Court. All costs incurred by the Receiver shall be paid from the Receivership Assets.

IT IS FURTHER ORDERED that this Court shall retain jurisdiction of this action for all purposes. The Receiver is hereby authorized, empowered and directed to apply to this Court, with notice to the ACC and Defendant, for issuance of such other orders as may be necessary and appropriate in order to carry out the mandate of this Court.

It is further ordered the Receiver may not waive the attorney-client privilege as to Chittick's communications with Beauchamp without the Estate's consent. The Receiver must obtain court approval before waiving the privilege as to Denco if the Estate does not consent to the waiver.

IT IS FURTHER ORDERED that this Order will remain in effect until modified by further order of this Court.

DATED this 18th day of August, 2016.

Honorable Lori Horn Bustamante
Judge of the Superior Court

The foregoing instrument is a full, true and correct copy of the original on file in this office.

Attest August 19 20 No

MICHAEL K. JEANES, Clerk of the Superior Court of the State of Arizona, in and for the County of Maricopa.

By _____ Deputy

Exhibit 51

From:	Peter Davis <PDavis@simonconsulting.net>
To:	Sara Beretta
CC:	Peter Davis
Sent:	10/24/2017 10:21:07 PM
Subject:	DenSco Receivership - Scott Menaged Settlement
Attachments:	pr-menaged-yomtov-scott-information-101717.pdf; pr-menaged-yomtov-scott-plea-agreement-101717.pdf

Dear Investors,

As many of you may already know, I have learned that Yomtov Scott Menaged ("Menaged") has entered into a plea agreement in the criminal case against him.

Attached is a copy of the Information regarding the charges that have been [or would have been made] against Menaged and the Plea Agreement. To summarize the Plea Agreement, Menaged has agreed to plead guilty to the following criminal charges:

- Conspiracy to Commit Bank Fraud [18 U.S.C §371];
- Aggravated Identity Theft [18 U.S.C §1028(A)]; and
- Money Laundering Conspiracy [[18 U.S.C §1956(h)]

Under the terms of the plea agreement Menaged has agreed to the following:

- The losses from the Money Laundering Conspiracy is $34,000,000;
- Menaged will be sentenced to a term of imprisonment of no less than 10 years and no more than 17 years;
- Menaged will permanently waive his bankruptcy discharge;
- Menaged has agreed to restitution of $1,145,392.81 to Wells Fargo Bank, $967,013.13 to Synchrony Bank and $34,000,000.00 to "all victims"; and
- Menaged has to provide a full accounting of his assets.

I am informed that the United States District Court will hold a hearing, currently set for December 27th, to address the Plea Agreement. We believe that this hearing on December 27th will be a "mini" trial where the Government and Menaged will present evidence that will try to sway the Court on the length of the prison sentence. Simply put, I suspect that the Government will be arguing for a 17 year prison sentence and Menaged will be arguing for a 10 year sentence. This is a critical development in the DenSco case. Representatives of the United States Attorney have asked me to communicate this information to you and to solicit you, as a DenSco investor, to determine if you want to provide a victim impact statement to the United States Attorney of the effect of the Menaged/DenSco fraud upon you. If you are interested, please let me know and provide me with the best method for the United States Attorney to contact you and I will forward your information to the United States Attorney. You have no obligation to provide a victim impact statement, but I wanted to let you know of this opportunity.

In closing, I hope you have been following the DenSco website for updates, as we continue to move rapidly on the administration of the Receivership. I am expecting the Court will soon approve my Claims recommendations which will enable me to move forward with seeking to approve an interim distribution to pay a portion of your DenSco claim from the monies that we've already collected.

If you have any questions or concerns, please let me know.

Sincerely,

Peter Davis, CPA, ABV, CFF, CIRA, CTP, CFE
Managing Director

SIMON CONSULTING
Clarity. Integrity. Results.

Office: 602-279-7503 = Mobile: 602-295-6068 = Web: SimonConsulting.net
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Exhibit 52

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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

Date

HONORABLE G. MURRAY SNOW
United States District Judge

Exhibit 53

ELIZABETH A. STRANGE
Acting United States Attorney
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MONICA EDELSTEIN
Assistant U.S. Attorney
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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.

