

## Daniel A. Schenck

### Senior Attorney

Dan is a corporate attorney with a focus on technology-related transactions. He has practical work experience from personally founding start-ups to Fortune 500 telecom management. He now serves as the outside general counsel for many of his clients, advising on key business matters.

**Corporate Transactions** - Daniel has significant transactional experience across multiple jurisdictions, including mergers and acquisitions (M&A), stock transactions, private securities offerings, supply-chain, manufacturing, equipment purchases/leases, distribution, service agreements, and vendor agreements.

**Technology** - Daniel is a member of the firm's technology team, assisting in transactions involving product development, procurement, licensing, distribution, outsourcing, supply chain, information technology (IT), vendor agreements, software as a service (SaaS), cloud computing, hosting, e-commerce, and confidentiality agreements.

**Business Counseling** - Daniel handles a full array of business matters for his clients, including entity formation, corporate governance, policies and procedures, labor and employment, market expansion, contract forms, and trade secrets. He assists clients in core transactions involving debt and equity financing and real estate purchases/leases. Daniel also manages his clients' pre-litigation disputes by conducting claims analysis and, when advisable, settlement negotiations.

Daniel's personal interests include technology, water skiing, soccer, tennis, and snowboarding. He lived in Japan from 1995-96 and is conversant in Japanese.

### Publications and Presentations

- Served on Expert Panel on "How to Sell Your Business/Exit Strategy" for Arizona Small Business Association's AZSmallBizCon, in May 2016.
- Moderated "Protecting Your Assets Early" for Arizona Technology Council's Startup ConnectAZ Conference, in December 2015.
- Presented "Internet & Cloud Legal Issues" for Arizona Small Business Association's AZSmallBizCon, in May 2014.
- Moderated "eCommerce and SaaS Expert Panel" for Arizona Technology Council's Startup ConnectAZ Conference, in December 2013.
- Presented "How Your Corporate Website Can Get You Into Hot Water" for Association of Corporate Counsel, Arizona Chapter, in November



### Office

#### Phoenix

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### Practice Areas

Corporate Law

### Areas of Emphasis

Crowdfunding &  
Unregistered Offerings

E-Commerce &  
Technology

Emerging  
Growth/Venture Capital

Mergers & Acquisitions

Technology Transfer

Trademarks & Service  
Marks

2013.

- Presented "HIPAA & the HITECH Act: What's New, What's Not, and Steps for Navigating the Future of Privacy and Security Rules" at National Association of Therapeutic Schools and Programs' Northwest Regional Conference at Oregon State University - Cascades Campus in April 2012.
- Authored "The Next Step for Brownfields: Government Reinsurance of Environmental 'Cleanup' Policies," 10 Conn. Ins. L.J. 401, 2004.

## News

Clark Hill Attorney Daniel Schenck Appointed to the Board of Directors of LGF Museum of Natural History

Clark Hill Phoenix Attorney Daniel Schenck Elected to the Board of Directors of the Arizona Small Business Association

Clark Hill Attorney Daniel A. Schenck Selected as Mentor for Business Mentor Team

Clark Hill Announces Attorneys Elected to Membership, Promotions to Senior Attorney

Clark Hill PLC Hosts Technology Leaders Event with Amazon Web Services and Cloudnexus

Clark Hill PLC Selected as a Community Partner for Desarrollo

Clark Hill Attorney Daniel Schenck Presented at the Arizona Technology Council's Startup Connect AZ Conference

Clark Hill Attorneys Darrell E. Davis, Sean M. Carroll, Karen L. Karr and Daniel A. Schenck Presented to the Arizona Chapter for the Association of Corporate Counsel

Attorney Daniel Schenck to Present at the National Association of Therapeutic Schools and Programs (NATSAP) 2012 Northwest Regional Conference

## Industries

Health Care

Telecommunications,  
Internet & Media

## Services

E2: Emerging Enterprises

## Education

J.D., University of  
Connecticut, Hartford,  
Connecticut, 2005

B.S., Arizona State  
University, Tempe,  
Arizona, 2001

## State Bar Licenses

Arizona

California

Nevada

Utah

## Membership

Arizona Technology  
Council, Startup +  
Entrepreneurship  
Committee, Co-Chair  
(2014 to Present)

E-Commerce and  
Technology Section, State  
Bar of Arizona

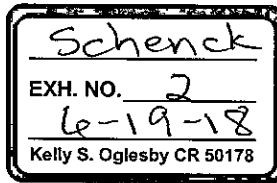
Intellectual Property  
Section, State Bar of  
Arizona

Licensing Interest Group,  
Intellectual Property  
Section, State Bar of  
California

American Bar Association  
Connecticut Urban Legal  
Initiative (2004-2005)

# Robert (Bob) G. Anderson

Senior Counsel



**Robert (Bob) G. Anderson** is a certified Real Estate Specialist in Clark Hill's Real Estate Practice Group in the firm's Arizona office. He provides his substantial experience to help institutional lenders, developers, and investors in a variety of projects including residential subdivisions, condominiums, office complexes, shopping centers, hotels and industrial parks.

Bob's clients have included both lenders and borrowers, where he has documented complex loan transactions, modifications, workouts, foreclosures and receiverships. Bob has worked with developers and investors in numerous real estate transactions; and is well-versed in title insurance, covenants, conditions and restrictions, boundary disputes, easements, and virtually all other aspects of real estate law.

Throughout his career, Bob has represented both landlords and tenants in negotiating and documenting various types of commercial leases; with additional experience in telecommunication leasing.

Bob brings his clients prior experience as former general counsel for a major title insurance company, managing the legal department. He also worked in the banking industry where his duties included loan documentation, documenting workouts of distressed assets, and secondary market documentation. He has assisted clients in the formation of business entities, and drafting buy-sell agreements, licensing agreements, distribution agreements, and shareholder agreements.

## Experiences

- Documentation for Acquisition of Hotel and Golf Resort
- Documentation for Refinancing Multistate Self-storage Properties
- Negotiate and Document Cellular Tower Lease Agreements with National Carriers
- Draft Update Revisions to Home Owners Association CC&RS
- Prepare Third Party Opinion Letters for Out of State Borrowers

## Community Involvement

- Current member of Board of Directors of United Cerebral Palsy of Central Arizona
- Former member of Board of Directors of Shaw Butte Little League
- Past affiliation with YMCA youth programs

## Newsletter Alerts

The Minefield Surrounding Medical Office Leases



## Office

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## Practice Areas

Real Estate

## Industries

Banking

Food, Beverage &  
Hospitality

## Education

B.A., Arizona State  
University, Tempe, Arizona

J.D., McGeorge School of  
Law, University of the  
Pacific, Sacramento,  
California

## State Bar Licenses

Arizona



### **Awards/Achievements**

Selected as one of  
Arizona's Finest Lawyers,  
2011

AZ Business Magazine Top  
Lawyers 2009, Real Estate

### **Membership**

American Bar Association  
State Bar of Arizona, Real  
Estate Section

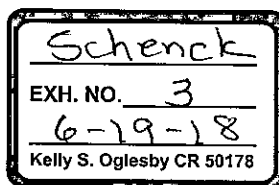
Serves on Advisory  
Commission to State Bar of  
Arizona Board of Legal  
Specialization

Greater Phoenix Economic  
Council

Valley Partnership

## David G. Beauchamp

Member



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

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

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

### Speaking Engagements

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



### Office

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### Practice Areas

Corporate Law

Environment, Energy &  
Natural Resources

### Areas of Emphasis

Corporate Finance

Emerging  
Growth/Venture Capital

Mergers & Acquisitions

Private Equity

### Services

E2: Emerging Enterprises

### Education

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

## News

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

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

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

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

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

## State Bar Licenses

Arizona

## Court Admissions

U.S. District Ct., District of  
Arizona

## Membership

American Bar Association

Arizona Bar Association

Maricopa County Bar  
Association

Chambers and Partners  
USA

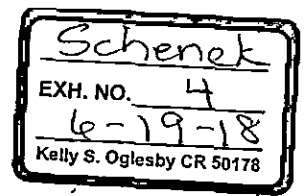
AB Top Lawyers

Arizona Chamber of  
Commerce and Industry

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

Greater Phoenix  
Economic Council  
(Certified Ambassador

and International  
Leadership Council)  
Valley Leadership (Class  
XV)  
Enterprise Network  
Phoenix Mergers &  
Acquisitions Roundtable



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7 *Attorneys for Defendants*

8  
9 SUPERIOR COURT OF ARIZONA  
10 COUNTY OF MARICOPA

11 Peter S. Davis, as Receiver of DenSco  
Investment Corporation, an Arizona  
12 corporation,

13 Plaintiff,

14 v.

15 Clark Hill PLC, a Michigan limited liability  
company; David G. Beauchamp and Jane  
16 Doe Beauchamp, husband and wife,

17 Defendants.

No. CV2017-013832

DEFENDANTS' INITIAL RULE 26.1  
DISCLOSURE STATEMENT

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

22 This case is in its infancy and thus the content of this disclosure statement is  
23 preliminary and subject to supplementation, amendment, explanation, change and  
24 amplification. Because the parties have just commenced discovery, there may be  
25 information, documents, and materials related to the various allegations and defenses set forth  
26 in the pleadings of which Defendants are presently unaware. Defendants note that they do

1 not currently have access to all potentially relevant documents of the Plaintiff, or third parties,  
2 and that this disclosure statement is based upon information currently available to  
3 Defendants. Nothing in this disclosure statement is intended to be an admission of fact, an  
4 affirmation of the existence of any document, or an agreement with or an acceptance of any  
5 legal theory or allegation. The information set forth below is provided without waiving (1)  
6 the right to object to the use of such information for any purpose in this or any other action  
7 due to applicable privilege (including the work-product and attorney-client privileges),  
8 materiality, or any other appropriate grounds; (2) the right to object to any request involving  
9 or relating to the subject matter of the information in this disclosure statement; or (3) the right  
10 to revise, correct, supplement or clarify any of the information provided below. If any part  
11 of this statement is ever read to the jury, fairness would require that the jury be read this  
12 introductory statement and any supplementation, amendments, explanation, changes or  
13 amplifications which may occur or be filed subsequent to this disclosure statement.

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

18 **I. FACTUAL BASIS OF CLAIMS AND DEFENSES.**

19 **A. Retention/Scope of Work**

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

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

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

7 Although the various firms' engagement letters with DenSco only specifically  
8 identified DenSco as the client, DenSco could not operate or engage with legal counsel  
9 except through its president and sole owner, Mr. Chittick. DenSco had no other employees;  
10 Mr. Chittick was responsible for all aspects of DenSco's business, and Mr. Chittick  
11 understood that Mr. Beauchamp, as an incident to Mr. Beauchamp's representation of  
12 DenSco, was also representing Mr. Chittick in his capacity as president of DenSco. The  
13 investors understood that as well. The private offering memoranda DenSco provided state  
14 that "legal counsel to the Company will represent the interests solely of the Company and its  
15 President, and will not represent the interests of any investor."

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

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

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

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

17       Over the years, Mr. Chittick showed himself to be a trustworthy and savvy  
18 businessman, and a good client. He was devoted to his business and investors, many of  
19 whom were friends and family. Despite often complaining about the cost of legal services,  
20 Mr. Chittick appeared to follow Mr. Beauchamp's advice and provided information when  
21 asked for it. Further, Mr. Beauchamp understood that DenSco utilized an outside accountant,  
22 David Preston, to review DenSco's books and records and file its tax returns. At no point  
23 did Mr. Beauchamp serve as DenSco's general corporate counsel, nor was Mr. Beauchamp  
24 engaged to review or approve DenSco financial statements or tax returns or to investigate  
25 borrowers.

26



1           **B.     The Private Offering Memoranda**

2           Mr. Beauchamp advised DenSco regarding its Private Offering Memoranda  
3 ("POMs"), which DenSco generally updated every two years. He helped draft the 2003,  
4 2005, 2007, 2009, and 2011 POMs. The POMs, however, had similar provisions and  
5 generally described DenSco's historical performance based on information provided by Mr.  
6 Chittick; set forth Mr. Chittick's authority to determine DenSco's "major business decisions  
7 and policies", and to make, amend, or deviate from those policies in Mr. Chittick's sole  
8 discretion; and set forth DenSco's aspirational lending standards (including its intent to  
9 "maintain a loan-to-value ratio below 70%" for both individual trust deeds DenSco  
10 purchased and the aggregate loan portfolio, as well as its intent to "achieve a diverse  
11 borrower base" with no borrower comprising more than 10-15% of the portfolio).

12           In early summer 2013, Mr. Beauchamp advised DenSco that it needed to update its  
13 2011 POM given the passage of time and changes in the scope of DenSco's fund raising. In  
14 particular, based on Mr. Chittick's representations to Mr. Beauchamp, DenSco either had or  
15 would soon eclipse the \$50 million maximum offering set forth in the 2011 POM.  
16 Consequently, Mr. Beauchamp began drafting revisions to the 2011 POM, which included  
17 updates to the maximum offering and updates on DenSco's performance to date, among other  
18 revisions. Mr. Beauchamp, however, was never able to finalize the 2013 POM. Although  
19 Mr. Beauchamp asked for updated investment, loan and financial information regarding  
20 DenSco, Mr. Chittick stalled on providing the information, preferring to wait until after he  
21 scaled down the amount outstanding to investors. Mr. Beauchamp repeatedly advised  
22 DenSco that an update was necessary irrespective of DenSco's plans regarding the  
23 outstanding amount of its offerings, but Mr. Chittick continued to delay.

24           **C.     The FREO Lawsuit**

25           On May 24, 2013, Easy Investments, an entity owned by Yomtov "Scott" Menaged  
26 ("Menaged"), DenSco, and Ocwen Loan Servicing, were sued by FREO Arizona, LLC

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

14 Further, although Mr. Chittick forwarded a portion of the Complaint to Mr.  
15 Beauchamp, Mr. Chittick did not ask Mr. Beauchamp to represent DenSco in the litigation;  
16 nor did he ask Mr. Beauchamp to investigate the factual allegations in the Complaint. To  
17 the contrary, he expressly stated that he merely wanted Mr. Beauchamp to "be aware" of the  
18 lawsuit. Consequently, although Mr. Beauchamp ran the matter through Bryan Cave's  
19 conflict system pursuant to standard firm procedure, Mr. Beauchamp did not represent  
20 DenSco in the litigation and did not conduct any further investigation into its merits given  
21 his client's instruction not to get involved.

22 Mr. Beauchamp did, however, explain to Mr. Chittick that this lawsuit would need to  
23 be disclosed in DenSco's 2013 POM. In addition, Mr. Beauchamp advised Mr. Chittick, as  
24 he had done previously, that Mr. Chittick needed to fund DenSco's loans directly to the  
25 trustee or escrow company conducting the sale, rather than provide loan funds directly to the  
26 borrower, to ensure that DenSco's deed of trust was protected. Mr. Chittick, however,

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

4 **D. Mr. Beauchamp leaves Bryan Cave, hears nothing from Mr. Chittick for**  
5 **months.**

6 Mr. Beauchamp left Bryan Cave at the end of August 2013. Prior to his departure,  
7 Mr. Beauchamp had repeatedly made clear to DenSco and Mr. Chittick that they needed to  
8 update DenSco's POM. On August 30, 2013, Mr. Beauchamp and Bryan Cave sent Mr.  
9 Beauchamp's clients, including DenSco, a joint separation letter informing them that Mr.  
10 Beauchamp was joining Clark Hill effective as of September 1, 2013. The letter invited  
11 those clients to either request the transition of their files to Mr. Beauchamp or affirmatively  
12 request that the files remain at Bryan Cave. Mr. Chittick initially agreed to transfer a portion  
13 of DenSco's files to Clark Hill, but aside from DenSco's authorization letter, Mr. Beauchamp  
14 never heard from Mr. Chittick regarding the unfinished 2013 POM, or any other matter, until  
15 December 2013.

16 **E. DenSco contacts Mr. Beauchamp in late 2013, slowly reveals scope of**  
17 **Menaged issues over several months**

18 In December 2013, Mr. Chittick contacted Mr. Beauchamp for the first time in  
19 months. He told Mr. Beauchamp over the phone that he had run into an issue with some of  
20 his loans to Menaged, and specifically, that properties securing a few DenSco loans were  
21 each subject to a second deed of trust competing for priority with DenSco's deed of trust.  
22 Mr. Beauchamp reminded Mr. Chittick that he still needed to update DenSco's private  
23 offering memorandum. After briefly discussing the allegedly limited double lien issue, Mr.  
24 Chittick emphasized to Mr. Beauchamp that Mr. Chittick wanted to avoid litigation with  
25 other lenders. Mr. Chittick, however, did not request any advice or help. Accordingly, Mr.  
26 Beauchamp suggested that Mr. Chittick develop and document a plan to resolve the double  
liens, and nothing more came of the conversation.

1 Mr. Chittick vastly understated the scope of the problem. On January 6, 2014,  
2 Attorney Bob Miller at Bryan Cave sent Mr. Chittick a letter on behalf of various lenders  
3 (the "Miller Lenders"). The letter asserted that the Miller Lenders had advanced purchase  
4 money loans directly to trustees to buy more than 50 properties out of foreclosure, and had  
5 recorded deeds of trust to evidence their first position security interest. DenSco, however,  
6 had likewise recorded mortgages evidencing its purported purchase money loans for the same  
7 properties. The Miller Lenders asserted that DenSco's claimed interest was a "practical and  
8 legal impossibility since...only the Lenders provided the applicable trustee with certified  
9 funds supporting the Borrowers purchase money acquisition for each of the Properties,"  
10 demanded that DenSco subordinate its alleged interests to their interests, and threatened to  
11 bring claims for fraud, negligent misrepresentation, and wrongful recordation.

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

22 Instead, Mr. Chittick sent the Miller letter to Mr. Beauchamp on January 6, 2014 with  
23 nothing more than a sparse request for Mr. Beauchamp to "read the first two pages." The  
24 next day, Mr. Chittick provided Mr. Beauchamp a more expansive, if incomplete,  
25 explanation. In his email, Mr. Chittick stated that he had lent Menaged a total of \$50 million  
26 since 2007 and that he'd "never had a problem with payment or issue that hasn't been

1 resolved." Mr. Chittick asserted, however, that Menaged's wife had become critically ill in  
2 the past year, and that Menaged had turned the day-to-day operations of his companies over  
3 to his cousin. According to Mr. Chittick, the cousin would receive loan funds directly from  
4 DenSco, then request loans for the same property from another lender, including the Miller  
5 Lenders. The other lenders, who had funded their loans directly to the trustee, would record  
6 their deed of trust, as would DenSco, leaving DenSco in second position. The cousin,  
7 unfortunately, then purportedly absconded with the funds DenSco lent directly to Menaged.  
8 This "double lien" issue consequently jeopardized DenSco's secured position and its loan-  
9 to-value ratios. Mr. Chittick feared that a lawsuit with the Miller Lenders would jeopardize  
10 DenSco's entire enterprise.

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

22 Unbeknownst to Mr. Beauchamp, and according to Mr. Chittick's January 7, 2014  
23 email, DenSco and Menaged had already been "proceeding with this plan since November  
24 [2013]." That is corroborated by the Receiver, who asserts that Mr. Chittick lent \$1 million  
25 to Menaged to further their private workout plan in December 2013. In other words, by the  
26 time Mr. Chittick approached Mr. Beauchamp with a partial disclosure of the issues in late

1 2013 and early 2014, Mr. Chittick had already agreed to a business plan with Menaged to  
2 work out the double lien problems, and had already advanced Menaged significant sums  
3 pursuant to that agreement. As Mr. Beauchamp explained in a February 20, 2014 email to  
4 his colleagues, Mr. Chittick "without any additional documentation or any legal advice...has  
5 been reworking his loans and deferring interest payments to assist Borrower...When we  
6 became aware of this issue, we advised our client that he needs to have a Forbearance  
7 Agreement in place to evidence the forbearance and the additional protections he needs."

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

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

21 Mr. Beauchamp was also concerned about the source and use of the funds needed to  
22 effectuate the Menaged-Chittick workout. Yet, as Mr. Chittick explained, the funds for the  
23 \$1 million loan (which Mr. Chittick funded prior to engaging Clark Hill) and an additional  
24 \$5 million loan Mr. Chittick and Menaged eventually agreed to as part of the workout, would  
25 come from (a) Mr. Chittick's investment of additional funds out of his retirement account,  
26 (b) Mr. Chittick's personal \$1.5 million line of credit, and (c) DenSco's working capital

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

7 Further, Mr. Chittick assured Mr. Beauchamp repeatedly that he was making the  
8 requisite disclosures to investors on an as needed basis, and that he had informed a select  
9 group of investors as to the double lien issue and proposed workout. That would be in  
10 keeping with Mr. Chittick's prior approach to business. As far as Mr. Beauchamp knew, and  
11 as Mr. Chittick had previously told him, Mr. Chittick indeed had a select group of investors  
12 to whom he turned for advice and approval when confronted with important business  
13 decisions, such as, for example, diversifying his investments into different types of  
14 properties. Mr. Chittick told Mr. Beauchamp that he was seeking such advice from what Mr.  
15 Chittick described as an "advisory council." And again, while the letters Mr. Chittick  
16 appears to have authored prior to his passing contain hearsay and present questions regarding  
17 admissibility, they include various statements suggesting that Mr. Chittick may have  
18 previously told (and received approval from) a select group of investors that he was investing  
19 specifically with Menaged, that he was increasing his loan concentration with Menaged  
20 above the 10-15% concentration threshold suggested in his POMs, and that his lending  
21 process involved funding loans directly to borrowers, rather than a trustee or escrow account.

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

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

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

22             Mr. Beauchamp had previously drafted and negotiated countless forbearance  
23 agreements. He reasonably anticipated that documenting DenSco's forbearance would take  
24 2-3 weeks. Negotiating the forbearance agreement, however, turned out to be more difficult  
25 than Mr. Beauchamp could have reasonably imagined. For one, Menaged and his counsel  
26 repeatedly insisted on edits and revisions that served only to undermine DenSco's fiduciary



1 duty to its investors. Mr. Beauchamp repeatedly had to undo changes proffered by Menaged  
2 or Jeff Goulder, Menaged's attorney, and often by Mr. Chittick at Menaged's direction, in  
3 order to protect DenSco's investors. For example, Menaged (and Mr. Goulder) attempted to  
4 restrict the type of information that could be disclosed to investors, attempted to obtain  
5 releases for Menaged related to his defaults and conduct, and refused to provide additional  
6 security or information regarding that additional security. Mr. Beauchamp repeatedly pushed  
7 back on these efforts and advised DenSco and Mr. Chittick, both in writing and verbally, that  
8 they had fiduciary duties to DenSco's investors, which included disclosure obligations. *See*  
9 *e.g.*, February 4, 2014 email from Mr. Beauchamp to Mr. Chittick ("you cannot obligate  
10 DenSco to further help Scott, because that would breach your fiduciary duty to your  
11 investors"); February 14, 2014 email from Mr. Beauchamp to Mr. Chittick ("[Goulder]  
12 clearly thinks he can force you to agree to accept a watered down agreement and give up  
13 substantial rights that you should not have to give up. Unfortunately, it is not your money.  
14 It is your investors' money. So you have a fiduciary duty"); March 13, 2014 email from Mr.  
15 Beauchamp to Mr. Chittick ("we cannot give Scott and his attorney any time to cause further  
16 delay in getting this Forbearance Agreement finished and the necessary disclosure prepared  
17 and circulated" ).

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

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

3 Nevertheless, Mr. Beauchamp at one point became concerned enough at Menaged's  
4 intransigence and the apparent influence he held over Mr. Chittick, that he reached out to  
5 third parties in late January 2014 to inquire about Menaged. Those third parties informed  
6 him that Menaged was generally someone to be distrusted and not someone to do business  
7 with. Mr. Beauchamp attempted to persuade Mr. Chittick of this during several heated  
8 conversations, but Mr. Chittick ignored these admonitions, explaining that while Menaged  
9 could be sharp and off-putting, Menaged had always performed on DenSco's loans in the  
10 past, and had stood by Mr. Chittick in tough times. Despite Mr. Beauchamp's efforts, Mr.  
11 Chittick could not be convinced to cut ties with Menaged.

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

13 When Mr. Beauchamp agreed to represent DenSco with respect to Menaged, Mr.  
14 Beauchamp made clear that Mr. Chittick had to immediately update DenSco's POM and  
15 make full disclosure to its investors regarding the double lien issues, the workout with  
16 Menaged, and the potential implications thereof on DenSco's finances and the investors'  
17 investments. Mr. Chittick always acknowledged that responsibility and agreed to make the  
18 full disclosure once the forbearance agreement was properly documented. As the  
19 forbearance neared completion, Mr. Beauchamp and his associate, Daniel Schenk, began  
20 drafting the updated POM in April and May 2014. Specifically, the draft 2014 POM would  
21 have: provided a description of the forbearance agreement (including all the parties' funding  
22 obligations), the reason it was necessary, and its effect on DenSco's books; updated  
23 DenSco's goals for intended loan-to-value ratios; updated the descriptions regarding  
24 DenSco's loan funding and securitizations procedures; updated the number of loan defaults  
25 triggering foreclosures; and amended the descriptions regarding DenSco's borrower base,  
26 among other things. Further, Mr. Beauchamp explained that the updated POM would need

1 to be accompanied with a cover letter or other communication highlighting the major  
2 material changes, including the double lien issue and resulting workout agreement, to ensure  
3 that investors were fully informed. Mr. Chittick, however, refused to provide the necessary  
4 information to complete the POM and refused to approve the description of the workout or  
5 the double lien issue, despite his prior acknowledgement that he would need to make full  
6 disclosure to all of his investors about DenSco (as he had been doing through POMs and  
7 newsletters since 2003).

8 In May 2014, Mr. Beauchamp handed Mr. Chittick a physical copy of the draft POM  
9 and asked him what Mr. Chittick's specific issues were with the disclosure. Mr. Chittick  
10 responded that there was nothing wrong with the disclosure, he was simply not ready to make  
11 any kind of disclosures to his investors at this stage. Mr. Beauchamp again explained that  
12 Mr. Chittick had no choice in the matter and that he had a fiduciary duty to his investors to  
13 make these disclosures. Mr. Chittick would not budge. Faced with an intransigent client  
14 who was now acting contrary to the advice Mr. Beauchamp was providing, and with concerns  
15 that Mr. Chittick may not have been providing any disclosures to anyone since January 2014,  
16 Mr. Beauchamp informed Mr. Chittick that Beauchamp and Clark Hill could not and would  
17 not represent DenSco any longer. Mr. Beauchamp also told Chittick that he would need to  
18 retain new securities counsel, not only to provide the proper disclosure to DenSco's  
19 investors, but to protect DenSco's rights under the forbearance agreement. Mr. Chittick  
20 suggested that he had already started that process and was speaking with someone else.

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

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

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

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

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

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

3 The Department of Justice then also charged Menaged with money laundering with  
4 respect to the DenSco fraud. In his plea agreement, Menaged admitted that from January 2014  
5 through June 2016, he embezzled millions of dollars without purchasing properties with the  
6 loans obtained from Densco. He explained that Densco would wire money to purchase  
7 properties directly to Menaged who, in turn, would send Densco "an image of a bank cashier's  
8 check and a copy of a Trustee Certificate of Sale Receipt." No sales, however, actually took  
9 place. Menaged would simply redeposit the cashier's check into his account and create bogus  
10 receipts for the purchase of the property. Between January 2013 and June 2016, Menaged  
11 admitted he obtained 2,172 loans from DenSco totaling approximately \$734,484,440.67. Yet,  
12 of the 2,712 loans made by DenSco, only 96 involved actual property transactions. Menaged  
13 supposedly used the remaining 2,616 loans for personal expenses, gambling trips, and transfers  
14 to his family members and associates. Menaged would also utilize new loans from DenSco to  
15 pay back outstanding DenSco loans to conceal the embezzlement. Menaged was sentenced to  
16 17 years in jail. As First Assistant U.S. Attorney Elizabeth Strange stated, the "lengthy  
17 sentence is a fitting punishment for his egregious crimes."

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

26 Discovery is continuing. Defendants may supplement.

1 **II. LEGAL THEORIES OF CLAIMS AND DEFENSES.**

2 **A. Plaintiff's claims**

3 *Legal Malpractice*

4 Receiver asserts that Defendants, in their representation of DenSco, committed  
5 malpractice and breached fiduciary duties owed to DenSco. Legal malpractice requires proof  
6 of the existence of a duty, breach of duty, that defendant's breach was the actual and proximate  
7 cause of damages, and the "nature and extent" of those damages. *Glaze v. Larsen*, 207 Ariz.  
8 26, 29 ¶ 12 83 P.3d 26, 29 (Ariz. 2004) (citations and quotations omitted).

9 Receiver cannot prove breach of duty, actual and proximate cause, or resulting damages.  
10 To prove breach of duty, Receiver will need to demonstrate that Defendants deviated from the  
11 professional standard of care. *Phillips v. Clancy*, 152 Ariz. 415, 418, 733 P.2d 300, 303 (App.  
12 1986). Defendants' advice and conduct in representing DenSco and, in doing so, representing  
13 Mr. Chittick as president of DenSco, was consistent with Defendants' practice and experience,  
14 and consistent with the standard of care. Thus, Defendants did not breach their duties to  
15 DenSco. Receiver will also need to prove that if Defendants had not purportedly breached the  
16 standard of care, that DenSco would not have suffered injury. *Id.* Whatever harm befell  
17 DenSco was not an actual or foreseeable result of the advice provided by Defendants. Thus,  
18 Receiver's malpractice claim fails.

19  
20 *Aiding and Abetting Breach of Fiduciary Duties*

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

1 and the primary tortfeasor's commission of the tort. *Wells Fargo Bank v. Az. Laborers,*  
2 *Teamsters and Cement Masons Local No. 395 Pension Trust Fund*, 201 Ariz. 474, 485 (Ariz.  
3 2002); *Sec. Title Agency, Inc. v. Pope*, 219 Ariz. 480, 491 (App. 2008). Importantly, "[b]ecause  
4 aiding and abetting is a theory of secondary liability, the party charged with the tort must have  
5 knowledge of the primary violation." *Wells Fargo*, 201 Ariz. at 485.

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

## 15 **B. Affirmative Defenses**

### 16 *Statute of Limitations*

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

1 *In pari delicto* and *unclean hands*

2 Arizona law recognizes the doctrine of *in pari delicto*. *Brand v. Elledge*, 89 Ariz. 200,  
3 205, 360 P.2d 213, 217 (1961) (quoting *Furman v. Furman*, 34 N.Y.S.2d 699, 704 (N.Y. Sup.  
4 Ct. 1941), *aff'd*, 40 N.E.2d 643 (N.Y. 1942)). *In pari delicto* is an affirmative defense by which  
5 a party is barred from recovering damages if his losses are substantially caused by activities  
6 the law forbade him to engage in.” *Stewart v. Wilmington Trust SP Servs., Inc.*, 112 A.3d 271,  
7 301–02 (Del. Ch.), *aff'd*, 126 A.3d 1115 (Del. 2015) (quotation omitted). The defense may  
8 be raised against a receiver. *Id.* (“no cogent reason for sparing the innocent Receiver the effect  
9 of *in pari delicto* while equally innocent stockholders or policyholders would be barred from  
10 relief in the derivative context”); *Knauer v. Jonathon Roberts Fin. Grp., Inc.*, 348 F.3d 230,  
11 236 (7th Cir. 2003) (affirming dismissal of the receiver’s claims against the broker dealers,  
12 concluding that they were barred by the defense of *in pari delicto*).

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

17  
18 *Laches*

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



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

4  
5 *Setoff*

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

10 **Additional defenses:**

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

1  
2 Discovery is continuing. Defendants may supplement.

3 **III. WITNESSES.**

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

- 7  
8 1. David Beauchamp  
9 c/o Coppersmith Brockelman, PLC  
10 2800 N. Central Avenue, Suite 1900  
11 Phoenix, Arizona 85004

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

- 14 2. Peter Davis, Receiver of DenSco Investment Corporation  
15 c/o Osborn Maledon, P.A.  
16 2929 N. Central Avenue, Suite 2100  
17 Phoenix, Arizona 85012

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

- 1       3.     Any witnesses disclosed by other parties.  
2       4.     Any witnesses that become known through discovery.  
3       5.     Custodian or other foundational witnesses necessary to admit exhibits.  
4       Discovery is continuing. Defendants may supplement.

5 **IV.   ADDITIONAL PERSONS WHO MAY HAVE RELEVANT INFORMATION.**

6       1.     Yomtov "Scott" Menaged

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

15  
16       2.     PMK Easy Investments, LLC  
17             10510 East Sunnyside Drive  
18             Scottsdale, AZ 85259

19       *See Description for Scott Menaged.*

20       3.     PMK Arizona Home Foreclosures, LLC  
21             7320 West Bell Road  
22             Glendale, AZ 85308

23       *See Description for Scott Menaged.*  
24  
25  
26

1 4. PMK Furniture King, LLC  
2 3200 North Central Avenue  
3 Suite 2460  
4 Phoenix, AZ 85012

5 *See Description for Scott Menaged.*

6 5. PMK Scott's Fine Furniture

7 *See Description for Scott Menaged.*

8 6. Veronica Castro aka Veronica Gutierrez Reyes  
9 c/o Thomas W. Warshaw Attorney at Law  
10 33147 North 71<sup>st</sup> Way  
11 Scottsdale, AZ 85266

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

19 7. Luigi Amoroso

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

1           8.     Alberto Pena  
2                 c/o Law Office of Cameron A. Morgan  
3                 4356 North Civic Center Plaza  
4                 Suite 101  
5                 Scottsdale, AZ 85251

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

12           9.     Troy Flippo  
13                 c/o Storrs Law Firm PLLC  
14                 1421 East Thomas Road  
15                 Phoenix, AZ 85014

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

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

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

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

3  
4 11. Shawna Heuer  
5 c/o Bonnett Fairbourn, PC  
6 2325 E. Camelback Road  
7 Phoenix, Arizona 85016

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

12 12. Jeff Goulder  
13 Stinson Leonard Street  
14 1850 North Central Avenue, Suite 2100  
15 Phoenix, Arizona 85004

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

20 13. David Preston  
21 c/o Gammage & Burnham  
22 2 N. Central Avenue, Suite 15  
23 Phoenix, Arizona 85004

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

1       14.    DenSco Investors

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

5  
6       15.    PMK Chase Bank  
7            3800 North Central Avenue  
8            Suite 460  
          Phoenix, AZ 85012

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

11  
12       16.    PMK US Bank  
13            3800 North Central Avenue  
14            Suite 460  
          Phoenix, AZ 85012

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

17  
18       17.    Gregg Seth Reichman/Active Funding Group  
19            Attention: Andrew Abraham  
20            702 East Osborn Road  
21            Suite 200  
          Phoenix, AZ 85014

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

1 18. Daniel Schenk  
2 c/o Coppersmith Brockelman, PLC  
3 2801 N. Central Avenue, Suite 1900  
4 Phoenix, Arizona 85004

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

9 19. Robert Anderson  
10 c/o Coppersmith Brockelman, PLC  
11 2802 N. Central Avenue, Suite 1900  
12 Phoenix, Arizona 85004

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

15 **V. PERSONS WHO HAVE GIVEN STATEMENTS.**

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

17 **VI. EXPERT WITNESSES.**

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

20 **VII. COMPUTATION AND MEASURE OF DAMAGES.**

21 Plaintiff is not entitled to recover damages against Defendants.

22 Discovery is continuing. Defendants may supplement.

23 **VIII. EXHIBITS.**

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



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

6 Discovery is continuing. Defendants may supplement.

7 **IX. LIST OF RELEVANT DOCUMENTS.**

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

- 12 1. Documents previously produced by Clark Hill bates labeled CH\_0000001-  
13 13330.
- 14 2. Additional documents produced herewith by Clark Hill bates labeled  
15 CH\_0013331-13374.
- 16 3. Documents previously produced by Plaintiff including bates labeled  
17 DIC000001-25330, 28634-53950 and Quickbooks backup.
- 18 4. Documents previously produced by Plaintiff including bates labeled D126751-  
19 128731 and 130972-133111.
- 20 5. Documents previously produced by Bryan Cave in response to Subpoena Duces  
21 Tecum bates labeled BC000001-3188.
- 22 6. Documents produced herewith by Dave Preston in response to Subpoena Duces  
23 Tecum bates labeled DP000001-601.
- 24 7. Any and all documents in CR-17-00680, United States of America v. Yomtov  
25 Scott Menaged, et al.
- 26 8. All documents produced by any party or third party in this litigation.

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

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

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

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

8 **X. INSURANCE AGREEMENTS.**

9 Not applicable.

10  
11 DATED this 9<sup>th</sup> day of March, 2018.  
12

13 **COPPERSMITH BROCKELMAN PLC**

14  
15 By: 

16 John E. DeWulf  
17 Marvin C. Ruth  
18 Vidula U. Patki  
2800 North Central Avenue, Suite 1900  
Phoenix, Arizona 85004  
Attorneys for Defendants

19  
20 **ORIGINAL** mailed and emailed this  
21 9<sup>th</sup> day of March, 2018 to:

22 Colin F. Campbell, Esq.  
23 Geoffrey M. T. Sturr, Esq.  
24 Joshua M. Whitaker, Esq.  
25 OSBORN MALEDON, P.A.  
26 2929 N. Central Ave., Suite 2100  
Phoenix, AZ 85012-2793  
Attorneys for Plaintiff



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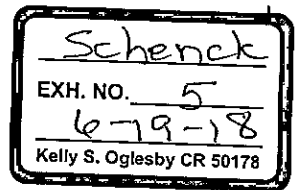
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Edward J. Hood, being first duly sworn upon his oath, deposes and says:

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

DATED this 9<sup>th</sup> day of March, 2018.

  
Edward J. Hood



1 John E. DeWulf (006850)  
Marvin C. Ruth (024220)  
2 Vidula U. Patki (030742)  
**COPPERSMITH BROCKELMAN PLC**  
3 2800 North Central Avenue, Suite 1900  
Phoenix, Arizona 85004  
4 T: (602) 224-0999  
F: (602) 224-0620  
5 jdewulf@cblawyers.com  
mruth@cblawyers.com  
6 vpatki@cblawyers.com

7 *Attorneys for Defendants*

8  
9 **SUPERIOR COURT OF ARIZONA**

10 **COUNTY OF MARICOPA**

11 Peter S. Davis, as Receiver of DenSco  
Investment Corporation, an Arizona  
12 corporation,

13 Plaintiff,

14 v.

15 Clark Hill PLC, a Michigan limited liability  
company; David G. Beauchamp and Jane  
16 Doe Beauchamp, husband and wife,

17 Defendants.

No. CV2017-013832

**DEFENDANTS' NOTICE OF  
NON-PARTIES AT FAULT**

18  
19 Defendants Clark Hill PLC, David G. Beauchamp, and Jane Doe Beauchamp  
20 (collectively, "Defendants"), by and through counsel undersigned and pursuant to Ariz. R. Civ.  
21 P. 26(b)(5) and A.R.S. § 12-2506(B), hereby give notice that the following persons or entities,  
22 who are not parties to this action, caused or contributed to all or part of the damages alleged  
23 by Plaintiff in this case. By giving this notice, Defendants do not concede that Plaintiff has in  
24 fact sustained damages or that Defendants were in any way responsible for a portion of  
25 Plaintiff's claimed damages.

6

1 This case is in its infancy and thus the content of this Notice is preliminary and subject  
2 to supplementation, amendment, explanation, change and amplification. Because the parties  
3 are in the midst of discovery, there may be information, documents, and materials related to  
4 this Notice of which Defendants are presently unaware. Defendants note that they do not  
5 currently have access to all potentially relevant documents of the Plaintiff, or third parties, and  
6 that this Notice is based upon information currently available to Defendants.

7  
8 1. Dennis J. Chittick  
Deceased

9 Dennis J. Chittick was the President and sole shareholder of DenSco Investment  
10 Corporation ("DenSco") from its inception in 2001 until his death in 2016. He controlled all  
11 operations of DenSco and retained complete, unchecked authority to make loans, modify loans,  
12 bring in new investors, and raise capital. He likely was the only individual that at all times  
13 was aware of: (1) the total value of DenSco's portfolio; (2) the number and identity of  
14 DenSco's investors; (3) the number of loans that DenSco had made to third party borrowers;  
15 (4) the terms of the loans made to those third parties; (5) the identity of those third party  
16 borrowers; and (6) the rate and frequency at which those loans were being repaid to DenSco.  
17 Mr. Chittick was thus probably the only individual who could ensure that the capital raised  
18 from DenSco's investors was being managed prudently and according to the terms of the  
19 private offering memoranda and associated documents that DenSco provided to investors.

20 Based on the facts currently known it appears, however, that Mr. Chittick failed to  
21 follow the guidelines provided in the private offering memoranda and associated documents in  
22 making loans to third party borrowers. Among other things, first, Mr. Chittick failed to  
23 diversify the number of borrowers to whom he made loans on behalf of DenSco, loaning  
24 Mr. Menaged significantly more than 10-15% of DenSco's portfolio, which was the cap for  
25 loans to a single borrower. Second, Mr. Chittick does not appear to have followed DenSco's  
26 practices and procedures, including those set forth in his loan documents, in lending money

1 directly to borrowers such as Mr. Menaged, rather than to a trustee or escrow company. Third,  
2 Mr. Chittick chose to continue making loans to Mr. Menaged after he became aware that some  
3 of the previous loans made to Mr. Menaged had issues and after Mr. Menaged failed to honor  
4 commitments he made to DenSco, both in the forbearance agreement and otherwise.

5 Finally, Mr. Chittick seemingly did not follow the advice of his counsel from late 2013  
6 through mid-2014. Specifically, he ignored the advice of his attorney regarding how the loans  
7 made to Mr. Menaged (and other borrowers) should be documented and verified, and how the  
8 loans made by DenSco should be secured. Mr. Chittick's counsel repeatedly reminded  
9 Mr. Chittick that he needed to fund all loans directly to a trustee or escrow company, rather  
10 than Mr. Menaged or his affiliated entities – this advice went unheeded. He also ignored his  
11 attorney's explicit direction that he must make disclosures regarding the double lien issue  
12 and proposed workout to investors from whom Mr. Chittick was raising funds. He also refused  
13 to update and disclose a revised private offering memorandum, prepared by his attorneys, in  
14 2014 that would have disclosed to his investors the double lien issue and the workout agreed  
15 to between Mr. Chittick and Mr. Menaged. It is thus likely that the losses experienced by  
16 DenSco were due directly to the action, or inaction, of Mr. Chittick. Mr. Chittick accordingly  
17 bears fault for DenSco's injuries and is jointly and severally liable for those injuries with both  
18 the named parties in this Notice and potential other unnamed parties.

19 2. DenSco Investment Corporation

20 To the extent a determination is made that DenSco is not subject to comparative fault  
21 or contributory negligence principles because DenSco is determined not to be a party to these  
22 proceedings, then Defendants give notice that DenSco shall be considered a third party that  
23 caused or contributed to all or part of the damages alleged by Plaintiff in this case, for the  
24 same reasons set forth with respect to Mr. Chittick above.

25 ///

26 ///

6  
1           3.     Yomotov "Scott" Menaged  
2                 Last known address: In custody of Federal Bureau of Prisons

3           Mr. Menaged was one of DenSco's most prolific borrowers. Starting in 2007 and  
4 continuing until Mr. Chittick's death, Mr. Menaged obtained loans from DenSco personally or  
5 through entities in which he was the sole owner and manager purportedly in order to buy  
6 distressed properties around Arizona. Mr. Menaged represented to Mr. Chittick that the loans  
7 he obtained from DenSco would be placed in a first lien position, as DenSco required, but  
8 beginning in 2011 or 2012, they were not. According to the Receiver's December 23, 2016  
9 report, in fact, Mr. Menaged used a single property to secure loans from multiple hard money  
10 lenders and the loans acquired from lenders other than DenSco were frequently placed in the  
11 first lien position.

6  
12          To explain how the double liening issue arose, Mr. Menaged told Mr. Chittick that his  
13 wife had been diagnosed with cancer and he had turned over the day-to-day operations of his  
14 company to his cousin. According to Mr. Menaged, his cousin would receive loan funds  
15 directly from DenSco, then request loans for the same property from another lender. The other  
16 lenders, who had funded their loans directly to the trustee, would record their deed of trust  
17 before DenSco, leaving DenSco in the second position. The cousin then allegedly absconded  
18 with the funds DenSco lent directly to him. All of this was a lie and a fraud perpetrated by  
19 Mr. Menaged to DenSco's detriment.

20          Believing Mr. Menaged, Mr. Chittick and DenSco executed a workout agreement in  
21 2014 whereby Mr. Menaged and his affiliated entities agreed to make DenSco whole again by  
22 raising capital from third parties and taking additional loans from DenSco, and investing that  
23 money such that the loans to both the other lenders and DenSco could be paid off.  
24 Unfortunately, the only thing that changed in 2014 was the nature of Mr. Menaged's fraud  
25 vis-à-vis DenSco, documented in an investigation conducted by the Department of Justice and  
26 filings in the associated criminal case No. CR 17-00680-PHX-GMS in the District of Arizona.



6

1 As the plea agreement executed by Mr. Menaged in that criminal case explains,  
2 Mr. Menaged began to identify homes to purchase and when money was wired from DenSco  
3 to Mr. Menaged to purchase that property, he would: (1) have a cashier's check drawn on his  
4 bank accounts representing the purchase amount of the property he allegedly was going to buy;  
5 (2) email a picture of the cashier's check to Mr. Chittick to "prove" he was going to purchase  
6 the property; and (3) forge a copy of the receipt received from the trustee for the purchase of  
7 the property at a trustee's sale. He would then promptly cancel the cashier's check and  
8 redeposit the money into accounts he controlled, leaving Mr. Chittick to believe that DenSco's  
9 funds had been used to purchase property, and that the loan was secured by such property.  
10 Further, when Mr. Chittick questioned why his loan balances to Mr. Menaged were not  
11 dropping, and at times increasing, Mr. Menaged came up with additional falsehoods, including,  
12 but not limited to, false claims regarding his cousin, his wife's mental health, a purported  
13 divorce, and the sheltering of funds with "auction.com" in attempt to keep Mr. Chittick at bay  
14 so that Mr. Menaged could maintain the fraud he was perpetrating on DenSco and Mr. Chittick.

6

15 According to the plea agreement in Mr. Menaged's criminal case, he personally and  
16 through his affiliated companies obtained 2,712 loans from DenSco between January 2013 and  
17 June 2016, which totaled approximately \$734,484,440.67. Of the 2,712 loans made by  
18 DenSco, only 96 involved actual property transactions – the remaining 2,616 were phantom  
19 real estate purchases. Mr. Menaged admitted that he defrauded DenSco out of at least  
20 \$34,000,000 and consented to a federal criminal judgment against him for defrauding DenSco.  
21 In addition to perpetrating the above-described fraud, Mr. Menaged also failed to comply with  
22 the obligations imposed upon him in the Forbearance Agreement executed in April 2014. That  
23 agreement broadly provided that Mr. Menaged would use good faith efforts after April 2014  
24 to satisfy and pay off any and all financial obligations secured by liens in favor of lenders other  
25 than DenSco that had first position liens on DenSco collateral. Mr. Menaged did not do so,  
26 and in fact continued the fraud described above.

6

6  
1 The losses DenSco experienced were a direct result of the fraud perpetrated by  
2 Mr. Menaged. Mr. Menaged accordingly bears fault for DenSco's injuries and is jointly and  
3 severally liable for those injuries with both the named parties in this Notice and potential other  
4 unnamed parties. Mr. Menaged has pled guilty to conspiracy to commit bank fraud (18 U.S.C.  
5 § 371), aggravated identity theft (18 U.S.C. § 1028A) and money laundering conspiracy  
6 (18 U.S.C. § 1956(h)), and was sentenced to 17 years in prison. The details of Mr. Menaged's  
7 widespread fraud continue to be developed in discovery.

8 4. Arizona Home Foreclosures, LLC  
9 7320 West Bell Road  
Glendale, Arizona 85308

6  
10 Arizona Home Foreclosures, LLC ("AHF") was an entity that was solely owned and  
11 managed by Mr. Menaged. Mr. Menaged used AHF purportedly to purchase foreclosed  
12 properties at trustee's sales to quickly rehabilitate and sell at a profit. According to an  
13 investigation conducted by the Department of Justice and the filings in the associated criminal  
14 case No. CR 17-00680-PHX-GMS in the District of Arizona, AHF began to defraud DenSco  
15 in 2014. The plea agreement executed in that case explains that Mr. Menaged would identify  
16 properties to purchase at trustee's sales and request that DenSco loan AHF the money to  
17 purchase the property. DenSco would electronically transfer the requested funds from  
18 DenSco's bank account to AHF's account, which was controlled by Mr. Menaged.  
19 Mr. Menaged, acting through AHF, would then: (1) have a cashier's check drawn on the AHF  
20 bank account representing the purchase amount of the property he allegedly was going to buy;  
21 (2) email a picture of the cashier's check to Mr. Chittick to "prove" AHF was going to purchase  
22 the property; and (3) forge a copy of the receipt received from the trustee for the purchase of  
23 the property at a trustee's sale. Mr. Menaged would then promptly cancel the cashier's check  
24 and redeposit the money into accounts he controlled personally, leaving Mr. Chittick to believe  
25 that DenSco's funds had been used to purchase property, and that the loan was secured by such  
26 property.

6

1 According to the plea agreement in Mr. Menaged's criminal case, he personally and  
2 through his affiliated companies like AHF obtained 2,712 loans from DenSco between January  
3 2013 and June 2016, which totaled approximately \$734,484,440.67. Of the 2,712 loans made  
4 by DenSco, only 96 involved actual property transactions – the remaining 2,616 were phantom  
5 real estate purchases. Mr. Menaged admitted that he defrauded DenSco out of at least  
6 \$34,000,000 personally and through companies he controlled, and consented to a federal  
7 criminal judgment for defrauding DenSco.

8 In addition to perpetrating the above-described fraud, AHF also failed to comply with  
9 the obligations imposed upon it in the Forbearance Agreement executed in April 2014. That  
10 agreement broadly provided that AHF would use its best efforts to generate additional income  
11 to pay off those lenders other than DenSco that had first position liens on properties so that  
12 DenSco could be moved into the first position. AHF did not do so, and in fact continued the  
13 fraud described above, contributing to the loss experienced by DenSco. AHF accordingly  
14 bears fault for DenSco's injuries and is jointly and severally liable for those injuries with both  
15 the named parties in this Notice and potential other unnamed parties.

6

16 5. Easy Investments, LLC  
17 10510 East Sunnyside Drive  
18 Scottsdale, Arizona 85259

19 Upon information and belief, starting in 2007 and continuing until Mr. Chittick's death,  
20 Mr. Menaged obtained loans from DenSco through Easy Investments, LLC ("Easy  
21 Investments") in which he was the sole owner and manager purportedly in order to buy  
22 distressed properties around Arizona. Mr. Menaged represented to Mr. Chittick that the loans  
23 he obtained from DenSco would be placed in a first lien position, as DenSco required, but  
24 beginning in 2011 or 2012, they were not. According to the Receiver's December 23, 2016  
25 report, in fact, Mr. Menaged used a single property to secure loans from multiple hard money  
26 lenders and the loans acquired from lenders other than DenSco were frequently placed in the  
first lien position.

6

1        Upon information and belief, Mr. Menaged also began to use Easy Investments to  
2 defraud DenSco in 2014 similarly to how he used AHF. According to an investigation  
3 conducted by the Department of Justice and the filings in the associated criminal case  
4 No. CR 17-00680-PHX-GMS in the District of Arizona, Mr. Menaged would identify  
5 properties to purchase at trustee's sales and request that DenSco loan Mr. Menaged, or one of  
6 his companies, such as Easy Investments, the money to purchase the property. DenSco would  
7 electronically transfer the requested funds from DenSco's bank account to an account  
8 controlled by Mr. Menaged, who would then: (1) have a cashier's check drawn on the Easy  
9 Investments bank account representing the purchase amount of the property he allegedly was  
10 going to buy; (2) email a picture of the cashier's check to Mr. Chittick to "prove" Easy  
11 Investments was going to purchase the property; and (3) forge a copy of the receipt received  
12 from the trustee for the purchase of the property at a trustee's sale. Mr. Menaged would then  
13 promptly cancel the cashier's check and redeposit the money into accounts he controlled  
14 personally.

6

15        Based on the plea agreement in Mr. Menaged's criminal case concerning AHF, it is  
16 probable that Mr. Menaged used Easy Investments to obtain a portion of 2,712 loans from  
17 DenSco between January 2013 and June 2016, which totaled approximately \$734,484,440.67.  
18 Of the 2,712 loans made by DenSco, only 96 involved actual property transactions – the  
19 remaining 2,616 were phantom real estate purchases. Mr. Menaged admitted that he defrauded  
20 DenSco out of at least \$34,000,000 personally and through companies he controlled like Easy  
21 Investments, and consented to a federal criminal judgment.

6

22        In addition to perpetrating the above-described fraud, Easy Investments also failed to  
23 comply with the obligations imposed upon it in the Forbearance Agreement executed in April  
24 2014. That agreement broadly provided that Easy Investments would use its best efforts to  
25 generate additional income to pay off those lenders other than DenSco that had first position  
26 liens on properties so that DenSco could be moved into the first position. Easy Investments

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1 did not do so, and in fact continued the fraud described above, contributing to the loss  
2 experienced by DenSco. Easy Investments accordingly bears fault for DenSco's injuries and  
3 is jointly and severally liable for those injuries with both the named parties in this Notice and  
4 potential other unnamed parties.

5         6.     Furniture King, LLC  
6               3200 North Central Avenue  
7               Suite 2460  
8               Phoenix, Arizona 85012

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8         Furniture King, LLC ("Furniture King") was yet another Menaged-owned and operated  
9 entity through which Mr. Menaged perpetuated the fraud against DenSco. According to an  
10 investigation conducted by the Department of Justice and the filings in the associated criminal  
11 case No. CR 17-00680-PHX-GMS in the District of Arizona, Mr. Menaged created Furniture  
12 King in 2011 solely to obtain cash to prop up the fraud against DenSco. The plea agreement  
13 Mr. Menaged executed in that criminal case explains that Mr. Menaged, through Furniture  
14 King, established a merchant dealer account with Wells Fargo that allowed Furniture King to  
15 offer a line of credit to customers wanting to make furniture purchases. Beginning in or around  
16 December 2015, Mr. Menaged submitted false and fraudulent credit applications to Wells  
17 Fargo using the names and personal identification information of deceased individuals who  
18 purportedly wanted to buy furniture. This caused Wells Fargo to deposit payments to the  
19 Furniture King deposit account that was located at JP Morgan Chase Bank. Mr. Menaged  
20 would then use the funds obtained by Furniture King to pay back funds he had fraudulently  
21 obtained or embezzled from DenSco. Furniture King thus contributed directly to sustaining  
22 the fraud against DenSco.

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23         Furniture King also guaranteed the obligations of both Easy Investments and AHF in  
24 the Forbearance Agreement executed by Easy Investments and AHF. After Easy Investments  
25 and AHF defaulted on their obligations under the Forbearance Agreement, Furniture King was  
26 unable to guarantee the loans as promised, contributing to the losses DenSco experienced.

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1 Furniture King accordingly bears fault for DenSco's injuries and is jointly and severally liable  
2 for those injuries with both the named parties in this Notice and potential other unnamed  
3 parties.

4       7.     Veronica Castro AKA Veronica Gutierrez Reyes  
5             c/o Thomas W. Warshaw Attorney at Law  
6             33147 North 71st Way  
              Scottsdale, Arizona 85266

7       According to an investigation conducted by the Department of Justice and the pleadings  
8 in the associated criminal case No. CR 17-00680-PHX-GMS in the District of Arizona,  
9 Ms. Castro was Mr. Menaged's associate and employee who aided the fraud against DenSco.  
10 Ms. Castro began working as Mr. Menaged's assistant in 2011. As the Information filed in  
11 that criminal case on October 16, 2017 describes, Mr. Menaged would direct employees like  
12 Ms. Castro to identify properties and request hard money loans from DenSco. DenSco would  
13 electronically transfer the requested funds from DenSco's bank account to accounts that  
14 Mr. Menaged controlled personally or accounts affiliated with Menaged-controlled entities.  
15 Mr. Menaged personally or acting through one of his companies, would then: (1) have a  
16 cashier's check drawn on the bank account representing the purchase amount of the property  
17 he allegedly was going to buy; (2) email a picture of the cashier's check to Mr. Chittick to  
18 "prove" the property was being purchased; and (3) forge a copy of the receipt received from  
19 the trustee for the purchase of the property at a trustee's sale. Ms. Castro admitted in  
20 Mr. Menaged's sentencing hearing that she participated in forging the paperwork documenting  
21 the property purchases and was further aware that Mr. Menaged would promptly cancel the  
22 cashier's check and redeposit the money into accounts he controlled personally.

23       Ms. Castro also propagated the fraud against DenSco through her involvement in  
24 Furniture King. Ms. Castro was an employee of Furniture King. On or around September 8,  
25 2015, Mr. Menaged established a merchant dealer account with Wells Fargo Bank, N.A. in the  
26 name of Furniture King that allowed the store to offer customers instant access to a line of

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1 credit to make furniture purchases. Beginning in December 2015, Ms. Castro would create  
2 false and fraudulent credit applications and receipts for deceased individuals, causing Wells  
3 Fargo to deposit payments into Furniture King's merchant bank account that was located at  
4 JP Morgan Chase Bank. No furniture purchases by the deceased individuals obviously ever  
5 took place. Mr. Menaged would instead use the money obtained from the Furniture King fraud  
6 to pay back the previous loans DenSco had made to Mr. Menaged personally and entities he  
7 controlled. Ms. Castro personally reaped \$135,000 from the Furniture King fraud. She was  
8 indicted along with Mr. Menaged in criminal case No. CR 17-00680-PHX-GMS in the District  
9 of Arizona and pled guilty to Conspiracy to Commit Bank Fraud (18 U.S.C. § 371). The loss  
10 DenSco investors experienced is a direct result of the fraud perpetrated by Ms. Castro.  
11 Ms. Castro accordingly bears fault for DenSco's injuries and is jointly and severally liable for  
12 those injuries with both the named parties in this Notice and potential other unnamed parties.

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13 8. Alberto Pena  
14 c/o Law Office of Cameron A. Morgan  
15 4356 North Civic Center Plaza  
Suite 101  
Scottsdale, Arizona 85251

16 According to an investigation conducted by the Department of Justice and the pleadings  
17 in the associated criminal case No. CR 17-00680-PHX-GMS in the District of Arizona, Alberto  
18 Pena was indicted with Mr. Menaged and Ms. Castro in criminal case No. CR 17-00680-PHX-  
19 GMS in the District of Arizona. Mr. Pena was an employee of a company called American  
20 Furniture, which was an alias for Furniture King. On or about December 21, 2016, Mr. Pena  
21 established a merchant dealer account on behalf of American Furniture with Synchrony  
22 Financial ("Synchrony"). Mr. Pena listed himself as the owner of American Furniture (even  
23 though Mr. Menaged was the true owner and operator) and began submitting false and  
24 fraudulent credit applications to Synchrony using the names and personal identification  
25 information of deceased individuals who purportedly wanted to buy furniture. This caused  
26 Synchrony to deposit payments to the American Furniture deposit account that was located at

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1 JP Morgan Chase Bank. Mr. Menaged would then use the funds obtained by American  
2 Furniture to pay back outstanding loans DenSco previously had made to Mr. Menaged and  
3 entities he controlled that he had embezzled.

4 Not only did Mr. Pena thus aid and abet Mr. Menaged in the fraud against DenSco, but  
5 he likely benefitted financially from the scheme as well. Mr. Pena therefore contributed  
6 directly to the losses DenSco investors experienced. Mr. Pena accordingly bears fault for  
7 DenSco's injuries and is jointly and severally liable for those injuries with both the named  
8 parties in this Notice and potential other unnamed parties.

9 9. Troy Flippo  
10 c/o Storrs Law Firm PLLC  
11 1421 East Thomas Road  
Phoenix, Arizona 85014

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12 According to an investigation conducted by the Department of Justice and the pleadings  
13 in the associated criminal case No. CR 17-00680-PHX-GMS in the District of Arizona, Troy  
14 Flippo was indicted with Mr. Menaged and Ms. Castro in criminal case No. CR 17-00680-  
15 PHX-GMS. Mr. Flippo was an employee of a company called Furniture Pluss, which was an  
16 alias for Furniture King. On or about January 12, 2017, Mr. Flippo and Mr. Menaged  
17 established a merchant dealer account on behalf of Furniture Pluss with Synchrony Financial  
18 ("Synchrony"). Mr. Flippo listed himself as the owner of Furniture Pluss (even though  
19 Mr. Menaged was the true owner and operator) and began submitting false and fraudulent  
20 credit applications to Synchrony using the names and personal identification information of  
21 deceased individuals who purportedly wanted to buy furniture. This caused Synchrony to  
22 deposit payments to the Furniture Pluss deposit account that was located at BBVA Compass  
23 Bank. Mr. Menaged would then use the funds obtained by Furniture Pluss to pay back  
24 outstanding loans DenSco previously had made to Mr. Menaged and entities he controlled that  
25 he had embezzled.



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1 Not only did Mr. Flippo thus aid and abet Mr. Menaged in the fraud against DenSco,  
2 but he likely benefitted financially from the scheme as well. Mr. Flippo therefore contributed  
3 directly to the losses DenSco investors experienced. Mr. Flippo accordingly bears fault for  
4 DenSco's injuries and is jointly and severally liable for those injuries with both the named  
5 parties in this Notice and potential other unnamed parties. He pled guilty to Misprision of  
6 Felony (18 U.S.C. § 4) in criminal case No. CR 17-00680-PHX-GMS.

7 10. Francine Menaged  
8 10510 East Sunnyside Drive  
9 Scottsdale, Arizona 85259

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9 Francine Menaged at all material times was married to Mr. Menaged. This case is still  
10 in its early stages and discovery has not been completed, however, Mrs. Menaged may have  
11 benefitted financially from the widespread fraud perpetrated by Mr. Menaged against DenSco  
12 and may have been aware of components of the fraud. For example, the Receiver identified in  
13 his Verified Complaint to Determine Dischargeability of Debt filed in bankruptcy case number  
14 2:16-bk-04268 that Mrs. Menaged was aware that Mr. Menaged was procuring multiple loans  
15 for the same property from several hard money lenders, yet said nothing about the fraud.  
16 Pending further discovery, and based on those allegations, it is also possible that Mrs. Menaged  
17 may have known about the fraud related to AHF, Easy Investments, and Furniture King and  
18 its affiliated companies that further perpetuated the fraud against DenSco, yet did not come  
19 forward and tell anyone about it. Thus, it is possible that Francine Menaged may have  
20 contributed directly to the losses experienced by DenSco. Mrs. Menaged accordingly may  
21 bear fault for DenSco's injuries and may be jointly and severally liable for those injuries with  
22 both the named parties in this Notice and potential other unnamed parties.

23 11. Joseph Menaged  
24 3315 Collins Avenue, Unit 9C  
25 Miami Beach, Florida 33140

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25 Joseph Menaged is Mr. Menaged's father. According to the Trustee's Complaint to  
26 Recover Money Or Property filed in bankruptcy case number 2:16-bk-04268, Joseph Menaged

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1 received millions of dollars that were embezzled from DenSco from Mr. Menaged personally,  
2 AHF, Easy Investments and Furniture King. Thus, although this case is still in its early stages  
3 and discovery has not been completed, based on those allegations, Joseph Menaged may have  
4 been aware that the money he was receiving from Mr. Menaged was fraudulently obtained  
5 from DenSco, yet did nothing to alert anyone to that fact. Joseph Menaged thus may have  
6 contributed directly to the losses experienced by DenSco. Joseph Menaged accordingly may  
7 bear fault for DenSco's injuries and is jointly and severally liable for those injuries with both  
8 the named parties in this Notice and potential other unnamed parties.

9       12.   Michelle Menaged  
10           9103 East Charter Oak Drive  
11           Scottsdale, Arizona 85260

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12       Michelle Menaged is Mr. Menaged's mother. According to the Trustee's Complaint to  
13 Recover Money Or Property filed in bankruptcy case number 2:16-bk-04268, she received well  
14 over \$500,000 that was embezzled from DenSco by Mr. Menaged, AHF, Easy Investments  
15 and Furniture King. This case is still in its early stages and discovery has not been completed,  
16 however, based on those allegations, Ms. Michelle Menaged may have been aware that the  
17 money she was receiving from Mr. Menaged was fraudulently obtained from DenSco, yet did  
18 nothing to alert anyone to that fact. Michelle Menaged thus may have contributed directly to  
19 the losses experienced by DenSco. Michelle Menaged accordingly may bear fault for  
20 DenSco's injuries and is jointly and severally liable for those injuries with both the named  
21 parties in this Notice and potential other unnamed parties.

22       13.   Jennifer Bonfiglio  
23           15425 North Tatum Boulevard  
24           Apartment 212  
25           Phoenix, Arizona 85032

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26       Jennifer Bonfiglio is Mr. Menaged's sister. According to the Trustee's Complaint to  
Recover Money Or Property filed in bankruptcy case number 2:16-bk-04268, she received well  
over \$50,000 that was embezzled from DenSco from Mr. Menaged, AHF, Easy Investments

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1 and Furniture King. This case is still in its early stages and discovery has not been completed,  
2 however, based on those allegations, Ms. Bonfiglio may have been aware that the money she  
3 was receiving from Mr. Menaged was fraudulently obtained from DenSco, but she did nothing  
4 to alert anyone to that fact. Ms. Bonfiglio thus may have contributed directly to the losses  
5 experienced by DenSco. Mr. Bonfiglio accordingly may bear fault for DenSco's injuries and  
6 is jointly and severally liable for those injuries with both the named parties in this Notice and  
7 potential other unnamed parties.

8       14.   Joy Menaged  
9             8619 East Bonnie Rose Avenue  
              Scottsdale, Arizona 85250

10       Joy Menaged is Mr. Menaged's sister. According to the Trustee's Complaint to  
11 Recover Money Or Property filed in bankruptcy case number 2:16-bk-04268, she received  
12 nearly \$100,000 that was embezzled from DenSco by Mr. Menaged, AHF, Easy Investments  
13 and Furniture King. This case is still in its early stages and discovery has not been completed,  
14 however, based on those allegations, Ms. Joy Menaged may have been aware that the money  
15 she was receiving from Mr. Menaged was fraudulently obtained from DenSco, but she did  
16 nothing to alert anyone to that fact. Joy Menaged thus may have contributed directly to the  
17 losses experienced by DenSco. Joy Menaged accordingly may bear fault for DenSco's injuries  
18 and is jointly and severally liable for those injuries with both the named parties in this Notice  
19 and potential other unnamed parties.

20       15.   Jess Menaged  
21             8108 West Hazelwood Street  
              Phoenix, Arizona 85033

22       Jess Menaged is Mr. Menaged's brother. According to the Trustee's Complaint to  
23 Recover Money Or Property filed in bankruptcy case number 2:16-bk-04268, he received over  
24 \$50,000 that was embezzled from DenSco from Mr. Menaged, AHF, Easy Investments and  
25 Furniture King. This case is still in its early stages and discovery has not been completed,  
26 however, based on those allegations, Jess Menaged may have been aware that the money he

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1 was receiving from Mr. Menaged was fraudulently obtained from DenSco, but she did nothing  
2 to alert anyone to that fact. Jess Menaged thus may have contributed directly to the losses  
3 experienced by DenSco. Jess Menaged accordingly may bear fault for DenSco's injuries and  
4 is jointly and severally liable for those injuries with both the named parties in this Notice and  
5 potential other unnamed parties.

6 16. Preston CPA, P.C.  
7 1949 East Broadway Road  
8 Suite 101  
9 Tempe, Arizona 85282

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9 Preston CPA, P.C. ("Preston") was DenSco's financial accounting firm that created  
10 corporate tax returns for DenSco and personal tax returns for Mr. Chittick. Preston appears to  
11 have been privy to financial information related to DenSco and Mr. Chittick beginning in 2004  
12 and may have been in a position to discover the fraud being perpetrated on DenSco. It is  
13 possible that Preston had access to information such as the balance of loans made by DenSco,  
14 the status of loans, the solvency of DenSco, and Mr. Chittick's personal finances. If Preston  
15 had access to such corporate and personal financial information, he may have been able to (and  
16 may have had the duty to) discover discrepancies in the accounting and take action to mitigate  
17 the effect of the fraud perpetrated on DenSco. Preston accordingly may bear fault for DenSco's  
18 injuries and be jointly and severally liable for those injuries with both the named parties in this  
19 Notice and potential other unnamed parties.

20 17. JP Morgan Chase Bank, NA  
21 3800 North Central Avenue  
22 Suite 460  
23 Phoenix, Arizona 85012

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23 As described in his December 26, 2017 update, the Receiver has retained special  
24 counsel to assist with investigating claims against JP Morgan Chase Bank, NA ("Chase")  
25 because "[t]he Receiver has determined that DenSco may hold significant claims against . . .  
26 Chase . . . for [its] participation in Menaged's massive fraudulent loan scheme upon DenSco."

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1 Beginning in 2014, Mr. Menaged would have a cashier's check drawn on the money that  
2 DenSco sent Mr. Menaged (or one of his companies) and send a picture of that cashier's check  
3 to Mr. Chittick as proof that the money was being used properly. Soon after taking the picture,  
4 however, Mr. Menaged would cancel the cashier's check and redeposit the money into separate  
5 accounts with the same teller that had prepared the cashier's check. According to  
6 Mr. Menaged's testimony, at least two employees working at the Chase branch where  
7 Mr. Menaged made most of these transactions knew that the cashier's checks were not being  
8 used for their intended purposes. These employees would prepare both the cashier's checks  
9 and redeposit slips *simultaneously* and write on the back of the cashier's checks "not used for  
10 intended purpose," even though they knew that the checks were supposed to be for the purchase  
11 of foreclosed properties. Such aid and actions may also have violated bank regulations. Never  
12 once did Chase alert anyone to the suspicious activities. On the contrary, according to  
13 Mr. Menaged, the employees of Chase told Mr. Menaged that they "owe[d] [Mr. Menaged]  
14 breakfast" for making the Chase branch's numbers look higher than they were.

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15 Between January 2014 and June 2015 alone, the Receiver estimates that Mr. Menaged  
16 did this no less than 1,340 times. Chase's failure to identify and stop the facially suspicious  
17 activities of Mr. Menaged allowed the fraud to continue, causing injury to DenSco. Chase  
18 accordingly bears fault for DenSco's injuries and is jointly and severally liable for those  
19 injuries with both the named parties in this Notice and potential other unnamed parties.

