

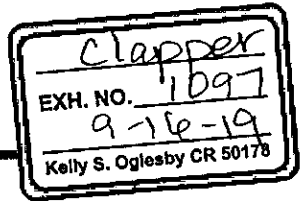
Clapper
EXH. NO. 1096
9-16-19
Kelly S. Oglesby CR 50178

Message

From: Gary Clapper [GRC@azcc.gov]
Sent: 8/3/2016 2:46:22 PM
To: Beauchamp, David G. [dbeauchamp@clarkhill.com]
Subject: Densco

Here is my contact information

Gary Clapper
Chief Investigator
Securities Division
(602) 542-0152



Beauchamp, David G.

From: Beauchamp, David G.
Sent: Friday, August 05, 2016 6:25 PM
To: Wendy Coy; Gary Clapper
Subject: FW: Email to Investors of DenSCO Investment Corporation ("DenSCO")

Wendy and Gary:

Sorry for the delay. Here is the email that I sent to the DenSCO's investors.

Regards, David

David G. Beauchamp

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From: Beauchamp, David G.
Sent: Wednesday, August 03, 2016 11:35 PM
To: acatejr@gmail.com; amydirks@hotmail.com; anthjen@yahoo.com; artnina@hotmail.com; Aztonysmith@aol.com; barryluchtel@gmail.com; bdirks5@cox.net; bji@cox.net; bjlocke64@yahoo.com; bjodenthal@frontier.com; brian.wenig@honeywell.com; burdett.anthony@gmail.com; butlerv@yahoo.com; carricks3@ak.net; czj528@hotmail.com; dariosdad@gmail.com; dave@prestoncpa.biz; davedubay@gmail.com; dhowze@cox.net; don-cindy@cablone.net; Doriann@cox.net; eileencohen@me.com; epcarrick@gmail.com; glenpdavis@gmail.com; greeraz@gmail.com; gsiegford@msn.com; hahnaz2@cox.net; hey.ralph01@gmail.com; hikthestik@aol.com; jackdds@myway.com; jamccoy32@gmail.com; jbhok@yahoo.com; jemmakopel@hotmail.com; jgsiegford@yahoo.com; jimmy@flytrapproductions.com; jimpatmc44@gmail.com; jkjetto@yahoo.com; Jphalen00@aol.com; jwalker113@cox.net; kayell121@cs.com; kaylene.moss@avnet.com; kennel@yahoo.com; landonluchtel@gmail.com; lanka2000@yahoo.com; Laurieweiskopf@gmail.com; lkopel22@hotmail.com; mark.wenig@gmail.com; mbencekent@yahoo.com; mlminvestor@gmail.com; mrsbeasley68@verizon.net; mscroggin@me.com; nihad@yahoo.com; nswirtz@me.com; patsmiller21@gmail.com; Paul_a_kent@yahoo.com; pearces@mailhaven.com; Peter.Rzonca@Avnet.com; pidupper@gmail.com; queialively@yahoo.com; ralph@kaisertile.net; rbrinkman@yahoo.com; rgriswold3@stny.rr.com; robertflawson@gmail.com; rzkoehler@yahoo.com; sdetota@yahoo.com; sdtuttle@gmail.com; smschloz@msn.com; steve@bunger.me; stewart.sherriff@gmail.com; switchback62@hotmail.com; terryleeAZ@comcast.net; thomasbyrne11@gmail.com; thompscog2@cox.net; trovita@gmail.com; uaflyor767@gmail.com; valeriepaxton@gmail.com; vimuscat@gmail.com; wadeunderwood@hotmail.com; wbush112@comcast.net; wjswirtz@me.com; wka@caribbeanpoolsaz.com; yusuf@comsiscomputer.com
Subject: Email to Investors of DenSCO Investment Corporation ("DenSCO")

Dear DenSCO Investors:

As a follow up to the email from Denny Chittick's Family that was distributed on Sunday, I met late Monday with Shawna Chittick Heuer (Denny's sister) to discuss Denny's unfortunate and untimely passing and the steps to resolve the obligations of DenSCO to each of you. The intent was to discuss what information we collectively had available concerning DenSCO and its outstanding loans and to determine the best procedure to close down DenSCO's business and to return the capital contributed by DenSCO's Investors. Each of us had already talked to a few people in the real estate investment business to discuss how we could obtain a preliminary analysis of DenSCO's current loans. Specifically, we wanted to determine what information might be in DenSCO's available files and records to indicate the likelihood of being able to collect the monies due DenSCO so we could proceed with the wind-down of DenSCO and the payments to the Investors..

Shawna was able to find someone familiar with certain aspects of the real estate investment business to do a very brief and superficial review of the loans to DenSco's borrowers which paperwork was in DenSco's files. This preliminary review will simply be to determine if DenSco's records indicate which of DenSco's loans seem to be fully secured and if DenSco's records show timely payment of the past payments so that we can consider these to be "Good Loans." We also will try to identify the date due as specified in the respective promissory note for each of these Good Loans to have an indication when each such loan is to be paid off. This money will add to DenSco's money that is anticipated to be returned to the Investors at the end of the wind-down process. We have also requested help to identify the "Troubled Loans," by reviewing the loan files and DenSco's payment records to determine which loans are either unsecured, or the respective borrower is not current with its payments of interest or the principal, or if Denny's records indicate that these loans are owed by an entity currently in bankruptcy or are guaranteed by someone who is in personal bankruptcy. Unfortunately, there are also claims that DenSco has against either Auction.com or Scott Menaged (or some other parties) that we need to better understand. We believe that this preliminary review of the Good Loans will be done by Friday of this week and we will share that information with you. At the same time, we are also trying to get a good estimate of the balance of the principal amounts owed to Investors and any unpaid and accrued interest that is owed.

As part of the plan moving forward, we have filed the Will of Denny J. Chittick ("Denny's Will") and the necessary filings with the Probate Court to have Shawna designated as the Personal Representative of Denny's Estate, which is what Denny's Will provides. Shawna is an accountant and she has both the experience and the skill set from her every day position to work with the necessary people to recover proceeds owed to DenSco and to return the recovered proceeds to the Investors. The probate filing is necessary so that Shawna could have the necessary authority to control DenSco and to have the authority to make decisions on behalf of DenSco, with the input of Investors as we propose below. However, if we determine that DenSco's recoverable proceeds are likely to be significantly or materially insufficient to return the Investors' capital to the Investors, then Shawna is unlikely to assume the control of DenSco and we will work with the various state authorities to have a Receiver named for DenSco, and such Receiver will be responsible to come up with an acceptable plan to collect the proceeds owed to DenSco and to return as much of the Investor's money as possible.

This problem with DenSco's Troubled Loans developed over time and it will take some time to understand those Troubled Loans, how those loans came into existence as well as how to maximize the return on those loans to maximize the return of capital to the Investors. If whoever is in charge of DenSco does not work with the Investors, then DenSco will either be put into bankruptcy or have a Receiver appointed, which will incur costs on behalf of the Investors and DenSco that will significantly reduce what will be available to return to the Investors. For example, one of the recent reports concerning liquidation of companies owing money to investors indicated that the costs associated with a bankruptcy or a Receiver can reduce the amount to be paid to investors by almost half or even a much more significant reduction. Since many of the Troubled Loans stopped paying interest last October, DenSco has suffered a severe cash-flow problem. To resolve this cash-flow problem, Denny has taken every step available to him to try to enable DenSco to meet its obligations to Investors until he could find another solution to avoid significant losses to DenSco's Investors. Specifically, Denny previously liquidated or mortgaged all of his personal assets to loan money to DenSco to allow DenSco to continue to make its interest payments to its Investors until he had nothing left to put into DenSco.

As indicated above, the initial plan that we are trying to follow is intended for us to determine (and share with you): what does DenSco own; what is the current balance in DenSco's bank account; what loans are timely paying and when such loans are anticipated to be liquidated with the balance paid to DenSco. Initially, we believe that all of the Good Loans should be paid off within 6 months. We hope to have more specific information by Friday of this week.

There are also significant unsecured and secured loans that are subject to the personal bankruptcy of Yomtov "Scott" Menaged. These unsecured and secured loans to Scott Menaged need to be analyzed as well as the bankruptcy case so that we can determine what is likely to be paid to resolve these loans. In addition, to these loans, we also need to determine the status of the life insurance policy and other collateral that were to secure certain of the unsecured loans. Unfortunately, this will take more time than a couple days, but this information will be provided as soon as we

can obtain and confirm it. This information should be available in a couple of weeks if third parties involved in the bankruptcy case timely provide the information that we have requested.

We also understand that there is a significant amount of money that is currently tied up with Auction.com that involves certain transactions involving Scott Menaged. Given the lack of initial information available concerning these transactions in Denny's office, it will take more time to understand these transactions and to determine what can be done to recover this amount of money. We will hopefully be able to have an understanding of these transactions, who has the money and what can be done to collect the money owed to DenSco. So this will likely take at least 45 days to obtain and confirm this information so that it can be shared with you.

In order to maximize the available return to all of the Investors, which is what Denny urged us to do in his last instructions, we would like to keep DenSco out of a protracted bankruptcy or a contentious Receivership proceeding. As indicated above, various studies have shown that the third party costs and legal and other professional fees and costs and the inherent delays in bankruptcy and / or Receivership proceedings can consume more than 35% of the available money that should or would otherwise be available to be returned to Investors. As we proceed, it may be necessary to have the final distribution and allocation to Investors approved by a court to satisfy any fiduciary duties for some Investors and that can be accommodated by a judicial review and approval of a settlement plan without a full bankruptcy proceeding. Again, if we determine that DenSco's recoverable proceeds are likely to be significantly or materially insufficient to return the Investors' capital to the Investors, then Shawna is unlikely to assume the control of DenSco and we will work with the various state authorities to have a Receiver named for DenSco, which Receiver will come up with an acceptable plan to collect the proceeds owed to DenSco and to return as much of the Investor's money as possible.

If we are going to proceed informally to keep costs down, we understand that we need to communicate with you on a regular basis and we need to be able to receive communication from you as the Investors. To have good and open communication, we would like to create an "Advisory Board" of 5 Investors to meet with and to advise DenSco with respect to the information obtained and how that information can best be used to cost-effectively help DenSco to recover funds that are owed to DenSco. We intend to structure this as an Advisory Board to protect the members of this Advisory Board from any potential liability based upon their role with DenSco. Specifically, the Advisory Board would only have an advisory position with DenSco as opposed to a full authority position, which is to distinguish this situation from having these Investors appointed to the Board of Directors. If you would be interested in participating on this Advisory Board, please let me know by return email and confirm that you would have the availability and willingness to participate in the necessary meetings (in person or by phone). Ideally, we would like to have a "cross-section of Investors" on this Advisory Board to help DenSco evaluate the information as it becomes available and to assist analyzing various decisions and the effect that such decisions would have on the Investors.

As indicated above, we hope to have a more detailed analysis of the Good Loans by the end of this week.

Sincerely, David

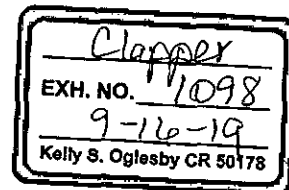
David G. Beauchamp

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William Woerner

From: Beauchamp, David G. <D8Beauchamp@ClarkHill.com>
Sent: Friday, August 05, 2016 8:32 PM
To: Wendy Coy; Gary Clapper
Subject: FW: Additional DenSCO Information

Wendy and Gary

Please see the email to the DenSCO's investors that I sent this evening with the updated (and bad) news.

Sincerely, David

David G. Beauchamp

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From: Beauchamp, David G.
Sent: Friday, August 05, 2016 8:29 PM
To: acatejr@gmail.com; amydirks@hotmail.com; anthjen@yahoo.com; artina@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; darkosdad@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; gsfegford@msn.com; hahnaz2@cox.net; hey.ralph01@gmail.com; hikthestik@aol.com; jackdds@myway.com; jamccoy32@gmail.com; jbhok@yahoo.com; jemmakopel@hotmail.com; jgsiegford@yahoo.com; jimmy@flytrapproductions.com; jimpatmc44@gmail.com; jkjetto@yahoo.com; Jphalen00@aol.com; jwalker113@cox.net; kayell121@cs.com; kaylene.moss@avnet.com; kenneni@yahoo.com; landoniuchtel@gmail.com; ianka2000@yahoo.com; Laurieweiskopf@gmail.com; lkopel22@hotmail.com; mark.wenig@gmail.com; mbencekent@yahoo.com; mlminvestor@gmail.com; mrsbeasley68@verizon.net; mmscroggin@me.com; nihad@yahoo.com; nswirtz@me.com; patsmiller21@gmail.com; Paul_a_kent@yahoo.com; pearces@mailhaven.com; Peter.Rzonca@Avnet.com; pldupper@gmail.com; quelalively@yahoo.com; ralph@kaisertile.net; rbrinkman@yahoo.com; rgriswold3@stny.rr.com; robertflawson@gmail.com; rzkoehler@yahoo.com; sdetota@yahoo.com; sdetota99@yahoo.com; sdtuttle@gmail.com; smschioz@msn.com; steve@bunger.me; stewart.sheriff@gmail.com; switchback62@hotmail.com; terryleeAZ@comcast.net; thomasbyrne11@gmail.com; thompscog2@cox.net; trovita@gmail.com; uaifyor767@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 Managed but we are unsure of security, will require collection via courts; \$14,339,339 supposedly unsecured note from Scott Managed, 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 Managed 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 Less of Schian Walker, PLC as Debtor's legal counsel. Cody Less 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 Less 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 Less also claimed that Furniture King is not in the bankruptcy, but it does not matter because it has no value due to the several liens already filed against it. Cody said that DenSco never filed a UCC-1 to secure its security interest in the assets of Furniture King. That UCC-1 was part of the forbearance package that we prepared in 2014. That package was supposed to be signed in my office, but Scott convinced Denny to not do the signing in my office. I gave all of the documents to Denny and told Denny to get them all signed (where the stickers were) and to have certain documents notarized and to have the UCC-1 filed with the Arizona Secretary of State. Denny subsequently told me that the UCC-1 had been filed. However, I checked today and that UCC-1 was never filed and made of record against Furniture King.

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00001467
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.

File #88604
We will keep you informed as we obtain more information.

Sincerely, David

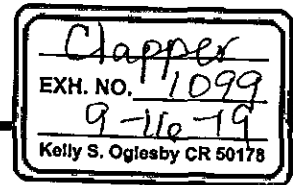
David G. Beauchamp

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Beauchamp, David G.

From: Kurt Johnson <kj@kurtjohnsonlaw.com>
Sent: Monday, August 08, 2016 7:02 PM
To: Beauchamp, David G.
Subject: RE: Densco Investment Corporation

Sensitivity: Confidential

Okay, thanks.

Kurt
KJ@KurtJohnsonLaw.com

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From: Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]
Sent: Monday, August 08, 2016 7:01 PM
To: Kurt Johnson
Subject: RE: Densco Investment Corporation
Sensitivity: Confidential

Kurt:

I have very limited representation of the company until Wednesday when I turn over everything to the ACC Securities Division. There is no officer or director of the company. The Family has been advised by other counsel not to have any family member to become an officer or director of DenSco.

The ACC will have to decide how they want to proceed. So far, they are not sharing their thoughts with me.

Best regards, David

David G. Beauchamp

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From: Kurt Johnson [<mailto:kj@kurtjohnsonlaw.com>]
Sent: Monday, August 08, 2016 6:57 PM
To: Beauchamp, David G.
Subject: Densco Investment Corporation
Sensitivity: Confidential

David,

Do you represent the corporation or the family or both? If you represent the corporation, then I can mail my resignation as statutory agent to you. Otherwise, I will need to mail to Denny as his last address even though the family will receive it.

Warm regards,

Kurt

Law Office of Kurt Johnson
tel. 602.505.8117
fax 602.892.0034
KJ@KurtJohnsonLaw.com

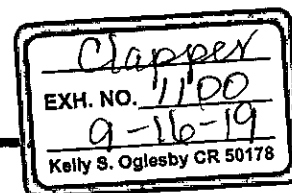
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Beauchamp, David G.



From: Marlene Pearce <pearces@mailhaven.com>
Sent: Tuesday, August 09, 2016 8:59 AM
To: Thomas Byrne
Cc: Beauchamp, David G.; Craig and Samantha Hood; Craig Brown; 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; 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; uaflyor767@gmail.com; valeriepaxton@gmail.com; vimuscat@gmail.com; wadeunderwood@hotmail.com; wbush1120@comcast.net; wjswirtz@me.com; wka@caribbeanpoolsaz.com; yusuf@comsiscomputer.com; gclapper@azcc.gov; wwoerner@azcc.gov
Subject: Contacts at AZCC

Yesterday I contacted the Arizona Corporation commission to find out if they are able and willing to broadcast the meeting tomorrow to the investors so that we are more aware of what transpires. I spoke with Bill Woerner, late yesterday who is one of the investigators who will be working on this case. He told me he would find out and call me back.

I just received a phone call this morning from the chief investigator for the Densco case in the securities division at the Arizona Corporation commission. His name is Gary Clapper and he spent at least 15 minutes on the phone with me. He is very interested in speaking with each of the investors, but not necessarily in tomorrow's meeting, which I understand. He said they are not able to broadcast the meeting tomorrow for confidentiality reasons and also because they are still gathering information. However he has asked to be included in the email strings between the investors and agreed that the website repository of information that Craig is setting up would be valuable. I have added both of their email addresses on this email distribution list.

He told me that Shawna, Denny sister, would also be at the meeting tomorrow along with David. He said that any information from the meeting will need to be communicated to us from one of them, as the state is under some confidentiality laws. He indicated that was true until a court filing of some type takes place.

He asked that each of the investors give them a call so that they can have a short conversation with each of us to gather information. Their direct numbers are below:

Bill Woerner 6025420627
Gary Clapper 6025420152

FYI, Bill is retired from the FBI in white collar crime, and Gary is retired PD.