NO. CR-17-00680-PHX-GMS

INFORMATION

VIO: 18 U.S.C. § 1956(h)
(Money Laundering Conspiracy)
Count One

THE UNITED STATES ATTORNEY CHARGES:

BACKGROUND

At all times relevant to this Information:

1. The defendant YOMTOV SCOTT MENAGED ("Menaged") owned a number of retail furniture stores and also worked as a real estate investor in the Phoenix metropolitan area. Menaged was the sole owner and manager of several real estate investment entities including Arizona Home Foreclosures, LLC ("AHF").

2. DenSco Investment Corporation ("DenSco") was a hard money lender formed by D.C. in April 2001, whose primary business was to provide funding through short-term, high-interest loans to real estate investors for the purchase of real estate. Between 2007 and 2008, D.C. and DenSco began a lending relationship with Menaged and

loaned monies for the purchase of real estate through foreclosure Trustee Sales conducted in Arizona.

3. Menaged, or Menaged's employees at his direction, identified prospective properties to purchase and sent by email a listing of properties and proposed sale amounts to D.C. and DenSco requesting hard money loans for the purchase of the identified properties. DenSco wire transferred funds directly from DenSco 1st Bank Account ending in #5264 to bank accounts owned and operated by Menaged, including AHF JP Morgan Chase bank account ending in #1151. Often Menaged would identify multiple prospective properties to purchase and DenSco would wire transfer aggregate loan amounts to Menaged's accounts for the purchase of multiple properties.

4. Starting in January 2014, DenSco began requiring Menaged to provide DenSco with copies of specific cashier's checks, issued by Menaged's bank to the respective foreclosure trustees, as well as copies of the Trustee's Sales Receipts for each transaction conducted with DenSco funding.

5. Between January 2014 and June 2016, Menaged and AHF obtained a total of 2,712 loans from DenSco totaling approximately $734,484,440.67.

6. On or about April 20, 2016, Menaged filed for bankruptcy pursuant to Chapter 7 of the United States Bankruptcy Code.

COUNT ONE
Conspiracy to Commit Money Laundering
[18 U.S.C. § 1956(h)]

7. All of the allegations set forth in Paragraphs 1 through 6 of the Information are re-alleged and incorporated herein.

8. Between in or about January 2014, and continuing through and in or about June 2016, in the District of Arizona, and elsewhere, defendant, MENAGED, V.C., together and with others, both known and unknown, did knowingly, intelligently, and unlawfully combine, conspire, confederate, and agree to knowingly commit the following offenses against the United States:

a. Title 18 United States Code, Section 1956(a)(1)(A)(i) (Money Laundering to Promote SUA);

b. Title 18 United States Code, Section 1956 (a)(1)(B)(i) (Money Laundering to conceal or disguise proceeds of SUA);

c. Title 18 United States Code, Section 1956 (a)(2)(B)(i) (Transfers to Conceal Proceeds of SUA); and

d. Title 18 United States Code, Section 1957 (Transactional Money Laundering).

MANNER AND MEANS OF THE CONSPIRACY

9. Menaged, with the assistance of others, including employees, falsified the purchase of more than 2,000 properties after obtaining funding from DenSco.

10. Menaged and others used email addresses controlled by Menaged to identify properties for sale to DenSco in order to obtain loans when in fact, none of the identified properties were actually purchased.

11. Menaged caused DenSco to wire transfer funds for the purchase of properties to bank accounts controlled by Menaged when Menaged and others knew that no real estate purchase was going to occur.

12. Menaged caused the issuance of cashier's checks drawn on his bank accounts representing the purchase amount for the properties and emailed, or caused others to email, an image of the checks to DenSco in satisfaction of the lending agreement between the parties. Menaged then immediately redeposited the cashier's checks into accounts he controlled and did not utilize the funds to make the identified real estate purchases.

13. Menaged and others executed, notarized, and provided DenSco, often by email, falsified and fabricated documentation purporting to represent Trustee's Sales Receipts for completed real estate transactions when in fact, no real estate purchase ever occurred.

14. Menaged transmitted large portions of the proceeds obtained from DenSco to family members and associates including by issuing checks, wire transfers, or other financial transactions often in amounts greater than $10,000.00.

All in violation of 18 U.S.C. § 1956(h).

Dated this 16th day of October, 2017.