20 18. Samantha Kumbalek and other bank employees to be identified  
21 Address Unknown

22 Ms. Kumbalek was an employee of JP Morgan Chase Bank, NA ("Chase") who  
23 facilitated Mr. Menaged's fraudulent scheme upon DenSco according to Mr. Menaged's  
24 testimony. As described in Mr. Menaged's deposition in the matter of *Arizona Corporation*  
25 *Commission v. DenSco Investment Corporation*, No. CV 2016-014142, Mr. Menaged would  
26 email Ms. Kumbalek on a daily basis and inform her of what trustee the various cashier's

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1 checks needed to be made out to, the dollar amount, and the property address to put in the  
2 reference line. Ms. Kumbalek would prepare the checks prior to Mr. Menaged arriving in the  
3 bank, hand the checks over to Mr. Menaged when he arrived, and then watch as he took pictures  
4 of the checks to send to DenSco. Ms. Kumbalek once took a photo of one of the cashier's  
5 checks for Mr. Menaged. Then, she would redeposit those checks into bank accounts that  
6 Mr. Menaged controlled. Again, according to Mr. Menaged's testimony, she would frequently  
7 have the deposit slip prepared for the value of the cashier's check before Mr. Menaged even  
8 arrived at the bank.

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9 Ms. Kumbalek thus should have known that Mr. Menaged was not using the cashier's  
10 checks to purchase the property identified on the checks, that the procedure she was using did  
11 not comport with Chase's policies and procedures, and that her actions may not have  
12 comported with applicable bank regulations. According to Mr. Menaged's testimony,  
13 Ms. Kumbalek was aware that the process she was using with Mr. Menaged was not proper  
14 because she overrode the Chase system's safeguards that would have at least partially alerted  
15 the bank to the fraud. As described by Mr. Menaged, the Chase system would flag the  
16 redeposits made into the bank accounts Mr. Menaged controlled and ordinarily the funds would  
17 not be available in the account for five to seven days until the bank confirmed the money  
18 actually existed. Ms. Kumbalek, however, overwrote the system's safeguards and released the  
19 funds immediately, so that Mr. Menaged could reuse those same dollars in the fraud over and  
20 over again and pass those dollars off as "new" money.

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21 According to Mr. Menaged, Ms. Kumbalek also transferred money from business  
22 accounts into Mr. Menaged's personal account, increased Mr. Menaged's debit withdrawal  
23 limit to \$40,000 or \$50,000, wired money to Las Vegas for Mr. Menaged's gambling expenses  
24 from Mr. Menaged's business accounts, and advised Mr. Menaged of how to deposit smaller  
25 sums of cash into the bank accounts he controlled to avoid reporting requirements to the IRS.  
26 According to Mr. Menaged, Ms. Kumbalek engaged in this manner with Mr. Menaged both as

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1 a bank employee and then when she was made the manager of the branch. Ms. Kumbalek thus  
2 may have contributed directly to the losses experienced by DenSco. Ms. Kumbalek  
3 accordingly may bear fault for DenSco's injuries and is jointly and severally liable for those  
4 injuries with both the named parties in this Notice and potential other unnamed parties.

5 19. Vikram [Unknown]  
6 Address Unknown

7 Vikram was the bank manager of the branch of JP Morgan Chase Bank, NA ("Chase")  
8 from which Mr. Menaged primarily perpetrated the fraudulent scheme upon DenSco. As  
9 described in Mr. Menaged's deposition in the matter of *Arizona Corporation Commission v.*  
10 *DenSco Investment Corporation*, No. CV 2016-014142, Vikram was aware that Mr. Menaged  
11 and Samantha Kumbalek, a Chase employee, were not following Chase's policies and  
12 procedures with regards to the withdrawal and deposit of money. As noted in Mr. Menaged's  
13 testimony, Mr. Menaged would email Ms. Kumbalek on a daily basis and inform her of what  
14 trustee the various cashier's checks needed to be made out to, the dollar amount, and the  
15 property address to put in the reference line. Ms. Kumbalek would prepare the checks prior to  
16 Mr. Menaged arriving in the bank, hand the checks over to Mr. Menaged when he arrived, and  
17 then watch as he took pictures of the checks to send to DenSco. Then, she would redeposit  
18 those checks into bank accounts that Mr. Menaged controlled and would frequently have the  
19 deposit slip prepared for the value of the cashier's check before Mr. Menaged even arrived at  
20 the bank.

21 According to Mr. Menaged, Vikram was aware of what Mr. Menaged and  
22 Ms. Kumbalek were doing because Mr. Menaged copied Vikram on the email correspondence  
23 with Ms. Kumbalek. In the event Ms. Kumbalek was not in the branch to prepare the cashier's  
24 checks and deposit slips, Vikram stepped in to do so. Vikram thus may have or should have  
25 known that Mr. Menaged was not using the cashier's checks to purchase the property identified  
26 on the checks, and that the procedure that Mr. Menaged was using did not comport with

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1 Chase's policies and procedures. According to Mr. Menaged, Vikram continued to facilitate  
2 the fraud until he was transferred to a different branch. Vikram thus may have contributed  
3 directly to the losses experienced by DenSco. Vikram accordingly may bear fault for DenSco's  
4 injuries and is jointly and severally liable for those injuries with both the named parties in this  
5 Notice and potential other unnamed parties.

6 20. US Bank, NA  
7 3800 North Central Avenue  
8 Suite 460  
9 Phoenix, Arizona 85012

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9 As described in his December 26, 2017 update, the Receiver has retained special  
10 counsel to assist with investigating claims against US Bank, NA ("US Bank") because "[t]he  
11 Receiver has determined that DenSco may hold significant claims against . . . US Bank . . . for  
12 [its] participation in Menaged's massive fraudulent loan scheme upon DenSco." Beginning in  
13 2014, Mr. Menaged would have a cashier's check drawn on the money that DenSco sent  
14 Mr. Menaged and send a picture of that cashier's check to Mr. Chittick as proof that the money  
15 was being used properly. Soon after taking the picture, however, Mr. Menaged would return  
16 to US Bank and cancel the cashier's check. Between January 2014 and June 2015 alone, the  
17 Receiver estimates that Mr. Menaged did this no less than 43 times. US Bank's failure, as  
18 alleged by the Receiver, to identify and stop the facially suspicious activities of Mr. Menaged  
19 allowed the fraud to continue, causing injury to DenSco. US Bank accordingly bears fault for  
20 DenSco's injuries and is jointly and severally liable for those injuries with both the named  
21 parties in this Notice and potential other unnamed parties.

22 21. Active Funding Group, LLC  
23 Attention: Andrew Abraham  
24 702 East Osborn Road, Suite 200  
25 Phoenix, Arizona 85014

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25 As described in his December 26, 2017 update, the Receiver has retained special  
26 counsel to assist with investigating claims against Active Funding Group, LLC (and its



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1 principals) ("Active Funding") because "[t]he Receiver has determined that DenSco may hold  
2 claims against [Active Funding] for [its] participation in Menaged's fraudulent loan scheme  
3 upon DenSco." Active Funding is a hard money lender similar to DenSco. The Receiver  
4 alleges that Active Funding uncovered Mr. Menaged's scheme to defraud DenSco sometime  
5 in 2011 or 2012. Instead of alerting DenSco and its investors to the scheme, Active Funding  
6 moved to protect the loans that it previously had made to Mr. Menaged by working to place  
7 those loans in first position. The Receiver has asserted that Active Funding cooperated with  
8 Mr. Menaged to allow Mr. Menaged to continue defrauding DenSco. Discovery is still early,  
9 however, as alleged by the Receiver, Active Funding contributed directly to the losses  
10 experienced by DenSco. Active Funding accordingly bears fault for DenSco's injuries and is  
11 jointly and severally liable for those injuries with both the named parties in this Notice and  
12 potential other unnamed parties.

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13 22. 50780 L.L.C.  
14 Attention: Kevin Ahern  
15 1122 E. Jefferson Street  
16 Phoenix, Arizona 85036

17 Defendants list 50780, L.L.C. to avoid waiving any rights. 50780 L.L.C. is a hard money  
18 lender similar to DenSco. Upon information and belief, 50780 L.L.C. was a hard money lender  
19 from whom Mr. Menaged obtained loans that competed with DenSco's loans for priority. In  
20 January 2014, 50780 L.L.C. learned of the double liening issue and threatened to file suit  
21 against Mr. Menaged and DenSco. After the ensuing negotiations, and upon information and  
22 belief, 50780 L.L.C.'s loans were eventually paid off, often using DenSco funds. If 50780  
23 L.L.C. learned information regarding the scheme to defraud DenSco (and there is currently no  
24 evidence to suggest that it did), then 50780 L.L.C. did not share that information with DenSco,  
25 and instead recovered the monies it was owed, thereby potentially profiting from the fraud  
26 against DenSco. 50870 L.L.C. accordingly may bear fault for DenSco's injuries and may be  
jointly and severally liable for those injuries with both the named parties in this Notice and

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1 potential other unnamed parties. Discovery of relevant documents from 50780 L.L.C. is  
2 continuing.

3 23. Azben Limited, L.L.C.  
4 Attention: Berry Riddell LLC  
5 6750 East Camelback Road, Suite 100  
6 Scottsdale, Arizona 85251

6 Defendants list Azben Limited, L.L.C. ("Azben") to avoid waiving any rights. Azben  
7 is a hard money lender similar to DenSco. Upon information and belief, Azben was a hard  
8 money lender from whom Mr. Menaged obtained loans that competed with DenSco's loans for  
9 priority. In January 2014, Azben learned of the double liening issue and threatened to file suit  
10 against Mr. Menaged and DenSco. After the ensuing negotiations, and upon information and  
11 belief, Azben's loans were eventually paid off, often using DenSco funds. If Azben learned  
12 information regarding the scheme to defraud DenSco (and there is currently no evidence to  
13 suggest that it did), then Azben did not share that information with DenSco, and instead  
14 recovered the monies it was owed, thereby potentially profiting from the fraud against DenSco.  
15 Azben accordingly may bear fault for DenSco's injuries and may be jointly and severally liable  
16 for those injuries with both the named parties in this Notice and potential other unnamed  
17 parties. Discovery of relevant documents from Azben is continuing.

18 24. Geared Equity, LLC  
19 Attention: Daniel E. Deithelm  
20 6109 North Palo Cristi  
21 Paradise Valley, Arizona 85253

21 Defendants list Geared Equity, L.L.C. ("Geared Equity") to avoid waiving any rights.  
22 Geared Equity is a hard money lender similar to DenSco. Upon information and belief, Geared  
23 Equity was a hard money lender from whom Mr. Menaged obtained loans that competed with  
24 DenSco's loans for priority. In January 2014, Geared Equity learned of the double liening  
25 issue and threatened to file suit against Mr. Menaged and DenSco. After the ensuing  
26 negotiations, and upon information and belief, Geared Equity's loans were eventually paid off,

6  
1 often using DenSco funds. If Geared Equity learned information regarding the scheme to  
2 defraud DenSco (and there is currently no evidence to suggest that it did), then Geared Equity  
3 did not share that information with DenSco, and instead recovered the monies it was owed,  
4 thereby potentially profiting from the fraud against DenSco. Geared Equity accordingly may  
5 bear fault for DenSco's injuries and may be jointly and severally liable for those injuries with  
6 both the named parties in this Notice and potential other unnamed parties. Discovery of  
7 relevant documents from Geared Equity is continuing.

8           25.    Sell Wholesale Funding, LLC  
9                    Attention: Angel Aaneson  
10                   4105 North 20<sup>th</sup> Street, Suite 210  
11                   Phoenix, AZ 85016

12           Defendants list Sell Wholesale Funding, L.L.C. ("Sell Wholesale") to avoid waiving  
13 any rights. Sell Wholesale is a hard money lender similar to DenSco. Upon information and  
14 belief, Sell Wholesale was a hard money lender from whom Mr. Menaged obtained loans that  
15 competed with DenSco's loans for priority. In January 2014, Sell Wholesale learned of the  
16 double lien issue and threatened to file suit against Mr. Menaged and DenSco. After the  
17 ensuing negotiations, and upon information and belief, Sell Wholesale's loans were eventually  
18 paid off, often using DenSco funds. If Sell Wholesale learned information regarding the  
19 scheme to defraud DenSco (and there is currently no evidence to suggest that it did), then Sell  
20 Wholesale did not share that information with DenSco, and instead recovered the monies it  
21 was owed, thereby potentially profiting from the fraud against DenSco. Sell Wholesale  
22 accordingly may bear fault for DenSco's injuries and may be jointly and severally liable for  
23 those injuries with both the named parties in this Notice and potential other unnamed parties.  
24 Discovery of relevant documents from Sell Wholesale is continuing.

25           26.    DenSco Investors

26           Based on Mr. Chittick's final letter to his investors (the admissibility of which is not  
conceded), some of DenSco's investors were aware of the issues with the loans made to

6  
1 Mr. Menaged as early as 2013. The evidence suggests that Mr. Chittick communicated  
2 regularly with a number of his investors on virtually every matter related to DenSco including,  
3 but not limited to, the status of the Menaged loans, the number of loans made to Mr. Menaged,  
4 the Forbearance Agreement working out the issues with the Menaged loans, and the fact that  
5 DenSco was lending money directly to investors (rather than to a trustee or other fiduciary).  
6 Notwithstanding that information, the investors continued to invest with DenSco and  
7 Mr. Chittick. If several investors were in fact aware of the issues plaguing DenSco beginning  
8 in 2013 and continued to make loans to DenSco, they may bear fault for DenSco's injuries and  
9 may be jointly and severally liable for those injuries with both the named parties in this Notice  
10 and potential other unnamed parties. Further, to the extent Mr. Chittick consulted with a group  
11 of investors regarding his loans to Mr. Menaged and the workout agreement, as Mr. Chittick  
12 represented to David Beauchamp, those investors may have taken on a heightened duty with  
13 respect to other investors, and may thereby also bear fault for DenSco's injuries.

14 Defendants reserve the right to amend and revise this Notice as discovery progresses.

15  
16 DATED this 7<sup>th</sup> day of June, 2018.

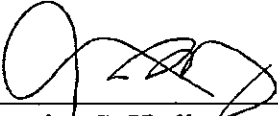
17 **COPPERSMITH BROCKELMAN PLC**

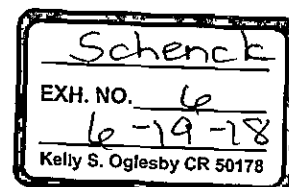
18  
19 By: 

20 John E. DeWulf  
21 Marvin C. Ruth  
22 Vidula U. Patki  
23 2800 North Central Avenue, Suite 1900  
24 Phoenix, Arizona 85004  
25 Attorneys for Defendants  
26

6  
1 ORIGINAL of the foregoing was mailed and emailed  
2 this 7<sup>th</sup> day of June, 2018, to:

3 Colin F. Campbell, Esq.  
4 Geoffrey M. T. Sturr, Esq.  
5 Joshua M. Whitaker, Esq.  
6 OSBORN MALEDON, P.A.  
7 2929 N. Central Ave., Suite 2100  
8 Phoenix, AZ 85012-2793  
9 ccampbell@omlaw.com  
10 gsturr@omlaw.com  
11 jwhitaker@omlaw.com  
12 Attorneys for Plaintiff

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24  
25  
26  
6  
  
11 Georgina S. Hadley



# CLARK HILL

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

Clark Hill PLC  
14850 N. Scottsdale Road  
Suite 500  
Scottsdale, AZ 85254  
T: 480.684.1100  
F: 480.684.1199  
clarkhill.com

February 20, 2014

Mr. Denny J. Chittick  
DenSco Investment Corporation  
6132 W. Victoria Place  
Chandler, AZ 85226

Via E-Mail and US Mail  
(dcmoney@yahoo.com)

**Re: Representation of DenSco Investment Corporation**

Dear Denny:

Enclosed are the invoices for legal services provided by Clark Hill to DenSco Investment Corporation through the end of January. The Business Matters concerns the research and follow-up for Florida. The Work-out concerns the situation with the loans to Scott Menaged and his affiliates. Some of the time entries had been inadvertently included with the Business Matters account, which increased the balance due under the work-out matter after those entries were transferred. If you have any questions concerning either of these invoices, please contact me to discuss. As we have previously discussed, I would much rather discuss any issue when it arises, so we have a better opportunity to resolve it.

Thank you again for allowing Clark Hill and me to provide legal services to DenSco Investment Corporation. Thank you also for the recent payments. If you have any question or if we can assist you with any other matter(s), please let me know.

Sincerely,

David G. Beauchamp  
CLARK HILL PLC

Enclosure(s)

# CLARK HILL

P.L.C.

---

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500  
Scottsdale, Arizona 85254  
Telephone (480) 684-1100  
Fed.ID # 38-0425840

## INVOICE

DenSco Investment Corporation  
Attn: Denny Chittick  
6132 W. Victoria Place  
Chandler, AZ 85226

Invoice # 528892  
February 17, 2014  
Client: 43820  
Matter: 170145

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RE: Business Matters

FOR SERVICES RENDERED through January 31, 2014

Total Services:	\$2,629.50
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INVOICE TOTAL	\$2,629.50
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PAYABLE UPON RECEIPT IN U.S. DOLLARS

CH\_0002309

## CLARK HILL P.L.C.

DenSco Investment Corporation  
Business Matters  
February 17, 2014  
INVOICE # 528892  
Page 2

### DETAILED DESCRIPTION OF SERVICES

12/18/13	DGB	Review email; telephone conversation with D. Chittick; review POM.	.20
12/18/13	DGB	Review email and outline Florida research.	.30
12/20/13	DGB	Work on Florida broker issues with D. Schenck outline follow-up.	.20
12/20/13	DAS	Legal research regarding hard money lender regulatory requirements in Florida.	2.40
12/23/13	DGB	Review Florida research from D. Schenck; discuss research and follow-up with D. Schenck; email to D. Chittick.	.70
12/23/13	DAS	Additional legal research regarding Florida lending licenses.	1.40
12/26/13	DGB	Discuss additional information from Florida Office of Financial Regulation with D. Schenck; outline questions concerning option to use local mortgage broker to place loans.	.30
12/26/13	DAS	Telephone call to Florida Office of Financial Regulation regarding licensing issues for potential lender.	.30
12/30/13	DGB	Revise follow-up questions for possible procedure using mortgage broker.	.10
01/02/14	DGB	Review Florida research; outline additional questions.	.60
01/03/14	DGB	Work on Florida information for D. Chittick; revise email.	.60
01/06/14	DGB	Work on and revise email concerning Florida requirements; transmit revised email to D. Chittick; telephone conversation with D. Chittick.	.30



# CLARK HILL, P.L.C.

DenSco Investment Corporation  
Business Matters  
February 17, 2014  
INVOICE # 528892  
Page 3

01/09/14 DGB Review and respond to email from D. Chittick .30  
regarding investment trusts and requirements;  
discuss issues with D. Chittick.

\$2,629.50

## TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	3.60 hours at \$440.00 =	\$1,584.00
DAS	Daniel A. Schenck	4.10 hours at \$255.00 =	\$1,045.50

# CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500

Scottsdale, Arizona 85254

Telephone (480) 684-1100

Fed.ID # 38-0425840

## INVOICE

DenSco Investment Corporation  
Attn: Denny Chittick  
6132 W. Victoria Place  
Chandler, AZ 85226

Invoice # 528891  
February 17, 2014  
Client: 43820  
Matter: 170082

RE: Work-out of lien issue

FOR SERVICES RENDERED through January 31, 2014

Total Services: \$38,224.00

INVOICE TOTAL \$38,224.00

PAYABLE UPON RECEIPT IN U.S. DOLLARS

CH\_0002312

## CLARK HILL P.L.C.

DenSco Investment Corporation  
Work-out of lien issue  
February 17, 2014  
INVOICE # 528891  
Page .2

### DETAILED DESCRIPTION OF SERVICES

01/05/14	DGB	Review and respond to email from D. Chittick.	.20
01/06/14	DGB	Review, work on and respond to several emails; review statutory references; telephone conversation with office of D. Chittick; telephone conversation with D. Chittick regarding demand letter, issues, background information and requirements; review notes and statute requirements; review documents.	2.40
01/07/14	DGB	Review legislative history for purchase money security interest; review documents and follow-up information; telephone conversation with office of D. Chittick.	1.80
01/08/14	DGB	Review information from D. Chittick; review and outline follow-up questions; prepare for meeting; review lien dispute information.	1.70
01/09/14	DGB	Prepare for and meeting with D. Chittick and S. Menages; review and work on notes from meeting and outline follow-up; review and respond to several emails; review documents and information.	4.30
01/09/14	DAS	Legal Research regarding Purchase Money Mortgage priority.	.20
01/10/14	DGB	Review, work on and respond to several emails; review several messages; review research and information; several telephone conversations with R. Miller; several telephone conversations with D. Chittick; outline issues, requirements and procedure.	4.80
01/12/14	DGB	Review and respond to emails; research requirements and procedure for Forbearance terms and fund restrictions; work on information and outline follow-up.	2.20

# CLARK HILL P.L.C.

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

01/13/14	DGB	Review, work on and respond to several emails; several telephone conversations with D. Chittick regarding status, process, issues and strategy; prepare for and conference call with R. Miller; review information from R. Miller; work on outline terms for Forbearance; work on same.	4.30
01/14/14	DGB	Review, work on and respond to several emails; telephone conversation with S. Menaged regarding status and strategy with other lenders; telephone conversation with D. Chittick; work on settlement terms and outline for Forbearance Agreement.	3.80
01/14/14	DAS	Legal research regarding qualification language for Forbearance Terms Sheet; email same to D. Beauchamp.	.70
01/14/14	DAS	Attorney conference regarding NDA; prepare NDA; attorney conference regarding same; email same to D. Beauchamp; review draft of Forbearance Term Sheet; attorney conference regarding same.	4.30
01/15/14	DGB	Review, work on and respond to several emails; several telephone conversations with D. Chittick; work on and prepare detailed Forbearance Term Sheet; Revise and transmit Confidentiality Agreement; work on issues and follow-up; several telephone conversations with R. Miller; review message from J. Goulder; telephone conversation with office of J. Goulder; telephone conversation with J. Goulder; work on and revise detailed Forbearance Term Sheet; transmit Forbearance Term Sheet to D. Chittick; work on additional terms for Forbearance Terms Sheet.	8.80
01/15/14	DAS	Revise Non-Disclosure Agreement.	2.70
01/16/14	DGB	Review, work on and respond to several emails and text messages; several telephone conversations with D. Chittick; several telephone conversations with R. Miller; conference call with D. Chittick and S. Menaged	9.20

## CLARK HILL P.L.C.

DenSco Investment Corporation  
Work-out of lien issue  
February 17, 2014  
INVOICE # 528891  
Page 4

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

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

# CLARK HILL P.L.C.

DenSco Investment Corporation  
Work-out of lien issue  
February 17, 2014  
INVOICE # 528891  
Page 5

01/21/14	RGA	Conference with D. Schenck regarding forbearance agreement; review loan documents; work on draft of forbearance agreement.	1.00
01/22/14	DGB	Review, work on and respond to emails; several telephone conversations with D. Chittick; work on issues for Forbearance Agreement; work on additional documents and requirements; review notes and information from D. Chittick.	3.40
01/22/14	RGA	Work on draft of forbearance agreement.	.30
01/23/14	DGB	Review, work on and respond to several emails; work on Forbearance Agreement; telephone conversation with office of D. Chittick; revise Forbearance Agreement and add additional provisions and insert additional requirements from D. Chittick.	4.70
01/23/14	RGA	Finish draft of forbearance agreement.	1.80
01/23/14	DAS	Revisions to Forbearance Agreement.	2.60
01/24/14	RGA	Review and comment on forbearance agreement; telephone call to D. Schenck regarding changes.	.40
01/24/14	DAS	Additional revisions to Forbearance Agreement; attorney conference regarding same.	2.20
01/25/14	DGB	Review email from D. Chittick; outline questions for follow-up.	.20
01/26/14	DGB	Review, work on and respond to emails; work on and revise Forbearance Agreement; telephone conversation with office of D. Chittick; work on issues; outline additional documents and requirements needed to finish Forbearance Agreement; work on documents.	3.90
01/27/14	DGB	Review Forbearance Agreement for questions from D. Chittick; outline additional documents and follow-up; review information from office of R. Miller; work on follow-up issues.	.80
01/28/14	DGB	Review comments and suggestions for documentation to evidence Forbearance; work on same.	.20

# CLARK HILL P.L.C.

DenSco Investment Corporation  
Work-out of lien issue  
February 17, 2014  
INVOICE # 528891  
Page 6

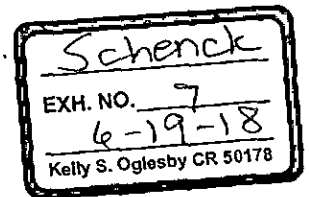
01/29/14	DGB Telephone conversation with D. Chittick regarding status, issues and timing for Forbearance Agreement; review and respond to emails; review documents, outline concerns and follow-up required.	1.20
01/30/14	DGB Review and respond to emails; review DenSco documents and outline exposure until Forbearance Agreement is resolved; review emails.	1.20
01/31/14	DGB Review, work on and respond to several emails; telephone conversation with office of D. Chittick; review documents and requirements to complete Forbearance.	1.10

\$38,224.00

## TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	72.80 hours at	\$440.00 =	\$32,032.00
RGA	Robert G. Anderson	4.50 hours at	\$350.00 =	\$1,575.00
DAS	Daniel A. Schenck	17.10 hours at	\$270.00 =	\$4,617.00

# CLARK HILL



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

Clark Hill PLC  
14850 N. Scottsdale Road  
Suite 500  
Scottsdale, AZ 85254  
T: 480.684.1100  
F: 480.684.1199  
clarkhill.com

March 14, 2014

Mr. Denny J. Chittick  
DenSco Investment Corporation  
6132 W. Victoria Place  
Chandler, AZ 85226

Via E-Mail and US Mail  
([dcmoney@yahoo.com](mailto:dcmoney@yahoo.com))

**Re: Work out of Lien Issue  
Business Matters**

Dear Denny:

Enclosed are the invoices for legal services provided by Clark Hill to DenSco Investment Corporation through the end of February. If you have any questions concerning either of these invoices, please contact me to discuss. As we have previously discussed, I would much rather discuss any issue when it arises, so we have a better opportunity to resolve it.

Thank you again for allowing Clark Hill and me to provide legal services to DenSco Investment Corporation. Thank you for the recent payment. If you have any question or if we can assist you with any other matter(s), please let me know.

Sincerely,

David G. Beauchamp  
CLARK HILL PLC

Enclosure(s)



# CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500

Scottsdale, AZ 85254

Telephone (480) 684-1100

Fed.ID # 38-0425840

## INVOICE

Invoice # 533271

DenSco Investment Corporation  
Attn: Denny Chittick  
6132 W. Victoria Place  
Chandler, AZ 85226

March 17, 2014  
Client: 43820  
Matter: 170082

=====

RE: Work-out of lien issue

FOR SERVICES RENDERED through February 28, 2014

Total Services:	\$30,266.00
-----------------	-------------

INVOICE TOTAL	\$30,266.00
---------------	-------------

TOTAL AMOUNT DUE	\$30,266.00
	=====

PAYABLE UPON RECEIPT IN U.S. DOLLARS

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## CLARK HILL P.L.C.

DenSco Investment Corporation  
Work-out of lien issue  
March 17, 2014  
INVOICE # 533271  
Page 2

### DETAILED DESCRIPTION OF SERVICES

02/03/14	DGB	Review, work on and respond to several emails; telephone call with D. Chittick regarding Forbearance Agreement, issues, procedure and strategy; review and work on Guaranty and Security Agreement.	2.60
02/04/14	DGB	Review, work on and respond to several emails; work on Guaranty and Security Agreement; review revisions to Forbearance Agreements from J. Goulder; telephone call with office of D. Chittick; detailed email to D. Chittick concerning revisions; prepare several detailed emails to D. Chittick regarding strategy and procedure.	3.90
02/05/14	DGB	Review, work on and respond to several emails; work on Guaranty; review underlying loan documents.	1.80
02/05/14	DAS	Review Deed of Trust for lien issues; prepare memo regarding findings.	1.20
02/06/14	DGB	Review, work on and respond to several emails and text messages; extended telephone call with D. Chittick regarding issues, revisions, strategy and procedure; work on and revise Forbearance Agreement; transmit revised agreement to D. Chittick.	4.20
02/06/14	DAS	Attorney conference regarding Guaranty Agreement; prepare draft of Guaranty Agreement.	1.90
02/07/14	DGB	Work on and revise Guaranty; review and respond to several emails; telephone call with D. Chittick; conference call with D. Chittick and S. Menaged; work on documents; several telephone calls with D. Chittick; work on and revise Forbearance Agreement and transmit revised agreement.	6.10

# CLARK HILL P.L.C.

DenSco Investment Corporation  
Work-out of lien issue  
March 17, 2014  
INVOICE # 533271  
Page 3

02/07/14	DAS Prepare Security Agreement; Attorney conference with D. Deauchamp regarding negotiations of Forbearance;	1.70
02/08/14	DGB Review information and work on Guaranty and Security Agreement.	1.20
02/09/14	DGB Review and respond to several emails; work on Guaranty.	.80
02/10/14	DGB Review, work on and respond to emails; telephone call with D. Chittick regarding revisions to Forbearance Agreement; work on revisions to Forbearance Agreement; work on Guaranty.	2.20
02/11/14	DGB Extended telephone call with D. Chittick regarding revisions to Forbearance Agreement and disclosure to investors; research release and bankruptcy; review disclosure and requirements for updated disclosure to investors; work on issues; telephone call with D. Chittick; review revisions to Forbearance Agreement.	3.20
02/12/14	DGB Work on Guaranty and Security Agreement; research concerning interim disclosure to investors due to Forbearance; research release and bankruptcy requirements.	2.10
02/13/14	DGB Review and respond to several emails; work on and revise Forbearance Agreement; telephone call with D. Chittick; prepare email and transmit revised Forbearance Agreements; review research concerning release.	2.10
02/14/14	DGB Review and respond to several emails; review issues from J. Goulder; research disclosure and requirements to advise investors; research restriction on release; work on issues and requirements.	2.70
02/15/14	DGB Review and respond to several emails; telephone call with office of D. Chittick and leave detailed voicemail.	1.10

# CLARK HILL P.L.C.

DenSco Investment Corporation  
Work-out of lien issue  
March 17, 2014  
INVOICE # 533271  
Page 4

02/17/14	DGB	Review and respond to several emails; work on Guaranty and Security Agreement; work on forbearance requirements; review underlying loan documents for applicable terms.	1.90
02/18/14	DGB	Review, work on and respond to several emails; review notes and information to prepare for meeting; work on Forbearance Agreement and outline open issues; telephone call with D. Chittick regarding timing and issues.	2.90
02/19/14	DGB	Review, work on and respond to several emails; telephone call with D. Chittick; review notes, agreement and prepare for meeting.	1.90
02/20/14	DGB	Prepare for and meeting with D. Chittick, S. Menaged and J. Goulder; several telephone calls with D. Chittick regarding timing, issues and meeting; work on issues and follow-up from meeting; prepare detailed email for bankruptcy analysis.	5.80
02/20/14	WCP	Review and respond to emails regarding various guaranty issues	.20
02/21/14	DGB	Review emails and information; work on issues and arrange for legal research concerning issues; extended telephone call with D. Chittick regarding bankruptcy analysis, status information to investors, issues and procedure; telephone call with W. Price regarding bankruptcy issues; work on documents.	3.20
02/21/14	WCP	Teleconference with D. Beauchamp regarding matter status	.40
02/24/14	DGB	Telephone call with office of J. Goulder regarding documents and procedure; telephone call with D. Chittick regarding telephone call, issues, status, revisions to Forbearance Agreement, bankruptcy analysis and strategy; review and respond to emails from W. Price regarding bankruptcy analysis; review message from W. Price; review message and information from D. Chittick; review and work on agreement; research alternate structures.	4.20

# CLARK HILL P.L.C.

DenSco Investment Corporation  
Work-out of lien issue  
March 17, 2014  
INVOICE # 533271  
Page 5

02/25/14	DGB	Review revisions to Forbearance Agreement, cover letter and information from J. Goulder; telephone conversation with D. Chittick regarding changes to Forbearance Agreement, conversations with S. Menaged and procedure; work on issues, information and follow-up; text messages to D. Chittick; review and respond to detailed emails from D. Chittick; review bankruptcy analysis from W. Price.	3.20
02/26/14	DGB	Review revisions to Forbearance Agreement from J. Goulder; outline issues and questions; transmit revised document and work on bankruptcy issues with W. Price; review, work on and respond to several emails; outline issues; review and respond to several text messages with D. Chittick; telephone conversation with office of D. Chittick.	1.80
02/26/14	WCP	Review forbearance agreement (1.20); draft emails to D. Beauchamp regarding matter status and forbearance agreement issues (.20)	1.40
02/27/14	DGB	Review emails, information and outline issues; <del>prepare for call to D. Chittick; extended telephone call with D. Chittick regarding alternate procedure for Forbearance, issues and procedure; write up notes and information; review revisions and work on Forbearance Agreement; research issues and procedure.</del>	1.70
02/28/14	DGB	Review revisions to Forbearance Agreement; work on revisions; review emails; review information from D. Chittick; review bankruptcy analysis and information; work on questions for alternate structure.	3.40

\$30,266.00

## TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	64.00 hours at	\$440.00 =	\$28,160.00
WCP	William C. Price	2.00 hours at	\$405.00 =	\$810.00
DAS	Daniel A. Schenck	4.80 hours at	\$270.00 =	\$1,296.00

# CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500

Scottsdale, AZ 85254

Telephone (480) 684-1100

Fed ID # 38-0425840

## INVOICE

Invoice # 533273

DenSco Investment Corporation  
Attn: Denny Chittick  
6132 W. Victoria Place  
Chandler, AZ 85226

March 17, 2014  
Client: 43820  
Matter: 170145

RE: Business Matters

FOR SERVICES RENDERED through February 28, 2014

Total Services: \$1,571.00

INVOICE TOTAL \$1,571.00

TOTAL AMOUNT DUE \$1,571.00

PAYABLE UPON RECEIPT IN U.S. DOLLARS

CH\_0002679

# CLARK HILL P.L.C.

DenSco Investment Corporation  
Business Matters  
March 17, 2014  
INVOICE # 533273  
Page 2

## DETAILED DESCRIPTION OF SERVICES

02/20/14	RGA	Conference with D. Beauchamp regarding checklist issues. (0.3 no charge)	.30
02/21/14	RGA	Review standard loan documents and prepare closing checklist; prepare standard loan checklist.	2.10
02/26/14	DGB	Review and respond to emails from D. Chittick regarding Sheriff's sale of real property out of bankruptcy of owner of LLC Borrower; review and work on information; telephone conversation with office of D. Chittick.	.90
02/27/14	DGB	Review email and information from D. Chittick; review order for Sheriff's sale; outline questions and respond to D. Chittick; telephone call with D. Chittick regarding information needed and procedure; prepare and transmit email request for additional procedural information.	.60
02/28/14	DGB	Review information concerning bankruptcy Trustee and Sheriff's Sale; telephone call with office of D. Chittick regarding additional information.	.40

\$1,571.00

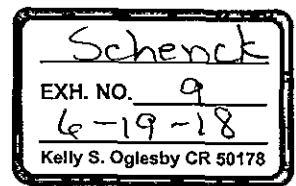
## TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	1.90 hours at	\$440.00 =	\$836.00
RGA	Robert G. Anderson	0.30 hours at	\$0.00 =	\$0.00
RGA	Robert G. Anderson	2.10 hours at	\$350.00 =	\$735.00

Schenck  
EXH. NO. 8  
6-19-18  
Kelly S. Oglesby CR 50178



# CLARK HILL



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

Clark Hill PLC  
14850 N. Scottsdale Road  
Suite 500  
Scottsdale, AZ 85254  
T: 480.684.1100  
F: 480.684.1199  
clarkhill.com

April 24, 2014

Mr. Denny J. Chittick  
DenSco Investment Corporation  
6132 W. Victoria Place  
Chandler, AZ 85226

Via E-Mail and US Mail  
(dcmoney@yahoo.com)

**Re: Work out of Lien Issue  
Business Matters**

Dear Denny:

Enclosed are the invoices for legal services provided by Clark Hill to DenSco Investment Corporation through the end of March. If you have any questions concerning either of these invoices, please contact me to discuss. As we have previously discussed, I would much rather discuss any issue when it arises, so we have a better opportunity to resolve it.

Thank you again for allowing Clark Hill and me to provide legal services to DenSco Investment Corporation. If you have any question or if we can assist you with any other matter(s), please let me know.

Very Truly Yours,

David G. Beauchamp  
CLARK HILL PLC

*Thank you for  
the recent payment!*

Enclosure(s)

CH\_0004324

# CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500

Scottsdale, Arizona 85254

Telephone (480) 684-1100

Fed.ID # 38-0425840

## INVOICE

DenSco Investment Corporation  
Attn: Denny Chittick  
6132 W. Victoria Place  
Chandler, AZ 85226

Invoice # 538654  
April 21, 2014  
Client: 43820  
Matter: 170082

RE: Work-out of lien issue

FOR SERVICES RENDERED through March 31, 2014

Total Services: \$46,353.00

INVOICE TOTAL \$46,353.00

PAYABLE UPON RECEIPT IN U.S. DOLLARS

CH\_0004325

CLARK HILL P.L.C.

DenSco Investment Corporation  
Work-out of lien issue  
April 21, 2014  
INVOICE # 538654  
Page 2

DETAILED DESCRIPTION OF SERVICES

03/03/14	DGB	Review emails and information from D. Chittick; telephone call with office of D. Chittick; research and work on issues from D. Chittick concerning disclosure requirements; telephone call with D. Chittick regarding disclosure requirements and information concerning advice to S. Menaged; work on revisions to Forbearance Agreement; outline issues to discuss with D. Chittick concerning disclosure requirements and effect on limitation of Confidentiality; work on issues.	5.30
03/04/14	DGB	Review notes, information from D. Chittick and work on revisions to Forbearance Agreement; research disclosure requirements to investors; research limitations on disclosure due to constraints in agreement; telephone call with office of D. Chittick; work on revisions to release provision and confidentiality provisions; work on information.	3.60
03/05/14	DGB	Review detailed email from D. Chittick; telephone call with office of D. Chittick; respond to email; review notes and work on revisions to Forbearance Agreement from J. Goulder; review required disclosure to investors and effect on Confidentiality provisions; review structure of loans and questions from D. Chittick; research disclosure and risk analysis for concentration of loans; work on open issues in Forbearance Agreement; work on revisions to Forbearance Agreement.	4.80

# CLARK HILL P.L.C.

DenSco Investment Corporation  
Work-out of lien issue  
April 21, 2014  
INVOICE # 538654  
Page 3

03/06/14	DGB	Review and respond to emails; research disclosure requirements and effect on Confidentiality provisions; research releases and review alternate strategies; work on revisions from J. Goulder to Forbearance Agreement; review notes from meetings and calls; review information from D. Chittick.	3.60
03/07/14	DGB	Review and respond to emails; extended telephone call with D. Chittick regarding status of open issues for Forbearance Agreement; review and respond to several text messages with D. Chittick; work on revisions from J. Goulder to Forbearance Agreements; transmit Forbearance Agreement with question ;work on information from D. Chittick.	5.40
03/10/14	DGB	Review, work on and respond to several emails; work on issues for Forbearance Agreement.	1.30
03/11/14	DGB	Review, work on and respond to emails; telephone call with office of D. Chittick; extended telephone call with D. Chittick regarding releases, waivers and key provisions; conference call with D. Chittick and S. Menaged regarding release, issues, waivers, confidentiality, required disclosure to investors, concentration of loans, workout loan, timing and issues to complete process; review and work on notes from conference call; work on revisions to Forbearance Agreement; telephone call with D. Chittick regarding follow-up; work on Forbearance Agreement and issues; review disclosure requirements and research extent of disclosure.	4.60
03/12/14	DGB	Review, work on and respond to emails; revise, work on and transmit Forbearance Agreement; several telephone calls with D. Chittick; work on issues from emails; conference call with D. Chittick and S. Menaged; work on notes, outline concerns and issues from D. Chittick and S. Menaged; work on revised structure of loans and confidentiality provision.	5.40

# CLARK HILL P.L.C.

DenSco Investment Corporation  
Work-out of lien issue  
April 21, 2014  
INVOICE # 538654  
Page 4

03/13/14	DGB	Review, work on and respond to several emails; telephone call with D. Chittick regarding Confidentiality and Note provisions in the Forbearance Agreement; prepare detailed email with draft confidentiality provision; work on emails and information from D. Chittick concerning changing the structure of loans, advances and provisions; work on revisions to Forbearance Agreement.	6.20
03/14/14	DGB	Review, work on and respond to emails; work on and revise Forbearance Agreement; work on and revise Confidentiality provisions; work on information from D. Chittick; review emails with comments from S. Menaged; work on and revise note provisions and Confidentiality provisions in Forbearance Agreement; transmit Forbearance Agreement; work on revisions to form of notes and issues.	5.80
03/17/14	DGB	Review, work on and revise several emails; work on additional revisions to Forbearance Agreement to address changes to loans and procedure; work on structure, references and requirements in Forbearance Agreements; outline questions and send to D. Chittick; telephone call with D. Chittick regarding revisions and procedure; work on further revisions to Forbearance Agreement and transmit same; work on and revise notes for Additional Loan and Additional Funds Loan; outline closing documents and revisions.	4.20
03/18/14	DGB	Review, work on and respond to several emails; rework provisions concerning Additional Loan and terms concerning Bank of America costs; revise Forbearance Agreement and transmit; work on notes and closing documents.	5.60

## CLARK HILL P.L.C.

DenSco Investment Corporation  
Work-out of lien issue  
April 21, 2014  
INVOICE # 538654  
Page 5

03/19/14	DGB	Review, work on and respond to several emails; work on additional revisions to Forbearance Agreement; restructure and work on provisions for Additional Loan and Additional Funds Loan; work on documents; work on and revise section concerning "no knowledge of claims" to remove implied reference to "fraud"; review agreement to confirm references to satisfy S. Menaged.	6.10
03/20/14	DGB	Review, work on and respond to several emails; work on and transmit revisions to Forbearance Agreement; review revisions; outline follow-up questions; work on guarantees and security agreement.	5.60
03/20/14	DAS	Prepare revised Guaranty.	1.70
03/21/14	DGB	Review, work on and respond to several emails; work on information for revisions to Forbearance Agreement and closing documents; work on documents; work on revisions to Forbearance Agreement; restructure form of guaranty and security agreement; work on documents.	3.80
03/24/14	DGB	Work on and revise Forbearance Agreement; transmit revised Forbearance Agreement; work on and revise Additional Funds Loan and Additional Loan documents; outline issues and follow-up; review and respond to emails; work on list of follow-up questions; work on Security Agreement and Guarantees; outline follow-up.	7.40
03/24/14	DAS	Prepare notes for Additional Loan and Additional Funds Loan.	3.80
03/25/14	DGB	Review, work on and respond to several emails; prepare list of questions for D. Chittick to finish closing documents and transmit same; work on revisions to closing documents; work on issues from Forbearance Agreement; review information from S. Menages concerning assets and prepare detailed questions for D. Chittick; work on revisions to the Additional Funds Note and the Additional Loan.	5.20

# CLARK HILL P.L.C.

DenSco Investment Corporation  
Work-out of lien issue  
April 21, 2014  
INVOICE # 538654  
Page 6

03/25/14	DAS	Revisions to Note for Additional Funds Loan.	1.50
03/26/14	DGB	Work on issues with D. Schenck for closing documents; work on revisions; review, work on and respond to several emails; telephone call with office of D. Chittick.	2.40
03/26/14	DAS	Multiple additional revisions to documents; add F. Menaged to documents; email documents.	6.20
03/27/14	DGB	Review and respond to emails; review final revisions and work on follow-up issues and procedure; list schedules and items for closing.	1.60
03/28/14	DGB	Review documents and outline requirements and issues for closing; work on closing documents for any additional requirements.	3.20
03/30/14	DGB	Review and respond to several emails concerning revisions and procedure to limit signatures of Scott's wife; outline agreement and follow-up.	1.10
03/31/14	DGB	Work on and revise Representation and Disclaimer Agreement; work on other closing documents; review and respond to several emails; revise and transmit Representation and Disclaimer Agreements; insert questions in agreement for D. Chittick.	2.90
03/31/14	DAS	Prepare Disclaimer and Representation Agreement regarding sale and separate property; revise other documents to remove spouse as a party; prepare redlines and email documents to client.	3.50

\$46,353.00

## TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	95.10 hours at	\$440.00 =	\$41,844.00
DAS	Daniel A. Schenck	16.70 hours at	\$270.00 =	\$4,509.00

# CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500  
Scottsdale, Arizona 85254  
Telephone (480) 684-1100  
Fed.ID # 38-0425840.

## INVOICE

DenSco Investment Corporation  
Attn: Denny Chittick  
6132 W. Victoria Place  
Chandler, AZ 85226

Invoice # 538655  
April 21, 2014  
Client: 43820  
Matter: 170145

=====

RE: Business Matters

FOR SERVICES RENDERED through March 31, 2014

Total Services:	\$220.00
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INVOICE TOTAL	\$220.00
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PAYABLE UPON RECEIPT IN U.S. DOLLARS

CH\_0004331



**CLARK HILL P.L.C.**

DenSco Investment Corporation  
Business Matters  
April 21, 2014  
INVOICE # 538655  
Page 2

DETAILED DESCRIPTION OF SERVICES

03/04/14	DGB	Review information and questions from D. Chittick concerning Sheriff's Sale.	.10
03/05/14	DGB	Review information from D. Chittick regarding Sheriff's Sale; review email.	.20
03/06/14	DGB	Review and respond to emails concerning Sheriff's Sale.	.10
03/07/14	DGB	Review information concerning Sheriff's Sale; telephone call with office of D. Chittick.	.10

\$220.00

TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	0.50 hours at \$440.00 =	\$220.00
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# CLARK HILL

Schenck
EXH. NO. 10
6-29-18
Kelly S. Oglesby CR 50178

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

Clark Hill PLC  
14850 N. Scottsdale Road  
Suite 500  
Scottsdale, AZ 85254  
T: 480.684.1100  
F: 480.684.1199  
clarkhill.com

May 23, 2014

Mr. Denny J. Chittick  
DenSco Investment Corporation  
6132 W. Victoria Place  
Chandler, AZ 85226

Via E-Mail and US Mail  
([dcmoney@yahoo.com](mailto:dcmoney@yahoo.com))

**Re: Work out of Lien Issue  
Business Matters  
2003 Private Offering Memorandum**

Dear Denny:

Enclosed are the invoices for legal services provided by Clark Hill to DenSco Investment Corporation through the end of April. If you have any questions concerning any of these invoices, please contact me to discuss. As we have previously discussed, I would much rather discuss any issue when it arises, so we have a better opportunity to resolve it.

Thank you again for allowing Clark Hill and me to provide legal services to DenSco Investment Corporation. If you have any question or if we can assist you with any other matter(s), please let me know.

Very Truly Yours,



David G. Beauchamp  
CLARK HILL PLC

Enclosure(s)

# CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500  
Scottsdale, Arizona 85254  
Telephone (480) 684-1100  
Fed.ID # 38-0425840

## INVOICE

DenSco Investment Corporation  
Attn: Denny Chittick  
6132 W. Victoria Place  
Chandler, AZ 85226

Invoice # 543316  
May 23, 2014  
Client: 43820  
Matter: 170082

=====

RE: Work-out of lien issue

FOR SERVICES RENDERED through April 30, 2014

Total Services:	\$21,347.00
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FOR EXPENSES INCURRED OR ADVANCED:

Filing Fees	\$9.00
Express Mail Services	\$28.95

Total Expenses:	<u>\$37.95</u>
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INVOICE TOTAL	\$21,384.95
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PAYABLE UPON RECEIPT IN U.S. DOLLARS

CH\_0000514

## CLARK HILL P.L.C.

DenSco Investment Corporation  
Work-out of lien issue  
May 23, 2014  
INVOICE # 543316  
Page 2

### DETAILED DESCRIPTION OF SERVICES

04/01/14	DGB	Review email from D. Chittick regarding Representation and Disclaimer Agreement; review emails and financial information; send questions to D. Chittick concerning financial status; review procedure to obtain information.	1.10
04/02/14	DGB	Review email from D. Chittick concerning Representation and Disclaimer Agreement; review information and questions from D. Chittick; outline follow-up; research justifiable reliance.	1.20
04/03/14	DGB	Review documents from D. Chittick; work through list of dates, exhibits and other items to be corrected; review and respond to several emails from D. Chittick; work on list for clean up documents for explanation; work on revisions to documents; outline clean up and issues.	3.20
04/03/14	DAS	Review of executed documents; notes regarding corrections and additional information needed; review of confidentiality provisions; prepare letter regarding same; revise all documents with correct dates, additional information and add counterpart language; revise notary acknowledgments.	6.80
04/04/14	DGB	Review Forbearance Agreement, Notes, Security Agreement, Guaranty and other closing documents; work through the documents to fill in the blanks, correct dates and update exhibits; review, work on and respond to several emails; prepare detailed emails with description of revisions, issues and procedure.	4.20
04/05/14	DGB	Review revisions, emails and prepare follow-up checklist.	.40

## CLARK HILL P.L.C.

DenSco Investment Corporation  
Work-out of lien issue  
May 23, 2014  
INVOICE # 543316  
Page 3

04/06/14	DGB	Review email from D. Chittick; respond to email with instructions for exchange of black-line revisions and procedure for approval of revisions and procedure for Representation and Disclaimer document.	.30
04/07/14	DGB	Review and work on documents and closing items for Forbearance Agreement; review information from D. Chittick; outline follow-up.	3.60
04/08/14	DGB	Work on outline for closing items for Forbearance Agreement.	.30
04/09/14	DGB	Review and respond to several emails from D. Chittick concerning Bank of America Risk Department and actions to freeze account; review email concerning status of review of revisions to Forbearance Agreement.	.50
04/10/14	DGB	Review emails and information to finish Forbearance Agreement; review notes and outline steps and procedure.	.60
04/11/14	DGB	Review, work on and respond to several emails; review revisions and work on instructions to transmit documents to D. Chittick for execution; review and respond to questions.	1.30
04/11/14	JAZ	Review and finalize Forbearance Agreement, Promissory Note \$5 million, Promissory Note \$1 million, Security Agreement, Guaranty Agreement and Representation and Disclaimer Agreement to aid in preparation of client review; prepare letter to client in regard to agreements.	1.40
04/12/14	DGB	Review and respond to emails from D. Chittick.	.20
04/13/14	DGB	Prepare emails to D. Chittick concerning documents, procedure for execution of documents, notary and steps.	.40

## CLARK HILL P.L.C.

DenSco Investment Corporation  
Work-out of lien issue  
May 23, 2014  
INVOICE # 543316  
Page 4

04/14/14 DGB	Review, work on and respond to emails concerning delay in execution of Forbearance Agreement, change in dates, calculations and balance due for Notes; review documents and outline revisions.	1.10
04/15/14 DGB	Review and respond to several emails and questions from D. Chittick concerning execution of documents, dates, information to be inserted, exhibits and procedure; review Notes and outline follow-up; respond to emails concerning life insurance company questions; work on follow-up.	3.60
04/16/14 DGB	Review and respond to several emails from D. Chittick.	.30
04/17/14 DGB	Review executed documents from D. Chittick; review emails and notes for exhibits to Notes and Forbearance Agreement; review documents and information from D. Chittick; verify calculations and exhibits; review documents for completion.	2.90
04/18/14 DGB	Review and respond to several emails concerning inconsistent numbers in Notes and in Exhibits; work on discrepancies with D. Schenck; review Notes, Forbearance Agreement and Exhibits; telephone call with office of D. Chittick regarding discrepancies; work to reconcile differences.	2.70
04/18/14 DAS	Review and reconciliation of loan work out documents and exhibits; attorney conference regarding same; prepare email to client regarding request or updates.	1.30
04/19/14 DGB	Review emails; review and work on Notes for Forbearance Agreement requirements; outline notes.	.70
04/21/14 DGB	Review notes, emails and Forbearance Agreement requirements; work on and outline follow-up.	1.20
04/21/14 DAS	Attorney conference regarding UCC lien; legal research regarding statutory definitions.	.30

## CLARK HILL P.L.C.

DenSco Investment Corporation

Work-out of lien issue

May 23, 2014

INVOICE # 543316

Page 5

04/22/14	DGB	Review and respond to several emails from D. Chittick regarding Life Insurance policy; review notes concerning follow-up to finish Forbearance Agreement and requirements; outline follow-up.	.90
04/23/14	DGB	Telephone call with office of D. Chittick regarding exhibits, issues and follow-up for Forbearance documents; review information from D. Chittick.	.50
04/24/14	DGB	Review and respond to emails from D. Chittick; extended telephone call with D. Chittick regarding revisions to principal outstanding under Notes to comply with exhibits and calculations; work on revisions.	1.40
04/25/14	DGB	Review and revise documents to correct numbers for exhibits; work on information and exhibits; review and respond to emails; prepare detailed emails with instructions and transmit revised pages; outline follow-up; telephone call with office of D. Chittick; review additional security/protection questions from D. Chittick; prepare email to D. Chittick.	4.60
04/26/14	DGB	Outline questions, issues and follow-up for additional protection if S. Menaged should die or become incapacitated.	.30
04/27/14	DGB	Review notes and research "Liquidating Trustee" , "Alternative Manager" and other procedures to provide additional protection for DenSco.	1.20
04/28/14	DGB	Review, work on and respond to several emails; review Borrower entity documents and outline provisions for transition authority in the event of death or disability of S. Menaged; review corporate records at AZ Corporation Commission; continue research concerning conflicting fiduciary duties for "Alternative Manager" and structure; review documents; prepare and send emails.	3.30

# CLARK HILL P.L.C.

DenSco Investment Corporation  
Work-out of lien issue  
May 23, 2014  
INVOICE # 543316  
Page 6

04/29/14	DGB	Review emails and research notes; telephone call with D. Chittick regarding issues and procedure to finish documents and provide for "Alternative Manager."	.30
04/30/14	DGB	Work on issues to restructure Borrower entities to cause liquidation upon death or incapacity of S. Menaged.	.60

\$21,347.00

## TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	42.90 hours at	\$440.00 =	\$18,876.00
DAS	Daniel A. Schenck	8.40 hours at	\$270.00 =	\$2,268.00
JAZ	Jessica A. Zaporowski	1.40 hours at	\$145.00 =	\$203.00



# CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500

Scottsdale, Arizona 85254

Telephone (480) 684-1100

Fed.ID # 38-0425840

## INVOICE

DenSco Investment Corporation  
Attn: Denny Chittick  
6132 W. Victoria Place  
Chandler, AZ 85226

Invoice # 543312  
May 23, 2014  
Client: 43820  
Matter: 166603

RE: 2003 Private Offering Memorandum

FOR SERVICES RENDERED through April 30, 2014

Total Services: \$616.00

INVOICE TOTAL \$616.00

PAYABLE UPON RECEIPT IN U.S. DOLLARS

CH\_0000520

## CLARK HILL P.L.C.

DenSco Investment Corporation  
2003 Private Offering Memorandum  
May 23, 2014  
INVOICE # 543312  
Page 2

### DETAILED DESCRIPTION OF SERVICES

04/24/14 DGB Telephone call with D. Chittick regarding work out loan balances , reduction in loans and disclosure update.	.20
04/25/14 DGB Outline revisions and issues for revision to Private Offering Memorandum.	.40
04/29/14 DGB Outline issues and information for inclusion in Private Offering memorandum update.	.40
04/30/14 DGB Review notes and revise description for Private Offering Memorandum update.	.40
	\$616.00

### TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	1.40 hours at \$440.00 =	\$616.00
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# CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500  
Scottsdale, Arizona 85254  
Telephone (480) 684-1100  
Fed.ID # 38-0425840

## INVOICE

DenSco Investment Corporation  
Attn: Denny Chittick  
6132 W. Victoria Place  
Chandler, AZ 85226

Invoice # 543317  
May 23, 2014  
Client: 43820  
Matter: 170145

=====

RE: Business Matters

FOR SERVICES RENDERED through April 30, 2014

Total Services:	\$352.00
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INVOICE TOTAL	\$352.00
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PAYABLE UPON RECEIPT IN U.S. DOLLARS

CH\_0000522

## CLARK HILL P.L.C.

DenSco Investment Corporation  
Business Matters  
May 23, 2014  
INVOICE # 543317  
Page 2

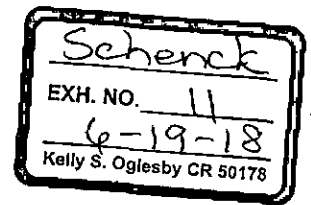
### DETAILED DESCRIPTION OF SERVICES

04/21/14 DGB	Review detailed email concerning refunding investment to investor; email to D. Chittick; review follow-up information from D. Chittick.	.50
04/23/14 DGB	Review extended email from D. Chittick concerning status with G. Thompson.	.20
04/24/14 DGB	Review email from D. Chittick; telephone call with D. Chittick regarding status with G. Thompson.	.10

\$352.00

### TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	0.80 hours at \$440.00 =	\$352.00
-----	--------------------	--------------------------	----------



# CLARK HILL

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

Clark Hill PLC  
14850 N. Scottsdale Road  
Suite 500  
Scottsdale, AZ 85254  
T 480.684.1100  
F 480.684.1199  
clarkhill.com

June 25, 2014

Mr. Denny J. Chittick  
DenSco Investment Corporation  
6132 W. Victoria Place  
Chandler, AZ 85226

Via E-Mail and US Mail  
([dcmoney@yahoo.com](mailto:dcmoney@yahoo.com))

**Re: Work out of Lien Issue  
Business Matters  
2003 Private Offering Memorandum**

Dear Denny:

Enclosed are the invoices for legal services provided by Clark Hill to DenSco Investment Corporation through the end of May. If you have any questions concerning any of these invoices, please contact me to discuss. As we have previously discussed, I would much rather discuss any issue when it arises, so we have a better opportunity to resolve it.

Thank you again for allowing Clark Hill and me to provide legal services to DenSco Investment Corporation. If you have any question or if we can assist you with any other matter(s), please let me know.

Very Truly Yours,

David G. Beauchamp  
CLARK HILL PLC

Enclosure(s)

# CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500  
Scottsdale, AZ 85254  
Telephone (480) 684-1100  
Fed.ID # 38-0425840

## INVOICE

Invoice # 547289

DenSco Investment Corporation  
Attn: Denny Chittick  
6132 W. Victoria Place  
Chandler, AZ 85226

June 19, 2014  
Client: 43820  
Matter: 170082

=====

RE: Work-out of lien issue

FOR SERVICES RENDERED through May 31, 2014

Total Services: \$1,742.00

INVOICE TOTAL \$1,742.00

05/23/14 543316 \$21384.95

Outstanding Balance: \$21,384.95

TOTAL AMOUNT DUE \$23,126.95  
=====

PAYABLE UPON RECEIPT IN U.S. DOLLARS

CH\_0005222

CLARK HILL P.L.C.

DenSco Investment Corporation  
Work-out of lien issue  
June 19, 2014  
INVOICE # 547289  
Page 2

DETAILED DESCRIPTION OF SERVICES

05/01/14	DAS	Legal research regarding liquidating trustee in event of death of sole member of LLC.	.60
05/02/14	DGB	Work with D. Schenck concerning "Alternative Manager" procedure and issues; email to D. Chittick regarding safe procedure; review email from D. Chittick.	.70
05/02/14	DAS	Prepare email regarding restructure to Borrower's entities to install substitute manager.	.80
05/14/14	DGB	Review, work on and respond to several emails; work on and forward emails with instructions for the information/confirmation needed from D. Chittick and S. Menaged.	1.10
05/15/14	DGB	Review, work on and prepare detailed email for the information/confirmation emails needed from D. Chittick and S. Menage.	1.30
			\$1,742.00

TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	3.10 hours at \$440.00 =	\$1,364.00
DAS	Daniel A. Schenck	1.40 hours at \$270.00 =	\$378.00

# CLARK HILL

P.L.L.C.

ATTORNEYS AT LAW

14850 N Scottsdale Road, Suite 500  
Scottsdale, AZ 85254  
Telephone (480) 684-1100  
Fed.ID # 38-0425840

## INVOICE

Invoice # 547291

Densco Investment Corporation  
Attn: Denny Chittick  
6132 W. Victoria Place  
Chandler, AZ 85226

June 20, 2014  
Client: 43820  
Matter: 170145

=====

RE: Business Matters

FOR SERVICES RENDERED through May 31, 2014

Total Services: \$0.00

INVOICE TOTAL \$0.00

05/23/14 543317 \$352.00

Outstanding Balance: \$352.00

TOTAL AMOUNT DUE \$352.00  
=====

PAYABLE UPON RECEIPT IN U.S. DOLLARS

CH\_0005224



# CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500  
Scottsdale, AZ 85254  
Telephone (480) 684-1100  
Fed. ID # 38-0425840

## INVOICE

Invoice # 547290

DenSco Investment Corporation  
Attn: Denny Chittick  
6132 W. Victoria Place  
Chandler, AZ 85226

June 19, 2014  
Client: 43820  
Matter: 166603

=====

RE: 2003 Private Offering Memorandum

FOR SERVICES RENDERED through May 31, 2014

Total Services: \$6,559.00

INVOICE TOTAL \$6,559.00

05/23/14 543312 \$616.00

Outstanding Balance: \$616.00

TOTAL AMOUNT DUE \$7,175.00

=====

PAYABLE UPON RECEIPT IN U.S. DOLLARS

CH\_0005225

## CLARK HILL P.L.C.

DenSco Investment Corporation  
2003 Private Offering Memorandum  
June 19, 2014  
INVOICE # 547290  
Page 2

### DETAILED DESCRIPTION OF SERVICES

05/08/14	DAS	Revise Private Offering Memorandum; notes and legal research regarding same.	5.10
05/09/14	DAS	Additional revisions to Private Offering Memorandum.	4.30
05/12/14	DAS	Additional legal research and revisions to Private Offering Memorandum.	1.80
05/13/14	DGB	Review research concerning Dodd Frank legislation and regulations for state registration concerning investment fund manager.	.60
05/13/14	DAS	Extensive legal research regarding Dodd Frank amendments to Investment Advisers Act and private fund adviser exemption.	4.10
05/14/14	DGB	Review revisions to POM and work on same.	.50
05/14/14	DAS	Additional revisions to Private Offering Memorandum; finish first draft.	7.20
			\$6,559.00

### TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	1.10 hours at \$440.00 =	\$484.00
DAS	Daniel A. Schenck	22.50 hours at \$270.00 =	\$6,075.00

# CLARK HILL

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

Clark Hill PLC  
14850 N. Scottsdale Road  
Suite 500  
Scottsdale, AZ 85254  
T 480.684.1100  
F 480.684.1199

clarkhill.com

July 16, 2014

Mr. Denny J. Chittick  
DenSco Investment Corporation  
6132 W. Victoria Place  
Chandler, AZ 85226

Via E-Mail and US Mail  
([dcmoney@yahoo.com](mailto:dcmoney@yahoo.com))

**Re: Work out of Lien Issue**

Dear Denny:

Enclosed is the invoice for legal services provided by Clark Hill to DenSco Investment Corporation through the end of June. If you have any questions concerning this invoice, please contact me to discuss. As we have previously discussed, I would much rather discuss any issue when it arises, so we have a better opportunity to resolve it.

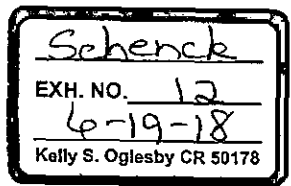
Thank you again for allowing Clark Hill and me to provide legal services to DenSco Investment Corporation. If you have any question or if we can assist you with any other matter(s), please let me know.

Very Truly Yours,



David G. Beauchamp  
CLARK HILL PLC

Enclosure



# CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500  
Scottsdale, AZ 85254  
Telephone (480) 684-1100  
Fed.ID # 38-0425840

## INVOICE

Invoice # 550358

DenSco Investment Corporation  
Attn: Denny Chittick  
6132 W. Victoria Place  
Chandler, AZ 85226

July 11, 2014  
Client: 43820  
Matter: 170082

=====

RE: Work-out of lien issue

FOR SERVICES RENDERED through June 30, 2014

Total Services: \$3,242.00

INVOICE TOTAL \$3,242.00

06/19/14 547289 \$1742.00

Outstanding Balance: \$1,742.00

TOTAL AMOUNT DUE \$4,984.00  
=====

PAYABLE UPON RECEIPT IN U.S. DOLLARS

CH\_0005264

# CLARK HILL P.L.C.

DenSco Investment Corporation  
Work-out of lien issue  
July 11, 2014  
INVOICE # 550358  
Page 2

## DETAILED DESCRIPTION OF SERVICES

06/11/14	DGB	Review and respond to multiple emails; transmit information to D. Chittick.	.30
06/11/14	DAS	Attorney conference regarding updates to Forbearance documents; review correspondence regarding same; prepare Authorization form.	3.20
06/12/14	DGB	Review and respond to several emails with D. Chittick; assemble information for authorization; review and revise draft; review revisions to documents to confirm procedure.	1.10
06/12/14	DAS	Revisions to Authorization form; attorney conference regarding same.	1.90
06/13/14	DGB	Review information to evidence approval of clean up changes.	.20
06/13/14	DAS	Revise Authorization form and prepare new slip sheets for updated figures; attorney conference regarding Authorization form; prepare instruction letter to client.	4.30

\$3,242.00

## TIMEKEEPER SUMMARY

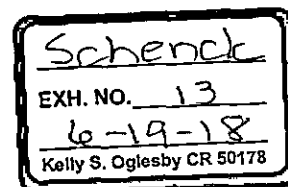
DGB	David G. Beauchamp	1.60 hours at \$440.00 =	\$704.00
DAS	Daniel A. Schenck	9.40 hours at \$270.00 =	\$2,538.00

# CLARK HILL

David Beauchamp  
T: 480.684 1126  
F: 480.684.1199  
dbeauchamp@clarkhill.com

Clark Hill PLC  
14850 N. Scottsdale Road  
Suite 500  
Scottsdale, AZ 85254  
T 480.684 1100  
F 480.684 1199

clarkhill.com



August 20, 2014

Mr. Denny J. Chittick  
DenSco Investment Corporation  
6132 W. Victoria Place  
Chandler, AZ 85226

Via E-Mail and US Mail  
([dcmoney@yahoo.com](mailto:dcmoney@yahoo.com))

**Re: Work out of Lien Issue**

Dear Denny:

Enclosed is the invoice for legal services provided by Clark Hill to DenSco Investment Corporation through the end of July. If you have any questions concerning this invoice, please contact me to discuss. As we have previously discussed, I would much rather discuss any issue when it arises, so we have a better opportunity to resolve it.

Thank you again for allowing Clark Hill and me to provide legal services to DenSco Investment Corporation. If you have any question or if we can assist you with any other matter(s), please let me know.

Very Truly Yours,

David G. Beauchamp  
CLARK HILL PLC

Enclosure

# CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500  
Scottsdale, AZ 85254  
Telephone (480) 684-1100  
Fed.ID # 38-0425840

## INVOICE

Invoice # 555521

DenSco Investment Corporation  
Attn: Denny Chittick  
6132 W. Victoria Place  
Chandler, AZ 85226

August 19, 2014  
Client: 43820  
Matter: 170082

=====

RE: Work-out of lien issue

FOR SERVICES RENDERED through July 31, 2014

Total Services: \$1,021.00

INVOICE TOTAL \$1,021.00

TOTAL AMOUNT DUE \$1,021.00

=====

PAYABLE UPON RECEIPT IN U.S. DOLLARS

CH\_0005290

# CLARK HILL P.L.C.

DenSco Investment Corporation  
Work-out of lien issue  
August 19, 2014  
INVOICE # 555521  
Page 2

## DETAILED DESCRIPTION OF SERVICES

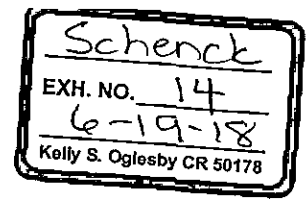
07/10/14	DGB	Review notes for numbers used in revised documents.	.20
07/10/14	DAS	Review of slip sheeted Forbearance documents; research regarding exhibits.	1.30
07/15/14	DGB	Review, work on and respond to several emails; review documents, spread sheets and outline issues and additional schedule needed. (0.6 reviewing file-NO CHARGE)	1.20
07/15/14	DAS	Multiple correspondence regarding loan balance spreadsheets.	.20

\$1,021.00

## TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	1.40 hours at \$440.00 =	\$616.00
DAS	Daniel A. Schenck	1.50 hours at \$270.00 =	\$405.00





# CLARK HILL

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

Clark Hill PLC  
14850 N. Scottsdale Road  
Suite 500  
Scottsdale, AZ 85254  
T 480.684 1100  
F 480.684 1199  
clarkhill.com

April 27, 2016

Mr. Denny J. Chittick  
DenSco Investment Corporation  
6132 W. Victoria Place  
Chandler, AZ 85226

Via E-Mail and US Mail  
([dcmoney@yahoo.com](mailto:dcmoney@yahoo.com))

**Re: Business Matters**

Dear Denny:

Enclosed is the invoice for legal services provided by Clark Hill to DenSco Investment Corporation through the end of March. If you have any questions concerning this invoice, please contact me to discuss. As we have previously discussed, I would much rather discuss any issue when it arises, so we have a better opportunity to resolve it.

Thank you again for allowing Clark Hill and me to provide legal services to DenSco Investment Corporation. If you have any question or if we can assist you with any other matter(s), please let me know.

Very Truly Yours,

David G. Beauchamp  
CLARK HILL PLC

Enclosure

# CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500

Scottsdale, AZ 85254

Telephone (480) 684-1100

Fed.ID # 38-0425840

## INVOICE

Invoice # 649076

DenSco Investment Corporation  
Attn: Denny Chittick  
6132 W. Victoria Place  
Chandler, AZ 85226

April 26, 2016  
Client: 43820  
Matter: 170145

RE: Business Matters

FOR SERVICES RENDERED through March 31, 2016

Total Services:	\$2,484.00
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INVOICE TOTAL	\$2,484.00
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TOTAL AMOUNT DUE	\$2,484.00
	=====

PAYABLE UPON RECEIPT IN U.S. DOLLARS

CH\_0006382

# CLARK HILL P.L.C.

DenSco Investment Corporation  
Business Matters  
April 26, 2016  
INVOICE # 649076  
Page 2

## DETAILED DESCRIPTION OF SERVICES

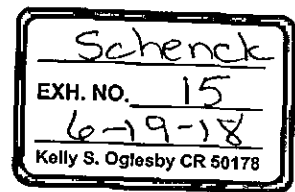
03/18/16 DGB	Review and respond to email from D. Chittick; review ADFI letter.	.30
03/21/16 DGB	Review file and information concerning previous response to Arizona Department of Financial Institute.	.20
03/23/16 DGB	Review files and background information; review research notes and emails; review and respond to several emails.	1.10
03/24/16 DGB	Telephone call with office of ADFI regarding status with letter, response and procedure.	.20
03/29/16 DGB	Telephone call with office of R. Taveler; telephone call with ADFI receptionist concerning office schedule and issues; email to D. Chittick; review, work on and respond to emails; discussion with R. Traveler regarding response to ADFI, issues, procedure and timing; email to D. Chittick; work on response to ADFI; review forms for D. Chittick for response.	1.80
03/30/16 DGB	Review file, notes and information; work on research updates; work on response to ADFI.	1.80

\$2,484.00

## TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	5.40 hours at \$460.00 =	\$2,484.00
-----	--------------------	--------------------------	------------

# CLARK HILL



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

Clark Hill PLC  
14850 N. Scottsdale Road  
Suite 500  
Scottsdale, AZ 85254  
T: 480.684.1100  
F: 480.684.1199  
clarkhill.com

May 13, 2016

Mr. Denny J. Chittick  
DenSco Investment Corporation  
6132 W. Victoria Place  
Chandler, AZ 85226

Via E-Mail and US Mail  
([dcmoney@yahoo.com](mailto:dcmoney@yahoo.com))

***Re: Business Matters***

Dear Denny:

Enclosed is the invoice for legal services provided by Clark Hill to DenSco Investment Corporation through the end of April. If you have any questions concerning this invoice, please contact me to discuss. As we have previously discussed, I would much rather discuss any issue when it arises, so we have a better opportunity to resolve it.