Marlene Pearce

All errors courtesy of my iPhone.

On Aug 9, 2016, at 7:36 AM, Thomas Byrne <thomasbyrne11@gmail.com> wrote:

David,

So just so it is clear - who in addition to you do we anticipate having at this meeting? Would seem to me that it would be at least prudent to have one or two other people, even if it was just another pair of ears tasked to listen so we can capture and debrief re the situation.

Tom

On Mon, Aug 8, 2016 at 7:14 PM, Beauchamp, David G. <DBeauchamp@clarkhill.com> wrote:

Craig:

The Securities Division has made it clear that they would like to have a Receiver appointed with its own legal counsel and they will handle all of the communication with the Investors going forward.

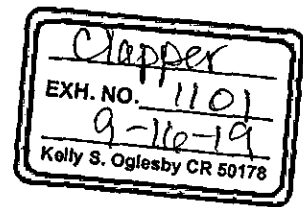
With respect to your question concerning the Wednesday meeting, the Director of Enforcement had someone from her office relay a message to me that they do not want any Investors (or attorneys for Investors) at the Wednesday meeting. They seem to have a very specific agenda and they want as few people there as possible so that they can keep to their agenda. Since they have declined to share their agenda prior to the meeting, I am not exactly sure what all is to be covered.

Best regards, David

David G. Beauchamp

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

7



William Woerner

From: Beauchamp, David G. <DBeauchamp@ClarkHill.com>
Sent: Wednesday, August 10, 2016 10:29 AM
To: Gary Clapper
Cc: Wendy Coy
Subject: FW: DenSco Investment Corporation
Attachments: 3201_001.pdf

Gary:

This was also to be sent to you via a copy. Sorry for the delay in sending your copy to you.

Best regards, David

David G. Beauchamp

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

From: Grove, Lindsay L.
Sent: Wednesday, August 10, 2016 9:58 AM
To: wcoy@azcc.gov
Cc: Beauchamp, David G.
Subject: DenSco Investment Corporation

Ms. Coy,

At the request of David Beauchamp, please see attached response to your letter.

Thank you.

Lindsay L. Grove

CLARK HILL PLC
480.684.1133 (direct) | 480.684.1199 (fax)

ACC005472
File #8604

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ACC005473 File #8604

CH_REC_DEP_0008586

CLARK HILL

David Beauchamp
T: 480.684.1126
F: 480.684.1199
dbeauchamp@clarkhill.com

Clark Hill PLC
14850 N. Scottsdale Road
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Scottsdale, AZ 85254
T 480.684.1100
F 480.684.1199
clarkhill.com

August 10, 2016

VIA EMAIL & US MAIL
(WCoy@azcc.gov)

Ms. Wendy Coy
Arizona Corporation Commission
Securities Division
1300 West Washington Street
Phoenix, AZ 85007

Re: DenSco Investment Corporation /File No. 8604

Dear Ms. Coy:

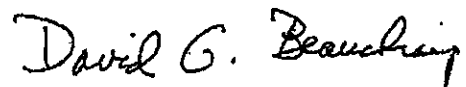
As a follow-up to our telephone conversation on Monday, we discussed the Subpoena Duces Tecum ("Subpoena") that I received from your office concerning the files of DenSco Investment Corporation ("DenSco"). Although we were previously special legal counsel to DenSco, our status as on-going counsel has been questioned and we will likely withdraw as counsel depending on how the courts and the interested parties elect to proceed to collect and distribute the recoverable assets of DenSco. When we had talked previously, I had said that I would accept delivery of a Subpoena from your office to DenSco to get started in the record location and delivery process. However, I have not previously represented Denny Chittick and I do not have authority to accept the service of the Subpoena on Mr. Chittick or his Estate, so some of the items listed in the Subpoena (e.g. Denny Chittick's personal tax records) are not within my control and I have forwarded the Subpoena to the Personal Representative for his Estate, Shawna Chittick Heuer. Shawna did not return to Arizona until very late last night and she did not arrive at Denny Chittick's house until early this morning. Accordingly, she has not had any time to look for the requested items prior to the 10:00 am, August 10 deadline in the Subpoena. However, she is aware of the items requested and she has assured me that she will diligently look for the requested personal items from Denny Chittick.

Currently, we only have a small portion of DenSco's files in our possession. We have made arrangements with Shawna to have the approximately 51 boxes of DenSco files to be transported from Denny Chittick's office to our firm's offices. Again, we will not receive those files until after the expiration of the deadline in the Subpoena. Even when we receive those files, there will be a significant amount of work to review the materials in those files and to find the items requested in the Subpoena. In our conversation on Monday, I had explained the inability

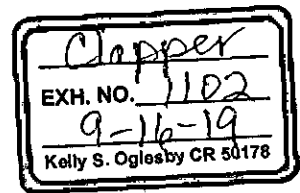
to timely respond to the Subpoena and you had indicated for us that you understood and you wanted us to proceed diligently looking for the items for your office and to keep your office fully informed of the progress being made.

If you disagree with the set forth above or would like to proceed with a different approach to satisfy the items requested in the Subpoena, please contact me.

Very truly yours,

A handwritten signature in cursive script that reads "David G. Beauchamp".

David G. Beauchamp
CLARK HILL PLC



William Woerner

From: Beauchamp, David G. <DBeauchamp@ClarkHill.com>
Sent: Wednesday, August 10, 2016 7:32 PM
To: Wendy Coy; Gary Clapper
Subject: FW: Additional DenSco Information

Wendy and Gary:

Thank you again for taking the time to come to my office and to discuss DenSco, the status and some options to deal with this matter.

As I agreed to do, please see the email that I just sent to the DenSco Investors. I tried to answer several of the specific questions from the Investors about the meeting while trying to keep the email general. Difficult balancing act.

Best regards, David

David G. Beauchamp

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

From: Beauchamp, David G.
Sent: Wednesday, August 10, 2016 7:26 PM
To: acatejr@gmail.com; amydirks@hotmail.com; anthjen@yahoo.com; artnina@hotmail.com; Aztonysmith@aol.com; aztonysmith@gmail.com; barryluchtel@gmail.com; bdirks5@cox.net; bji@cox.net; bjlocke64@yahoo.com; bjodenthal@frontier.com; brian.wenig@honeywell.com; burdett.anthony@gmail.com; butterv@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; gsllegford@msn.com; hahnaz2@cox.net; hey_ralph01@gmail.com; hlkthestk@aol.com; jackdds@myway.com; jamccoy32@gmail.com; jbhok@yahoo.com; jemmakopel@hotmail.com; jgslegford@yahoo.com; jimmy@flytrapproductions.com; jimpatmc44@gmail.com; jkjetto@yahoo.com; Jphalen00@aol.com; jwalker113@cox.net; kayell121@cs.com; kaylene.moss@avnet.com; kenneni@yahoo.com; landonluchtel@gmail.com; lanka2000@yahoo.com; Lauriewelskopf@gmail.com; lkopel22@hotmail.com; mark.wenig@gmail.com; mbencekent@yahoo.com; mlmtinvestor@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; quetalvely@yahoo.com; ralph@kalsertile.net; rbrinkman@yahoo.com; rgrswold3@stny.rr.com; robertflawson@gmail.com; rzkoehler@yahoo.com; sdetota@yahoo.com; sdetota99@yahoo.com; sdbuttie@gmail.com; smschloz@msn.com; steve@bunger.me; stewart.sheriff@gmail.com; switchback62@hotmail.com; terryleeAZ@comcast.net; thomasbyrne11@gmail.com; thompscg2@cox.net; trovita@gmail.com; uaafiyor767@gmail.com; valeriepaxton@gmail.com; vimuscat@gmail.com; wadeunderwood@hotmail.com; wbush1120@comcast.net; wjswirtz@me.com; wka@caribbeanpoolsaz.com; yusuf@comsiscomputer.com
Subject: RE: Additional DenSco Information

DensCo Investors:

I am sorry that I will not be able to separately answer each of the emails that I have received in the last 24 hours. I appreciate your interest and the difficulty that this situation is causing each of you. You have clearly expressed that in the many emails that I have received (well over a hundred) in the last 24 hours. I am trying to provide answers to the most common questions in this email.

1. Today's Meeting with the Securities Division: Today's meeting ran much longer than was expected. There was a lot of discussion concerning what loan records, investor records and other financial records were available to satisfy DensCo's obligation pursuant to the Subpoena that the Securities Division served on DensCo. Since there are more than 51 boxes of records from Denny's house, we agreed upon a procedure and process to make these records available for the Securities Division. We also discussed the other records requested and how those records (i.e. tax records and current loan files) will be obtained for the Securities Division from other sources.

Based on information from Denny's notes and files, we were able to provide the Securities Division a preliminary assessment of how the perceived fraud occurred and the timing of such fraud. We believe this information will help the Securities Division as it works to sort out all of the necessary information. This outline and the information in DensCo's files will hopefully provide some direction to the Securities Division as to which transactions and which third parties are suspect and who we believe should be reviewed by the Securities Division or other investigators. The information we provided supplemented the information that many of the DensCo Investors have already shared with the investigators for the Securities Division. Given the high volume of calls being received, the investigators did ask for your understanding and patience as they go through all of the messages and get back to you as quickly as they can. The Securities Division suggested that anyone who might have some valuable information to help their investigation, please call Gary Clapper at 602-542-0152.

We also discussed the various options to proceed. As I was concerned might be the case, the Securities Division is likely to take charge of this matter under its statutory authorization given the high level of interest and concern that has been expressed by the DensCo Investors and by the representatives of the Investors. Although nothing conclusive was decided in today's meeting, the representatives from the Securities Division will take the information from today's meeting and discuss all of the information obtained with the Director of the Securities Division. However, the amount of concern that has been expressed was referenced several times in our meeting, which is likely to cause the Securities Division to unilaterally file an action with the AZ Superior Court to have a Receiver appointed to collect the money owed to DensCo and oversee the distribution of the money to the Investors. That will take this matter out of our hands, but we **A** (with the Investors) might have some input into the final decision of the court or in the instructions given to the Receiver by the court. I will analyze last night's and today's emails from several of the DensCo Investors to determine which suggestions might be compatible with the plans of the Securities Division to collect the assets and money owed to DensCo while keeping the professional costs to a minimum. We will then try to introduce those suggestions into the process for the Receiver. **ACC00090477**

2. Tax Issues: As many of the Investors have noted, there are some potential tax savings that can offset the losses that the Investors are likely to incur. We have discussed with certain tax advisors those suggestions as well as other ideas that I have used for other clients to use losses to offset other income. If any Receiver is appointed, we will try to make sure that the Receiver understands these potential tax benefits and the decisions that need to be made to help the Investors use these tax savings as soon as possible. **#8604**

3. Early Distribution of Assets to some Investors: Some Investors have indicated that they cannot wait the expected time frame (possible 3 to 5 years) for the Receiver to do a full investigation and to pursue legal action to collect the money owed to DensCo. Some have even expressed a willingness to take a discount of

the total amount owed to them in exchange for an early distribution to them. Although this concept will be very difficult to structure and probably even more difficult to obtain the consent of most of the Investors to this approach, we will relay this information to the Receiver, if one is appointed.

Sincerely,

David Beauchamp

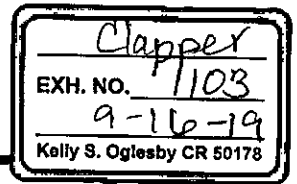
David G. Beauchamp

CLARK HILL PLC

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dbeauchamp@clarkhill.com | www.clarkhill.com

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Beauchamp, David G.

From: Beauchamp, David G.
Sent: Thursday, August 11, 2016 10:14 AM
To: Gary Clapper
Cc: Wendy Coy
Subject: Re: Densco

Gary:

Unfortunately, I do not know the EIN. The accountant should have that information.

Sincerely, David Beauchamp

Sent from my iPhone. Please excuse any typos.

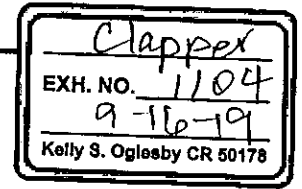
On Aug 11, 2016, at 7:40 AM, Gary Clapper <GRC@azcc.gov> wrote:

Hi David,

Quick question. Do you know the EIN for Densco?

Message

From: Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]
Sent: 8/11/2016 10:37:21 AM
To: Gary Clapper [GRC@azcc.gov]
Subject: Re: Densco



Gary:

I had agreed to send it to you and Wendy today. I will forward it under separate cover to you.

Regards, David

Sent from my iPhone. Please excuse any typos.

On Aug 11, 2016, at 10:25 AM, Gary Clapper <GRC@azcc.gov> wrote:

We forgot to get a copy of the paper assigning Shawna as the personal representative yesterday. Can you scan it and send me a copy please. Thanks.

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

Sent: Thursday, August 11, 2016 10:14 AM

To: Gary Clapper <GRC@azcc.gov>

Cc: Wendy Coy <WC@azcc.gov>

Subject: Re: Densco

Gary:

Unfortunately, I do not know the EIN. The accountant should have that information.

Sincerely, David Beauchamp

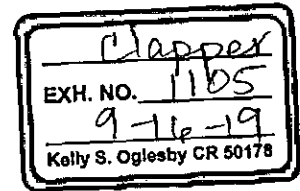
Sent from my iPhone. Please excuse any typos.

On Aug 11, 2016, at 7:40 AM, Gary Clapper <GRC@azcc.gov> wrote:

Hi David,

Quick question. Do you know the EIN for Densco?

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William Woerner

From: Beauchamp, David G. <DBeauchamp@ClarkHill.com>
Sent: Thursday, August 11, 2016 10:41 AM
To: Gary Clapper
Cc: Wendy Coy; Tran, Michelle M.
Subject: Fwd: Chittick letters of appointment
Attachments: image003.png; ATT00001.htm; chittick ltrs_001.pdf; ATT00002.htm

Gary:

As you requested, the letters of appointment should be attached.

Regards, David Beauchamp

Sent from my iPhone. Please excuse any typos.

Begin forwarded message:

From: "Tran, Michelle M." <MTran@ClarkHill.com>
Date: August 11, 2016 at 8:06:13 AM MST
To: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
Subject: Chittick letters of appointment

Here you go!

Michelle Margolles Tran

CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Scottsdale, Arizona 85254
480.422.6745 (direct) | 480.684.1169 (fax)
mtran@clarkhill.com | bio | www.clarkhill.com

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MICHAEL K. JEANES, CLERK

BY *B. RETH*

B. RETH FILED

16 AUG -4 AM 10:47

Clark Hill PLC
Darra Lynn Rayndon, Bar No. 006146
Michelle M. Tran, Bar No. 015893
14850 N. Scottsdale Road Suite 500
Scottsdale, Arizona 85254
Telephone 480/684-1100

Attorneys for Petitioner
mtran@clarkhill.com

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

In the Matter of the
Estate of

DENNY J. CHITTICK,

Deceased.

No. PB2016-051754

LETTERS OF APPOINTMENT OF
PERSONAL REPRESENTATIVE AND
ACCEPTANCE OF
APPOINTMENT AS
PERSONAL REPRESENTATIVE

LETTERS OF PERSONAL REPRESENTATIVE

SHAWNA C. HEUER is hereby appointed Personal Representative of the Estate of
DENNY J. CHITTICK, to serve without bond. Said Personal Representative shall not exercise
the following powers without prior order of the Court: None.

DATED AUG 04 2016, 2016.



MICHAEL K. JEANES
Clerk of the Superior Court

By: *B. RETH*
Deputy Clerk

B. RETH

ACCEPTANCE OF APPOINTMENT

STATE OF ARIZONA)
) ss.
County of Maricopa)

I accept the duties of Personal Representative of the Estate of the above-named

person who has died and do solemnly swear or affirm that I will perform the duties as Personal Representative according to law.

Shawna C. Heuer
SHAWNA C. HEUER

Subscribed and sworn to or affirmed before me this 2 day of August

2016, by SHAWNA C. HEUER.

My Commission expires:

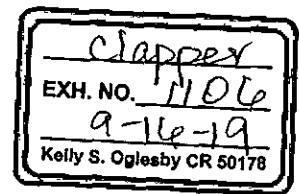
April 26, 2019

Leslie Lopez
Notary Public



The foregoing instrument is a full, true and correct copy of the original on file in this office. I further certify that the Order/Statement appointing the Personal Representative, Conservator, Guardian was signed on AUG 03 2016 and that these letters have not been revoked.

Attest AUG 04 2016
MICHAEL K. JEANES, Clerk of the Superior Court of the State of Arizona, In and for the county of Maricopa.
By [Signature] Deputy



William Woerner

From: Beauchamp, David G. <DBeauchamp@ClarkHill.com>
Sent: Thursday, August 11, 2016 3:36 PM
To: Gary Clapper
Cc: Lavender, Sandy J.; PHX Office Services
Subject: RE: Densco

Gary:

I have reached out to Shawna but I have not yet been able to talk to her. With respect to the boxes in my office, those boxes will be available after 8:00 am tomorrow morning.

I need to receive confirmation from Shawna or her attorney concerning the computer and her availability at the house for the Investor files. When you are able to get the files from Shawna, please bring boxes, because I forgot to give banker's boxes to Shawna yesterday. In addition, we will need signed receipts signed to evidence your receipt of the boxes and the files from Shawna (and hopefully the computer).

Regards, David

David G. Beauchamp

CLARK HILL PLC
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: Gary Clapper [mailto:GRC@azcc.gov]
Sent: Thursday, August 11, 2016 2:28 PM
To: Beauchamp, David G.
Subject: Densco

ACC005483
File #604

Hi David,

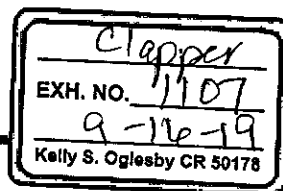
I have the files Robert Koehler had. I remember Shawna saying the Investor files were still at the house in a drawer. We would like to get those before she leaves. I can meet her at the house to make it easy for her. Can you contact her and see what she wants to do please. Is tomorrow morning good to pick up the boxes from your office? Has any decision been made regarding the computer. I would like to pick that up at the same time if possible. Thank you for all your help with this matter.