ELIZABETH A. STRANGE
Acting United States Attorney
District of Arizona

MONICA EDELSTEIN
Assistant U.S. Attorney

Exhibit 54

Exhibit 54

ORDERED.

Dated: September 5, 2017

Paul Sala, Bankruptcy Judge

Gutilla Murphy Anderson, P.C.
5415 E. High Street, Suite 200
Phoenix, AZ 85054
(480) 304-8300

IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF ARIZONA

In Re: YOMTOV SCOTT MENAGED, Debtor.	Case No. 2:16-bk-04268-PS
PETER S. DAVIS, AS RECEIVER OF DENSCO INVESTMENT CORPORATION, Plaintiff, vs. YOMTOV SCOTT MENAGED, FRANCINE MENAGED, and their marital community, Defendants.	Adv. Case No. 2:17-ap-00116-PS **JUDGMENT**

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 ("**Scott**") and Francine Menaged ("**Francine**"), husband and wife, ("**Menageds**" or "**Defendants**") seeking a joint and several judgment in favor of the Receiver against Scott and the Menageds' marital community, and a judicial determination that the judgment is non dischargeable pursuant to 11 U.S.C. § 523(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 Scott and the Menageds' marital community in the amount of thirty-one million dollars ($31,000,000.00).

NOW, THEREFORE, IT IS ORDERED:

1. That the Receiver is awarded, judgment against Scott, his sole and separate property, and the Menageds' marital community and the Menageds' marital property 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 is entitled to immediately record and enforce this Judgment against Scott's available sole and separate property and against the Menageds' available marital property; and

IT IS FURTHER ORDERED:

3. That this Judgment is based upon fraud and is a debt that is non-dischargeable in bankruptcy as against Scott and the Menageds' marital community pursuant to 11 U.S.C. § 523(a)(2) and (6).

DATED AND SIGNED ABOVE

Guttilla Murphy Anderson, P.C.
5415 E. High Street, Suite 200
Phoenix, AZ 85054
(480) 304-8300

Exhibit 55

In the Matter Of:

Peter S. Davis vs Clark Hill P.L.C.

CV2017-013832

ANTHONY BURDETT

March 22, 2019

ESQUIRE
DEPOSITION SOLUTIONS

800.211.DEPO (3376)
EsquireSolutions.com

the Corporation Commission stepped in at some point. Right?

A. Yes.

Q. And then your email goes on, it says: My sole goal is to maximize the return of my investment but in doing so will help to maximize the return of all investors. If we go the bankruptcy/receivership route we will receive pennies on the dollar.

Did I read that correctly?

A. Yes.

Q. And then the next paragraph reads: I am a retired CPA with over 40-plus years of experience. I am also a friend of Eldon and Carlene Chittick and would like to offer them any assistance I can in this very difficult time. Hopefully we can get the other investors on board and make the best of a bad situation.

And then you give your contact information. Correct?

A. Yes.

Q. All right. So let me go back to that first paragraph.

You say "If we go the bankruptcy/receivership route we would receive pennies on the dollar." What are you saying there?

A. Historically I think about 10 or 12 cents on the dollar is what you get when you go through the receivership route. No offense to attorneys, but all the funds get drained off in -- seriously -- in attorney's fees. I mean you-all are doing your job, it takes time. But I think you can look at the latest accounting of DenSco receivership and my prediction has been pretty much holding up. It's just the nature of the beast.

Q. So you're expressing a concern here that if DenSco were put either in bankruptcy or receivership, the investors would stand to get less money on their investments.

A. Sure.

Q. And had you had experience previously with either dealing with a bankruptcy trustee being appointed or a receiver being appointed?

A. No. But I had 40 years of accounting experience and I thought a group of people, conscientious, honest people, Warren, myself, some others, we could -- we could look out for the interest of all investors and try to do it in the most cost-effective way possible. That was the purpose of my email.

Q. Did you share with the other investors your

taken, and further that I am not financially or otherwise interested in the outcome of the action.

That $_____ is the charge for the preparation of the completed deposition transcript and any copies of exhibits, charged to Defendants;

Given under my hand and seal of office on April 2, 2019.

Tara K. Riojas
Certificate No. 6594
Expires 12-31-2019
Firm No. 734

Exhibit 56

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

Exhibit 57

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>