Thank you again for allowing Clark Hill and me to provide legal services to DenSco Investment Corporation. If you have any question or if we can assist you with any other matter(s), please let me know.

Very Truly Yours,

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

David G. Beauchamp  
CLARK HILL PLC

Enclosure

CH\_0006376

# CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500  
Scottsdale, AZ 85254  
Telephone (480) 684-1100  
Fed.ID # 38-0425840

## INVOICE

Invoice # 651953

DenSco Investment Corporation  
Attn: Denny Chittick  
6132 W. Victoria Place  
Chandler, AZ 85226

May 12, 2016  
Client: 43820  
Matter: 170145

=====

RE: Business Matters

FOR SERVICES RENDERED through April 30, 2016

Total Services: \$4,968.00

INVOICE TOTAL \$4,968.00

04/26/16 649076 \$2484.00

Outstanding Balance: \$2,484.00

TOTAL AMOUNT DUE \$7,452.00  
=====

PAYABLE UPON RECEIPT IN U.S. DOLLARS

CH\_0006377

## CLARK HILL P.L.C.

DenSco Investment Corporation  
Business Matters  
May 12, 2016  
INVOICE # 651953  
Page 2

### DETAILED DESCRIPTION OF SERVICES

04/01/16	DGB	Research revisions to statutes and regulations; review, work on and respond to several emails; prepare, work on and revise response letter to ADFI; verify statutory revisions; transmit draft to D. Chittick; work on exhibits to letter; review, work on and respond to emails from D. Chittick.	4.40
04/04/16	DGB	Revise letter to R. Traveler to add comments from D. Chittick; prepare attachments to letter and arrange for delivery and meeting.	1.20
04/05/16	DGB	Prepare email and transmit copy of response to D Chittick; review email.	.30
04/08/16	DGB	Review and respond to email from D. Chittick; prepare and transmit response to R. Traveler at ADFI via email.	.60
04/11/16	DGB	Review, work on and respond to emails from R. Traveler of ADFI.	.20
04/12/16	DGB	Review message from ADFI regarding response.	.10
04/13/16	DGB	Review message from ADFI concerning response submitted.	.10
04/14/16	DGB	Review, work on and respond to several emails concerning additional information requested by R. Traveler at ADFI; review information from D. Chittick; work on information and work on and prepare information to respond to R. Traveler; revise information; review ADFI regulations for information requested.	1.80
04/15/16	DGB	Review and work on list of escrow companies and title insurance companies; prepare cover letter and identify limitations and restrictions of provided list; revise cover letter; transmit requested information to R. Traveler along with explanation limitations and restrictions; telephone call with office of D. Chittick.	2.10

**CLARK HILL P.L.C.**

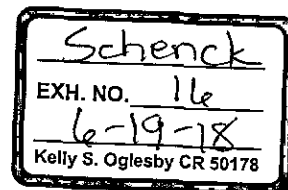
DenSco Investment Corporation  
Business Matters  
May 12, 2016  
INVOICE # 651953  
Page 3

\$4,968.00

TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	10.80 hours at \$460.00 =	\$4,968.00
-----	--------------------	---------------------------	------------

# CLARK HILL



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

Clark Hill PLC  
14850 N. Scottsdale Road  
Suite 500  
Scottsdale, AZ 85254  
T: 480.684.1100  
F: 480.684.1199

clarkhill.com

June 15, 2016

Mr. Denny J. Chittick  
DenSCO Investment Corporation  
6132 W. Victoria Place  
Chandler, AZ 85226

Via E-Mail and US Mail  
([demonney@yahoo.com](mailto:demonney@yahoo.com))

*Re: Business Matters*

Dear Denny:

Enclosed is the invoice for legal services provided by Clark Hill to DenSCO Investment Corporation through the end of May. If you have any questions concerning this invoice, please contact me to discuss. As we have previously discussed, I would much rather discuss any issue when it arises, so we have a better opportunity to resolve it.

Thank you again for allowing Clark Hill and me to provide legal services to DenSCO Investment Corporation. If you have any question or if we can assist you with any other matter(s), please let me know.

Very Truly Yours,

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

David G. Beauchamp  
CLARK HILL PLC

Enclosure

CH\_0008985



# CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500

Scottsdale, AZ 85254

Telephone (480) 684-1100

Fed.ID # 38-0425840

## INVOICE

Invoice # 656811

DenSco Investment Corporation  
Attn: Denny Chittick  
6132 W. Victoria Place  
Chandler, AZ 85226

June 10, 2016  
Client: 43820  
Matter: 170145

=====

RE: Business Matters

FOR SERVICES RENDERED through May 31, 2016

Total Services: \$2,070.00

INVOICE TOTAL \$2,070.00

TOTAL AMOUNT DUE \$2,070.00

=====

PAYABLE UPON RECEIPT IN U.S. DOLLARS

CH\_0008986

# CLARK HILL P.L.C.

DenSco Investment Corporation  
Business Matters  
June 10, 2016  
INVOICE # 656811  
Page 2

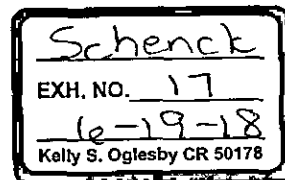
## DETAILED DESCRIPTION OF SERVICES

05/24/16 DGB	Review email from R. Traveler and forward to D. Chittick; telephone call with D. Chittick regarding procedure with HUD1 forms, procedure and information to respond to ADFI; prepare questions and email for R. Traveler; review and respond to several emails with D. Chittick; revise and transmit email and questions to R. Traveler.	2.10
05/25/16 DGB	Review message and information from R. Traveler; review and respond to several emails from D. Chittick; review and work on information from D. Chittick; work on notes.	1.20
05/26/16 DGB	Work on notes for response to ADFI.	.50
05/27/16 DGB	Work on information for response to R. Traveler.	.30
05/31/16 DGB	Review notes and work on response to AZ DFI.	.40
		\$2,070.00

## TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	4.50 hours at \$460.00 =	\$2,070.00
-----	--------------------	--------------------------	------------

# CLARK HILL



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

Clark Hill PLC  
14850 N. Scottsdale Road  
Suite 500  
Scottsdale, AZ 85254  
T 480.684.1100  
F 480.684.1199

clarkhill.com

July 22, 2016

DenSco Investment Corporation  
Attn: Mr. Denny J. Chittick  
6132 W. Victoria Place  
Chandler, AZ 85226

Via E-Mail and US Mail  
([denmoney@yahoo.com](mailto:denmoney@yahoo.com))

***Re: Business Matters***

Dear Denny:

Enclosed is the invoice for legal services provided by Clark Hill to DenSco Investment Corporation through the end of June. If you have any questions concerning this invoice, please contact me to discuss. As we have previously discussed, I would much rather discuss any issue when it arises, so we have a better opportunity to resolve it.

Thank you again for allowing Clark Hill and me to provide legal services to DenSco Investment Corporation. If you have any question or if we can assist you with any other matter(s), please let me know.

Very Truly Yours,

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

David G. Beauchamp  
CLARK HILL PLC

Enclosure

CH\_0008940

# CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500

Scottsdale, AZ 85254

Telephone (480) 684-1100

Fed.ID # 38-0425840

## INVOICE

Invoice # 663658

DenSco Investment Corporation  
Attn: Denny Chittick  
6132 W. Victoria Place  
Chandler, AZ 85226

July 22, 2016  
Client: 43820  
Matter: 170145

=====

RE: Business Matters

FOR SERVICES RENDERED through June 30, 2016

Total Services:	\$1,886.00
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INVOICE TOTAL	\$1,886.00
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TOTAL AMOUNT DUE	\$1,886.00
	=====

PAYABLE UPON RECEIPT IN U.S. DOLLARS

CH\_0008941

# CLARK HILL P.L.C.

DenSco Investment Corporation  
Business Matters  
July 22, 2016  
INVOICE # 663658  
Page 2

## DETAILED DESCRIPTION OF SERVICES

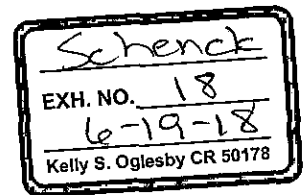
06/02/16 DGB	Review and respond to emails; prepare, work on and revise detailed response to ADFI and send to D. Chittick for approval; work on information to submit to ADFI.	2.60
06/03/16 DGB	Review and respond to several emails concerning supplemental filing with ADFI; attach exhibits and file response.	.80
06/24/16 DGB	Review and respond to email from D. Chittick; review document.	.30
06/28/16 DGB	Review and respond to email from D. Chittick; review documents and HUD-1; email questions regarding HUD-1.	.40

\$1,886.00

## TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	4.10 hours at \$460.00 =	\$1,886.00
-----	--------------------	--------------------------	------------

# CLARK HILL



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

Clark Hill PLC  
14850 N. Scottsdale Road  
Suite 500  
Scottsdale, AZ 85254  
T 480.684.1100  
F 480.684.1199

clarkhill.com

September 15, 2016

DenSco Investment Corporation  
Attn: Peter Davis, Receiver  
Simon Consulting  
3200 N. Central Avenue, Suite 2460  
Phoenix, AZ 85012

Via E-Mail and US Mail  
(pdavis@simonconsulting.net)

**Re: DenSco Wind Down**

Dear Peter:

Enclosed is the invoice for legal services provided by Clark Hill to DenSco Investment Corporation through the end of August regarding the wind down of the business. Also enclosed are copies of the previous invoices to DenSco which remain outstanding. If you have any questions concerning these invoice, please contact me to discuss.

Very Truly Yours,

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

David G. Beauchamp  
CLARK HILL PLC

Enclosure

CH\_0008032

# CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500  
Scottsdale, Arizona 85254  
Telephone (480) 684-1100  
Fed.ID # 38-0425840

## INVOICE

DenSco Investment Corporation  
Attn: Peter Davis, Receiver  
Simon Consulting  
3200 N. Central Avenue  
Suite 2460  
Phoenix, AZ 85012

Invoice # 670634  
September 12, 2016  
Client: 43820  
Matter: 307376

=====

RE: Business Wind Down

FOR SERVICES RENDERED through August 31, 2016

Total Services: \$73,968.00

INVOICE TOTAL \$73,968.00

PAYABLE UPON RECEIPT IN U.S. DOLLARS

CH\_0008033

# CLARK HILL P.L.C.

DenSco Investment Corporation  
Business Wind Down  
September 12, 2016  
INVOICE # 670634  
Page 2

## DETAILED DESCRIPTION OF SERVICES

08/01/16 DGB	Review emails, documents, information and chronology of events; telephone call with R. Koehler; several telephone calls with S. Heuer; prepare for and meeting with S. Heuer and R. Koehler regarding events, issues, procedure and requirements; review documents and information; outline follow up and procedure; review email instructions from D. Chittick; outline issues and follow up; review information from DenSco's files; work on follow up.	8.10
08/02/16 DGB	Review, work on and respond to several emails and text messages; review notes, information from S. Heuer and work on information; meeting with S. Heuer and review documents and information; review Menaged Bankruptcy Docket information and requirements; work on information for status email to Investors; outline email and research information for email; work on requirements and outline procedure for compliance; several telephone calls with S. Heuer regarding information and procedure; telephone call with office of R. Koehler.	6.70
08/03/16 DGB	Review, work on and respond to several emails and text messages; review notes and information from S. Heuer and R. Koehler regarding information for update to Investors; work on and prepare detailed update to Investors; extended telephone call with G. Clapper at AZ Securities Division; several telephone calls with R. Koehler; several telephone calls with S. Heuer regarding updated email to Investors, issues and procedure; review message from Y. Fielding; telephone call with Y. Fielding regarding Investor information; work on and revise detailed update to Investors; transmit detailed update.	7.80



# CLARK HILL P.L.C.

DenSco Investment Corporation  
Business Wind Down  
September 12, 2016  
INVOICE # 670634  
Page 3

08/04/16	DGB	Review, work on and respond to several emails and text messages; extended telephone call with S. Heuer regarding new information from Investors and AZ Securities Division; work on information for Investors, procedure and requirements; review message from K. Johnson; telephone call with K. Johnson regarding status of Statutory Agent, notices and requirements; review correspondence from W. Coy of AZ Securities Division; work on information from DenSco files; work on information from Investors; outline questions to address.	8.80
08/05/16	DGB	Review, work on and respond to several emails and text messages; review documents and work on issues and information; several telephone calls with W. Coy regarding background information, requirements, procedure and status of Menaged Bankruptcy, issues and procedure; extended telephone call with S. Heuer regarding DenSco documents, files and information; telephone call with W. Ledut regarding status and procedure for investors; prepare detailed status email to all Investors; work on and revise email; transmit same.	8.40
08/06/16	DGB	Review, work on and respond to several emails and text messages; review messages; review documents and information from Investors; review DenSco files; relay information to Investors from DenSco files.	2.40
08/07/16	DGB	Review, work on and respond to several emails and text messages; review messages; review documents and information from Investors; review information from DropBox.	2.90
08/08/16	DGB	Review, work on and respond to several emails and text messages; review several messages; several telephone calls with L. Shultz and other investors concerning procedure to take action against S. Menaged; review Subpoena from AZ Securities Division; forward Subpoena to required parties; review Subpoena and outline information and sources to obtain information for Subpoena; prepare for and extended telephone call with W. Coy regarding Subpoena,	9.60

# CLARK HILL P.L.C.

DenSco Investment Corporation  
Business Wind Down  
September 12, 2016  
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Wednesday meeting, issues and procedure;  
prepare detailed email update to Investors to  
respond to questions and provide update.

08/09/16 DGB	Review, work on and respond to several emails and text messages; prepare for meeting with AZ Securities Division; work on issues and outline follow up; review messages; review detailed message from C. Gorman regarding selection of Receiver, Menaged Bankruptcy; extended telephone call with C. Gorman regarding possible Receivership; several telephone calls with K. Merritt; telephone call with P. Erbland; work on questions from Investors and respond to Investors via email; work on information and questions to discuss concerning Subpoena with AZ Securities Division; review files and information.	7.80
08/10/16 DGB	Review, work on and respond to several emails and text messages; review several messages; prepare for and meeting with S. Heuer regarding preparations for meeting with AZ Securities Division; prepare and transmit letter to W. Coy regarding response to Subpoena; review messages from S. Heuer; several telephone calls with S. Heuer regarding DenSco boxes and procedure, issues for meeting and schedule; meeting with S. Heuer; meeting with W. Coy, G. Clapper and B. Woerner (with S. Heuer on phone) to discuss issues, background, Receivership, cash, interim instructions, Subpoena and procedure; review and work on boxes; review filings from Menaged Bankruptcy.	9.50
08/11/16 DGB	Review, work on and respond to several emails and text messages; review documents and information for loan payoffs; review files, documents and work on information for response to Subpoena; conference call with S. Heuer, J. Polese and K. Merritt regarding documents, privilege log and procedure; telephone call with R. Koehler regarding information for loan payoff, procedure and requirements for DenSco boxes in possession of R. Koehler; review Menaged Bankruptcy docket and issues; review documents from Bankruptcy affecting DenSco; review messages for loan payoffs..	7.90

# CLARK HILL P.L.C.

DenSco Investment Corporation  
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08/12/16 DGB	Review, work on and respond to several emails and text messages; review documents and information; review message from W. Coy; telephone call with W. Coy regarding procedure for Receiver, issues and requirements; conference call with J. Polese and K. Merritt regarding procedure with DenSco boxes, response to Subpoena from AZ Securities Division, possible receivables and requirements and status of Investor files; review message from G. Clapper; review message from B. Edwards of MainStar Trust; telephone call with office of B. Edwards; review detailed message from K. Merritt; review message from office of J. Polese; telephone call with office of K. Merritt; coordinate and work with the transfer of DenSco boxes; review correspondence from J. Polese; review and respond to questions from Investors via email; work on loan payoff information.	8.90
08/13/16 DGB	Review email; telephone call with K. Merritt regarding delivery of D. Chittick's computer, additional files, DenSco mail and documents; review information and outline follow up.	.50
08/14/16 DGB	Review, work on and respond to several emails; work on information concerning loan payoffs; review several emails from Investors and respond to same.	.90
08/15/16 DGB	Review, work on and respond to several emails and text messages; review and work on documents and information; review messages and information concerning loan pay-offs; several telephone conversations with borrowers, escrow agents and real estate agents; work on information for loan pay-offs; review files and documents; work on information and issues for response to subpoena from AZ Securities Division; review message from K. Merritt; telephone call with office of K. Merritt; arrange for transfer of D. Chittick's computer; review message from G. Clapper; telephone call with G. Clapper regarding Forbearance Agreement; arrange for copy for G. Clapper.	5.90

# CLARK HILL P.L.C.

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08/16/16 DGB	Review, work on and respond to several emails and text messages; review messages; several telephone conversations with escrow agents, title officers, real estate agents and borrowers; review files and documents; work on information and issues for response to Subpoena from AZ Securities Division; telephone call with office of R. Koehler regarding payoff calculation; review question from Investor and respond; review notes and information from B. Luchtel; telephone call with B. Luchtel.	4.20
08/17/16 DGB	Review, work on and respond to several emails and telephone messages; review messages; several telephone calls with escrow agents, borrowers and real estate agents; work on and revise Declaration; review POM and file documents to confirm information for Declaration; sign and transmit Declaration; several telephone calls with G. Clapper and W. Coy; conference call with J. Polese and K. Merritt RE: motion for and hearing to appoint receiver; review documents; work on issues and information concerning response to subpoena from AZ Securities Division; review message from L. Schultz; several telephone calls with L. Schultz regarding loan payoffs, issues and procedure; follow up with emails; review messages from B. Edwards; telephone call with office of B. Edwards; review message form M. Blackbird regarding loan payoffs; several telephone calls with M. Blackbird regarding loan payoffs; telephone call with R. Koehler regarding loan payoffs; review message from P. Crawford; telephone call with K. Merritt regarding loan payoffs and information; telephone call with P. Crawford regarding Deeds of Release and documentation for release.	11.70
08/18/16 DGB	Review, work on and respond to several emails and text messages; review messages; several telephone calls with W. Coy and G. Clapper regarding information for hearing; travel to and attend hearing; work with G. Clapper concerning loan files; discuss issues and procedure with W. Coy; meeting with K. Merritt to discuss attorney-client privilege log and response to subpoena from AZ Securities Division; work on issues and	12.50

# CLARK HILL P.L.C.

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information for response to subpoena; several telephone calls with T. Hall regarding documentation for release of loan escrow; review loan files; insert loan payoff information from R. Koehler and transmit payoff information; review documents and information from W. Coy.

08/19/16 DGB	Review, work on and respond to several emails from Investors, borrowers and third parties; review several messages; several telephone calls with escrow agents, borrowers and real estate agents concerning loan payoffs, issues and procedure; review files and documents; work on information concerning response to subpoena from AZ Securities Division; telephone call with R. Anderson regarding representation of Receiver; prepare email with introduction to R. Koehler and to escrow agents; work on loan payoff information for escrows to close; telephone call with office of K. Merritt; review files for information for K. Merritt and W. Coy.	6.80
08/20/16 DGB	Review, work on and respond to several emails; review files and documents; work on information concerning response to subpoena from AZ Securities Division; work on information concerning borrower loans.	2.60
08/21/16 DGB	Review, work on and respond to several emails; work on information concerning response to Subpoena from AZ Securities Division; work on information concerning borrower loans.	1.60
08/22/16 DGB	Review, work on and respond to several emails; review several messages; telephone calls with Escrow Agents, Real Estate Agents, borrowers and Title Company staff regarding loan pay offs, issues and procedure; review files and documents; work on information concerning response to Subpoena from AZ Securities Division; review several messages from M. Blackford; several telephone calls with M. Blackford; review message from D. Woods;	5.60

# CLARK HILL P.L.C.

DenSco Investment Corporation  
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September 12, 2016  
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telephone call with office of D. Woods;  
telephone call with D. Woods regarding loan pay  
offs for DenSco; review message from K.  
Merritt; work on loan pay offs information;  
telephone call with office of D. Jackman; work  
on documents from files for K. Merritt.

08/23/16 DGB	Review, work on and respond to several emails; review several messages; several telephone calls with Escrow Agents, borrowers and real estate agents regarding loan pay offs, issues and procedure; review file and documents; work on information requested by Receiver, other attorneys and for response to Subpoena from AZ Securities Division; telephone call with D. Jackman regarding loan pay off procedure; review several messages from D. Woods; telephone call with D. Woods; review message from M. Blackford; telephone call with M. Blackford; review message from Sara (Simon Consulting) regarding pick up of boxes; coordinate same; forward loan pay off requests to C. Schmidt; review files to confirm information requested.	6.60
08/24/16 DGB	Review, work on and respond to several emails; review messages from borrowers, escrow agents and real estate agents; send emails to direct them to office of Receiver's counsel; review and work on notes concerning response to Subpoena from AZ Securities Division.	1.60
08/25/16 DGB	Review, work on and respond to several emails; review messages; several telephone calls with borrowers, escrow agents and real estate agents; review and work on files and information to respond to Subpoena from AZ Securities Division.	2.20
08/26/16 DGB	Review, work on and respond to several emails; review draft pleadings and proposed order from R. Anderson; review messages; review and work on files, documents and information for Receiver and to respond to Subpoena from AZ Securities Division.	3.80

# CLARK HILL P.L.C.

DenSco Investment Corporation  
Business Wind Down  
September 12, 2016  
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08/27/16	DGB	Review email and information concerning police report and information for Receiver; review information concerning 341 Hearing.	.40
08/29/16	DGB	Review telephone message from borrower; review, work on and respond to emails; forward borrower information to C. Schmidt; review, work on and respond to several emails; review correspondence and pleadings from R. Anderson; review information form J. Polese and K. Merritt; review emails and questions from Investors.	2.10
08/30/16	DGB	Review messages from Stewart Title regarding loan payoff; telephone call with K. Wettering regarding loan payoff issues and procedure; review email and forward to C. Schmidt; review message from K. Merritt; telephone call with office of K. Merritt; work on files for transmittal to Receiver; discuss issues and procedure with M. Sifferman; review, work on and respond to several emails; telephone call with K. Merritt regarding email, issues and procedure for privilege log; review Proposed Administrative Procedure Order; review emails and forward links to K. Merritt regarding Active Funding Group and partners of S. Menaged.	2.10
08/31/16	DGB	Review message from title company concerning loan payoff; telephone call with T. Hall regarding same; work on information for file transition.	.90

\$73,968.00

## TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	160.80 hours at \$460.00 =	\$73,968.00
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# CLARK HILL

F.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500

Scottsdale, AZ 85254

Telephone (480) 684-1100

Fed.ID # 38-0425840

## INVOICE

Invoice # 663658

DenSco Investment Corporation  
Attn: Denny Chittick  
6132 W. Victoria Place  
Chandler, AZ 85226

July 22, 2016  
Client: 43820  
Matter: 170145

=====

RE: Business Matters

FOR SERVICES RENDERED through June 30, 2016

Total Services: \$1,886.00

INVOICE TOTAL \$1,886.00

TOTAL AMOUNT DUE \$1,886.00

=====

PAYABLE UPON RECEIPT IN U.S. DOLLARS

CH\_0008042



# CLARK HILL P.L.C.

DenSco Investment Corporation  
Business Matters  
July 22, 2016  
INVOICE # 663658  
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## DETAILED DESCRIPTION OF SERVICES

06/02/16 DGB	Review and respond to emails; prepare, work on and revise detailed response to ADFI and send to D. Chittick for approval; work on information to submit to ADFI.	2.60
06/03/16 DGB	Review and respond to several emails concerning supplemental filing with ADFI; attach exhibits and file response.	.80
06/24/16 DGB	Review and respond to email from D. Chittick; review document.	.30
06/28/16 DGB	Review and respond to email from D. Chittick; review documents and HUD-1; email questions regarding HUD-1.	.40

\$1,886.00

## TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	4.10 hours at \$460.00 =	\$1,886.00
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# CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500

Scottsdale, AZ 85254

Telephone (480) 684-1100

Fed.ID # 38-0425840

## INVOICE

Invoice # 666138

DenSco Investment Corporation  
Attn: Denny Chittick  
6132 W. Victoria Place  
Chandler, AZ 85226

August 10, 2016

Client: 43820

Matter: 170145

RE: Business Matters

FOR SERVICES RENDERED through July 31, 2016

Total Services: \$414.00

INVOICE TOTAL \$414.00

07/22/16 663658 \$1886.00

Outstanding Balance: \$1,886.00

TOTAL AMOUNT DUE \$2,300.00

PAYABLE UPON RECEIPT IN U.S. DOLLARS

CH\_0008044

# CLARK HILL P.L.C.

DenSco Investment Corporation  
Business Matters  
August 10, 2016  
INVOICE # 666138  
Page 2

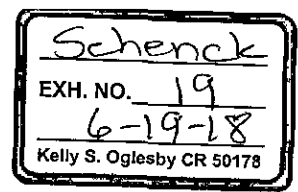
## DETAILED DESCRIPTION OF SERVICES

07/30/16 DGB Telephone call with R. Koehler and S. Heuer regarding transition after death of D. Chittick; review records and obligations.	.10
07/31/16 DGB Review and respond to several emails concerning meeting and questions; review and respond to emails from S. Heuer regarding notice to investors.	.80

\$414.00

## TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	0.90 hours at \$460.00 =	\$414.00
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# CLARK HILL

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

Clark Hill PLC  
14850 N. Scottsdale Road  
Suite 500  
Scottsdale, AZ 85254  
T: 480.684.1100  
F: 480.684.1199  
clarkhill.com

October 20, 2016

DenSco Investment Corporation  
Attn: Peter Davis, Receiver  
Simon Consulting  
3200 N. Central Avenue, Suite 2460  
Phoenix, AZ 85012

Via E-Mail and US Mail  
(pdavis@simonconsulting.net)

**Re: DenSco Wind Down**

Dear Peter:

Enclosed is the invoice for legal services provided by Clark Hill to DenSco Investment Corporation through the end of September regarding the wind down of the business.

If you have any questions concerning these invoice, please contact me to discuss.

Very Truly Yours,

David G. Beauchamp  
CLARK HILL PLC

Enclosure

# CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500

Scottsdale, AZ 85254

Telephone (480) 684-1100

Fed.ID # 38-0425840

## INVOICE

Invoice # 677709

DenSco Investment Corporation  
Attn: Peter Davis, Receiver  
Simon Consulting  
3200 N. Central Avenue  
Suite 2460  
Phoenix, AZ 85012

October 18, 2016

Client: 43820

Matter: 307376

RE: Business Wind Down

FOR SERVICES RENDERED through September 30, 2016

Total Services: \$598.00

INVOICE TOTAL \$598.00

09/12/16 670634 \$73968.00

Outstanding Balance: \$73,968.00

TOTAL AMOUNT DUE \$74,566.00  
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PAYABLE UPON RECEIPT IN U.S. DOLLARS

CH\_0008029

## CLARK HILL P.L.C.

DenSco Investment Corporation  
Business Wind Down  
October 18, 2016  
INVOICE # 677709  
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### DETAILED DESCRIPTION OF SERVICES

09/05/16	DGB	Review and work on files for transition (1.8 no charge); telephone call with K. Merritt regarding Common Sense Agreement; attorney-client review of documents and procedure (0.5 no charge).	.10
09/08/16	DGB	Work on information and procedure for transition of files to Receiver; discuss issues and procedure with M. Sifferman (2.8 no charge).	.10
09/09/16	DGB	Review and respond to emails from M. Blackford and escrow agent (0.3); review and work on files for file transition (1.7 no charge).	.30
09/10/16	DGB	Review and respond to email from M. Blackford regarding loan payoff (0.1); review and work on files for transition (2.1 no charge).	.10
09/12/16	DGB	Review and respond to email from S. Beretta in Receiver's office (0.2); review and respond to email from K. Merritt regarding files for review; several telephone calls with K. Merritt regarding files for review for attorney-client information; work on file transition (3.2 no charge).	.20
09/13/16	DGB	Review files and confirm information of Receiver; review and respond to email from S. Beretta in Receiver's Office.	.70
09/13/16	DGB	Work on files for transition (2.1 no charge).	.10
09/14/16	DGB	Conference call with S. Beretta in office of P. Davis (0.1 no charge); extended conference call with K. Merritt regarding attorney-client issues and procedure with Clark Hill files; prepare for conference call with P. Davis and work on file transition (1.5 no charge).	.10

# CLARK HILL P.L.C.

DenSco Investment Corporation  
Business Wind Down  
October 18, 2016  
INVOICE # 677709  
Page 3

09/15/16 DGB Review files information and work on transfer .10  
of files (3.2 no charge).

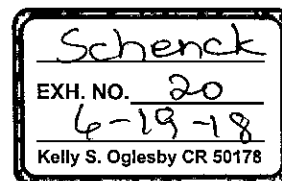
09/16/16 DGB Review emails and correspondence; telephone .10  
call with R. Anderson regarding issues  
concerning requirements for transmittal of  
files and prior obligations under AZ  
Securities Division subpoena; review emails  
concerning Common Sense Agreement and  
Attorney-Client issues (1.6 no charge).

09/23/16 DGB Review and respond to several emails concerning 1.20  
procedure for Attorney-Client review of files  
(1.2 no charge).

\$598.00

## TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	1.80 hours at	\$0.00 =	\$0.00
DGB	David G. Beauchamp	1.30 hours at	\$460.00 =	\$598.00



2013

Goals: make 2 million  
9/30, I made 2 million

1-2

I was on the hill all day, but I was able to fund one deal before I left, then I took phone calls and tried to answer emails. I have 4 deals to fund tomorrow, I had three payoffs and tons of payments made. I talked to a lady that is interested in investing, found me on the web, and probably won't happen.

1-3

I funded four deals first thing in the morning before we left. I had dozens of emails about closings, payoffs and pending deals. I had a ton of payments come in too. But I have two payoffs, but I got more out than came in!

1-4

I funded eight deals, nearly 900k out, one 110k payoff, a few payments. I had only one payoff request. If I can keep getting the dollars out, I've got very little coming back in next week. Scott has been buying like mad; I've done 10 deals for him so far this year. I had a ton of payments in too. It will take me all night Sunday to get caught up. I've had two calls from people I don't know wanting to invest, I'll deal with that next week.

1-7

I funded two deals and only had one small one come back in. I got a lot of payments in. I spent the whole day trying to catch up, it's after midnight and I'm still not close. But I'm on top of stuff, so I can operate tomorrow and not feel like I'm out of control. I have two deals to fund tomorrow and many more for the week, but I keep getting payoff requests. I sent an email out to my borrowers to give my name out, I need more borrowers!

1-8

I got more money in than I got out today, I don't have many deals on the desk to fund either. I talked to Lori Weiskopf she wants to invest next week. I've got a million ready to go, but I figure I'll meet with her. I spoke with another lady today that wants to see my info. I guess I'll send that out to her. But I've got to say no at some point. I had a ton of payments come in today. I hope I can get some money out the next few days.

1-9

It's been a really quiet day, I funded two deals, I had one payoff, but it was nearly as big as I shipped out! I only had 2 payments. I had three people asking me to lower my interest rate. I



guess guys are sitting on a lot of funds and trying to get it out. I've got one to do tomorrow and a few lined up for the next few days, but tons of payoffs are coming in.

1-10

I had an easy day, so I could spend 1/2 the day on the phone! I funded two deals, I had one payoff and just a few payments. I've got a bunch to fund tomorrow, so hopefully I don't have a ton coming on me!

1-11

It was a typical Friday, I got out 600k first thing in the morning, quiet day and I got back the same amount at the end of the day! I had lunch with Stan to meet his friend and biz partner in Brazil gold mines. No I'm not interested. No I won't send my investors to you. I had a ton of payments made too. I'm down to just a little over 2.4 million. I've got people wanting to give me more; I just need to get this all to work for once!

1-14

I wired out more than I got in. I met with Laurie Weiskopf, my newest investor. Probably second to last too. I just can't take in any more money. I had a bunch of payments and lots of payoff requests. I've got a couple of small deals to do tomorrow but nothing planned for this week of significance.

1-15

I funded two deals and then I had four deals payoff. I returned 200k to Kirk, he's betting on Apple stock. I had a few payments. It was a quiet day. I do have four deals tomorrow maybe five. I'm slowly beating down the cash position. I had an email from Don Cherry, a guy I met with on a Saturday, nearly 2 years ago, and then he blew me off completely. He wanted to invest, I reveled in telling him no thanks.

1-16

I was able to fund seven deals and only had four payoffs, so once again, I lowered my cash. I had a lot of payments in too. I didn't receive my first call until after 10! I have one deal for tomorrow and I have a shit load of payoffs that could come in the next two days. I just need to get a million more out and then I'll be in a good position.

1-17

I funded two small deals then I had 3 deals come back. I had a few payments. I was gone nearly all day. First to the boys school, then to my MOM's meeting. We had a big turnout, we had a home depot guy there, Kirk talked about his taxes and then I talked. I went quickly because we were running long. I've got nothing to fund tomorrow. I'm never sure if this damn MOM's meeting is meeting the guy's expectations. I guess they keep showing up.

1-18

I funded two deals, then one got sent back to me, so I funded one, then the onslaught of payoffs started rolling in! I took in over a million! I met tom Smith for a few hours. Told him about the divorce, he owns a Tesla too, got it the same day I did, his sick kid, selling his home and when I can take in a few million Hell at this rate, never! I met with Nishel and Adam about really nothing. They just BS'ed about needing more deals, the group is not doing anything for them, etc. I can't make deals happen. They don't have any money out with me since they don't have all their money at work. I have a few deals for next week, but not enough to do much for me. Damn I just need to get this cash out. I got as low as 1 2 I was feeling like ok, I'm turning the corner, then boom, a million came in. perhaps this the new normal.

1-22

I got more money in than out. I had a lot of payments. I've got a few more deals to do tomorrow, but lots of requests for payoffs. I've got so many deals on my desk, but I've got a ton of deals closing too. I talked to Steve, he wants to invest, and I told him no hurry. I just need a few mid priced deals to get the cash out.

1-23

I funded four deals, but then I got in a 400k payoff and few others. At least tomorrow I'm getting out nearly a million; we'll see how much comes in. I met Ashot; he's a guy I've been lending too from LA. He's behind on his payments and he showed up at my house to explain the problem with his partner and gave me payments. I had quite a few payments today too. It's going to be a better month than I had thought. It could have been much better if I could get more money out. I had another investor want to add money, I pushed her off. My list is growing longer!

1-24

I started the day out so excited, I put out a million bucks! Then slowly but surely I received back 800k during the day! I just can't get ahead! Then I have my borrowers email me a post card that this dork sent them with my name on it saying he'll give them cheaper rates! I quit lending to the guy because he had foreclosures on his name, now he's lending money out! There are really low barrier to entry. I have a few deals to do tomorrow, but I've got a ton of cash coming back in next week. I had a few payments made too. But it was real quiet day on the phone.

1-25

Another frustrating day in the fact that I put out a lot of money but got a lot back in. 300k came back from Flint yesterday because he walked on a deal. I talked to an investor Tom who is going to send me 250k; I figured its fine, since I'm going to send out that much in interest Monday anyway. I had a lot of payments today too. I've got quite a bit to send out Monday, but I've got 2 million coming in next week in payoffs. I'm just fucking drowning in cash and I can't get it all put to work. Then I get a copy of a post card sent to my borrowers from guy I used to lend to. I

quit lending to him because he had foreclosures on his name, now he's a fucking hard money lender!

1-28

I wired out about 500k, got back in 400k. I've got a lot of payoffs coming in this week, not many deals to fund. I had lot of payments made today. I turned down another 500k of potential investor money. I just can't put my money to work. I'm getting 250k more in tomorrow from a new investor. I don't need it, but I've been putting him off for 2 months now.

1-29

I got out quite a bit of money, however I had a new investor send me 250k and I had two unexpected payoffs. I've got some deals tomorrow. I have A few more for end of month. I'm scared to see how much money comes in the next day or two. I had a few payoffs not much. I've talked to several realtors over the last few days asking about their clients but none of called back yet.

1-30

I only funded two deals, and I had the equal amount coming back to me. I do have million to go out tomorrow and another 500k through Monday. But it's end of month, so I'm sure I'll have a lot of payoffs tomorrow. I didn't have very many payments either. I might have a commercial deal too tomorrow. I've got investors calling me wanting to give me more money. I told them no. I'm not going to take in a dime until I get this money out! I'll sit here and do end of month statements now.

1-31

I wired out 1.5 million today! However, I received back in 900k! I've got a 600k to get out in the next two days. I'm sure I'm going to get some more payoffs tomorrow. Mike Moore came by; he's got a 1.5 million commercial he wants me to do next week. That might finally put me over the hump. I had a ton of payments come in too. I made 200k net for the month. Pretty good considering I was sitting on just a shit load of cash all December. I got the most of it out in January, so February will be better. Though the 28<sup>th</sup> lands on a Thursday, so it might be so so month.

2-1

I funded three deals and returned Stan's money; he's sending it back to me soon. I had a bucket load of payoffs. Then Mike Moore called me and asked if I could wire 1.5 million out for this property he's been talking to me for over a year! I said heck ya! So now I need money! I emailed all my investors out saying send me your money. I got 350k from Kirk. I've got another 350 coming from a few people next week. I only have 400k available for Monday Even though I go in to the weekend with 1.5 in my acct. 700k is going out Monday. I sent out my cash report and I had three people say they need money. For the first time since November I need cash and I have

to worry about money coming back in finally! BofA was down all day, barely came up in time to get things done. It was a nightmare. I figured what the hell, I'll take in more money, if I can get it to work right away, and I hope I can keep turning it. I just hope I don't take in this extra cash then get massive payoffs and not get it to work!

2-4

I wired out 700k and I got nothing back in! I also received in 75k of new investment. Scott calls me, says he needs 1.5 million by next Friday, for the first time in what months I have to say I'll try! I have a few more investors I've contacted to send me money. I had a ton of payments in too. It was pretty quiet for a Monday, but I've got deals coming in like crazy.

2-5

I had a great day! I funded 400k out. I had more come in, but I've got 500k going back out tomorrow and I'll be nearly out of money. Tom smith is wiring 1.4 million tomorrow, so I can fund a few more, plus have money for Scott next week. I'll have a great March now. I had just a few payments today, but I've got lots coming in, and I now I have to worry about closings for the first time in 4 months. I really like this again!

2-6

I got out 650k, I had one payoff for 300k, Tom wired in 1.35 million, and Jim McArdle deposited 150k. Kyle needs 1.5 million. But I have enough to cover Scott. So I'm not sure how I'm going to cover everyone, what a nice problem to have. Kyle wanted it today; I couldn't do it not knowing if I was going to get enough in to cover Scott next week. He's my first priority. I only had Lili pay today, nothing else. I sat with Frank's brother for 2 hours. He wants to get in the business, however, he's got no cash and I won't give it to him to start out.

2-7

What a nutty day. I funded three deals, and only had one small 35k payoff. The Hulsebus's came over and invested 600k. I had a call from Lili needing 550k and then from Tom Stevenson needing 550k too. Perfect. I'm getting in a million more from Bunger my neighbor too. I'll be sitting on a lot over the weekend, but hell I have 43 million out right now! Warren came over to tell me that Coralee emailed him and they talked about me for quite a while. About John Ray, my divorce on and on. Funny that she wouldn't contact me.

2-8

At 11 pm I get an email from Rhonda Hulsebus, she says they are having second thoughts and now want the money back tomorrow. I couldn't believe it. I wired it back this morning. I won't be doing business with them anymore. I funded 1.1 million between two deals. Thank goodness Steve Bunger wired in his million. Or I would be sweating for next week to cover Scott's deal. I have over 44 million at work right now. I have 2.4 million sitting in my bank account. I had a ton of payments as always. I left before 3:30 and I got an email at 3:17 to wire in 58k to close a deal.

I missed it. The borrower wasn't mad, but I was. If I had any warning I would have waited 10 more mins before I left!

2-11

I funded 900k today, which was great. I had one payoff from Christmas for 400k, so that was good, getting my cash back to where I need it for the next few days. I had some payments from Chris and Shawn. I've only got one deal for tomorrow and then a few lined up for the end of the week, now I need money to start coming in. Nice to have that problem again. I found out one of my investors has terminal stage four cancer, Marion.

2-12

I had a few payments in, but I had two payoffs I wasn't expecting. Robert Ferrin stopped by and paid me off on 280k worth of deals. I've got just enough to cover what is on my desk for the next 3 days, but I know I'll more payoffs. I funded one deal today.

2-13

I had a real quiet day. I had nothing to fund, but I had 850k of payoffs, which is fine, since I need every dollar to cover what is on my desk! I love to have that problem! I only had a few payments. Steve Tuttle invested 25k more too. Tomorrow is going to be my biggest single day out I think, and Friday is busy too, get a ton of money out before the three day weekend.

2-14

I wired out 1.8 million, I have a million to send out tomorrow. I have just enough to cover the needed amount. I only had a few payments in. I had a guy call me that I did deals with 6 yrs ago, that on the last loan, his mother had to refi him out to save his ass. I'll go in to the 3 day weekend with very little cash.

2-15

I wired out a million before we left the house. Roger couldn't get the go ahead on his, so I left. 10 mins later he calls me saying that I can wire. I got to Kellogg and was able to wire to him. Then the payoff started to roll in. I received in over a million back in! I got lot of payments too.

2-19

I funded a couple of deals first thing then had just a ton of payoffs. I had a ton of payments too. I returned calls as soon as I got off the phone. I worked until midnight trying to catch everything up. I've got more work to do, but I've got the important stuff done. I'm building up cash again, with not a lot on my desk!

2-20

Well today I received 27 payoffs I think. Chris Hughes paid me off on 22 then the others were just normal. One of them I'm glad for it was for a guy that was late on his payments, so I also tacked on his payments on his other property. Now he's current and only has 2 loans with me. I had a ton of payments come in too. I funded three deals and gave a little bit more on another. But I'm still sitting on 3 million, with 600k on my desk to fund by Friday.

2-21

I funded two small deals, I had a lot of payments come in, then in the afternoon, and the payoffs came rolling in! I'm sitting on 3.7 million in cash. I do have 1.5 million to fund in the next few days, but that's nothing.

2-22

Busy day in turnover of cash was huge. I put out 400k and took in 1.2 million I think! I had a ton of payments too. I took Steve with me to the MOM's meeting, he had good questions and enjoyed the meeting. There was a lot of give and take besides me blabbing as normal. It was a good meeting though. I've got 2 million worth of deals planned for next week, so I can get some of my 4.5 million back out.

2-25

I wired out nearly 600k, but I got 900 back in! I had a lot of payments too. I was busy all day long keeping up with stuff. I've just got so much money right now it makes me sick. I'll be wiring out quite a bit next couple of days, I just don't want any more back in, and its end of month, so I know I'll be receiving more in. Mike Swerlyk sent me a deal he wants me to fund because he's out of cash, however, its screw deal, they always are, when they are like this. But hell I need to put money out, it looks ok to do.

2-26

I funded 500k worth of stuff, only got back 1/2 of that. I had a few payments. I've got stacks of deals lined up for the next few days and I have 4 million still. Eric called, he might need 2.5 tomorrow, and I sure hope so. Steve wants to give me another million, I told him no. I still have 20k a day of interest clicking along, which is great, but I'd love to have 22k!

2-27

I had a super busy day! Eric called and wanted that 2.1 million, plus that 170k I had planned, PG homes called had three more, I think I got out 2.7 million today. I am 8 bucks under 22k a day. I'm not sure how long it will last since end of month is tomorrow! But at least I am down to 1.8 in my account and I have 500k of that going out tomorrow and another 500k out Friday. I could end the week under a million I'm only at 110k profit right now. I'll have a lot of payments made on Friday, which will count for next month from my biggest borrowers. Which means March is going to be a big month for profits.

2-28

I was so busy today, I worked 12 hours! I funded seven deals, only had four payoffs. I'm still above 22k a day in interest, we'll see if I can keep it over the weekend. I only made 120k this month, mostly because 75k of it will be paid tomorrow from my biggest borrowers, just the way the days fell on the month. I had a lot of payments come in too. I've got a lot of deals to go out tomorrow and next week, I might even tell Steve to give me some of that money he's talking about investment. Detota invested 50k more today. March should be a good month.

3-1

I had a super busy day again. I funded 900k out, only got in 250k or so. I had a ton of payments, tons of filings, payoff requests and phone calls. I got it all handled, just barely. I've got so many deals lined up for next week that I might be low on money! I've got a couple of commercial deals I might do to use up some cash. The LTV on them are great, so I'm not concerned.

3-4

I was so busy today, I had everything already to go for today, then I had 5 more deals piled on me. I was able to get the docs and wires out before I went to Dave's, but I wasn't as prepared as I usually am when I go there. I only had 2 payoffs, but I had shit loads of payments. I've got a few deals for tomorrow, I told Bunger to send me another million. I've got a lot on my desk and I don't want to hope for closes. I only have 600k in my bank right now.

3-5

I took in another million from Bunger, I didn't put it all to work today, but I will over the next two or three days. I had to payoffs and funded two. I had a ton of payments. It was relatively quiet which gave me a chance to catch up on stuff. John brought me 50k in cash from Vahak. He's going to damn near pay cash for a building, wants me to handle 300k in cash. That's a new experience.

3-6

I got more money out than I took in and I have a million to put out tomorrow, maybe more if Lili's deal comes through. I might have to take in another million before Friday. I had a lot of payments too. I'm able to keep the money out right now and turnover is at a good pace. Hopefully it stays this way.

3-7

I was so busy again today, I had deals coming at me like fast balls, I said yes to them all, and I took in another million dollars from Bunger scheduled for tomorrow. I know I'm getting 150k from Stan too. I need it. I've got so many deals to fund tomorrow plus ones stacked on my desk. I only had 375k of payoffs and I funded a million. I had a few payments, but they will start rolling in here soon.

3-8

I had a super busy day, I wired out a million, I only got back in maybe 350k. Steve got his million in, which nearly 1/2 of it or maybe all of it will go out Monday morning. Stan invested back his 140k. I had a few payments not many. I met with Adam, Nishel and David today, they want to do deals together, and I was clear on what I can offer. Money and no time, and no expertise, they want to do commercial and stuff. We'll see if anything looks good to me. I have nearly 48 million out right now. Holly shit, I can hardly believe it. I just hope I can keep it out!

3-11

It was a quiet day, I funded three deals, and Lili paid me back over the weekend on her 300k deal so I have a little more cash than I thought. I've got a stack of deals lined up for next week only 3 for this week. I have a 600k deal I can do any day; I just wanted to see if I had in short term notice deals pop up before I put all my cash out on it. I did have a ton of payments come in today.

3-12

A pretty quiet day, which was good, because I had the boys with me. I had two payoffs and I was going to fund this 600k deal, however, he wants to wait until Friday. I got in a ton of payments and did lots of payoff statements. Shawn is switching 10 loans from one entity to another so I had to type everything up.

3-13

First day in weeks it's seemed I started the day with nothing to fund. I did end up funding one deal for Chris and another for Greg. I had one payoff and a lot of payments. I went to lunch with Mike Swerylk. He's a competitor, but wants me to send him stuff and he'll send me stuff. I figure I can try. I don't send anything to Scott anymore. He's a nice guy, doesn't have that killer business attitude, wants to grow but can't.

3-14

I funded two deals, then 2 more, that damn John at Eric's office, has me fund a deal that's been sold, so they send me back some of the cash and I do another deal for PG again. I hate that. I'm not doing another deal from him unless Eric signs off on it. I had just a few payments but two payoffs. Kyle keeps wanting me to say I can do a deal tomorrow for a million but won't get me the info.

3-15

Chris closed his 21 deals for a million that 750 land deal came back to me too. I had a few other payoffs. I had a ton of payments. I was going to fund a 1.1 million dollar deal for Kyle, it was a builder that was 80% done on a 1.6 million house, and he needed funds. I went up there to look at it, it needs a ton of work before it's done, he had said 90% done, uh no. I don't know the guy



either does Kyle, I don't need the headache. I've got a bunch of deals to do Monday, with my regular guys, so that's better anyways. I've got 2.5 for the weekend, but 1 of it goes out Monday, 1/2 of the rest Tuesday, Wednesday.

3-16

I got up early and got everything ready. By noon, I was done and I had nothing to do. Mom and Dad came over, mom made 5 irish rum cakes. Dad put out the wine, Monster showed up to help. Paul and Julie showed up 2 hours early. The kids just swam and had fun. Then at 3 everyone started showing up. I had 60 people here! I remembered everyone's name, met three investors I'd never met before, but spent 3/4 of the time in the garage showing people the car! I still didn't feel like I made it around to everyone. I never do. Too damn many people. Everyone loved the Indian food, and said they had a good time.

3-18

It was a busy day, but just flowed well. I funded a million worth first thing, I only got 400k back in with 700k to go out tomorrow and another 800 day after that I think. I had a lot of payments. Hardly any calls which was nice. It was steady.

3-19

I had a busy day, but steady again. I funded six deals, and only had five smaller deals payoff and one pay down. I had a few payments, I keep expecting more in. A few deals I had planned for this week got moved, and one I didn't think was happening happened today. It was a good thing I have a little bit of cash. I've got 1.8 now, 450k going out tomorrow.

3-20

I had a pretty quiet day. I funded two deals and only received in one payoff. I had a few payments. I've got two deals lined up for tomorrow. Another one that was to be, got pushed until next week. I met with Steve Bunker, he's trying to do some equity deals with a guy and wants me to look over everything. I just hope the guy is honest with him. Looks like we are going to have a small meeting this week for Mom's

3-21

I had a real quiet day, but I only had one payoff and I funded 400k out, I'm down to a million. I've got 900k to send out tomorrow. I'm sure I'll get some payoffs in tomorrow. I had a few payments. It was so quiet I got all the photos for end of month done and wrote my newsletter.

3-22

I funded 1 million this morning. I thought I was going to have a lot of payoffs, I only got back in maybe 500k. I am actually short money for next week. but it's end of month, I'm sure I'll have more come in. I had a lot of payments in too. I had my mom's meeting, we had a bigger meeting

than I thought. We had a vendor come, which is always good. I've got a stack of deals for next week, so I'm probably now going to have nearly all my money out for the month of march.

3-25

I had a really busy day. I funded five deals then I had four deals payoff for nearly twice the cash, which is fine. I now have 3.3 million on my desk that needs to fund by Monday and I have 1.1 million. The timing will be interesting this week to see how it goes. I had a lot of payments too. I met with Dave, we walked through the numbers of selling all these damn rentals. The lady that does my return broke her leg, so now I'm going to get an extension.

3-26

I had a quiet day which I needed. I was up until 2 am trying to do end of month and the damn thing gave me the same error it gave me 6 months ago. I had to do them individually all morning. I was so pissed! I funded three deals, I had 2 payoffs and a few payments. I've got deals stacked on my desk, I'm sure I'll have cash for the weekend though! I just have two deals to fund tomorrow. I was hoping for a 250k new month, I'm not sure I'm going to make it.

3-27

I funded three deals and I only had one payoff and two payments. I've got demands for over 3 million in deals the next few days. Lili wants to borrow 850k for a few days too. I called up Steve Bunger, he gave me 900k, I talked to Brian, he gave me 700k. if I get the payoffs in I hope for tomorrow I should be in good shape to take care of lot of stuff. I need a lot of interest payments too. I thought I would have a 250k month, I'm at 70k with 2 days to go. I know Lili won't pay me her 45k interest unless I give her 850k.

3-28

I wired out 500k on deals then received in Brian's 700k wire. I had four payoffs, which I was expecting. Then Eric cancelled on his 1 million request for tomorrow. He apologized and offered to pay me interest but I declined. I funded three other deals that were requesting money and I'll just send money back to Steve and Brian. I did give Lili 850k for a few days. She now says that I will get 2.4 million in tomorrow. This is going to be nutty. I'll go from raising 1.8 million just to cover to probably having 3 million in my account for the weekend.

3-29

I had an insane day. I funded five deals and emptied my bank account. Then I had a few payoffs and payments, and it was quiet, then I had over a million come in within an hour. The bank then at the end of the day withheld the 500k deposit I made yesterday. So I was overdrawn. I transferred money back in to the account so it would be positive. I went to the bank but didn't talk to them. It will be ok tonight. I only made 140k this month. Lili's 2.4 mil deal was 50k of interest, it was supposed to close today and it didn't. then PG and Mike didn't make their payments. If they would have I would be at 210k. April will be my most profitable month ever!

4-1

I funded three deals, Steve's check did bounce, we talked, it was because he didn't approve it soon enough, so Charles Schwab thought it was fraud. I had two payoffs and tons of payments. I have just enough to cover deals tomorrow. I need Lili to pay me off her 2.4 deal to get back on top of my cash position, but it's great having 24k of interest day click along! I went to lunch with Mark Wenig's brother and sister in law, nice people, a little uppity. They say they will invest, I told them they are my last ones.

4-2

I funded five deals and ran low on cash, then Lili's 850k came back and so did her 2.4 million loan. I am going to pay back Brian and Steve tomorrow. I didn't get many payments. I've got a stack of deals to fund the next few days and I've got plenty of cash.

4-3

I funded three deals and returned the money to Steve and Brian. I had four payoffs, so now for the first time in two or three weeks I have money available. I had a ton of payments come in, from Scott, Mike and others. I've got just tons of paper work and catch up work from being gone to school and having Jen sit here and talk to me.

4-4

I funded one deal through Mike, he might be a good source for more deals going forward. I had a lot of work to catch up from yesterday, which I got done by 10, then it was really quiet the rest of the day. I had three payoffs and a few payments. I've got a lot to fund tomorrow.

4-5

Busy typical Friday, I funded six deals. I had three payoffs and tons of payments. The Las Lavatas house I did with Bennet closed. He never filed the quit claim deed so it's not going to come out on the Hud-1. So now I have to have him give me a 1099-S so that it doesn't hit his taxes. I'm going to beat up his accountant for this starting now because I know I will hunt him down for freaking ever to get it done. I made a 100k on it. although, if he would have paid the full interest I only made 30k. however, the 100k comes to me tax free because of my carry forward loss. I've got a 2 million in the account, so with what's going out Monday, I have some to start the week.

4-8

I funded five deals I had seven deals payoff, two of them totaled 1 million. I have mounds of cash now. I had a lot of payments, it was quiet on the phone. I think I have this bitch taken care of with the extortion about the cabinet falling on her. I so much want to sell this shit and never deal with it again. I got my payoff for Las Lavatas, tomorrow I'll get my cut from Bennett. I'll make just little less than 90k. it paid for my car I got the 30k in from Wade in OR.

6  
4-9

I funded three deals, I had several payoff. I got Bennett's money, that's all done, except the paperwork on the 1099. I had a few payments. I did line up several more deals, but I'm sitting on over 2 million. Lili called about me funding an 8 million deal. I'm not sure about something that big. I hope I get some requests before the week is over.

4-10

I funded one deal and only had two payoff thankfully. I'm over 3 million in cash, but I have quite a bit to get rid of tomorrow. The good thing, is when I look at my spreadsheet I don't have a lot planning to close next week. I had a lot of payments which was good. I got my tax bill 185k, ouch. This yr is going to be a lot worse. I met Judy and Bill Hughes to get all their docs signed and get a new investment for the IRA's. I met them at the restaurant, but I left before they ate, they had friends with them.

4-11

A super quiet day, I had no payoffs, funded three deals, and hardly any payments. I do have a ton of deals to do tomorrow and lots of payoffs coming in too. I met Jim McCoy for lunch, gave him the spiel, I really like him. I should do more with them.

4-12

6  
I funded five, I was hoping more, but they are now waiting until Monday. Craig Brown invested 50k more. I had a ton of payments and I five payoffs. I've got a ton to go out Monday. I hardly sat at my desk all day so I was behind on doing all the paperwork.

4-15

What a busy day! I had 6 deals to fund first thing, then I kept getting more requests, I did 10 in all, over 1.2 million. Which was great, because I got in a ton of payoffs too. I ended the day with 800k more money at work than I started. I had a lot of payments too. I've only got on deal to fund tomorrow. I have a lot for the rest of the week, and not a lot closing.

4-16

I funded two deals, I had three payoff. I have 700k to get out tomorrow, so that's going to get my cash down to a million again. I had no payments today! I've got enough cash to cover what is on my desk through Monday. I'm keeping it a good skinny right now.

4-17

6  
I funded out five deals for 850k which was great, I'm actually getting low. I only had three payoffs come in for 270k. I have a few deals to do the next few days. I had a lot of payments. It

was quiet on the phones. Mike is wanting me to do another deal for him, I said I would. I have a lot to go out on Monday.

4-18

I funded three deals, I had four deals payoff and I received in 175k from Dirks for his IRA. I didn't have that many calls, just a lot of emails for payoffs and deals to fund tomorrow. Cash is kind of tight, I've got enough to fund everything through Monday. But I've got 1.6 coming in next week. I need to keep money for interest payments too. I went to lunch with Eric LeBaron, he's a young kid looking for a mentor, I set him up with Roger, hopefully it works out for him. He seems pretty smart, just no personality. I had a few payments, not many. But I'm not profitable for now on this month.

4-19

I had a super crazy day. I funded six deals. Vahak showed up bringing me 254k in Cash! I had to take it to the bank. I had a ton of payments and several payoffs, which I needed. I rushed over to the MOM's meeting, we had a real big turn out, 25 or more. Two guys from LA Vram and Alen showed up too. I rushed home to get a few things done before the day was over. I had to raise 1.4 million from Steve and Brian again, I have so many deals to fund next week and I don't have a lot that is closing.

4-22

Holly shit, what a nutty day. I had just four deals to fund, I had everything ready to go this week, then the day started and it was nuts. Brian wired me in 900k, Steve 400k, Brian Wenig gave me 100k, I had a ton of payments come in. then four more deals had to be funded, then later another one. I sent out an email saying I had no cash, but hell, I had more requests come in. Tom is going to send me 1.5 million tomorrow, that gets my head above water, I just need some more payoffs to come in. I could probably put another 1 million to work over and above that! It's going to suck going in to the end of month, with no available cash for my guys.

4-23

I wired out money for four deals. I got in 1.5 million from Tom Smith for short term. I had two other payoffs, so I've got enough to cover what's on my desk. Now I just need payoffs to start rolling in. I had few payments. It was pretty quiet. I've got the potential to do another few million if I had the money. But I've tapped everyone out. Adam came by he wants me to do stuff in Florida and Georgia, I have no need.

4-24

A much calmer day, I funded two deals, one decided to move to Monday, they sent back the money. Then Roger called for the same amount on another home, so I gave it back to him on that home. I had a few payments. Lots of phone calls two for land deals, one from a gal I used to work with at Insight, so I'm told. More requests for money then I have.

4-25

I funded two deals, I had one small payoff for 30k, and a lot of payments. It was super quiet day. Infact I don't think my phone rang after 2pm. I'm just waiting on cash to come in and as I'm waiting my best borrowers are stacking deals on top of me, I need 4 million to keep everyone happy!

4-26

I funded one deal, I had 6 deals payoff but it was for 300k. I've got 1.5 in the acct., Brian is going to give me 500k more and I'm going to get it all out in the first three days or so of next week. I've got over 5 I could do. I hope I get a ton of payoffs next week. I've missed out on 1 million worth of deals that I would do because I didn't have the cash and I couldn't commit to them. I had a lot of payments. My month end number net, I thought would be closer to 700k of revenue and 300k of profit. But it's not looking like that. With that kick from the Scottsdale house I made, I thought for sure I would be there. We'll see how much comes in early next week.

4-29

I received in another 500k from Brian. I had a few other payoffs today, which is good, I funded six deals, I have seven to do tomorrow and 7 on Wednesday, I still need a bunch of payoffs to come in this week. I had a lot of payments too. I'm hoping to hit 300k next, we'll see if enough payments and payoffs come in tomorrow. I met with Rob and Mike today for a few hours. Same stuff, talk about the market, give advice, never know if it's worth while to them.

4-30

I funded six deals, I got paid off on only three. I was expecting twice as much. I got in a huge amount of payments. I made 318k net this month. I'm at 800k for the year already. I was super busy all day, I will be all day tomorrow too. I've got 3 more deals I can do if I get in the funds. I've got just enough to cover things through tomorrow. I should do 200k next month if all goes well. The next 87k this month from selling the Scottsdale house was nice.

5-1

I funded eight deals, I finally had payoffs pour in. I had six of them, which allowed me to cover the rest of the week, pick off two on the wish list. I made a few happy, I have a few more that want to be covered this week. one of them is a new borrower, I think I'll just pass on him. I've got enough good loans I can work on. I had a lot of payments too. Off to a good start for may.

5-2

It was a much quieter day than the last few days, which was nice. I funded one deal and received in 500k of deals I didn't think were coming. I have the money all going back out tomorrow. Plus whatever I get in tomorrow I have deals already for. I had a just two payments. I had a guy call me to invest, but I turned him down. I'm not taking any more 50k or 100k investors.

5-3

It was a quiet day, but busy I had 8 deals that I funded, I had 6 payoff and tons of payments. I had tons of payoff requests too. Which is good since I need the money back in. I just enough to cover Monday and Tuesday. With more requests coming I'm sure. Starting the month off well, I've got just 500k in the account, and 52.7 out. That's the highest number ever

5-6

I funded two deals, and I had two payoff, I had a lot of payments too. However, I received an email from Tom wanting back 1.250 this week, and Burger wanting 250k. so my cash flow is going to crap this week.

5-7

I funded one deal, and returned 50k to Steve. Then I had three that paid off, which was great because I can start paying back Tom. I told everyone I can't do any deals this week. I had a lot of payments, but it was a quiet day. Marlene came by and gave me 180k to invest, since she's taking the summer off.

5-8

I had enough payoffs today, to return 750k to Tom. I have 500k to go with him, and 200k more to go for Steve. I had a few payments, really quiet day, which was just fine. I hate losing out on deals.

5-9

Another really quiet day, I had four payoffs, so now I have enough to pay tom back, but I'm waiting a day, because I need to fund two deals tomorrow, before I'm out of cash. I've got lots of deals to close tomorrow. Hardly any payment came in. the big deal was meeting with Dave. We met for nearly 2 hours going over the memorandum. Because of the size I've become there could be some additional issues to worry about.

5-10

I got enough money in to pay back Tom, then fund the deals for Monday, and a little for Tuesday I should have some more payoffs Monday to cover Tuesday and Wednesday I had a ton of payments in too. It was pretty quiet other than a few phone calls. I'm just glad to have that behind me, I've got a lot coming in next week so I'll be back in to funding deals as they come. This week sucked in that regard.

5-13

6

I funded four deals, I had three big payoffs so that got me cash rich, if Kevin doesn't need 400k, I can knock off a lot of loans. I had a ton of payments made too. I am hoping I can get more money in and get over this cash crunch this week.

5-14

I funded five deals, and I had three deals close, which allows me to start pounding down the list on my desk and keep people happy. I had a lot of payments too. I returned 50k to Bunger. I'm trying to keep up with everyone, plus Adam wants to expand to Florida. I just don't need to.

5-15

First time in weeks if not two months, where I've got my head above water. I had a few deals cxl on me that went somewhere else, because I couldn't commit to them, oh well, I took care of the ones I needed to. I had a bunch of payoffs and funded five deals. I had lots of payments too. So I've got extra cash for next two days!

5-16

I had several payoffs and I funded four deals. I had a lot of payments too. But it was quiet. I have a little extra cash so I let the guys know, they sent me a few more deals. I'll get out 600k tomorrow but I'll probably have a million in my acct for the weekend.

6

5-17

I funded three deals this morning and was down to just a few hundred k. then the payoff started rolling in, I was fearing I would have 2 million, I only went in to the weekend with a million. I had a ton of payments come in. in fact, I'm at break even right now on interest! I'm going to have a very good month! Mike Moore came by to pitch me on his biotech deal. Everyone always wants money. I received in another 100k from Kirk today too.

5-20

I returned 50k more to Steve Bunger, he's done. I funded two deals and I had two payoffs. I've got enough cash to take care of quite a few deals but I've got lots of to fund this week. I had quite a few payments too

5-21

I funded a few deals and I had a lot of payoffs, I had three payoffs. Jeff Phalen added 50k, Kirk is going to add 100k tomorrow. I had a call from Laurie W saying they would invest one million at the end of the month. I had a lot of payments too. Cyler's father in law blew me off, so I had 650k ready for him, never heard from him. That really pisses me off. I have enough money to cover my desk and do a lot of deals for the rest of the week.

5-22

6



I funded two deals, I had four payoff, so I had plenty of cash. I called the 650k guy, he never called me back, I contacted escrow, they had never heard from him. I had a few payments, was a pretty quiet day.

5-23

I had a real quiet day. I funded four deals, I had one payoff and Kirk Fischer invested another 100k. I had a lot of payments. The 650k deal guy called me, uh, I thought you were going to open up escrow? What an idiot, I can't do that. I got him to do it, we might close tomorrow, if not it's going to cost me \$1000 of lost interest to wait until Tuesday. I fear I'm going to have a boat load of payoffs tomorrow.

5-24

I convinced the 650k deal to take his money today, so I put it work over the weekend. I had a few payoffs and a 450k partial pay down, which is great, it will allow me to fund a few deals next week. I had a ton of payments today. We had our mom's meeting, only 16 guys showed up, but I had one of my investors Mike Scroggins show up, it was good for him to hear and see the guys. He never asked a question. Other than am I going to continue to do this for a while. Roger says he's got some heavy hitters 100 million dollars guys that want to work with him. He wants me to meet with them Wednesday. I have no idea where it's going.

5-28

I funded two deals and I had two deals payoff. I had a lot of payments, but otherwise it was a really quiet day. I have a few more deals to fund this week, just waiting to hear. I've got almost enough money to cover them all, but I have a lot of cash coming in too.

5-29

I had a meeting filled day. I had a meeting with insurance adjusters at 9, they have no capital and want me to fund their deals when they can buy burnt out houses. No thanks. I went to lunch with Roger and two guys from CA that wanted to provide more capital to Roger and perhaps me. But of course no figures, just concepts. I was uninterested in their proposal. I fell behind doing all the work I needed to do. I had three payoffs and one large partial paydown. Now I have enough cash to cover everyone.

5-30

I had a really busy day all day, I had to catch up on stuff I didn't do yesterday, plus do today's work. I had two payoffs and Tony Burdett added 100k more. I had a ton of payments and I funded four deals. I'll put out a lot of money tomorrow, but I have a feeling I'm going to get lots in tomorrow too! I'm going to work on statements now.

5-31

6

I funded five deals this morning, and as planned I had a ton of payoffs 10 in total I think. I had a ton of payments too. I was busy all day, but hardly any phone calls which was great. I had my best month ever, made 310k! I've got extra cash for deals next week, and I'm just a hair under 25k for the interest a day. We'll see if demand is as strong as it has been for the last several months. I sure hope so!

6-3

It ended up being pretty busy day I had funded three deals, I had payoffs on five, and a lot of payments. I had a new guy that sounded good, I sent everything to him, he said he would be back to me, never heard from him again. I've got a ton of cash right now, I'm sure I'll get it out quickly.

6-4

A really quiet day, probably 5 calls all day. I funded two deals, I had a few payments and one payoff. I've got a small stack of deals to do tomorrow. My cash is building, but Lili may need 950k by Friday too. I'd love to confirm that tomorrow

6-5

6

I had a busy day, in and outs all day long. I had four deals to fund, six to payoff. More net cash in than out. I had a few payments and several I didn't know who they are yet. I've got a few deals for tomorrow. I have 2 million in cash and probably 3/4's of it uncommitted.

6-6

I funded six deals this morning, but it wasn't a lot of cash, I had two payoffs come in and just a few payments. I mostly planned for tomorrow and next week. I'm going to put out 800k tomorrow and Lili has a 900k deal for Wednesday. I've got everything prepped for tomorrow and some for next week.

6-7

I funded the five deals first thing in the morning. I had only one payoff and just a few payments. I had Ryan calling me wanting 1 million for Monday, uh can't do it. I got everything taken care of late at night and a little bit Saturday.

6-10

I funded four deals, I had three deals to payoff, plus Kirk added 150k. I had a lot of payments. I was able to take care of everything early and late at night. Barry added about 1/2 dozen deals to this week's stack, and now I'm going to need the whole 3 million in I'm expecting this week.

6-11

6

I had to resend the 160k wire from yesterday, it rejected, then they said, they wanted 158k and change or they would reject it again. I sent that right at the cut off. I had one payments. I've got requests for money to be returned, deals are stacking up like mad. I only received three payoffs today, i hope a ton come in tomorrow.

6-12

This damn safe pass card, was barely legible, so I was glad to get out the two wires this morning. I had lots of payoffs, 7, for over 800k, so I'm building up my funds for Mike and for Ryan. Plus I've got people wanting their money back by Friday. I had a lot of payments when I got home too. I've got some much work saved up to do now that I'm back!

6-13

I was in the office at 5:30 working on stuff. I have so much to catch up on it's just silly. I was expecting millions in today, I only received 250k. Les Jones, invested another 35k in IRA money. I funded one deal, and I had no payments. I worked until midnight trying to catch up on things.

6-14

I funded all my deals today, 1.8 million only because I got a wire in first thing this morning. I ended up getting 800k in today so I've got fund for Monday on other deals. I had a ton of payments in too. I had two lawsuits to boot. One from Scott, which I knew was coming and he's paying the bill, then one from Lili on a tax lien but she took care of it. I'm all caught up now, I just have to prepare for next week and then do end of month.

6-17

I got in a ton of payoffs today, but still I have way more demand than supply for. I had a lot of payments in too. I could put a 1 million at work right now if I had it. I'm going back and forth with David about how to circumvent this 50 million issue on size. I had to send back 100k to investors that said they didn't need it for weeks, now want it today. That didn't help me. I've got to have 300k next week too.

6-18

I funded one deal for Scott, I had one payoff for 24k. I need a stack of payoffs to get me over the hump this week. I did get a few more payoff requests, so hopefully those close. I had a few payments, otherwise it was a productive day. I got all the months renewals done. I'm going to do end of month tonight.