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ACC005484 File #8604

CH_REC_DEP_0008571

Beauchamp, David G.



From: Gary Clapper <GRC@azcc.gov>
Sent: Thursday, August 11, 2016 3:38 PM
To: Beauchamp, David G.
Subject: RE: Densco

Sounds good. Are you doing the receipt for us to sign or do you want me to do one?

From: Beauchamp, David G. [mailto:DBeauchamp@ClarkHill.com]
Sent: Thursday, August 11, 2016 3:36 PM
To: Gary Clapper <GRC@azcc.gov>
Cc: Lavender, Sandy J. <SLavender@ClarkHill.com>; PHX Office Services <PHXOfficeServices2@ClarkHill.com>
Subject: RE: Densco

Gary:

I have reached out to Shawna but I have not yet been able to talk to her. With respect to the boxes in my office, those boxes will be available after 8:00 am tomorrow morning.

I need to receive confirmation from Shawna or her attorney concerning the computer and her availability at the house for the investor files. When you are able to get the files from Shawna, please bring boxes, because I forgot to give banker's boxes to Shawna yesterday. In addition, we will need signed receipts signed to evidence your receipt of the boxes and the files from Shawna (and hopefully the computer).

Regards, David

David G. Beauchamp

CLARK HILL PLC
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: Gary Clapper [mailto:GRC@azcc.gov]
Sent: Thursday, August 11, 2016 2:28 PM
To: Beauchamp, David G.
Subject: Densco

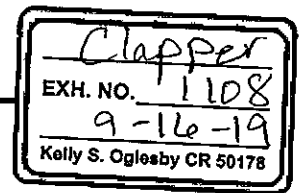
Hi David,

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Message

From: Gary Clapper [GRC@azcc.gov]
Sent: 8/11/2016 3:41:39 PM
To: Beauchamp, David G. [dbeauchamp@clarkhill.com]
Subject: RE: Densco



I can use our evidence sheets that we use when we do search warrants if that is acceptable. I will bring the boxes for the records at the house.

From: Beauchamp, David G. [mailto:DBeauchamp@ClarkHill.com]
Sent: Thursday, August 11, 2016 3:40 PM
To: Gary Clapper <GRC@azcc.gov>
Subject: RE: Densco

Gary:

If you have one that can be readily used, that would help. I have a message into one of our legal assistants for this, but she is not available this afternoon. Since we do not know specifically what is in the boxes, this is really a formality.

Thanks, David

David G. Beauchamp

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dbeauchamp@clarkhill.com | www.clarkhill.com

From: Gary Clapper [mailto:GRC@azcc.gov]
Sent: Thursday, August 11, 2016 3:38 PM
To: Beauchamp, David G.
Subject: RE: Densco

Sounds good. Are you doing the receipt for us to sign or do you want me to do one?

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Sent: Thursday, August 11, 2016 2:28 PM

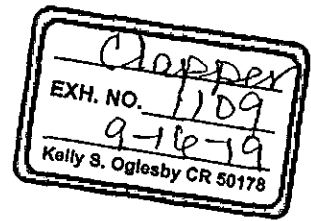
To: Beauchamp, David G.

Subject: Densco

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William Woerner

From: Beauchamp, David G. <DBeauchamp@ClarkHill.com>
Sent: Thursday, August 11, 2016 5:46 PM
To: Gary Clapper
Cc: Kevin R. Merritt (kmerritt@gblaw.com); James F. Polese (jpolese@gblaw.com); Sifferman, Mark S.; Wendy Coy
Subject: RE: DenSCO

Gary:

I just talked to Shawna's new attorneys, Jim Polese and Kevin Merritt, and they agree with the statements from a couple of the attorneys for the Investors and attorneys for other related parties. All of them want us to follow a different procedure with respect to the DenSCO documents. Jim Polese will be sending a letter to you with the specifics of the procedure that we would like to follow concerning the documents and information that has been requested, including what has already been provided.

First, I have now been informed that the boxes you already have from Robert Koehler contain more than just the documents evidencing the "good" loans to the borrowers who are current in their payments. Those files also contain some of the loans connected with Scott Menaged and his entities, as well as some communication with legal counsel that should have been removed and added to a privilege log. We request that we be allowed to have those files picked up by a service to make copies of the documents, "bate stamp" the copies and allow us to review the documents for potentially privileged communications, and then have the copies (without the privileged documents) sent to you along with the privilege log. In addition to the concern about possibly privileged communications, we are also concerned that original lien release documents are in these files and we will need to be able to deliver the applicable release documents to a title company upon a pay-off of current loans. Otherwise, DenSCO could be liable to the applicable borrowers during this interim time period until the Receiver is appointed who will then be able to handle these business obligations for DenSCO.

Second, I have also now been informed that the approximately 51 boxes in my office do contain more than just the previous loans that have been paid off. We would like to retain the applicable boxes for the time period since 2011 to the present, so that we can review those boxes for privileged communications and to prepare a privilege log. We will have the documents in the boxes for 2011 to the present copied and "bate stamped" so that the copies (without the privileged documents) can be delivered to you along with the privileged log. The boxes with documents applicable to the period prior to 2011 will be available for pick-up tomorrow as you requested.

Third, the investor files at the house of Denny Chittick will need to be reviewed for privileged communications and to prepare a privilege log. The documents will then be copied and "bate stamped" and delivered to your office (without the privileged documents) along with the privileged log.

Fourth, the computer used by Denny Chittick does not only contain personal information, but it contains many emails that are appropriately deemed to contain privileged communications on several matters. We will need to review the material on the computer and prepare the necessary privilege log. As we discussed yesterday, we believe that Denny Chittick downloaded the current financial information of DenSCO and its outstanding loans to the borrowers in a file in Drop Box, as well as a list of the names, email addresses and mailing addresses of DenSCO's current investors. We are making arrangements to have the information

ACC005487
File #8604

on the files in Drop Box forwarded to you as soon as possible. We will also work with a computer expert to have the non-privileged communications and DenSco files downloaded and provided to you on one or more computer disks along with a privileged log.

Please know that I have tried to get back to you as soon as I could after obtaining the instructions of the relevant parties in this matter. If you have any questions, please let me know.

Sincerely, David

David G. Beauchamp

CLARK HILL PLC
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480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
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From: Gary Clapper [mailto:GRC@azcc.gov]
Sent: Thursday, August 11, 2016 3:42 PM
To: Beauchamp, David G.
Subject: RE: DenSco

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Subject: RE: DenSco

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CC: If you have one that can be readily used, that would help. I have a message into one of our legal assistants for this, but she is not available this afternoon. Since we do not know specifically what is in the boxes, this is really a formality.

005
488
Thanks, David

David G. Beauchamp

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Regards, David

David G. Beauchamp

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14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
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d.beauchamp@clarkhill.com | www.clarkhill.com

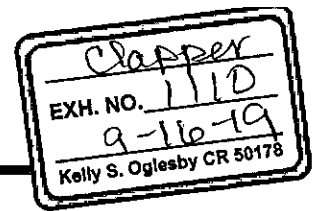
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Beauchamp, David G.

From: Wendy Coy <WC@azcc.gov>
Sent: Friday, August 12, 2016 12:31 PM
To: James F. Polese; Kevin R. Merritt; Beauchamp, David G.
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@qblaw.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@qblaw.com>; 'shawnaseverest@gmail.com' <shawnaseverest@gmail.com>; 'dbeauchamp@clarkhill.com' <dbeauchamp@clarkhill.com>; Kevin R. Merritt <KMerritt@qblaw.com>
Subject: DenSco Investment Corporation

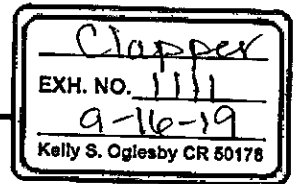
Ms. Coy and Mr. Clapper, please see the attached letter from James Polese.

Patti Meloserdoff
Legal Assistant
602.256.4480 Direct | pmeloserdoff@qblaw.com

GAMMAGE & BURNHAM
World Class Counsel. Arizona Roots.
2 North Central Ave., 15th Floor | Phoenix, AZ 85004
602.256.0566 | 602.256.4475 Fax | www.qblaw.com

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7



Message

From: James F. Polese [jpolese@gblaw.com]
Sent: 8/12/2016 3:01:59 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]; Beauchamp, David G. [dbeauchamp@clarkhill.com]
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>; 'dbeaufchamp@clarkhill.com' <dbeaufchamp@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

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Thank you.

Wendy Coy

Director of Enforcement

Arizona Corporation Commission

Securities Division

1300 W. Washington, 3rd Floor

Phoenix, Arizona 85007
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From: Patti Meloserdoff [mailto:pmeloserdoff@qblaw.com] On Behalf Of James F. Polese
Sent: Friday, August 12, 2016 11:57 AM
To: Wendy Coy <WC@azcc.gov>; Gary Clapper <GRC@azcc.gov>
Cc: James F. Polese <jpolese@qblaw.com>; 'shawnaseverest@gmail.com' <shawnaseverest@gmail.com>; 'dbeauchamp@clarkhill.com' <dbeauchamp@clarkhill.com>; Kevin R. Merritt <KMerritt@qblaw.com>
Subject: DenSCO Investment Corporation

Ms. Coy and Mr. Clapper, please see the attached letter from James Polese.

Patti Meloserdoff

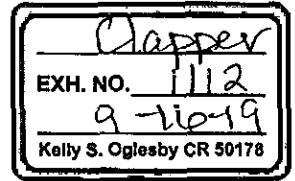
Legal Assistant
602.256.4480 Direct | pmeloserdoff@qblaw.com

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World Class Counsel Arizona Roots.

2 North Central Ave., 15th Floor | Phoenix, AZ 85004
602.256.0566 | 602.256.4475 Fax | www.qblaw.com

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William Woerner

From: Beauchamp, David G. <DBeauchamp@ClarkHill.com>
Sent: Friday, August 12, 2016 3:24 PM
To: Wendy Coy
Cc: Gary Clapper, Kevin R. Merritt (kmerritt@gbllaw.com)
Subject: FW: payoff requests for Densco

Wendy:

Borrowers have requested pay-off amounts due and for releases for the loans secured by the houses at the following addresses:

loan no. 7964
1720 W. Windsong Dr.
Lawyers Title Request
Stacy Webb stacywebb@ltic.com

loan no. 8110
11468 W. Madisen Ellise Dr.
Lawyers Title Request
Laura Radmer lradmer@ltic.com

loan no. 7965
1218 W. 15th St.
Chicago Title request
Patricia Crawford patricia.crawford@ctt.com

ACC005491
loan no. 8070
10449 W. Echo Ln.
Borrower direct request: Kenneth Nguyen fandeje@yaho.com

File #8604
loan no. 8108
2448 W. Kiva
and
loan no. 7694
6713 E. Palm
Borrower direct request: Barry Luchtel barry@kayakcapital.com

Please let me know if you are able to find the necessary original lien releases and what will be the best procedure to get those lien releases to the right people in connection with a pay-off of the loans.

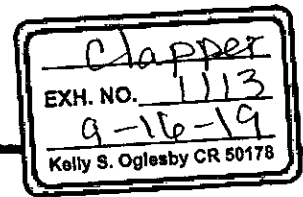
Sincerely, David

David G. Beauchamp

CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Scottsdale, Arizona 85254
480.884.1126 (direct) | 480.884.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

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Beauchamp, David G.

From: Kevin R. Merritt <KMerritt@gblaw.com>
Sent: Friday, August 12, 2016 4:25 PM
To: Beauchamp, David G.; Wendy Coy
Cc: Gary Clapper
Subject: RE: payoff requests for Densco

That process is fine with me.

Kevin R. Merritt
602.256.4481 Direct | KMerritt@gblaw.com

From: Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]
Sent: Friday, August 12, 2016 4:24 PM
To: Wendy Coy
Cc: Gary Clapper; Kevin R. Merritt
Subject: RE: payoff requests for Densco

Wendy:

Monday will have to be soon enough. Unless Kevin disagrees, this is one of the specific tasks that Denny left in his instructions for me to do with Robert. The borrowers and title companies were all provided instructions to contact Robert or me. Accordingly, please have the files delivered to my office for me to deal with the pay-offs and the releases.

Thank you.

Sincerely, David

David G. Beauchamp

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dbeauchamp@clarkhill.com | www.clarkhill.com

From: Wendy Coy [<mailto:WC@azcc.gov>]
Sent: Friday, August 12, 2016 4:01 PM
To: Beauchamp, David G.
Cc: Gary Clapper; Kevin R. Merritt (kmerritt@gblaw.com)
Subject: RE: payoff requests for Densco

Is Monday soon enough? Where do we deliver the files?

From: Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]
Sent: Friday, August 12, 2016 3:24 PM
To: Wendy Coy <WC@azcc.gov>
Cc: Gary Clapper <GRC@azcc.gov>; Kevin R. Merritt (kmerritt@gblaw.com) <kmerritt@gblaw.com>
Subject: FW: payoff requests for Densco

Wendy:

Borrowers have requested pay-off amounts due and for releases for the loans secured by the houses at the following addresses:

loan no. 7964
1720 W. Windsong Dr.
Lawyers Title Request
Stacy Webb stacywebb@ltic.com

loan no. 8110
11468 W. Madisen Ellise Dr.
Lawyers Title Request
Laura Radmer lradmer@ltic.com

loan no. 7965
1218 W. 15th St.
Chicago Title request
Patricia Crawford patricia.crawford@ctt.com

loan no. 8070
10449 W. Echo Ln.
Borrower direct request: Kenneth Nguyen fandjee@yahoo.com

loan no. 8108
2448 W. Kiva
and
loan no. 7694
6713 E. Palm
Borrower direct request: Barry Luchtel barry@kayakcapital.com

Please let me know if you are able to find the necessary original lien releases and what will be the best procedure to get those lien releases to the right people in connection with a pay-off of the loans.

Sincerely, David

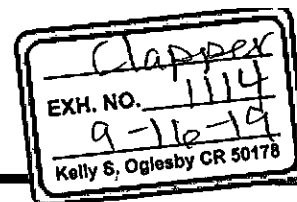
David G. Beauchamp

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

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Beauchamp, David G.



From: Wendy Coy <WC@azcc.gov>
Sent: Friday, August 12, 2016 4:27 PM
To: Beauchamp, David G.; Kevin R. Merritt (kmerritt@gblaw.com)
Cc: Gary Clapper
Subject: RE: payoff requests for Densco

Ok. At this point the files are locked up and I will have the specific files pulled on Monday morning and delivered to you ASAP. Thanks.

From: Beauchamp, David G. [mailto:DBeauchamp@ClarkHill.com]
Sent: Friday, August 12, 2016 4:24 PM
To: Wendy Coy <WC@azcc.gov>
Cc: Gary Clapper <GRC@azcc.gov>; Kevin R. Merritt (kmerritt@gblaw.com) <kmerritt@gblaw.com>
Subject: RE: payoff requests for Densco

Wendy:

Monday will have to be soon enough. Unless Kevin disagrees, this is one of the specific tasks that Denny left in his instructions for me to do with Robert. The borrowers and title companies were all provided instructions to contact Robert or me. Accordingly, please have the files delivered to my office for me to deal with the pay-offs and the releases.

Thank you.

Sincerely, David

David G. Beauchamp

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

From: Wendy Coy [mailto:WC@azcc.gov]
Sent: Friday, August 12, 2016 4:01 PM
To: Beauchamp, David G.
Cc: Gary Clapper; Kevin R. Merritt (kmerritt@gblaw.com)
Subject: RE: payoff requests for Densco

Is Monday soon enough? Where do we deliver the files?

From: Beauchamp, David G. [mailto:DBeauchamp@ClarkHill.com]
Sent: Friday, August 12, 2016 3:24 PM
To: Wendy Coy <WC@azcc.gov>
Cc: Gary Clapper <GRC@azcc.gov>; Kevin R. Merritt (kmerritt@gblaw.com) <kmerritt@gblaw.com>
Subject: FW: payoff requests for Densco

Wendy:

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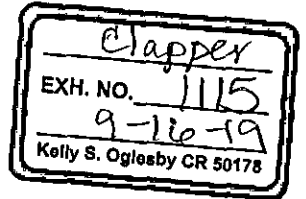
Sincerely, David

David G. Beauchamp

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William Woerner

From: Beauchamp, David G. <DBeauchamp@ClarkHill.com>
Sent: Monday, August 15, 2016 9:21 AM
To: Gary Clapper
Subject: Re: Densco

Gary:

I only have access to some of DenSco's files. Despite my requests, Denny Chittick did not request for All of DenSco's previous files to be transferred to me. In addition, Denny stopped our efforts to do an updated offering memorandum in 2013, so the initial work on that was never finalized. Denny also did not engage us to prepare an amendment to the offering document or to prepare a new disclosure document despite several conversations about that issue.

Sincerely, David Beauchamp

Sent from my iPhone. Please excuse any typos.

On Aug 15, 2016, at 7:54 AM, Gary Clapper <GRC@azcc.gov> wrote:

Hi David,

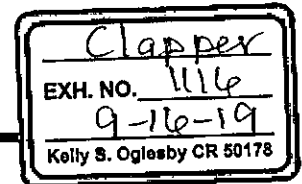
We are getting the documents together on the files you requested and hope to get them to you this morning. A couple of questions. Can we please get a copy of the forbearance agreement. Since the offering document is updated every two years can we please get copies of all of them. Please give me a call if you have any questions.

Gary Clapper
(602) 542-0152

ACC005496

File #8604

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Beauchamp, David G.