6-19

I funded three deals, and I'm able to fund a few more tomorrow. I talked to Scott a lot about what he's doing, I feel more comfortable. I'll need a lot of payoffs next few days to keep

everyone happy I already have a few people unhappy, but there is nothing I can do. I had a few payments in today, nothing big. I'm running a little behind on my interest this month.

6-20

I had a pretty quiet day, but I did get a number of payoffs in so that I could fund three deals and comitt to two others tomorrow. Plus I have my interest covered for my investors. I cut it way to close this month. I've got more closing coming tomorrow so that I can back fund a bunch of deals for scott and a few others. I had a few payments in too. I'm still behind, hopefully they'll roll in tomorrow and next week. I bought a monitor to take with me it's 22 inch but only 2.8 lbs, it just barely fits in my case. That will make me so much more productive.

6-21

I was really busy, as fast as money was coming in I was sending it back out. I got pretty caught up in my requests, and a few more payoffs and I'll have Tuesday covered. I was able to catch up with Scott's back funding and now I have a few more to do next week. I'm about even right now, so let the payments roll in for profits

6-24

I was super busy today. I got in a ton of payoffs so I was able to fund one deal and better yet, say yes to several deals I have planned later in the week. I had a few payments but not a lot. I've got a lot that needs to come in this week.

6-25

I had another 600k come in today and all the interest payments went out. I funded two deals also. Now I have enough to fund a few more deals tomorrow and reseeded some money for Kevin's deal again. if it doesn't go through I darn near clear my desk of back logged deals. I had a few payments not many. I'm in pretty good shape headed in to end of month. I got the newsletter done and the photos it was so quiet this afternoon.

6-26

I was able to fund seven deals. Everyone is happy, I only had one payment, then I opened the mail and I had checks for 1.1 million from the Weiskopf's. I can't believe she sent it through the mail! I even got the darn checks release for tomorrow, so I'll be able to get it all to work before Friday. I had only one payoff too.

6-27

I had a pretty nutty day. I funded three deals, I thought I was only going to fund one today. I had five payoffs and hardly any interest payments. I now have money to cover everything tomorrow through Tuesday. I was going to wire 400k to an investor, but then he called me said his email

was screwed up. Then Barry called, he's going to payoff 1 million next week. I'll be drowning in cash next week. we'll see if things pick up. My desk is pretty empty for next week.

6-28

I had horrible money, 152k in profit, 686k in revenue. I'm going to have to look at this closer, I should have been over 200k. I had 6 big payoffs today. I had a ton of payments, and I only have like three people that are late. I can't figure out why I'm short in profits. I've got a ton of cash and only two or three deals to fund Monday morning. I'm going to start the week with 1 million available! I've not said that in months!

7-1

I had four to fund, but I had four payoff. I've got nearly 1.8 million and hardly anything to fund this week. i hope a few pop up. I had a ton of payments, I figured all of them out expect 1 I hardly had any calls, since I was driving across central OR and had lost cell service most of the time, that's good thing. I don't have much planned for this week, and I still have lots more closings!

7-2

I funded one deal. I had a bunch of payments and 9 payoffs! Mostly smaller ones from Chris. I have two to do tomorrow, I've got a stack of deals for next week. it was pretty quiet today, tomorrow should be about a 1/2 day of work.

7-3

I funded two deals for Scott. I had one payoff which bummed me out, I just funded it two days ago and now 300k is coming back before the holiday. I had a few payments. But it was a really slow day as I expected.

7-5

I funded one deal and I had a bunch of payoffs and tons of payments. I'm catching up from where I was thinking I was short last month. I didn't hardly work today, I'll catch up this weekend.

7-8

I spent 15 hours yesterday doing paperwork. I didn't finish it all, I'm 90% of the way there now. I funded three deals this morning and I had three payoffs for over 750k. I've got a ton of deals to do tomorrow. Bunker wants to invest 750k more, I told him to wait. Then I had a borrower want to refer an investor to me, I said no thx.

7-9

I had a stupid busy day, I blinked and it was noon, then 4pm. I funded nine deals, I had five payoffs I had 100k investment from Kirk I had a few of interest payments made. I was just busy processing stuff all day long. I got my stack of releases notarized too I've got a lot of cash, but 700k goes back out tomorrow and I have stack of deals to fund before Friday, but I have a bunch closing too.

7-10

I funded four deals and only had one small payoff. I met Laurie Weiskopf to get all her docs, and she invested another 100k with me. I had a few payments, I only have a few deals to do the rest of the week. I still have cash. I hope to be below a million by Friday.

7-11

I funded four deals, which was great, because I only had two scheduled. I only had one payoff too I only had a few payments I'm working down my cash finally I told steve that I should be taking his money next week. I've got three deals for tomorrow. I might have more if they come through

7-12

I funded three deals, then slowly but sure I started having payoffs by the droves! I had seven in all over a million dollars I had a ton of payments made too. I'm way ahead where I should be for this time of the month, just the opposite problem from last month. I've got three deals to fund Monday, but I've got way more money than I do deals for next week.

7-15

I funded three deals before we got on the plane. I had a ton of payments made, then a ton of payoffs, nearly 800k. I've got over million coming tomorrow. Shawn called, he's going to buy the 57 properties for 2.85 million I told him to close it quick!

7-16

I funded two deals and I hardly had any payments come in. I had maybe 5 phone calls all day then I had a Mike Moore actually come through on paying me off on 1.2 million All of his loans are paid off, and he paid down his big loan by 500k. now I'm absolutely drowning in cash, I've got Bunker wants to give me more money, and I have more closings to go. Shawns deal better come through!

7-17

I funded four deals, I had a few payments, but no payoffs! Which is good since I'm drowning in cash right now, over 3 million I could have 5 by week end. I've got a few deals to do tomorrow. It was really quiet on thephones too.

7-18

I wired out more money then came in today, but only by 200k. I had a few payments. It was really quiet, but I need to get more money out. I met with the Miller's. they are selling their skate plaza and so they are going to have another 1.6 million for me in September. I hope I can put it to work by then.

7-19

I funded four deals and I only got back one payoff. I know I have a ton coming. Lili is going to pay me back a million, AZ Home buyer is going to pay me off 600k. I've got a few million supposed to close next week, Eric is paying me off a 1.4 million. I had a ton of payoffs. I'm already profitable, so it's going to be a really good month!

7-22

I had a few wires to do. Then when I had time in the afternoon I got another one off. Roger didn't tell me that one of the properties he bought, he sold over the weekend, so I wired and sent docs just to get the money back again. I had a bunch of payoffs and a bunch of payments. I got home and worked until 1:30 trying to catch up.

7-23

I got in here at 7, and worked until 5:30 then from 9 to I don't know when I will quit. I funded 11 deals, I had three deals close, Bunker added 300k. I've got 11 more deals to do tomorrow. I'm not even started to catch up, it's just trying to keep up with work. Cyler backed out of a million dollar deal, which is good, it was a weird one. I rather do these deals with Rob than 1 with Cyler on a funky house in Sedona. I had a lot of payments too. I'm going to have a good month. I just need more closing in now so that I can fund end of month.

7-24

I funded all of ACV's deals 11 of them, 1.3 million plus a small one for AKS. I had two payoffs and Carol McDowell added 100k. I had just 1 payment! I'm all caught up on things now finally. I had to work about 30 hours in three days to get there. Now I'm going to do end of month tonight.

7-25

I stayed up until after midnight and got end of month done. It was a really slow day. I only got one payoff in and a few payments. Eric said his 1.4 mil deal is supposed to close Monday. If it does I'll be home free. If it gets pushed, I'm fucked. I am totally caught up now, so that's good.

7-26

6

I saw all the withdrawals go out, so that's done. I had funded one deal and lent 135k to Mike which he returned same day to me. I had a ton of payments and then I had four payoffs which was great, I've got enough to cover some deals Monday. Then Eric emailed me saying his 1.4 mil deal will close Monday, so I'll have enough money to cover the stack of deals I have. I'll have very little cash going forward because I have so few closes coming.

7-29

What a crazy ass day! I and everyone else was sweating waiting for me to receive my 1.5 million wire from Eric's payoff I got that and six others, plus Kevin Potempa invested 500k today! So now I'm cash rich! I was able to back fund everything on my desk. I have enough to cover everything through Friday with some extra cash. I had some payments too, I think this will be my most profitable month ever.

7-30

I only funded four deals. I had three payoffs, so now I'm sitting with at least 750k unrequested cash right now. That is fine, it will go quickly. I've five or six deals to fund tomorrow too. I don't have many payoffs coming either. I had a few payments. It was a relatively quiet day.

7-31

6

I funded six deals, I had two that closed, and only had two payments. I ended the month with 270k profit. I've got a few deals to do tomorrow, but I've got extra cash right now. I thought I would be out. I had my 2<sup>nd</sup> best month, it's all because of the way the end of the month falls, May I think was my best because 31<sup>st</sup> was on Friday. I told all my investors that I wouldn't be accepting new money from them after Xmas. I had a few email me back, but not much back lash.

8-1

It was a quiet day. I funded three deals and returned 180k to Marlene Pearce, she bought a property and needed her money back. I had three payoffs. I also have a 50k deposit, but I don't know who from. I had just a few payments made. John will let me deposit another check for 4k tomorrow for some of his back payments. He's got one closing this month. So we'll be down to two of them.

8-2

I funded five deals, then I only had a 1 payoff and 1 partial payoff today, which is great. I had a ton of payments made. I've got 1.2 million in cash, and 1/2 of it out by Wednesday. I've got a guy bugging me to finance a 1.7 million apartment complex I don't want to do it though.

8-5

6

I did my usual work over the weekend, an hour or so. Monday I funded one deal. Then the payoff started rolling in. only one of them was planned, I had five payoff from guys just calling



up and saying what's the number I'm paying you off. Plus I had a 58k pay down. So now I've got nearly 2 million in cash. I had a ton of payments over the weekend and today too. I met Alan and his partner at a shitty 76 unit apartment/motel place they want to fix up. Which I know they don't they want to flip, I'm going to tell them no thanks.

8-6

I funded three deals and then a fourth later in the day. I had two payoffs and a few payments. It was a really quiet day. I emailed Alan and Nick first thing and said no thanks. I'm sure I could swing it but I know they aren't long term for the deal. Miller stopped by and tells me a deal I 100% financed him on, is a non-livable and marketable title because of the what city did years ago to the property. Three guys have bought it in the last year, all found this out and then sold it to next guy, Miller now owns it and he's not willing to be the snake those guys and sell it to another sucker. We are going to go after the title insurance, it's going to be a fight too.

8-7

I had a good day, I three deals, I had five close. I had only a few payments. I've got a few deals to do tomorrow I've got a screwy deal to do next day or two, referral from Jake, where the buyer is out of town and his cousin is the power of attorney. I'm doing my checking. I've got investors wanting to give me more money because they read my email saying 12/31 is the last day I'll take money.

8-8

I funded four deals, I only had 2 payoff, and only had two payments. It was a really quiet day which is fine, since I'm feeling like crap. I've got a few to do tomorrow, but I'll have some money for the weekend. Miller submitted his request for insurance claim on the house. He said the local lawyer for Chicago title was helpful. We'll see how long the process is.

8-9

I funded four deals and in only had one payoff, large one 280k. I thought was I was oing in the weekend under a million, but I'm just over. It's still a great amount is out right now. I've got a stack of deals to do Monday/tuesday. John Janssen will catch me up in payments mon/tues also, he's late on 1/2 dozen of them. I got some more money out of Molina too, he's nearly caught up on this refi he's been working on for 6 months. I talked to John Ray, he's got one of the three houses closing next week, so I'll get more out of him. The people on McKinley will be moving out next week too. Hopefully we can get that one ready to go on the market quickly. I'm sitting pretty good right now

8-12

I'm glad I didn't commit on that 1.5 million deal I would have missed out on good loans to my best guys. I got as low as 600k today. I funded four deals and I had one payoff. I had lots of

payments too. My deals that were supposed to close today, got pushed to Wednesday. So the meeting I've got planned with Jenn will be ok.

8-13

I had a super quiet day, I didn't fund anything. I had two payoffs and a few payments. I had a lots of requests for properties, so I'll put all the remaining money out and I've got nothing coming in this week. I hardly have any closes coming for the next two weeks. I'm going to have to save for interest payroll at the end of the month!

8-14

I emptied out my bank account, I funded six deals, which left me with less than 400k. I had no payoff and one payment. I'm cash poor for sure! I need something to come in to cover one deal on my desk. It was a really quiet day

8-15

I funded one deal, I had one payoff for 40k. I'm still needing a lot more money in. I've got a lot of deals stacking up. I had a few payments. It was really quiet day. I had a funny call, Rodd Newhouse wanting me to do a personal loan for an athlete that spent too much on a car. What a damn joke!

8-16

I had a smooth day! I was so worried, Mike was wanting to close on his 240k deal and I didn't have that much. He never called me, I had three surprise payoffs for 350k, which gave me the ability to fund Mike's and two more deals early next week. Then at the Mom's meeting he said it might not be until mid next week he needs it, so that gave me some breathing room. I still need 1.3 million to close next week to cover what's on my desk. I hope to have some surprise payoffs. Nad Kirk called saying he's going to give me some more money next week too. Mom's meeting was good, we had a really good turn out. I blabbed for a 30 mins and then we ate, lots of side conversations and Steve Bunker came. It was a quiet afternoon. I had a few payments. Scott's payment was 85k!

8-19

I had one payoff, which was J and J, which was great, because then he paid up all his past due payments. I had a ton of other payments too. I funded one deal. The other deals are postponed. I need a ton of money to come in this week.

8-20

I got a big payoff today, one of John's properties, 288k, which is great, leaves me with two. He called me saying he's got possession of McKinley too, we can sell that one and get it off the books! I had a lot of payments and two other payoffs. I've got nearly enough money to take care

of everything on my desk and then start the back funding. Barry never called me back, he said he might pay me off on 175k one and Kirk never made his investmetnet deposit yet either. I'm getting beat up for funds, hopefully I can take care of most tomorrow.

8-21

I funded three deals, I had one close first thing. Then in convinced Barry to pay off two deals so I could fund the other deals. He's rich in cash right now anyway, I'm saving him interest. I had a few payments come in too. John got possession of Mckinley, however, it's barely valued at what I'm owed on the thing. He says he's gong to get someone else to finance him out of the other loan I have with him. That happens I'll be thrilled.

8-22

I funded two deals and I had two payoffs. I've got more in so I can keep moving down the list. I had some payments in too. I'll be able to get out some more before the weekend, but I know I'll have some payoffs. If I get enough in, I can clear it all out on Monday.

8-23

I funded a few deals in the morning and then I had three surprise payoffs for 500k, plus a few I was exepcting, so I back funded four more deals. Then I had tons of payments, Easy, Lili two weeks worth, PG, a few others. Everyone is paid up except John Ray. I've got enough cash to cover my deals and start the week with a few bucks in the bank.

8-26

I had two deals to fund. I had lots of payments. Out of the blue I had a request for 400k loan, I said no way, then Tom said hehad 500k he could give me today, I took it, deal is going to be funded tomorrow. I've got another 450k deal to fund on Friday. I had several unexpected payoffs today and I'm sure lots coming in this week. Lili needs money next week too.

8-27

Today was so quiet, I took a nap and watched a 2 hour show on SMU! I funded three deals, all the interest payments went out. I had one payment. I might have two calls all day I've got two to fund tomorrow and then I'm down to my last 200k. I'm sure I'm going to have a ton of cash in my acct on Friday!

8-28

I funded two deals, I had two payoffs and I have demand coming out of my ears. I'm able to do the two tomorrow and still be able to cover these stragglers on my desk. I should have shit load of payoffs in the next two days I had a few payments.

8-29

I funded two deals and I had four deals close, so now I have enough money for everything through Monday. I still have million coming in tomorrow I think. I had a few payments too. I'm doing a new borrower tomorrow, referred from Roger. I had a few other calls from potential borrowers but they didn't go well. Now I'll just do the statements

8-30

I funded three deals, one pretty big for a new borrower, but came to me from Roger. I had a ton of payments come in too, quite a few payoffs. It was quiet on the phones, lots happening in the bank account. I ended the month with a 287k my best month ever. I add in my interest on my stuff. I made 10k a day. I've got in enough money to cover next weeks deals, plus I've got a lot coming in.

8-31

I received a 33k payment of interest on Saturday. I just stick it in September's month, see how the month ends up. Six condos I was going to fund canceled, that was a 150k, and Lili who wanted 650k tomorrow doesn't want it for a week now. So I funded a bunch of other deals. I had no payoffs and few payments, quiet day. I have a few more to fund tomorrow

9-4

I had a really busy day, I decided to empty my account since Lili moved her stuff out to Monday. I funded five deals. I had three deals closed. I misseed out on funding 2 more today and one tomorrow because Erik didn't tell me he cancelled his deal for tomorrow. I was pissed! He just dropped low down on the totem pole for funding. I've got a shit load of deals to close this week, so I have to keep my cash low. I called the miller's and they said everything is on track for giving me the money on Monday. Which I plan to use for Lili

9-5

I funded two deals, I had one large deal payoff, so I've got funds for to more deals tomorrow. I'm expecting a shit load of cash in tomorrow so I know I have Lili's deal covered. I talked to the miller's they expect to have 1.9 million to me Monday morning. I'm betting something will go wrong. Which is fine, because I should have enough cash coming in. I had quite a few payments. John can't sell that fucking McKinley property, so now I'm going to have to pay to fix it up and sell it. I think he's lying to me about his other property too. Hopefully this guy Paul will refi him and I'll be done with John.

9-6

I had a super busy day. I funded two deals, but I had seven payoffs for over a 2 million come in. I had a ton of payments too. I met with Dave to find out the losses on the rentals and sales were much bigger than he predicted, so I'm getting 80k in refunds from fed and state. Just pisses me off so damn much! I met John at the McKinley house, it needs 10k of work. he's going to try to

sell it this weekend at a lower price than he did this week. take a loss and he'll owe me, great, I want a debt with him. He still says Pual will pay me off on the other house. I struggled to catch up with all the payoffs and payments today. I've got over 2 millin in my account. Lili's deal looks like it's going to postpone again! then this 600k deal from kyle may not get done, and I'm supposed to have 1.9 million in from the Millers Monday. I'll be drowning in cash!

9-9

I funded two deals, and I had one payoff. Then the Miller's million dollars came in. I had a lot of payments made. Lili's deal postponed again, a whole bunch of Shawn's deals are getting moved out. I'm drowning in cash. First time it's been like that in months and months.

9-10

I gave Minh some money on her Brooks property, and returned 20k to PK. Then I received in 920k from the miller's. just when I have cash, more come in! I had a few payments and I had three payoffs. I met Travis at the McKinley house, walked through it, waiting to see the price. It better be under 10k. I've got just one deal to do tomorrow and only a few for the week. I didn't hear back from Lili today either.

9-11

I funded one deal. I had one payoff. I had just a few payments. I'm sitting on four million in cash now. I've got about 400k to get out tomorrow. No word from Lili.

9-12

I funded four deals, I only had one payoff, thank goodness. Now Russ called and wants to give me money tomorrow. Perfect for the weekend and I'm drowning in cash! I had a few payments. I went to lunch with Barry and Landon, they are concerned about the market, maybe I should be. I might have a deal or two to fund tomorrow we'll see. I've not had this much cash in so long it's strange.

9-13

A quiet day. I funded one deal. I received 800k from Dupper as an investment. I had two payoffs and lots of payments. I've got a few deals to do on Monday. But I'm over 5 million in cash now. Hopefully it will be busy tomorrow. I got a quote on mckinley, 20k, holly shit, that about killed me. But what else am I going to do.

9-16

I funded a couple of deals, not a lot of money. I had only one payoff, so I got out more than I got in. I had a lot of payments made. It was real quiet day. I hate days when I have money and no one is calling.

9-17

I funded four deals and I had no payoffs! I did receive in 150k from Phalen for his IRA. I had one payment today, so tomorrow should be big! I did all the renewals for the month. I'm glad that is done. I got the Mom's meeting planned. I'll do notes tomorrow for it.

9-18

I funded two deals and I had one payoff, I had only a few payments. I was busy all morning payoff requestes, recording docs and answering phone calls. By the afternoon it was quiet. I got another quote on the fixing McKinley. It's aobu the same, I'm just going ot get it started to get it off the fuckign books.

9-19

I funded two deals, then I got a surprise 900k worth of payoffs from Greg and MCM. PAJ has extra money so they gave them 12% on their rentals and paid me off Just when I started making a dent in this damn cash position! I'm up to 5 million. I might be able to get a million out tomorrow. I had a few payments, but it was a quiet day. I've got a new guy to fix McKinley, 10k more than I wanted to spend on the thing, but I'm going to sell it quick for top dollar.

9-20

I funded three deals this morning as well as wired 14k away to get the McKinley house started. Then later in the morning, I got an email to wire 650k for Lili's deal. I was glad to send that way. I had three payoffs and tons of payments I'm breakeven right now. This has to be the earliest in the month I've hit that number. I think I'll only make 180k this month. Just the way the calendar falls. I had the Mom's meeting. We had low turn out and Steve Bunger brought one his friends. He wants to give me a million dollars and I told steve no thanks. I have to stop the size of this thing. I came back and worked on paperwork and payments in the afternoon.

9-23

I funded four deals, so I got out 900k, then I got in 400k in payoffs. I had a few payments too. It was a quiet day and I might have one to fund tomorrow. Every day I widdle down my cash, it's not fast enough.

9-24

I funded two deals, and I had three payoffs for a lot more money. Michael zones sent me 50k more too. That's on top of the 150k more I got yesterday from Phalen. I had a ton of payments. Which was good several of them were past due. I don't have much to fund the rest of the week and I'm up to 4.3 million I spent a lot of day doing renewals and going to staples.

9-25

All the interest went out and I messed up one, pissed me off. I got way more money out then I had come in. only had 2 payments too I've got basically nothing left on my desk to fund.

9-26

I got more money out then I took in again. I doubt that will happen tomorrow I've got about 500k to send out, and I know I have payoffs coming in, it's end of month. I had a few payments. It was pretty quiet. I've got end of month done, just need to re-edit my newsletter and do the statements.

9-27

I funded four deals for 400k, then I received in 200k Erin Carrick, she's my last investor! I had three payoffs for 400k! I've got about 600k to go out Monday morning. but it's end of month, so I know I'll have more payoffs. I had a ton of payments in. I hit 200k in profits. I might get a little more in Monday, but I won't hit the 250k I should, just because of the way the month fell. October should be much better. But August was killer, so it all equals out in the end.

9-30

I sent out the end of month statements, even though jimmy hadn't updated the newsletter I had two people say they read it. I funded 650k, but I got in about 600k back in. it could have been much worse. Kevin requested 400k back, which is fine, I gladly gave that back to him. I didn't get much in the way of payments, so I made 208k this month. 20k more than I thought I would. October so easily be above 250k. I haven't one deal to fund tomorrow. I had several guys bidding on 1 million plus, 450k and never heard back.

10-1

I funded two deals and I had one deal payoff, same dollar amount. I've got a 220k deal to fund tomorrow I've got one maybe two lined up for the rest of the week. my desk hasn't been this empty in years! I had a few payments, some I don't know who they are yet. Miller thinks he's got the pinnacle peak property sold to another guy. John thinks he'll have one of his properties partially paid off this week. he's been telling me that for two weeks. I talked to Scott Menaged, he's not going to sell 1/2 his properties off in December which is a relief His uncle wants to invest 7 million with me, I turned him down. He told me that he's talked to several lenders, they are all drowning in cash, so I should feel lucky that I have only 2 million.

10-2

I got in about the same as I sent out. I've got a few more deals stacked up, but nothing ot put a dent in this pile of cash I have. I did get a lot of payments in. it was a quiet day besides that.

10-3

I was pretty busy this morning and then the deals started to roll in. i funded one deal early, then Charlie had one he wanted done, 285k same day, did that. Then I have about 900k more to fund tomorrow. Maybe a few more if people get their shit together I had a few payments too. I've used up 2/3<sup>rd</sup>'s of my 50k phone deposit already. I wish they would up it to something that makes practical sense. I know I'll have some closings, but if I get more out tomorrow then come in it will be a big win.

10-4

I sent out 900k, I only got back in 150k. it was a great day. I've got 600k lined up for Monday I'll be under 1.5 in the bank. I had a ton of payments. I had one borrower, whom I always thought as suspect, call and want to give back a property to me that he's current on. He can't make the payment on one property, but it's in escrow. I checked it out, it's 1 block away from John's McKinley property. He's going to wait now until he gets to his due date or gets it in escrow. I don't need another one to babysit, but it is ready to list at least. McKinley is 1/2 way done, windows got put in today. Now flooring and counter tops and some bathroom tile we'll be ready to go.

10-7

I funded two deals and I had three payoff I've got two to three deals to fund tomorrow. I'll be about even where I was at this morning. I had a few payments. It was pretty quiet. This house on McKinley is getting expensive to do. I hope we can sell it quickly.

10-8

I finally funded Roger's 300k deal, I funded Cyler's 185k deal, however, I found out at 4 pm he wanted me to take to trustee. He never asked or said anything about that, he thought he had. I funded two other smaller ones. I have two bigger deals 400k and 500k deal for next week. I have about 600k smaller ones between now and Friday. John Ray called and he said now he's giogn to pay me off on his Scottsdale one Friday. It's been next Friday, Monday on and on for 2 months. He's going to owe me so much money and I don't think he'll ever pay me off. I had a few payments today too. I had a few payoff requests too. I was pretty busy all day.

10-9

It was a library here today! I didn't have any payoffs which is great, since I didn't fund anything! I had just a few payments. I picked up a few more deals to fund next week. Lili called saying she's paying me off on 900k next week. Barry wants to give me 500k next week too. I probably won't take it. Lili gave me a number of a guy to sell my 12 plex. If he can't then she will buy it for 800k. that's a huge loss, but it will be gone. Here I am spending time on this damn mckinley property, the fix up is nearly done, now the pool is taking time.

10-10



It was a really quiet day, which is good since I had the boys home. I listed my 12 plex, this guy talks a huge game, we'll see if he can deliver. I had one small payoff to which I'm going to fund the same property to Shawn tomorrow. I funded one deal I have a few to fund tomorrow I had a ton of payoff requests. I could be drowning in cash next week again. I only had a few payments.

10-11

I funded four deals, then the payoffs started to roll in. one of them was John's woodridge property. At least that's in. I didn't collect a dime of interest, but at least I can put it the money to work on something that will pay me. He's going to owe me 35k in interest and who knows how much on McKinley. I had a lot of payments in today too. I've got a stack of deals to go back out, but Monday is a holiday so they won't go out until Tuesday. That leaves me with just 600k of available cash. Which is the perfect number.

10-14

Banks were closed, I had a few payoff requests, one phone call, quiet day, which was great. I've got a lot lined up for tomorrow.

10-15

I funded five deals, and was down to just a few hundred k in my bank account. The ACV paid me off on all 18 loans! Lili paid me off 915k too, or she'll put the check in my account tomorrow. I met John, Wade and the guy David up at McKinley. The house looked great, it was done really well. The pool will be done the next day or two and then the pool deck by the weekend. Hopefully we'll see it quickly. I had a few payments in, but now I'm worried I'm going to be on too much cash!

10-16

I funded two deals early in the morning. then Chuck needed a 100k, then a 400k deal scheduled for tomorrow needed it this afternoon. Then the buyer says he's got a buyer for the property and he's going to close on Friday. That sucks. I've got 3 million in the bank, 1.8 of it available and more is coming in this week. I had a lot of payments made today I've got some small ones to go out tomorrow I just hope the payoffs quit coming in. Lili didn't close on her 900k she was threatening with so that makes me feel better

10-17

I wired out funds for three deals and received nothing back, that's a good day. I had a few payments. I should have a busy day sending money out. Right now I only have two confirmed, but more should go. It was a busy paperwork day but quiet on the phones.

10-18

I was really busy all day today. Mostly with payoffs rolling in I had about 1.5 million! I funded five deals, two of which were a surprise, but the afternoon, money just poured in. I had a ton of payments come in too. I got a contract on my 12 plex for \$1,050,000 in one fucking day! I feel like I should hold out for more and nother offer, but I'll take it and run. It will be a nice right off!

10-21

I funded two deals, and I had a ton of payments come in. I hahd three payoffs that were greater than my funding. We had no activity on Mckinley the whole weekend. I can't believe that! Everything is done at the house now. I've got a few to do tomorrow, but my desk is getting pretty thin now.

10-22

I funded four deals, I had no payoffs thank goodness. I've got 800k to go out tomorrow, and now I have very little scheduled to come in this week, except two big ones I had a few payments in. I went to lunch with John Janssen, I used to do a ton of loans with him, but he's changing his plans, and it doesn't sound like I'm in them. I'll have to get new borrowers. I can't have 50% of my portfolio with one guy, which is what I have right now nearly It's just so slow. I wish I wouldn't have taken Dupper's money or the Millers. Marv called wanting to give me 800k more, I told him to let me know and I'll let him know if I need it.

10-23

I funded 800k in deals today, then I had 600k come back in. I had a lot of payments too. I've got a few deals to fund the next few days and lots of money coming in. I just can't get below 3 million in cash before it starts building up again. we only have a few people coming to the MOM's meeting too.

10-24

I funded one deal and I had one payoff, so I'm up 80k out. I had a few payoffs. I started the day with a call from Brendan that there was a water leak at morten. The day we are having the inspection. It ended up being the city break, just destroyed mylandscaping at that end of the property The inspection went well. They only couldn't get in to one unit. There were three known issues all of which could be taken care of in hour if they tenant would coordinate with Brendan. Hopefully all goes smoothly and close up in a few weeks. I've got a few deals to fund tomorrow and a few more lined up for next week. I'm still over 3 million in cash.

10-25

I shot out 200k first thing and only received back 50k for the day. I had a ton of payments as per norm. I had my mom's meeting. We only had about 12 say they were coming and then 19 showed up so that was good. I met a new borrower of mine that Roger brought to me. I didn't get much work done after I got back. But I have very little set up for next week. I have all the payments set up for Monday, so that's done.

10-28

I funded two deals and I had three payoff. I got in a lot more cash then I sent out. I had a lot of payments though. Lili is talking about a 1.7 million deal I could fund that in a heart beat. I got some requests for another 600k loans for end of month. The borrower is someone that is a wholesaler, so I'll have to watch that closely

10-29

I funded two deals, then the payoff started rolling in, 1.5 million came in today! I did get a new deal to fund for 400k, and Scott needs 460k tomorrow so I'll get out 2 million by Friday. Roger coming by, he's broke. He doesn't have money to pay me interest. So the ones that are in escrow I'll let him slide, he'll partial pay tomorrow and then as the closing come I'll get paid through escrow. Things are really changing quickly I feel like I'm ok. I've had two of my bigger broowers pay me off with cheaper money. Lili still says she'll need 1.7, so that will help I just can't get all the cash deployed. I had a few payments in.

10-30

I had a surprisingly good day I got out 1.2 million and only had 440k come in. I've got another 700k to go out tomorrow, with a possibility of more. I had three payemtns come in. we've got the last inspection of the unit #5 for tomorrow, hopefully that will go smoothly. I had to have John Collins go and pick the lock to let the inspector in. I still have nearly 4 million available, I didn't hear from Lili either.

10-31

I funded 1.2 million today, I only received in 275k, so that's a good day. I hardly got any payments. I still made 242k million for the month. The buyer of Morten now wants a 10k drop in price because he has to fix the fence, and few other things, I don't care. He says he's going to close on the 7<sup>th</sup>. I sure hope it comes true. The brokers said they've been talking him in to it which doesn't leave me feeling good. I made 242k this month.

11-1

I was pretty busy in the morning. I funded 500k and sent Coralee back 120k. I didn't have any payoffs! Which is great, I've got some new deals for next week. Lili called asking about 1.7 million again next week. I'll be able to barely do it now. But I'm sure I'll have more payoffs come in next week. I had my typical Friday payments.

11-4

I funded two deals and no payoffs, but I've got a lot coming in tomorrow. I had a lot of payments too. It was fairly quiet. It looks like 12 plex is cloing this week. I wish they would send me the docs. I don't have a lot on my deks for this week. lili called to make sure I had 1.7 million. I'll gladly put that to work.

11-5

I funded one deal and I had three payoffs. I've got two more to fund tomorrow and picked up a few deals to fund this week. I had a lot of payments in again today. Josh wants me to fund this guy to buy one of his houses that seems to be a bit clueless, but I'm in at a cheap LTV. Barry called me, he going to start being a lender now. I love it! Grass is always greener!

11-6

What a quiet day, I funded two deals. I had one payoff, it was only for 35k. I had one payment. I do have 850k deal lined up for next week with Justin and Christmas sent me three deals to do, one this week, two next week. I signed all the paperwork for the 12 plex to close tomorrow. It was so quiet this afternoon, I went in the family room and watched tv after the boys left.

11-7

I got my wire on Morten! I no longer am I landlord! I took a 525k hit today, probably closer to 700k after depreciation, with 500k lost interest income over the 5 yrs I owned it. it's gone now! I funded one deal today and I had three others payoff. I had a few payments. I've got one deal to fund tomorrow and few next week lined up. No one is going to call me about their dishwasher or tub this weekend!

11-8

I funded one deal and I had 800k come in. then over the weekend Lili paid me off another 750k. I had a ton of payments come in as usual. It was pretty busy lining up deals for next week too. Which I need, since I have 4 million dollars in my acct!

11-12

Veterans day was yesterday so today was very busy. I didn't have any payoffs which was great. I funded three deals and I had a ton of payments made. I've got 1.3 million planned for tomorrow. I was doing payoffs all day, so I know more money is coming in too.

11-13

It was a super busy day. I wired out 1.3 million first thing this morning. then I went to breakfast with Brian Cousins. A guy from Biltmore bank. He's got a program for hard money lenders. I looked through it tonight, what a nightmare of paperwork and requirements. I'd never do it. I came home and wired out another 300k and then left for lunch with Barry and Landon. They drowning in cash, can't find deals, and want to get in my business now. After getting the kids straightened out, I worked for 5 hours getting paperwork done. I only had one payoff for 40k, so it was a good day. I had a few payments too. 20k worth or so.

11-14

I funded two deals, I had two payoffs. But I have a 500k deal to go out tomorrow. Lili called and wants 1.6 million or more next week. With all that I have on my desk, it will be cutting it close, but I know I'll have some payoffs come in. I had a few paymtns too. I had a few calls and emails, but nothing new other than the 500k deal for tomorrow.

11-15

I funded one 550k deal and then I had 500k come back in, which is fine, because I have on my desk 2.6 million. I'm supposed to fund next week. I had hardly any payments come in, I'm sure they'll come in Saturday. Marv called wanting to give me 800k, so I told him I might take it in 10 days.

11-18

I had a pretty busy day. I funded four deals. Then I had three payoffs. I had lots of payments too. I had a few payoff requests. I'll get some more money out tomorrow, no word from Lili. I have a few more deals planned for this week, so with the payoffs, if Lili's deal comes through I'll be tapped out. Kevin has some guys he wants to bring to the MOM's meeting. One I'm glad to hear, the other is talking about oil investments, I think are bunk, but we'll give the guy a room.

11-19

I funded five deals, I had two payoff, I had a few payments. Messed with Blue Water deal on Marshall. I have lots of deals stacking up which is good, I'm getting close to maxing my cash. If lili shows up with her deal, it could be stretch. It's finally nice to be in that way.

11-20

I funded two loans, I had no payoffs, so that was good, 15k in payments. I've got two deals for tomorrow. I talked to lili, she went on and on, there is a title issue. It may not even happen. Bunker wants to give me more money and Laurie wants to take some out. Marv will be wanting to give me more too. I'll have to put Lili's money to work before I even think about taking on more.

11-21

I funded two deals first thing in the morning. Brian O'Connor bought one for tomorrow, but he's not sure the bank would release the wire, so I wired him his money this afternoon. I had 20k of payments come in too. I've got two to fund tomorrow, and I have shit load coming in on payoffs most likely. I need some of it, if Lili's deal ever comes through.

11-22

I funded two more deals and then the payoff started to roll in. I had 1.4 million come in. 600k on one deal that was supposed to close last week. I've got over 3 million now. I had an investor call yesterday, Kirk 80k and today Herb Cohen 100k. I turned down both of them. Bunker wants

to give me more and of course I have marv ready to give me 800k more. I had a ton of payments today. I have two that I'm looking for I didn't get. I only have one deal for Monday and maybe three or four more.

11-25

I funded one deal, I had two payoffs. I had a lot payments. I talked to Scott he talked to Greg. Greg was just what I thought he would be, 'nope not going to do a thing!' so now scott is going to talk to his partner whom is the money behind the deals. He kept reassuring me he'll get it all straightened out. Then he texted me said his check will bounce because he wanted to make sure that a check he gave to Greg would bounce. This is really giving me a bad feeling. We'll talk again tomorrow.

11-26

I funded one small deal and I had one deal payoff. I had a lot of payments. I've got nothing on tap really for the rest of the week. I went to meet with Stan and his son in law, investors for a late breakfast. I talked to them for about 2 hours. I'm meeting with Scott tomorrow to find out what this whole things is really all about. I'm very concerned.

11-27

I funded one deal I had a seveal payoffs, mostly from people that have cash and don't want to pay interest over the 4 day holiday, so I took in a million. I had a lot of payments. Scott came to meet with me. It's way worse than I thought. He sat here for 2 hours telling me how his wife has cancer, he turned the day to day operations of running his company over to a cousin. His cousin double liened all the properties and then lost all the money in vegas. He's upside down about 8.7 million. Of which nearly all of it is on my properties that I believed I was in first position. I was sitting here shaking and nearly throwing up the entire time. his solution is for me to lend him more money to make money to payoff Greg's liens. I've been rattling my brain trying to figure out how in the world we can do this. I'm sick to my stomach. Everything I've worked for 14 years is about to be flushed away

11-28

I had no phone calls, but lots of emails. I had two payoffs and several payments I sent out the statements. I got an email from scott with the spreadsheet listing the properties with double liens against them. It makes me sick to my stomach. Scott and I exchanged some emails, we'll meet Monday. I've got some ideas but I need some answers too. I saw that the last few loans I did just 2 weeks ago have two loans on them. He told me he discovered it a month ago. The forging of his name is on all the docs going back to 2011 I'm so unsettled about this I'm not sure if I can trust him.

12-2

I funded one deal, I had two payoffs, lots of payments. I met with Scott for another 3 hours. I told him he needs to come up with a million from daddy. He needs to concentrate on flips. We will not work off of the worst property but the the ones that can be sold that produce the most cash. He's got some work to do on his side. I don't have another plan to get out of this. I've got a stack of deals on my desk, but I've got 4 million in the bank.

12-3

I over funded a deal for scott that we can start our quest in knocking this stuff back. He's got 6 or more that are owned for cash, 3 of which he can sell now. Plus he's got a short sale with nearly 100k profit in it. I keep pushing him to get some cash from daddy too. I had a ton of payments in today and only one payoff.

12-4

I funded three deals today. One of them was for Scott to flip, he's got two more for tomorrow. With these three there are probably 100k of profit, but it's just too little, I think I'm going to have give him a 1 million for free just to knock down some stuff and get things going in the right direction quickly. I had a few payments. It was pretty quiet day. the highlight was metting with Dave and finding out I have a 500k IRS bill.

12-5

I funded two deals for scott and I had four payoffs. I talked to Roger, he wants me to give in on his interest because he's losing money as these close. Ya right, when you were making money you wouldn't share in your profits. He's not having to come out of pocket on closings, so I figure I can get whole with him, mostly this month. I had a few payments not much. It was quiet today. I've got two deals to fund tomorrow. I talked to scott. He can't get money from daddy, so I'm going to have to bank roll this whole solution. I fucking hate it but what else am I going to do?

12-6

I funded one deal for Miller, the others got postponed. I talked to scott more. I gave him my offer, 1 million at 3%, defer all interest, based on doing my math, I think we can knock out 1/2 the 8 million by april, if he throws some cash in plus the rent payments I think we can make the rest by end of the year. I'm going ot control things though. I don't trust anyone. I had a few payments but not any big ones!

12-9

I funded one deal, I had quite a few payments. I talked to a guy that I might fund four small condo deals for him, or give him cash out really. My LTV will be low that if he blows it I can sell them no problem. I had one small payoff for PG, I should get two more tomorrow. I heard back from scott, he's in agreement with my plan, now he has to execute.

12-10

I funded two deals and only had one close which was just 90k. I've got a few more to fund now, I'm slowing getting the funds out, but I've got stacks of deals that are going to close before xmas. I had a few payments too. Scott's going to close on two this week, clear up 300k of the debt.

12-11

I funded two deals for Scott then John Filipian had a deal for me, I got it all together and funded, then he couldn't get the SWD signed by his wife. I had a few payments, not much. It was pretty quiet. I've got more people calling me wanting to give me money I turned down another two people today.

12-12

I funded one deal for Scott. I have another several deals lined up from new people and a few old ones. One guy I used to do a ton of deals with called and wants a million Monday, but I'm never sure if he'll come through or not. I had a few payments, not much though.

12-13

I had one deal to fund, then I had to send in 90k to Scott to close one of the deals he was selling. I didn't think I would have to start so soon, but whatever it takes to get this shit cleared up. I had a lot of payments but PG didn't make theirs. We had our mom's meeting. Kevin brought in a guy that gave a spiel about oil and gas investments, it last an hour, so I talked for 15 mins and that was it. Miller was pissed, but he doesn't like anything. One of the guys is a radio dude, he asked me to go on their with him, I said no way!

12-16

I had a super busy day, I wired away three deals first thing, after I got back from the boys school function, I wired another one. I had three payoffs, lots of payments. Ryan Robson needed 400k on four deals, so I did those. I got out 1.1 million this morning. I've got a lot of deals starting to stack up on me now, but I've got a lot of deals closing too. I talked to Scott he sold some in NY and has 1.2 million coming in Jan, that will be a huge help. He's also headed to Israel tonight so ehs' hoping to come back with money too

12-17

I funded three deals and I had no payoffs. I had quite a few payments. I was busy lining up a few new deals for this week and next. I'm finally getting all my cash out. I may even take in some money before the year is out. I'm still going to wait to see what comes in. if I don't get some payoffs tomorrow, I'll need some money by Friday.

12-18



I funded three more for scott, I'm going to be 30 mill in to him before he starts pounding down the total. I had three payoffs. I had a lot of payments too. I've got 6-8 deals to fund the next few days, but it's only about 800k. I told Kirk I'd take his 80k, I'll probably call in a few more dollars to make sure I'm good with funds. I'm basically down to 140k of now. I know I have payoffs coming, just not sure how many will close. I'm getting a house back, Gary can't make his payment. I find out. He didn't fix it up. He ran out of money, rented it and now I get it back. I have to kick them out and fix it up. He's lying sack of shit.

12-19

I funded nine deals today. I lined a few more to do next week. I called in some money from a few investors that requested to place some with me. Two of them deposited today, Kirk and Brian Odenthal. I'll get 500k from Bunger tomorrow. Just when 2 weeks ago I was going to return a few million to people. I've got quite a few deals to fund, I've got to make payroll, I've got some money to return to the Miller's before year end. I had a few payments too. Bennett never came by, he's gong to come by tomorrow. I like the deals I'm doing right now. So I'm setting myself up for a good January. I just need Scott to be able to return and perform to what we think he can do.

12-20

I was super busy again today. I funded five more deals. I had three deals payoff. Not nearly as much as I thought. I had Steve Bunger give me 500k. I ended not needing it. I talked to Ryan later in the day, he's probably going to pay me back nearly all that I've lent him this last week. so I'll have more money than I needed, but I was running so low, that I didn't have enough to cover payroll. I know I've got payoffs coming next week, but just not sure how much. It's better to error on the side of conservativity. Dee McCall has a 500k deal for Monday all of a sudden, that will help me!

12-22

I worked all day long. I did end of month, quarter and year. Paid taxes, set up monthly, quarterly payments, emailed photos of the houses off. I wrote the first draft of the newsletter.

12-23

I was busy again this moming, I started at 6:30. I funded nine deals, 4 of which I had no idea, short notice by Chris. I had three payoffs and lots of payments. Barry needs 300k, so between that and a few more, I might need to bring in cash from Bunger. We'll see what closes tomorrow.

12-24

I didn't fund anything, but I had two more payoffs. I have enough now to cover everything between now and the end of the year. I'm sure I'll get more payoffs thrusday Friday. I had quite a few payments come in too.

12-26

I was really busy today. I funded three deals, I had only one payoff. I thought I was going to have a lot more. Though I'm sure tomorrow I will. I had a few payments. I was busy doing recordings and release today.

12-27

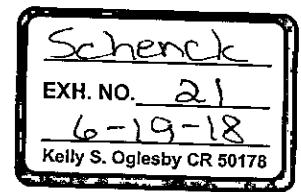
It was a really busy day and I didn't spend an hour in the office during business hours. I wired off three deals this morning. I had a ton of payments and then the payoffs started to come. I had three for over 800k. which is kind of good, I needed it all next week. though I know Ryan is going to pay me off on a million next week as well. I can't get this damn guy to do what I want in terms of kicking some people out of a house so it's going to get dragged out I'm sure. I've got end of month all done, I just have to do the statements. I'll do it tomorrow be done with it before I leave.

12-30

I funded three deals. I had three payoff. I had a few payments too. I had a lot of requests for payoffs and I have just enough money to cover what's on my desk. Hopefully not much closes this week. Mark Wenig called wanting to give me 50k. I put him on the list.

12-31

I wired funds off for two deals and I was done. Then all day long I had phone calls and emails for deals, payoffs. Then Scott calls me, tells me this meeting with Dan on Monday is for four lenders that bought the paper, they think they are in first position, I'm positions are invalid and they want to foreclose on everything. This could be a nightmare. Scott and I will talk again tomorrow or thursday or some point to figure this nightmare out! I worked until 11:30 catching up on everything. What looked like was going to be a super profitable year, has turned out to be what could be the collapse of my entire 14 years of work and my entire networth. I'm just not prepared to watch it go away. I think we can work our way out of this nightmare if we just have everyone playing on the same side. I sure the hell hope so.



2014

- 1 Stay in business – still in business
- 2 Be profitable 1.3 mill
- 3 Diversify my borrowing base, horrible, scott has nearly 80% of my portfolio!

1-2

I spent an hour on the phone with Scott telling me all the shitty choices in front of me. These guys want to pin me against the wall, we just want to continue doing our plan and they want me to subordinate. I'm just so messed up over this. I will find out more Monday. I funded three deals, threw cash at one of Scott's deals so that I could get paid off tomorrow. I had one big payment from mike. I've got 3 deals tomorrow or 8 I don't know which.

1-3

I funded five deals, plus I had to wire in funds to close one of Scott's deals on 62<sup>nd</sup>, that's 280k just for yesterday Clifton and today's deal. I had it all done, and then I had to come back down the hill to fund the 510k one for Dee McCall. I had two payoffs and lots of payments. After noon it was quiet. I'll have a lot of work to do this weekend to catch up.

1-6

I funded four deals, I had four payoffs. I had a lot of payments in too. The whole day surrounded meeting with these three guys that represent about 40 loans that want me to subordinate to theirs to give us time to work it out. I didn't commit to anything, I forwarded it all to David, it's his last firm is representing them. I talked to Scott, not sure how it's going to go. I can't subordinate, we need time. Scott's freaking out because his wife is in hospice now. I can barely think straight.

1-7

I funded one deal for Flip. I had seven payoffs and few payments. I talked to Scott again for 30 mins. He's trying to raise some millions now and push off this whole issue with the pressure I'm getting. I emailed David a long explanation of what has gone on. I didn't hear from him. I'm not sure where this is going to go. I just keep hoping I'm doing the right thing.

1-8

It finally caught up with me, I was up all night thinking about how to get out of this nightmare, raise money and start paying off as many of the loans as possible even if I'm upside down and six other ways to get them to back off. I talked to Scott in the morning, he has a guy that's going to give him a million right away, so we are going to try to pay off 4 a week and as well as the other dozen or so in escrow, in 30 days we'll be able to chip a lot of this down. I have no idea if they will go for it. I had a shit load of payoffs, 800k or so. I funded one deal and quite a few payments. We meet tomorrow see what we can work out.

1-9

I funded no deals, or had any payoffs. All I had was Gary wanting me to create two new loans instead of one big one a house because he's selling it to his daughter. Scott and I met with David. He never read my email. We spent two hours. Either it gets really ugly or I can write a check and make all of these loans go away and we can live with Greg for now and I'll just be over encumbered on some houses for a while. He's going to contact the lawyer tomorrow and let us know.

1-10

I didn't sleep until from 5 to 8 am, not ideal! I had calls from Greg three times; I talked to Scott five times. Dave didn't call me until after 3. I called the main guy behind this whole thing and he's got such a fuck you attitude I can't stand it. Finally at 5pm Dave called, said they would give us time to clean it up. I talked to Scott; he is going to try to bring in money. I can raise money according to Dave. We are going to try to pay them off in weeks and be done with them. Then I'll be in first position without any question. However, Greg is telling me I'm in 2<sup>nd</sup> position on 100 loans! But he doesn't care as long as he has his interest and is getting payoffs. It's going to put me in a really shitty position LTV and concentration wise with Scott but as long as he does what he says he is going to do. We can work ourselves out of this mess. I can't see any other option. I funded one deal and I had a larger deal payoff. Now I want as many payoffs as possible. I was freaking out all day long. I can't believe I'm in such a shitty situation. I've done everything right yet, I'm the one with my back up against the wall. The one thing that is helping us is the procedure that I follow to fund the properties, was blessed by the attorney's right hand man that is threatening me. He's now worried I can come after his law firm for damages. I just know I rather have control of the properties in a worse LTV than have them wrapped up in lawsuits!

1-13

I funded three deals, and then Lili finally wanted 625k which she'd been asking me about. Typically I would be thrilled to lower my cash position, now I'm sweating it! I have an investor that wants 100k, on top of the 800k I have to return by month end. I had a bunch of payments come in. I talked to David. They are willing to do what we want, except they want to see the agreement between me and Scott and Scott has between some other guys. I just keep pushing get us your list and let's start pounding through these. They wanted to meet with me and ask questions, I have no time for that. I just want to get going on it. Even if it puts me in a high LTV position at least I have control.

1-14

I funded two deals, now I'm getting one back. I wired the money back to an investor in Tucson that decided she wanted her funds back. I had one 400k payoff and I deposited a 150k from Jolene Page, 40k from Carol Wellman. I talked to Marv he's going to do 400k. I had a dozen calls with Scott, emails with him and David, escrow, everyone is trying to figure out how to get together and sign paperwork. All Scott and I want to do is pay these assholes off. We have a plan

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

1-15

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

1-16

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

1-17

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

1-21

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

thing I had a few payoffs today which helped my cash. I turned down some deals too. I have to get these assholes paid off so that we have the ability to work out our plan.

1-22

Scotts NY attitude worked, they agreed to 12 this week, and then 5 a week there after. Now we can breath, we can operate and I can sleep. we closed 5 of them today, Debbie fucked up on one of them, so we'll do it tomorrow, the others on Friday. I funded two other deals, I had three payoffs and Steve wired in 500k more. I had to return 200k to Miller's for taxes. I was super busy all day, plus mike and Rob came by for their quarterly meeting so I was behind a few hours. I am back to running a business now. When I was looking up some of these properties, they had appreciated quite a bit, so we aren't nearly as upside down on them as we thought after my 3<sup>rd</sup>, once Gregg is paid off, there is still equity in the property. Once scott starts getting these recent purchases flipped and making money, things will march pretty quickly in the right direction. For the next 60 days, tehspread sheet is going to be really fucking ugly, but it will improve nearly every week after that. As well as the interest will start to be paid.

1-23

I was so damn busy today, I funded three deals straight away. then Debbie had everything ready to go on seven deals today for the assholes so I did them. It takes me hours to do all the docs, recordings, wires, searching for a new property, comping, bookkeeping. I had a few payoffs which helped. Scott said he's flying to isreal, he's got a hearing with a judge to recover 2 million. Holly shit if we can get some of that soon, it would make a big difference. To my count we only have 28 loans left with these assholes, then scott can mainly concentrate on flipping for profit and selling the ones that are free to do so.

1-24

I funded four deals, I had five payoff, which I need, because I need more money next week to payoff those assholes, plus I have Weiskopf wants 675k next week. plus I need to pay the investors. It's going to be a thin week for deals. We had our mom's meeting big turn out, I just blabbed the whole time. I'm glad this week is done. Scott left for Isreal and hopefully he comes back with some damn money.

1-27

I was so busy today, I barely got it all done. I funded three deals, I had five payoff, I had a lot of payments. I returned 625k to Weiskopf. I did end of month over the weekend, all the payments will go out tomorrow. Scott says he thinks the judge is going to give him the order for the 2 million from this company, now it will be how quickly can he get the money out of them I'm trying to raise some more money so that I can payoff more of these damn loans from the asholes group. I can do 5 this week, I pretty sure, I just need some more payoffs to come in to allow me to breath a little bit.

1-28

Scott emailed me and said that he is getting 1.6 million March 13<sup>th</sup>, that goodness, that will help tremendocusly! He's got a few million coming from NY and from Isreal besides this. It was a quiet day which was nice. I funded one deal on an overage, which then paid off another deal. Scott sold a few properties and also got some money back from Trustee's so I got back three other payoffs. I had a few payments too. I'm waiting for my stack of deals to fund on Friday. I'm taking in 750k from an old borrower out of Utah, then john Schreiber called me and wants to give me 400k or so. I'm going to take it because he watns to give it to me, about when I have to give back a ton of money to my investors for taxes.

1-29

I had a quiet morning. I had a bunch of payoffs, scott ended up wholesaling a bunch of properties, plus some trustees returned checks on BK's. Kirk sent me 600k more too. I'll be getting 400k or in from the guys in UT. I'll be funding about 1.6 million tomorrow it looks like. I'll knock down just 5 more loans off the assholes list, but it's over a million dollars. Scott needs to come up with some cash soon to start paying some stuff off I don't know if I can run overages over the rest of his properties to cover the dollar amounts I'm paying these guys off. we just need to struggle to get them paid off and then scott can start working toward paying greg off.

1-30

I funded five more deals today. It was over a million dollars Scott says he's got about 20 in escrow, a combo of ones I've funded 95% and some of gregg's and some of that are clear. I had a lot of payoffs today. Plus I had 400k come in from Ryan in UT. I've got funds to know off some more next week. it was a really busy day I also drove up to Scottsdale to meet and look at this house that Sammy is working on. He thinks he can sell for 1.4, I hope for 1 I'm going to give him some more money against it because it's really far along I hate doing these types of deals, but I think it's solid. Now to do statements.

1-31

It was a crazy busy day, which I't snot always like that for end of month. I funded four deals. I had six pay off, I might have more if Bennett pays off the two he said he would. He might deposit a check tnight. I had a lot of payments. I lost about 100k this month. I never cashed the check from Scott for the interest. I hope next month the number of deals from him which will lower my risk and bring in some much needed interest. I have to try to pay off another 5-7 next week.

2-3

I had a really busy day, I funded three deals and started working on the 7 deals we are going to payoff this week. it's going to take me several hours to come up where to put all this money on other properties. Soon, Scott has to come up with cash himself to close these. I had a few payments, and I had one payoff. It was actually a return of an auction deal.

2-4

I was so busy today typing docs for the 7 deals we are paying off tomorrow. It takes me hours to do. There is so much extra work. Scott told he has 30 properties going on the market this weekend, most of them are the ones I've paid off the 2<sup>nd</sup> and then liened with my money. So I'll be getting all that money back. He's wholesaling most of the ones he's buying now, taking a quick profit. He's going to start getting money at the end of the month so he'll pay off Gregg's loans so we can sell those houses and get the profit back to him. I had a few payoffs, and a few payments. I'd be able to go to the boys school if I wasn't doing this work all day long! The forbearance agreement is going nowhere with the attorney's. It's become a fight. We are going to have to spend time in a room together to work it out. I fear

2-5

I was super busy today, I wired out over a million dollars to pay off the assholes today, did 7 loans. I think we are under twenty now. Scott had 800k worth of deals too. Fortunately I had over a million dollars in payoffs come in unexpectedly too! I had a few payments too. I went to lunch with Tom Smith. I worked until midnight too. It takes me so many hours to do these payoffs to the assholes, I hope to be done by the end of the month.

2-6

I was super busy in the morning. I got almost everything done before I left for Mark's office to do my finance class. I got back and was super busy until I left for the day. Lilli called, she needs 2 million for next week. I committed to her and now I have to pare down the payoffs to the assholes group so I have enough money. I'm still hoping to do at least 5 more next week. One my list we are down to 23, not sure if it's 100% accurate but we are close. Two more of the Gregg's loans paid off today too.

2-7

I was so damn busy again. I was on the phone with David and Scott off and on trying to find middle ground in this crap to make this agreement final. Now David is telling me I have to tell my investors. I'm just so stressed out I could have a heart attack. I had two payoffs come in, I had a few payments and I don't have enough money to cover Lili's deal yet. But I have a week.

2-10

I had to wire in 198k out to close a Scott deal, but I got 227k back. I funded two more of his deals, but I should get those funds back on Wednesday. I told him to quit buying I'm out of cash, he bought another one. I don't have money for it. Yahoo email was down the entire day, completely fucked up my productivity! I'm still working and it's midnight. Now Lili wants me to close her deal Wednesday. I don't know if I'll have funds for it or not. I was going to wire in funds for paying off 3 more deals for Dan's group, but I don't have funds for that either. I need a lot of payoffs tomorrow but I'm not sure I'll get them. If Roger's would close that would help a ton!



2-11

I didn't sleep all night. Lili wants her deal funded tomorrow, Scott bought a 200k deal, I have 300k I have to wire to escrow to payoff more of dan's deals. I couldn't come up with enough cash. I emailed Brian, he sent me 500k, I called Ryan, he sent me 300k. that gives me enough to cover everything. We paid off 4 more loans this week. we should have some more gregg's loans closing next week. we got a little closer on the agreement with david and jeff, will beat out the language. I had two other payoffs today. Roger is still threatening to pay off his four deals tomorrow or thursday. That would be great, for interest and for liability.

2-12

I finally had a quiet day. I wired away 2 million for Lili's deal, 300k to payoff three deals of Chris's, then one more wire to close a Chris deal. So we are down to less than 20 deals and around 1.5 million. I get those paid off in the next few weeks. We'll have a huge issue behind us. I had one payoff for a deal that Scott wholesaled. Roger I had to forgive his debt on 4 deals so he could close them. I couldn't collect it if I took the properties back anyway. He'll pay me some day, sure he will. It will be quiet while I'm gone since I've got no money. I've got 62.4 million lent out, I have might have 300k in my combined accounts. Scott thinks he can have 10 more properties for sale soon. The more that close the better. I've got 34 million of my 62 million lent to him. In the next 60 days that should be cut down by a third.

2-13

It was a quiet day, but I was hoping for more payoffs. I only had one come in. I funded two extra deals, 30k and 10k. I need cash bad. Scott needs 500k to buy, I need 400k to pay off dan's group next week, I need 300k to pay my investors, Adam needs 400k next week. that's more than I've got coming in next week. I can't believe if I had another million I would be able to put it all to work. I had a few payments too. I'm ready to leave now.

2-14

It was a good day to be snowboarding. I think I had four calls all day. I wired some money first thing for Christmas. I got one payoff in and lots of payments. The Scott and Jeff vs David saga is continuing. I need a ton of payoffs for next week to keep everyone happy. I'm trying not to stress over it this weekend.

2-18

I funded one for 30k, and I never had any payoffs and few payments. Scott wanted to buy, but I couldn't say yes because I was so short money. We have to pay off 3 deals for Chris's group, Adam wants money, I can't fucking believe I'm so tight on money. I have 3.5 paying off between now and the end of the month, but I can't part with the little cash I have until I know we have these deals paid off for Chris's group. We are going to fall behind the plan of 5 a week, but I can't do any more than that.

2-19

I had nothing to fund. I had one payoff, which was a deal from Scott that he whole sold. I should have a few more closing next two days. I couldn't fund the deal for Adam. I have a million, but I need money to pay my investors and payoff three more loans of Chris's group and I have to fund some Scott wholesale deals. Boom a million is gone just like that. I should have a lot of payoffs coming, but so far one this week. I had a lot of payments. Tomorrow is the meeting with the lawyers, that we hope to finish this damn thing. I put the property I took back in escrow, though it doesn't close for 2 months. I got them to raise the price a little to compensate for it. I'll get back my principle, fix up costs and most of my interest.

2-20

I funded one deal for Scott and then left for the meeting with the attorney's. They were no better in person than they were in email. David lost his temper more than once. We went back and forth for 3 hours. We broke up and came together, finally we are down to one point about the release. The lawyers are trying to word it to make each other happy. I had two more payoffs of his loans today. I'm paying of Dan's group, 3 more loans tomorrow. Plus two of Gregg's loans are paid off to me tomorrow. So again we are making headway. But at a point we are going to run in a road block of properties that I can over encumber. Scott is going to have to start coming in paying off some of Gregg's loans. I told David the dollars today, he about shit a brick. I explained to him how I got there and how far we have come and how much better we are today than in November. Though I'm not sure he understands that. My balance sheet isn't looking much better, but it will start to swing in the right direction in the next 30 days. I'm more concerned about telling my investors and their reaction to the problem. I have to tell them and hope they stick with me. If I get a run on the bank I'm in deep shit. I won't be able to fund new deals, I won't be able to payoff investors and won't be able to support Scott. The whole thing craters.

2-21

I did all of Scott's loans, wires and then the payoffs came in. I got three more of Chris's group paid off, I received three payoffs, two of which were 95% LTV deals, one I had to load the cash on other properties. Again, more headway in the right direction. Roger's three deals paid off, no interest, just principle. I would have done the same if I took them back and sold them. He's supposed to pay me interest on them, I doubt I'll see a penny. I talked to Dave, he found out what we already suspected, there is no way we can give what Scott wants. I'm not sure where this will lead us. We talked about telling my investors, we are going to put that off as long as possible so that we can improve the situation as much as possible. We've got another 15 more that are closing next few weeks. We could be close to under a 100 problem loans within a month. I just have to keep telling myself I'm doing the right thing to fix it, no matter how much anxiety I have over this issue. I didn't sleep more than 3 hours last night.

2-24

I funded two deals for Scott, both are supposed to come back this week. He's wholesaling now more than retailing. I funded another one for Christmas. I had a lot of payments in. The lawyers

are fighting over the words, now scott's attorney is going out of town after Friday. I was stressed out all day thinking about these investors. Coralee is trying to sherriff auction McKmley now I'm owed 50k more than what it's worth. Roger is now going to give me back 4 houses it looks like. I'm back to being a land lord again! I'm missing out on so many good deals right now with good borrowers. But I have to have cash to payoff dan's group, 5 more loans should be gone this week. we've got 22 in escrow, 6 of them closing this week just keep pounding down the laons, however, I'm not sure how we are going to pay off theloans that now have triple encumberances on them.

2-25

I finally started receiving some payoffs. I got six of them, two of them were small. I funded one deal. I have a bunch of deals to payoff of dan's. I've got more money coming in. I'm really struggling with how to get this deal solved. I talked with Scott for an hour, we went over like three more scenarios. It all boils down to him coming up with cash. He does, that we'll be able to pay off a lot of loans, in numbers not dollars. Then his attorney sent over a 35 page agreement which was completely different than what scott agreed too. I swear they are just drgging this out and have no intention of signing anything. I know I'm not going to sleep tonight! I've bene up since 2 am already!

2-26

I slept maybe 3 or 4 hours again last night. I funded one deal. I had nothing payoff today, I'm hoping for a few tomorrow. I barely functioned all morning waiting for Scott to call. He finally did saying Gregg is willing to work with him. We've decided it's better to sell these properties as quickly as possible, take the losses and move on. Scott will sign a promissory note, it frees up from paying interest, I take a big hit, Gregg takes a hit, and we move on. It will take me 2 year to get back to profitability I'm guessing. This may allow me not to do what David wants me to do, I don't know. I never got to talk to him. But what we are doing isn't going to work fast enough and we'll have a big hill to climb in the end. I'm just so sick over this I can't function.

2-27

I talked to scott again, he agreed to everything this morning on how to work this out. I talked to David, he's thinks it fine so we are done. Now Gregg is acting up and watns interest paid in advance. This is the why we need to pay him off quicly I paid off three more dan's loans. I had two payoffs come where I had advanced 95%. I had a bunch of payments too. However, now we just need to get this signed and start working towards selling these houses. We have a plan for that now too. i took back 4 house from Roger today. I'm going to try to sell these damn things too, I'm not going ot sit on them with a tenant for a year. Now I'm going to do statements.

2-28

I sent the statement last night. I had payoffs but all late in the day. I've got now over 1 6 million. I've got more of Scott's payoffs coming next week. working without this cloud over our heads is refreshing. I wired him 100k to pay Gregg his damn interest. By the end of the month, 1/2 of his

loans might be paid off. we hope to have 100 loans paid off by month end. I've got to put the money back to work, I'll will return it to folks. I had a ton of payments, but I'm still down 154k for the month. Once we start selling these houses and I get my accumulated interest back in I'll have a better march. I worked ½ the day on McKinley property, dealing with a real estate attorney, emailing Coralee, I can protect myself and rid her judgement, it will just take time. I'm asking her nicely what she will do and not do, she won't answer me. Next week she will be at my house I can't wait.

3-3

I had a quiet morning, so I left for Ty's school. when I came back, scott had bought 5 properties, I had 5 payoffs and several payments. David called me telling me of adlib info to scare me about dealing with scott. I can't control what others are saying in the lawyer community. I have to get this done so that I have something in writing and do the best deal that I can do.

3-4

I funded six deals. The four for scott he had sold by noon, he said he made 30k. it will take a week to get it all back to me. He bought two more today. He needs to make about 50k a week wholesaling. I had a few payoffs and some payments. I've got a lot of people that are late on their payments right now. I engaged a lawyer to rid me of Coralee on the McKinley property. I know she'll be a pain in the ass until the end. I'll plan to return her funds to her this year too. I don't need that bulls hit.

3-5

I had a super busy day. I had four to fund, and I had eight payoffs. Mostly they were scott's wholesale deals or rescinded deals, but I've got money in the bank now. I can payoff five of dan's deals Friday no problem, plus they have two more closing, we'll be down to three. I paid for the food today. It's a lot more than I was expecting, but hopefully they all like it. I got a few payments in, but not as many as I was hoping. Scott is making good money wholesaling, now he needs to sell more of these houses. I have to lower my exposure to these homes. But in that I'll have an unsecured note to him too.

3-6

Another quiet day, I funded two deals, and had no payoffs, a few payments though. I took down the docs to a lawyer's office to foreclose on john so that I can rid myself of Coralee on the McKinely house. Auction set for June 10, I probably will get a contract this weekend to close in a month. I've got over a million to send out tomorrow for Scott. I'll get ½ of it back if the closes come in that are supposed to happen. Dave is supposed to have our agreement done too.

3-7

I funded two deals, paid off 5 of dan's deals, and wired overage money for 2 of dan's deals to close. We have three left, plus the issue with the trustee's deed one on Potter. I had six payoffs

6  
too. The two from dan's group, and then two of PG's which is good, just leaves me with the two land deals and one deal on 13<sup>th</sup> that was supposed to close today, probably Monday I had a few payments, not many David is supposed to have this agreement done today, so we can review, I hope it's what scott wants so that we can be done with it.

3-8

I got everything ready for the party early. The food showed up on time, it was 2x the amount of food that we needed. Everyone came but maybe 1 or 2 people. Coralee and Gary came, hardly spoke to me, which is fine. they will get their surprise this week. I enjoyed talking with everyone, I don't know why I get so stressed about it. it was all over by 6pm. I met Tom Weiskopf finally. Everyone loved the food, they just didn't eat enough.

3-10

I had a wild day I was busy in the morning. I had emailed everyone and said I would have money this week. Chris took 350k, Adam wanted 200k, Scott bought 500k worth of stuff, and I was nearly out. Then Lili called saying she was going to pay me off a million dollars today, so now I have money again. Scott is wholesaling properties before I even record docs. Hopefully he's making money on the damn things. we've got about 20 properties in escrow and more are listed now, so we hope to get a lot more in the coming weeks. He's trying to sell 10 or 15 to a hedge fund too.

6  
3-11

I funded two deals for Scott, he sold one before I got the docs back. We talked to David, I think we've worked it out. David changed and said now I have to tell all my investors. Scott and I are going to try to fix this mess in 30 days and that way it will be a minor issue. I had two payoffs and two payments. Tomorrow will be more busy with deals and payoffs.

3-12

I funded five deals, I had three payoffs. I received in a lot of payments too. I talked to David again about the agreement, he made his changes, Scott had more. It just never ends with this. I've got the last three properties ready to be paid off of Chris's/Dan's list. Scott and I have decided he'll buy a bunch of properties, and we'll pay off Gregg that way and then sell the rest. We can clean this up much more quickly and lessen the loss.

3-13

6  
I had a really busy I funded four deals, plus 50k to Shawn. I had four deals payoff and lots of payments. I've got about 10 deals to fund tomorrow. Jim McArdle came over to ask lots of questions and talk about retirement. I know I've got at least 6 deals apying off tomorrow. I'll probably return some funds to UT tomorrow too. Scot finally agreed to the wording, now he wants to change the terms. Which he might have a good idea. We keep changing it to try to make the right balance between over encumbrance and an ugly sized secure note.

3-14

I funded the last of the three deals to pay off dan's list. Feels good to get that behind me, however, it was anti climatic. Now to work on Gregg's list. I had a few other deals to fund too for scott and Mike Moore took a little money. I had two payoffs and a few payments. I was busy in the morning. I also drove up to see Sammy's house. He's got the house 80% done. It really looks good, I'm anxious to see what he can sell it for.

3-17

I only funded two deals, but I hav two payoff. Scott boughta lot for tomorrow. I had a lot of payments made too. It feels nice to know we don't have any dan's loans. Just one, left, which is in dispute. David has more changes to make the to agreement that I asked him to make. Sometimes I ask him, I get it back and it's not done. I can't wait for the next bill.

3-18

I think we have the agreement done, Scott is going to read it tonight. He'll probably just agree to be done. I funded four deals, I had three payoff. I've got a lot paying off this week. I had a few payments too. Scott has the first 5 lined up to start paying off Gregg's loans. I want to start seeing this and I need to see some of the older loans start paying off. I want the interest to start coming in.

3-19

I funded three deals, and I had four payoff. I've still got a ton coming in before Friday, which is good, because I need to return 500k to Major Miller next week. I've got a stack of deals to fund tomorrow for scott. He's going back on forth on how he wants to do this, but we'll find a way to do it. David has to do some more changes for Scott now.

3-20

I funded six deals today, 5 of them for scott. He paid me back on three others today. Christmas is selling a lot of stuff, so he has been paying me back too. Scott finally agreed to agreement. That's done, I have to do some numbers to fill in the blanks, but otherwise it's ready to be signed. I have no idea if it will ever be used, but David assured me I'm in a good position. Now Scott is trying to figure out what he wants to do, sell all the properties or keep and rent them. We aren't going to his five props tomorrow because of HOA delays.

3-21

I funded three deals for scott first thing, went off to my mom's meeting, it was the smallest group, 9 of them. If next time we don't have 15, I'll cxl it. hell I need more borrowers. I had four payoffs, which was good, because I'm running low on cash and I have abig week next week.i got back and funded two more deals in the afternoon. I have 4.5 million closing next week, I'll need

6

it all to cover what's on my desk and requests for cash back. Only two payments came in. once we start paying off gregg's loans, I can capture all that interest.

3-24

I did 80% of end of month on Sunday, so that feels good to get done. I funded five deals, and I had three payoff. I need more money to come in because Lili wants 2.5 million on Monday. I told her to find an alternative back up source. I should have it because ih ave 4.5 supposed to close but ½ through the day, 500k of that was moved to Monday. I had few payments in, the late ones, so that was good. Sammy called wanting me to give him more money for his house, I told him no. I'm already too deep in to the house. I rather take it back 90% finished then give him more money. We went round and round, but it didn't change my mind.

3-25

I funded three deals and I had three payoff, I had a bunch of payments made. Lili is calling me wanting me to fund this 2.5 million deal, which is fine, however, I told her I won't know until Friday. I've got 3.2 million coming in by Friday and 700 by Monday. I don't kow if I'll make it. we have the agreement done and notes done so hopefully scott will sign and we'll be done with it. he's supposed to get his money from isreal now next week, I hope it comes or we can't do the refinancing part we had planned.

3-26

6

I funded three deals and I had three payoff, which raised my cash position. I had a few payments too. I had talked to Lili about her 2.5 million deal, and I've got a few other borrowers that want money, a few that are pushing their deals off. I was stressed I wouldn't have enough money. Then I get an email from Ryan, I was thinking he was going to ask for 700k back, instead he wanted to give me 2.5 million more! I said I'd take it. I figure I can put it to work on Lili's stuff, fund my guys stuff with my cash and then with all the money coming back in I can slowly start paying back investors and give me some breathing room.

3-27

You never commit unless the money is in the bank! I learned that rule a long time ago andi broke it. I wired off funds for the deals today, thinking I'll be perfectly ok to do so. Then I'm sitting in a parent teacher conference and I get an email from Ryan saying he can't provide the money. I about craped my pants. I talked to him and his CFO three times during the day. he now thinks he can get me 1.2, I don't know if I'm going to get enough money in Friday to cover this. I had to have scott stop buying, sell a bunch he had already bought, and now I'm scrambling. I'm 2.2 million in the hole for my commitment tomorrow. I better have a banner day of closes!

3-28

I wired out every damn dollar, I was down to maybe 50k. which would be great for Friday, except I need money to fund Lili's deal. These moron's in UT cdidn't call me all day, I called

them, they are now saying 1.5. then he wants to be on the paperwork, then he wants to talk to lili, I put her on the phone, that got ugly, he can't understand her and he wants numbers she doesn't know them, she gets pissed at me because she looks dumb, he tells me he'll call me tomorrow and let me know he wants to do, she calls me and says she's going to look for other money. The mean time, Scott is on his way to NY to find money. I had a million come in today, which won't cover half the deal for Monday. It's going to be a stressful weekend.

3-31

I had eight payoffs, funded one deal. After I don't know how many phone calls, I convinced the UT guys to just lend me the 1.8 and I'll take care of the deal. They don't like it at all. Lili is mad at them, so it will just work. Scott is now convinced he's going to just sell all the properties and owe me a shit load of money and work on paying it off. at this point it clears the books, brings in the interest and then hopefully he can produce enough money that he can pay down the debt, it could be 8 million. That's a scary fucking number. I'll now be able to fund a few more deals that are popping up. I only lost 95k this month. If he sells the properties, and I get the interest in, I'll have a good year, which will be good to put some capital on the books incase he fucks me at some point.

4-1

It was a super busy day. I funded three deals for scott and then the payoffs started to roll in. I had nine payoffs and a few payments. The biggest deal is that the UT guys finally wired me the 1.8. right at 2:30, when I had asked them at 8 am for it. I've got lili covered, I've got deals covered through next week and I've got 1.8 coming in from here to Friday. Everything should be done for Scott to finally sign, should be tomorrow. He's buying a lot right now and I hope all other properties start paying off now. I need to return some funds this month.

4-2

It was a quiet day which was nice. I funded the 2.8 mil deal, and three others for scott. I was paid off on three deals and I received a lot of payments in. because it was quiet I caught up on everything I needed to do. I took back some land that roger can't sell. I'll get it sold no matter what.

4-3

It was a quiet day, I funded a few deals for scott and he paid me off on a few. I thought we were done with the agreement, then David says it's not done and is going to have to redo sections of it. Jesus this is going to cost a fucking mint! 100k for the agreement! I'm still not convinced it will do anything for me. I sure hope I never have to use it!

4-4

I funded a bunch of deals for scott and then he only paid me off on two of them. I had a few other payoffs come in. I paid off the very last property that was in question with Dan's group, this



damn Potter property that we don't have a trustee's deed on. We are supposed to have it any day, it's been that way for months. I had a bunch of payoff which is good because I've got a ton to fund Monday morning. I hope next week I get enough payoffs to get me ahead in cash to where I'm not skimping by day by day. it's just stressful as all hell and I hate it. I have to return funds to investors next week too

4-7

The day worked out ok, I was a little nervous. I had more deals to fund then money in the bank. I had two get pushed off and a surprise payoff, but then three other payoffs didn't come in. scott bounced another check to me, but re-deposited it today, so hopefully I can use it tomorrow. I've got some guy calling me about a 500k loan I have that wants to buy the house but I don't own it. I can't get ahold of the borrower either. That really pisses me off. I had a lot of payoffs today and payments, so that always helps. It's going to be tight week.

4-8

I log in to my bank, I'm negative over a million dollars! The bank reversed all my deposits from scott from Friday and Monday. They closed my account soon after. I spent all day talking to a dozen people. The bank didn't like that I had a bounced check and then redeposited it and then I'm wiring back to the same account. I finally got them to call Scott's bank and reverse the whole thing, but it was too late and they can't reverse the holds so I couldn't pay for his three properties or fund the 2 deals I was supposed to fund today. Now they are telling me tomorrow it should be ok. It better be or I'll be blowing up the place and quit with killing them with kindness. The stress that I went through and anger and my blown reputation with my borrowers and title co's is immense. I about I'll sleep tonight.

4-9

These lying shitheads of bankers, I couldn't log in to my acct all night or in the morning. we had to call in and start all over. Then after telling me last night, oh it all has to go through night time processes to release the checks, they instead manually released them this morning. by 10 am, I was 100% back up and running. I wired out over a million and received in nearly a million. I've got 4 million coming in the next two days. I swear, I was so pissed, but more relifed just to get back and operating.

4-10

First day of normal business and I was busy! I wired out four deals, i had five payoffs, a few payments. I didn't get nearly as much in as I thought, so tomorrow could be a huge day and it could allow me to return some funds, have cash in the bank and best of all have money uncommitted.

4-11

I got in a million dollars today, most of it late. I put out 750, plus returned 250k to rob brinkman. I had a few payments. Most of the day I was trying to figure out how much was coming in and when so I could commit on some new deals next week. scott bought 900k, but he's wiring me 550k Monday. I have two big deals, one for 650k and one for 2.2 million but they both got pushed. I would love to get those in to give me some wiggle room.

4-14

Stupid busy day! I funded ten deals, either full or partial pays to get the money returned to me for scott payoffs. I had six payoffs. I've got more coming tomorrow too. I had a lot of payments too. I was barely able to keep up with everything, then the boys came home and now it's midnight and I'm still working.

4-15

I had enough payoffs in today, to finally get ahead. It's the first time in months! So much so, that I did a 600k deal for kyle. I expect to get in a lot over the next few days and I'll be in good shape. I funded four deals. I had six payoff. Only had a few payments. I really would like to have a million in the bank. I should be there Friday.

4-16

Scott had trouble with his wires this morning, by 11 we had it all sorted out. I've got extra money now, so I can wire him and he can wire me back to pay off deals. I funded five, I was paid off on 9. I had no payments in today. Scott signed the agreement. Now I hope we never have to look at it again. I'll send it up to david tomorrow and then he and I start on the memorandum.

4-17

I had a productive quiet day. I funded four deals, and I had four deals payoff, 600k one that wasn't supposed to come until tomorrow. I'm now with excess cash, I can pay my tax bill and send Coralee back her money. At least start sending it back. Rick from Sundance stopped by for 30 mins. I don't like him. He's disorganized and uncommitted. He wanted my spreadsheet, however, he never asked for paperwork that he has money with me. I've never sent him any. Kirk fischer bought a property today! I doubt he's getting back in, just too good of a deal to pass.

4-18

I funded five deals today, then I only had three payoffs. I had a really quiet day because it was a holiday. I had a few payments too. I've got extra cash, which is nice to go into a week with money and no stress. Now david is saying we have to resign because the day of the docs don't match the dollars on the exhibit.

4-21

It was a really quiet day. I funded four deals, I had four payoff. I ended the day with more cash than I started, I should tomorrow too. I mailed off Coralee's first return of her investment, it will take me a long time to get rid of her, but I will hopefully in a year. I did 1/2 of end of month this weekend and all the renewals, so I'm glad to get that off my back.

4-22

I funded three and had four close. I was in good shape. Then Scott called and said he bought 1 million today! I can't get ahead. He's sucking up as much cash I create! The biggest problem is his loan balance keeps growing. He does have 35 properties in escrow to close the next 30 days, he's got 500k or more coming back to me a day on his wholesale. I think at the end of May it will finally start coming down. Mike Moore still thinks we are closing his 2.2 million deal any day. I have a lot closing the next few days, nearly 5 million. We'll see how it all comes in. I tried to do my bank transfers tonight, but they eliminated all of those too. I may have to start all over. It's going to take me hours!

4-23

I had a really busy day. I funded nine deals, I had seven payoff, I had a few payments. Scott bought another 700k for tomorrow and I should have enough coming in to pay for them. I started re-creating all the accounts to make the payments. It takes hours to do. I'm not even half way through it. The Thompson's received my letter and check. Gary emailed me and apologized after a bunch of back and forth, he's going to give me the release I need and I can re-list the property. I should have just fucking called him day 1. I emailed and was stone walled, that's Coralee.

4-24

I started at 6 am typing in the data in to the BofA web site. I finished about 9:30. I've got end of month all done now expect invoices I can do those this weekend. I wired off five deals, I was paid back on six deals. I think we've hit the high point of Scott's balance, he's paying me off on more than he's buying. Which is great because I've got a dozen deals I could fund for other people which I would really like to do.

4-25

I funded five deals, it was a quiet morning and then no wires came in and Scott by nearly 700k. He sent me two wires, but the ones from the escrow co's and one of his weren't coming. We were all panicked because I wouldn't have enough money to cover for Monday. Then as we were talking his 100k wire came in and to my surprise a 400k payoff I wasn't expecting until Wed arrived along with a 200k wire that wasn't supposed to come until Thursday. I'm ok now! I even had to borrow money from my personal account this morning to get all the wires out. Thank goodness my IRS check hadn't cleared yet. Next week I have over 5 million supposed to close. He won't be buying 5 million so I should be able to get money out to other people, which I passed on over 2 million worth this week!

4-28

I funded five deals early, then two more later. The smallest 30k deal was rejected, I clicked on the wrong acct, when I was typing in the acct number, pissed me off. I had six payoffs which was great. I had a lot of payments too. All the BofA direct payments to my investors were rejected, and the one to Russ. The BofA were rejected because I used the wire aba and not the ach. Russ' was rejected because bank buyout and I didn't know. I just went to the branch and transferred them all today, be done with it. russ is ok with getting his on 5/1. The whole thing ate 3 hours of my date, just pissed me off. I'm getting much more money in from scott then I'm sending him again tomorrow and I might be getting my 1.8 mil payoff too. I would love to get my head above water for aw hile. Though I fear the day which I know id coming soon, of too much cash.

4-29

I funded six deal, I just barely had enough money for it, then the payoffs started coming in. I had five payoffs for more money then I sent out. I also received confirmation that my 1.8 is coming to me tomorrow. This is fantastic, I can get out of this cash crunch and put more cash to work with different people. Scott is now returning more cash to me than he's taking each day, so hopefully I can whittle him down a few million this week. Dave said we are done with the forebarence agreement. Now I have to get scott to nominate someone if he dies to sign for him. I also had 3 more direct payments rejected, but their system was down so they couldn't tell me who or why.

4-30

What a crazy busy day! I got back 3 more rejected direct payments I fixed two for sure, and one I think, we'll see. I received in 1.8 million wire which is hopefully going to change my cash flow big time. I was able to fund about 10 deals today. I made many people happy, after stringing them along for a while. I had 10 payoffs too. Most of them scott's, the balance is starting to go down, and because he's paying off the older loans, I'm getting a ton of interest so I was actually profitable this month! First one of the year. If this continues I might be profitable for the year! I fucked statements last night and sent 23 to the wrong people. Easily fixed, just lowered my reputation. I have 2.5 million in the bank and maybe 300k to fund tomorrow. I've got lots more coming back in. which is fine, I like having cash now, I've got a return some to the Miller's and I have to Lili with a 600k deal. Plus more of scotts that come in the beter the situation is between him and me.

5-1

It was an easy day, which is good after yesterday. I had more come in then I sent out. Scott is down almost 2 million from his high, next week he could be down another 2 million. I was profitable for the month, first month profitable since November. If scott keeps selling these properties, I'll be profitable this year, just with a big note to him.

5-2

6  
It was another quiet day. I funded four deals, returned Major Miller their 200k, and then I had four payoffs and Adam paid me back 200k. I had a lot of payments too. Lili didn't pay me her money. I'm sitting on 2.5 million now. The world is different when I have cash. I could be at 4 million by the end of next week too.

5-5

I didn't do hardly any work this past weekend. Today was easy, I had 8 to fund and I had three payoffs with lots of payments. This week is going to be a huge change with Scott. He's got a lot of retail deals closing, where now he's getting money back on them, and the ones that we are closing have very little that need money, maybe one will need 150k or something. I counted up that by the end of the month, we'll have 30 properties closed from the list. We'll be under 90 properties down from 186. I can finally see the light at the end of the tunnel.

5-6

The day was going along well, seemed like it was going to be a sleeper of the day. Then my hard drive wouldn't quit running, after hours and hours of dicking with it, rebooting it. Brian discovered it was the drop box. Finally turned it off and I was able to catch up all day, prep for tomorrow and now I'm on top of stuff at 11 pm. However I'll be gone all day tomorrow with Dillon on a field trip, this is going to be lovely next few days.

5-7

6  
I had just enough money by 25k or so to wire 1 million off to Scott's acct. He paid me back 650k plus 225k he did, but Christmas is buying the deal and wants to keep it in his name but pay me interest so he can refi it. Some of the retail deals we thought were closing never did, they got pushed. I still have a lot coming back tomorrow but Scott bought another million today, he gave me payoff requests for two of them already. I answered email and phone calls all day while on this field trip. I was able to take care of everything then once home I worked until midnight and caught up.

5-8

I funded five deals for Scott, I had three payoff. It took until 1pm to catch up everything from yesterday. Now I'm on top of stuff. Scott only bought two for today. I've got 1.7 million that could come in tomorrow. A lot of the retail ones we had planned for this week, got pushed to next week. I have 15 planned to close next week. He will finally be going down in total dollars.

5-9

6  
I was pretty quiet today, I funded four deals, I had 7 payoff, lots of cash, now Lili wants another 600k Monday! That's for the warning! I might be able to do it, because 500k worth of deals got pushed until Monday. Scott didn't buy that much either. I had a few payments. A new guy from Canada is wanting to flip houses using a guy I've done a lot of business with. I semi tried to talk him out of it.

5-12

I funded seven deals, three of them were overages on loans that I would be paid back when they close, two today, one tomorrow. I hate sending money out on those, but they are lowering the amount owed to Greg, so that's the good thing. I had nine payoff tomorrow. I've got about 15 paying off in the next two days. I had a few payments too. Lili went from needing 600k today, to 1.2 million by Friday. I have nearly 4 million closing this week, so it shouldn't be hard to do.

5-13

It was an easy day, I funded five deals, and 20k for Minh. Then I had five deals payoff. We are beating down the total for Scott. Two more older loans were paid off, I'll more this week. I hope by week end he'll be under 36million. I had a few payments too. Tomorrow should be more of the same.

5-14

More of the same, six out, four in, but I'll have more tomorrow. I had a few good payments too. Roger gave me back his last land deal. Just what I want. At least I have two closing the next day or two and I have one closing in a week or so. Friday is going to be a big day for closing more retail ones for Scott, then next week we have one a day. we are slowly but surely pounding down the list.

5-15

The day went quite orderly. I sent out my wires, all the ones came in that were supposed to. Jeff and Tony came up from Tucson and we had lunch and BS'ed for a few hours. Scott called, he moved 800k from Friday to Monday, and that screwed up my day. I had a lot of leeway to have enough money for everyone. I had to pull in 500k from Tom to make sure I can cover everyone. Huge pain the ass, I should have told Lili no on this deal, but I just feel like I have to put the money to work because soon I'm going to be drowning in it.

5-16

It became a stressful day. I requested 500k in from Tom, thinking it would come in early and I could wire Lili's deal right away. She was calling me and title was emailing me it didn't come until 12:45. I wired off Lili's money, then all the wires I was expecting started to show up in 15 mins. If they would have come earlier it would have been fine. I got closings on two of the properties that Roger gave me back. A third will close in a week or two. Scott's closings all came in, we are down to 10 million of Greg's loans, so that's great, from 24 million in November! My cash is going to be tight next week. I don't have a lot of closings from other sources other than Scott and he doesn't have a lot closing. The head way is slow but steady, every day is a better day than yesterday, so I'm glad for that. I funded seven deals, then Lili's, I had nine payoff.

5-19

I had to start the week out stressful! I wired Scott his money and he bought more than I thought he would. I returned Tom's money at least. Scott had to borrow money from Gregg because I couldn't cover all that he needed. I did accept 300k more in from a new investor, it's just temporary but I need it. He's a borrower that can't buy anything right now. Scott and I have to do the wire game tomorrow to get each other the money we need. Plus I need to return 250k and 150k to people. I can't talk him in to taking off a day to get me flush, so he's going to try to slow bleed it out. I was out 1/2 the day with Courtney and we had a baseball game, so I'm way behind!

5-20

I got the 300k in early, I was able to make my wires to Scott though they were delayed and screwed up his morning! The one day the bank doesn't deliver my money in 15 mins! I also got a surprise payoff on one of the PGREO payoffs early, so that helped. I postponed a deal so I'm getting in better position. I had the payoff Scott told me, so we are good for another day.

5-21

A quiet productive day. I funded three deals, I had two payoffs. I had a few payments. Did the entire month's renewals today. I got all set with Scott on payoffs, cash flow and docs. I'm hoarding cash, because I have to return some to investors, pay them interest and make sure I have money for Scott. I keep turning down lots of good deals, it drives me nuts, but I have to keep Scott rolling in deals to make money to fix our problem.

5-22

Super quiet day, I funded four, and was paid off on three. I had one payment. I talked to Scott the deals that were supposed to come in tomorrow aren't so cash is going to be super tight! I just need to get a bank of cash and keep it. I can't stand this game we are playing. I know at some point I'm going to have mounds of cash. I just received another request from an investor that wants money back. I'm really going to struggle next week.

5-23

I funded Scott's deals, I got a wire in that was supposed to come the other day, he got some closings he was pushing for and I ended the day with 1.1 million he only bought 700k, plus he's got 1.1 coming in Tuesday. I had a few payments made, some past due ones, so it was good to get caught up on those. I was all done by 3pm.

5-27

I got end of month done yesterday. I just have statements to do. I had all the payoffs come in that I was planning for except one. The condo on Broadway closed, one less house to deal with. The people that put in a contract on McKinley opened escrow. Then Matt texts me that the pool pump is broke. I funded all of Scott's deals plus one for Shawn. I have a stack to do for him tomorrow. I had a ton of payoffs and payments in today too. I have a little cushion, not much.

5-28

I funded 8 deals, I only had four payoff, I had three wires that didn't come in. I hope they will tomorrow. I'm down to 500k, Scott only bought 400k! I have 2.2 million closing the next two days. That way I'm hoping to have cash in the bank and get out of this pinch all the time. plus he's got money coming in on some deals soon too. I had a few payments too. I still need a bucket of cash to come in to be profitable this month. We are chipping away at the list, we made great headway this month. We have 9 in escrow for next month for the old AFG loans. I hope to knock off 15 or more in June.

5-29

I funded three deals and I had 6 pay off, so I needed the day with 1.2 million in the bank. Tomorrow I'm sending out 1.4 and I should get back in 1.6. I had a few payments. I found out the last house Roger gave me, the people aren't paying the rent so I can sell that one now. We have McKinley under contract, so now we just have to sell the land. I fear that's going to take a while.

5-30

It was a busy as hell day. I funded eight deals I had nine payoff and was able to return 250k to UT boys. I had a few payments in too. I'll end the month 42k. Two months in a row making money, I'm hoping this next month, I'll be over 100k. I have a lot more closing next week, these old Scott loans have so much interest in them, that by closing more of them, that will make the difference. If we can just get more of them sold. He's got over 50 on MLS now, so that's good. June should be a good month to get more of them sold. As long as the damn market doesn't roll over on us. if we have a summer slow down like last year, it will bring our progress to a halt.

6-2

I funded three deals and gave Nesta back 150k, then he paid me down 100k on a property he bought. I had five payoffs come in, two unexpected. I actually have 2 million in the bank tonight. I turned down some deals, I want to get more in and then I have to return some money and then I can fund some deals for people too. I just don't ever want to get low on funds again. Scott bought more than he will pay off tomorrow, but that should reverse the next day. I had a few payments in. I am getting another property back, and it's a piece of shit. My fault, I'm going to try to wholesale it out too. It's from Edgar, long time borrower and he just doesn't want to put the money in to it, that's the issue.

6-3

I funded four deals, I had four deals payoff, but they were smaller, Scott bought 1.1 million for tomorrow. I'm glad I keep turning people down. I've got a lot maybe coming in tomorrow. I hate when he does this, the only good thing is that the next few days are thin. I should be able to build back up my cash. Then at 7:30 my email address was hacked, it's 11pm I've been on hold since 7:30 trying to get it fixed with yahoo. Patt Miller's email was hacked, people were asking



me send money to Canada and California. I called her, she didn't know it. then at 7:30 my email was hacked. Now I'm dealing with a fucking nightmare.

6-4

I called yahoo at 4 am, one ring and they answered, fixed it in 10 mins. I spent an hour fixing the email but I didn't lose anything that I saw. I funded 8 deals, I had five payoff, I'm down to 1.2 million. Tomorrow should be the reverse of it. I officially took back a property today, the guy that set up the deal John, is now trying to get another guy to buy it from me. Hopefully he can do it. it will go a long ways in sticking me with it. we got the new buyer to open up escrow on McKinley, that hopefully will go smoothly. I had a few payments, but not enough!

6-5

A good steady day. I funded five deals, I had eight payoffs. I'm up to 1.8 million. Scott only bought 500k for tomorrow we have 800k coming back. I can return some funds to investors that are requesting it plus I'm building up to back fund a few deals too. I had some payments too. I can't sell this damn duplex. Hopefully tomorrow I can. I've got two people, worst case I can dump it to one of two current borrowers.

6-6

I funded four deals, I had five come in, all the ones I was planning for. Scott only bought 500k for Monday, I've got about 1.6 million closing. I was able to send back 250k to UT. I'll be able to return 300k to Marion's brother and 250k to UT next week. I have a stack of deals to fund, which I should be able to do no problem. I had a lot of payments too. Lili called tonight and saying she wants 3.6 million for a deal at the end of month, I told her only if here two other deals closed. She said they would, I think I'll be ok to fund them.

6-9

It was a really quiet day. I had funded four deals, I had three come back, the big 1.1 million didn't come in and either did one of the AFG deals that was supposed to pay off. I'm getting lots of requests, but I'm not willing to commit because I want the cash in the bank. I had only one payment but I didn't get the mail today. Tomorrow should be better for payoffs.

6-10

I funded five deals, and returned cash to Marion's estate. I was supposed to have a shit load of payoffs, most were postponed. I only received in five. Adam's 1.1 million is now supposed to come tomorrow. I had two lousy payments. I started looking up old wholesale deals from Scott, I couldn't find any that were recorded, or very few. I went to the auction today to see if I could see Louie buy some. No one knows me. John Ray walks up and blows it! he's introducing me to everyone. I see Louie buy one, then that's not on the list. I question Scott about it. he says it was paid for by a customer, he only bought two others, and they were after I left. Then the thing with the deeds he explains that they hold them until the guy they sell it to sells it so that if there are

HOA's they don't get hit with all the fees We go over all the properties. He's almost 40 million now We've got 4.3 closing this week, he's not buying that much, we've got 1.7 closing on his house next week. so by the end of the month it should be much lower. It had better be.

6-11

I funded two Scott deals, then I got my 1.1 million wire in from Adam and then I got my wires in from Scott a total of \$2.25 million came in today. I funded 300k for Shawn and 500k for Chris Hughes. I still have enough money to fund Scott's deals tomorrow and I should be getting more in from him than I send out. I can continue to fund some other people as well. I only had two payments.

6-12

It was a quiet day on the phones, but busy in the bank account. I had two deals to fund and I had four deals to close. I had a few payments too. I'm raising cash and Scott's balance is going down. He bought 1.1 for tomorrow but he's paying me off on 1.5 too. I have a few other things that should close too. I want to fund a 600k deal but I have to make sure that all the money comes in tomorrow

6-13

I funded six deals, turned back 250k to UT, and then I had eight deals payoff. I was able then to fund a 600k deal for Kyle. I have 1.5 mil in the bank and I'll be up another 600k on Monday. It was a quiet day other than just the volume of deals in and out.

6-16

A really quiet day. I funded five deals, had 8 payoff, Scott's balance is nearly 38 million. It should be below that tomorrow. He got his final approval for his home loan which is 1.7 so I'll have that paid off in a week. I've nearly 2 million in cash, so all things are going well. I only had a few payments made though. I can't get rid of that damn duplex though. I may have to fix it up.

6-17

It was a much busier day with requests and paperwork etc. I funded four, I had three payoff but for much more money Scott is down to 38.1 million. He got docs so he'll close on his personal house on Monday, so that will knock it down another 1.5 million. I had a few payments. Better I've got lots of cash, 2.2 million. I'm going to return some cash to UT and I've got cash to do other people's loans! Which now I've got a few stacking up on my desk.

6-18

I had a busy day. I funded six deals for Scott and one for Maxson, on short notice. I returned 250k to UT. I'm going to try to pay them back faster, I probably will pay a good part of it off by Friday or Monday if both Lili's and Scott's loans pay off. I had a few payments. I got all the

renewals done. I need to start the quarterly newsletter, but I'm not motivated to do so I need to do the photos too.

6-19

I had an easy day I funded seven deals, I had five payoff, I got in more than I sent out on Scott's, he's down to 38.1 mil. It will go up tomorrow but way down on Monday. I had a few payments made too. I have that damn duplex being cleaned up and I'll try to sell the damn thing.

6-20

I funded five deals. I had seven deals payoff. I've got quite a bit of cash. I had a few payments. Scott didn't buy much today and we have 2.2 million coming back on Monday. My QB and spreadsheet are off 80k, I can't find it. and it's driving me nuts.

6-23

A really quiet day. I funded three deals, early for Scott and then 3 more for other people. I only got in two payoffs. Scott's house didn't pay off, will come in tomorrow. I've got a few others of his tomorrow too. He bought a million today, so that will suck up some money, but I should get back 2.5 tomorrow from him.

6-24

I funded ten deals today. I had three payoff but it was for a million more than I started with. Scott's house refinanced, so I got back 1.78 million. Plus all my interest which makes me profitable for the month. But I'm still 200k in the hole for the year. I have a million to fund tomorrow, 450k goes out for interest, I'm going to send 500k back to UT. Lili has two deals that might close which will bring in over 3.5 million. It's going to be a busy day tomorrow.

6-25

Neither of Lili's deals closed, she is worried about one of them, she needs 3.6 million by Monday I don't have it. one of the deals should close tomorrow now. The other she's not confident about. I returned another 500k to UT, I'm good with them for two weeks. All the interest went out. All I have to do are statements now. I funded five deals, I had seven deals payoff. One lousy payment came in. tomorrow is a million in and million out with Scott. I've got others that are supposed to close. Friday should be a circus and I've got my MOM's meeting.

6-26

I funded five deals for Scott, I did a small deal for CARJAR, and Adam needed 50k. then the I had four payoffs early, then one of Lili's apartment paid off, 2 million came in. she needs 3.6 tomorrow. I now have it and will easily have it with what is going to come in tomorrow. However, that will take me below 500k in cash by end of day tomorrow and I don't want to go that low again. I'm going to lend her 600k on her condo and that's good for me. I had a few

payoffs. I'm still waiting on some more to come in. I'll be profitable this month, but I have a long ways to go before I'm profitable for the year and let alone where I should be right now.

6-27

I had a super busy day as forecasted. I funded a bunch of deals for scott, chris had one, Lili's condo for some of the money that she wanted for the 3.6 million. Darn good thing I didn't say anything to her. At the end of the day, I would have had enough to cover it. but it would have left me short for Monday morning. I thought I was going to have another 800k close today and didn't. I still had 1.3 million. I had a ton of payments too. I had our Mom's meeting, we only had 12 people show up. Jeff Phalen came with his wife, he was asking if this is representative of what is happeninig, it kind of is, but we had several people that just didn't come. I'll need to increase the size of the group I'm profitable for the month, 210k right now. Even with john's 74k loss on his fucking house. I hope some day the guy pays me back I'm not counting on it anytime soon. I know he owe's a lot of people a lot of money right now

6-30

It was a super busy day. I did the statements and finished end of month Sunday. I funded eight deals, I had seven deals payoff, a bunch of payments. I picked up a new guy that does a ton of deals, we'll see if he sticks with me, or just because he's short of some cash today. A referral from John Ray. I'm profitable for the year by 6k! we still have a long ways to go, but two more AFG's were knocked off today We have more going this week too. Just keep plugging along. I got the 34<sup>th</sup> street house under contract again. solid offer, I'll have to do some work, but it shouldn't be bad.

7-1

The typical quiet after the storm. I funded four deals, three for scott and one for this new guy. I had six payhoffs. Scott's balance is alittle up but not much. It will be up 500k for the week if we stay on this pattern. I'm hoping to be below 34 million by month end. I had a few payments. I'm losing my cool on a few of these assholes that are late on their payments.

7-2

It was a super quiet day. I wired scott some money on three deals, he paid me off on five, but it was for less money I went to the bank and spent 45 mins waiting to get notaries done. I sent a foreclosure notice off to Margie, she won't pay me, the deal she's got won't close, fuck her I had a contract cancelled on the 34<sup>th</sup> street house. Back on the freaking market. I put the triplex up for sale for 50k hopefully I'll generate some activity and get the most for it I can. The biggest deal was scott sent me \$50k for interest on the work out loan. We are making progress just to damn slow, but I'm sure quicker than David expected us to do. He got some more houses under contract that are AFG's. we should have 10 more closed this month.

7-3

It was a super quiet day. I funded five deals, I had four payoff, one payment and maybe 4 phone calls all day. I let Cormack know I'm not extending his loan. Never heard anything from him. Scott ended up buying a lot today for Monday, and Monday will be a huge day, but we have 6.6 planned to close next week. his balance should go down.

7-7

I funded five of Scott's deals and I had just three payoff. I'm back up at nearly 38 million with him again. I had a lot of payments which was great. he bought 1.2 million today and he's got 1.2 million paying off tomorrow. I hope this week, it gets pounded down. I had a lot of phone calls in the afternoon, but I was able to take care of everything except one title co wanted me to sign my payoff, I have no way of faxing it so iggy will take care of it for me tomorrow

7-8

I funded 9 deals for Scott one for Kirk and 1 for Cyler. Then I had 9 payoff. I ended the day with only 1.6 million. Scott bought 1.6 million today so he sent off some of the deals to other lenders. I had a few payments not many. Brian hasn't sent me any checks yet. I got the Hazelwood sold for 75k, then the guy didn't respond! Scott is trying to bring down his balance, we have 30 properties closing this month retail, 9 AFG so we will make another leap forward in cutting down the numbers.

7-9

I funded seven deals for Scott, then I had five payoff from him. I had a ton of payments come in from Shawn, Chris and others. Two I can't figure out yet. His total went down today, it will tomorrow and a lot on Friday. I talked to some fool that has 30k, been flipping properties for 20 years in OR and is now in AZ wants to get rolling, sorry I'm not for you.

7-10

I funded four for Scott, one for Larry, and then I had seven payoff, but for about the same money. Scott also sent me 50k more for interest on the five million work out. It's good to get some interest. We've got to pay off more AFG's so that frees up more cash for me. I had a few payments. Scott bought 1.2 again today. I had to turn down a deal and I decided to do one and I talked Kirk out of taking his 150k. I have a few payoffs besides his coming tomorrow we'll see if it happens.

7-11

I funded 8 deals, returned 250k to UT. I had five deals payoff and Scott gave me another 50k. I only had a few payments. I wasn't that busy on the phone calls but they just wouldn't stop. I was still getting them at 4:30. I have a lot to fund next week, other than Scott's deals, so I need some to start closing other than Scott's deals. Iggy and I went to meet everyone for the Densco dinner. It was nice restaurant, expensive, but good food, just small portions, I asked for seconds. Then I finished Corey's dinner. They wanted me to give them a speech or at least Dale did, but I told

them to read my newsletter! Then dale asked about the bank. I talked about that for 30 mins. They all thanked me etc. it was nice to hear it. just adds pressure to what I'm doing every day.

7-14

It was a quiet day thankfully I worked 15 hours or so trying to catch up I funded three, and I had I 8 payoff, gave me more cash, enough to fund two deals I need to to morrow plus some extra for Scott's. I've got a long way to go before I'm caught up, but I've made good headway.

7-15

I was thinking I had 300k of leeway, I had a mistake in my spreadsheet, which caused a 365k swing the other direction! I wired out all my money this morning I had 7k left! Scott didn't get all his payoffs to me, one short, but I brought in 1.2 back in and he only bought 1.08 for tomorrow. I'm getting a few other deals I'm trying to fund but I can't because I have no cash. It's just endless cash crunch. I have to send out 250k Friday too. I'm all caught up now at least.

7-16

I funded seven deals, I had six payoff, for more money, I ended the day up 1.3 million. Scott quit bidding so only 800k is going out tomorrow Need to keep the cash flow going, but I've got other demand that I can't fulfill because I have to keep money for scott. I couldn't sleep last night, I was looking at the properties not sold We have 20 or so from Nov to May not sold and only 6 since June. 90% of them are listed, but it's slow summer time. if we can scrape through the next 45 days, hopefully it will pick up and he'll move them. I had a few payments too

7-17

I got a text from UT saying they don't want anymore money back, yea! I wired off the money for scott and he had some wires for me, as well as from title, I'm down 100k for the day. I've got one or two more payoffs from outside sources tomorrow. Kevin's deal closes Tuesday, Lili is saying 2.8 million is closing next week. I got all the renewals done today too.

7-18

I funded five deals, took me down to my last 7k then I had 1.3 million payoff. He only bought 350k for Monday. Another AFG is gone, we have 3 next week closing and several retail ones, so still marching in the the right direction. I had a few payments, not as many as I would like. I am foreclosing on a loan, 445k one. I should have done it last month. The 34<sup>th</sup> street people opened escrow. I hope we can close this one quickly. I've got one of my guys buying this piece of shit hazelwood. I hope he doen'st back out. I'm hoping for a big weekend of sales from scott, last two weeks have sucked.

7-19

I funded three, I had three payoff, I had a few payments. I gave Shawn 20k more. I got contract on Hazelwood after the 1<sup>st</sup> guy backed out, I'm down to 61k, now I'll lose 30k. I got the 34<sup>th</sup> street water heater fixed, utilities turned on next three days. I can't wait for the inspection!

7-22

I funded four for Scott, one AFG then three more smaller ones for different folks. I had six payoffs, so that got my cash back up. I've got enough to cover my desk and scott's deals for tomorrow. I really hope Lili's deal comes in so that I can eliminate the concern. I only had a few payments too.

7-23

I funded six deals, I only had three payoff. I've got 5 to fund tomorrow. I should have quite a bit paying off tomorrow. Scott's total is starting to rise, but he's paying me some interest tomorrow too. I had just three payments. I got the deal solidified on Hazelwood, I'll be losing 32k on that piece of shit. I'm done doing deals for John and his friends.

7-24

It was a crazy busy day I funded five deals for scott, three for Shawn, then I had 12 pay off, scott sent me 30k and I had some payments. I've got a pretty busy day tomorrow too. Chris paid me off on 700k should do another 500k or so tomorrow I can return some funds to kirk and I can easily pay my interest plus do two more deals I was planning to do later. Then the inspector went to the house on 34<sup>th</sup> street, turned on A/c and started a fire. Destroyed 50% of the house. I've got a guy going there to start the process in cleaning up and hopefully I can keep the buyer!

7-25

It was another super busy day, with calls on the house fire, payoffs coming in, deals to fund. I returned 150k to kirk. I funded seven deals, I had six payoffs but for more money. I had no payments which was odd. I'm profitable again this month, but I'm so far behind where I should be. I mentioned it to scott and he's convinced if he buys a million a day and sells a million a day, plus we have these older loans continue to pay off at about 1 a day, we'll be in great shape by 9/30. I sure hope so. My time is running out on updating my private placement memorandum and notifying my investors.

7-28

What a fucked up day. I logged in to make sure all the payments went out. They hadn't left. I took the boys to school and called. I spent the next 5 ½ hours trying to get the payments out. They told me to re-enter them, but I couldn't delete the first ones. Then both went out, then they are supposed to credit me back all the ones and stop the dups. I doubt it will go right. I had a ton of payoffs today. I had three high risk ones payoff. Two of Edgar's and Sammy's that he refi'ed. I talked to the insurance adjuster, he's a long time personal friend of Brian's. I think I'll be ok

with that nightmare. I had a few payments in. I've got a ton of closings this week since it's end of month. I could have 4 million in my acct by thursday.

7-29

I sent out the wire for Scott and called BofA, I spent another 3 hours getting a gal to create the duplicate refunds to my account. You can't do more than 5 on one request. We did them all. Then at 3pm the lady I talked to yesterday finally called me back and said she and another gal were doing them. I don't know if now they were reject all of them! I hope not! I had a few payoffs today, only one old loan. The next few days I'll have several closing out. Lili says her 2.8 million is paying off tomorrow too. I am hearing from a lot of people that other lenders are lowering their interest rates and fees etc. again I've more challenges to keep this thing going. I'll be profitable for the month and now I'm profitable for the year. The payoff for Hazelwood came in today, 39k loss on that piece of shit. I talked to Eric about that one and MCM's condo he's not paid on. I'll probably have to foreclose on that one too. I'm being aggressive on these guys because delaying it just makes it worse.

7-30

Miracles do happen, all the money came back to my account. Now we'll see if they let the others go through and all my investors get their money tomorrow. I had a 2.8 million payoff from Lili. That was that super stressful deal we did back in April with the guys from UT giving me money. I owed them 750k more, so I just sent it back to day and said there you have it. They wanted me to keep it another month. But I have 4 million in my bank right now. Scott had a 1.3 million in payoffs and borrowed 1 million. Tomorrow he's borrowed 1.3 and payoffs should be around 1.6. I have no one calling me wanting money. I'm going to start sending money back to people if the balance gets too high.

7-31

The payments hit my investors accounts. I got back all my money. I funded seven deals then the payoffs started to roll in. I had six come in but for more money. I'm returning money to Brian and Tom tomorrow. UT is completely paid off. My only problem is that the % of dollars to Scott is rising. We are down to 68 double deed properties, down from 183 in November! So we have made huge headway. 9 more of Chris's property are out there, 1 is in escrow. Those only have one lien on them, they are just high LTV's. Only about 3 or 4 AFG's that are empty are not in escrow. Scott says he's got another 9 that are coming empty this month. Hopefully we can get those in escrow in the next 30 days. By the end of September, we could be below 50 properties. Scott paid 30k more to me, so now he's paying principle down. This is huge also. It's all going in the right direction, just not sure if it's going fast enough. As long as David doesn't bug me I feel like we are doing the right thing. I made 300k this month, which means I'm 300k profitable for the year. I'm just nervous something is going to stop what we are making great progress on.

8-1



I funded seven deals, I returned 800k to investors. I'm barely above 60 million now. I think I peaked at one point at 65 million. I had seven payoffs. Scott only bought 600k today. We've got a big month coming up in August. I just hope I can keep money invested, if not, I'll start returning it. I had one investor not get his money. I'm not sure how this slipped through. I sent it again, it was Stan, he was fine with it. This darn burned out house, now they are giving me grief about the asbestos. It might be two more weeks before we start fixing the damn place.

8-4

I funded five deals for Scott, one for Cyler and I had four payoffs. About a wash in cash. I had a few payments. It was a quiet day. I had a guy I did a loan for back in 2002 call me. He has lost 1/2 dozen homes since then now he's ready to go!

8-5

I funded four deals for Scott had 6 or so payoff. I had a few payments. I ran over to a Starbucks to meet an old dead beat Jason Andrade. I lost 100k lending to him. Now he wants to become a hard money lender! What an idiot. I guess since he's done it he knows how it all works! I've got some other deals coming up now, so I'm getting more cash out.

8-6

I funded Scott's deals and two others. I had one AFG pay off today. We talked about me paying off more of the AFG's loans so that we lessen the number of loans in the second position. Even if I have in a bad LTV it's better to remove those. We can hack down the list and keep this thing going in the right direction, plus I can make some interest because he will be paying me not Greg. I will think more about it, but right now I think it's the right thing to do. I had one other payoff come in besides Scott's. I only had one payment. We are going to have a busy next two days.

8-7

I sent the wires out, but for some reasons they didn't arrive until after 10. Today I set up all the wires tonight, see when they go out tomorrow. I had more payoffs than I did deals going out. I talked to Scott about my idea of how to handle this. We are going to pay off AFG deals as the balance goes down so that I stay about the same amount of money and we can knock them off. We'll do seven next week, plus we have 3 closing, so that will be ten less. Then we'll just keep going week by week, perhaps we'll have all of AFG done by year end. That's probably optimistic but it's possible.

8-8

Didn't have as many closes as I had planned, which is fine, I nearly have 4 million in the bank. I funded four for Scott and one for Flip. I ended up giving Andrew money on Hazelwood. I had still had ten payoffs. Scott's balance went down, but the AFG's didn't. We have 7 of those going next week. Greg is giving him grief about paying so many loans off because he's got too much cash.

All the hard money lenders do. I like sticking it to him. I had a few payments not many. I'm low on interest income this month. I should make a big catch up next week.

8-11

I funded four scott deals, one AFG overage and then I paid Gregg off on the smallest loan. He was pissed, called Scott got all upset about strengthening my position and wanting to hurt me etc. we'll just keep paying him off. we are down to 67 loans. We'll be near 50 in a month. I had a eight payoffs. I've got over 4 million in cash now. Mike and Rob stopped by for a state of the nation talk. I always enjoy talking to them. They are building up cash now too. I had a few payments. I just need to keep getting Gregg paid off and then hopefully Scott can keep making payments.

8-12

I funded four scott deals then the payoffs started rolling in. I had 8 payoffs from Shawn, I had five from Scott and I had two others. I had a few payments too. I'm now up to 4.5 million. I paid off another AFG loan today. Just keep chipping away

8-13

I funded four for Scott and paid off another 2<sup>nd</sup> on AFG's. if I hadn't done that Scott's balance would be at 37.5 that's ok, it's more important to get rid of these seconds. I had a lot of payoff today and lot of payments. Lili wants a payoff for her 600k condo, I'll be over 5 million in my acct by Friday.

8-14

It was a super quiet day. I funded four for Scott gave Minh some money and then paid off another AFG deal. I had four payoffs today. What was going to be a super busy Friday is going to be a sleeper tomorrow, everything got pushed. I had a lot of payments though. I'm now over 5.5 million

8-15

I funded five deals for scott, paid off another overage on one of the AFG deals. We should have like 10 of these payoff by month end. I had a lot of payoffs today. A few didn't close which was fine, since I have so much cash. I had few payments come in too. It was a real quiet day.

8-18

I funded four deals for scott, I had four deals pay off, plus he paid me 30k interest, then chris hugues had two payoff. I'm nearly to 6 million in cash right now. I had a few payments too. Wade calls me, there is a 250k lien on the property that I took back from Roger. Great that's what I need on top of everything else.

8-19

I funded four deals, I had to wire in 200k for a AFG overage. I had five payoff. With the money that I'm sending to payoff the 2<sup>nd</sup>'s on the older AFG's, we are still keeping the balance good. I have a lot coming in tomorrow so we'll pay off another one. we are now at 59, down from 183. By the end of September we'll be in the 40's. Wade called me back there is no lien on the land, so we can sell it no problem.

8-20

I funded five deals , plus a to AFG deal to get the money back on. They held the wire for a few hours, finally released it so now I won't get it back until tomorrow. I had three payments for over 10k. I had seven payoffs. Tomorrow I could have over 2.5 million in payoffs, maybe three million. Lili's last apartment deal is closing tomorrow, it's 1.75. I got an offer on the land , I'll lose 30k if they take it.

8-21

I funded four deals and we had two more AFG's payoff. We should have as many as three more tomorrow. I'm not over 6 million. Lili's deal got put off a day. I had a few payments. It was a quiet day. I picked up three more loans from other borrowers, that's a good sign.

8-22

I funded five deals for Scott, one deal for another, then paid off an AFG Gregg is taking his time getting the releases but it's not going to slow down the payoffs. I'll just keep them coming. I had a lot of payoffs. Lili's deal paid off, all of her big apartment deals are now paid off. I have 7.7 millin cash. I had a few payments too. I talked to her, she's looking for some deals right now. I hope she gets some to take up some cash other wise I'm going to start returning some money

8-25

I funded five deals, I had six pay off. I've got one out side of scott's to fund tomorrow He had a slow weekend. We are getting our total properties in escrow down quite a bit. Need to get more sold soon. I got end of month done over the weekend, so at least that's ready to hit my acct tomorrow and it better go out this month!

8-26

I funded one deal for Maribel, five for scott and paid off aonther AFG. I had six payoff, all scott's. I had a few payments. Not all the Easy deals closed today, we have a lot of retail and AFG's closing this week. all the money went out of my acct today for payments. I had lunch with Glen, he's thinking of quit working and living off me. Just another added pressure to make this whole thing work out.

8-27

I had just three to fund for Scott. I had a lot of payoffs though. With all the deals that I'm paying off on AFG, we are maintaining the balance at about 38 million. I'm going to pay another one off tomorrow. I had to talk to IRS today about a borrower, he was fishing for crap, I played dumb. I had a few payments. Scott made payment of 25k. we will have a busy next two days

8-28

I funded six deals for scott, paid off an AFG, Chris Hughes had a deal for me. I had 9 payoffs. One for 650k on two houses from Gary. I wasn't expecting it. he moved in to one, so technically it's his primary so I told him he needed to pay me off. he then paid me off on both loans. I'm not sitting with 8 million in cash. I had a few payments. I decided to pay another one off on AFG list tomorrow too. I'll have a lot closing tomorrow.

8-29

Super busy day. I funded seven deals. Brian my neighbor sold his son's house to Scott, I arranged the whole thing, money, docs etc. got it all done in a matter of mins. Scott had a few payoff and I had a one off her. I had some payments made too. I had a profitable month again. the weekend is going to be really slow. It's a holiday. We've had so many closings, our total number of properties in escrow has fallen from 30 plus to just above 20. Hopefully in September it will pick up and we can get more paid off. I'm holding at 7.7 million right now. I'll go another month, then I'm going to start returning funds. I talked to lili she's back in the country, telling me not to give back the money. I'll give her some time, then I'm going to have too.

9-2

I funded six deals for scott, I had to cover an overage on AFG deal, but it closed. Plus another retail closed. Two more old ones off the books. I had five others that closed too. I had a few payments. Chris bought one for tomorrow. I had a few people inquire about money too. Scott bought nearly 2 million today. We've got a lot closing tomorrow, mostly wholesale. We are down to 50 loans with AFG. By the end of the month I hope to be in the 30's.

9-3

I funded 7 deals for scott and one for Flip. I had seven payoffs too. We can't get Gregg to give us releases. He's slowing down our plan. I have a new borrower, I didn't get rave reviews from everyone on him, so I'm being careful. I had a few payments made today which is good.

9-4

I funded seven deals for Scott and three others, I've got another one to do tomorrow and one Monday. I'm finally getting some money out with others than just scott. I had to return 150k to Kirk too, didn't hurt my feelings! I had a new borrower, came in and talked up a storm, proof is in the pudding. I had a few payoffs, best scott sent me 100k to pay down the line.

9-5

I funded five deals for Scott and one deal for a regular borrower and one overage. I got paid off on seven deals, Scott's balance continues to go down even with me funding overages and paying off AFG's. We need to get some more releases, promised three today, only got one. Next week we are going to hopefully payoff another 5 loans. I had a few payments too

9-8

I was slow to start the day because of the massive rain storm we had. I funded four for Scott one for Blue Capital, then another and then one for Bennett and then one for a new guy. Which he had to come to my office, I had to get a check, sign docs, then he was too late to the trustee's office. The guys seem to be a bit of a fuck up, we'll see if I made a mistake working with him. I had a few payments. I've only got three deals to do tomorrow. I'm beating my cash down a bit now

9-9

I had prepped everything from last night, so I could be gone all morning. I got back at 11:30 and worked like mad catching up. Scott only bought 3, plus I had an overage, and then Christmas bought two. I had five payoffs and a few payments. This damn Gary O'Neill guy is a nightmare. He didn't show up last night to pay the trustee, then was supposed to be there at 8, never showed. I went at 9 to call the check and he finally called me at 9:30 saying he dropped it off. He tells me one thing and does another three times on the phone. Doesn't get his insurance. I called his agent she said he would get back to her, I called him and he said no I told her to do it, he's lying again. I got them on the phone and made him pay for it. I know I'll be foreclosing on him. I had a feeling when I first spoke to him. Trust your gut stupid!

9-10

I funded five for Scott and gave Lili 650k. I hope she needs the money permanently right now it's for 3 days. I had six payoffs. I had a few payments too. Scott thinks that Gregg's owes him 500k, if he's right, that's a few more deals where we can rid him on the second. I got 1/2 my months renewals done today too.

9-11

I funded three deals, paid off another AFG deal. Then Scott called and found an accounting error with AFG and Gregg owes him about 650k! He called Gregg, after a few phone calls, Gregg admitted Scott was right. That's going to allow us to clear out a few more loans. I had 2 more payoffs other than Scott's four deals. He paid me 50k of interest and principle on his work out loan too.

9-12

I had prepped everything last night to be gone today. When I got back, I had eight payoffs and 20k payment from Easy. I funded three and one overage. I had a one payment. Monday should

be intereting with scott and Gregg. We should knock off a few more loans. We are down to 47 now. The work out balance is up to 7 million. But he's making regular payments to me. We knock off some more loans next week, we'll be knocking down the interest substantially

9-15

I funded five for Scott and one for Christmas. I had four payoff. I had a lot of payments over the weekend and today. Scott spent 6 hours with Gregg. He finally agreed to giving us a release for 635k and I could wire him 550 plus k , so we drop the balance by 1 2 million tomorrow of 2nds, and 9 loans. We have another 5 that should close this month. We'll be under 30 loans by month end. Scott was back and forth several times with me checking properties and amounts. Gregg was trying to give him releases for properties that were already paid off my only problem is that scott kept saying hey I came to you a year and half ago, when it was just in Novemeber. I think he knew aobut this longer than he's telling me. I just know that we are continuing to get it closer to being resolved.

9-16

I was super busy today. I wired Scott 2 million plus for his deals and the AFG's. they got us only 4 releases, but at least some came in. 6 more releases to go. We'll be in the 30's when this is done hopefully this week. I had some payments and a few payoffs. Scott bought a few big ones for tomorrow. Getting more of these loans done with AFG makes me feel so much better Scott found another error of 60k, so I'm going to send over another 40k and pay off another one!

9-17

I funded a few for Scott one for Roger, and then later one for Mike Moore. First time in a long time for mike. I had a lot of payoffs today. All but one from Scott. I had a few payments too I didn't get any releases from AFG yet, still have an hour.

9-18

It was a super quiet day, I spent ½ of it at the school. I funded three deals for scott, Kirk wanted 200k back, little by little lowering my total. We got in 4 more releases today. Two more to go and then we can payoff another one since scott over paid 60k to them. We are down to 40 loans, three more will be done tmrorrow, 37, down from 50 a month ago. We only have 4 in escrow, need to get more. I had five payoffs and only a few payments.

9-19

I funded some scott deals and I had a few of his payoff, two of which were the old ones. I had one deal from Henry. I've got just a ton of cash, over 6 million. i had a real quiet day. this deal with Gary O'Neil is going to be a nightmare. He's got it vested in his defaulted LLC. I talked to him, he's going to take care of it, how many times do I need to call him to get it done is another thing.

9-22

I funded five deals for Scott, three paid off, and one from Shawn's. I had a few payments. I did get Gary to come by and sign new docs for his property with the change in vesting he did on me. I really think this guy is shifty. I funded one deal for Christmas and one for Bennett. I have another one to do for Barry tomorrow. We got one more release from AFG, one more to go, then start working on the 60k extra he has.

9-23

I funded five deals for scott and one overage for AFG. I had seven payoffs. We got the releases we wanted, so now we are going to send over and another 30k and get another release for the 60k overage that scott sent over because he thought the loan was 360k and it was only 300k. that will bring us down to just 35 loans, with 4 in escrow. I'm going to pay off another 5 next week. we should be in the 20's by the end of the month. I had a few payments too. I was able to fund a deal for Chris too.

9-24

I funded 8 deals, some other than just scott's. I had only two payoffs which was fine. I've got some more deals to fund tomorrow. The number of properties that scott has under contract is falling fast, hopefully things pick up. We have another rone to pay off tomorrow and we are down to 36 AFG's. now we just need to sell that damn homes. I had a few payments in too. I met with an insurance gal. I like her, but not sure I can send a lot of business her way. I talked to Brian, I might have my first insurance check on Friday with quotes from him.

9-25

All the payments went out smoothly. I funded four deals, and one overage for AFG. They are taking the next two days off, so we won't get a release until next week. I had six payoffs and quite a few payments. I have a few deals to fund tomorrow. We have more AFG deals closing between now nad end of month, but we only have 3 total in escrow. We need more. He's lowered prices and hope to see some activity this weekend.

9-26

I funded six deals, mostly scott's. Kirk wanted 250k back from me. He's dieing in some penny stocks. I had a lot of payoffs, nine payoffs. Not all scott's. scott did send me another 30k to pay down the line. We got rid of another AFG loan too. I only had one payment and no sure who it is.

9-29

I funded six loans, I had seven payoff, plus scott sent me 25k. I had a few other paymments. I've got a few deals to fund this week, see if they come through. I had a lot of payoffs today. I only

had one payment rejected, I just went to the branch and did it instead. I'll do the statements tonight and end of month will be complete.

9-30

All the payments hit and statements went out. I funded four for Scott to for Christmas and I had four payoff. I finished the month about 250k positive. It won't be as good the next few months, scott hardly has anything closing which is where I get big hits of interest.

10-1

The quiet after the storm. I funded four deals and I had five payoff. I had a lot of payments. John ray keeps calling saying he's got a guy to buy the property that his partner has never paid me interest for. I got a call on the tempe land. The west side land is going to close this week. my tenants from hell have finally left the house in mesa. We'll get that one cleaned up now and hopefully sold quickly.

10-2

I was really busy all day. I tried to do everything for tomorrow too. I funded four deals, then 3 more later in the day, one overage. I had eight payoffs. I had a few payments too. Everything is ready to go for tomorrow. Now I'll prep for being gone plus do some renewals.

10-3

I had stayed up late at night and got so much done, I hardly had to do anything in the morning. I had a few calls during the day, I had the planned payoffs from scott and the land closed, so I got rid of that one for 50k loss or more. I had a lot of payments too.

10-6

It was a slow day. I was able to take care of everything while I was trying to keep the boys entertained and seeing people. I had four to fund, I had four payoff, not sure who one of them is. I didn't have any payments. Tomorrow will be a busier day.

10-7

I was able to get everything done during the morning. I funded a few deals for scott. Then cyler needed one. I was able to do everything I needed to do for everyone, but I'm way behind on closing loans and returning some emails. I stayed up until midnight and catching up.

10-8

I was in my office for 12 hours today, inbetween kid interruption. I nearly have all caught up, by noon tomorrow I will be caught up completely. I had six to fund and I had nine payoff. I had a few payments too. Still fighting with the insurance co to release the funds to me. Scott got a few



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more under contract so that's good. I hope to get more diversity in borrowers at some point. Scott still has 80% of my money.

10-9

I funded four deals, I had three payoff, a few payments. I was able to catch up on all the stuff I had been behind since we got back. I've got two more deals to fund later. I need more.

10-10

I funded five deals, I had six deals payoff, plus Scott paid me 50k. I had a few payments too. I have a new deal to do next week. Scott got a few more properties under contract, his PV house is listed, he's getting lots of calls, hopefully we can get some more properties sold.

10-14

Even though it was the first day back from a holiday it wasn't too bad. I funded six deals, I had six deals payoff. I had a lot of payments deposited. I've got a lot of deals to fund tomorrow. Brian stopped by and picked up a notarized doc for the fire insurance. He says he'll have the check tomorrow. This isn't going to be as good as I hoped for. But at least we are at this point. I can get the ball rolling.

10-15

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I funded five for Scott, two for Christmas and one for Shawn. I had 11 payoffs, took me a while to close all the files. I only had a few payments. I've got one deal cooking for 600k, but it's jace, I have no confidence in him. I'll probably blow him off unless he comes through in flying colors.

10-16

I funded four deals for Scott, Christmas paid me off on one he bought yesterday and then I had two others from Scott. I had a few payments. It was quiet day. I did have a lot of payoff requests, which I really don't want!

10-17

I funded five for Scott and I had one large one from Scott pay off, 1.4 million plus two others. He wired me 60k for work out and I finally got my insurance check for the house fire. He didn't arrive here with the quote for the work I should have that Monday. I've got another one already which I rather go with but this asbestos issue just won't die. We'll see on Monday what will be the direction.

10-20

I funded five, I had payoffs for seven. The best thing is that I had two payoffs from old loans of Scott's. I had a few payments in too. I have the insurance guy bringing the construction guy

tomorrow, I need to make a decision on that. My one foreclosure is going at auction Friday, the numbers don't look good. I'm not sure what I'm going to do. Scott is going to take a look at it too.

10-21

I funded one for Bennett and five for Scott. I had four payoff. Later in the morning I funded one for Cyler. I had Brian the fire guy come with the builder, to talk about the fire house. We went over the numbers, what a mess. I made him re-do it, and we straightened it out. It's about 6-8k more than the other guys, but I get more for it. I'll use his dude and use Scott's on this Marshall house I'm getting back on Friday. I had one lousy payment.

10-22

I funded some deals for Christmas and Scott. I had three payoffs and a few payments. I met with the construction guy Harold, gave him a check, signed a contract, and I expect it to be done by xmas. I sure hope he makes. I talked to Scott about the house on Marshall, it looks like it's going to take 140k to make it right. We'll see what the final numbers are, but I'm not shocked. He left me a shell. Like I need another project to work on.

10-23

I funded Scott's five deals and one for Chris. I had a few payoffs and lots of payments. I talked to the bank again, Bill and Yulanda, they didn't like my transaction volume again. It was 30 min conversation of bullshit. I talked to Scott and we are going to change how we do it, we are just going to balance at the end of the day and wire each other, 50k or 200k or whatever. No more 1 million dollar wires. See if that gets them off my back.

10-24

After having a sleepless night thinking about things, I slept last night, I still come to the right conclusion, I'm doing the right thing. We had another payoff on an AFG today. The problem is we only have one more in escrow. He did get four accepted contracts today, so that helps get rid of some old loans. I wired him the last million dollar wire. Now we are just going to do accounting at the end of the day, and then wire each other the difference. Today he wired me 73k and change. I hope I can reconcile now. I left a message for the Bill the banker, but no response. I postponed the auction until Monday for the 400k house on Marshall. I had a few calls on it, the next door neighbor, wants to buy it for 365k from me. I had no other guy call after I dropped the bid. I'm going to bid it, so see I can't get the max dollars on Monday. I just don't want another project, it will take 200k to do the house right. Then I went to my mom's meeting. I used to enjoy these and look forward to them. Now I'm concerned one of my investors, Stan was the only one that showed, is going to do some math and figure I need more borrowers. We only had 10 show up today. It's getting embarrassing. John Ray came by, paid me off on one house, or at least the interest and I changed the loan to a guy in CA that's hopefully going to perform. I met his partner, a mute. I'll finish end of month this weekend.

10-27

Scott was sick but still went to the auction, we sold it at 373k, 8k more than the other guy was offering me, and he didn't even bid on it? I don't get it, but it's gone now. I should get my money by Friday. I called the BofA dork Bill, never returned my call. What an asshole. Scott closed 4 loans and bought 6 more. He sent me 250k, I'm sure tomorrow I'll have to send him some money. I have end of month all done except the statements. I had a few payments. Other than that it was slow day

10-28

I funded in kind 6 deals for Scott, he paid me off on 3. I had to send him 250k or so. Shawn had 8 payoffs today, they totaled 300k is all. I had a few payments. I really hate the way we are doing this, but it makes sense, we balance to penny and wire each other the money. I just hope I can reconcile my bank acct this weekend. I funded one new deal for Chris too

10-29

I had super busy day, I funded three for Scott one for Dustin, returned 300k to Kirk. Then I had 13 payoffs coming. I had a few payments too. I've got so much cash! Scott has a few more properties under contract so we are moving the list up north of 15 again. I hope to get it up to 25.

10-30

I funded five deals for Scott, I've got one for tomorrow for someone else. I have four payoffs and I had one old one payoff. I had a few payments too. I talked to Lili, she's having problems buying anything. She wanted to make sure that I have money. Should be a busy tomorrow.

10-31

I funded four deals for Scott and one for a new guy. Then later one for Christmas, which he later told me not until Monday, too late, I wired it already. I had a few payments and I had three payoffs. Plus Scott paid me 75k against the work out. It was a quiet day.

11-3

I funded one for Christmas, that I thought I sent Friday, but he wanted it Monday and the acct I wired it to was closed, so it worked out just fine. I funded four for Scott and I had six payoffs. Only a few payments. My cash is now approaching 6 million.

11-4

I funded five for Scott and one for Christmas. I had 7 payoffs, one big one for 600k from Kyle. I was sorry to see that come in. I had a few payments. I'm just really contemplating paying off more of AFG's. I talked to Scott today, he's got a plan to sell 20 of his properties to Canadian. We have 20 under contract now. He's trying to create enough cash to pay off some of AFG's

himself By end of January we could be done with AFG and only have 50 or so properties to sell. By then I'll have to return some funds if I can't put the money to work.

11-5

I had six deals for Scott and one for one of John's clients, Donald. I had a lot of payoffs today, I had nine. I'm just building cash. Scott thinks he can have a million of retail sold by year end. He already has 75% of all my money. We have to get it down. I had a few payments. I've got another 600k deal on my desk, from Chris which is great.

11-6

My worst fears came true with Bank of America today. They cancelled my credit card last night, I found out this morning after dozens of phone calls that they are requesting I close my account in 30 days. I talked to Bill he wouldn't give me an answer, just a business decision. I'm shopping for banks now. Jason Podany's wife works at a local bank so I'll meet with them next week. I funded five deals for Scott, one for RPIM, I had four payoffs, then funded one for Don. I've prepared for tomorrow so I can be gone. I'm sure something will come up.

11-7

I was able to make sure everything was ready to go for the day. I had all the docs done, wires were set, and Scott ended up wiring me back. I had a few phone calls that I could take care of or managed to take care of after I got settled. I'm stressing about finding a bank.

11-10

I had a big day for payoffs not only from Scott but others. I worked like mad all day trying to catch up. I worked in to the night doing it too. By day's end I was done. I had a few payments, I have no one past due right now. I just need to get this last John Filipian loan rid of. Wednesday I work on getting a bank. Jason's wife works at one that might take me.

11-11

It was veterans day, I just did some paperwork and caught up on things. I spent most of the time wondering what I was going to do about this banking issue.

11-12

I talked to Ashley, her bank didn't say no, but they weren't really excited. Scott talked to Chase, they first said yes, then corp came back and said no. I talked to two other banks, First bank and Midfirst bank. Scott doesn't want me to go to first bank because that's where Eric banks at, he's paranoid that the contact will share the info with him about my account and Eric will try to do something against Scott. I don't know if this is real or paranoid but I have to respect it. I funded a few deals for Scott and had one payment and besides his wholesale deals, eh had a retail close

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and Chrsitmas sent me money 105k but I 'm not sure what it's for. I can't belive a bank like Chase would just tell me no we don't want your business.

11-13

I couldn't sleep again last night. I talked to two of the banks via email, they wanted copies of check, I sent them that. Both said they would get back to me today, they didn't. I called midfirst bank and I talked to the gal, spent 20 more mins explaining my business, and operation. She was nice but seemed to want to get off the phone. She said it was in their bank compliance department. The money that scott bought and closed was within \$53.90 so no wires today. I didn't even have a payment. I have to wait another rday, the gal said she would get back to me tomorrow.

11-14

I waited all day to hear from the banks. Finally at 2pm Midfirst called, they turned me down. I called first bank and they said yes, but they want 2 yrs tax returns, 2 yrs p/l/s balance sheets all sorts of stuff. I put a call in to Wells Fargo guy I know that I've lent money to he's running it up the flag pole I should know Monday. I had a few payoffs other than scotts too. I've got a stack of deals on my desk going no where. I got in a ton of payments today. But I'm just worried sick about this whole bank change over. I quizzed the guy for a quite a bit about restrictions and issues he kept saying no problem. at this point I don't believe any banker. I'm going to spend my weekend putting together everything for him

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11-17

I spent Saturday night putting everything together for the bank, a ton of mfo. she and I exchanged email off and on all morning on things. I guess I head in to morrow. She never got back to me today like she said she would. I funded 6 deals for scoot and one for chris. I had onlypayoffs from scott. I had a lot of payments over the weekend and today. I just hope I can open this account tmorrow and get bofa closed on my own terms.

11-18

It was a quiet morning until I went to the bank. I spent several hours there getting everything set up. I wired in 2 million for the biz acct and I might be able to wire tomorrow. I talked to the gal at 6pm tonight getting someo f it done, I am hopefull for tomorrow. Scott's concern about the relationship with the bank and eric is over blown. The guy only knows eric on a professional level and hasn't spoken to him since the email that he sent him. Though scott saw eric last night and he said ohya, denny isopening an acct with first bank. So scott was worried they would communicate about our relationship and transactions. I don't think it's a concern. If I can get wires up tomorrow and ach by Friday, I'm good to go and off and running. I worked unitl 1 am, and I'm dead tired and not close to catching up.

11-19

Scott had a ton of deals to fund, 7 of them, plus a buyer of his came to me. I had a ton of payoffs today, 12 in all. My portfolio is down to 52 million. I deposited two checks to my account at first bank, found out I can't see them until tomorrow. I have people depositing money and I get a day delay on it. the guy called me and I was able to get set up on wires. I set some up for tomorrow. Now if I can get each set up tomorrow I'll be golden. Then I go close my accounts on Friday. I'm finally all caught up.

11-20

I had everything taken care of this morning so I left for school and the guy from the bank called to talk about ACH's. I came home and we went over it, it's simple. Then he said I could upload the info. It took about as long as it would if I would have typed it. but after a few tries and an 2 hours off and on, we got it all loaded. I'll do end of month this weekend. I had a ton of payoffs today, 2 from others and 7 from Scott. I funded a lot too. I have a bunch of checks come in for payments. I'll take them to the bank. I moved nearly all my money over to the new bank. Tomorrow I go in to close my account. I got everything caught up. There are few quirky things with this bank I have to work through.

11-21

I started work early hoping to get on top of everything with the banks. I went to First bank and deposited some checks, went to BofA to go over the plan to close it. the bitch assit manager said what I planned to do was right. I moved all the money out and wired it to first bank. I thought I had it all done and then I got a late wire in for 600k. now I have to try to get it out tomorrow! I went round and round with the bank pres wanting me to disclose the entire portfolio and my investor list. I said no, and stood firm. He thinks he needs it to go to the loan committee I don't. I'll figure out if I am going to go through with it or not. I had nearly 2 million in payoffs today. I have 10 million dollars sitting in cash now. I've got to get money out and to other people than Scott or return the money!

11-23

I did end of month all day. I worked from 7 am to 5pm, which only an hour break. I couldn't get the accts to reconcile, one was up one was down, after I factored in 3/4rds of the month of November. I think I was off less than \$1000 it wasn't worth spending more hours on it. now everything is going through First Bank. I loaded all the ACH's, I have a small prob, the tech guy will figure it out tomorrow.

11-24

It was a busy day in and out. I was able to fund three deals that were not Scott's but I had two more than Scott's payoff. I had a lot of checks in the mail because no one wants to find the First Bank branch, I don't blame them. I talked to the bank about the ACH's that didn't go out. They've got a much superior system than BofA's. they go out of my account the day they are supposed to! Not three business days in advance bullshit. I hope it works smoothly. I'm nearly at 10 million dollars in cash. I have a few deals on my desk, so I hope they start rolling out. Scott

6  
got about 5 more deals in escrow to close before year end. We'll have the list down more than I thought we would a few weeks ago. If the spring is strong we can get nearly all the houses sold. Then just have the work out to finish. At that point it could be 10 million dollars I think that is better than being in 2<sup>nd</sup> position and no interest coming in. Scott has religiously paid me every week for 8 months.

11-25

What I fucking nightmare. I do my daily stuff, I just happen to look in my bofa acct to make sure nothing is happening. These assholes reversed out my cashier's check erased it from the system. I called and emailed everyone. I go to the branch nothing they can do. Then I get an email back from my banker's boss and he says sorry, the acct is closed. I sent him the letter stating that I have until the end of the month. He finally responds back saying that I'm right they are wrong and now he's trying to figure out what is going to happen to the 650k check. I fear it's going to bounce. The stress level I have over all of this is through the roof!

11-26

6  
I was up from 1 am until I saw the check had cleared. I slept about 2 hours until the boys came in my room to watch the profit. I was busy in the morning. Scott only bought two properties and had one wholesale deal payoff. But he had three retail deals payoff, so that was great. I had a few payments. I worked on getting the scanner deposit but my scanner isn't compatible so they are going to send me one. I've got a few deals to do Friday and next week. a good sized one, 500k for a 18 unit complex. Over the holiday I'll try to get the statements done so that I can send them Friday.