From: Kevin R. Merritt <KMerritt@gblaw.com>
Sent: Monday, August 15, 2016 3:54 PM
To: James F. Polese; 'Wendy Coy'
Cc: 'shawnaseverest@gmail.com'; Gary Clapper; Beauchamp, David G.
Subject: RE: DenSco Investment Corporation

All,

As a matter of clarification, I believe Scott's last name is spelled "Menaged," and Scott is his middle name. I believe that his full name is Yomtov Scott Menaged.

Kevin

Kevin R. Merritt
602.256.4481 Direct | KMerritt@gblaw.com

From: James F. Polese
Sent: Monday, August 15, 2016 12:44 PM
To: 'Wendy Coy'
Cc: 'shawnaseverest@gmail.com'; Gary Clapper; Kevin R. Merritt; 'dbeauchamp@clarkhill.com'
Subject: RE: DenSco Investment Corporation

Ms. Coy:

I have spent a fair amount of time talking to counsel -- both in house and outside -- as to the suitable fit for receiver. I have also spoken with a number of possible choices as well.

It seems to me that the receiver should be one who is more focused on real estate mortgage instruments and collecting and liquidating the portfolio rather than accounting expertise; I do not believe this case is going to be similar to Mortgages Limited with records that are a mess or where things were hidden to hid a fraud; we understand that the records of DenSco are quite good from a bookkeeping standpoint. Besides, a receiver can farm out any needed forensic accounting work.

You had suggested Peter Davis or James Sell. Neither of these individuals would be acceptable to the estate. I have a low regard for Mr. Davis and Mr. Sell's expertise is much more focused on forensic accounting and I have heard that he has had some issues with billing.

The estate would be comfortable and in fact would recommend that the stipulated receiver be Mr. Thomas Giallanza. His CV is attached. He is a former deputy superintendent for the Arizona Department of Financial Institutions and most important he has been the receiver in the Landmarc Capital case -- the facts of which are strikingly similar to the issues that will be faced with respect to DenSco.

Almost as important is his philosophy. He would be much more focused on collecting on the loans that are outstanding and collectible rather than "juicing up" the investors with unrealistic promises of litigation, etc. While litigation may be selected as an option that needs to be pursued, that is not his "default" reflex. That is how he has operated in the Landmarc Capital case and as a result the investors recovered a very large portion of their investment.

7. 9
Since Mr. Giallanza's CV does not recite his billing rate he indicated to me that it would be no more than \$185/hour – a rate that is substantially less than almost every other candidate that I have considered. I have asked him to email a confirmation of his hourly rate and will remit to you when received.

Finally, neither I nor this firm - to my knowledge - has any prior relationship with Mr. Giallanza.

Thus the estate is prepared to enter into a stipulation for the appointment of Mr. Giallanza as the receiver for DenSco.

Please advise me if you have any objection to his appointment and the reasons therefore. If need be, we could discuss alternatives but I do want to make clear that I believe he is best suited for the role of receiver.

There are a couple of other issues that I believe should be part of any stipulation for the appointment of receiver:

1. **Privilege.** It is my view and that of Dave Beauchamp, Denny viewed David as both his company attorney and personal attorney. Therefore both the receiver and the estate should be recognized to have standing to assert any attorney client privilege with respect to documents that were delivered to the State or which may be involved in any litigation. Thus, the receiver must agree that the receiver will not have the ability to unilaterally waive privilege with respect to any matter which the estate believes is also a personal privilege to Denny Chittick or the estate.
2. **Claims Against Managed.** We understand that the current view is that Scott Managed is the culprit with respect to the losses suffered by DenSco and thus the receiver must understand that he must promptly file a claim in the Managed bankruptcy to assert a creditor's claim and more importantly take the necessary steps to contest the dischargeability of Managed.

Please let me know your thoughts on any of the foregoing.

James F. Polese

602.256.4499 Direct | 602.405.3807 Mobile
jpolese@qblaw.com | [Profile](#)

GAMMAGE & BURNHAM

World Class Counsel. Arizona Roots.

2 North Central Ave., 15th Floor | Phoenix, AZ 85004
602.256.0566 | 602.256.4475 Fax | www.qblaw.com

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Clapper
EXH. NO. 1157
9-16-19
Kelly S. Oglesby CR 50178

1 ARIZONA CORPORATION COMMISSION
Wendy Coy, #013195
1300 West Washington, 3rd Floor
2 Phoenix, Arizona 85007
Attorney for Plaintiff
3 Telephone: (602) 542-0633
wcoy@azcc.gov
4

5
6 STATE OF ARIZONA
7 MARICOPA COUNTY SUPERIOR COURT

8 ARIZONA CORPORATION COMMISSION) No. CV 2016-014142
9 Plaintiff)
10 v.) ORDER GRANTING MOTION FOR
11 DENSCO INVESTMENT CORPORATION, an) EXPEDITED HEARING ON
Arizona corporation) APPLICATION FOR PRELIMINARY
12 Defendant.) INJUNCTION AND APPLICATION FOR
13) THE APPOINTMENT OF A RECEIVER
14) AND SETTING HEARING DATE

15
16 Order granting the Plaintiff, the Arizona Corporation Commission's ("ACC"), Motion for
17 an Expedited Hearing, and the ACC, having filed a Verified Complaint and an Application for
18 Preliminary Injunction and Appointment of a Receiver, the Court sets this matter for hearing on

19 18th day of August, 2016. at 10:00 am, ECB, 101 W. Jefferson St.
Ste. 811 Phx AZ 85003

20 DATED this 17th day of August, 2016.

21 Lori Horn Bustamante
22 Honorable Lori Horn Bustamante
23 Judge of the Superior Court
24
25
26

COPY

AUG 17 2016



CLERK
COURT

1 ARIZONA CORPORATION COMMISSION
Wendy Coy, #013195
2 1300 West Washington, 3rd Floor
Phoenix, Arizona 85007
3 Attorney for Plaintiff
Telephone: (602) 542-0633
4 wcoy@azcc.gov

6 STATE OF ARIZONA

7 MARICOPA COUNTY SUPERIOR COURT

8 ARIZONA CORPORATION COMMISSION

No. CV ~~CV 2016-014142~~

9 Plaintiff

VERIFIED COMPLAINT

10 v.

11 DENSCO INVESTMENT CORPORATION, an
Arizona corporation

12 Defendant.
13
14

15
16 For its Complaint against Defendant, Plaintiff, the Arizona Corporation Commission,
17 pleads as follows:

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

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

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

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

25 5. Venue is proper in this County pursuant to A.R.S. §§ 44-2031(B) and 44-2032(4).
26

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

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

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

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

19 10. The Lending Guidelines listed on DenSco's website specifically state "First
20 Position ONLY!" The Lending Guidelines further stated that DenSco would lend up to 60% to
21 70% of the value of the property. DenSco represented to investors that borrowers were required
22 to put at least 20% down on the home purchase and DenSco would have a first position security
23 interest in the real estate. Therefore the investors are protected even if the borrower defaults.

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

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

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

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

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

16 16. According to company records, as of about July 28, 2016, DenSco had 138 loans
17 outstanding. DenSco's assets are as follows¹:

- 18 • 50 of the loans appear to be secured with first position deeds of trust and will be
19 liquidated within 60 days. The value is about \$4.9 million.
- 20 • 5 of the loans appear to be secured with first position deeds of trust but will
21 require foreclosure or collection. The value is about \$1.9 million.
- 22 • 83 of the loans appear to be unsecured and to one borrower. The value of these
23 loans is about \$28 million.
- 24 • There is a loan of over \$14 million that is unsecured from the same borrower.

25
26 ¹ The above figures are based upon company records and have not been independently verified.

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

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

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

COUNT ONE

VIOLATION OF A.R.S. § 44-1991

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

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

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

- a. Upon information and belief, since at least 2009, misrepresenting to investors that DenSco would provide loans up to 70% of the value of the property, when in fact, with at least one borrower DenSco made \$28 million in loans at 100 percent of the value of the property.
- b. Upon information and belief, since at least 2009, failing to disclose to investors that many loans were not secured with a first position deed of trust.

- 1 c. Failing to disclose to investors after October 2015, that at least one
- 2 borrower had failed to make payments on over \$28 million in loans.
- 3 d. Upon information and belief, failing to disclose to investors that
- 4 DenSco provided a borrower an unsecured loan valued at over a \$14
- 5 million.

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

7 COUNT TWO

8 (Appointment of Receiver and/or Conservator)

9 22. The ACC incorporates by reference all allegations set forth in paragraphs 1 through
10 21 of the Complaint.

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

14 COUNT THREE
15 (Injunctive Relief)

16 24. The ACC incorporates by reference all allegations set forth in paragraphs 1 through
17 23 of the Complaint.

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

22 WHEREFORE, the ACC prays for judgment as follows:

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

25
26

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

4 3. Order DenSco to take affirmative action to correct the conditions resulting from its
5 acts, practices or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-
6 2032;

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

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

11 Dated this ____ day of _____, 2016.

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ARIZONA CORPORATION COMMISSION

By _____
Wendy Coy
Attorney for the Arizona Corporation Commission


1 VERIFICATION

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

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

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


8 FURTHER AFFIANT SAITH NOT

9 
10 Matthew J. Neubert
11 Director of Securities

12 STATE OF ARIZONA)
13 County of Maricopa)
14

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

16
17 My Commission Expires



18
19 10-06-19



20
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COPY

AUG 17 2016



MARK J. JAMES, CLERK
J. LEWIS
DEPUTY CLERK

1 **ARIZONA CORPORATION COMMISSION**
2 Wendy Coy, #013195
3 1300 West Washington, 3rd Floor
4 Phoenix, Arizona 85007
5 Attorney for Plaintiff
6 Telephone: (602) 542-0633
7 wcoy@azcc.gov

8 **STATE OF ARIZONA**

9 **MARICOPA COUNTY SUPERIOR COURT**

10 ARIZONA CORPORATION COMMISSION

No. CV CV 2016-014142

11 Plaintiff

CERTIFICATE OF COMPULSORY
ARBITRATION

12 v.

13 DENSCO INVESTMENT CORPORATION, an
14 Arizona corporation

15 Defendant

16 The undersigned certifies that the largest award sought by the complainant, including
17 punitive damages, but excluding interest, attorneys' fees and costs, does exceed limits set by the
18 Local Rule for compulsory arbitration. This case is not subject to the Uniform Rules of Procedure
19 for Arbitration.

20 Dated this 17th day of August, 2016.

21 ARIZONA CORPORATION COMMISSION

22 By

Wendy Coy
Wendy Coy
Attorney for the Arizona Corporation
Commission

COPY

AUG 17 2016



MICHAEL BLANT'S CLERK
J. LEVINS
DEPUTY CLERK

1 **ARIZONA CORPORATION COMMISSION**
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2 1300 West Washington, 3rd Floor
Phoenix, Arizona 85007
3 Attorney for Plaintiff
Telephone: (602) 542-0633
4 wcoy@azcc.gov

5 **STATE OF ARIZONA**

6 **MARICOPA COUNTY SUPERIOR COURT**

7 ARIZONA CORPORATION COMMISSION)

No. CV CV 2016-014142

8 Plaintiff)

) **APPLICATION FOR PRELIMINARY
INJUNCTION AND APPOINTMENT OF
RECEIVER**

9 v.)

10 DENSCO INVESTMENT CORPORATION, an)
Arizona corporation)

11 Defendant.)
12)
13)

14
15 Plaintiff, the Arizona Corporation Commission ("ACC"), pursuant to A.R.S. § 44-2032(2)
16 & (4) and A.R.S. *set seq.*, and in accordance with Arizona Rule of Civil Procedure 65, moves this
17 Court to appoint a Receiver for the Defendant ("Receivership Defendant"), with the power to
18 marshal, conserve and, where necessary, operate its assets. The ACC further requests, that this
19 Court issue a preliminary injunction enjoining the Defendant from the following:

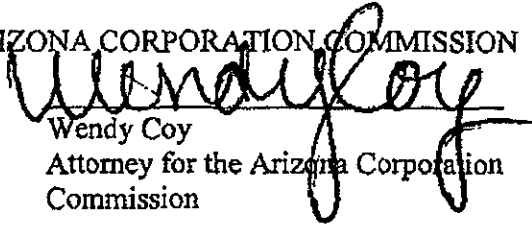
- 20 • Transferring, secreting, dissipating, altering, selling, pledging, assigning, encumbering,
21 expending, concealing, conveying, liquidating, or otherwise disposing of any assets,
22 funds or property owned by the Receivership Defendant.

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This Application for Preliminary Injunction and Appointment of Receiver is based on the ACC's Verified Complaint, supporting memorandum, affidavit, and the argument of counsel.

Dated this 17th day of August, 2016.

ARIZONA CORPORATION COMMISSION
By 
Wendy Coy
Attorney for the Arizona Corporation
Commission

COPY

AUG 17 2016



MICHAEL K. JEFFERS, CLERK
J. LEWIS
DEPUTY CLERK

1 **ARIZONA CORPORATION COMMISSION**
2 Wendy Coy, #013195
3 1300 West Washington, 3rd Floor
4 Phoenix, Arizona 85007
5 Attorney for Plaintiff
6 Telephone: (602) 542-0633
7 wcoy@azcc.gov

8 **STATE OF ARIZONA**

9 **MARICOPA COUNTY SUPERIOR COURT**

10 ARIZONA CORPORATION COMMISSION

11 Plaintiff

12 v.

13 DENSCO INVESTMENT CORPORATION, an
14 Arizona corporation

15 Defendant.

No. CV CV 2016-014742

**MEMORANDUM OF POINTS AND
AUTHORITIES IN SUPPORT OF
APPLICATION FOR PRELIMINARY
INJUNCTION AND APPOINTMENT OF
RECEIVER**

16 **I. INTRODUCTION.**

17 Plaintiff, the Arizona Corporation Commission (the "ACC"), submits this Memorandum of
18 Points and Authorities In Support of its Application for Preliminary Injunction and Appointment of
19 Receiver to protect its ability to recover investor funds from Defendant. This matter involves
20 violations of the Arizona Securities Act in which Defendant raised at least \$50 million dollars from
21 over 100 investors through the offer and sale of securities in the form of notes within or from
22 Arizona.

23 **II. FACTS**

24
25 Based upon the investigation conducted by the ACC, the Defendant appears to have raised
26 over \$50 million from at least 100 investors. Unfortunately, the sole officer/director/shareholder of

1 the Defendant passed away suddenly and there is no one in charge of the Defendant to handle
2 business matters and preserve assets.

3 Defendant offered to individuals the opportunity to invest in General Obligation Notes
4 ("Notes") of DenSco. The Notes were to be "secured by a general pledge of all assets owned by
5 or later acquired by the Company." DenSco's largest assets would be in Trust Deeds. DenSco
6 was to maintain a loan-to-value ratio at 70% percent or below in the aggregate for all loans in the
7 loan portfolio.

8 Based upon information and belief, since at least 2009, DenSco "has been . . . engaged
9 primarily in funding purchases of houses through preforeclosure process, foreclosure sales and
10 funding and purchasing construction loans, all of which will be secured by real estate deeds of
11 trusts." The Notes received interest only payments during the term and principal paid at maturity.
12 Interest may be paid monthly, quarterly or at maturity.

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

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

22 The Lending Guidelines listed on Defendant's website specifically state "First Position
23 ONLY!" The Lending Guidelines further stated that DenSco would lend up to 60% to 70% of the
24 value of the property. According to the investors, DenSco requires borrowers to put at least 20%
25 down on the home purchase and DenSco has a first position security interest in the real estate.
26 Therefore the investors are protected even if the borrower defaults.

1 Between 2013 and September of 2015, DenSco stopped accepting new investors and new
2 money from current investors.

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

8 At some point, DenSco and the borrower described above reached a forbearance
9 agreement. In about October of 2015, the borrower failed to make its payments. This borrower
10 sought protection under Chapter 7 of the U. S. Bankruptcy Code.

11 After September of 2015, upon information and belief, DenSco began accepting investor
12 funds again. Upon information and belief, no disclosure was made to those investors that a large
13 borrower had failed to make payments on previous loans. Nor were investors told that DenSco
14 was not in a first position on many deeds of trust.

15 Since at least 2009, the Defendant, directly or indirectly, raised at least \$50 million
16 through at least 103 investors.

17 Upon information and belief, there appears to be a total of 138 outstanding loans¹ in
18 Defendant's portfolio. Only 50 of those loans appear to be performing as represented to
19 investors. The estimated value of the 50 loans is about \$4.9 million. Another five of the loans
20 will require collection or foreclosure and are secured with a first deed of trust. The estimated
21 value of the five loans is about \$2.5 million. At least 83 of the loans, to the same borrower, do
22 not appear to be performing. In addition, it appears that the loans are unsecured. The value of the
23 83 loans is about \$28 million. It appears that Defendant provided an unsecured note to the
24 borrower of the 83 loans mentioned above in an amount about \$14 million. Defendant does have
25 liquid assets in the amount of about \$1.5 million.

26

¹ These figures are based upon company records and have not been independently verified.

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III. LEGAL ANALYSIS.

A. The Investments Offered By The Defendant Are Securities.

1. The Promissory Notes are "Securities."

Defendant issued promissory notes to individual investors as evidence of the investments. The Notes are securities because they are promissory. The Securities Act defines a security as an "note." A.R.S. § 44-1801(26). While a promissory note is presumed to be a security, the Supreme Court has identified certain types of notes that are excluded from the definition of security. See *Reves v. Ernst & Young*, 494 U.S. 56, 65 (1990); *MacCollum v. Perkinson*, 185 Ariz. 179, 913 P.2d 1097 (App. 1996)(adopting the *Reves*' test in Arizona.). In *Reves*, the Supreme Court held that every promissory note is a security unless it bears a strong "family resemblance" to a judicially crafted list of non-securities. *Reves*, 494 U.S. at 65. The parties may rebut the presumption by examining a note transaction in light of four factors. *Id.* at 66-67: Instruments do not have a familial resemblance to one of the excluded categories and, thus, are considered to be securities if (1) the seller's motivation is to raise money or finance investments and the buyer's purpose is to make a profit; (2) there is common trading of the instrument for speculation or investment; (3) the public expects that the instrument is a security; and (4) there is no other regulatory scheme to significantly reduce the risk of the instrument, thereby rendering the application of the securities laws unnecessary. *Id.* Applying the "familial resemblance" test, the Notes do not bear a family resemblance to any of the categories listed in *Reves*, and thus are securities.