11-28

I did the statements and sent them out. I never heard from anyone, so I guess all the ACH hit correctly. I had one deal to fund, the guy came here and we signed docs wired money to Frank and we'll record Monday. I had a check come in. I made 20k this month. I should have a better month in December since we have so many of Scott's retail properties closing.

12-1

Scott and I returned to doing wires, his arrived after 3 hours, so did mine. The only thing I miss about bofa. He bought a lot for tomorrow, I funded a 500k deal for John Filipian now he better get me out of this damn loan with Haig. I had a few payments and I picked up another deal for later in the week. I got my check depositing machine, works slick, now I'm ready for all these checks that I've been driving to the damn bank! I cut out the HVAC guy and I'm having Phillip do it, he's 50% cheaper than the guy Brian sent me. They are finally getting the house started this week.

12-2

I funded 1.5 million for scott. I had one other deal I funded, I picked up two more deals to fund next few days. I had a lot of payoffs, scott sent me 6, I had one other too. I had a few payments. I'm having everyone mail me checks now, because the bank dings me \$1 a deposit. I was able to get nearly everything done in my aloted time. nice not having all these bank issues hanging over me.

12-3

I funded 1.2 million for scott, I got a payoff on one of the old loans, I had to put up 40k to get back 170k, but that's ok. Scott paid me 75k in interest too. I had a few other payoffs too. I ended up with more cash today, but I've got a lot going out the next day or two. I had a bunch of payments too. I used the check deposit machine five or six times today and two of the checks were 6 figure so I liked that machine.

12-4

I funded about 2 million for scott, the 600k deal he's already got sold, for closing next week. he paid me off on 1.2 milion I had a lot of payments. I funded one deal for Maribel and I have two more to fund next few days from today. It's slowly picking up. But I'll still have a ton of cash. Tom doesn't hink he'll need his 1.7 million either. Never wanted to be give money back so gladly!

12-5

I funded a few deals for scott and he paid me off on about the same. I have another deal lined up for next week. I had my mom's meeting. Though the attendance is falling dramtically. It still went quite well. I was busy in the afternoon catching up and tonight getting everyting done. Scotts balance is way up. We've still got a lot of stuff closing this month, he's still getting properties under contract to sell, so that's a positive. I think come end of decmenber we'll be under 38 million.

12-8

I funded 1.2 or so for Scott, I had two other deals to fund. I picked up another deal to fund this week or next. All my payoffs were scott. I only had one payment. I've had a quiet day, done by 2:30 I keep hoping for more deals towards the end of the year.

12-9

It was a quiet day. I funded scott's six deals nad one other. He paid me off on four and I had one other payoff. The 34<sup>th</sup> drive house is finally moving, roof is on, a/c is 80% done. Nowthey have the inside to make pretty again. might be closed in 3 weeks if the buyer doesn't do something stupid between now and then!

12-10



I had a quiet day but busy I had three to fund for scott, and two others. I had six payoff of scott's and 4 others. I had one payment. From Gary O'Neil, always late and always a problem. I gave last chance to this idiot in CA through John Filipian to make the property right, neither responded, so I'll just foreclose. There is money in it. Damn yahoo email isn't working right nad I can't get shit done this afternoon.

12-11

Because I spent the morning at the school, I was super busy when I got back. I funded three deal for scott and one for another. I had 12 payoffs. I had a few payments too. I did a deal through moises again, we'll see if these people pay and payoff as well as they show up to do the loan!. I'm back up to nearly 9 million in cash. I have had a rash of payoffs from other investors.

12-12

I went to the bank to get a check and then went to Dave's office to go over taxes, I can't believe how much I pay in taxes! Over 300k for this year, and I can't find anything else to lower them! I had no other payoffs except Scott's and I only had one other deal to fund besides scott's. I had some payments too. Then I had my 4pm call at 2pm, two trailer houses on some acreage up in black canyon that you can gold mine on.

12-15

I funded seven deals for scott and I had four payoff, plus 2 others and a few payments. it was a quiet day, but Lili called and has a 2.7 million deal for next week or maybe 26<sup>th</sup>. Yea! I can put some money out finally.

12-16

I funded seven deals for scott and he paid me off on two. I had one more payoff from Osman. I had no payments that showed up today, I might see them tomorrow. I have two new deals to fund tomorrow plus 100k down on Lili's deal. I hope it closes early.

12-17

Besides the seven deals for scott I ended up doing three more for others. I have three for scott tomorrow and two others. I like getting more money out to others! I only had payoffs from scott. I have payments in the mailbox I'll have to go get it. it was a really busy day getting docs out and chasing insurance for these new borrowers.

12-18

I funded three for scott and two others for other folk. Scott paid me off on 5 plus one old one. I should have three more old ones close tomorrow too. Knocking down these old ones slowly but surely and hopefully no money out of my pocket to do it. the best payoff tonight was Gary O'Neil, he came to the house at nearly 7pm, but he brought me a cashiers check and I had to just

cut him off from talking to and telling me stories. I thought for sure I would own that one! I can't get John to get Haig to sign the deed in lieu I need that because they won't let me foreclose him.

12-19

I funded three for scott and one for Flip. I had several payoffs I had another old one payoff, scott covered the overage, yesterday and today! Plus he sent me 40k. I had another payoff on another one too I get an email from the pension strategy people telling me they can't help me with the possible conflict, contact a lawyer. It just pissed me off. I did what dave said, I did what they said and now they are telling me I'm in jeporady of being in trouble with the IRS. I'm going to move my DB to a CD and then close my 401k.

12-22

It was a busy day, but good day at that. I got one more old loan paid off, but I nearly had to send as much money to title to get it back. That's going to get worse as we get to the last of these loans. I had a bunch of payments come in so that was good. I had finished 80% of end of month yesterday and all of end of year, so that's done. Just need to write the newsletter and do the statements, which shouldn't be hard. I funded six for scott and one for Chris, I had three come in from scott and that old loan payoff. I've got a few more deals to fund this week, we'll see if they come to gether. Now that I'm pulling my DB and 401k out, plus tom emailed me for 1.8 million, my cash problem is fixed.

12-23

It was a quiet day. I had four to fund for scott and one for newbie. I had two payoffs from scott and that was it. I was supposed to have 3 others, I guess they'll come in tomorrow. I had one payment. I'm still riding John's ass about getting the docs signed for this problem property of his. I have to get him to sign them because I can't foreclose on his ass. If he gives me the property back I can sell it. I got the paperwork done to move the 1.8 out of my DenSco and in to a CD. That should be done tomorrow.

12-24

I was way busier than I thought I would be today. Tom emailed me wanted 1.6 million wired in. after I took out my DB money and now Lili wants to close 2.6 million on Friday, I'm out! I have to move out my 401k too! Scott only bought two today, but I only had one payoff. I had three other payoffs come in. I talked to brian and he gave me a million. then tom emailed me tonight saying he doesn't need the money! How fucking crazy. I finished end of month too. Just do statements and I'm done.

12-26

I had a really slow day. I funded two for scott. I had one payoff for miller and Minh came by to sign docs for a wire on Monday. Lili's deal didn't close, it will now be Monday. I will finish end of month tomorrow.

12-29

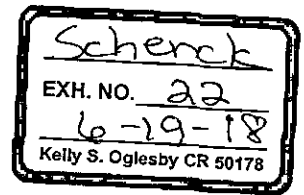
I got all my wires off. I had 2.6 for Lili's deal and two for Scott. I had a ton of payoffs, 1.9 million worth, plus I had a few others. He also sent 30k of interest on the line. I was able to take all the phone calls and emails while I was boarding. I worked for 4 hours at night to catch up with everything.

12-30

I didn't leave for the ski mountain straight away, so I was able to get all the wires out I needed too. Lili called me saying I need to allow Terry-Ann to wire it to CA for a double close and let them close with my money then they will return it with a deed. I talked to terry-ann and I said no way. Lili was pissed, but there was no way I could do that. Terry-ann will return my money and they'll work on a 10 day extension. The guy selling it to her, couldn't close on his end. Then Tom sent me back nearly 600k, and I'm supposed to wire back 369k, he's trying to make a paper trail of some kind. It's not coming together like he wanted. I had a few payments and Bartlett closed too. That was the deal we bought from Brian my neighbor, he hardly made any money on it.

12-31

Scott had 6 deals to fund. I had three payoff. Plus getting 2.6 million back on Lili's. I never heard from her, I'm sure she's mad at me. It was still a busy day! I had LSR requests, doc requests, payoff requests. I accepted a contract on the last house I own too! It's a quarter to 10 and I'm done! Made 1.37 million. I will have a hell of a tax bill. I also wired out my 401k and closed it down. I hope this next year, we get scott's issue completely done and then I can downsize the business.



2015

#### Goals

- Get Scott down to 5 million and only wholesale
  - Not even close, 28million
- Stay in business
  - So far
- Be profitable
  - Yes, but not really sure it counts
- Get the total portfolio down to 50 million or less
  - Its down to less than 50 million of investor money

1-2

I funded three for Scott, two overages, and then I was supposed to have three retails payoff. I only had one. I hadn't updated the bank info for the two of the payoffs, so they rejected the wires. I'll get them Monday. I had two calls from borrowers from long ago looking for deals. I was basically done by noon. I'll be busy all weekend catching up!

1-5

I funded one deal for Flint and four for Scott. I had 3.3 million in payoffs combo of Scott's wholesale, two retail and two other payoffs from other borrowers. I had a ton of payments. I got the mail; I think I deposited 10 checks. I went to the bank and got all the notaries done. It's spring time, it's time for the deals to start rolling in, and I hope Scott can get the rest of these under contract in the next 90 days! I was super busy getting everything done. I worked 12 hours yesterday which made all the difference in getting caught up. Scott has 58 homes to sell. We do that then we are done with retail, and can concentrate on just paying down the balance.

1-6

I was all caught up going in today. I had a busy day with Scott's stuff, seven deals to fund and nine deals closed. I funded one other deal for Andrew. I've got a few to do this week, not many. I hope the retail sales pick up. The damn burned out house is still three weeks out from being done. Slowest project on earth, these guys use everything as an excuse. The buyer is willing to wait. I can't get John to get this asshole to sign the papers and take over this other house. I hope I can tomorrow.

1-7

It was an all Scott day. I was able to get some renewals done too. I've got a few deals coming to me every day. I've not heard back from Lili yet. So I've got 6 million in cash, I may give some back to Brian if she doesn't take it. I talked to Scott about our plan for the spring. We should be able to sell the remaining 50 or so houses. He's getting 500k on his house, his mother refi, he thinks he has a buyer for his PV house, and should get some money out of Israel. Perhaps some stars will align for us.

1-8

I funded Scott's deals, and then I got a request for Lilli's 2.6 million, so I was drained of cash. Then Scott called wanting to buy a 1.5 million property that he can make 100k on. With the payoffs he has coming and plus Chris Hughes paid me off on 600k today; I think I can swing it. Tom called me late and now he's going to send me back 700k, so I should be good. Mike Swerlyk has a deal for 475k he can't fund, that I will, it's a great LTV I can split between two properties. I'm back to fully invested and Scott's numbers are coming down, another AFG paid off today. They will go up with this 1.5 mill deal but that's just temporary. I hope this weekend that he starts getting properties under contract, we have 58 to go.

1-9

I had a busy day because I had so many closings, I think 11. I funded one new one and then five for Scott. He bought the million dollar house which he says he's making 100k on in 12 days. I'll take that money in a heartbeat. He even got a contract on one of the retail houses, I hope he gets more this weekend. I had a few payments today, still missing a few too.

1-12

It was a quiet day. I only had two deals for Scott, but one was 1.4 million. The one he'll make 100k on. I had a lot of payoffs mostly Scott's. I was going to do a deal where a buyer sells to another and I do the escrow but the doorknob couldn't follow three steps of directions and email me the document in pdf file before he mailed them. I have two new deals to do this week, good ones too.

1-13

I had another quiet day. I funded five deals for Scott and he paid me off on five deals. I had one other funding for a 60k loan on a new guy. This fucking John didn't get shit done with that Haig guy in CA. He now wants to re-finance it. I'm working with another trustee to see if they will foreclose on him.

1-14

It was a quiet day until I had to record a doc for Bennett in Chocoma County. I use simple file. The damn software was working. After I was on the phone for an hour and half, he was making changes to my computer, then we had to reboot and it wasn't working. I had to work for a while then he called back at 3pm, after another 30 mins we got it to work. It's not 6:30 and I'm done. I funded 7 deals for Scott and one for Kyle. I was paid off on six deals. I also finally was able to take care of 3420 W Altadena. John Filipian didn't come back from CA with the signed doc and now he's saying he's going to refi it. This is just getting drug out so badly.

1-15

6

I had a much more productive day. I worked early so I could go to school. I came home and caught up before things got out of hand. I had seven deals for Scott and one for Casa. I was only paid off on five, but same dollar amount. I have a busy day tomorrow for few deals and next week will be busy because of the short week. Harold called, they will be done with the house next Tuesday I called Wade to meet the sup there and walk through tomorrow. We could have this damn thing closed in 2 or three weeks.

1-16

I funded seven deals for scott, and one for another borrower and one for Cyler. I had four payoff, but they were large. Scott paid 100k to the workout too. I only had one payment that I've seen so far, I was expecting more, I'll see them tomorrow. Wade went to the fire house and said it looked like a palace compared to the what it looked like before. The tile is a hodge podge of shit but it was like that before.

1-20

I didn't do any work all weekend. I was really busy today. I funded 8 deals for scott he had 6 payoff. I had a ton of payments, we have another busy day tomorrow I had a lot of calls but no one won at the auction. I went to lunch with Adam and Nishel. I thought they were going to throw another deal at me, instead they are just frustrated on the lack of deals

1-21

6

I had a busy day from jump, a few calls and scott paid me off on nine deals, I had one other deal payoff. I funded only three for him. I returned funds to Locke's, small amount and the balance to Kirk. With what Burger told me he's taking back, I can slowly whittle this down as scott pays me back, it might work out ok. He bought a ton today though. I got all my end of year tax stuff done for DenSco, 1099's, state and fed tax payment forms all done by Dave's office.

1-22

I got up early and did all the morning work so I could go to school. it was quiet enough while I was there that when I got back i was able to catch up pretty quickly. I funded six deals for scott and he paid me off on six. It was busy today, he's got nine for tomorrow. I had a few payments too I can't get anywhere with john and this fucking idiot in CA. it's driving me nuts. I have to find someone to foreclose on him.

1-23

6

I started in the office early and got stuff done before I left for the mom's meeting, lousy attendance we only had 13 there. I gave my spiel and everyone interacted. I came home and caught up with shit. Wade walked through the house, he said it was good. I didn't hear from Harold I guess he'll want his money Monday I've got a long weekend ahead doing end of month.

1-26

I funded five deals for scott and I had five deals pay off plus one from Andrew. I had a few payments as well. Scott is going to start to buy more retail to start trying to make 15-30k a house retail to allow him to give him more money to pay down on a weekly basis. His goal is 200k a week, he gets to that, we'll be in much better shape. He'll eat up more cash, but I have a bit of that idle anyway. I nearly have everyone giving me their info for end of month. I spent nearly 10 hours working on it this weekend. I'm almost done.

1-27

I funded two deals for other than scott, with him seven. I was paid off on seven, plus three more, 2 of his old deals. I had a few payments. I've got some deals lined up again for next few days. I'm going to finish end of month, if I could get these people to send me the info back I requested. How hard is it to give me a checking acct number?

1-28

I had five deals for scott and one for Chris. I met dave for tax session for DenSco. I had eight payoffs. All but one from scott. I only had one payment. I did get all the renewals done. I only have three more people to get back to me for info so that I can have everyone moved over to monthly or quarterly payment. I just need to do statements tomorrow night and I'm done.

1-29

I funded one for a new guy and five for scott. He only paid me off on three and I had one other paid off from a new guy. No payments and quiet day. now I'm going to do the statements nad I'll be done.

1-30

I funded seven deals for scott, we had one old deal close, so I had to send a few dollars in for that one. he paid me only 50k of interest but we had two other closings this week that he covered. I had 7 closing from scott and one from another guy. I had a lot of payments. my p/l shows I made 380k but until I have scott's work out loan paid odown, I don't count it as profit!

2-2

I reconciled over the weekend, and I came up correct. It's so easy when it's in one account. All the money in and out today was scott. 1.4 in, 1.7 out. He bought two really good retail deals, hopefully they come back and make some money in the next two months.

2-3

I had a super busy day, scott had 9 deals to fund and paid off on one. but I had seven other deals payoff. I had a few payments. I was all caught up with Sean's father in law came by with some

friends and wanted to know about mybusiness. I had to work a few hours in the evening to catch up. Victor bought to deals, we are negotiating on the down.

2-4

I was really busy all day. I met with Patterson construction and paid him 24k more. I hope to get about 13k back from the insurance company. If I do that and close on the house next week, I should be able to net maybe 10k! at least it's not a loss. I funded nine deals for scott and one for Victor. I had 10 deals close and I had a few payments. I had to do payoffs for scott tonight. The city of Glendale called on past due water bills from 2011! One of them wasn't mine and the other was a tenant. They say they are going to send me to collections.

2-5

I got in here at 6 and got everything done before school. I was able to take care of everything by 3pm. I funded five deals and I had nine deals close. I've got some new deals for next week. the old Easy ones will start closing again next week. he has a lot of retials going on the market too. That should help big time with profits and pay downs of the work out.

2-6

It was a steady day of scott deals, I funded five, but was paid off on 8, plus 100k. Bennett had one payoff too. A few payments. it was quiet in the afternoon so I took a nap since I'm so sick.

2-9

I funded 500k deal for Lili, two for Bennett, one for Maribel and five for Scott. I had a few payments and six payoffs. I am trying to figure out this property with Haig and John. I can't foreclose, he won't refi. Now I have Eric involved. Hopefully he can push john to do something.

2-10

I funded six deals, and I had seven payoff, I had a few payments. I got all my docs sign/notarized for the sale of renata except the Hud is wrong, mostly the HOA of course. Lindsay is beating them up about that now. I'm still fighting with the city of Glendale over water bills from 5 years ago. I've got deals on my desk, hoping to clear them before I leave, but it's not going to happen.

2-11

I funded eight deals for Scott. Two of which are retail. I'm starting to get payoff requests on his now, so we should be able to have a great March, Feb won't be so good. I had to return 200k back to Tom Smith today too. I worked all afternoon basically doing tomorrow today so that I'm ok to leave tomorrow. Shawn is sending me several new deals too.

2-12

Because I did so much prepping from last night, I had no issues today keeping up after being on



theplane. I was able to get set back up and send out some wires before cut off. I did all of todays transactions and most of tomorrow to get ahead of things. looks like we are going to close renanta and fight out the hoa dues later. I only had scott deal's today and one payment.

2-13

Because I had all the prepping last night, I had everything taken care of for today. I had a few more payoffs come in than I was expecting and a few payments. I was able to get set up at my sisters house to do a wire.

2-16

Because it was a holiday, I had one phone call. I worked for hours tonight getting prepared and ready to tomorrow.

2-17

I ahd everything done last night so while I was traveling things went ok. I landed and had emails and vmails a mile long. I received my payhoff on renata cir, one less home that I owe. Notwithstanding the lost interest, I netted about 7k. 34<sup>th</sup> street should close tomorrow, I'll be down 2k, but I've got an insurance check coming for a few more grand. All the other payoffs were from scott. I opened my mail, I had 20k in interest payments. I worked until 1 am to get caught up. I'm 90% there.

2-18

Because I worked so late last night, I didn't have much more to catch up on. I was busy with normal day stuff, then found some huge recording errors I had made on some of Scott's properties, I fixed all of those. I got all the releases and recordings for the day done. Lili's small 500k deal paid off today. The 34<sup>th</sup> drive should now close tomorrow. Then all I will own is dirt. I only had one payment that I've seen so far. I moved a property from Brian to Shawn.

2-19

Only had two wholesale to fund and one retail. I had eight payoffs from Scott and the 34<sup>th</sup> Drive burned out house close. Once I get the insurance check next week I can say I didn't lose money. I had a few payments too. I'm concerned with Scott because the whole sale balance is near 20 million and the total is nearly 43 million. we have to get hti sdown. I know he's been buying a lot of retail lately, which will help make him money and pay down the balance on the workout but I can't have this much money still growning.

2-20

I got a late start, but it was an easy day. I funded four deals for scott, an overage to get a payoff on an old one and then a retail property. I had same number of payoffs and a payment. Then just random sill phone calls from people. A missing release from 2005?

2-23

I did end of month all of Sunday afternoon. I just have the statements to do. I had a bit of stressful day. scott was traveling nad wasn't making deposits. I had to wire him out money for today purchases, plus another deal and no money was coming in. I had to move money from my personal acct to cover it. luckily out of the blue Lili deposited 500k in my account. I was all thrilled, then scott made his deposits. Life was good, an hour later I get an email from Tom wanting 2 million out in the next 45 days. I told scott he's got to slow down this whole sale stuff, it's eating too much cash. It's always rising and I can't give him 100% of my money! He's meeting with the gusy on Wedensday see what the plan is.

2-24

I had about the same money come in as out for the wholesale, but I had to send some money out to get a payoff on an old scott deal. I had a few payments and I had two other payoffs. I talked to scott, he's having the meeting tomorrow. Tom gave me a schedule to return 2 million to him. Not what I want to do right now, but it never comes when I want it too.

2-25

It was a good day for payoffs. Scott paid me off on four and I had two others that paid off and more coming next few days. Scott had his meeting, they said it will go up to 22million by end of 2<sup>nd</sup> quarter. Which won't be a problem if he sells a lot of retail properties between now and then. We walked through a few scenarios I think we can make it work. we just need to sell these last 40 properties

2-26

I funded one deal for Shawn and five for scott. He paid me off for six, two from shawn and one from Judith. I had a few payments in too. Scott bought nearly 2 million and only has 1.6 coming intomorrow. I'm going to be tight to be able to return funds to Tom.

2-27

I sent statements out. I didn't have as many payoffs come in as I thought. I should have a lot come in on Monday. I can return the money to Tom that he requested. I hope cash flow improves. I had to do all the deals on my desk but two today, drained me. Plus Chris had one. Scott paid me back 40k more than he borrowed, plus a retial one closed. We have more next week closing too. I had a few payments and lots of stupid phone calls.

3-2

I did no work whats so ever this weeked. Scott did say he got a ton of calls, hopefully we'll get some contracts. Today was busy , all the deals but one on my desk funded today. I barely had the money I needed to return 700k to Tom, wire money in to cover an overage for Scott, wire in for

the deals and then get all the payoffs back in. I'm still missing 4 of them. I had a lot of payments too. I hope tomorrow brings in more payoffs

3-3

I funded six for Scott, I had two big ones pay off for more money then Shawn paid me off on four of them. I had a few payments too. I've got a little bit of cash. I need more, I hope more payoffs come in this week. I went to lunch with Glen. He's quit working and going to live off what I pay him. Add him to the long list of people.

3-4

I funded a bunch for Scott and he paid me off on a bunch. I'm going to hit a serious cash crunch, I don't have hardly anything closing next few weeks. Tom wants more money out and I have to pay my investors interest and my taxes all in the next 30 days.

3-5

I funded six deals for Scott, we had one deal that was old AFG, which paid off. I had to send him 250k to get 325k back! One more done I guess is the best way to look at it. I had 8 payoffs from Scott and one from Roger. I've been turning down deals like crazy so I can do what I need to do. It pisses me off.

3-6

I funded seven deals for Scott, I had six pay off. I had one of Miller's payoff. I had a bunch of payments. I was supposed to meet with one Moises and new borrower but they never showed up. It was a quiet day, which was fine with me.

3-9

It was a quiet day. I funded four deals for Scott, sent Tom back 200k. Scott paid me off on four deals, and I one of Shawn's came in. I funded a new deal for a Cuban gal, that Cathy had already bought. Makes me a little nervous, I'm in it right though. Scott only got one contract, but is expecting at least three more. We need them!

3-10

It was a super quiet day, Aaron's deal out, five others for Scott and four that came in and one payment. I had a lot of phone calls, but nothing of significance. I typed up nearly the entire months renewals!

3-11

I funded four deals for Scott, one for Miller. I bought the food for the party. I got some kinko's stuff done. I got the renewals all done for the month! I had a few payments. I had a pay down payment on 80k on a loan for 230k.

3-12

I funded seven deals for Scott, and one overage, which came back to me. One more AFG deal done. We are down to just 16 that we need contracts on. I had one other payoff from Miller. No payments thought. Dad and I bought all the liquor for party.

3-13

I funded four deals for Scott, I had two pay off and one other deal. A few payments which I'll have to see the deposits to figure out who they are and how much. I'm ready as I can be for this party. At 11pm I got an email from Dave my attorney wanting to meet. He gave me a year to straighten stuff out we'll see what pressure I'm under to report now.

3-14

It started off pretty bad, the food arrived, late and no warming trays, just in tins with tin foil over them. Mo got mad at me. I guess I didn't cover that with him. We heated up the oven and just set it up. I only had three no shows. I only screwed up one name and forgot one spouse name. the time flies by so quickly it's weird. I never think I talk to everyone like I want to or need to. I'm glad it's over.

3-16

I funded five deals for Scott, we had three payoff and one old one. we only have 2 left of the old Chris list of hosues. We have a few more AFG to close this month. I had a few payments over the weekend and today. I've got more in the mail.

3-17

I funded five deals for Scott, I had three that paid off for nearly the same money. I had a few payments. I was thinking that I would have some more payoffs from other deals, but they've moved from Friday, to Monday to who knows now. I'm building up my cash so that I can make sure I've got enough to take care of everyone.

3-18

I had a slow day in the morning then I had a few new deals I might do, I have some cash, but I'm nervous to put the cash out and not have enough to put it out for interest and taxes and for Tom. I only had one payment.

3-19

I funded four deals for scott and one for Jordon, then I was supposed to do another one for Chris but now it's tomorrow. I had no checks come in the mail, buti should have some deposits made today. I didn't have a phone call after 1pm.

3-20

I funded 7 for scott and he paid me off on 5, I thought I would have about 5 more payoffs, none of them came in. I funded one for a new guy, I'm nervous about, but there is tons of room in this house. It's already 80% fixed up too. I had a few payments, I hope a few more appear in my account tomorrow morning.

3-23

I finished end of month yesterday.all I have to do is write the newsletter and do the photos. I should do them today, but I'm not motivatd. I funded four deals for scott, he paid me off on four, I had noather 7 that were supposed to close, but I never received the wires. I had a lot of payments both in the mail at made at the bank.

3-24

I funded four deals for scot and one for Flip. He paid me off on two that was more than I funded I had lunch with Dave beauchamp, I was nervous he was going to put a lot of pressure on me. However, he was thrilled to know where we were at and I told him by April 15<sup>th</sup>, we'll be down to 16 properties with seconds on them, and by the end of june we hope to have all the retail houses sold by then and just doing wholesale. He said he would give me 90 days. I just hope we can sell them all by then and darn near be done with it. I'm going to slow down the whole memorandum process too. Give us as much time as possible to get things in better order.

3-25

I started early after dropping Maxx off, I ran to the bank, and I had a steady day. the best thing was lili 2.7 million deal is going to close 3/31, that will give me the breathing room I'm need right now. I funded 6 deals for scott, hepaid me off on 8. We've got another AFG deal closing tomorrow. He's got two more in escrow, he needs to get more! He did get his dealer license sohe can start selling cars now.

3-26

I funded five, paid off on four, but not the right amount of money. More needs to come in then go out next week, or I'm in trouble with cash. The AFG deal closed, but I found out two others fell out of escrow. I was paid off on a retail one too. I had one payment. I had a lot of requests to fund deals. I'm really low on cash. I am now really hoping that Lili's deal closes tomorrow.

3-27

I funded four deals for scott, 1 for Horizon Max and one for Gary Burleson. I was paid back only on four of Scott's, I had like 5 others supposed to close, none of them did. Lili's big 2.2 million is now supposed to close on Monday. That happens I'm in great shape! At least I'm getting paid back 400k more than I'm putting out for Scott on Monday too

3-30

I did the newsletter yesterday. All I need to do are the statements tonight. I funded 7 deals for scott, he paid me off on five, I had two others close. I've got nearly a dozen that are or were supposed to close between Friday and tomorrow and I have no idea how many are actually going to. Lili's was Friday, then Monday and now maybe tomorrow. I'm so low on cash it is scary. I'll be able to pay interest and return money to Tom. I got another request from Weiskop's want their money back too. It's just goin to get ugly in the next two months.

3-31

All the ACH's went out as they should have. I paid out over 800k of interest. I funded six deals for scott and he paid me off on 11. He paid interest on his workout and I had one other closing. I've got another one coming in the morning and supposedly Lili's too. That comes in and I will have cash to take care of everyone on my desk and tom's request. I had to return 300k to tom too today I was down to my last 200k before I had a few wires come in.

4-1

The first wire I received this morning was 2.2 million! I wired Tom another 300k, so he's done for April. He emailed me back saying he may not need anything until june now. I had some other payoffs come in too. I've got two more coming in tomorrow. I was able to clear the back log of requests off my desk. Everyone is happy and I've got money in the bank. I funded 7 deals for scott and he paid me off on five, plus an AFG came in. he got another one under contract too.

4-2

I funded five deals for scott, one for Rodney and one for Shawn. I was paid off on one of Cyler's plus three of Scott's. I'm still growing in dollars with scott on the wholesale. It needs to peak this quarter and reverse! I had a few payments I decided to except some money in even though I'm flush right now I'm taking him 500k from Adam/Nishel. I can give it back when I want and I know they will want it back at some point before too long.

4-3

I funded five for Scott, I had two others to do for Chuck and Rodney. I had a few payments come in and scott paid me off on five deals. I was supposed to have another one of Rodney's pay off but I never saw it. it was areally quiet being good Friday I met Nihad and family for early dinner. Great to see him and meet his kids.

4-6

I funded five for scott, he paid me off on three. I had one deal payoff for Rodney and another small 15k on from john. I only had onepayment. It was quiet day except a lady callingme about a house that scott bought at the auction. I'll have to call her back tomorrow. I funded a deal for Barry, I'm sure he'll be paying me back quickly. Miler bought one at the auction too.

4-7

Flint's deals finally closed, probably 2 weeks after when they said it would. It was even my bank! I funded one deal for miller and four for scott. He paid me off on four too. But for not as much money. I didn't have anpayments and hardly any calls.

4-8

I funded five for scott and was paid off on four, plus one of Shawn's and then one of the old AFG's was paid off today too. He's got a bunch of them on the market and rehab now By next week, there should be about a dozen more on the market. We'll really start moving these darn things. I met with Flip's partner out of CA. More armenians'! I swear these guys do a lot of real estates tranacstions over here.

4-9

I got the payoff form the land deal that roger stuck me with. It's been over a 15 months, but I've finally sold all of them the stuff he stuck me with. I lost about 100k on him. I funded four deals for scott he paid me off on 6. I had a few payments and a few payoff requests. I wired him less than he's paying me off tomorrow. Damn good thing. I've got deals starting to stack up and I need cash. Plus next week I have to make the tax payments!

4-10

I funded four, paid off on seven for scott. One more came in Aaron, I have another that closed but not in time for the wire. I had a few payments. I'm getting a few deals lined up for next week, but I have to conserve cash for paying my taxes!

4-13

I funded four deal, it should have been 5, but the bnak fucked up and didn't release one of the wires. Scott paid me back on only five deals an di had one of Victors payoff. I had a few paymentns too.

4-14

A real quiet day. I've got a 400k payoff coming next week, but I had requests for 300k today for the money. I harldy have any more payoffs coming in the next two weeks, so things have to be slow. Scott says he's got houses going on the market nearly every day. we have to sell 48 total houses. He's got maybe 10 that are empty, clean and on the market not under contract. By the

6  
end of next week, we'll have twice that. Then the contracts start coming in droves we hope. Just this evening, we got three accepted contracts, I hope this pace continues briskly!

4-15

The contracts rolled in last night and this morning, four more! Now it's just a matter of putting them on the market. I funded two for Mike Moore, seven for Scott. I was paid off on six from Scott, plus an old AFG. I've got a few others supposed to close tomorrow. May is going to be a busy month for selling off these remaining properties.

4-16

It was a slow day. I funded one for Minh, six for Scott, he paid me off on four, plus I had two more that paid off, so I'm up to 4.6 million in cash, which is great! I had just one payment that I'm aware of. I've got a few deals to fund other than Scott's in the next few days. I just hope he lists more and we have more contracts this weekend.

4-17

I funded two small deals and then five deals for Scott. He paid me off on three, plus I had one old one from Izabela paid off. I was expecting a lot of mail with checks, got none. Scott has another 1/2 dozen properties listed for this weekend. I hope more will get under contract. It will take three weeks to get all of them done. But they are getting under contract as quickly as he lists them.

6  
4-18

I funded five for Scott, I had four payoff. I had 1/2 dozen checks come in over the weekend. I'll have nearly 100k after Wednesday. He's also paying his principle down, 30k. I funded one deal for Shawn. I've got a bunch of deals to fund next few days and very little money coming in. Scott received another contract today, we are hoping for three more next day or two. He's got 7 more going on the market this week.

4-21

I funded two for Scott and he paid me off on 400k more than I funded him. Which is great! I had a few payments. I typed docs for a few deals too. He got another contract too. He thinks he's getting two more and 7 more houses are going on the market before this weekend. We are down to 39.

4-22

I funded four deals for Scott, one for Shawn and then returned 1/4 of the money that Nishel invested with me. He did exactly what I thought he would, need it before the time frame, in less than 2 weeks! I had a few payments. I had some payoffs that weren't Scott's too. I should have some more tomorrow.



4-23

I funded four for scott and two more for others. I have another two more for others tomorrow I had built up my cash to 5 million, I figured I would put some to work. now scott tells me tonight he's got 2 million he's sitting on for me to fund, he's been holding back on me! There goes my money! I have deals to fund next week, end of month, I'm back in a fucking cash crunch again! I'm going to sit here tonight and do end of month.

4-24

I funded two deals for shawn and a new guy, 40 LTV, I figured it was worth the risk. I had a few payemtns. I ran up to scott's to get the interest payment for yesterday. I had my mom's meeting. We had a super low turn out and I'm embarrassed by it, I need to get more people to go. Jeff and Tony came up from Tucson too. I had three payoff of Scott's and two others. One really old one from three years ago from the CA Armenian boys. We have a lot closing next week, I hope this is another busy retail weekend.

4-27

I was busy as hell this morning. Scott had eight deals, Eriv V had three, then Maribel had one. Scott paid me off on 11. I ran to meet Mike Swerlyk for lunch, he forgot, I came home right away, wasted 45 mins on that trip. I had one of Scott's old ones were supposed to close, they didn't get the wire to me. I had a few payments. one of the deals I thought was going to close go pushed, so I might break even this month. Scott is giving me more cash for interest Wednesday.

4-28

I funded four for scott and he paid me off on ½ dozen. I funded two other too. I have three or four others to fund tomorrow. I had no payments, at least that I can see. I had a rude man call me about a recording that we did on his property. He called scott and put such a scare in to him that we are changing the paperwork to record.

4-29

Ran to the bank to pickup the checks for Victor. It took me a few hours to catch up. I funded nine deals today. Four were other than scotts. I screwed up one of them too. I wired the wrong dollar amount and wrong docs, no one caught it until they were ready to record. I had some payoffs from scott and the principle payment. One payment was made so far today. I 've got a few I'm chasing right now. It will be busy night doing end of month again. the next two days will be really busy.

4-30

End of month went off with a problem. I funded a bunch of deals for other people besides scott and I've dropped by cash by 1.5 million. Scott's has nearly 4 million closing in May of retail stuff. I can't wait to see that drop off. now if he could start paying down the balance more. I

made a whopping 40k, might be 50k if people made their payments. that's because scott had paid me so much in cash this month. I don't think that will be repeated.

5-1

I only had two of the 5 deals that were supposed to close close. Scott's deals closed the same as he borrowed. I had a few payments. I was reconciling my account and someone paid their insurance with my bank info. that's the best I can figure out. One of scott's AFG's paid off today too. Next week will be slo, then after that the whole month will roll.

5-4

I funded four deals for scott and I had four payoff. I had a bunch of payment Saturday and Monday come in. Tom now wants 500k back this week. he said not until June! Plus I have to return 250k to the Wieskopf's too. I need a ton of deals to close to do this.

5-5

I got one payoff in I was wanting, Ivory Ln, these small deals from the Hispanics, I'm glad to see get paid off. they are always late and don't pay their insurance, Moises I don't think I'll be doing more of these. I funded seven for scott he paid me off on five. I got an email from the bank saying my wires are large and my balances are low. It will go up soon, as these payoffs start rolling in. I just sent payoffs to Kenny for five properties, 4 of which close next week.

5-6

I funded six for scott, he paid me off on 7 and then I had an old one payoff too. I had a few payments too. we met in the morning for exchange of payments for interest. I've got a lot of closing next few days to build up my cash again. then next week, we start having lots of closings of his old ones, nearly every other day.

5-7

I funded seven for Scott, he paid me off on four, plus paid his payment for the workout. I had a few payments. I had three closing that were supposed to happen, none of them did. I have perhaps as many as 5 to 7 tomorrow. Lili called needing funds, I can't get them to her Tom suddenly wants another 500k out. Adam never got me the 750k he had said he would send.

5-8

I funded seven deals for scott, he paid me off on five, then I had three more close, which is getting my cash up. I had another 700k, supposed to close but didn't. Adam didn't bring me the 750k he said he would. I hope Monday will deliver.

5-11

I funded seven deals for Scott, one for Bennett. I had five payoff from Scott, one from Victor and one old one from Scott. I had a few payments too. I'm starting to build up my cash again, and of course, the 750k that Adam said he would send last week, is now 450k maybe next week. I have to start returning money to Tom again too. plus 250k at the end of the week to Weiskopf's. I hope the payoffs from this week don't get pushed, I don't want to be stretched again. then next week, I've got lots of payoffs coming in.

5-12

I returned 100k to Tom, going to try to do that every day until I'm done. I've got a lot of closes end of the week. I funded six for Scott, he paid me off on four and I had 2 others close. I had nothing else really happen. I've got a few to fund tomorrow, I need these payoffs to start rolling in every day. I want to keep my cash up!

5-13

I returned 100k to Tom, I funded two other deals besides, six for Scott. He paid me off on four. I had a few payments and he paid me his interest and principle payment on the work out. I need to get more closings in to return the funds and maintain my balance. I should have some more tomorrow.

5-14

I funded five for Scott and returned another 100k to Tom, then he requested another 700k. I can't fucking believe it! I told him it would take me a few weeks. I have a lot of Scott's deals closing in the next few weeks that will help. I had three payoffs from other borrowers too. I had a few payments.

5-15

I funded 30k for Eric, returned 250k for Weiskopf's and then funded five deals for Scott. We had to old ones close. One needed some money to cover. Next two weeks we have one to two a day closing every day. Steve Bunker called, wanting money out too! I've got requests now for nearly 3 million! I want to shrink on my terms not theirs! Nishel said, he's going to add 300k not 750k, just what I thought, never can come through at what they say they are going to do. I had a few payments too.

5-18

I funded two large deals for Scott, he paid me off on four. I had a few payments. really quiet day I've got a ton of closings starting Wednesday through the end of the month. I need every one of them to be able to return all the money to people that are requesting it.

5-19

I had some check issue with Scott. His large check didn't clear last night, so he wired more funds off it and then the bank was complaining about no funds. I wired him part of today's buys and that released it, the whole thing took 5 hours. I was able to return 100k more to Tom. With all the payoffs the next few days I should be able to get some more money wired off to all these people. I had one payoff come in I wasn't expecting until next week.

5-20

I funded three for him and one for Bennett. He paid me off on five, I had three others payoff. I returned another 100k to Tom. His first request of 100k is done. Now I'm going to work on returning the Weiskopf's next.

5-21

I funded four deals for Scott. I had four of his payoff, plus one of Victor's. I received my check on the property I took to auction. I got \$1000 more than I was due on principle and costs, so I count that as a victory. I had a few payments made too. Nishel invested 300k more. I'll be able to return some more funds and payoff my investors. I sent 250k back to Weiskopf's today. I still have 1.4 million I need to return.

5-22

I had enough funds to return the rest to the Weiskopf's. I was hoping to return some to Tom or Steve, but I only had two other payoffs come in and they were small. Plus Scott bought 1.6 million. I was scared the wire wouldn't go out because I didn't have enough collected funds. I had a few payments too. I keep turning away good deals because I have to pay these people back first before I put out more money. Next week is going to be nutty, like three a day should close!

5-26

I funded two deals but they were for 1.6 million. I had six deals payoff of Scott's and two others. I had a lot of payments. I'm out to Scott a lot on these damn wholesale deals. I can't wait for that to shrink. We have had so many of deals get moved out to the end of the week. I was hoping to return some more money to the investors that wanted some, but it's going to be either Friday or next week now.

5-27

I funded two deals, Larry and Victor, then four for Scott, one for Shawn, and I had to wire in overage for the deal I got paid off on. It looks like over a million will come in next two days with all the closings Scott has. It's going to cost me some money to get it, but I'll be able to start returning some more money to Tom and Steve.

5-28

I funded three for scott and one for overage, which I got paid back today. One more deal down. Tomorrow we should have 4 or maybe 5 closing of just scott's. I went to lunch with Tom and he wanted another 500k back. I'm going to have a rough time returning all the money that these guys want in a timely manner.

5-29

With scott being in CA for the morning, things didn't go perfectly smoothly but dam near. The interest was paid to the investors. I funded three deals for scott, and thre overages, then I had four of his deals payoff, three of them were AFG's. then I had surprise 400k payoff, so I returned 100k to tom and Steve each. I've got a little cash built up and I've got more closes Monday. I'm just going to turn away deals until I get them paid down, I don't like the stress. I made 275k this month, but I could hardly care. As long as the old deals get closed and hopefully soon, scott can start paying down the damn workout.

6-1

I funded one for Miller nad three for Scott, he paid me off on three. I had a few payments too. it was a quiet afternoon after 20 calls in the morning. a gal came by that I had done a few loans with a few years ago she wants to do them separate from her husband. I talked to her for a little while, gave advice. I talked to scott. He was doing the same thing I was this weekend, trying to figure out if we are going to round the corner on this and how long it's going to take. We talked for nearly 2 hours. he's freaking out. I'm starting to wrose then I was before I spoke to him. With the demans to return all this money to my investors, it's shrinking the avialbe funds to do other deals. It's giving me a cash crunch. I just need to calm down and look at it fresh.

6-2

I didn't sleep half the night trying to figure out how to get out of this situation. The one thing I decided was to defer the interest on the work out so that all payments are made to principle because it's going to rise another million and we need to see that balance go down not up. Then I emailed a few people to see if they wanted to invest with me some more money. I got 100k by noon. We had another AFG close today, darn near got as much money back as I sent! I've been turning down deals left and right! Probably over a million right now!

6-3

Tom requested money back today, I sent him 100k and steve 100k, I was going to send 200k to steve, but tom must really need the money back. I added up all the money that's suppose to come ni and what I have to send out and what I have in the bank, I think I will be ok. It depends on this meeting tomorrow that soctt has. I had the same amount of payoffs and funding for today, but scott paid me 80k in principle payment. I had several payments come in too.

6-4

I only funded deals fro scott and had his payoffs. I had one payment that I saw He had his meeting with the auction.com guys, he pushed back a bit, beucase we can't get any larger with this number. There is no way. We talked for two hours. we've got just 7 more AFG's to sell, then they are done, then 15 more retail that need contracts, about 10 won't be ready to sell for a few weeks to months because of tenants. We can have all retails sold othere then 10 by 7/31, we'l be in good shape. The stress I'm feeling is so overwhelming I feel like I'm going to have an heart attack.

6-5

I went golfing with Dave Preston for a charity event for Queen Creek High School football program. It was raning like crazy all night and most of the morning. I was able to wire from myphone to Scott. I had one more payoff come in. I need to return more money to Tom and Steve.

6-8

I was worried about cash this morning because scott's deals kept getting pushed out from this week. Tom was bugging me about money, then out of the blew a borrower paid me off 265k today. I returned 100k to Tom and 100k to Steve. I didn't have any other payoffs and won't for a few days. I got everything done for today nad I'll be working in to the evening to get everything done for tomorrow. I had a late payment finally come in from one borrower, now everyone is current.

6-9

I had worked so much this past weekend and last night and earlythismorning I thought I was set. I get on the plane no wifi. The gal said it was because we were flying over water. such bullshit. I wasn't able to send a wire to scott, so we are going to have an interesting tomorrow. I had a few phone calls to return and tons of emails. I had to work until nearly 1 to get caught up.

6-10

I woke up at 4:30 HI time so I could get started. I was able to get a great amount of work done before everyone woke up. Because of the screw up from yesterday, I wired him first thing, he wired me back, then I wired again later in the day. we had an AFG close today, plus I had another deal close of Victors. I won't know if i had any payments until tomorrow

6-11

I had a quiet day, I was able to do everything I needed to do before the phone started ringing and the emails came pouring in. of course tom is bugging me about returning funds to him and now Nishel wants money back too I can't wait to be flush with cash. I funded a bunch for scott and he paid off nearly the same dollar amount. I had another payoff from Andrew

6-12

I funded 8 for scott, I returned 100k to tom and to steve, and 100k to Nishel. Then I had one payoff from Rodney. I will be able to return more money to them next week, I have more closings. I just want to get this behind me and build up cash. I'm turning down so many deals. I did fund one for Chris.

6-15

Scott had a big day, 1.6 in and out. He had one deal close but didn't record until 4:30 That will come tomorrow. I had another deal close. I'm getting some cash worked up again, so I can send some more money back this week. I've got 1.3 million closing this week, and 800k next week. if that happens I'll be in great shape. I had a few payments too. I had a few calls on old recordings I had done, I talked to a law firm and a homeowner. I think I took care of both to their satisfaction.

6-16

I had a lot of phone calls in the morning. then I was able to get most things done before we left. I wired from my phone and it worked fine again. I was able once we came back to finish the work for the day. I have enough cash to return more money to tom and steve. I'm going to do it slowly to ensure I can keep everyone happy.

6-17

Scott had another big day, 1.5 million in and out. One of the old retials closed too. we need more contracts though. I had one payment. I'm getting emails that people have sent checks, brian didn't check my mail for them. I don't know why, he always does I'm going to fund a few deals this week. I have to. I also sent back another 100k to each tom and steve. I might do some more friday if I get more in.

6-18

Scott tried to enlarge the wholesale number saying well I'm paying down the workout I can use that for the wholesale. I'm not letting him. That number needs to start dropping! I have to get his number falling, or it's going to be hell with Dave. He's done over 1.5 every day this week! he's been paying off that much too. I had no other payoffs and only one payment. I've got one deal funded today and one tomorrow. Maybe one more if I get a few payoffs in and then I can send tom and steve more money.

6-19

I funded two other deals besides scott's. I got back to my office by 8:15 and got started. I had everything done by 11, then I started catching up. I did some more Friday work and then I worked until 4, napped and worked until 8. I will be spending the whole weekend cathing up.

6-22

It is good to be all caught up again! I funded a few for scott and he paid me off on a few. I did one for Chritmas. I was supposed to have a few payoffs today, only had one via check. I'll have a few tomorrow. I gave Lili 600k for two days, then I'll get it back and be able to return some more to Tom and Steve.

6-23

I funded a few for scott and paid me off the same amount. I had two payoffs for other loans, I'll be able to send 200k each to Tom and Steve tmorrow. I had a lot of payments too. Lili gave me the 600k back today, so that was good. I've got some more deals closing tomorrow.

6-23

Scott is doing over a 1.5 million every day, thankfully I have enough money to do it. he's paying me back nearly on the same level each day I had a one payoff other than his today. I've got a lot more palnned, but they keep getting moved out. I had a few payments. I allowed Pete Rzonca to invest 75k today. I wired out another 100k each to tom and steve. I've nearly got htem taken care of. Of course now Adam wants 100k too.

6-25

I did eight deals for scott, I was paid off on one of his retails I'm getting another one tomorrow I thought I was getting 200k back, I didn't realize I needed to come in with 100k. but it's one more retail gone. He got two more under contract too. down to 22 left of retails and only 7 AFG's.

6-26

I funded seven deals fro scott. We had two more retails close, one was an AFG. The other wasn't, but both needed money. We are just knocking them off the list. I had a ton of payments made today too. Scott is headed in for surgery Monday so he'll be out of contact. Hopefully things go well. Then at 6pm I had the bank call saying they are holding a check because his signature doesn't look right. I called him he said the ink in the pen died so he had to re-do it. we are just going to change to large wires day after and that should solve the problem.

6-29

I funded 8 deals fro scott and had 6 payoff The dollars are getting out of wack again, he promises they will get back once he gets out of surgery this week. I hope it went well for him today. He's treating it like a teeth cleaning. I had a few payments. I got the ACH issue resolved so the tpayments go out tomorrow. I need to do statements today and I'm done. I spent the entire Saturday doing end of quarter

6-30



I funded out 1.5, and he paid me off on million. the wholesale tis over 24million now. He better get the damn thing down, I can't fund the deals I have on my desk now because he's sucked so much money up. One AFG deal did close today. I've got 3 other deals that were supposed to close and didn't. on the P/L I was profitable. I will continue to hold my breath until we get more of this problem resolved.

7-1

I funded and received the same amount from scott. I had one deal close from Bennett and one retail deal I wasn't expecting from Scott to payoff too. I was able to wire back the last of the money to Tom. Now I have just 500k to send back to Steve in the month of july. Adam wants another 100k too. I've got everything prepped to leave. I just need this one 500k payoff to come in so that I can fund a few deals next week.

7-2

I had prepped last night and I got up at 6 to get everything done before I left. I checked to see that the plane had wifi. I was able to send a wire from the plane. I had a lot of emails requesting things, but they call can wait until Sunday night.

7-6

I'm in deep shit. My first phone call was from Tom wanting a million more dollars out. I told him I cuoldnt' do it any time soon. He wasn't happy. All of scott's retail deals got pushed a week to two weeks. All the deals on my desk started needing to be funded. I funded two this morning and one tomorrow. I talked to shawn, he's got a 1/2 dozen deals, none of them I can do. He gave me this I guess I'm not your priority anymore. I'm fucked. I talked to scott he's so moody he's on his meds for pain killer. He says I have to work with him. But he's got nearly all my damn money! I can't even operate the business anymore. He says it has to work on getting it down. He's depressed, he's stressed, he's feeling like shit. I had my investors north Idaho dinner tonight. They all joke with me, "ah you aren't a sham!" " keep the checks coming". I was just sick to my stomach all day and all night. I didn't eat until dinner. Now I need to sleep.

7-7

I'm going about mad. I've not slept in I don't know how manydays. But at least scott go his wiring up and running so now he wired me 300k. which is good. If not, I'm not sure they would have let the 1.6 million wire go backt o him this afternoon. I funded the last deal I'm doing besides flints. I've got deals supposed to close, but none of them do. I'm so low on cash, we are going to have to go back to wiring the dufference instead of the whole thing. He was told by his doctors it will be another week until he's normal. He at least postponed his trip to isreal another week.

7-8

We agreed to send each other the difference. It solves our cash and bank issue. I hate doing it, but I can't sustain this way. I can't keep this much money sitting because he eats it all up. I slept and had a stressless day. I wired him 49k, I have over 2 million in my account I now can start doing these deals I needed to do. I'm getting a few payments in, but no payoffs. They keep saying they are coming.

7-9

I had one call all day. Scott paid me off with 40k of what he was borrowing. I got all the work done I needed to do before heading to the airport. We've got a few deals closing that I wasn't expecting this week. We'll see if they close tomorrow. Once I got back home, I wasn't motivated to start working. It's midnight and I've been here for hours.

7-10

I worked all day to catch up and nearly did. Scott had my oldest loan payoff, which is good. Then a big dollar one villa Rita for 490k. We had one more but there is a dispute with the HUD. It's an AFG. I'll spend the weekend finishing catching up. But I'm done now.

7-13

I worked until I had everything caught up on Saturday. I wasn't motivated enough to get a jump on investor renewals. I'll do them this week. It was a busy morning, but quiet afternoon. Scott had to wire me again, just 40k or so. We are moving down. His other closes aren't happening, but a few new ones are coming up. He's only got one property under contract in a month I think. I had a few payments made. I'm starting to fund a few other deals too.

7-14

It was a quiet day. I funded as many deals as I got back from Scott. But I had to wire him 250k today. Pissed me off, we had worked down the balance then boom! Up again! I funded a deal for Kirk. I'm going to keep working my cash down. I need to return more money to Steve too.

7-15

The numbers were way off today, the wholesale number is over 25 million now. I'm so uncomfortable about it. It better reverse by Friday. We had another AFG close, but I screwed up the wire. I'll get it tomorrow. I've got a few others closing tomorrow too. I can build up my cash again.

7-16

Scott paid down a little of his wholesale number, it's still huge! Two of his deals paid off for a total of 630k, but I had to forward 420k to get it. Two more old deals gone, one of them AFG. We've got another 4 or 5 for this month. Then nothing hardly because he's got nothing under contract. I set up the mom's meeting. We'll see how many show up. I received in two payments

from a guy that is croniclly late, he says now the house is in escrow I hope I get paid off, I'll lend to him again. John May wants me to do a deal with him for wholesaling. I said I would start with him and see how it goes Lili called for a payoff of all her loans. She does that I can return funds to Steve and start on Tom. It's over 800k total.

7-17

The funding was about 50k against me today. I had two other deals close. I was able to send back another 100k to steve. If lilie pays me off Monday I can take care of the rest. I have a ton of deals lined up for Monday I have more closings Monday too. I talked to scott for the first time in two weeks. He just ran on and on about being audited by the ADOT. The bank complained to me about Victor going in to the bank and being rude. I guess it's my fault.

7-20

I funded two deals other than scotts, he wired me about 30k going down. I had one other payoff and a few payments. Lili paid me off on everything today. All 800k plus I can payoff steve and send some money to Tom plus put some money in the kitty. It's good to get a little cash rich for once!

7-21

I was able to send Steve back 300k and Tom back 100k. Steve is now taking care of. Now I have 900k more to go on Tom. I'm going to send it to him slowly because I want to keep cash and be able to fund deals and get things more equal. I had no other deals but Scott's today, I've got a few more lined up for the week though. His retail closings keep getting pushed out. Just need a few more under contract and we'll have another ½ dozen closed by month end.

7-22

I had a super busy day! scott had the same number in as out. I did two for Victor, one for John May, one for Barry and I have two more lined up for tomorrow. i could have done one of them today if Maribel was more clear on her instructions. I'm pushing my cash down, but I'm just a little under 2 million. I have some payoffs the next few days and very little left on my desk.

7-23

I funded two extra deals besides Scott's and I had one of the wholesale deals close from John. It was a much quieter day. I'm getting my cash low, I need to get some payoffs coming in. I'm hoping some tomorrow.

7-24

It wasn't super busy today, however, none of the payoffs that were supposed to come back today did. now I've got two more on my desk, with promises that they'll be back next day I turned one down, nothing added up on the deal. I wired scott 150k, he said he'll reverse it next week, he

says that every week. he left for isreal. I hope something comes from it. he's been there 4 times trying to get something out of these guys. I'm not even sure I know the whole story. We had our Mom's meeting. We had 15 committ and 12 show up. Still a good meeting as far as interaction and communication. I had a few payments come in too. this weekend is end of month!

7-27

Finally I had a big reversal scott wired me 140k. plus he had a retail deal 300k close too. He finally had his balance go down. I funded another John May deal, I should have one of his payoff tomorrow. I had a lot of payments too.

7-28

I had to wire scott 83k, never two days in a row does he wire me large amounts. He's trying to get something negotiated with this asshole in Isreal. I wonder if we'll ever seen any money. I had a supposed 24 hour deal come back to me finally today, it took a week. I had one other deal loose of bennet's. I'm building a little cash, but I have hardly anything closing in the month of august. I'm a little nervous looking forward. I've got 800k, should come in this week. but I have 600k I have to fund.

7-29

Scott only bought 2 and had five payoffs, he wired me 73k. the balance has only gone up 140k for the month, so hopefully now it will start falling. I had a few payments. the best thing is I had some surprise payoff requests, if those come in before Friday I'll be in better shape for next week.

7-30

I funded four for scott and he paid me off on 6. Plus I had to wire to him 66k. there goes the balance up again. I had one of his old loans payoff though. I have a few deals to fund tomorrow and I have a lot that are supposed to come back tome, we'll see how many do. Now I just have to do the statements and I'm done.

7-31

I didn't get a single freaking payoff today. Even ones I thought were coming didn't come. Then I lost my temper with Cyler. He said he was wiring two deals to me tomorrow, didn't, he wouldn't respond to me. I'm like you want to know if I have cash, well you are causing the problems for me not knowing. He and his wife understand now. Scott got back thank goodness. I had it out with him again about the balance on the this bullshit wholesale thing going up. He thinks I'm wrong, I'm not. I told him no more. He had better stick to it. I've got too many good deals to fund and I need to get his balance down! I ended the month with 272k profit. Which is bullshit in my head until we make headway with scott's balance. Plus there is no way I'm paying a huge number in taxes again this year!

8-3

I had a quiet day. I funded two other deals besides Scott's. the 3 -5 deals that were supposed to close 7/31 to 8/3, none of them did, now they are all pushed to the end of the week. I've got so many deals coming at me right now. Scott's wholesale balance is under 25 million, it will go over it tomorrow though.

8-4

Another quiet day Scott wired me more money, but the balance went up Tomorrow should be interesting to see if any of these damn things close. Clyer paid me off on one deal. I've got 1.4 million supposed to close between now and Monday, yet they are the same 1.4 million from last Friday.

8-5

Another super quiet day besides, Tom calling me whining he needs his money back for his money pit house. I sent him 100k so he's happy. I had to give him 250k too I'm down to less than a million and I have 1/2 of it need to go out by Friday. I have 1.5 supposed to come in but that's the story of my damn life.

8-6

Another quiet day, except 2 calls from people wondering why I have a loan on their house and one email from an escrow officer for the same reason. I received no payoffs today, I've not seen so many deals get postponed so often in a long time. I'm now below a million in cash, hopefully something will come in tomorrow.

8-7

I funded another deal of John May, I only had one deal pay off. I had 1.4 million supposed to payoff last Friday, so far 75k has come in. I'm down to less than 500k total in cash. I should have a lot coming in next week, but that's what I thought last week. At least the balance on the wholesale came down this week a bit. I had a few payments come in too. I only have one small deal on my desk to fund next week. which is good because I've got nothing else to give.

8-10

I had one lousy close, I found out that one close was bringing me 335k is only going to give me 180k, because it's heavily in debt. I'm down to 700k, I need to get back to 1.5 million. I've got to send money back to Tom, Tony is going to want some, all these closes are getting postponed, and I've got nothing closing second half of the month.

8-11

I had a better day, I had two payoffs, my cash is back up to nearly 1 million. I have some confirmed dates on some more closing this week. I'm nearly through my stack of deals on my desk too. if I can get scott to pay down some of his overage, that would be good too

8-12

I had a surprise payoff from Barry for 200k, which was great. I wired 95k to Mike Busby on his deal. The difference between scott's buys and payoffs was only 27k. I had a few payments made. Adam had asked I speak to his friend that wants to invest 200k. I don't want to take any investors, but I need the money so that I can return it to Tom. I'll meet with him tomorrow.

8-13

Dollar in and out for scott were the same, 38k up. I met with a friend of Adam's he invested 100k. I had to send 100k to Tom. I had a bunch of payments made. I've got a few more payoff requests, so that's good. I need more money in.

8-14

I got in to one of my funks and thinking about densco and this mess with scott and I couldn't sleep all night. The balance on wholesale is going down 500k Monday, I'm sure it will be back up next week. we exchanged emails all day never talked. He's all stressed and telling me just give him 2 million more and he'll be able to make more money. But he's not paid me in months and eh says he's using the money to get collision center up, I don't know what to believe. I had one 30k close today, nothing else closed. I turned away a good deal that I would have loved to fund, but I can't. I did get a bunch of payments in but I need scott's stuff to sell.

8-17

The balance for wholesale went down by nearly 500k. but that doesn't mean much, it will go back up by weeks end I'm sure. I still haven't received any other payoffs, tom beating me up about getting more money out to him this week. I hope I get some damn payoffs this week.

8-18

In and outs were the same for Scott, but we did have an AFG close, one more down. He got a contract on one last night too. we are down to 6. We have another 5 that should close by end of month. But hardly anything in the queue behind it. I wired some money to Tom today. He was happy. I had a 200k deal close from John May. I should have another one tomorrow too. I prepped all of tomorrow's stuff for tomorrow because I'm going on a field trip. John May paid me a commission, fee, or what ever for those two properties I held cash for him then he pulled them before we closed. I wasn't sure he was going to do it.

8-19

Because I prepped everything last night, when I got back to my office, I wasn't behind. I got a surprise payoff and Bennet is supposed to pay off 200k of stuff, but I didn't see it, maybe tomorrow. I had a few payments, cash in and out was same for Scott basically. He called him, he said he's meeting with his accountant and going to call me back with a new plan.

8-20

I had the same in and outs, the wire that was supposed to come in didn't come in, for 88k, they lost the wire. Bennett never answered me, then I talked to Scott. He's 2 million short on getting these guys happy. I don't have it, he's got a week to make them happy. I'm not going to have 2 million coming in. I have 1 million coming in and I'm quite sure that's not all coming. We have a plan going forward but I don't know what we are going to do.

8-21

I have heart palpitations all day today because of stress. I measured my blood pressure and it was 158/110. I had three payoffs finally come in today. I wired Tom back another 100k. I'm down to 400k. I look at things all day long and thought on how to do this. It's mostly going to rely on Scott. I can't come up with more money, it's ridiculous. I even talked to the guys in UT about it. They never make decisions quickly. I'll email Scott later. I don't want to get on a marathon call with him.

8-24

I got a wire in on a deal I wasn't expecting until end of month. Scott sent me the list of props for today, three were utter BS. They had all been either sold at auction, short sale or something. I said, let's skip these, he said he talked with the guys and they said it's a screw up they didn't tell us not to take it to sale. Now he's going to battle with the attorney on it. I'm hoping that I get some more payoffs early this week and they don't all come on Friday and Monday. I'm going to take Belmont payoff as a loss.

8-25

One of Scott's old ones paid off. I adjusted my payoff to only get back what was there, and I deferred the rest so that I would have a write off. I've got enough profits for this year. I had a few payments too. I have to get us past this next week and getting caught up on these old ones he screwed us on and then we'll be in better shape. He's going to pay me 100k a week, instead of paying down the work out. I'm going to payoff of the remaining AFG's which there are only 6 of them. Within two months we will have no more 2<sup>nd</sup> on any loans. Then when they sell, he will get some cash back and that can go towards the work out. I'll defer the interest on the AFG's and that way I'll be first on everything and then start the work out, by the end of the year we'll be in much better shape.

8-26

Scott needed 300k more to pound down this extra deals. I gave him that, probably give him some more tomorrow. I have to keep some cash, I can't go to zero. His deals are getting pushed out, those are the ones I was hoping to fund his stuff on. He's not calling me, just emailing me. He's really unhappy, but I can't deal with the stress that he created!

8-27

One of Scott's retails closed, 340k in the door. I sent it back to him as a wholesale. I don't know how much more he need sto catch up. I don't care. He didn't use any of the suggestion I had, so he can deal with them. I'm fine though I'm really low on cash, I'm missing out on several good deals. But I'll have to continue until I can get my cash back up. I had a few payments today too. Even taking a 60k loss on that property of Scott's I'm going to be darn near 100k positive for the month.

8-28

I didn't get a single payoff and even the one I thought I was going to get didn't come in. the dollars in and out to scott were the same. I'm down to 800k, with 450k to put out Monday. I better get some payoffs coming in or it's going to be ugly. I've turned away 1 million in deals this week I could have done and another million next week.

8-31

All the payments went out and I funded a deal for shawn, so I was down to 350k or so. Then scott gave me a 100k. which I'm applying to Gary Dr., because that is the property he no longer owns because of a recinded sale to which he can't put his hands on the check, even though the people paid him rent the whole time they lived there! Jake paid me off on a property, but nothing else closed. I had a lot of payments. I made about 100k. I need to reduce my profits so I'm going to retroactively change the payments he made to the work out and payoff the remaining AFG laons. This will eliminate them completely. Raise my work out balance, but if he contines to pay me 100k a week and the other AFG loans pay off, they will have equity in them thus giving him more money to pay off the work out. The balance could go down further than it is now and have all the AFG's gone. He did email me that we need to come up with 600k more for these fucking wholesale loans. With him giving me 300k in the next three weeks, I have to come up with the other 300k. howeve,r it's the timeing, I've go so little closing I'm not sure I'll make it. plus I have a 800k payment for interest that's needed to be made at month's end. This is going to be pivtal month.

9-1

The bank requested a lunch with me, I feared it was something bad. It was just a glad handing thanks for business is there anymore I can do for you. I asked them for a credit hne against my retirement account, they agreed, so that will give me enough breathing room to do what I need to do this month. I also got in 100k more from Yusef so that helps. I'm going to have to send 100k to Tom he'll be bugging me soon. Plus I have to come up with 200k more to Scott this week. I



have some payoffs now coming in this week, not sure when though. I asked them for a 1.5 line against my 2 milion CD, they said yes, I'm ok now, I just need it to happen quickly

9-2

I've feeling great all day, I whipped out all the AFG's by reapplying the principle payments to the loans. It made the work out go up by 800k, but I rather be done with the AFG's. now as he sells them he'll have excess cash he can give to me and pay fhte workout off faster. Then at the at end of the day, the bank said, they don't think they can do it because it's a pension and I had to email the company. I didn't hear back. Tony asked for 200k out. Now I'm more stressed then ever. I seriously feel like I'm going to have a heart attack.

9-3

I called Scott. He brought in some short term money for 200k, so that gives me more time. I've got some deals closing next week, but I fear they will be too late in the week. I hate all this fucking pressure. Mean while I'm turning down deal after deal, good deals I would do in a heart beat. I'm pissed. But I have no other choice.

9-4

Super quiet day, I had no payoffs and a few payments. I have a ton of payoffs supposed to come in next week, I hope they do I'm going to need every last one of them. I keep turning down good loans, and it's pissing me off!

9-8

Another day, and no payoffs. I've got so many that are supposed to come in it's silly I need them to come in so that I'm not stressed. I had some payments. money in and out to scott was the same, he did wire me 100k. I paid off the rest of Gary Dr., so that's not lingering any more. It was rescinded, and sold out from under him, he didn't even own it. now all payments will be go the workout. I just need more money to come in so that I can return money to Tom and Tony and start actually funding some damn deals again. I turned down two more good ones today.

9-9

In and out and no payoffs. I had a few payments, I did renwals all afternoon. Next two days will be interesting.

9-10

I finally had my first payoff in nearly 2 weeks. I wired 100k to tom, just 200k more to him and then 150k more to Tony. I had 190k of payoffs cancel. I'm going to be cutting this super close! I talked to Scott for an hour tonight, he's wanting to start flipping home again using AFG money and making more money that way then just paying down principle ont eh workout. I don't doubt he can make money, but I'm not coinvince he's got the time in the day.

9-11

Money in money out, I've got no money left. I'm down to 278k. I can't fucking believe it. I've got a lot that's supposed to close next week. I had better start getting some money in or I'm in big big trouble.

9-14

I got on stupid payoff in for 50k. the other two didn't close. Scott sent me 100k, but the wholesale is up 80 from last week because of interest anyway. I'm not sure how this week is going to go. I need these damn things to close so I can get ahead of things.

9-15

I had one good payoff today, 187k plus a lot of payments. I'm a little better, then I get a fucking email from Bungei wanting to get back 300k! I swear to fucking god it doesn't stop!

9-16

No payoffs, I sent back 50k to tony, hopefully I'll get some in tomorrow and I can return some money to tom. I sent an email out to the investors saying if you wanted to return to compounding interest I would allow it. I only got a few responses and for small dollars, the three big ones didn't respond those were the ones I was hoping for.

9-17

I got a 100k payoff from a shitty borrower that I'll never lend to again, I'm so glad, I sent 100k to tom. Just 100k more to go. The other payoffs of scott's got pushed to next week. it's going to be such a stressful week next week! I hate this! Plus I had to send scott 200k more. I got a lot of emails from investors wanting to go back to accrue, so that's going to save me a lot of cash at the end of this month, maybe 50k or more.

9-18

I had a few more people revert back to accrue and two more offer to send me more money. I hope that it comes next week. I'm down to 400k. I turned away another good deal away, I won't keep track of how many and how much, because it pisses me off too much.

9-21

None of these fucking payoffs are coming in. I got one confirmation that one is closing on thursday. With the email I sent out to the investors, I got all but two of them to switch back to accrue. I was nervous to send it, but they all were glad! It saved me 250k. a few even wanted to add more money. If I can get some of it in, plus save 250k, this could be a 500k swing in my favor. If these fucking deals ever close! Scott wired me 100k. then with is buys and payoffs, he

needed back a 100k. he told me he screwed up the math. I was so damn pissed I almost blew my top

9-22

Scott wired me back oalmost to the dime 100k and change. I swear this is all manufactured I got no payoffs and more move out . I'm getting so worreed. I'm not going to be able to breath this weekend. I truned away aonther million dollars worth of golden deals today too. I just fucking hate this!

9-23

Still no fucking closings. More dates moving in to next week. I couldn't handle it any longer and moved 400k out of my money market account in to my densco account. I hope they don't hold the fucking check for a week. I just can't stand it any longer. I called scott told him how slim it was, he knows, two of the deals are his. I should have something close tomorrow and more Friday, but I've been hoping for that for a week.

9-24

I cant' believe it not a single close today. I even wired tom his last 100k, he's totally done now. He no longer has any money with me. I received 32k from scott on the in and out. If he wires me his 100k Monday, I'll have enough ot make end o fmonth interest and that's it. I have 1.9 million supposed to close next week.

9-28

I finally got a close in for 150k, plus scott's 100k, so now I have enough to cover my interest and I can fund a deal. I finished end of month, all but the statements. I hpe more money comes in soon so I can start funding deals.

9-29

I had no payoffs today, two scheduled, both pushed. I've got enough to cover my interest and fund one deal. I have had lots of payments, but this payoff thing is stupid now. 1.6 million should close this week. every day I get another stupid email about how it is getting pushed off another day.

9-30

I received one payoff for 57k. if I hadn't moved my interest from quarterly to accrue I would have been fucked, compleltey. I've still got 1.5 million supposed to close the rest of the week, we'll see what happens. I funded one deal today, second one of the month. I've got ½ dozen deals to fund next week. Barry called me wanting me to think about turning over the company to

him when I quit rather than closing it down. I told him I would consider it. it's still many years away and I have to get this scott thing behind me, a long ways behind me.

10-1

I had one close finally today for 187k, I know I have about 250k coming tomorrow, could be twice that. I am past my cash crunch now I just have to get in the payoffs and start doling them out to the right people and hopefully get in enough money to return the 400k to my cash account. i talked to Kirk, he lost his ass on the penny stock I warned him about, he now is going to invest back what he has with me which is only a few hundred k after having nearly 2 million with me.