B. The Defendant violated the Antifraud Provisions of the Arizona Securities Act.

Under A.R.S. § 44-1991, it is a fraudulent practice and unlawful for a person, in connection with a transaction or transactions within or from this state involving an offer to sell or buy securities, or a sale or purchase of securities, to directly or indirectly do any of the following: make

1 untrue statements of material fact, or omit to state any material fact necessary in order to make the
2 statements made, in the light of the circumstances in which they were made, not misleading; or
3 engage in any transaction, practice or course of business which operates or would operate as a
4 fraud or deceit. A.R.S. § 44-1991(A)(2)(3). Securities fraud may be proven by any one of these
5 acts. *Hernandez v. Superior Court*, 179 Ariz. 515, 880 P.2d 735 (App. 1994).

6 In the context of these provisions, "materiality" requires a showing of substantial likelihood
7 that, under all the circumstances, the misstated or omitted fact would have assumed actual significance
8 in the deliberations of a reasonable buyer. *Trimble v. American Sav. Life Ins. Co.*, 152 Ariz. 548, 553,
9 733 P.2d 1131 (1986). Under this objective test, there is no need to investigate whether an omission
10 or misstatement was actually significant to a particular buyer. Additionally, the affirmative duty not to
11 mislead potential investors in any way places a heavy burden on the offeror and removes the burden of
12 investigation from the investor. *Trimble*, 152 Ariz. at 553. A misrepresentation or omission of a
13 material fact in the offer and sale of a security is actionable even though it may be unintended or the
14 falsity or misleading character of the statement may be unknown. In other words, scienter or guilty
15 knowledge is not an element of a violation of A.R.S. § 44-1991(2). See e.g., *State v. Gunnison*, 127
16 Ariz. 110, 113, 618 P.2d 604 (1980). Stated differently, a seller of securities is strictly liable for any
17 of the misrepresentations or omissions he makes. *Rose v. Dobras*, 128 Ariz. at 214. Additionally,
18 there is no requirement to show that investors relied on the misrepresentations or omissions, *Rose*, 128
19 Ariz. at 214, or that the misrepresentations or omissions caused injury to the investors. *Trimble*, 152
20 Ariz. at 553. A primary violation of A.R.S. § 44-1991 can be either direct or indirect. It is now well-
21 settled in Arizona that *indirectly* violating A.R.S. § 44-1991 is not to be narrowly interpreted. *Barnes*
22 *v. Vozack*, 113 Ariz. 269, 550 P.2d 1070 (1976)(Officers of company could be liable under A.R.S. §
23 44-1991 for the fraudulent statements of a salesman of the security.)
24
25
26

1 As set forth in the Verified Complaint and supported by the attached Affidavit of Gary
2 Clapper, the Defendants have violated A.R.S. §44-1991 by: (1) misrepresenting to investors that
3 DenSco would loan up to 70% of the value of the property, when in fact, with at least one borrower,
4 DenSco provided \$28 million in loans at 100 percent of the value of the property; (2) failing to
5 disclose to investors that many loans were not secured with a first position deed of trust; (3) failing to
6 disclose to investors after October 2015, that at least one borrower had failed to make payments on
7 over \$28 million in loans; and (4) failing to disclose to investors that DenSco provided over a \$14
8 million unsecured loan. Any *one* of these actions would violate the Securities Act.

9
10 **IV. REQUESTED RELIEF**

11 A. Preliminary Injunctions are Appropriate.

12 A.R.S. § 44-2032(2) authorizes the ACC to seek injunctive relief when it appears that a
13 person has engaged in, is engaging in or is about to engage in act, practice or transaction in
14 violation of the Securities Act. A.R.S. § 44-2013(A) provides that the ACC may request that the
15 Superior Court issue a preliminary injunction restraining the Defendant from removing,
16 encumbering or otherwise disposing of the property located within this state.

17 Preliminary injunctive relief against Defendant is appropriate. The Defendant has no
18 officer/director/shareholder to wind-up the affairs of the entity. Based upon the information
19 contained in the Clapper affidavit attached, there are substantial assets including real estate that
20 need to be managed for the protection of the investors. In addition, there are many claims the
21 Defendant may be able to assert to protect the investors funds.

22
23 B. Appointment of a Receiver is Appropriate

24 As set forth above, pursuant to the Securities Act, courts may order appointment of a
25 Receiver to preserve Defendant's assets and to ensure that investors are protected from unlawful
26 conduct. A.R.S. § 44-2013. The ACC requests the appointment of a receiver to preserve the assets

1 in the possession of, or under the control of the Defendant. As is shown by the Affidavit of Gary
2 Clapper, there are substantial real property assets that need to be liquidated and liquid assets that
3 need to be preserved for the benefit of the investors. It would be impossible to make the investors
4 whole without all of the funds and/or assets. As stated herein, a receiver is necessary to safeguard
5 funds and preserve assets for the benefit of the investors. A receiver is necessary here to marshal,
6 liquidate and distribute assets.

7 **VI. CONCLUSION**

8 Based on the foregoing facts and for the reasons set forth above, the ACC respectfully
9 requests that the Court enter the attached order.

10 Dated this 17th day of August, 2016.

11
12 ARIZONA CORPORATION COMMISSION
13 By Wendy Coy
14 Wendy Coy
15 Attorney for the Arizona Corporation
16 Commission
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1 10. The Notes issued to the investors directed monthly or quarterly interest
2 payments with the principle being paid at maturity. This information was confirmed during
3 investor interviews and a review of the offering document.

4 11. DenSco would loan money to borrowers. The property loan to value was to be
5 no greater than 70% of the property value. This information came from investor interviews, a
6 review of the offering document and DenSco's website.

7 12. According to investor interviews, in about 2013, DenSco stopped accepting new
8 investor money. Since September of 2015, DenSco began accepting new investors and
9 additional investments from current investors.

10 13. During the course of the investigation, it was discovered that DenSco had lent
11 money to at least one borrower without DenSco secured in the first position on the Deeds of
12 Trusts. This activity involved about 80 of the 138 properties currently with outstanding loans
13 and totaled about \$28 million. This borrower stopped making payments in about October of
14 2015.

15 14. This same borrower also received an unsecured loan from DenSco for \$14
16 million and has defaulted on that loan.

17 15. According to information obtained during the investigation, DenSco raised
18 approximately \$50 million from about 103 investors.

19 16. Information provided to investors disclosed the following;

- 20 a. \$1 million in DenSco bank accounts
- 21 b. \$4,981,736 in Notes that are believed to be secured by deeds of trust and
22 should be liquidated in the near future.
- 23 c. \$2,533,000 Notes that are secured but need collection.
- 24 d. \$28,178,600 Notes that appear to unsecured.
- 25 e. \$14,339,339 in an unsecured Note.

26 17. Based upon information obtained in the investigation, the sole
officer/director/shareholder of DenSco is deceased. To my knowledge there are no employees

1 or other officers of DenSco. The Personal Representative of the individual's estate is not
2 interested in operating DenSco. The Personal Representative resides outside of Arizona.

3 

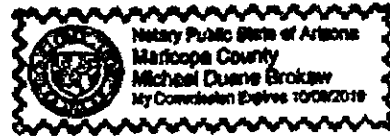
4 (Signature)

5
6 SUBSCRIBED AND SWORN TO BEFORE me this 17th day of August, 2016.

7 
8 NOTARY PUBLIC

9
10 My Commission Expires:

11 10-06-19



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COPY

AUG 17 2016



WYNEL K. BARNES CLERK
JULY 25
CLERK

1 ARIZONA CORPORATION COMMISSION
Wendy Coy, #013195
2 1300 West Washington, 3rd Floor
Phoenix, Arizona 85007
3 Attorney for Plaintiff
Telephone: (602) 542-0633
4 wcoy@azcc.gov

6 STATE OF ARIZONA

7 MARICOPA COUNTY SUPERIOR COURT

8 ARIZONA CORPORATION COMMISSION)
9 Plaintiff)
10 v.)
11 DENSCO INVESTMENT CORPORATION, an)
Arizona corporation)
12 Defendant.)
13)
14)

No. CV CV 2016-014142
MOTION FOR EXPEDITED HEARING
FOR PRELIMINARY INJUNCTION AND
APPOINTMENT OF RECEIVER

15
16 Plaintiff, the Arizona Corporation Commission ("ACC") requests that the Court expedite
17 time setting the hearing for the Preliminary Injunction and Appointment of a Receiver in this
18 matter for the following reasons:

19 DenSco Investment Company ("DenSco") was an active entity until the unexpected death
20 of its sole officer/director/shareholder. DenSco was in the business of funding loans to Foreclosure
21 Specialists to purchase real estate in Arizona. Upon information and belief, DenSco has 138 loans
22 outstanding and raised \$50 million from 103 investors.

23 Based upon the most recent information received by the ACC, was that there 138 loans
24 outstanding. A number of those borrowers continue to make payments and need title documents
25 upon payoff. There is no one in position to handle these matters. Further, a large number of loans
26 need to be foreclosed and/or collected to protect the assets of DenSco. There is no one in place to

1 handle these matters. Further, at least one borrower filed for protection under Chapter 7 of the U.S.
2 Bankruptcy Code. There is no one available to protect DenSco's interests and claims.

3 The sooner a receiver is able to be appointed the better protected the DenSco's investors
4 will be protected and the borrowers can obtain necessary paperwork.

5 The ACC has been working with DenSco's corporate attorney and the attorneys for the
6 Personal Representative for the officer/director/shareholder's estate who agree that a receiver
7 should be appointed.

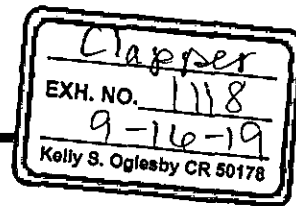
8 Dated this 17th day of August, 2016.

9
10 ARIZONA CORPORATION COMMISSION

11 By 

12 Wendy Coy

13 Attorney for the Arizona Corporation
14 Commission
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Beauchamp, David G.

From: Crawford, Patricia <Patricia.Crawford@ctt.com>
Sent: Thursday, August 18, 2016 8:16 AM
To: Beauchamp, David G.; Gary Clapper
Cc: Wendy Coy; Woods, Dawn
Subject: RE: 15202 N 28th Ave.

Hello all,

The escrow number for this is C1605413. Please let me know if you need any additional information. Please include Dawn Woods in all correspondence going forward, she is the Escrow Officer closing this transaction.

Thank you.

Patricia Crawford
Chicago Title Agency
6710 N. Scottsdale Rd. Suite 100B
Scottsdale, Az. 85253
Direct (480) 675-4979
Office (480) 998-9298
Fax (480) 998-9307
email patricia.crawford@ctt.com

****Be aware! Online banking fraud is on the rise. If you receive an email containing WIRE TRANSFER INSTRUCTIONS call your escrow officer immediately to verify the information prior to sending funds.****



From: Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]
Sent: Thursday, August 18, 2016 7:56 AM
To: Gary Clapper
Cc: Wendy Coy; Crawford, Patricia
Subject: Re: 15202 N 28th Ave.

Gary:

Sorry, but I am not aware of a file number.

Best regards, David

Sent from my iPhone. Please excuse any typos.

On Aug 18, 2016, at 6:22 AM, Gary Clapper <GRC@azcc.gov> wrote:

Hi David

Is there a file number that you know of?

From: Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]
Sent: Wednesday, August 17, 2016 6:04 PM
To: Wendy Coy <WC@azcc.gov>; Gary Clapper <GRC@azcc.gov>
Cc: Crawford, Patricia (Patricia.Crawford@ctt.com) <Patricia.Crawford@ctt.com>
Subject: FW: 15202 N 28th Ave.

Wendy and Gary:

Please see the email below concerning the request for a payoff amount and Deed of Release and Reconveyance for the property at 15202 N. 28th Ave. I just received this email request today. Since this escrow is not supposed to close until 8/24/16, this should be handled by the Receiver, but I am concerned that this file might get misplaced during the transition of all of the paperwork to the Receiver. If you want me to handle this Deed of Release and Reconveyance, please pull that file and give it to me. I can arrange to get the payoff numbers from the Receiver and deliver the Deed of Release and Reconveyance to Chicago Title. I am not concerned about getting the numbers for the Receiver, because the financial information will be part of the financial numbers and excel program that is in Dropbox, so it can be readily delivered to the Receiver.

Sincerely, David

David G. Beauchamp

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

From: Crawford, Patricia [<mailto:Patricia.Crawford@ctt.com>]
Sent: Wednesday, August 17, 2016 3:33 PM
To: Beauchamp, David G.; dcmoney@yahoo.com; robert.densco@gmail.com
Cc: Miller Blackford; Josh Randall; Woods, Dawn
Subject: 15202 N 28th Ave.

Hello Mr. Beauchamp,

Can you please provide a payoff statement for the property located at 15202 N. 28th Ave. Close of Escrow is 8/24/2016. Denny provided his own form however I have attached our Beneficiary Demand form if you would like to use it. Please let me know if I can assist in any way or if you need additional information to process.

Thank you.

Patricia Crawford
Chicago Title Agency
6710 N. Scottsdale Rd. Suite 100B
Scottsdale, Az. 85253
Direct (480) 675-4979
Office (480) 998-9298
Fax (480) 998-9307
email patricia.crawford@ctt.com

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LEGAL NOTICE: This e-mail, along with any attachment(s), is considered confidential and may be legally privileged. If you have received it in error, please notify us immediately by reply e-mail and then delete this message from your system. Please do not copy it or use it for any purposes, or disclose its contents to any other person. Thank you for your cooperation.

Beauchamp, David G.

Clapper
EXH. NO. 1119
9-16-19
Kelly S. Oglesby CR 50178

From: Gary Clapper <GRC@azcc.gov>
Sent: Thursday, August 18, 2016 8:22 AM
To: Crawford, Patricia; Beauchamp, David G.
Cc: Wendy Coy; Woods, Dawn
Subject: RE: 15202 N 28th Ave.

We are looking for the file. I was checking to see if David had an internal file number. We will find it.

From: Crawford, Patricia [mailto:Patricia.Crawford@ctt.com]
Sent: Thursday, August 18, 2016 8:16 AM
To: Beauchamp, David G. <DBeauchamp@ClarkHill.com>; Gary Clapper <GRC@azcc.gov>
Cc: Wendy Coy <WC@azcc.gov>; Woods, Dawn <Dawn.Woods@ctt.com>
Subject: RE: 15202 N 28th Ave.

Hello all,

The escrow number for this is C1605413. Please let me know if you need any additional information. Please include Dawn Woods in all correspondence going forward, she is the Escrow Officer closing this transaction.

Thank you.

Patricia Crawford
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6710 N. Scottsdale Rd. Suite 100B
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Sincerely, David

David G. Beauchamp

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From: Crawford, Patricia [<mailto:Patricia.Crawford@ctt.com>]
Sent: Wednesday, August 17, 2016 3:33 PM
To: Beauchamp, David G.; dcmoney@yahoo.com; robert.densco@gmail.com
Cc: Miller Blackford; Josh Randall; Woods, Dawn
Subject: 15202 N 28th Ave.

Hello Mr. Beauchamp,

Can you please provide a payoff statement for the property located at 15202 N. 28th Ave. Close of Escrow is 8/24/2016. Denny provided his own form however I have attached our Beneficiary Demand form if you would like to use it. Please let me know if I can assist in any way or if you need additional information to process.

Thank you.

Patricia Crawford

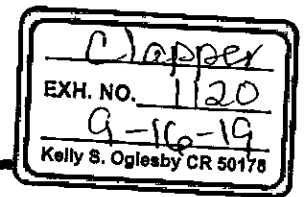
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Beauchamp, David G.

From: Josh Randall <josh@randallrealtyexperts.com>
Sent: Thursday, August 18, 2016 10:01 AM
To: Crawford, Patricia; Beauchamp, David G.
Cc: Miller Blackford; Woods, Dawn; GRC@azcc.gov; WC@azcc.gov
Subject: Loan file Number for Payoff assistance for 15202 N 28th Ave Phoenix, AZ
Attachments: Proof of August Payment for 15202 N 28th Ave from seller.pdf

Hi David and Gary,

I am the listing agent for this listing. The Title company sent the seller and I the email correspondence to update us on the status of the payoff, and it mentions that you and Gary are trying to find the loan file number. The borrower (seller) believes that the loan file number is: 8301

Also, I have attached to this email, the borrower (seller's) most recent monthly payment paid in August, so that you can accurately calculate the payoff. Please send to title as soon as possible since title company needs it prior to the close date of 8/24/16 so that they can finalize the settlement statements for buyer and seller to sign prior to the close date. We appreciate your help!

I hope this email and attached is helpful for you. David, I'm sorry you and Gary have to deal with all of this. We appreciate both of you and your quick help with it all though to help us get this property closed and get the loan paid off.

Thank you!

Josh Randall
Randall Realty Experts
Branch Manager / Team Owner
Keller Williams Realty East Valley
Real Estate Professional
Direct AZ: 480-635-2148
E-Fax 1-866-569-0927

On Thu, Aug 18, 2016 at 8:17 AM, Crawford, Patricia <Patricia.Crawford@ctt.com> wrote:

Hi Josh and Miller,

Here is correspondence so far regarding the payoff.

Thank you.