10-2

I was able to send 100k to Bunger, then he requested 500k more! I cant' fucking believe this shit. I'm so glad they are committed to investing money with me! Mary Kent sent me 100k so I'll send another 100k to him next week. I had one 180k payoff come in so that helped. I still have another 250k that was supposed to close today. I hope they will come Monday. I've got 1.2 million supposed to close next week. same shit that was supposed to close 2 weeks ago!

10-5

The two deals I thought were to close Friday, should have closed today both got postponed until next week. then Tom called me wanting to clear out his kids trust accounts because the sale on his plane fell through. I told him it wouldn't be soon, I have 800k to send back to Bunger first. He wasn't happy, but that's not my problem. scott only wired me 50k, promised to send 150k next week. I had lots of payments but other wise, nothing much happened.

10-6

The Vermont house of Chant's is done. Medel spread the rock, but now the damn key is missing from the lockbox, never ending fun. I funded one deal for Jace/Mike, which he should have a payoff off on one soon and then pay me off on two others soon too. I found out two long loans are getting refi'ed this month. Riccardo my other problem loan is closing tomorrow, which is great. I don't have any deal to fund, but I'm building up cash to return to investors, which is just treading water.

10-7

I had three surprise payoffs Riccardo paid his loan off, I still got a bill for \$405 from the trustee, but I'm just glad it's gone. Chris hughes paid me off on two deals, I wasn't expecting. I paid back Bunger 200k. I've still got lots closing next two days, see if anything comes in or not.

10-8

Money in and out to Scott was the same as yesterday. I did get confirmation on Lili's payoff for next week, which is great, 250k. I also found out my last problem loan of 40k is getting paid off tomorrow. They didn't even have my lien listed on the title report, but I talked to escrow and got it straightened out. I should have another payoff or two tomorrow. Next week should be the break through week of payoffs.

10-9

It was a slow day, which is what I wanted, I received one payoff for 50k. I have so many that are due. I was able to get everything done so I could leave.

10-12

I had a ½ dozen payoff requests over the weekend. I know have about 2.6 million supposed to close by month end. Which is great, because I need it all to return money to people and start funding this business. I talked to Scott, his wife, drained 1.7 million from his bank account and left him. Now we are fucked again. I don't even know what we are going to do. I'm so sick of this shit, we go from one crisis to another, I can't fucking believe this. Just when things finally are going right, now this! It was a holiday so all I did was send payoff requests and nothing else.

10-13

Scott didn't get the money back from his wife, he went to NY to try to retrieve it. he was to wire me 200k today! I did get a few payoffs I was expecting, I sent Burger back some money and committed to a deal later this week. I should have some more payoffs coming in too. I have 1.3 million in my account, boy that feels good.

10-14

I had a bunch more payoffs today, my cash is up to 1.6 million god this feels good, if Scott can straighten out his shit, I'll have 200k more plus I've got more payoffs coming the rest of the week. he's supposed to get this Las Vegas guy to take some of the wholesale too, which would lower my exposure to him too. he's in NY trying to get the money out of her.

10-15

I had no payoffs today, but I did fund a deal! Feels good to be able to do that. I've got another one to do tomorrow. Scott wasn't successful and so I have no idea what we are going to do. Right literally the night before we are going to turn the corner, pay down more line, payoff a house everything going in the right direction, this bullshit happens. Now he's got a hearing with a judge on Monday. Who knows how that will go!

10-16

I had one payoff, and funded one, scott's in and outs were smiliar. I talked him, he's back, made no headway with her. He's got a hearing on Monday. I have no idea how that will go. He better get his shit straight soon.

10-19

I had one small payoff and a payment, ins and outs were wrong about 35k plus interest, we better have it right this week. soctt spent all day at the court dealing with his bullshit wife. The judge said the money had to be put in an escrow account for 30 days. Which gets us no where. I can't fucking believe this.

10-20

Scott says now he's meeting with his wife on Friday and hopefully going to figure it out. I'm loosing my faith in this, if it goes to lawyers and judges it will never get resolved. I had two payoffs, one of them scott's old deals. I took a 4k loss on it and no interest because he's got no money to close it. I've got another one to close tomorrow, same thing. I had another close and I was able to return money to Bunker today. I funded a deal too I have another one to fund tomorrow too.

10-21

I recieved in another payoff from scott's old ones, 290k worth. We only have 10 proprerties left and two of them are in escrow. He just needs to figure out this nightmare with his wife so he can pay me down som e money! I funded a deal for JBM. I've got a million out to him now I hope they start paying me back, they are wholesale, they seem to last a longer time.

10-22

I turned down a 500k deal even though I've got 1.6 in the bank. I'm not sure all these deals are going to close next week and I don't want to go down below a million in my account. The day was quiet, ins and outs were similar. Not many calls.

10-23

I had no payoffs and only one payment. In and outs were 3k difference and huge. Though I'm down ofcourse the interest. Scott is meeting with wife tonight or tomorrow I just pray he gets the money back from her so he can start paying down the dman line again and we can operate properly. I went ot lunch with Doriann. She wants to invest 50k or so. I said yes. I returned 100k to tom today. I've got 200k more to go to he and steve and then I'm done, until tom wants the next 200k from his other kids fund.

10-26

I decided to wire the last 100k to each tom and steve, just because I wanted it off my list. I still have 1.3 million in my account. I have two more deals supposed to close on Friday I don't think

all of them will, but I'm sure some of them will. I've got one deal on my desk, so I'm fine. they would have been excepting it this week anyways. I did end of month this weekend. All I have to do are the statements. I'll do them Thursday night. Scot talked to his wife this weekend, no break, but says she's getting close. I don't know if I have any faith in this whole thing at all.

10-27

I had no payoffs and only one payment. It looks like I've got a few payoffs for Friday committed, it should be interesting. I've been recruiting buorrowers to come ot my MOM's meeting, because we have so few people showing up! I have damn near as many investors as borrowers coming!

10-28

Ins and outs were the roughly the same. Unlike yesterday where it was in my favor 100k. which in nearly 2 years had never happened. I sent aonther payoff ro 300k for Friday. Now the five deals I thought would close Friday aren't going to. It will be an interesting firday.

10-29

I got one payoff today, I should have a few tomorrow I was thinking gosh I'm not getting any calls for deals. Then Victor bought one, Chris, and Judith. Then Eric called wanting 750k. poof all my cash is gone. I hope now that Villaverde's properties close.

10-30

I had a few payments and one payoff. I shoul hdave two, but they missed the cut off time. I funded two deals, one for Victor and one for Judith. I've got another two to fund Monday, so I need the money back in. I had my mom's meeting. We had our biggest turn out of the year. Mainly because I added several people because I had a few investors coming and I didn't want it to look empty. One guy was beating me up on how much I was lending out who has all the money etc. one of my investors called nad said her husband died earlier this month. Herb Cohen was his name. I really liked him. She was emotional and I made her laugh a bit and made her cry a bit. She'll have a rough go of it for a while. Scott's deal didn't close, I fear it's going to cxl. He's still struggling to get the money out of his wife and he's getting people upset at him because he's short cash.

11-2

I never turned on my computer the whole weekend. I had two payoffs and which was great, I funded two deals and then I had a strange call from Jemma Kopel. She tells me he's got pancreatic cancer and she wants her money back, then in a trust, then her interest. Then she cries and puts Roy on the phone. He thinks it's best if I just send them their money back. After two more phone calls and I mail them a check I told Dave to call them. Scott thikns he's neogitated with his wife to give back 1.3 million if she does that we'l be able to right the ship. But now it's not until Friday she has to talk to her lawyer. Just utter bullshit.

11-3

Ins and outs were off by a long ways, says it will go the other direction tomorrow. I really hate this. I gave 200k to Eric Weinbrenner, Roger paid me off on two of his since he had idle cash. I had some payments made yesterday I didn't know about until today I've got a lot of payoffs coming that go moved to Friday now I hate refi's they never come on time. I've got a few deals to fund and i have amillion in the bnak, I would like to get two million but it's got to come from scott, not from my current guys paying me off. he's got three properties now under contract and maybe a fourth. All supposed to close this month.

11-4

I spent last night doing the reconciliation. Between scott and I we were off just a few 100, so I wired him the amount this morning. October is done. Now we have to wait for Friday to see if his wife's attorney will agree. I received in another 87k payoff that was 2 weeks late. Eric needed another 150k for tomorrow. Shawn had 250k worth of payoffs for Friday. Villaverde's refi's are supposed to close Friday too, but that's what they said for 10 days. I had a few payments nad DoriAnn sent me 50k more for investment.

11-5

I funded one deal for Cyler and I have two more to do next week. I have 1.5 million supposed to close tomorrow We'll see if it actually happens. I won't mind if it does, I can redistribute the cash. I'm just hoping tomorrow is a godo day for scott and his wife!

11-6

I funded one deal today. I had 8 deals supposed to close, only two closed. I have another 7 or 8 to close Monday now. I'm supposed to hear from scott to see if his wife is going to give back to him the money she took. It's 5 and I've not heard.

11-9

I talked to scott he got no where with his wife. We are going to have to wait until the 23<sup>rd</sup> now he won't be selling his house either He's meeting with this vegas guy Wednesday. I hope to hell he takes some over flow to catch thissshit up and get some mfunds back to me I onlyhad one 33k payoff. The other five never came. Tom wants the last of his 200k from his kids trust fund too. at least this is the last of the money he has with me.

11-10

Today was payoff day! I had 10 deals payoff today besides scott's 10 deals. Now I have hardly anything closing this month! Scott has another one his deals sold, close in two weeks, for a loss. But it's one less house! I had a gal call me that wanted 200k against her house down here that's



worth 500k, I decided to take that one on. Eric wants more money too. but I'm going to be slow with him on that. I've got to spread my money around.

11-11

I worked ½ the day, since the bakns weren't opoen it was pretty darn quiet. I just did all the renewals.

11-12

Again a quiet day. other than scott's insurance agent calling me telling me they are about to cxl all his policies because of nonpayment. Scott's wife, brought him the baby and said she can't handle it and left. I have no idea what's going on. I've got some payoffs coming tormorrw. I'm turning down deals so that I can build cash. Tony Burdett emailed me asking how many loans, dollars and ave laon term I had. I don't know why he asked.

11-13

I funded one deal, the same deal, different borrower to get back a payoff. Victor sold a house to John May. I lined up a deal for a guy to buy one of scott's houses next week too. scott moved his meeting from today to next week. his wife hasn't reappeared and now he's got the baby. I hope she doesn't disappear with the money!

11-16

Scott had his meeting today, now the fucking day is December 19<sup>th</sup>! This will never fucking end! His wife is really lost it, he can't have a conversation with her, he's going to commit her tomorrow. I can't believe thisis what is happening. We need that 1.7 million back and his wife is iin the looney bin.

11-17

I funded one deal for Victor, turned in to a circus. I emailed the bank at 5 am to get the check ready. At noon when I was driving to the bank from Ty's field trip, she tried printing the checks and her printer wasn't working. If she would have done it in the morning she would have known and I wouldn't have had to drive out the mesa to another branch. Victor came by and signed later at the house. Scott got his wife some medicine and to stay at her parents house. Hopefully she comes back to this world soon! At least she has her medication.

11-18

I had nothing coming and going besides Scott's stuff. I've got several deals closing and funding so it looks like it will be a busy Friday at this pace. Adam requested the withdrawl of his 480k which turns my cash flow upside down again. just when for the first time I've got some wiggle room.

11-19

It was a quiet morning after I got back from school, then right before I left for the cpa's. victor is texting me asking when he can pick up checks! The last time we spoke yesterday he said he would call me by 6pm if he needed money, I never heard from him. He admitted he fucked up. I printed docs, the printer was out of ink. I put in new cartdrige and it printed black! I called the bank near my house, their printer wasn't working. I had to go to mesa to get the checks. I emailed the docs to dave's office to print for me. I picked up the checks. I went to dave's office. He told me my tax bill would be 500k. I said no freaking way! so I told dave I'm going to make it less than that. I'm not sure how but there is no way I'm going to pay that much in tax. Victor didn't come by the office. i came back to the house and he got here late. I'm still trying to catch up at 9 pm.

11-20

I get another fucking email from Bunger wanting 200k more out! I swear to fucking god. I sent tom his last 100k. he won't be bothering me anymore. I just can't get my cash built up before the fuckers start taking it back from me! I funded one deal, sweet deal, 200k on a 500k house. I didn't get any payoffs in and I need them badly now! Scott's daddy is in town, he might give him some money to help him out. His crazy wife is at her mom's house taking her medication, hoping she comes to her damn senses! They have a hearing Monday, I have no hope in that

11-23

It was a disappointing day, of course scott's wife's attorney postpones the hearing because of her mental state. We are never getting this fucking money back. The ins and outs to scott are so one sided my way this month, I swear he's fucked up. He owes me nearly 400k. I get yet another withdrawl request from another investor. But yet, I received 75k from one I've never talked to, the dentist from Colorado. It's only 75k.

11-24

I had a surprise call from Eric, he paid me off \$500k so I was able to send Nishel is 480k. I am so glad. I heard nothing from scott. Of course, scott reversed the dollars today. I think he figured it out and trying to get it so I owe him by Monday.

11-25

I had three payoffs today, two of shawn's and one of John May's. I've got 1.7 million in the bank. 200k goes out for interest and I have about 400k on the desk to fund. I have not one closing planned after 12/2. Scott's in and outs went the wrong way by 50k. not sure how things are going to go for December. Landon said he was going to invest 100 to 200k with my Monday, I'm not sure why.

11-30

I funded two other deals besides Scott's. all the ACH's went out fine along with statements. I had one payoff come in. Landon and Barry invested 200k. I'm glad for it. I need it! I had a few payments, but I keep the checks I'm not depositing it. scott took his wife to rehab or something in CA. so far no money. I can't believe I didn't tell him to move the money when he told me what happened.

12-1

I get another payoff in and so I feel good about sending Bunker yet another 100k. he emails me back saying great, send me more, so \$300k total! I can't fucking believe this asshole! He tells me 2 months ago after returning a million to him, that's it. I funded a deal for Victor he says he's got three that might payoff soon including this one. I hear nothing from scott. I'm fucking dieing over here and not sure I'll make it at the end of the month.

12-2

Nothing happened of significance, the ins and outs were in my favor a big way with scott. He screwed up the payoffs and missed a bunch so he's going to have to figure that out. I gave him statements for 50 properties. I've got a few payoff requests for this month, which is going to help. I talked to siggy. He's going to send me 50k more too.

12-3

Same as yesterday, I received in some payments too. I met with Dave. He didn't like that I was holding on to so many checks. He's unsure on my strategy for modifying the interest income number, but I know it's fine, it doesn't hit my bank account and the borrower and I agree to change the payments to principle. There is nothing wrong with that. I had some more payoff requests for this month too.

12-4

I had a late payoff come in for 200k. I had already sent bunker back 100k, I'll send the rest on Monday. Hopefully I don't hear from him again! the ins/outs to scott are compeleyet out of wack. He owes me nearly 800k. I'm not sure what he's going to do. I've got some deals lined up to fund on Monday. I've got some deals coming back next week. I don't have a lot of faith in them though.

12-7

Scott over the weekend said he's going to isreal, a cousin was killed. I hate when he leaves. I had a bunch of payments made and I funded two deals. I've got a few that should payoff this week, but I never know. I returned another 100k to Bunker today. I'm done with his requests we'll see if he hits me up for more!

12-8

Nothing happened today, the only call I got all day was from Dave trying to figure out my taxes. The ins/outs went the wrong way today, but I hope they were reverse tomorrow. I've not heard from Scott so I'm not sure what he's doing.

12-9

Scott said he'd be home tomorrow night. Then to deal with his wife. Hopefully she has found some sanity and we get the money back! I had a no big deal day. was to fund one deal for Jace, but he never got me the info the ins/outs went wrong way for the 2<sup>nd</sup> day in a row.

12-10

I had a few more payoff requests come, which is great, makes my cash position much better if they close. Victor wanted a 500k for a commercial building. I have to limit my funds to him because he seems to be getting a little over extended and behind on his fix ups. I talked to Dave about taxes, I'm going to have to do some things to make it all work, still going to pay 250k in taxes!

12-11

It was a super quiet day. the ins/outs were within \$1000 of each other. I had three payoffs come in from Justin for 380k. I've got another 500k planned for Monday and Tuesday. I'll be in a fine cash position I think for the end of the year.

12-14

I got an email from Scott at 5 am. He's back. He spent time with his wife, he thinks she's coming around. His car lot has 15 cars on it. he's barely hanging on. I got a payoff for 270k that I didn't know was coming 5 days ago. That helped a lot. Scott had one of his deals close. I took a 30k loss on it but it's closed, I get the money tomorrow. I should have another close later this week of his too.

12-15

I got a payoff on one of Scott's deals first thing this morning. one more gone. I took a 30k loss on it but it's gone. I've got a deal lined up to fund Victor's. I should have another payoff today, maybe it will come tomorrow. I've got a few closing this week.

12-16

A quiet day, ins/outs my favor a hair. I gave Minh and Shawn some money. I had no payoffs and I've not got the mail yet to see if any payments have come in. I did almost all the renewals for this month.

12-17

Nothing happened, other than ins and outs! Lots of emails on millers screwed up deal. I did the reneals all morning and Scott's payoffs through 1/8

12-18

I think I had one phone call and one email all day. Christmas is paying me off on his loan, but needs 2x that back next week. I received some payments from Victor too.

12-21

Ins' and outs were slightly in his favor. He's trying to reconcile and now he realizes he owes me over 800k. I'm sure it will switch soon. I had some payments in from victor. Otherwise very quiet day. I did fund one deal for victor. I have another I think for tomorrow. Never know this week.

12-22

Not a single call and maybe three emails. I picked up another deal I think I'll do. The other ones on my desk never materialized so I have a few extra dollars. I still have a few closing too. once I told scott the numbers were in my favor by 600k, the dollars went 150k the other way today, plus interest so more like 175k.

12-23

Miller's deal finally closed today. Or at least I funded it. the ins/outs when his way 161k plus interest. He's trying to make it even I guess by year end. I had a few payments and one of Scott's old ones paid off today. Looks like we have another one closing next week. I was busier than I thought with calls and emails today. Tomorrow should be dead! I have all my tax information so I'll do that tomorrow.

12-24

I even had a payoff today! I didn't have anything for scott so the day was over by 10am.

12-28

I funded a deal for Christmas, ins and outs went to my favor. I had few payments. I spent most of the day doing more end of month. Taxes payments, paychecks, withholding etc. dave gave me shitty instructions, I talked to Hatue 10 days times to get it all straight. I've doing a deal for Victor he promises I will have the money back by Monday

12-29

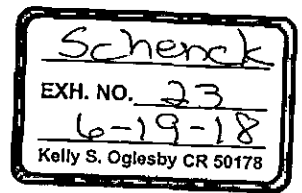
I talked to scott. He didn't get the money from her, but he's negotiating. God I hope it's soon. I funded a deal for victor and chris. I should get victor's money back Monday. Chris said in a few weeks. I have so little closing next month it's scary

12-30

I didn't have a single phone call, nor was I expecting any. I had a 40k payoff from Shawn. The 250k one from Scott is delayed until tomorrow. I had a payment too. I worked until after midnight typing docs for scott tomorrow. All I have to do is send the statements tonight.

12-31

Just my luck. I'm up here in ID and scott sends me a 9 deal day. I typed for an hour this morning. I had one paymet and I had one of scott's deals payoff off, 250k deal. We didn't make nearly as much headway this last 3 months as we hoped. I only have a hand full of loans with him. But not paying me any money for 3 months is killing us. I hope next year we make massive damage to that a/r.



2016

Goals:

Stay in business

Lower the whole sale by 10 million

Scott's debt down to less than 10 million

1-4

I spent all day long catching up. I wanted to talk to scott but he was too busy. The payoff I was supposed to have got moved probably by two days. I deposited about 20 checks I'd been holding. I received a few more in. ins and outs of scott's stuff went the wrong way, I'm hoping tomorrow it swings the other way.

1-5

I was supposed to have two payoffs today. I never received either one of them. The ins' and outs went the wrong way, but I have a feeling they'll swing back tomorrow and next day. I had one payment and I think three phone calls all day. I had to get a bunch of stuff to the accountant.

1-6

It was another quiet day. I got the 100k back on Christmas's deal. We'll re-fund it next week when the bank gets their shit straight. Victor's is now tomorrow. In's and outs were in my favor but only 100k, tomorrow it should be too. I called scott. He's in CA trying to get something resolved with his wife.

1-7

Scott is texting me from CA some more, nothing finalized. Payoffs were in my favor by 250k. I still didn't get the payoff from Victor I was expecting. I had some payments. it was a quiet day. Jemma called confused about her statement, she had asked me to change it in to the trust, I did.

1-8

I was hoping to hear from Scott never did. this whole nightmare will be the death of me! I received the payoff from Victor that was supposed to be here Monday. I have no place to put the money so I wasn't worried. I also recived 335k from the Weiskopf's for their IRA's. now I'm sitting with 1.6 million. if scott will get his shit straight and get the money from his wife, we can start making headway.

1-11

Ins and outs went the wrong way by 150k, however, I got in a partial payoff on Cyler's last property with his wife, for 200k. I talked to scott. He's worked out everything with his wife, however, now it's got to get past her lawyer. We'll see if that happens. He got dad's RV done. I'm sure at a loss, but it's in my front yard now.

1-12

Ins and outs went the wrong way again today, probably will reverse tomorrow. I had one other payoff from Victor today, otherwise a really quiet day.

1-13

I had a few phone calls. I can't tell from Victor's cryptic texts if he needs money tomorrow or not. I met with Marlene for lunch. She's got a few hundred k and not sure what to do with it. I didn't offer to take it. Scott sent me a property that we just did in Oct. Last night the realtor for the property called me about the recording in October. Scott took it back so buys are only 1.1 tomorrow. It will be interesting to see what the payoffs will be.

1-14

I did Victor's deal he sent me late last night. I had to go to bank twice because the gal made a mistake and I didn't catch it. I had some payments and otherwise I had nothing going on. I'm concerned that unless Scott starts sending me funds this month I'm going to be starting to head in the wrong direction cash wise again. I have nothing closing and few loans that are even going to be planned to be closing any time soon.

1-15

Ins and outs and a payment. I had one call from Scott's old insurance person wanting to know what was going on. I told her to call Scott. It's so quiet, it's eerie. I do have a good turn out planned for next week mom's meeting.

1-19

I had an investor, Stan, request 60k out, I wired it to him. Then I had an investor, Wayne, wire me 34k. I had one payment and in the ins and outs were pretty close. I had a guy from years ago contact me and want me to send him the file from 2004. Victor bought two properties for tomorrow, my cash is starting to go down again. I only have a few payoffs coming. I had several requests for cash over the holiday too.

1-20



I had two deals for Victor, smaller ones, not great ones are margin. He's always running late, but it doesn't affect me. He paid me on five payments, some in advance too. ins and outs were the wrong way again today. Scott met with the attorney and wife, she is going to write it up, no telling on timing, hopefully next week. I can't believe how long we have been kept hostage to this shit.

1-21

Ins and outs haven't been in my favor all week. I had one payoff from Christmas today. Victor bought another small one today. He says the one he bought last week will be paid on in 10 days. I had a payment too. I picked up my 1099's and spent an hour going through all the payroll docs and crap the accountant sent me.

1-22

I funded one deal for victor, small 66k. I had one deal payoff from Sergio for 117k. I have maybe one deal or two closing next week. they are both scott's. one of them Active says they have a lien on, we've never had that property on the list, scott hasn't paid interest on it in three years, it's absolute bullshit. I had my mom's meeting. We had 20 people show. We had three surprises show up! A banker from first bank came, flip brought him. I'm not sure if it's going to help me or hurt me. We've been only having these once a quarter. I don't want to do them anymore, I don't have enough borrowers to invite and I'm not doing enough deals to make it worth it in my eyes. My investors keep showing up. Scott has to get this fucking thing done with his wife, so he can get me some cash and I can start lending more.

1-25

I did end of month on Sunday morning. I talked to Michael Zones this morning, he's going to keep Leslie's IRA with me. Then Gary and Coralee sent me an email wanting me to send them interest for the next two months. I funded one deal for Victor and scott said he was going to start paying me money again. I just need to get things moving again. he needs to get this fucking check from his wife and then we'll be at least making headway again. the ins and outs have been going the wrong way for a week and we are nearly parity again. which means my total is way over what it was supposed to be.

1-26

I did one deal for victor, still didn't get the check back from the recinded sale today. He's got one that should close next week and one after that. Ins and outs went the wrong way for the 6<sup>th</sup> day in a row. It never fucking goes down like he said. This fucking desert bloom, was never on the list that there was an AFG loan on it. Scott can't find he ever paid them off, he can't figure out when the last time he paid interest the whole thing is fucked up and I get fucking screwed on it, I only get 38k of the 120 of principle I'm due, zero interest of course. It's so fucking madding.

1-27

Victor bought two more today, way outside his neighborhood, we'll have to have to talk to morrow. He got me back the check on 85<sup>th</sup> that one that was rescinded. He should have another one back next week. scott's ins and outs were the same, so in to the hole I go. Chris paid me off the last of his loans. I'm back up to 2 mill in cash. Barry needs some Friday and so do the Villaverde's again.

1-28

I wasn't thinking when I got a text from Cyler saying he wanted to buy something for 250k. I said ok. Then 5 mins later, Barry sent me 300k worth of deals that I had forgot about from earlier in the week and of course Victor had 200k of deals for today. I went from 2.1 million after interest tomorrow down to less than a million. I emailed scott about getting this damn wholesale number down. He had a list of excuses on why. Basically all center around his divorce. His wife meets with her attorney tomorrow. I'm scared it will go wrong and her attorney writes up a bullshit deal. I'll do statements tonight.

1-29

I funded three deals, one for villaverde and two fro Barry. The ins and outs went in my favor by 400k plus because of a screw up on his side. I fear it will be reversed next week. needs to go down another 500k to back where it should be, let alone start to fall. His wife is to meet with the attorney at 3:45, I'm sure I won't hear anything about it.

2-1

I had one unexpected payoff over the weekend from Minh. I lined up one more deal today for next week. I still need some payoffs, I should get a few in this week. I had a few payments too. the ins and outs were 185k the wrong way. I talked to scott. He believes he'll have the final agreement this week and possibly get the check back from his wife. That would change our life! He still says he's going to send me money from his furniture store too. I only slept 3 hours after one of my anxiety attacks happened at 1 am.

2-2

I have more demand for loans then I have money for. I had another close get pushed off because of title issues. Ins/outs were my favor by 33k or so. I'm hoping I hear from him soon that he has the docs and they can be signed.

2-3

The in's/outs went way the wrong way today. I emailed scott eh promises to reverse it tomorrow. I had some payments made and a 150k deal I had planned for tomorrow canceled which is fine since I have 2 more that came up which can take it's place. I'm getting payoff requests finally. I need money to come in. I did get one payoff on time today, that's going to help!

2-4

Ins/outs were barely in my favor. I emailed him bitching about it yesterday that's why I think the payoffs were adjusted. I had two more payoff requests, one I had no idea, which is great, because I'm getting a lot of requests. Barry wants another one as does Judith. I'm trying to stretch my cash yet not go too low. Scott wired me 12,600 to pay down Lobo. He said he would send me money this week, but I didn't think it would be so pitifully small.

2-5

I funded 480k of deals, I had payoff of 110k. I have some more coming in next week. scott bought a 3.3 mil for Monday, but says the payoffs will be big and no buys on Tuesday. I met with some friends of mike's for lunch to talk about starting a hard money lending company in Tucson. That took 2 ½ hours. I caught up before I left for the boys sports events.

2-8

Scott sent me a 3.3 million deal that he said now he won't buy anything for Monday, which he didn't. he needs to have payoffs over the 3.3 million to get things back in order. He did 1.6 today. I had a few payments. I've got requests for loans like crazy, but I'm not getting many payoffs coming in. I funded the one for Barry but of course he didn't pay me back today. He says tomorrow and the other two by next week. which is when I need the funds badly. It's going to get interesting.

2-9

I bitched at scott because the payoffs were so low, then he only gave me 1.2 mil in buys which were reduced to 960k because one wasn't good. 554k swing to my side. I need another day like this and we'll be in better shape. Though I know that won't happen.

2-10

I just knew it a 136k swing the wrong way today! I talked to scott. He is meeting with wife, to iron out one huge issue with their divorce on Friday. It was to be taken care of so we can move forward. It is absolutely killing us right now. I'm doing two deals next few days, and I'm getting some payoffs in starting tomorrow. I hope to get some every day.

2-11

I funded one for Cyler and one for Mike Moore. Barry paid me off on one too. I got a payoff request for next week I wasn't expecting, so that's another 200k coming in. I've got some deals to fund next week so more money is in great. I had Mike and Rob stop by today and shoot the shit for 2 hours. they are at 10 million now. I had some payments too. tomorrow is the big day soctt better come through.

2-12

I was hoping for some early payoffs, I received none. I funded one deal for Christmas. I didn't get the docs from veronica on this one. ins and outs were in my favor again. he didn't meet his wife today , now it's over the weekend. This never fucking ends!

2-16

Scott says he agreed to limited information, see if the lawyer agrees to it or not. I had a two payoffs I was expecting, so that's good they came in. I raised my cash level up a bit. I turned down two good deals. I hope to have some more payoffs coming in before month end. I had some payments too. I spent all afternoon catching up.

2-17

Scott sent the info to the attorney, see if works. In's and outs were in my favor big time. I had a surprise payoff request for Friday. I turned down two more deals today. I want to get over a million again in cash. I could have 1.4 by Friday. I had one deal I was going to do fall out too. I had some payments too.

2-18

The ins/outs were way in my favor again over 1.5 million in my favor now. He said he's meeting with the attorney tomorrow. I have one more deal lined up for end of month. I need to see some more closes come in tomorrow and Monday and I'll feel better.

2-19

In's and outs when wrong way by 150k. I had three payoffs scheduled, nothing came through. I had a few payments. scott was supposed to meet with the attorney, he got a flat tire. I swear to god it never fucking ends. I have called three places for doing my dinner. Only one called back, but she won't deliver food. I visited one place today to see if they would do it. the wife wasn't there, she's supposed to call me , but she never did.

2-22

6

The ins/outs went the wrong way 2<sup>nd</sup> day in row. All the payoffs I thought I would get Friday have been moved out throughout this week. Marabel has a deal for me, it's a B-. but she wants it Thursday. I'm going to have to drop below my thresh hold to do it. I've got another 200k payoff supposed to come this week. so despite going low I could be 1.2 million or more by Friday.

2-23

I had everything done before I left. I had a phone call on a release that was messed up. I had Shawn needing 80k, I couldn't do it on my computer only my ipad, but I'm limited to templates and I didn't have one for that title co. I wired to shawn and he forwarded it. I didn't miss out on much.

2-24

In's/outs what out of wack. I've got a deal to fund tomorrow and I should have had a payoff today, they are to deposit the check for me tonight. I hope they do I need the money. I got home in the afternoon and worked in to the evening getting caught up.

2-25

6

I funded one deal for Maribel. I finally got my payoff from michelle on her house after a week of telling me every day tomorrow. I've got a deal for tomorrow for Barry. The other's got pushed off for a bit. The in's/outs wrong way for the third day in a row, so the balance has ballooned by a million more than it's supposed to. It better go the other way next few days.

2-26

I funded one deal for Barry, I had no payoffs, I was supposed to get two. Bunger sent me back 400k. I'm glad to take it. I can put it back to work quickly next week. I had a few payments. the ins/outs went the right way, by a large margin, hopefully next week it will again.

2-29

All the payments went out, not sure if Eileen's did, I changed it again see if it goes this time. I had no payoffs today, I should have some tomorrow. I'm stacking up new deals for this week already. I had a bunch of payments for today too. ins/outs were on my side, that made me happy.

3-1

6

The ins/outs went the wrong way by as much as they did the right way yesterday. I had a payoff from Victor today. The fucking deal on Chant's property cxled becuz the girl was scared the

property was vandalized. I had a lot of payments come in yesterday and today. Scott is out of town, so I'll bug him thursday. He says no news so far.

3-2

I emailed scott that the ins/outs are going the wrong way and it's rising again, suddenly today it went 362k the other way, but that was mostly because he sent me one that couldn't be done. I had one deal I funded for Mike Moore and no payoffs. I got a bunch of payments in yesterday and today. I'm turning down deals right now because I'm so low on cash, I fucking hate this, they are good deals too.

3-3

I had a payoff request for one of Victor's properties for 10 days from now, however, one deal I thought would close today got moved to 4/1. I've got 300k closing next week, I need 800k. I funded a deal for Philip today, that was 200k. I had some payments in. ins/outs now are in my favor and we are back to 28.9 and will go lower tomorrow. Scott gets back in town so I hope I can talk to him.

3-4

I funded a deal for Barry today, it brings my cash down to 700k. I have got a few payoffs coming next week, but not a lot. Victor has over a million dollars, but I don't trust them. I'm getting nervous for cash. Scott was going to call me. Then he said that his wife tried to commit suicide and now is in the hospital. Great, just what the fuck we needed, they were supposed to sign today at 3:30 and be done. I swear to fucking god nothing is ever going right with this nightmare. He never called me I have no idea when he will or what will happen now!

3-5

The food came perfectly on time. the crowd was the smallest we've had in 3 years. I had a ton of food left over. I got around to nearly everyone at one point or another. I get trapped sometimes, and I never feel like I talk to everyone. I'm glad it's over for another year!

3-7

In's and outs were nearly equal. I had one payoff small, 35k from Mike Moore. I had another one or two that were supposed to come in and they never did. I didn't hear from Scott, no idea what is going on, but whatever it is it's not helping our situation.

3-8

6

6

6

3-11

3-14

No payoffs, one payment and now Victor's deals two are supposed to close tomorrow. one on Wednesday. I never know what is happening with his deals. Scott sent me 3.1 mill buys today and 1.6 payoffs to make up for Fridays. It's basically a push between the two days. He was supposed to call me today. He said he's still in court and it's a little after 5. He may still call me later I don't know. He called, his wife has completely lost track of reality. She got a restraining order against him, booted him out of his house, then called to see if they could adopt another child. He's going to cxl the divorce, let her live in the guest house and tell the bank the check was lost and be done with it. he's also talking about cxling the deal with the auction.com I'm sure how that's going to work. he still owe's me millions. Though I rather be done with that myself. I'm not sure what's going to happen but I never do.

Of course nothing closed, I got new payoff requests for Victor's deals to close tomorrow. but she never told me they sigend today. I've got Barry bugging me for money. I funded a deal for Chris today. I'm getting so low on cash. I hate it. I had ins/outs with in 17k. I heard nothing from scott.

3-16

I finally got my two payoffs from Victor. He's got a guy dropping off a check later this evening too. I funded two deals for Barry too. I spent ½ the day emailing back and forth and talking to Bryan about this 400k transitional funding deal. He basically laid it out as one deal and then it was completely different when we got to the details. I've got it ironed out and it should go tomorrow money in and out same day, but I doubt it.

3-17

The 400k screwy deal closed, but past the cut off time, I'll get the money back tomorrow. which is what I expected. Bryan never called me, or at least not yet, you think he would be constantly communicating with me. The escrow agents have been great. I had some payoffs, in's and outs were about even. I had another payoff supposed to come, never did.

3-18

I got my 400k back from that deal, never heard from Bryan. I talked to Scott, asked him about the 2 million he owes me on the wholesale and he's saying he's keeping everything out of the eye of the divorce attorney and I have to return the 20k or so that he sent me last month. He's got to get the divorce cancelled so we can move ahead. Then I get the mail and I get a letter from the Arizona dept of financial institutions wanting to send me a cease and desist because they say I'm a commercial lender. I have no idea what this about. I had to send it to David. I hope that doesn't stir up a hornets nest. Just what I need on a Friday.

3-21

I received the payoff from Shawn's deal. The ins/outs were way out in my favor until I went through them and found a few not to do. He agreed, so it was 250k in my favor. I had some payments otherwise it was a real quiet day.

3-22

I was supposed to have a payoff today, never got it. the ins/outs were the opposite way by dollar. I wonder what would have happened if I wouldn't have rejected those other two. Wayne Ledet Invested another 36k. I've turned a few deals away because I want my cash high, it's quarter end, big payout.

3-23

I received word that Judd's deal was going through, I emailed him the \$'s on all his houses, then I received all the payoffs later in the day. the ins/outs were wrong way again. it's starting to



6  
creep up. I have to talk to Scott Friday. I still haven't received the payoff I was expecting from Dina. I've got a few coming this week and next.

3-24

Really quiet day. Miller's deal from hell isn't going to close now for another 60 days. He lost the first escrow, has a back up. I've got one more close coming tomorrow I think. I'll do end of month this weekend. Ins/outs were again wrong way. Scott won't be back until tomorrow.

3-25

I got my payoff from Cyler/Dina. It was a quiet day being good Friday. Ins/outs went in my favor finally. I caught a goofy one, so a lot in my favor. I'll do end of month this weekend.

3-26

I did end of month this weekend. It was awful, it must have taken me 5 hours. I kept having reconciliation errors, stupid typos, drive me nuts. Today in the afternoon typed out my newsletter. I funded a deal for Victor today too. I had a few payments, ins/outs were close. I talked to Scott, he's saying he's going to need more time with his wife. This is going to get dragged out for months!

6  
3-29

I had a payoff a day early. I might have another one if the person deposits the check she's claiming. The ins/outs were wrong way but after yesterday we are at 8 month low. However, I would feel better if I had the cash rather than this balance. I'm uneasy that the cash is where he says it is and this whole thing is even legit.

3-30

I had a couple of payoffs today along with a few payoff requests. I had some payments too. the ins/outs were wrong way again. It was quiet day but with all the interruptions from family I never finished everything for today

3-31

All the statements and dollars went out fine. I had one 300k payoff which was good. I had some payments. the ins/outs swung the wrong way, it better reverse tomorrow.

4-1  
6

I never got the payoffs I was expecting. I've got another deal for Barry for Monday. The ins/outs were wrong way again. inching up there again. I had some payments. I've got a gal trying to line up a deal for next week.

4-4

I had a weird call from a lady saying that a loan I put on Chris Hughes property 5 years ago is showing up on her property and have the legal correct. She never called back so I don't know what came of it. I have one new deal lined up, I had two payoffs today and the three deals that were supposed to close Friday are spread out this week. Scott had no buys today and same payoffs as Friday's buys, says we'll have a huge day tomorrow. just when the numbers are going in the right direction this comes about. It all better be right by Thursday. I tried calling him but he called back when I had the boys doing homework. I was all worked up about where we are at and cash etc. I had to meet with Dave Preston and get a 325k tax bill.

4-5

I funded two deal for Chris Hughes. I had one payoff, I've got more coming this week and some next week. Scott never called me, he said he was with his wife. I'll call him tomorrow if he doesn't call me.

4-6

I called Scott this morning. he says Friday they go to CXL Discovery, Monday to marriage counselor and she thinks she'll CXL the divorce and give back the check and be done next week. I'm not that optimistic. I've heard this next week shit for months. I had one payoff from Barry. I've got a few more possible deals I'm lining up, but I need more cash in because I have to pay my fucking taxes next week. ins/outs went wrong way, but the over all balance is down to 27.4. I got my payments in from Jace.

4-7

I had one payoff today, early that supposed to close Monday, it was Bennett's. I met with Brad Martinez for lunch. He had two other guys there and they are buying 500k houses and want me to lend to them. I don't have the funds for these guys. I talked around the issue as much as I could. I need to get some money in from Scott so that I can more easily operate. The ins/outs were 3k difference.

4-8

I was working away, then logged in to my Verizon account, I saw that the call from Scott when he said he was NC came from Gilbert. I drove up to his place on Bell, it's chained up and closed, I called him. He called me back 20 mins and said I just landed. I was doubtful. He sent me his boarding pass via email. He was pissed, I was stressed. I didn't understand why he would lie to

me and why the cell phone would tell me something different then he's telling me. He's got a hearing today to drop the discovery mode of his divorce. I've not heard back from him on that one yet. I've got requests coming out my ears and no cash to do them. I'm not sure what I'm going to do. This fucking stress is going to give me a heart attack.

4-11

I was really busy this morning. I had several deals that needed docs. I funded a deal for Victor. Turned down a deal from Marlene. I've got a few more deals to do this week. I got a payoff on an old loan. The ins/outs were in my favor finally. A few payments too. Scott had his first counseling session, nothing came of it. I swear this is going to drag for ever.

4-12

No closes that were planned, but I got two more requests in which are great. I turned down the 500k deal for next week. it's just cutting too close. I need more cash in hopefully from Scott before I commit to anything. I'm barely keeping up with the turn over of the small amount of cash I've got. Ins/outs were 45k from even. I just hate living like this day to day.

4-13

Today was funding day! I ended up funding four deals, all with different close dates for last week and this week, but they all needed funds today. I received one payoff. Ins/outs were with in 7k. Scott send me this long email about how he's doing this and that and going to get this right. I have no other choice to have faith in him. I had to turn down the 450k deal for next week. I'll be cutting it too close. I am able to do a few smaller ones I keep getting. I've got more payoffs coming in too. I had lunch with Joel and Jennifer from the bank. They've got this new program they want me to roll out to my borrowers. Plus it's been a year, they like to see me I guess.

4-14

I funded two more deals today. I've basically cleared my desk save one. now I need to see more start coming back in. I got a payoff request for one of Scott's old loans. I'll take a loss on it, but it's cash in. I'm due two payoffs today, I've not seen either one yet. I've got a few hours.

4-15

I was sitting here bored and did some calculations. I have a 8 million dollar lending company. Everything else is tied up in this nightmare with Scott. If I didn't have this issue, I'm sure I could be 10 million or a little more and have a great little business. Instead I'm dealing with this fucking nightmare on the verge of suicide every week and wondering if we'll ever get the fuck out of this hell hole. Ins/outs were with in 20k. I had some payments and one payoff. But I can't stop thinking.

4-18

I had no payoffs or fundings today. I had to move 225k over to my personal account to pay my taxes for densco and myself. Ins/outs were 130k the wrong way. I had three deals requested, one from Barry, one from Mike tetrauit, but at the end of the month and Blue water, which needed it to morrow. They abandoned me and went with barry, but he's not got enough funds. I'm stressting again about this whole thing. It's been awful all day long.

4-19

Nothing really happened, ins/outs were 80k wrong way. scott is doing reconciling. He's got the current part done, now we are doing month by month starting in Novemeber. We've got to get back to getting this thing down to the penny. I've got requests outstripping supply right now. It's killing me. Phillip fixed the a/c and water pipe at the Vermont house. Now it can be inspected, so hopefully the BNSR list isn't a mile long.

4-20

I had more requests, I'm really not able to supply everyone. Now I've got people wanting a mom's meeting next week and I don't want to have it. because I'll say I have no money. Ins/outs were 20k wrong way. scott got one month reconciled, now he's on December.

4-21

I had so many requests today, I couldn't say yes to all of them, I freaking hate this. Ins/outs were close, wrong way though. Scott couldn't reconcile Dec, had two dates that were wrong, one was my mistake the other must be his because mine is accurate. The payoff that was supposed to come in didn't so I hope it will tomorrow. I've got two to fund tomorrow and I need money in.

4-22

Ins/outs were with in 4k. I emailed soctt to call me he said he would Monday. I looked up his divorce, it wasn't filed until 3/23/16, so I'm not sure how much bullshit he's been feeding me this whole time. I funded three deals, I had one close, I'm down to 600k in cash, iv'e got payoffs coming next week, I pray they do. I received in one payment. I need to do end of month this weekend.

4-25

A payoff I was excepting was cxled, but Victor says he'll pay me off dicerectly on Friday. I have another 220k one supposed to close today I've not seen yet. The ins/outs were in my favor for the first time in 2 weeks. Scott has reconciled through January, though he had several days that

were off, I think we'll get it all correct this week. he's got yet another counseling meeting today, said he would call me after it. I talked to scott. He thinks he'll have the divorce cancelled in 2 weeks. I don't have the confidence to make any plans. I did end o month. It went smooth as silk, one hour 10 mins or so. Scott's 350k deal is'nt paying off this week, I need some money to come in, it's making me nervous again. I hate living like this.

4-26

I was supsoed to have a close yesterday of Miller's property. It didn't come, I checked on it this morning and Chicago said they sent it. after about 4 hours of going back and forth with the bank. They found it, Chicago title had typed densco investments not investment. It got kicked out. The three people that watch the suspense account were gone today. I got the wire about 1:30 or so. I finished end of month last night too. theins/outs were the wrong way. Scot still can reconcile January.

4-27

Another day of nothing. Ins/outs the wrong way, no payoffs or payments. one new deal for 60k next week. I have to do the statements next night or two. I have the cash for it. scott's now on Frbruary reconciling.

4-28

Ins/outs were wrong way, 19 out of 20 days now! I typed up some docs for one deal, never herad back on the other. Victor who is supposed to host the meeting tomorrow, isn't going to make it! I love it! I'm spending ½ my day on this Vermont house. I've got phillip going over to fix the plumbing issues. Then there are a bunch of small handyman issues I've got Sergio fixing. They are trying to figure out what to do on the roof.

4-29

I had no payoffs, and a few payments. ins/outs 45k wrong way. I can't remember the last time I had no payoffs the last day of a month. We had our mom's meeting, 18 were supposed to show. Only had 10 show up. It's embarrassing. One of my investors told me a story about his friend's daughter that got a loan from me and how impressed he was on how it worked. That was a small world situation. Sergio never showed up at the house on Vermont. So phillip didn't get his list of todo's for the house. I was so pissed, but he didn't answer his phone. Now phillip has to goback out there again tomorrow and finish it.

5-2

I had some IRA Contributions come in for the Hughes. Othwise it was the ins/outs for right way 40k. I know I'll have some payments come in i'll see tomorrow. I had two schedule payoffs, they will probably come tomorrow. Scott is struggling with Feb reconciliation.

5-3

I'm getting some more payoff requests, I had a few payments. ins/outs not sure how they will go, he's got a screwy one he's not sure what he's going to do with. I'm still waiting for a few deals to break out here. I need some more payoffs to come in.

5-4

Another quiet day, a payoff, a few deals lined up, then I get the ins/outs and it's wrong way 400k, which is about what it was yesterday my way. I could have predicted that. Victor bought a property today, need to pay for it tomorrow. but I had to get the checks and have him sign tomorrow.

5-5

I was gone all day. I'm way behind. I got one payoff from Jace Sanders, I've got a deal to fund tomorrow and as many as three payoffs tomorrow. I received some payments. I talked to Sergio, Phillip and wade three or four times trying to get that damn house on Vermont done so we can close next week.

5-6

What an odd day, all the deals that were supposed to close closed! I've got more than a million in the bank, a few new deals lined up for next week. I had some payments in too. they got all the stuff done at the Vermont house. It is going to cost a lot more than I thought. But it's done and now we can close next week hopefully. I asked to speak to Scott, he said he was too busy he would call me Monday.

5-9

Scott was supposed to call me, text me and said tomorrow. ins/outs in my favor again, he must have made an error! I had some payments, payoff requests and lined up a deal, but Zack didn't call me back from Friday so I don't know what happened to that one. I was supposed to go to lunch with Kyle. He didn't show up so I left.

5-10

I finally talked to Scott. His wife has agreed to cancel the divorce, he should get the check back next week, and then meet with auction.com. it gives me a flicker of hope, but we've been talking like this for months. Ins/outs were in my favor, so that's good. He's still reconciling February. I have a few closes this week, I hope they come in. I went to lunch with Kyle, I had the wrong day. he's matured a lot, it was enjoyable. I figured he was going to push his new debt

venture capital fund on me. We talked about it, but didn't pitch it, I guess the soft sell. I'm uninterested.

5-11

I didn't get the payoffs I was expecting, now Friday. Ins/outs were almost even. He's reconciled Feb now on March. I really hope we get the money back soon. I can't stand to wait anymore. Plus all the money he's supposedly been amking this last 6 months. We'll see if it's a farce or what.

5-12

I had one payoff I was expecting yesterday. I queued a wire for tomorrow. I've got several deals that should close tomorrow. Chant's deal is ordering docs, so that might close Monday /Tuesday. Chris ordered payoffs for this three properties for June 5. Margie Porter called me never thought I would hear from her again. she wants to buy something at the auction next week. I don't think she's got a chance based on what price she's bidding too.

5-13

I funded two deals, Miller and Larry. I had two of Victor's deals payoff too. I had a lot of payments. Scott met with his wife and attorney to sign the agreement they didn't work out the kids part of it if they divorce so now they have to do that. I swear this is going to last a fucking year.

5-16

Supposedly Scott worked out the details with his wife, they submitted to their attorney, so hopefully they will sign something this week and get this thing closed and check back. Ins/outs were in my favor a big way because of a screwed up one. I have two deals to fund next day or two and I have a few deals coming back in to me, none came in today.

5-17

It was a quiet day. I sent docs for some deals. I had a payoff request for Cyler. I can't believe he turned it so quickly. Then I got the best phone call, Vermont, Chant's property closed, I get the wire tomorrow. if I hadn't intervened, he'd still be paying me every month with an empty house. Cypress for Victor closed too. ins/outs were wrong way as much as they were the right way the other day, more by 100k. Scott is too busy to reconcile because of the memorial day holiday for his furniture business.

5-18

The ins/outs wrong way huge again today. This is such bullshit. At least he's nearly got march reconciled. I had started the day with the payoff on Vermont. That one is finally over. It was never a problem, just a huge loss for the borrower. Barry needed 129k 10 mins before the wire cut off time. I sent it, he'll send me back 129k back tomorrow.

5-19

The ins/outs are so out of wack, I'm up to 29 million scott gave me some bs answer, he's still reconciling march. He should be done tonight. His lawyer has the changes, ti's been sent to her lawyer, I'm sure it won't get done anytime soon. She'll come up with some kind of bullshit problem. I got back the money from barry. I funded one deal for Dan. I'm waiting to here on the other one Michael. I'm funding one for Maribel tomorrow. Lili's son called me, she's in prison and he's trying to do deals. He wants me to fund one next week. I'll have to be careful this isn't lili.

5-20

I funded one deal for Maribel, she came by and signed. These thing never record as quick as I want them too. I sent docs off for another small 25k one. one deal got postponed until next week. I had a payoff request for 14<sup>th</sup> ave prob for John, I'm glad to be done with that loan, hoepuflly Monday, probably Tuesday. Scott said he thinks it will be cxled next week, I swear nothing seems to happen when it should.

5-23

I funded one small deal for a guy. In/outs wrong way 150k. he's not finished reconciled. I'll hit him up tomorrow on status give him one day to get his shit togheter from being gone. I had some payments made, that's about it.

5-24

Wrong way again, I swear in never ends. He has march reconciled so now he's working on april. He says he's setting up a meeting with a mediator for the last point with the kids. I swear this willb e dragged out for fucking ever! I have another deal planned. My banker joel contacted me about doing a screwy deal for a friend of his. Not sure where that's going to go.

5-25

I picked up Chant at the airport. We went to a starbucks and talked. He's very thankful for what we did for him. He wants to buy some rentals and some flips. He's gong to create a group to do this and I told him I'd be fine with that. I can recommend people to do everything for him, but I won't be doing the work. ins/outs were off by mere dollars. I worked on getting HUD's for the corporation commission inquiry. They wanted everything for two years for grand canyon. I only had 20 transactions and 3 of them had hud's I sent them to dave. I'm not sure that's going to



satisfy them. Scott is in the hospital with his mom. I hope nothing goes wrong there, we can't stand any more issues.

5-26

The ins/outs went in my favor by 50k, then we pulled one deals, so it was 350k. however, I'm never now sure how it's handled on his end. I funded a deal for Miro through Lili's llc. I'll get paid back tomorrow. I received a payoff on a deal, I should have a few tomorrow. I received a payment but the check kept getting stuck in the damn machine. I'm not sure why, I had to take it to the bank. It was so quiet today that I was able to do end of month through out the day. lucky for me it went flawless and everything reconciled at all three steps. Shocking I didn't make a single typo.

5-27

I had a quiet day. the ins/outs went the other way by nearly the same amount as yesterday. I emailed him and said this is bullshit. He admitted he manipulates things. I have no idea what to believe in this whole damn thing. I got my payoff on lili's deal. About 10 am, that damn windows upgrade balloon was in my way when I clicked on something and it upgraded my computer. It took hours, but it was flawless. I just hope I can do my statements this weekend then I'll know it works fine. I had 3 other payoff supposedly coming today, I've not seen them yet.

5-31

All my statements and dollars went out fine. this damn windows upgrade didn't kill anything. It was a strangely quiet day even though I had phone calls and emails/texts all weekend. I've got a deal for miller tomorrow. I had a pay off for John May today, good I hated that loan. Ins/outs were in my favor, by quite a bit because he pulled one. scott's meeting a with a mediator today at 4pm. He's saying she's being a bitch so that's great. he has to get this fucking fixed it's june!

6-1

Scott meets with the mediator today at 10. He is emailing me all day long on how bad it's going. Finally at 2pm they leave and going to meet again. I can't fucking stand this. She wants to postpone for 6 more months, no fucking way are we doing that. I can't survive that long! I funded two deals today and I had some requests for payoffs. Victor sent me money for his deals. Looks like one of them is going to exit the escrow.

6-2

It was a quiet day, so I drove Victor's properties. Only two of them aren't fixed up. One he just bought. The oldest he told me he's going to start on next week. I looked him up, he's got 40 houses. John Ray called me told me he's getting seconds on the homes. I knew that because some

guy called me about it a few weeks ago. He bought another property today too. A small one in Sun city. Nothing from Scott. I just stewed thinking that I'm the dumbest gullable guy in the world. I've completely fucked everything up. I'm got a plan made out for my suicide. All I have to do is type out the letters to everyone.

6-6

I had a horrible weekend. I spent my entire waking hours thinking about this mess, how I should have done things differently and what I'm going to do. I emailed Scott, he said he and his wife are going to counseling tomorrow. he gave me a list of properties, one was screwed up. Because Victor went out of town and came by yesterday and signed his docs. I had to run to the bank, get checks, deliver to the trustee, pay the bidding co etc all before the boys were done at camp by 11. Scott didn't give me much more info so I don't know what's going on other than no fucking solution.

6-7

The closings I had planned today, none of them came in. one got moved maybe to tomorrow and three others to next week. I turned down a good deal because I'm scared of being short of cash. Ins/outs were messed up again. he sent me one that had been auctioned. He blames auction.com. I don't know what to think. I'm really doing poorly. I started making a list of people I would write a suicide note of explanation to.

6-8

I had a bunch of payments made yesterday that came through today's email from the bank. I had a payoff of one of the last deals for Bennett. I should get another one or two tomorrow. Chris postponed his until next week. ins/outs were almost even. Scott emailed me said his wife's dr is ordering a cat scan. Plus he's got some things working. Mean while I'm stewing all day on all the things I should have done so that I wouldn't be in this situation today. I know I'm shortening my life by doing this.

6-9

I had a payoff from Victor's today first thing. The other one I was expecting, the guy called me saying would I lend his buyer the money to buy this house. What a cluster. Ins/outs wrong 50k. I had a list of payoffs for the next two weeks to Scott today. Heard nothing about what we are going to do. I'm just feeling like I'm waiting out for a bomb to go off any day, every day.

6-10

I got a new deal today from Christmas, it replaces the deal that got cancelled. With the closes I have coming in and the deals on my desk to fund and end of quarter interest, I'm going to be

out of cash after this month. I have to figure something out with scott. We can't go much longer. I'm super nervous and worried and not sleeping, barely eating. I'm a freaking wreck.

6-13

I spent the entire weekend obsessing, stewing thinking about this nightmare. I made more plans on what to do before I kill myself, so it's at least someone orderly. I funded one deal for christmas's brother. Scott was supposed to call me, never did, claims he's going to get this thing solved. I have little faith. He just strings me out with promises and dates and times that never fucking happen. I'm going to be scott coles all over again. I didn't have a single call all day.

6-14

I had a few payments. ins/outs were the same. I waited all day long for scott to call. He never did, he now said tomorrow. I've got a deal to fund tomorrow for Larry. Jace Sanders called me up on one for tomorrow, but it's closing on 6/30 to return my funds, so I'm going to do that. I looked back at the earliest "wholesale" deals we did in 2014, they were all this bs from the very beginning. I looked at the first 5 all had different trustee's deeds. One was even sold a different day to one of my borrowers, oh how I wish he would have called me on it. I've been so stressed today, I've not eaten, I've been barely able to function. With the boys here, they played, we watched tv, all while I'm in a zombie zone. I just have this overwhelming feeling this is going to come crashing down on me any minute. My gut has always been right. I remember the day I had a gut feeling that something was wrong with how I was getting my docs back from scott back in 2013, the delay and everything. I didn't listen to it. now I'm feeling it and there isn't a damn thing I can do about it. I just type in here for a some kind of release. Because the whole time in the back of my mind I know I'm going to end of killing myself and with the boys here, I'm on the verge of tears all the time because I know the pain I'm going to cause them and the rest of my family. The investors, friends all the people I've had relationships with. But I know the alternative of dealing with the situation isn't something I can handle. I'm too weak. I've been put through too much in the last 9 years. I'm just drained, done, exhausted, I could list a dozen adjectives.

6-15

I find out today scott filed BK 2 months ago. He says he did it and he is going to stop it. he wants to go to the divorce court and say he's got a 30 million default. No way. I look up the court system and he filed divorce from her in Oct. then it was cxled in January. She filed against him. I'm not thinking this whole thing is bullshit and I've come to the end. I have no other way out but suicide. I'm not going to be able to watch my boys grow up.

6-16

Scott and I emailed back and forth for hours. 1 he says he's got a plan to make me whole in one year. I can't imagine what the hell it would be that could create the returns necessary to do

that. He own't tell me until Monday. 2 he confirmed that the money on the wholesale is there and not gone. Though I am not sure I believe him on that point either. I sat in my office all day falling asleep and watching tv and doing no work. I had none to do and thankfully I didn't have any phone calls. I'm so lost in my thoughts of destruction I can't even think straight.

6-17

I slept 6 hours beucase of exhaustion. Ins/outs were in my favor. But I'm wondering if it even matters. I had one payoff I was hoping for today. I've got more coming next week. I keep getting deals thrown at me. I've got a plan now after thinking 100 hours. he returns all the money to me plus the profits and reconciliation. I return it to investors except I start building this back up and try to get it to over 20 million at work. I do that I'll bring in enough interest to cover the interest charges and then work on getting back to even. I've done the numbers and it works. Between my capital and if scott can pay me back some this year and next I'll be back to zero in 2 years then start building it back up again. I'm just nervous as hell at what he's going to tell me Monday. I probably won't sleep the next two nights.

6-20

Scott finally showed up and tells me that his wife, went to auction.com and basically told them something is going on here, I want to know what it is or I'll call someone. This happened 6 weeks ago. Scott has been trying to handle it behind my back this whole time. his divorce is cancelled, or will be as soon a sa judge signs off on it. but auction.com wont' release any money to me or him until his wife walks in and says everything is ok, we are fine. this is all fraud. It's all criminal andi could go to jail for years. I sat here and just listedn to him and kept saying this can't be happening. We talked for hours about different ways of doing this. But I'm running out of money I can't operate. I've been paying my investors their interest for 8 months. The amount of money I have left is tied up in loans that are just rentals. I don't have enough to fund new deals, pay investors back. Scott's idea was the same as mine, have him start flipping and making back money, I get 20 or more million out which brings me in enough interest to be cash flow even on a p/I basis and then start making money as he pays me money back flipping. We have different ideas of how it operates but it's the essentially the same plan. However, none of it works unless we get the money back from his auction.com. his wife has to go in and say she'll not say anything to anyone and their marriage is fine. he doen'st think she'll do that, I told him had has to convince her or we are done in the next 30 days. I'm honestly facing the inplosioini I've been trying to avoid for three and half years. I'm so stressed and upset I'm thinking a heart attack is just right below the surface. I can feel my heart beating out of my chest. I can't believe I'm facing this reality right now. I'm really facing suicide right now.

6-21

Islept maybe two hours all night. I just spent the whole time thinking about this and email scott back and forth. Scott called me during the day, saying he's rasiling money,we are going to stop

the ins/outs, so that when he get its settled, the money is there and they can return it to me. He seems like that's not going to happen so he's raising money to give to me to pay my investors if need be. That's his back up plan, I need the money back. I did end of month. It took 4 hours and I'm only ½ done. Besides being tired, making mistakes, I had an investor switch from quarterly to accrue ½ through the quarter so I had to back in to the right dollar amount. I think I did it right. I've got deals coming at me like mad, I'm scared to put the cash out. I can't raise any more. I don't have enough payoffs coming in. I'm basically fucked. Mean while, I've got scott talking about raising money to flip houses to pay me back. What a fucking novel idea, should have done that the frist fucking time, we wouldn't be in this problem facing jail time and a huge deficit and a wacko wife holding us hostage.

6-22

I'm so pissed this morning. I've turned down over a million in deals that I could do if I had the cash. I'm so stretched right now, I'm sweating bullets these closing aren't going to happen. I've got deals up the ass coming at me and I can't fund them. Kirk called me and watned to give me 150k. I said no, then I put him with miller to fund his deal that he threw at me yesterday. They both were pushing me on what, why and how come but I can't take his money in good conscious knowing this thing could blow up in a few weeks. I am so stressed, I've been emailing scott back and forth all morning pushing him. He's raised money and starting to buy houses so he can flip like mad and make money. But a few hundred k here or there over the next few weeks isn't going to do dick my situation. I'm just freaking the fuck out. He says he has a meeting with them july 5. But unless his wife goes ina dn says everything is fine and she's not going to press any issues, they won't release the cash. They have over 30 million dollars of my investors money and I am powerless to get it. I'm relying on scott he has done nothing but failed me over and over again and now his crazy wife. What the hell am I going to do. Oh ya, go to Idaho, meet with investors and put a fuckingsmile on my face and hope to hell he accomplishes something on that meeting. How the fuck am I supposed to maintain a sense of self while this is going on. I'm typing this soley as therapy because I don't' know what else to do.

6-23

I have spent the first 6 hours of the day going over all the horrible scenarios in my head. I can't stop it. it's maddening. I know it just drives me nuts but I can't control it. I come up with things I want done before I die, I go do them or write them down so I remember to do them. Soctt calls me at 11 we talked for 30 mins. I went over with him the numbers and the absolute necessity to get that money returned to me on the july 5<sup>th</sup> meeting. He said he knows the numbers, he understands and he can't do a thing until that meeting because these guys are on cruise. Really a fucking cruise. I can't believe this shit. It's noon. I funded one deal for barry, I've got more to do tomorrow. I'm stressing out so much I feel light headed. It could be from last of sleep or maybe food I don't' know. I'm impressed my heart hasn't stopped. I'm so edgy that I'm fearful of interacting with anyone and I don't want my phone to ring, no one to come by nothing. I just want to get this fixed and going in the right direction. I've got to quit thinking of the bad stuff

that will happen. I want to see my boys grow up. Brian came over, I was in a horrendous mood and I was fearing it would show. I just wanted to break down and tell him so he would help me. But I know he wouldn't and it would be just ugly as hell. He's leaving to go out of town the same time we are. I have another night of thinking.

6-24

I slept about 5 hours, after a few days, I knew this was coming. I funded one deal for Barry, and I had a payoff from Victor which was great. he's got another one coming Monday. I checked and Scott's divorce was dismissed so now he can sell those three properties, one of them is in escrow with homeowners moved in. a little bit of good news at least. I got a call from Adam from Ethiopia telling me about his building he's doing and how he might have money to give me in a few weeks. He's praising me as a dad and so involved with my kids, such a good business, on and on. I was about to throw up. At least with Scott's divorce cleared he can move forward on some stuff and show auction.com that it's not an issue any more. I'm sitting here watching the stock markets imploding because of the surprise Brexit. Just one more bad thing I need.

6-27

I emailed out to my Idaho investors to set up a luncheon, no one could make it. which is just fine with me! Pat Miller called me, wanted me to change the ACH for Rodhika to a different account number. I had to call the bank and I think it will go through like she wants. Scott thinks he can move three of his four properties next week, I don't have the confidence but that will help. I received pay off from Victor's property today. I turned away another 1 million worth of deals over the weekend and today. I'm just sick about this that when I get the money back I won't get all these opportunities. I'm so damn jittery today, I'm bouncing my leg, walking the house. My heart is beating out of my chest, I'm just so fucking worked up. I got a surprise payoff of 150k that wasn't supposed to close until 7/7, that gives me some breathing room, because I'm not confident the 200k deal that's been postponed for a 10 days is going to close. I'm still dieing inside I need to have some fucking money back from auction.com. I swear I'm going to lose it while I'm in Idaho. Late at night I receive an email from Gary with some innocent questions about the market and it sent a chill through me that I almost couldn't read the email. I'll answer it and hope that he's satisfied.

6-28

Alli keep getting are phone calls for more deals. Deals that I can't do. I've turned down another million dollars just today. This is insane! I'm going nuts! I got a payoff request for next month, but it's only 50k. but every dime counts at this point. Barry is going to pay me back 150k on Friday. I've turned down 2 more deals since this morning. I turned down a 500k deal from Christmas today. I would have done it in heart beat.

6-29

I took care of things this morning for end of month. I sent all the statements out and to Mainstar trust. I had a few phone calls and emails. The best one was that AKS, was paying me off on their 400k deal! I had some payments too. one deal that's been on my desk for a month is now closing tomorrow. the other one that I knew was going to close is closing too. but I'll be alright since I got that surprise 400k in.

6-30

The ACH problem with the Miller's daughter is a mess. She either got it twice or they are going to reverse it, it's a mess. I funded two deals this morning. I had nothing else really happen. I had three other deals that were to close none of them did. I've got 1.2 millin the bank and I've got 500k supposed to close next few days.

7-1

I had one payoff and that was grat. I had confirmation the others are closing early next week. that will help me. Scott emailed me telling me that his meeting is now July 5<sup>th</sup>. I was thinking about a 100 questions to ask him, I'll wait until next week.

7-5

It was a much quieter day that I had anticipated. I funded one deal. I had some payoffs and a few emails. now it's the big day tomorrow. I doubt I'll be able to sleep.

7-6

I got the docs back on Rogers deal. I didn't get any payoffs from anyone nor did I hear anything from them about it. Scott had his meeting with auction.com. on Monday his wife is going to sign something, and there will be other things to sign but it's done and then they will return the money. I feel like I can breath. But until the money is returned I'll be nervous.

7-7

I had a few things to take care of in the morning before we left. I just had emails most of the day no phone calls, and some payments. I've got a stack of things to do tomorrow.

7-8

I worked all morning doing paperwork and catching up. I'm optimistic that things will work out on Monday, I just hope his wife doesn't flip on him and refuse to sign. Once I get the money back I'm going to go crazy trying to get it work. I'm just holding my breath until next week. though I feel pretty good about it. I received a payoff from Maribel too. the other two deals are postponed until next week and one was cancelled.

7-11

The day that we should be signing shit, and getting the money back, he emails me and says he'll let me know, he's dealing with another headache. I had lots of payments today, about 10. Plus a paydown on principle on a small loan and one payoff request. I've not heard from Scott all day. Today was the day his wife was supposed to sign. He finally texted me saying his bk was canceled which is great, but the landlord at the autoking building is pushing him, going to a bk judge tomorrow. He says we'll have docs tomorrow.

7-12

I was waiting all day long to hear from Scott. I had nothing going on all day long. He was trying to get his bk released. He went to court and they won't do it! They want paperwork and bank statements! This could open up a whole can of worms and just fuck us completely! He got the release from auction.com and he'll have his wife sign it tomorrow. But he can't let them wire money to his bank account now that he's in bk. He says she can get this Arizona home foreclosures released from the bk and then he can operate it. I'm back to freaking the fuck out. We are so close to getting this money back to me and fixing shit and because of this stupid thing he did, without telling me, we are fucked again. He's going to work on this tonight and get it to the attorney's tomorrow I just hope it works. I can't fucking believe this. It's just one thing after another. I'm back to square one with my thinking. I'm just besides myself.

7-13

I had a few phone calls, payoff request and I typed up some docs. I've got one new deal to fund that's supposed to be turned around to me in a week. Scott got the info to the bk attorney to give to the trustee. I'm shitting bricks thinking about what this opens us up too. He thinks he can get it company dismissed but I'm sure they are going to look at the numbers and want gobs of more info and we'll be fucked. He did tell me that he got his wife to sign a doc and got to the auction.com. He had to tell them about his bk filing and they weren't happy. They won't return money to me through him because of this shit hanging over our heads. I stewed on this all day long. I didn't eat I just walked around the house. I can't believe we are so close and then we are fucked again. I didn't sleep last night. I've got a screaming headache my back hurts. I'm a mess and I'll be this way for a week!

7-14

I had no activity to speak of other than a few deals I might do next week. I worked on renewals for the morning. I almost feel guilty typing them. I probably won't hear from Scott until next week. Tomorrow all the wholesale deals will be paid off. I just need the fucking cash back.

7-15



I funded two deals, one for Maribel and one for John miller. I turned down two that I wish I could have done. I sent some reconcile stuff to scott. The wholesales have all supposedly paid off. now he has to get the cash back to me. I'm so fucking worried about this bk thing I'm just out of mind. A court is going to ask for so much info and cause a nightmare. I don't know what to do, I know he's not telling me the truth on where things are at and I'm just going out of my mind. I won't sleep tonight I can't think straight I have no one to talk to, I'm a fucking wreck.

7-18

I had no closes, no fundings, but several requests. I'm just fucked. I went to lunch with Glen. I didn't finish my lunch and I know once he said, I know there is a problem with you when you are getting skinning. He asked how the business was and I answered but we didn't spend any time on it. I feel like he's going to investigate me now! I talked to scott. He doesn't think auction.com will return the money to me. He's working through his BK with the trustee. He's not sure how it's going to go and what and when. I can't see how there is going to be a good outcome for him in this and it's going to fuck me. I swear I convinced it's weeks, maybe days until it all implodes. I can't fucking believe I got in to this. I first was working through the nightmare of the seconds. Then I find out he's doing this screwy deal with auction.com. now I'm guilty by association. I'm fucked. I'm completely fucked. I'll never see my boys grow up.

7-19

I funded one deal and I got a few payments in. the other deals to fund got cancelled or postponed. I talked to scott briefly. He's still working on a plan to match the dollars. I have no faith that this is going to work and they are going to release his llc so we can then get an agreement with auction.com and then they will return my money. I spent all day long typing out suicide letters to people. It was difficult and I had to stop a few times. I have to still do Iggy's, parents and my boys. I'll try to work on those tonight.

7-20

I had nothing to do today really. I had one payoff and that's about it. adam called and wanted to talk to me about taking his 1.5 million in a week or two. I just can't do it. if I did it would get me another month, but I feel like the day after I take it the shit will hit the fan and then he won't get it back for his project in Ethiopia. He wants it all back starting in September I have no idea where things will be at I basically turned him down, but I know he'll be calling again soon. I spent the whole day organizing and typing up instructions to Robert and iggy. I typed some more letters to people. I still can't do the parents and the boys. I texted scott some questions he didn't answer them said he would call me back and never did now says he'll call me back tomorrow. I really don't think it matters anymore. I would say I've got things 90% of the way ready for me to die. I keep thinking of things so I'm glad that I'm doing it now.