From: Crawford, Patricia
Sent: Thursday, August 18, 2016 8:16 AM
To: 'Beauchamp, David G.'; Gary Clapper
Cc: Wendy Coy; Woods, Dawn (Dawn.Woods@ctt.com)
Subject: RE: 15202 N 28th Ave.

Hello all,

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Thank you.

Patricia Crawford

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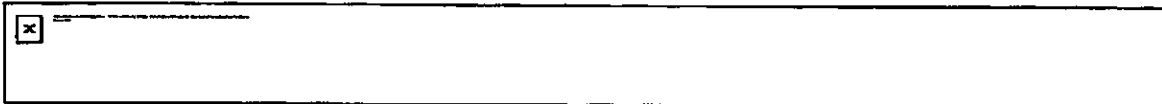
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email patricia.crawford@ctt.com

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From: Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]
Sent: Thursday, August 18, 2016 7:56 AM
To: Gary Clapper
Cc: Wendy Coy; Crawford, Patricia
Subject: Re: 15202 N 28th Ave.

Gary:

Sorry, but I am not aware of a file number.

Best regards, David

Sent from my iPhone. Please excuse any typos.

On Aug 18, 2016, at 6:22 AM, Gary Clapper <GRC@azcc.gov> wrote:

Hi David

Is there a file number that you know of?

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Sent: Wednesday, August 17, 2016 6:04 PM
To: Wendy Coy <WC@azcc.gov>; Gary Clapper <GRC@azcc.gov>
Cc: Crawford, Patricia (Patricia.Crawford@ctt.com) <Patricia.Crawford@ctt.com>
Subject: FW: 15202 N 28th Ave.

Wendy and Gary:

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today. Since this escrow is not supposed to close until 8/24/16, this should be handled by the Receiver, but I am concerned that this file might get misplaced during the transition of all of the paperwork to the Receiver. If you want me to handle this Deed of Release and Reconveyance, please pull that file and give it to me. I can arrange to get the payoff numbers from the Receiver and deliver the Deed of Release and Reconveyance to Chicago Title. I am not concerned about getting the numbers for the Receiver, because the financial information will be part of the financial numbers and excel program that is in Dropbox, so it can be readily delivered to the Receiver.

Sincerely, David

David G. Beauchamp

CLARK HILL PLC

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

From: Crawford, Patricia [<mailto:Patricia.Crawford@ctt.com>]
Sent: Wednesday, August 17, 2016 3:33 PM
To: Beauchamp, David G.; dcmoney@yahoo.com; robert.densco@gmail.com
Cc: Miller Blackford; Josh Randall; Woods, Dawn
Subject: 15202 N 28th Ave.

Hello Mr. Beauchamp,

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Thank you.

Patricia Crawford

Chicago Title Agency

6710 N. Scottsdale Rd. Suite 100B

Scottsdale, Az. 85253

Direct (480) 675-4979

Office (480) 998-9298

Fax (480) 998-9307

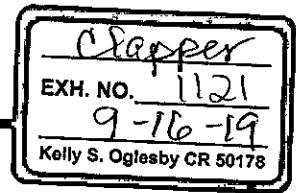
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Beauchamp, David G.

From: Gary Clapper <GRC@azcc.gov>
Sent: Thursday, August 18, 2016 1:17 PM
To: Josh Randall; Crawford, Patricia; Beauchamp, David G.
Cc: Miller Blackford; Woods, Dawn; Wendy Coy
Subject: RE: Loan file Number for Payoff assistance for 15202 N 28th Ave Phoenix, AZ

I think the file number is actually 8031. I gave the file to David later this morning so he will handle it from there.

From: Josh Randall [mailto:josh@randallrealtyexperts.com]
Sent: Thursday, August 18, 2016 10:01 AM
To: Crawford, Patricia <Patricia.Crawford@ctt.com>; David Beauchamp <DBeauchamp@clarkhill.com>
Cc: Miller Blackford <mblackford1@cox.net>; Woods, Dawn <Dawn.Woods@ctt.com>; Gary Clapper <GRC@azcc.gov>; Wendy Coy <WC@azcc.gov>
Subject: Loan file Number for Payoff assistance for 15202 N 28th Ave Phoenix, AZ

Hi David and Gary,

I am the listing agent for this listing. The Title company sent the seller and I the email correspondence to update us on the status of the payoff, and it mentions that you and Gary are trying to find the loan file number. The borrower (seller) believes that the loan file number is: 8301

Also, I have attached to this email, the borrower (seller's) most recent monthly payment paid in August, so that you can accurately calculate the payoff. Please send to title as soon as possible since title company needs it prior to the close date of 8/24/16 so that they can finalize the settlement statements for buyer and seller to sign prior to the close date. We appreciate your help!

I hope this email and attached is helpful for you. David, I'm sorry you and Gary have to deal with all of this. We appreciate both of you and your quick help with it all though to help us get this property closed and get the loan paid off.

Thank you!

Josh Randall
Randall Realty Experts
Branch Manager / Team Owner
Keller Williams Realty East Valley
Real Estate Professional
Direct AZ: 480-635-2148
E-Fax 1-866-569-0927

On Thu, Aug 18, 2016 at 8:17 AM, Crawford, Patricia <Patricia.Crawford@ctt.com> wrote:

Hi Josh and Miller,

Here is correspondence so far regarding the payoff.

Thank you.

From: Crawford, Patricia
Sent: Thursday, August 18, 2016 8:16 AM
To: 'Beauchamp, David G.'; Gary Clapper
Cc: Wendy Coy; Woods, Dawn (Dawn.Woods@ctt.com)
Subject: RE: 15202 N 28th Ave.

Hello all,

The escrow number for this is C1605413. Please let me know if you need any additional information. Please include Dawn Woods in all correspondence going forward, she is the Escrow Officer closing this transaction.

Thank you.

Patricia Crawford

Chicago Title Agency

6710 N. Scottsdale Rd. Suite 100B

Scottsdale, Az. 85253

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Office (480) 998-9298

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Thank you.

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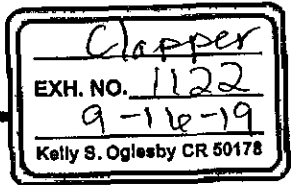
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Beauchamp, David G.

From: Beauchamp, David G.
Sent: Thursday, August 18, 2016 4:52 PM
To: Gary Clapper
Cc: Wendy Coy; rzkoehler@yahoo.com
Subject: FW: densco

Gary:

Do we know who has been appointed to be the Receiver yet?

As we previously discussed, until the Receiver has time to obtain the loan files and get his system set up, I am still willing to relay the payoff amounts and forward the Deeds of Release and Reconveyance to the respective Title Company and Escrow Agent. If that still works for you and Wendy, please have the following loan files sent to me and I will follow up as I have been doing. If the Receiver is ready to take over this service, please let me know.

Sincerely, David

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From: Robert Koehler [<mailto:rzkoehler@gmail.com>]
Sent: Thursday, August 18, 2016 1:17 PM
To: Beauchamp, David G.
Subject: Re: densco

David,

Just heard about 3 more loans that are requesting payoffs and releases...FYI
borrower: Shawn P.
yworry1979@gmail.com

4617 6735 Devonshire
7123 2660 N. 43rd Ave 15d
7471 2686 N. 43rd Ave. 28C

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Thank you.

Sent from my iPhone. Please excuse any typos.

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loan no. 7964
1720 Windsong
Borrower: Equiworth LLC
Principal Due: \$216,000
Interest due from 7-13-16 through 8-17-16 \$3,780.00
interest per diem starting 8-18-16 through actual payoff date \$108.00

loan no. 8110
11468 Madisen Ellise
Borrower: Tetreualt
Principal Due: \$128,000
Interest due from 6-30-16 through 8-17-16 \$3,136.00
Interest per diem starting 8-18-16 through actual payoff date \$64.00

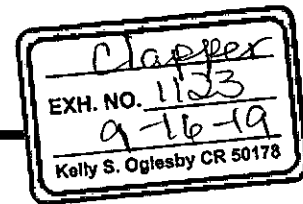
loan no. 7965
1218 W. 15th St.
Borrower: Black Forrest, LLC
Principal Due: \$165,000
interest due from 7-13-16 through 8-17-16 \$2,887.50
Interest per diem starting 8-18-16 through actual payoff date \$82.50

loan no. 8070
10449 W. Echo
Borrower: Nguyen
Principal Due: \$120,000
interest due from 7-13-16 through 8-17-16 \$2,100.00
Interest per diem starting 8-18-16 through actual payoff date \$60.00

loan no. 8108
2448 W. Kiva
borrower: AZ Home Buyer, LLC
Principal due: \$121,287.39
interest due from 7-24-16 through 8-17-16 \$1,455.36
interest per diem starting 8-18-16 through actual payoff date \$60.64

loan no. 7694
6713 E. Palm Ln.
Borrower: AZ Home Buyer, LLC
Principal due: \$220,220.84
interest due from 7-4-16 through 8-17-16 \$4,866.84
interest per diem starting 8-18-16 through actual payoff date \$110.61

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Beauchamp, David G.

From: Wendy Coy <WC@azcc.gov>
Sent: Thursday, August 18, 2016 5:27 PM
To: Beauchamp, David G.; Gary Clapper
Subject: Re: densco

Peter Davis.

From: Beauchamp, David G. <DBeauchamp@ClarkHill.com>
Sent: Thursday, August 18, 2016 4:51:54 PM
To: Gary Clapper
Cc: Wendy Coy; rzkoehler@yahoo.com
Subject: FW: densco

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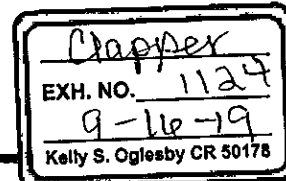
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Beauchamp, David G.

From: Beauchamp, David G.
Sent: Thursday, August 18, 2016 5:55 PM
To: Josh Randall
Cc: Crawford, Patricia; Miller Blackford; Gary Clapper; Woods, Dawn; Wendy Coy
Subject: RE: Loan file Number for Payoff assistance for 15202 N 28th Ave Phoenix, AZ

Josh and Patricia:

I have been in contact with Miller Blackford concerning this loan and the release. Based on Miller's request, I had asked Gary Clapper for the loan file and Gary gave it to me today. As Gary indicated, it is Loan No 8031.

I have also asked Robert Koehler for a payoff amount and I hope to receive that tomorrow and I will provide that shortly after receiving that information.

With respect to the evidence that you have submitted concerning the August payment, we do not have any information concerning any payments into DenSco's bank accounts on or after July 27. Accordingly, the payoff amount that I will send to you cannot include any monthly interest payments that were received after that date. We have been advised by the AZ Securities Division that we can only authorize Deeds of Release and Reconveyance to be recorded in exchange for full payoffs. If there is a missing interest payment, the borrower will be able to submit a reimbursement claim to Peter Davis who was appointed to be the Receiver this afternoon. Mr. Davis is authorized by the court to review any claims for duplicate interest payments and to pay such amounts back to the borrower, which will be after the Receiver can audit the payments made to the DensCo account on or after July 27.

After I send the payoff amount to Patricia Crawford and have her confirm that she agrees with the instructions (email is okay), I will then put the original Deed of Release and Reconveyance at my front desk to be picked up. Patricia and Chicago Title You are authorized to record that Deed of Release and Reconveyance when you are in position to pay the payoff amount to DenSco's account as you have previously done. If for any reason the DenSco account cannot receive the payoff payment, please advise me and hold such amount until Peter Davis as the Receiver can make arrangements to receive such payment directly.

In the interest of everyone's time, please have one person be the contact person for me to coordinate with concerning this loan payoff so that we do not have several people all dealing with the same issue.

Sincerely, David
David G. Beauchamp

CLARK HILL PLC
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480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
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From: Josh Randall [mailto:josh@randallrealtyexperts.com]
Sent: Thursday, August 18, 2016 4:35 PM
To: Gary Clapper
Cc: Crawford, Patricia; Beauchamp, David G.; Miller Blackford; Woods, Dawn; Wendy Coy
Subject: Re: Loan file Number for Payoff assistance for 15202 N 28th Ave Phoenix, AZ

Perfect. Sounds great. Thank you Gary for your help!

Josh Randall

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Direct Phone: 480-635-2148
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To: Crawford, Patricia <Patricia.Crawford@ctt.com>; David Beauchamp <DBeauchamp@clarkhill.com>
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Fax (480) 998-9307

email patricia.crawford@ctt.com

****Be aware! Online banking fraud is on the rise. If you receive an email containing WIRE TRANSFER INSTRUCTIONS call your escrow officer immediately to verify the information prior to sending funds.****

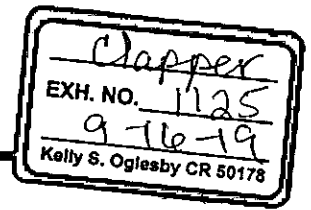
<image001.png>

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7. . . .

1



Beauchamp, David G.

From: Beauchamp, David G.
Sent: Thursday, August 18, 2016 7:24 PM
To: Hall, Theresa
Cc: Equiworth, LLC (equiworthhomes@gmail.com); Gary Clapper; Kevin R. Merritt (kmerritt@gbllaw.com); rzkoehler@yahoo.com
Subject: RE: 1720 E Windsong Dr, Phoenix- Deed of Release

7964

Theresa:

I just looked at the copy of the Deed of Release that I made prior to giving the original to your messenger. It appears that the legal description is correct, but the Deed of Release appears to reference the wrong street address in the middle of the document. You are authorized to have that reference corrected to reflect the actual street address of 1720 E. Windsong Dr. as is set forth in the DenSco's files.

Thank you.

Sincerely, David

David G. Beauchamp

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

From: Hall, Theresa [<mailto:TheresaHall@ltic.com>]
Sent: Thursday, August 18, 2016 2:42 PM
To: Beauchamp, David G.
Cc: Equiworth, LLC
Subject: RE: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Instructions listed below will be followed by Lawyers Title.

Upon closing of escrow – loan pay off funds will be wired to DENSCO bank account.

Thank you, Theresa

Theresa Hall
Lawyers Title

17100 N 67TH AVE, BLDG 2-200, GLENDALE, AZ 85308

Phone: 623 979 6060
Fax: 623 979 0428
Email: theresahall@ltic.com

From: Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]
Sent: Wednesday, August 17, 2016 8:13 PM
To: Hall, Theresa

Cc: Equiworth, LLC

Subject: RE: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Theresa:

The payoff information that I have concerning this loan is as follows:

loan no. 7964

1720 Windsong

Borrower: Equiworth LLC

Principal Due: \$216,000

Interest due from 7-13-16 through 8-17-16 \$3,780.00

interest per diem starting 8-18-16 through actual payoff date \$108.00

I also have a signed and notarized Deed of Release and Reconveyance for this loan.

Please note that as I indicated in my previous email, we do not have any information concerning any payments into DenSco's bank accounts on or after July 27. Accordingly, this payoff might not include any monthly interest payments that were received after that date. We have been advised by the AZ Securities Division that we can only authorize Deeds of Release and Reconveyance to be recorded in exchange for full payoffs. If there is a missing interest payment, the borrower will be able to submit a reimbursement claim to the Receiver who will be authorized by the court to pay any duplicate payments back to the borrower, which will be after the Receiver can audit the payments made to the DenSco account on or after July 27.

The original Deed of Release and Reconveyance is available to be picked at my office by the Title Company. You are authorized to hold this Deed of Release until such time as you have sufficient and readily available funds in your possession to fund the payoff amount for this loan. At that time, you may record that Deed of Release and Reconveyance when you are in position to pay the above payoff amount to DenSco's account. If you have previously made payments to DenSco in the last year, please use the same account information. If you do not have that information, please let me know and we will provide that information. If for any reason the DenSco account cannot receive the payoff payment, please advise me and hold such amount until the Receiver is appointed and the Receiver can make arrangements to receive such payment directly.

Please contact me with any questions.

Sincerely, David

David G. Beauchamp

CLARK HILL PLC

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

From: Beauchamp, David G.

Sent: Wednesday, August 17, 2016 8:03 PM

To: Equiworth, LLC

Cc: theresahall@tic.com

Subject: RE: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Larry:

According to the AZ Securities Division, I do not have authority to make any adjustments from the payoff numbers that are being calculated based upon DenSco's financial numbers that Denny prepared on or before July 27. The Receiver

will be authorized by the court to make any adjustments after the Receiver is able to update and reconcile DenSco's financial numbers for any payments after that date. You will need to submit your evidence of payment along with a request for a refund to the Receiver.

Sincerely, David

David G. Beauchamp

CLARK HILL PLC

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

From: Equiworth, LLC [<mailto:equiworthhomes@gmail.com>]
Sent: Wednesday, August 17, 2016 7:22 PM
To: Beauchamp, David G.
Cc: Theresa Hall
Subject: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Attached is a copy of the last payment made for 1720 E Windsong Dr, Phoenix.

The Escrow Officer is Theresa Hall, Lawyers Title, 602-993-4545. I've cc's her in on this email.

Please let me know that you got this ok.

Thanks.

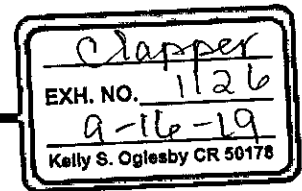
Larry Schultz
Equiworth, LLC
480-620-6122
Email: equiworthhomes@gmail.com



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NOTICE: The information contained in this message is proprietary and/or confidential and may be privileged. If you are not the intended recipient of this communication, you are hereby notified to: (i) delete the message and all copies; (ii) do not disclose, distribute or use the message in any manner; and (iii) notify the sender immediately.

Beauchamp, David G.



From: Beauchamp, David G.
Sent: Thursday, August 18, 2016 7:35 PM
To: lradmer@ltic.com
Cc: azhomesale@gmail.com; Gary Clapper; Kevin R. Merritt (kmerritt@gblaw.com); rzkoehler@yahoo.com
Subject: DenSco Loan Payoff 8110

Laura:

I have received notice of your request concerning the payoff of the above-referenced DenSco loan. The procedure for loan payoffs was discussed again by the representatives engaged in the DenSco matter during various breaks in the court proceedings while we were waiting for the court to appoint a Receiver for DenSco.

Set forth below is the payoff information that I have been provided for the above loan.

loan no. 8110
11468 Madisen Ellise
Borrower: Tetreault
Principal Due: \$128,000
Interest due from 6-30-16 through 8-17-16 \$3,136.00
Interest per diem starting 8-18-16 through actual payoff date \$64.00

With respect to any interest that may have been previously paid on this Loan, we do not currently have any information concerning any payments into DenSco's bank accounts on or after July 27. Accordingly, the payoff amount that is set forth above cannot include any monthly interest payments that were received after that date. In discussions with the representatives of the AZ Securities Division, Denny Chittick's Estate and the various Receiver candidates for this position, it was agreed that I can only authorize Deeds of Release and Reconveyance to be recorded in exchange for full payoffs. If there is an unapplied interest payment or other reason for an adjustment after the payoff has been received, the borrower will be able to submit a reimbursement claim to Peter Davis who was just appointed to be the Receiver late this afternoon. Mr. Davis is authorized by the court to make day to day decisions on behalf of DenSco, including reviewing any claims for refunds due to duplicate interest payments and to pay such amounts back to the borrower. Unfortunately, this will only be after the Receiver can obtain all of the necessary records and audit the payments made to the DenSco account on or after July 27. As indicated above, those steps will take time.

All I can do is to send the payoff amount (indicated above) to whoever is handling the escrow for the transaction that will payoff the DenSco loan. To have the signed Deed of Release and Reconveyance available for the Escrow Agent, I will first need the Escrow Agent to confirm that the Escrow Agent agrees to follow the instructions in this email (email response is okay). Upon that confirmation, I will put the original Deed of Release and Reconveyance at my front desk to be picked up by someone for the Escrow Agent. The Escrow Agent will be authorized to record that Deed of Release and Reconveyance when the Escrow Agent is in position to pay the total payoff amount for the DenSco loan to DenSco's account.

In the interest of everyone's time, please know that we have been instructed to follow this procedure or you will need to wait until the Receiver has sufficient time to obtain and review all of the financial and other records and has completed an audit of the payments made to DenSco's account. Further, the Receiver will need to review all of the claims by any borrower concerning their respective loan payoff. In the interim, please have one person be the contact person for me to coordinate with concerning this loan payoff so that we do not have several people all dealing with the same issue. Until the Receiver is able to take over this process, I am still handling the loan payoffs pursuant to the procedures set forth above.

Sincerely, David

David G. Beauchamp

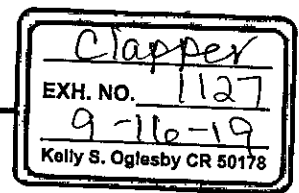
CLARK HILL PLC

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dbeauchamp@clarkhill.com | www.clarkhill.com

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Message

From: Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]
Sent: 8/18/2016 9:10:59 PM
To: Gary Clapper [GRC@azcc.gov]
CC: rzkoehler@yahoo.com; Kevin R. Merritt (kmerritt@gblaw.com) [kmerritt@gblaw.com]
Subject: FW: 1720 E Windsong Dr, Phoenix- Last Payment in July.



Gary:

Please see the email below which references another loan to be paid off. I do not know the loan number, but it is secured by the property at 3332 E. Blackhawk and the borrower is Equiworth, LLC. I spoke to a principal of Equiworth previously and I had asked for the Escrow Agent to contact me if this was to close "soon." (I added that means that the Deed of Release would be needed in the next two weeks.) The email from Theresa Hall does not reference a closing date, but Theresa Hall did indicate on the phone that she needed it "soon", but she did not remember the exact closing date. I am not sure if the Borrower just wants to get the Deed of Release in the Escrow file right away or if this transaction is to close by the end of the month.

Best regards, David

David G. Beauchamp

CLARK HILL PLC

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

From: Hall, Theresa [mailto:TheresaHall@ltic.com]
Sent: Thursday, August 18, 2016 1:19 PM
To: Beauchamp, David G.
Subject: RE: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Ok... I'll send runner back tomorrow once you confirm release is ready for pick up...

What is the property address for Patricia's escrow ?

The only other one I need is for the property on 3332 E BlackHawk for Equiworth LLC ... but I think that one needs to be signed by the receiver...

Thank you, Theresa

Theresa Hall
Lawyers Title

17100 N 67TH AVE, BLDG 2-200, GLENDALE, AZ 85308

Phone: 623 979 6060
Fax: 623 979 0428
Email: theresahall@ltic.com

From: Beauchamp, David G. [mailto:DBeauchamp@ClarkHill.com]
Sent: Thursday, August 18, 2016 12:58 PM
To: Hall, Theresa
Subject: Re: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Theresa:

I just called and your runner has left. I will have both available when I get back to my office. Your runner did not take the other Deed of Release for Patricia's escrow.

Best, David

Sent from my iPhone. Please excuse any typos.

On Aug 18, 2016, at 12:42 PM, Hall, Theresa <TheresaHall@ltic.com> wrote:

Hi David... my runner is at your office now... they are not able to locate the release for loan 7964 for Lawyers Title ... are you available to assist please??

Thank you, Theresa

Theresa Hall
Lawyers Title

17100 N 67TH AVE, BLDG 2-200, GLENDALE, AZ 85308

Phone: 623 979 6060

Fax: 623 979 0428

Email: theresahall@ltic.com

From: Beauchamp, David G. [mailto:DBeauchamp@ClarkHill.com]
Sent: Thursday, August 18, 2016 10:54 AM
To: Hall, Theresa
Subject: Re: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Theresa:

There is no authorized signer alive. This is all you can get. It has been acceptable to other title companies.

David

Sent from my iPhone. Please excuse any typos.

On Aug 18, 2016, at 10:11 AM, Hall, Theresa <TheresaHall@ltic.com> wrote:

Hi David – thank you for your information...

1. Title underwriting does require a payoff statement to be completed and signed ... see attached ... please review & complete and have authorized party sign and return to me.
2. Please provide documentation regarding authorized signer.
3. Please forward a copy of the release.

Thank you, Theresa

Theresa Hall
Lawyers Title

17100 N 67TH AVE, BLDG 2-200, GLENDALE, AZ 85308

Phone: 623 979 6060
Fax: 623 979 0428
Email: theresahall@ltic.com

From: Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]
Sent: Thursday, August 18, 2016 9:10 AM
To: Hall, Theresa
Subject: Re: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Denny previously signed it

Sent from my iPhone. Please excuse any typos.

From: Beauchamp, David G. [<mailto:DBeauchamp@ClarkHill.com>]
Sent: Wednesday, August 17, 2016 8:13 PM
To: Hall, Theresa
Cc: Equiworth, LLC
Subject: RE: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Theresa:

The payoff information that I have concerning this loan is as follows:

loan no. 7964
1720 Windsong
Borrower: Equiworth LLC
Principal Due: \$216,000
Interest due from 7-13-16 through 8-17-16 \$3,780.00
interest per diem starting 8-18-16 through actual payoff date \$108.00

I also have a signed and notarized Deed of Release and Reconveyance for this loan.

Please note that as I indicated in my previous email, we do not have any information concerning any payments into DenSco's bank accounts on or after July 27. Accordingly, this payoff might not include any monthly interest payments that were received after that date. We have been advised by the AZ Securities Division that we can only authorize Deeds of Release and Reconveyance to be recorded in exchange for full payoffs. If there is a missing interest payment, the borrower will be able to submit a reimbursement claim to the Receiver who will be authorized by the court to pay any duplicate payments back to the borrower, which will be after the Receiver can audit the payments made to the DenSco account on or after July 27.

The original Deed of Release and Reconveyance is available to be picked at my office by the Title Company. You are authorized to hold this Deed of Release until such time as you have sufficient and readily available funds in your

possession to fund the payoff amount for this loan. At that time, you may record that Deed of Release and Reconveyance when you are in position to pay the above payoff amount to DenSco's account. If you have previously made payments to DenSco in the last year, please use the same account information. If you do not have that information, please let me know and we will provide that information. If for any reason the DenSco account cannot receive the payoff payment, please advise me and hold such amount until the Receiver is appointed and the Receiver can make arrangements to receive such payment directly.

Please contact me with any questions.

Sincerely, David

David G. Beauchamp

CLARK HILL PLC

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

From: Beauchamp, David G.
Sent: Wednesday, August 17, 2016 8:03 PM
To: Equiworth, LLC
Cc: theresahall@ltic.com
Subject: RE: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Larry:

According to the AZ Securities Division, I do not have authority to make any adjustments from the payoff numbers that are being calculated based upon DenSco's financial numbers that Denny prepared on or before July 27. The Receiver will be authorized by the court to make any adjustments after the Receiver is able to update and reconcile DenSco's financial numbers for any payments after that date. You will need to submit your evidence of payment along with a request for a refund to the Receiver.

Sincerely, David

David G. Beauchamp

CLARK HILL PLC

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

From: Equiworth, LLC [<mailto:equiworthhomes@gmail.com>]
Sent: Wednesday, August 17, 2016 7:22 PM
To: Beauchamp, David G.
Cc: Theresa Hall
Subject: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Attached is a copy of the last payment made for 1720 E Windsong Dr, Phoenix.

The Escrow Officer is Theresa Hall, Lawyers Title, 602-993-4545. I've cc's her in on this email.

CH_0008542

Please let me know that you got this ok.

Thanks.

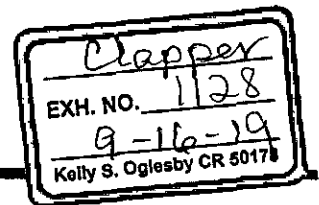
Larry Schultz
Equiworth, LLC
480-620-6122
Email: equiworthhomes@gmail.com

<image001.jpg>

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<PAYOFF STATEMENT_20160818125354.pdf>

Beauchamp, David G.



From: Beauchamp, David G.
Sent: Friday, August 19, 2016 12:15 AM
To: Keith Wettering
Cc: Gary Clapper; Kevin R. Merritt (kmerritt@gbllaw.com); rzkoehler@yahoo.com
Subject: RE: 10449 W Echo Ln - Loan#8070

Keith:

I am not sure if you are aware of the current status of DenSco. Denny Chittick died on or about July 27. There is no current officer, director or employee of DenSco and there is not likely to be any in the near future. As I indicated when I sent the payoff information to Carol Hersey yesterday, I am extremely limited with what I can do to accommodate any loan closing. I am not authorized to sign anything for DenSco. I have a signed and notarized Deed of Release in the loan file that Denny Chittick signed and had notarized after the loan was originally made. As is the case with several hard money lenders, that Deed of Release is signed right after the loan is made so that it can be just delivered to the Escrow Agent. I am authorized to deliver that Deed of Release upon the satisfaction of certain key conditions. If those are not satisfied, then I am not allowed to deliver the Deed of Release and the borrower will need to deal with the Receiver for DenSco after the Receiver has been able to obtain and review all of the financial records of DenSco, reconciled and audited the bank account versus loan payments and had an opportunity to become familiar with the status of the loans. In the interim, I have very limited authority to help close these loans.

In addition, the payoff information is based upon DenSco's financial records prior to July 27, 2016. We do not have any information concerning any payments into DenSco's bank accounts on or after July 27. Accordingly, the payoff amount that I have sent to Carol Hersey yesterday could not include any monthly interest payments that were received after that date. We have been advised by the AZ Securities Division that we can only authorize Deeds of Release and Reconveyance to be recorded in exchange for full payoffs. If there is a missing interest payment that is not properly credited, the borrower will be able to submit a reimbursement claim to Peter Davis who was appointed to be the Receiver this afternoon. Mr. Davis is authorized by the court to review any claims for duplicate interest payments and to pay such amounts back to the borrower, but this will only be after the Receiver has audited the payments made to the DenSco account on or after July 27.

Once I receive written confirmation from the Escrow Agent that the Escrow Agent agrees with the instructions in my previous email and this email (email is okay), I will then put the original Deed of Release and Reconveyance at my front desk to be picked up. The Escrow Agent will be authorized to record that Deed of Release and Reconveyance when the Escrow Agent is in position to pay the payoff amount to DenSco's account as Escrow Agents have previously done. If you need me to obtain the bank account number for DenSco that could delay the closing, because I do not currently have access to that information. If for any reason the DenSco account cannot receive the payoff payment, please advise me and hold such amount until Peter Davis as the Receiver can make arrangements to receive such payment directly.

In the interest of everyone's time, please have one person be the contact person for me to coordinate with concerning this loan payoff so that we do not have several people all dealing with the same issue.

Sincerely, David

David G. Beauchamp

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

From: Keith Wattering [<mailto:Keith.Wattering@stewart.com>]
Sent: Thursday, August 18, 2016 9:34 AM
To: Beauchamp, David G.
Cc: Kenneth Wattering
Subject: 10449 W Echo Ln - Loan#8070

Good Morning,

I represent Stewart Title on the escrow side of Kenneth Nguyen's refinance with Summit Funding. Attached is a copy of our request form to receive payoff information.

If you could complete and return at your earliest convenience, it would be greatly appreciated.

Thank you, let us know if you need anything else or have any questions.

Sincerely,

Keith Wattering
Escrow Assistant
Stewart Title
2955 N Swan Rd
Tucson, AZ 85712
O (520) 258-4020 | F (520) 322-3599
stewart.com | keith.wattering@stewart.com

stewart title

Real partners. Real possibilities.™

NYSE: STC

****Be aware! Online banking fraud is on the rise. If you receive an email containing WIRE TRANSFER INSTRUCTIONS that differ from what was provided, call your escrow officer immediately to verify the information prior to sending funds.****

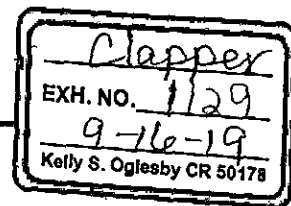
Receipt

On August 18, 2016 the Arizona Securities Division (Chief Investigator Gary Clapper) provided Attorney David Beauchamp with one original DenSco loan file identified as #~~8301~~ -15202 North 28th avenue, Phoenix, AZ 85053.

8031 (be)

Signature/David Beauchamp/Date David G. Beauchamp 8/18/16

Signature/Gary Clapper/Date GR Clapper 8/18/16



Message

From: Hall, Theresa [TheresaHall@ltic.com]
Sent: 8/19/2016 9:35:54 AM
To: Beauchamp, David G. [dbeauchamp@clarkhill.com]
CC: Equiworth, LLC (equiworthhomes@gmail.com) [equiworthhomes@gmail.com]; Gary Clapper [GRC@azcc.gov]; Kevin R. Merritt (kmerritt@glaw.com) [kmerritt@glaw.com]; rzkoehler@yahoo.com
Subject: RE: 1720 E Windsong Dr, Phoenix- Deed of Release

Thank you David, I will make that correction.
We are ALL SET now with the pay off figure and the release.

Thank you for your help!

Theresa Hall
Lawyers Title

17100 N 67TH AVE, BLDG 2-200, GLENDALE, AZ 85308

Phone: 623 979 6060

Fax: 623 979 0428

Email: theresahall@ltic.com

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

Sent: Thursday, August 18, 2016 7:24 PM

To: Hall, Theresa

Cc: Equiworth, LLC (equiworthhomes@gmail.com); Gary Clapper; Kevin R. Merritt (kmerritt@glaw.com); rzkoehler@yahoo.com

Subject: RE: 1720 E Windsong Dr, Phoenix- Deed of Release

Theresa:

I just looked at the copy of the Deed of Release that I made prior to giving the original to your messenger. It appears that the legal description is correct, but the Deed of Release appears to reference the wrong street address in the middle of the document. You are authorized to have that reference corrected to reflect the actual street address of 1720 E. Windsong Dr. as is set forth in the DenSco's files.

Thank you.

Sincerely, David

David G. Beauchamp

CLARK HILL PLC

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

From: Hall, Theresa [mailto:TheresaHall@ltic.com]

Sent: Thursday, August 18, 2016 2:42 PM

To: Beauchamp, David G.

Cc: Equiworth, LLC

Subject: RE: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Instructions listed below will be followed by Lawyers Title.

Upon closing of escrow – loan pay off funds will be wired to DENSCO bank account.

Thank you, Theresa

Theresa Hall

Lawyers Title

17100 N 67TH AVE, BLDG 2-200, GLENDALE, AZ 85308

Phone: 623 979 6060

Fax: 623 979 0428

Email: theresahall@ltic.com

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

Sent: Wednesday, August 17, 2016 8:13 PM

To: Hall, Theresa

Cc: Equiworth, LLC

Subject: RE: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Theresa:

The payoff information that I have concerning this loan is as follows:

loan no. 7964

1720 Windsong

Borrower: Equiworth LLC

Principal Due: \$216,000

Interest due from 7-13-16 through 8-17-16 \$3,780.00

interest per diem starting 8-18-16 through actual payoff date \$108.00

I also have a signed and notarized Deed of Release and Reconveyance for this loan.

Please note that as I indicated in my previous email, we do not have any information concerning any payments into DenSco's bank accounts on or after July 27. Accordingly, this payoff might not include any monthly interest payments that were received after that date. We have been advised by the AZ Securities Division that we can only authorize Deeds of Release and Reconveyance to be recorded in exchange for full payoffs. If there is a missing interest payment, the borrower will be able to submit a reimbursement claim to the Receiver who will be authorized by the court to pay any duplicate payments back to the borrower, which will be after the Receiver can audit the payments made to the DenSco account on or after July 27.

The original Deed of Release and Reconveyance is available to be picked at my office by the Title Company. You are authorized to hold this Deed of Release until such time as you have sufficient and readily available funds in your possession to fund the payoff amount for this loan. At that time, you may record that Deed of Release and Reconveyance when you are in position to pay the above payoff amount to DenSco's account. If you have previously

made payments to DenSco in the last year, please use the same account information. If you do not have that information, please let me know and we will provide that information. If for any reason the DenSco account cannot receive the payoff payment, please advise me and hold such amount until the Receiver is appointed and the Receiver can make arrangements to receive such payment directly.

Please contact me with any questions.

Sincerely, David

David G. Beauchamp

CLARK HILL PLC

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

From: Beauchamp, David G.
Sent: Wednesday, August 17, 2016 8:03 PM
To: Equiworth, LLC
Cc: theresahall@ltic.com
Subject: RE: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Larry:

According to the AZ Securities Division, I do not have authority to make any adjustments from the payoff numbers that are being calculated based upon DenSco's financial numbers that Denny prepared on or before July 27. The Receiver will be authorized by the court to make any adjustments after the Receiver is able to update and reconcile DenSco's financial numbers for any payments after that date. You will need to submit your evidence of payment along with a request for a refund to the Receiver.

Sincerely, David

David G. Beauchamp

CLARK HILL PLC

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

From: Equiworth, LLC [<mailto:equiworthhomes@gmail.com>]
Sent: Wednesday, August 17, 2016 7:22 PM
To: Beauchamp, David G.
Cc: Theresa Hall
Subject: 1720 E Windsong Dr, Phoenix- Last Payment in July.

Attached is a copy of the last payment made for 1720 E Windsong Dr, Phoenix.

The Escrow Officer is Theresa Hall, Lawyers Title, 602-993-4545. I've cc's her in on this email.

Please let me know that you got this ok.

CH_0008533

Thanks.

Larry Schultz
Equiworth, LLC
480-620-6122
Email: equiworthhomes@gmail.com



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Clapper
EXH. NO. 1130
9-16-19
Kelly S. Oglesby CR 50178

COPY

1 ARIZONA CORPORATION COMMISSION
2 Wendy Coy, #013195
3 1300 West Washington, 3rd Floor
4 Phoenix, Arizona 85007
5 Attorney for Plaintiff
6 Telephone: (602) 542-0633
7 wcoy@azcc.gov

AUG 17 2016



MICHAEL K. JAMES, CLERK
J. LEWIS
DEPUTY CLERK

STATE OF ARIZONA

MARICOPA COUNTY SUPERIOR COURT

7 ARIZONA CORPORATION COMMISSION

No. CV 2016-014142

8 Plaintiff

APPLICATION FOR PRELIMINARY
INJUNCTION AND APPOINTMENT OF
RECEIVER

9 v.

10 DENSCO INVESTMENT CORPORATION, an
11 Arizona corporation

12 Defendant.

13
14
15 Plaintiff, the Arizona Corporation Commission ("ACC"), pursuant to A.R.S. § 44-2032(2)
16 & (4) and A.R.S. *set seq.*, and in accordance with Arizona Rule of Civil Procedure 65, moves this
17 Court to appoint a Receiver for the Defendant ("Receivership Defendant"), with the power to
18 marshal, conserve and, where necessary, operate its assets. The ACC further requests, that this
19 Court issue a preliminary injunction enjoining the Defendant from the following:

- 20 • Transferring, secreting, dissipating, altering, selling, pledging, assigning, encumbering,
21 expending, concealing, conveying, liquidating, or otherwise disposing of any assets,
22 funds or property owned by the Receivership Defendant.

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This Application for Preliminary Injunction and Appointment of Receiver is based on the ACC's Verified Complaint, supporting memorandum, affidavit, and the argument of counsel.

Dated this 17th day of August, 2016.

ARIZONA CORPORATION COMMISSION
By Wendy Coy
Wendy Coy
Attorney for the Arizona Corporation
Commission

COPY

AUG 17 2016



MICHAEL K. JEANES, CLERK
J. LEWIS
DEPUTY CLERK

1 **ARIZONA CORPORATION COMMISSION**
2 Wendy Coy, #013195
3 1300 West Washington, 3rd Floor
4 Phoenix, Arizona 85007
5 Attorney for Plaintiff
6 Telephone: (602) 542-0633
7 wcoy@azcc.gov

8 **STATE OF ARIZONA**
9 **MARICOPA COUNTY SUPERIOR COURT**

10 ARIZONA CORPORATION COMMISSION
11 Plaintiff
12 v.
13 DENSCO INVESTMENT CORPORATION, an
14 Arizona corporation
15 Defendant.

No. CV CV 2016-114142
MEMORANDUM OF POINTS AND
AUTHORITIES IN SUPPORT OF
APPLICATION FOR PRELIMINARY
INJUNCTION AND APPOINTMENT OF
RECEIVER

16 **I. INTRODUCTION.**

17 Plaintiff, the Arizona Corporation Commission (the "ACC"), submits this Memorandum of
18 Points and Authorities In Support of its Application for Preliminary Injunction and Appointment of
19 Receiver to protect its ability to recover investor funds from Defendant. This matter involves
20 violations of the Arizona Securities Act in which Defendant raised at least \$50 million dollars from
21 over 100 investors through the offer and sale of securities in the form of notes within or from
22 Arizona.

23 **II. FACTS**

24
25 Based upon the investigation conducted by the ACC, the Defendant appears to have raised
26 over \$50 million from at least 100 investors. Unfortunately, the sole officer/director/shareholder of

1 the Defendant passed away suddenly and there is no one in charge of the Defendant to handle
2 business matters and preserve assets.

3 Defendant offered to individuals the opportunity to invest in General Obligation Notes
4 ("Notes") of DenSco. The Notes were to be "secured by a general pledge of all assets owned by
5 or later acquired by the Company." DenSco's largest assets would be in Trust Deeds. DenSco
6 was to maintain a loan-to-value ratio at 70% percent or below in the aggregate for all loans in the
7 loan portfolio.

8 Based upon information and belief, since at least 2009, DenSco "has been . . . engaged
9 primarily in funding purchases of houses through preforeclosure process, foreclosure sales and
10 funding and purchasing construction loans, all of which will be secured by real estate deeds of
11 trusts." The Notes received interest only payments during the term and principal paid at maturity.
12 Interest may be paid monthly, quarterly or at maturity.

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

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

22 The Lending Guidelines listed on Defendant's website specifically state "First Position
23 ONLY!" The Lending Guidelines further stated that DenSco would lend up to 60% to 70% of the
24 value of the property. According to the investors, DenSco requires borrowers to put at least 20%
25 down on the home purchase and DenSco has a first position security interest in the real estate.
26 Therefore the investors are protected even if the borrower defaults.

1 Between 2013 and September of 2015, DenSco stopped accepting new investors and new
2 money from current investors.

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

8 At some point, DenSco and the borrower described above reached a forbearance
9 agreement. In about October of 2015, the borrower failed to make its payments. This borrower
10 sought protection under Chapter 7 of the U. S. Bankruptcy Code.

11 After September of 2015, upon information and belief, DenSco began accepting investor
12 funds again. Upon information and belief, no disclosure was made to those investors that a large
13 borrower had failed to make payments on previous loans. Nor were investors told that DenSco
14 was not in a first position on many deeds of trust.

15 Since at least 2009, the Defendant, directly or indirectly, raised at least \$50 million
16 through at least 103 investors.

17 Upon information and belief, there appears to be a total of 138 outstanding loans¹ in
18 Defendant's portfolio. Only 50 of those loans appear to be performing as represented to
19 investors. The estimated value of the 50 loans is about \$4.9 million. Another five of the loans
20 will require collection or foreclosure and are secured with a first deed of trust. The estimated
21 value of the five loans is about \$2.5 million. At least 83 of the loans, to the same borrower, do
22 not appear to be performing. In addition, it appears that the loans are unsecured. The value of the
23 83 loans is about \$28 million. It appears that Defendant provided an unsecured note to the
24 borrower of the 83 loans mentioned above in an amount about \$14 million. Defendant does have
25 liquid assets in the amount of about \$1.5 million.

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¹ These figures are based upon company records and have not been independently verified.

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III. LEGAL ANALYSIS.

A. The Investments Offered By The Defendant Are Securities.

1. The Promissory Notes are "Securities."

Defendant issued promissory notes to individual investors as evidence of the investments. The Notes are securities because they are promissory. The Securities Act defines a security as an "note." A.R.S. § 44-1801(26). While a promissory note is presumed to be a security, the Supreme Court has identified certain types of notes that are excluded from the definition of security. See *Reves v. Ernst & Young*, 494 U.S. 56, 65 (1990); *MacCollum v. Perkinson*, 185 Ariz. 179, 913 P.2d 1097 (App. 1996)(adopting the *Reves*' test in Arizona.). In *Reves*, the Supreme Court held that every promissory note is a security unless it bears a strong "family resemblance" to a judicially crafted list of non-securities. *Reves*, 494 U.S. at 65. The parties may rebut the presumption by examining a note transaction in light of four factors. *Id.* at 66-67: Instruments do not have a familial resemblance to one of the excluded categories and, thus, are considered to be securities if (1) the seller's motivation is to raise money or finance investments and the buyer's purpose is to make a profit; (2) there is common trading of the instrument for speculation or investment; (3) the public expects that the instrument is a security; and (4) there is no other regulatory scheme to significantly reduce the risk of the instrument, thereby rendering the application of the securities laws unnecessary. *Id.* Applying the "familial resemblance" test, the Notes do not bear a family resemblance to any of the categories listed in *Reves*, and thus are securities.

B. The Defendant violated the Antifraud Provisions of the Arizona Securities Act,

Under A.R.S. § 44-1991, it is a fraudulent practice and unlawful for a person, in connection with a transaction or transactions within or from this state involving an offer to sell or buy securities, or a sale or purchase of securities, to directly or indirectly do any of the following: make

1 untrue statements of material fact, or omit to state any material fact necessary in order to make the
2 statements made, in the light of the circumstances in which they were made, not misleading; or
3 engage in any transaction, practice or course of business which operates or would operate as a
4 fraud or deceit. A.R.S. § 44-1991(A)(2)(3). Securities fraud may be proven by any one of these
5 acts. *Hernandez v. Superior Court*, 179 Ariz. 515, 880 P.2d 735 (App. 1994).

6 In the context of these provisions, "materiality" requires a showing of substantial likelihood
7 that, under all the circumstances, the misstated or omitted fact would have assumed actual significance
8 in the deliberations of a reasonable buyer. *Trimble v. American Sav. Life Ins. Co.*, 152 Ariz. 548, 553,
9 733 P.2d 1131 (1986). Under this objective test, there is no need to investigate whether an omission
10 or misstatement was actually significant to a particular buyer. Additionally, the affirmative duty not to
11 mislead potential investors in any way places a heavy burden on the offeror and removes the burden of
12 investigation from the investor. *Trimble*, 152 Ariz. at 553. A misrepresentation or omission of a
13 material fact in the offer and sale of a security is actionable even though it may be unintended or the
14 falsity or misleading character of the statement may be unknown. In other words, scienter or guilty
15 knowledge is not an element of a violation of A.R.S. § 44-1991(2). *See e.g., State v. Gunnison*, 127
16 Ariz. 110, 113, 618 P.2d 604 (1980). Stated differently, a seller of securities is strictly liable for any
17 of the misrepresentations or omissions he makes. *Rose v. Dobras*, 128 Ariz. at 214. Additionally,
18 there is no requirement to show that investors relied on the misrepresentations or omissions, *Rose*, 128
19 Ariz. at 214, or that the misrepresentations or omissions caused injury to the investors. *Trimble*, 152
20 Ariz. at 553. A primary violation of A.R.S. § 44-1991 can be either direct or indirect. It is now well-
21 settled in Arizona that *indirectly* violating A.R.S. § 44-1991 is not to be narrowly interpreted. *Barnes*
22 *v. Vozack*, 113 Ariz. 269, 550 P.2d 1070 (1976)(Officers of company could be liable under A.R.S. §
23 44-1991 for the fraudulent statements of a salesman of the security.)
24
25
26

1 As set forth in the Verified Complaint and supported by the attached Affidavit of Gary
2 Clapper, the Defendants have violated A.R.S. §44-1991 by: (1) misrepresenting to investors that
3 DenSco would loan up to 70% of the value of the property, when in fact, with at least one borrower,
4 DenSco provided \$28 million in loans at 100 percent of the value of the property; (2) failing to
5 disclose to investors that many loans were not secured with a first position deed of trust; (3) failing to
6 disclose to investors after October 2015, that at least one borrower had failed to make payments on
7 over \$28 million in loans; and (4) failing to disclose to investors that DenSco provided over a \$14
8 million unsecured loan. Any *one* of these actions would violate the Securities Act.

9
10 **IV. REQUESTED RELIEF**

11 **A. Preliminary Injunctions are Appropriate.**

12 A.R.S. § 44-2032(2) authorizes the ACC to seek injunctive relief when it appears that a
13 person has engaged in, is engaging in or is about to engage in act, practice or transaction in
14 violation of the Securities Act. A.R.S. § 44-2013(A) provides that the ACC may request that the
15 Superior Court issue a preliminary injunction restraining the Defendant from removing,
16 encumbering or otherwise disposing of the property located within this state.

17 Preliminary injunctive relief against Defendant is appropriate. The Defendant has no
18 officer/director/shareholder to wind-up the affairs of the entity. Based upon the information
19 contained in the Clapper affidavit attached, there are substantial assets including real estate that
20 need to be managed for the protection of the investors. In addition, there are many claims the
21 Defendant may be able to assert to protect the investors funds.

22
23 **B. Appointment of a Receiver is Appropriate**

24 As set forth above, pursuant to the Securities Act, courts may order appointment of a
25 Receiver to preserve Defendant's assets and to ensure that investors are protected from unlawful
26 conduct. A.R.S. § 44-2013. The ACC requests the appointment of a receiver to preserve the assets

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in the possession of, or under the control of the Defendant. As is shown by the Affidavit of Gary Clapper, there are substantial real property assets that need to be liquidated and liquid assets that need to be preserved for the benefit of the investors. It would be impossible to make the investors whole without all of the funds and/or assets. As stated herein, a receiver is necessary to safeguard funds and preserve assets for the benefit of the investors. A receiver is necessary here to marshal, liquidate and distribute assets.

VI. CONCLUSION

Based on the foregoing facts and for the reasons set forth above, the ACC respectfully requests that the Count enter the attached order.

Dated this 17th day of August, 2016.

ARIZONA CORPORATION COMMISSION
By Wendy Coy
Wendy Coy
Attorney for the Arizona Corporation
Commission

1 STATE OF ARIZONA)
2 County of Maricopa)

AFFIDAVIT OF GARY CLAPPER

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I, Gary Clapper, being duly sworn, say as follows:

1. I am a resident of Maricopa County, Arizona and am over the age of eighteen (18).
2. I have personal knowledge of the matters stated in this affidavit and am competent to testify to them.
3. I understand that this affidavit may be used in a court of law.
4. I am the Chief Investigator for the Securities Division of the Arizona Corporation Commission ("Commission").
5. I am assigned to assist in the investigation involving DenSco Investment Corporation ("DenSco").
6. According to the Arizona Corporation Commission, Corporations Division website, DenSco is incorporated in Arizona. DenSco was formed April 30, 2001, and has an address within Maricopa County.
7. I obtained a copy of the DenSco 2009 Private Placement Offering Memorandum ("offering document"). A number of investors have stated that the offering documents were provided to them prior to making an investment in DenSco.
8. According to the offering document obtained from an investor, DenSco intended to offer general obligations notes ("Notes") to investors. The investors' funds were to be used to lend money to "Foreclosure Specialists" for the purchase of foreclosed/distressed properties, both residential and commercial. This information was confirmed during interviews with investors.
9. The Notes offered to investors were to be secured through the assets of DenSco which mainly consisted of first lien positions Deeds of Trust. This information was confirmed during investor interviews, a review of the offering document and DenSco's website.

1 10. The Notes issued to the investors directed monthly or quarterly interest
2 payments with the principle being paid at maturity. This information was confirmed during
3 investor interviews and a review of the offering document.

4 11. DenSco would loan money to borrowers. The property loan to value was to be
5 no greater than 70% of the property value. This information came from investor interviews, a
6 review of the offering document and DenSco's website.

7 12. According to investor interviews, in about 2013, DenSco stopped accepting new
8 investor money. Since September of 2015, DenSco began accepting new investors and
9 additional investments from current investors.

10 13. During the course of the investigation, it was discovered that DenSco had lent
11 money to at least one borrower without DenSco secured in the first position on the Deeds of
12 Trusts. This activity involved about 80 of the 138 properties currently with outstanding loans
13 and totaled about \$28 million. This borrower stopped making payments in about October of
14 2015.

15 14. This same borrower also received an unsecured loan from DenSco for \$14
16 million and has defaulted on that loan.

17 15. According to information obtained during the investigation, DenSco raised
18 approximately \$50 million from about 103 investors.

19 16. Information provided to investors disclosed the following;

- 20 a. \$1 million in DenSco bank accounts
- 21 b. \$4,981,736 in Notes that are believed to be secured by deeds of trust and
22 should be liquidated in the near future.
- 23 c. \$2,533,000 Notes that are secured but need collection.
- 24 d. \$28,178,600 Notes that appear to unsecured.
- 25 e. \$14,339,339 in an unsecured Note.


26 17. Based upon information obtained in the investigation, the sole
officer/director/shareholder of DenSco is deceased. To my knowledge there are no employees

1 or other officers of DenSco. The Personal Representative of the individual's estate is not
2 interested in operating DenSco. The Personal Representative resides outside of Arizona.

3 

4 (Signature)

5
6 SUBSCRIBED AND SWORN TO BEFORE me this 17th day of August, 2016.

7 
8 NOTARY PUBLIC

9
10 My Commission Expires:

11 10-06-19



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