7-21

I'm losing my fucking mind. I had Maribela come in to sign docs on a loan with a partner, I've got two other deals lined up, I've got a closing tomorrow. then adam wants to give me 500k I can't take I just can't I've not heard from scott all day. I know we are just fucked. I tested my noose last night at 3 am, it will hold me. I'm just convinced he's going to tell me I'll be subpoenaed or they are going to want more info or we are just fucked, I know it I know it. I finished all my suicide letters and the investor letter. I think I have everything prepared so I can do this in one day if need be. I had to interact with so many people today. I was just about to scream the whole time. I feel like a suicide bomber must feel as he's walking in to a crowded area about to ruin everyone's lives.

7-22

I got a payoff in, it was small 60k, I funded one deal for 109k. I've got docs all typed up for next week for two more deals. I'm not even certain I'll be alive long enough to fulfill my obligation. They will be the first loans I committed to and didn't fulfill. Nishel called me again, bugging me about giving me 500k more. I'm scared to take it that I can't get it back to them. I pushed him off until Monday. I'm supposed to meet with scott on Monday. I have no idea what to expect from him. He won't call me, he just sends me texts saying he's getting it worked out. I believe that like I believe in santa claus.

7-25

I had a bunch of payments in. then I met scott. Basically the trustee and his bk attorney know the whole story of the 30 million owed to me. He's going to make a statement about it. his bk will drag on for month. I can't get the money back. I can't continue to operate on the small borrowing base I have. I won't be able to return money. I'm done. Now it's just a decision do I do it this week or next week, hold out for 3 weeks. I have one closing coming tomorrow. I have no other one on Friday. I pay my investors their money for july. I have a million left. I have one closing scheduled for august so far. I will be able to do three loans. But I could continue like this for maybe a few weeks a month again. what difference does it make. Eventually I have to come in to the open. The lawsuits will start. I'll be investigate, arrested, and then try to defend myself. scott points his fingers at me, me at him and auction.com we all go in the inferno and I'm sure in the end I end up in jail broke and everyone disgusted with me. Why take that ride. So I can have my boys visit me in jail? I don't see that is positive. Deal with all my investors and friends family that I've just sent down a several year nightmare of trying to get their money back. The reputations of my friends, accountant, my parents friends all destroyed. I can't see that either. They can call me chicken, coward what ever. I think in the end they will get a majority of their money back. That I at least thing is true. It's sitting in this trust account at auction.com. eventually no matter what they will have to return it. that's 28.1 million, then there is another 3 million that is on top of that. The five million that scott is talking about as profit from what ever crazy transactions these guys were doing will be chased down by all the attorney's trustees or whomever was paying. I still have never been given a full explanation, now I don't want one. I'm almost settled on killing myself Wednesday or thursday night. I'm done. Why prolong the

6  
envitable. I'm almost at peace compared to living this torment I've been under. My boys, , my boys...

7-26

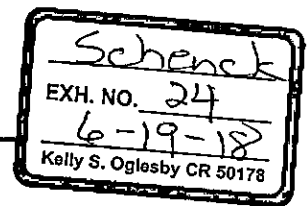
I acutallyslept 3 hours last night. I feel rejuvenated compared to the last few days. My frist thought when I woke up is myboys are here good deal. Then second thought I've got two days left with them. I heart sunk, I almost threw up and I got out of bed. now I'm sitting her thinking do I do this Thursday night or do I try to push this out another 30 or 60 days. I don't see why and I'm just digging a bigger hole. I'm feeling awful. I can barely operate, do I want to do that for another few weeks. I can't make 60 days. Despite what scott says about what he's doing I just don't believe I'll ever get the money back from auction.com, scott owes me 14.3 million and he's in bk. No way to get that back anytime soon. I'm fucked, the law suits start and I'm done. I talked to scott for another 2 hours. he wouldn't tell me what and how he was working with auction.com so the hell with it. he thinks he's going to get off with a slap on the wrist bk and have money left over somewhere and be on this way. he's willing to go down that road I'm not. Becaseu he's wrong and I know that it will be much worse and I will be facing not only the legal aspect, criminal and civil, but facing my friends, family, neighbors etc. I let everyone down and I can't fix it, no matter how I tried. I get an email tonight from an investor thanking me and how much they appreciate me and how wonderful I am. This is why I'm doing this. I can't face everyone knowing I've lot a substantial amount of their money. Spend my last dollar defending myself and having nothing left and go to jail. I believe that is a real possibility. In fact I can see no way out of it. myboys.. all I think about is my poor boys.. today being with them was so hard I can't hardly contain myself to know how they will be Friday.

7-27

6  
I spent all day long avoiding phone calls and trying to answer emails. I have done more work on the list and instructions to everyone. I'm so burnt out and not everyting is making sense anymore. I'm confused, I've not eaten into two days. I only slept 2 hours last night. I've got two deals I'm supposed to fund on Friday , I'm not going to do it. I've spent all day making sure I've got everything covered. I know I'm forgetting things nad I just keep getting overwhelmed by mydecision. I'm somessed up I home no one calls or comes by tomorrow I won't be able to fake my way through it. I've already avoided 10 calls today. I know some I can't.

Message

**From:** Denny Chittick [dcmoney@yahoo.com]  
**Sent:** 12/18/2013 10:11:43 AM  
**To:** Beauchamp, David G. [dbeauchamp@clarkhill.com]  
**Subject:** few things



1. since you moved, we've never finished the update on the memorandum. Warren is asking where it is.
2. i've got two of my best borrowers moving to FL, they are begging me to look at lending in FL. i don't know anything about the market there, but i trust these guys. i've done 20 million with them over the past 5 yrs. is it easy to find out the challenges, issues, etc with me lending there?

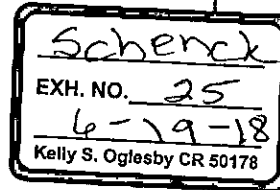
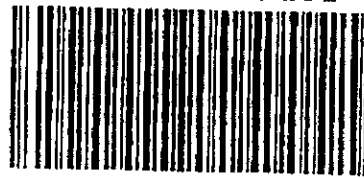
thx

dc

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BARCEL

### DEED OF TRUST

Effective Date: August 6, 2013	County and State Where Real Property is located: Maricopa County, Arizona
TRUSTOR: Arizona Home Foreclosures, LLC, an Arizona Limited Liability Company 7320 W. Bell Road Glendale, AZ 85308	BENEFICIARY: Geared Equity, LLC, an Arizona Limited Liability Company 6828 E. Camelback Road Scottsdale, AZ 85251
TRUSTEE: Thomas C. Wilmer, Esq. 2504 N. 3 <sup>rd</sup> Street Phoenix, AZ 85004	
Obligation Secured (Nature, Date, All Parties) Promissory Note dated August 6, 2013 One Hundred Fifty Two Thousand Eight Hundred and 00/100 Dollars (\$152,800.00)	
Subject Property Street Address 39817 N. Messner Way, Anthem Way, AZ 85086 APN: 211-93-218 Loan # 13-6094	
Subject Real Property Legal Description:  <b>Lot 218; of Anthem – Unit 55, According to the Plat of Record in the Office of the County Recorder of Maricopa County, Arizona, Recorded in Book 665 of Maps, Page 30. EXCEPT therefrom all coal, oil, gas and other mineral deposits, as reserved in the patent to the land.</b>	

1. **Conveyance.** Trustor irrevocably grants and conveys to Trustee in trust, with power of sale, the Subject Real Property, subject to covenants, conditions, restrictions, rights of way and easements of record, to be held as security for the payment by Trustor of the Obligation Secured and for the performance of other obligations of Trustor as set forth in this Deed of Trust.

2. **Appurtenances.** Trustor grants, together with the Subject Real Property, all buildings and improvements now or hereafter erected thereon, and all fixtures attached to or used in connection with the Subject Real Property (including, without limiting the generality of the foregoing, all ventilating, heating, air-conditioning, refrigeration, plumbing and lighting fixtures), together with all leases, rents issues, profits or income therefrom (hereinafter "Property Income"), subject, however, to the right, power and authority hereinafter given to beneficiary to collect and apply such property income.

3. **Taxes and Assessments and Trust Expenses.** Trustor shall pay before delinquent all taxes and assessments affecting the Subject Real Property or any part thereof, which appear to be prior or superior hereto all cost, fees and expenses of this trust and all lawful charges, costs and expenses of any reinstatement of this Deed of Trust following default.

4. **Fire Insurance.** Trustor shall, at Trustor's expense, maintain in force fire and extended coverage insurance in any amount of not less than the full replacement value of any buildings which may exist on the Subject Real Property with loss payable to Beneficiary. Trustor shall provide fire insurance protection on his furniture, fixtures and other personal property on the Subject of Real Property in an amount equal to the full insurable value thereof, and promises that any insurance coverage in this regard will contain a waiver of the insurer's right of the subrogation against Beneficiary.

5. **Liability Insurance.** Trustor shall, at Trustor's expense, maintain in force policies of liability insurance, with Beneficiary as an additional insured thereunder, insuring Trustor against any claims resulting from the injury to or the death of any person or the damage to or the destruction of any property belonging to any person by reason of Beneficiary's interest hereunder or the use and occupancy of the Subject Real Property by Trustor. Such insurance shall be in the following amounts:

- a. \$500,000 against any claim resulting from injury to or the death of any one person;
- b. \$1,000,000 against any claim resulting from injury to or the deaths of any number of persons from any one accident;
- c. \$500,000 against any claim resulting from the damage to or destruction of any property belonging to any person.

6. **Processing of Insurance Policies.** Trustor shall promptly deliver to Beneficiary the originals or true and exact copies of all insurance policies required by this Deed of Trust. Trustor shall not do or omit to do any act which will in any way impair or invalidate any insurance policy required by this Deed of Trust. All insurance policies shall contain a written obligation of the insurer to notify Beneficiary in writing at least ten (10) days prior to any cancellation thereof.

7. **Indemnification of Trustee and Beneficiary.** Trustor shall hold Trustee and Beneficiary harmless from, and indemnify them for, any and all claims raised by any third party against Trustee or Beneficiary resulting from their interests hereunder or the acts of Trustor. Such indemnification shall include reasonable attorney's fees and costs, including cost of evidence of title.

8. **Right of Beneficiary or Trustee to Pay Obligations of Trustor.** If Trustor fails or refuses to pay any sums due to be paid by it under the provisions of this Deed of Trust, or fails or refuses to take any action as herein provided, then Beneficiary or Trustee shall have the right to pay any such sum due to be paid by Trustor and to perform any act necessary. The amount of such sums paid by Beneficiary or Trustee for the account of Trustor and the cost of any such action, together with interest thereon at the maximum legal contractual rate per annum from the date of payment until the satisfaction shall be added to the obligation Secured. The payment of Beneficiary or Trustee of any such sums or the performance of any such action shall be prima facie evidence of the necessity therefor.

9. **Condemnation.** Any award of damages in connection with any condemnation or injury to any of the Subject Real Property by reason of public use or for damages for private trespass or injury thereto, are assigned in full and shall be paid to Beneficiary, who shall apply them to payment of the principal of the Obligation Secured, the interest thereon and any other charges or amount secured hereby in such manner as Beneficiary may elect. Any remaining balance shall be paid to Trustor. Beneficiary may, at Beneficiary's option, appeal from any such award in the name of Trustor. Unless Trustor and Beneficiary otherwise agree in writing, any application of such proceeds to principal shall not extend or postpone the due dates of any installment payments of the Obligation Secured or change the amount of such payments.

10. **Care of Property.** Trustor shall take reasonable care of the Subject Real Property and the buildings thereon, ordinary depreciation excepted. Trustor shall commit or permit no waste and do no act which will unduly impair or depreciate the value of the Subject Real Property as required, then Beneficiary or Trustee, at their option, may make necessary repairs and add the cost thereof to the obligation Secured. Trustor shall purchase and use on the Subject Real Property the amount of water to which it is or shall be entitled and shall not abandon any water rights, power rights or any rights of whatever nature which are appurtenant to the Subject Real Property.

11. **Right to Inspect Subject Real Property.** At all convenient and reasonable times, upon prior notice to Trustor, beneficiary or Trustee shall have the right and license to go on and into the Subject Real Property to inspect it in order to determine whether the provisions of the Deed of Trust are being kept and performed.

12. **Acceleration.** In the event of default by Trustor, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written notice setting forth the nature thereof and of election to cause the Subject Real Property to be sold under this Deed of Trust. Beneficiary shall also deposit with Trustee all documents evidencing the Obligation Secured and any expenditures secured hereby.

13. **Event of Default.** Each of the following shall be considered an event of default of this Deed of Trust:

- a. The failure of Trustor to make any payment due hereunder or under the Obligation Secured on or before the due date thereof;
- b. The failure of Trustor to perform any duty required by this Deed of Trust;
- c. The sale or attempted sale of the Subject Real Property by Trustor without the consent of Beneficiary;
- d. The removal or attempted removal by Trustor of any property included in the Subject Real Property without the consent of Beneficiary;
- e. Abandonment of the Subject Real Property by Trustor;
- f. The filing, execution or occurrence of:
  - i. A petition in bankruptcy by or against Trustor;
  - ii. A petition or answer seeking a reorganization, composition, readjustment, liquidation, dissolution or other relief of the same or different kind under any provision of the Bankruptcy Act.
  - iii. Adjunction of Trustor as a bankrupt or insolvent, or insolvency in the bankruptcy equity sense;
  - iv. An assignment by Trustor for the benefit of creditors, whether by trust, mortgage or otherwise;
  - v. A petition or other proceeding by or against Trustor for the appointment of a trustee, receiver, guardian, conservator or liquidator of Trustor with respect to all or substantially all of its property;
  - vi. Trustor's dissolution or liquidation, or the taking of possession of Trustor's property by any governmental authority in connection with dissolution or liquidation.

- g. A determination by Beneficiary that the security of the Deed of Trust is inadequate or in danger of being impaired or threatened from any cause whatsoever.
- h. A default by Trustor of any other obligation to Beneficiary, or a breach by Trustor of any term or provision contained within any other loan agreement, promissory note, deed of trust or other form of loan document, by and between Trustor and Beneficiary.

**14. Trustee's Sale.** Upon receipt of Beneficiary's notice of election to cause the Subject of Real Property to be sold. Trustee shall, in accordance with all provisions of law, give notice of Trustee's sale and, after the lapse of the required amount of time, sell the Subject Real Property at public auction, at the time and place specified in the Notice of Trustee's Sale, to the highest bidder for cash in lawful money of the United States, payable at the time of sale. Any persons, including Trustor, Trustee or Beneficiary may purchase at the Trustee's Sale. Trustee may postpone or continue the sale by giving notice of postponement or continuance by public declaration at the time and place last appointed for sale. Upon sale, Trustee shall deliver to the purchaser a Trustee's Deed conveying the Subject Real Property, but without any covenant or warranty, expressed or implied.

**15. Proceeds of Trustee's Sale.** After deducting all costs, fees and expenses of Trustee and of this trust, including the cost of evidence of title in connection with the sale and reasonable attorney's fees, trustee shall apply the proceeds of sale to payment of all sums then secured hereby and all other sums due under the terms hereof, with accrued interest, and the remainder, if any, to the persons legally entitled thereto or as provided by ARS § 33-812.

**16. Deficiency Judgment.** Unless prohibited by law, Beneficiary shall be entitled to a deficiency judgment against Trustor if the Trustee's Sale yields an amount insufficient to fully satisfy Trustor's obligation hereunder. ARS § 33-814

**17. Defaults on Prior Encumbrances.** If there are mortgages upon the Subject Real Property or other encumbrances which are prior in time or prior in right, then Trustor promises to comply with the terms of these prior mortgages or encumbrances. If Trustor fails to comply with such terms and defaults on these mortgages or obligations, such default shall also be considered a default of this Deed of Trust, and Trustee or Beneficiary herein may advance the moneys necessary to remedy such defaults, and, if it does, such moneys shall be added to the obligation secured and shall bear the maximum contractual legal rate of interest from the date moneys are tendered. Beneficiary may also proceed on this default by exercising the same remedies it has on this Deed of Trust.

**18. Foreclosure and Other Remedies.** In lieu of sale pursuant to the power of sale conferred hereby, this Deed of Trust may be foreclosed in the same manner provided by law for the foreclosure of mortgages on real property. Beneficiary shall also have all other rights and remedies available hereunder and at law or in equity. All rights and remedies shall be cumulative.

**19. Reinstatement After Default.** Notwithstanding Beneficiary's acceleration of sums secured by this Deed of Trust, Trustor shall have the right to have any proceedings begun by Beneficiary to enforce this Deed of Trust discontinued and to have this Deed of Trust reinstated at any time before the day of the Trustee's Sale or before the filing of a foreclosure action. In order to have the Deed of Trust reinstated after default, the Trustor must:

- a. Pay to beneficiary the entire amount due under this Deed of Trust and the Obligation Secured, other than such portion of the principal as would not be due had no default occurred;
- b. Cure all defaults or any covenants or agreements of Trustor as contained in this Deed of Trust;
- c. Pay all costs and expenses incurred by Beneficiary and Trustee in enforcing the terms of this Deed of Trust and pursuing remedies;
- d. Pay reasonable attorney's fees actually incurred by Beneficiary and Trustee, in an amount not to exceed One Hundred Dollars (\$100) or one-half of one percent (.5%) of the entire unpaid principal sum secured, whichever is greater;
- e. Pay the recording fee for any cancellation of notice of sale;



f. Pay the Trustee's fees, in an amount not to exceed One Hundred Dollars (\$100) or one-half of one percent (.5%) of the entire unpaid principal sum secured, whichever is greater. Upon reinstatement, this Deed of Trust and the obligation secured hereby shall remain in full force and effect as if no acceleration had occurred.

**20. Assignment of Property Income.** As additional security, Trustor hereby gives Beneficiary the right, power and authority during the continuance of this Trust, to collect the property income, reserving to Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such property income as it becomes due and payable. Upon any such default, Beneficiary may at any time, without notice, either in person, by agent or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured: (i) enter upon and take possession of the Subject Real Property or any part thereof; in its own name sue for or otherwise collect such property income, including that past due and unpaid; and (ii) apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, in such order as Beneficiary may determine.

**21. Acts of Trustee Affecting Subject Real Property.** At any time, without notice, upon written request of Beneficiary and presentation of this Deed of Trust and the Obligation Secured for endorsement, Trustee may, without liability, release and reconvey all or any part of the Subject of Real Property; consent to the making and recording, or either, of any map or plat of all or any part of the Subject Real Property; join in granting any easement thereon; join in or consent to any extension agreement or any agreement subordinating the lien, encumbrance or charge hereof. Any such action by Trustee may be taken without affecting the personal liability of any person for payment of the indebtedness secured hereby, without affecting the security hereof for the full amount secured hereby on all property remaining subject hereto, and without the necessity that any sum representing the value or any portion thereof of the property affected by Trustee's action be credited on the indebtedness.

**22. Satisfaction of the Obligation.** If Trustee receives full payment of the Obligation Secured in the amount secured, at the request of Trustor, Trustee shall acknowledge satisfaction of the Deed of Trust by recording and delivering to Trustor a Satisfaction or Release of Realty Deed of Trust. Should Trustee fail to make such acknowledgment within ten (10) days of the request by Trustor, Trustee shall be liable to Trustor, its heirs or assigns, in the amount of \$100 plus actual damages occasioned by the neglect or failure. **ARS § 33-712.**

**23. Notices.** Copies of all notices and communication concerning this Deed of Trust shall be mailed to the parties at the addresses specified in this Deed of Trust, and any change of address shall be communicated to the other party in writing. Any documents which may adversely affect the rights of any party to this Deed of Trust shall be dispatched by Certified Mail, Return Receipt Requested.

**24. Headings.** The marginal or topical headings of the provisions herein are for convenience only and do not define, limit or construe the contents of these provisions.

**25. Interpretation.** In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and neuter, and the singular number includes the plural and vice versa.

**26. Applicable Law.** This Deed of Trust shall be subject to and governed by the laws of the State of Arizona, regardless of the fact that one or more parties now is or may become a resident of a different state.

**27. Waiver.** Any waiver by either party of a breach of any provision of this Deed of Trust shall not operate or be constructed as a waiver of any subsequent breach hereof.

**28. Succession of Benefits.** The provisions of this Deed of Trust shall insure to the benefit of and be binding upon the parties hereto, their heirs, personal representatives, conservators and permitted assigns.

29. **Successor Trustee.** Beneficiary may appoint a Successor Trustee in the manner prescribed by law. A Successor Trustee herein shall, without conveyance from the predecessor Trustee, succeed to all predecessor's title, estate, rights, powers and duties. Trustee may resign by mailing or delivering notice thereof to Beneficiary and Trustor.

30. **Entire Agreement.** The terms of this Deed of Trust constitute the entire agreement between the parties, and the parties represent that there are no collateral or side agreements no otherwise provided for within the terms of this Deed of Trust.

31. **Time of Essence.** Time is of the essence in this Deed of Trust and every term, condition, covenant and provision hereof.

32. **Modification.** No modification of this Deed of Trust shall be binding unless evidenced by an agreement in writing and signed by both parties.

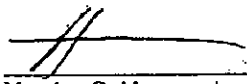
33. **Partial Invalidity.** If any provision of this Deed of Trust is held to be invalid or unenforceable, all the remaining provisions shall nevertheless continue in full force and effect.

Trustor:

Arizona Home Foreclosures, LLC

By:

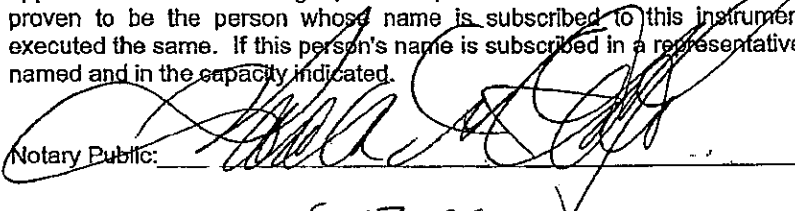
Yomtov S. Menaged  
Member

  
Yomtov S. Menaged

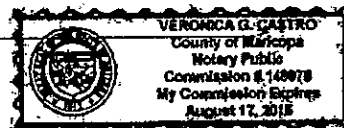
STATE OF AZ

County of Maricopa ss.

On this 4 day of Aug, 2013, before me, a Notary Public, personally appeared Yomtov S. Menaged, Member, Arizona Home Foreclosures, LLC, known to me or satisfactorily proven to be the person whose name is subscribed to this instrument and acknowledged that he executed the same. If this person's name is subscribed in a representative capacity, it is for the principal named and in the capacity indicated.

Notary Public: 

Notary Expiration Date: 8-17-15

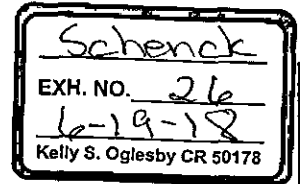


OFFICIAL RECORDS OF  
MARICOPA COUNTY RECORDER  
HELEN PURCELL  
20130765233 08/22/2013 11:54  
PAPER RECORDING

When Recorded Mail to:

Geared Equity, LLC  
6828 E. Camelback Road  
Scottsdale, AZ 85251

0737852-7-4-3  
ramirezj



CAPTION HEADING: DEED OF TRUST

DO NOT REMOVE

THIS IS PART OF THE OFFICIAL DOCUMENT

THIS DEED OF TRUST IS BEING RE-RECORDED FOR THE PURPOSE OF  
ALERTING TITLE EXAMINERS THAT ORIGINAL RECORDING OF THIS  
DEED OF TRUST RECORDED ON 8/7/13 IN RECORDING  
NUMBER 2013-0121399 WAS FOR THE PURPOSE OF FUNDING THE  
PURCHASE OF THIS PROPERTY AT A TRUSTEES SALE AND THE  
TRUSTEE'S DEED RECORDED ON 8/20/13 IN RECORDING  
NUMBER 2013-0759078 DOES NOT EXTINGUISH THE  
ORIGINAL RECORDING.



When recorded, return to:

Geared Equity, LLC  
6828 E. Camelback Road  
Scottsdale, AZ 85251

OFFICIAL RECORDS OF  
MARICOPA COUNTY RECORDER  
HELEN PURCELL  
2013-0721399 08/07/13 12:42 PM  
1 OF 6

GARCIA

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- e. Pay the recording fee for any cancellation of notice of sale;

f. Pay the Trustee's fees, in an amount not to exceed One Hundred Dollars (\$100) or one-half of one percent (.5%) of the entire unpaid principal sum secured, whichever is greater. Upon reinstatement, this Deed of Trust and the obligation secured hereby shall remain in full force and effect as if no acceleration had occurred.

**20. Assignment of Property Income.** As additional security, Trustor hereby gives Beneficiary the right, power and authority during the continuance of this Trust, to collect the property income, reserving to Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such property income as it becomes due and payable. Upon any such default, Beneficiary may at any time, without notice, either in person, by agent or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured: (i) enter upon and take possession of the Subject Real Property or any part thereof; in its own name sue for or otherwise collect such property income, including that past due and unpaid; and (ii) apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, in such order as Beneficiary may determine.

**21. Acts of Trustee Affecting Subject Real Property.** At any time, without notice, upon written request of Beneficiary and presentation of this Deed of Trust and the Obligation Secured for endorsement, Trustee may, without liability, release and reconvey all or any part of the Subject of Real Property; consent to the making and recording, or either, of any map or plat of all or any part of the Subject Real Property; join in granting any easement thereon; join in or consent to any extension agreement or any agreement subordinating the lien, encumbrance or charge hereof. Any such action by Trustee may be taken without affecting the personal liability of any person for payment of the indebtedness secured hereby, without affecting the security hereof for the full amount secured hereby on all property remaining subject hereto, and without the necessity that any sum representing the value or any portion thereof of the property affected by Trustee's action be credited on the indebtedness.

**22. Satisfaction of the Obligation.** If Trustee receives full payment of the Obligation Secured in the amount secured, at the request of Trustor, Trustee shall acknowledge satisfaction of the Deed of Trust by recording and delivering to Trustor a Satisfaction or Release of Realty Deed of Trust. Should Trustee fail to make such acknowledgment within ten (10) days of the request by Trustor, Trustee shall be liable to Trustor, its heirs or assigns, in the amount of \$100 plus actual damages occasioned by the neglect or failure. **ARS § 33-712.**

**23. Notices.** Copies of all notices and communication concerning this Deed of Trust shall be mailed to the parties at the addresses specified in this Deed of Trust, and any change of address shall be communicated to the other party in writing. Any documents which may adversely affect the rights of any party to this Deed of Trust shall be dispatched by Certified Mail, Return Receipt Requested.

**24. Headings.** The marginal or topical headings of the provisions herein are for convenience only and do not define, limit or construe the contents of these provisions.

**25. Interpretation.** In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and neuter, and the singular number includes the plural and vice versa.

**26. Applicable Law.** This Deed of Trust shall be subject to and governed by the laws of the State of Arizona, regardless of the fact that one or more parties now is or may become a resident of a different state.

**27. Waiver.** Any waiver by either party of a breach of any provision of this Deed of Trust shall not operate or be constructed as a waiver of any subsequent breach hereof.

**28. Succession of Benefits.** The provisions of this Deed of Trust shall insure to the benefit of and be binding upon the parties hereto, their heirs, personal representatives, conservators and permitted assigns.



29. **Successor Trustee.** Beneficiary may appoint a Successor Trustee in the manner prescribed by law. A Successor Trustee herein shall, without conveyance from the predecessor Trustee, succeed to all predecessor's title, estate, rights, powers and duties. Trustee may resign by mailing or delivering notice thereof to Beneficiary and Trustor.

30. **Entire Agreement.** The terms of this Deed of Trust constitute the entire agreement between the parties, and the parties represent that there are no collateral or side agreements no otherwise provided for within the terms of this Deed of Trust.

31. **Time of Essence.** Time is of the essence in this Deed of Trust and every term, condition, covenant and provision hereof.

32. **Modification.** No modification of this Deed of Trust shall be binding unless evidenced by an agreement in writing and signed by both parties.

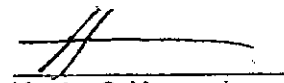
33. **Partial Invalidity.** If any provision of this Deed of Trust is held to be invalid or unenforceable, all the remaining provisions shall nevertheless continue in full force and effect.

Trustor:

Arizona Home Foreclosures, LLC

By:

Yomtov S. Menaged  
Member

  
Yomtov S. Menaged

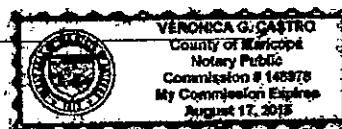
STATE OF AZ.

County of Maricopa ss.

On this 4 day of Aug, 2013, before me, a Notary Public, personally appeared Yomtov S. Menaged, Member, Arizona Home Foreclosures, LLC, known to me or satisfactorily proven to be the person whose name is subscribed to this instrument and acknowledged that he executed the same. If this person's name is subscribed in a representative capacity, it is for the principal named and in the capacity indicated.

Notary Public: 

Notary Expiration Date: 8-17-15



OFFICIAL RECORDS OF  
MARICOPA COUNTY RECORDER

HELEN PURCELL

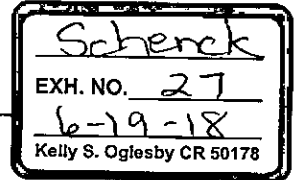
20130717135 08/06/2013 12:46

ELECTRONIC RECORDING

When recorded, mail to:

DenSco Investment  
6132 W. Victoria Place  
Chandler, AZ 85226

4504RM-1-1-1--  
chagollaj



MORTGAGE

August 6, 2013

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

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

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

**Borrower:** Arizona Home Foreclosures, LLC

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

**Signature:** [Signature]

State of Arizona )  
 ) ss.

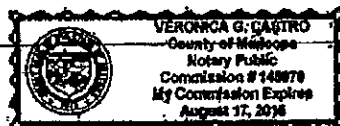
County of Maricopa )

Subscribed, sworn to and acknowledged before me this 6 day of August, 2013.

By: Yomtov Scott Menaged

Commission Expires: 8-17-15

[Signature]  
Notary Public



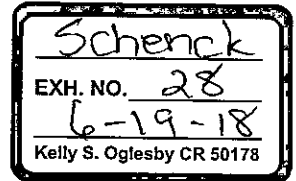
356655v2

5/22/2007

When Recorded, Return to:

0822377-12-3-3  
floresc

4105 N 20<sup>th</sup> St #210  
Phoenix, AZ 85016



DEED OF TRUST AND ASSIGNMENT OF RENTS

TRUSTORS: Arizona Home Foreclosures, LLC  
Address: 7320 W Bell Rd, Glendale, AZ 85308

BENEFICIARY: Sell Wholesale Funding, LLC  
Address: 4105 N 20<sup>th</sup> St #210  
Phoenix, AZ 85016

TRUSTEE: Fidelity National Title  
Address: 7025 N Scottsdale Rd #102  
Scottsdale, AZ 85253

977 S Colonial Dr, Gilbert, AZ 85296

PROPERTY in Maricopa County, Arizona, described as (the "Real Property"):

See Exhibit A attached hereto and by this reference incorporated herein.

This Deed of Trust is made among Trustor, Beneficiary and Trustee who agree as follows:

1. Grant and Conveyance. For value received, Trustor irrevocably grants, conveys and assigns to Trustee in Trust, with power of sale, the Real Property, together with: (a) all buildings, structures, improvements, fixtures and built-in equipment and appliances now or hereafter placed thereon; (b) all present and future leases and all subleases executed with respect to the Real Property; (c) all rents, issues, profits, revenues and income thereof including all revenue, gross or net receipts, payments, and income derived from any business activity conducted by or on behalf of Trustor on the Real Property ("Property Income"); (d) all easements, licenses, rights, minerals, oil and gas, appurtenances, abandoned or vacated streets, alleys and rights-of-way, privileges and interests now or hereafter attached to or used in connection with the Real Property; (e) all policies of insurance on the Real Property and/or personal property located on the Real Property (the "Personal Property") and proceeds thereof and all awards and proceeds of any condemnation or like proceeding affecting the Real and/or Personal Property; (f) all water, drainage, irrigation and electrical or water user's rights appurtenant or related to the Real Property (hereafter together with the Real Property and any Personal Property, collectively referred to as the "Property"). All components of the Property are

deemed encumbered hereby as an entity and are declared to be part of the real estate whether or not physically attached to the Real Property.

2. Obligations Secured. This Deed of Trust secures: (a) payment of all indebtedness evidenced by the Secured Promissory Note of Trustor to Beneficiary, dated as of the Effective Date (as defined below), in the face amount of \$144,080.00, interest and charges thereon and all extensions, modifications and renewals thereof (the "Note"); (b) payment of all other sums advanced hereunder to protect the security of this Deed of Trust with interest thereon; (c) performance of all agreements and obligations of Trustor hereunder, in the Note or in any other instrument securing the same; and (d) all other or future loans and advances by Beneficiary to Trustor which are or shall be secured hereby (collectively, the "Obligations Secured").

3. Additional Payments. Trustor shall pay all taxes, assessments, charges, fines and impositions attributable to the Property which may attain priority over this Deed of Trust, and leasehold payments or ground rents, if any. Trustor shall promptly furnish to Beneficiary all notices of amounts to be paid under this paragraph. Trustor shall promptly furnish to Beneficiary receipts evidencing the payments that were made.

4. Warranties. Trustor represents, warrants and covenants that: (a) Trustor holds fee title to the Real Property, free and clear of all liens, encumbrances and other title exceptions except those approved by Beneficiary; (b) Trustor shall defend the title to the Property against all claims and demands, subject to the approved exceptions; (c) any greater title to the Property hereafter acquired by Trustor shall be subject hereto; (d) this Deed of Trust is free from all homestead, valuation and exemption rights and benefits whatsoever, which Trustor hereby waives; and (e) this Deed of Trust constitutes a first priority lien and encumbrance against the Property. As a condition to making the loan described in this Deed of Trust, Trustor, at its expense, shall provide Beneficiary with an ALTA extended coverage lender's policy of title insurance in an amount acceptable to Beneficiary naming Beneficiary as insured and insuring that this Deed of Trust is a first priority lien against the Property subject only to such matters as are approved by Beneficiary, all in Beneficiary's sole discretion. The lender's policy of title insurance shall include such endorsements as Beneficiary may require.

5. Payment of Obligations Secured. Trustor shall pay when due and before delinquency: (a) all Obligations Secured hereby; (b) all liens, taxes, assessments, fines, impositions and charges of every type or nature affecting the Property; (c) all premiums to maintain insurance required hereunder in force; (d) all rents or charges for water, water delivery, sewer, gas, electricity, telephone and other utilities and services, waste removal, bills for repairs, and assessments on water stock in any way related to the Property; (e) all costs, fees and expenses of this Trust including, without limitation, all fees of Trustee, reasonable attorneys' fees, title fees and all other costs and expenses incurred by Beneficiary or Trustee; and (f) all property owners association dues or assessments, if any.

6. Other Encumbrances. Trustor shall pay or perform before delinquency all obligations under any prior or subordinate mortgage, deed of trust, agreement of sale or any other lien or encumbrance (an "Encumbrance"). If any such Encumbrance shall be in default by reason of nonpayment of principal or interest, or any part thereof, or for any other reason, Beneficiary may cure

such default without notice, and the cost of curing such default, with interest at the highest lawful rate then payable by Trustor under Arizona law, or if no such limit then exists, at the "Default Interest Rate" specified in the Note, from the time of the advance or advances therefor, shall be added to the Obligations Secured and may be collected from Trustor upon demand at any time after such advance or advances are made, and the holder of the Note and Deed of Trust shall be subrogated to the rights of any lienholder so paid. Immediately upon receiving any knowledge or notice of any default or claimed default under any Encumbrance, Trustor shall give written notice thereof to Beneficiary and shall give to Beneficiary immediately upon receipt thereof a true copy of each and every notice, summons, legal process, legal paper or other communication relating in any way to any Encumbrance or to the performance or enforcement thereof, or to any default thereunder. If payment of all or any part of principal or interest secured by any such Encumbrance shall not be made at the time specified therein, then regardless of any postponement, extension, indulgence or forgiveness thereof which may be agreed to or acquiesced in by the holder of the Encumbrance, a sum equal to the amount of such principal or part thereof shall immediately become due and payable in reduction of the Obligations Secured; provided, however, that nothing herein contained shall be deemed or construed to entitle the owner or holder of this Deed of Trust to any payment in excess of the sum hereby secured and interest thereon. If the principal amount due secured by any Encumbrance which is superior in lien priority to this Deed of Trust is increased over the amount of its unpaid principal as it exists on the date hereof, then upon Beneficiary's demand a sum equal to the amount of such increase shall immediately become due and payable in reduction of the Obligations Secured.

7. Preservation of Property; Leaseholds. Trustor shall keep the Property in good condition and repair and shall not commit waste or permit impairment or deterioration of the Property, and shall not remove or demolish any improvements on the Property without Beneficiary's prior written consent. Trustor shall repair, restore or construct in a workmanlike manner any improvements on the Property that are damaged or are being altered or constructed and pay when due all claims for labor performed and materials furnished therefor. Trustor shall perfect and maintain all water, power and any other rights appurtenant to the Real Property. Trustor shall ensure compliance with all laws, regulations, ordinances, covenants, conditions and restrictions applicable to the use and occupancy of the Property and take all other actions concerning the Property that any prudent owner would take. Trustor agrees to comply with the provisions of any lease affecting the Property.

8. Protection by Trustor. Trustor shall defend, at Trustor's expense, any action or proceeding purporting to affect Trustor's interest in the Property or the liens, rights or powers of Beneficiary or Trustee, or the rights and powers of Beneficiary or Trustee, or seeking to impose any liability on Beneficiary or Trustee because of any act or omission of Trustor. Trustor shall and does hereby agree to indemnify and hold Beneficiary and Trustee harmless from any such action or proceeding.

9. Protection by Beneficiary or Trustee; Reimbursement. Beneficiary or Trustee or both of them are authorized at their election to appear in and defend any action or proceeding purporting to affect the Property or the liens, rights or powers of Beneficiary or Trustee; to pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or inferior hereto; and, in exercising any such powers, to pay necessary expenses, employ

counsel, and to pay counsel's reasonable fees and costs. Without obligation to do so, Beneficiary or Trustee may further pay any amount or perform any obligation that is required of Trustor hereunder or take any other action or incur any other expense to protect the Property and the security hereof. All amounts so paid or expenses so incurred shall bear interest at the highest lawful rate permitted under applicable law, or if no such limit then exists, at the "Default Interest Rate" specified in the Note; and shall be secured by this Deed of Trust as a lien on the Property. Unless otherwise agreed, such amounts or expenses with interest shall be payable upon notice to Trustor requesting such payment. Beneficiary shall be subrogated to the lien of any other encumbrance discharged hereunder, notwithstanding any release of record of the same. Neither Beneficiary nor Trustee shall be obligated to perform or discharge any obligation or duty to be performed or discharged by Trustor under any lease, declaration or covenant. Trustor shall and does hereby agree to indemnify and hold Beneficiary and Trustee harmless, including, without limitation, the duty to defend, from any and all liability arising from or under any lease, declaration or covenant. Neither Beneficiary nor Trustee shall have any responsibility for the Property or liability on account thereof to any lessee, invitee, association or any other person or entity.

10. Property and Casualty Insurance. Trustor shall keep all buildings and improvements located on the Property and all improvements thereafter erected on the Real Property insured against loss by earthquake, fire, hazards included within "special form insurance, f/k/a all risk insurance" and such other hazards, in an amount not less than the full replacement cost thereof. In the event that there shall be a dispute as to the amount which comprises full replacement cost, the decision of Beneficiary shall control. Trustor shall also insure all fixtures and Personal Property encumbered hereby against the same loss hazards in an amount acceptable to Beneficiary. In the event of loss, all property and casualty insurance proceeds shall be payable to Beneficiary and shall be applied by Beneficiary in such manner as Beneficiary chooses in its sole and absolute judgment and discretion. Any such application shall not cure any default hereunder or prevent Beneficiary from pursuing any of its remedies. If the Real Property is located in whole or in part in a flood hazard area as designated by the appropriate government entity, Trustor shall procure and keep in force such flood insurance as may be required to meet any applicable requirements of federal state or local laws or ordinances.

11. Liability Insurance. In addition to the insurance required to be maintained under Section 10 above, Trustor shall maintain in effect commercial general liability insurance coverage, including personal injury, bodily injury (including wrongful death), contractual liability and broad form property damage, with the following limits: (a) general aggregate, not less than \$500,000.00; and (b) per occurrence combined single limit not less than \$500,000.00 and with only such deductibles as Beneficiary may approve. Beneficiary shall have no obligation, duty or liability as to the adequacy of such amount of insurance. Such liability insurance policy shall provide that the insurance cannot be invalidated as to the interest of Beneficiary by any act or negligence of any person owning the Property, by foreclosure or other proceedings or notice of sale or by any change in the title or ownership of the Property or by occupation of any insured structures for purposes more hazardous than permitted by such policies.

12. Insurance-Generally. Prior to closing the loan, all insurance policies required by this Deed of Trust shall be issued by companies acceptable to Beneficiary, shall be on an "occurrence" and not on a "claims made" basis, shall be on forms which are acceptable to Beneficiary and shall

recite Beneficiary's interest as mortgagee in a standard non-contributory mortgage clause effective as of the closing date or shall name Beneficiary as an additional insured. All such insurance shall be maintained until the Note has been paid in full without cost to Beneficiary and evidence thereof shall be provided to Beneficiary within five days following the Effective Date. Such insurance shall also contain such other provisions as Beneficiary may deem necessary or desirable to protect Beneficiary's interest and which are customarily issued by insurance companies; including, without limitation, a provision for 30-day prior written notice to Beneficiary of cancellation or any change in the risk or coverages insured. In the event of loss, Trustor shall give prompt notice to the insurance carrier and to Beneficiary. Beneficiary may make proof of loss if not made promptly by Trustor. Any application or release of any insurance proceeds hereunder shall not cure or waive any Event of Default or notice of Trustee's sale hereunder or invalidate any act done pursuant to such notice.

13. Condemnation. Any award of damages in connection with any condemnation or taking of or for injury to any of the Property by reason of public use or for damages for private trespass or injury thereto is assigned in full and shall be paid to Beneficiary as further security for all Obligations Secured (reserving to Trustor, however, the right to seek recovery for any losses incurred, subject to this Deed of Trust). Upon receipt of such monies Beneficiary may hold the same as further security, or apply the same to the payment of the Obligations Secured or release all or a portion thereof to Trustor for the repairing or restoring the remainder of the Property.

14. Inspection. Subject to the rights of tenants under leases, Beneficiary may make or cause to be made reasonable entries upon and inspections of the Property at any time without notice to Trustor.

15. Other Documents. Trustor shall execute and deliver, in recordable form if requested, such further instruments and do such further acts as may be necessary or desirable or as may be reasonably requested by Trustee or Beneficiary to carry out more effectively the purposes of this Deed of Trust and to subject to the lien created hereby any properties, rights and interests covered or intended to be covered hereby.

16. Due on Sale, Transfer or Encumbrance. Trustor will not sell, transfer, lease, encumber, convey or in any manner dispose of the Property, or any part thereof or interest therein, without the prior written consent of Beneficiary, which may be given or withheld in Beneficiary's sole discretion. It shall be deemed a disposition if Trustor is dissolved or if Trustor is a corporation, partnership or limited liability company and the controlling interest of such corporation, partnership or company is sold or transferred, or if Trustor is a trust and there is a change of beneficial interest with respect to the Trust. In the event of a breach of this covenant, at its option, Beneficiary may declare all sums secured by this Deed of Trust to be immediately due and payable and avail itself of any and all remedies provided herein upon an Event of Default. Beneficiary shall upon request be provided with adequate and complete information concerning the buyer, transferee, lessee, lender and the proposed transaction. Unless required by law, if Beneficiary consents to any such transaction or to assumption of the loan secured by this Deed of Trust, Trustor shall not be released from any obligations hereunder or under the Note. Consent to any such transaction shall not be deemed to be consent or waiver of the necessity of consent to any other, future or successive transactions.

17. Default. Any of the following shall be an "*Event of Default*" or a default under this Deed of Trust, to the extent permitted by law: (a) Trustor fails to pay on time any monies due and payable under the Note or any other document executed in connection with the Loan secured hereby; (b) Trustor breaches any warranty, covenant or provision hereof or of any other instrument or agreement executed as a part of this transaction; (c) Trustor becomes insolvent or ceases to do business as a going concern; (d) Trustor abandons all or any part of the Property; (e) Trustor voluntarily files any petition or case under any state insolvency law or any Federal Bankruptcy Code; (f) an involuntary petition or case is filed against Trustor under any state insolvency law or any Federal Bankruptcy Code and the petition remains pending for more than 60 days or the court in which such petition is pending approves it or Trustor is adjudicated a bankrupt or becomes a debtor or debtor in possession in any such proceeding; (g) upon the institution of legal proceedings to enforce any Encumbrance upon the Property, or any portion thereof, or if the Property be attached or levied upon by any execution, attachment, tax levy or other writ which is not removed or bonded in a manner acceptable to Beneficiary within 30 days thereof; (h) a receiver, trustee, assignee, conservator, fiscal agent or liquidator be appointed for Trustor or for all or any part of the Property; (i) Trustor shall breach its covenants and agreements concerning sale, transfer or encumbrance of the Property; (j) Trustor shall make an assignment for the benefit of creditors generally; (k) Trustor fails timely to observe or perform any covenants or conditions in any lease of the Property to be performed by Trustor and such failure is not cured prior to the expiration any applicable notice and cure periods; or (l) a default of "*Event of Default*" occurs under the Note or any other documents that now or in the future secure the Note.

18. Remedies. Upon the occurrence of an Event of Default, without further notice, Beneficiary may declare all sums secured hereby to be immediately due and payable in full, and may accelerate all such indebtedness, and Beneficiary shall have the right to cause Trustee to sell the Property or any part thereof as set forth herein and as provided by applicable law. To invoke the power of sale hereunder, Beneficiary or its agent shall record a Notice of Default in the official records of Maricopa County, Arizona. Trustee shall thereafter record and give notice of Trustee's sale in the manner required by law and, after the lapse of such time as may then be required by law, Trustee shall sell the Property in the manner required by law at public auction at the time and place fixed by it in such notice to the highest bidder for cash in lawful money of the United States, payable at the time provided by applicable law or by a credit bid of Beneficiary. Trustee in its discretion may postpone or continue the sale from time to time and from place to place by giving notice of postponement or continuance by public declaration at the time and place last appointed for the sale. Trustee shall deliver to any purchaser its deed conveying the Property so sold, but without any covenant or warranty, expressed or implied. Any person, including Trustor, Trustee or Beneficiary, may purchase the Property at such sale. The purchaser at the Trustee's sale shall be entitled to immediate possession of the Property as against Trustor, Trustee or other persons in possession and shall have a right to the summary proceedings to obtain possession provided in A.R.S. Section 12-1171, *et seq.*, or otherwise, together with costs and reasonable attorneys' fees. Each provision of law relating to deeds of trust is and shall remain applicable to the respective rights and obligations of Trustor, Beneficiary and Trustee, and no term or provision hereof shall limit or restrict such rights or obligations. The omission of any express provision restating the applicable law herein shall not constitute or render the same inapplicable or waive the same. All provisions of the State of Arizona relating to deeds of trust are incorporated by reference herein. After deducting all costs, fees and



expenses of Trustee and of this trust, including the cost of any environmental assessment or study and the cost of evidence of title in connection with any Trustee's sale and reasonable attorneys' fees of Beneficiary and Trustee, Trustee shall apply the proceeds of sale to payment of all sums then secured hereby and all other sums due under the terms hereof, with accrued interest; and the remainder, if any, to the person or persons legally entitled thereto. In lieu of sale pursuant to the power of sale conferred hereby, this Deed of Trust may be foreclosed in the same manner provided by law for the foreclosure of mortgages on real property. In any such judicial foreclosure, Beneficiary shall recover its reasonable attorneys' fees together with all costs and expenses, including without limitation, all court costs, experts' fees, cost of evidence of title and cost of any environmental survey or study. Beneficiary shall have all rights and remedies available to it hereunder and at law or in equity, and all remedies shall be cumulative and may be pursued concurrently or consecutively to the extent permitted by law.

19. Assignment of Rents. As additional security, Trustor hereby absolutely assigns, gives to and confers upon Beneficiary the right, power and authority, during the continuance of this Trust, to collect and retain the Property Income, reserving to Trustor the right, prior to the occurrence of an Event of Default by Trustor in payment of any Obligation Secured or in performance of any agreement hereunder, to collect and retain such Property Income as it becomes due and payable. Upon the occurrence of an Event of Default Beneficiary may at any time, without notice, either by person, agent or a receiver to be appointed by a court, and without regard to the adequacy of any security for the Obligations Secured or the solvency of the Trustor, enter upon, take possession of and manage the Property or any part thereof, in his own name sue for or otherwise collect such Property Income, including that past due and unpaid, and apply the same to costs and expenses of operation and collection including receiver's fees and reasonable attorneys' fees of Beneficiary and Trustee and upon any Obligation Secured, in such order as Beneficiary may determine. The entering upon and taking possession of the Property, the collection of such Property Income, and the application thereof as aforesaid, shall not cure or waive any Event of Default or notice of Trustee's sale hereunder or invalidate any act done pursuant to such notice. Beneficiary expressly shall have all rights provided for in A.R. S. Sections 33-702B and 33-807 or such similar provisions as may be enacted hereafter. Notwithstanding the foregoing or anything else contained herein, Trustor shall not lease, rent, or offer for lease or rent the Property without Beneficiary's prior written approval, which approval may or may not be given in Beneficiary's sole discretion.

20. Appointment of Receiver. After the occurrence of an Event of Default, if any form of suit is commenced, Trustor agrees that a receiver may be appointed upon the application of Beneficiary to take charge of the Property and to do such things as shall be authorized by the court, and that all costs and expenses of the receiver or of the receivership, less any Property Income collected by such receiver, together with such receiver's own compensation, shall be secured by this Deed of Trust. Beneficiary's right to a receiver shall be absolute and unconditional once an Event of Default occurs, and such receiver may be obtained in an action to appoint such receiver, in any judicial foreclosure, any suit for specific performance or in any other lawsuit to enforce this Deed of Trust in any manner.

21. Modification; Forbearance; Nonwaiver; Waiver of Jury Trial. At any time or from time to time, without liability therefore and without notice, upon written request of Beneficiary,

Trustee may reconvey without warranty any part of the Property, consent to the making of any map or plat thereof, join in granting any easement thereon or in any extension agreement or agreement subordinating the lien or charge hereof. Such actions shall not affect the priority of this Deed of Trust over any other Encumbrance unless expressly so intended and stated in writing. Time is of the essence hereof. Acceptance of payment of money after its due date shall not constitute any waiver under this Deed of Trust, the Note or Beneficiary's right to require prompt payment of all other sums when due. No extension of time for payment or renewal of Obligations Secured shall affect the lien or priority of this Deed of Trust. The taking by Beneficiary of any other collateral for the Obligations Secured hereby shall in no way affect or impair the lien or priority of this Deed of Trust, and Beneficiary may resort for the payment of the Obligations Secured to its several securities in such order and manner as Beneficiary may determine. Any forbearance by Beneficiary in exercising any remedy or right hereunder shall not be a waiver of or preclude the subsequent exercise of any such remedy or right. Trustor hereby waives trial by jury in any litigation arising out of or in any way related to or connected with the loan secured hereby or this Deed of Trust to the fullest extent permitted by applicable law.

22. Notice. Except for any notice required under applicable law to be given in another manner, (a) any notice to Trustor provided for in this Deed of Trust shall be given by mailing such notice by certified mail, return receipt requested, addressed to Trustor at the above address or at such other address as Trustor may designate by Request for Notice delivered to Beneficiary as provided herein, and (b) any notice to Beneficiary shall be given by certified mail, return receipt requested, to Beneficiary's address stated herein or to such other address as Beneficiary may designate by notice to Trustor as provided herein. Any notice provided for in this Deed of Trust shall be deemed to have been given to Trustor or Beneficiary when given in the manner designated herein. Unless a Request for Notice is recorded as provided by law, notice of any Trustee's sale shall be sent solely to Trustor's address set forth herein.

23. Parties Bound; Sole Discretion. This Deed of Trust applies to, inures to the benefit of and binds all parties hereto, their heirs, legatees, devisees, personal representatives, administrators, executors, successors and assigns. The term "*Beneficiary*" shall mean the owner and holder of the Note secured hereby whether or not named as Beneficiary herein. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and neuter and conversely and the singular number includes the plural and conversely. The term "*Trustor*" shall mean all persons named as Trustor herein, whether one or more, and Trustor's obligations shall be joint and several. "*Trustee*" shall include all successor trustees. Any Trustor that has signed this Deed of Trust as a surety or accommodation party or that has subjected its property to this Deed of Trust to secure the debt of another expressly waives the benefits of A.R.S. Sections 12-1641, 12-1642 and 44-142 and Ariz. R. Div. P. 17(f) or such similar provisions as may be enacted or adopted hereafter.

24. Trustee. Trustee accepts this Deed of Trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law. Trustee may, but is not obligated to, notify any party hereto of any pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party, unless brought by Trustee. Beneficiary may appoint a successor Trustee in the manner prescribed by law. Trustor and

Beneficiary authorize Trustee, in the event any demand or notice is made or tendered to it concerning this Trust or the Property, to hold any money and documents and to withhold action or performance until an action shall be brought in a court of competent jurisdiction to determine the rights asserted or the propriety of the demand, notice or action requested and Trustee shall be without liability or responsibility for awaiting such court action. A successor Trustee herein shall, without conveyance from the predecessor Trustee, succeed to all its predecessor's title, estate, rights, powers and duties. Trustee may resign at any time by mailing or delivering notice thereof to Beneficiary and Trustor and, having so resigned, shall be relieved of all further liability and responsibility to Trustor, Beneficiary or otherwise hereunder. Trustee shall not be liable for any action taken in its discretion and in good faith or upon advice of counsel or upon any information supplied or direction given by Beneficiary.

25. Reconveyance. Upon payment of the Obligations Secured, Beneficiary shall request Trustee to reconvey the Property and shall deliver proof of payment or satisfaction of the Note and Obligations Secured hereby to Trustee. Trustee shall reconvey the Property without warranty to the person or persons legally entitled thereto. Such person or persons shall pay all costs of recordation and the release fees of Trustee, if any.

26. Governing Law; Severability. This Deed of Trust shall be governed by and construed in accordance with the internal substantive laws of the State of Arizona (without regard to choice of law principles). The foregoing sentence shall not limit the applicability of federal law to this Deed of Trust. If any provision or clause of this Deed of Trust or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Deed of Trust or the Note that can be given effect without the conflicting provision, and to this end the provisions of this Deed of Trust and the Note are declared to be severable.

27. Integration. This instrument, together with the Note and any other contract, instrument or agreement executed by Trustor and/or Beneficiary or any other entity which now or at any time secures the Note, constitutes the entire understanding of the parties, each of whom has been, or has had the opportunity to be, represented by counsel of each party's choosing, and have been bargained for and are negotiated agreements that set forth the entire agreement with respect to the terms thereof, and there are no oral or written statements, representations, agreements or understandings which modify, amend or vary, or purport to modify, amend or vary any of the terms of such documents.

28. Deed of Trust Intended. Notwithstanding any provision hereof to the contrary, the parties intend that this document constitute security for the payment and performance of the Obligations Secured as provided elsewhere herein, and shall be a "deed of trust" as defined in A.R.S. Section 33-801. If despite that intention a court of competent jurisdiction shall determine that this document does not qualify as a "deed of trust" or "trust deed" within the meaning and purview of Chapter 6.1, Title 33, Arizona Revised Statutes, then, *ab initio*, this instrument shall be deemed a realty mortgage under A.R.S. Section 33-702, and shall be enforceable as such, the Trustor shall be deemed a "mortgagor," the Beneficiary shall be deemed a "mortgagee," the Trustee shall have no capacity but shall be disregarded and all references to the "Trustee" herein shall be deemed to refer to the "mortgagee" to the extent not inconsistent with interpreting this instrument as though it were a

realty mortgage. As a realty mortgage, Trustor as mortgagor shall be deemed to have conveyed the Property *ab initio* to the Beneficiary as mortgagee, such conveyance as a security to be void upon condition that Trustor pay and perform all its Obligations Secured hereby.

29. Environmental Matters

29.1 Trustor's Covenants. Trustor covenants to comply with all Environmental Laws with respect to the Property and the future use and occupancy of the Property. Trustor shall not use, handle, store or dispose of any Regulated Substances in, on, under, at or about the Property except in compliance with all applicable Environmental Laws.

29.2 Trustor's Indemnity. Trustor shall and hereby does indemnify, defend (with counsel reasonably approved by Beneficiary) and hold Beneficiary harmless from and against any and all claims, judgments, suits, causes of action, administrative claims, damages, penalties, fines, liabilities, losses and expenses (including, without limitation, investigation and clean-up costs, attorneys' fees, consultant fees and court costs) that arise as a result of the breach of any of the obligations and covenants set forth in the Section 30.1 above, and/or any presence, spill, discharge, release, threatened release, cleanup or contamination of or by any Regulated Substance in, on, at, under, about or from the Property.

29.3. Definitions. For the purposes of this Deed of Trust: (a) "Environmental Law" shall mean any federal, state or local environmental or health or safety law, regulation or rule, including, without limitation, any judicial or administrative statement of general or specific applicability; and (b) "Regulated Substance" shall mean any substance, material or waste regulated by any Environmental Law.

30. Execution. This Deed of Trust may be executed in counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. The partially executed signature page of any counterpart of this Agreement may be attached to any other partially executed counterpart of this Agreement without impairing the legal effect of the signature(s) on such signature page.

31. Authority. The undersigned person or entity signing on behalf of Trustor hereby represents and warrants to Beneficiary that such person/entity has full power and authority to act on behalf of and bind Trustor.

32. Assignment. The Note; or a partial interest in the Note (together with this Deed of Trust) may be sold or assigned one or more times without notice to Borrower. A sale or assignment may result in the change of the person who collects monthly payment due under the Note and this Deed of Trust. Trustor agrees that if the Note is sold or assigned pursuant to this section, Trustor may be required to pay reasonable fees for servicing the Note.

33. No Other Agreements. Trustor shall not record or allow to be recorded against the Property any agreements, options or other matters without Beneficiary's prior written consent, which may be given or withheld in Beneficiary's sole discretion. As a condition to any such consent,

Beneficiary may require that the parties to any such agreement, option or matter execute and record a subordination agreement in a form acceptable to Beneficiary in its sole and absolute judgment and discretion.

Dated to be effective as of September 16, 2013 (the "Effective Date").

TRUSTOR:

By: 

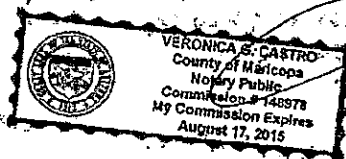
Yomtov S. Menaged, Member,  
Arizona Home Foreclosures, LLC

STATE OF ARIZONA )

) ss.

County of Maricopa )

The foregoing instrument was acknowledged before me this 16 day of Sept, 2013, by Yomtov Menaged, Member of Arizona Home Foreclosures, LLC



  
Notary Public

EXHIBIT A

Legal Description of the Property

LOT 176, OF LINDSAY AND WARNER, According to the Plat of Record in the Office of the  
County Recorder of Maricopa County, Arizona, Recorded in Book 610 of Maps, Page 17.

APN #: 309-25-432

HELEN PURCELL

ELECTRONIC RECORDING

4579RM-1-1-1--

**DenSco Investment**  
6132 W. Victoria Place  
Chandler, AZ 85226

## MORTGAGE

The undersigned borrower ("Borrower") acknowledges receipt of the proceeds of a loan from DenSco Investment Corporation ("Lender") in the sum of \$140,000.00, as evidenced by check payable to: First American Title Ins Co ("Trustee"). The loan was made to Borrower to purchase the Real Property legally described as: Lot 176, Subdivision Lindsay and Warner, according to the plat Book 610, of Maps, Page 17, in the plat record in the Recorder's Office of Maricopa County, Arizona. Address: 977 S Colonial Dr., Gilbert, AZ 85296 At a trustee's sale conducted by Trustee, which took place on September 13, 2013, Borrower became the successful purchaser with the highest bid, and the loan is intended to fund all or part of the purchase price bid by Borrower at such trustee's sale.

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

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

Borrower: :Arizona Home Foreclosures, LLC

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

**Signature:**

State of Arizona        )  
                                  ) ss.

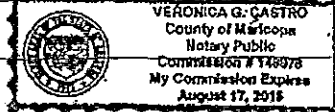
County of Maricopa )

Subscribed, sworn to and acknowledged before me this 12 day of July

By: Yomtov Scott Menaged

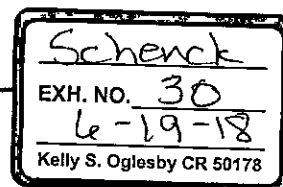
Commission Expires:

Notary Public



Message

**From:** Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]  
**Sent:** 12/18/2013 3:43:25 PM  
**To:** Schenck, Daniel A. [dschenck@clarkhill.com]  
**Subject:** RE: few things



Dan:

Hopefully, we can talk scheduling for this and a couple of other matters tomorrow after my meeting at the AZ Technology Council in the morning.

Thanks, David

**David G. Beauchamp**

CLARK HILL PLC

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

**From:** Schenck, Daniel A.

**Sent:** Wednesday, December 18, 2013 4:37 PM

**To:** Beauchamp, David G.

**Subject:** Re: few things

I will be slammed for the rest of the week but can do it early next week.

**Daniel A. Schenck**

*Sent from my iPhone*

CLARK HILL PLC

480.684.1118 (direct) | 480.684.1179 (fax)  
[dschenck@clarkhill.com](mailto:dschenck@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

On Dec 18, 2013, at 4:02 PM, "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

Dan:

Will you have time to do the research for Florida or should I find someone else?

Thanks, David

**David G. Beauchamp**

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

**From:** Denny Chittick [<mailto:dcmoney@yahoo.com>]

**Sent:** Wednesday, December 18, 2013 11:12 AM



To: Beauchamp, David G.

Subject: few things

1. since you moved, we've never finished the update on the memorandum. Warren is asking where it is.

2. i've got two of my best borrowers moving to FI, they are begging me to look at lending in FL. i don't know anything about the market there, but i trust these guys. i've done 20 million with them over the past 5 yrs. is it easy to find out the challenges, issues, etc with me lending there?

thx

dc

DenSco Investment Corp

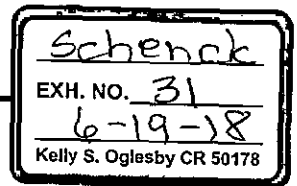
[www.denscoinvestment.com](http://www.denscoinvestment.com)

602-469-3001 C

602-532-7737 f

Message

**From:** Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]  
**Sent:** 12/24/2013 12:53:55 PM  
**To:** Schenck, Daniel A. [dschenck@clarkhill.com]  
**Subject:** FW: Quick Status Concerning Florida Licensing Requirements



Dan

FYI Return message from Denny.

**From:** Denny [mailto:dcmoney@yahoo.com]  
**Sent:** Tuesday, December 24, 2013 1:53 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: Quick Status Concerning Florida Licensing Requirements

Ok thx I will wait have a great Xmas!

Sent from my iPad

On Dec 24, 2013, at 1:51 PM, "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:  
Denny:

Happy Holidays!

Quick Status: Based on a review of the Florida statutes, you would be considered a "Mortgage Lender" which requires a license in Florida. The Florida government office that regulates "Mortgage Lender" has been difficult to reach, but we will try again on Thursday. I want to confirm if you might be able to qualify for a limited license to operate in Florida and check a few other questions.

Hopefully you and your family are enjoying this Holiday Season.

All the best, David

**David G. Beauchamp**

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

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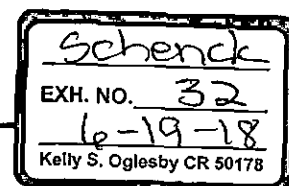
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Message

**From:** Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]  
**Sent:** 1/6/2014 5:54:48 PM  
**To:** Denny J. Chittick (dcmoney@yahoo.com) [dcmoney@yahoo.com]  
**CC:** Schenck, Daniel A. [dschenck@clarkhill.com]  
**Subject:** FW: FL Mortgage Lender



Denny:

Set forth below is the email answer to the follow up Florida question. Even going through a licensed mortgage broker in Florida, would require DenSco to become licensed in Florida.

Let me know if you want to discuss this any further.

Best regards, David

**David G. Beauchamp**

CLARK HILL PLC

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

**From:** Schenck, Daniel A.  
**Sent:** Monday, January 06, 2014 6:18 PM  
**To:** Beauchamp, David G.  
**Subject:** FL Mortgage Lender

David,

I completed additional legal research regarding the mortgage lender licensing issues in Florida. Specifically, I researched whether there a non-licensed lender that affiliated with a licensed Florida mortgage broker to continue to loan to an existing customer that moved to Florida could be exempt from the Florida licensing requirement. Unfortunately, even using a licensed Florida mortgage broker would not create an exception to Florida's licensing requirements for mortgage lenders.

Under Florida law, each person who acts as a "mortgage lender" must be licensed to do so. (§ 494.00611(1), Fla. Stat.). Florida's definition of a "mortgage lender" is very broad. In § 494.001(22), Fla. Stat., a mortgage lender is defined as "a person making a mortgage loan or servicing a mortgage loan for others, or, for compensation or gain, directly or indirectly, selling or offering to sell a mortgage loan to a noninstitutional investor." By "making a mortgage loan," a lender meets the definition of a mortgage lender, even if an affiliate Florida mortgage broker was used or if the lender had previous business with the borrower. To avoid the licensing requirement, the lender will need to fit within one of the exceptions listed in § 494.00115, Fla. Stat.

In our client's situation, a possible exception exists if he is deemed to be "[a]n individual making or acquiring a mortgage loan using his or her own funds for his or her own investment, and who does not hold himself or herself out to the public as being in the mortgage lending business." (§ 494.00115(2)(e), Fla. Stat.). I spoke with a representative from the Florida Office of Financial Regulation ("FOFR") today regarding possible exceptions to the mortgage lender licensing requirements. The representative specifically asked if the lender was "an individual or a company." Apparently, the above-referenced exception is not available to companies. Therefore, to meet this exception, our client would need to loan the money as an individual and not through his company. He would also need to avoid any activities which could be viewed as holding himself out to the public to be in the mortgage lending business. Essentially, he would have to rely on word of mouth referrals.

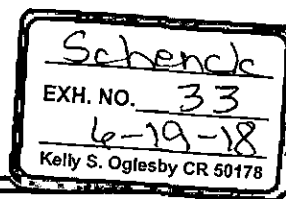
FOFR's "wait and see" approach may explain why there are numerous short-term mortgage lenders in Florida that are not licensed. For example, Consolidated Financing, LLC advertises residential hard money loans in Florida on its website [www.hardmoneyfl.com](http://www.hardmoneyfl.com). The FOFR representative agent I spoke with today confirmed that Consolidated Financing, LLC is not licensed. However, its FOFR's policy to not investigate whether a lender should be licensed until after a complaint is filed. Only then will FOFR initiate an investigation. If the investigation finds that the lender should have been licensed, the lender is then required to pay fines and to acquire a license. Please let me know whether there are any questions regarding the above or if additional research is needed.

Best,

**Daniel A. Schenck**

CLARK HILL PLC

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



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**33-705. Purchase money mortgage or deed of trust: priority**

A mortgage or deed of trust that is given as security for a loan made to purchase the real property that is encumbered by the mortgage or deed of trust has priority over all other liens and encumbrances that are incurred against the purchaser before acquiring title to the real property.



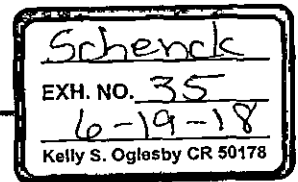
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**33-729. Purchase money mortgage; limitation on liability**

A. Except as provided in subsection B, if a mortgage is given to secure the payment of the balance of the purchase price, or to secure a loan to pay all or part of the purchase price, of a parcel of real property of two and one-half acres or less which is limited to and utilized for either a single one-family or single two-family dwelling, the lien of judgment in an action to foreclose such mortgage shall not extend to any other property of the judgment debtor, nor may general execution be issued against the judgment debtor to enforce such judgment, and if the proceeds of the mortgaged real property sold under special execution are insufficient to satisfy the judgment, the judgment may not otherwise be satisfied out of other property of the judgment debtor, notwithstanding any agreement to the contrary.

B. The balance due on a mortgage foreclosure judgment after sale of the mortgaged property shall constitute a lien against other property of the judgment debtor, general execution may be issued thereon, and the judgment may be otherwise satisfied out of other property of the judgment debtor, if the court determines, after sale upon special execution and upon written application and such notice to the judgment debtor as the court may require, that the sale price was less than the amount of the judgment because of diminution in the value of such real property while such property was in the ownership, possession, or control of the judgment debtor because of voluntary waste committed or permitted by the judgment debtor, not to exceed the amount of diminution in value as determined by such court.

Message



**From:** Schenck, Daniel A. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DSCHENCK]  
**Sent:** 1/9/2014 3:46:55 PM  
**To:** Beauchamp, David G. [dbeauchamp@clarkhill.com]; Stringer, Lindsay L. [lstringer@clarkhill.com]  
**Subject:** Property Wars

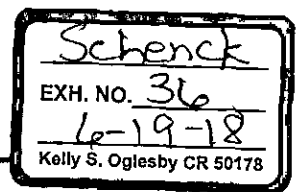
<http://dsc.discovery.com/tv-shows/property-wars/bios/scott-menaged.htm>

**Daniel A. Schenck**

CLARK HILL PLC

480.684 1118 (direct) | 480.684.1179 (fax)  
Licensed in Arizona, California, Utah and Nevada  
[dschenck@clarkhill.com](mailto:dschenck@clarkhill.com) | [bio](#) | [www.clarkhill.com](http://www.clarkhill.com)





Message

**From:** Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]  
**Sent:** 1/9/2014 9:41:55 PM  
**To:** 'dcmoney@yahoo.com' [dcmoney@yahoo.com]  
**CC:** Beauchamp, David G. [dbeauchamp@clarkhill.com]  
**Subject:** Re: auction properties/paying trustee

Denny:

Let me see what the other lenders got from the Trustee and we can make a better decision. There is either another way to do it or someone described a procedure that does not work.

Best regards, David

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

**From:** Denny Chittick [mailto:dcmoney@yahoo.com]  
**Sent:** Thursday, January 09, 2014 08:55 PM  
**To:** Beauchamp, David G.  
**Subject:** auction properties/paying trustee

If i cut a cashiers check and take it to the trustee myself, i dont' get a receipt that DenSco Paid for it. i get a receipt saying that x property was paid for, for X \$'s vested in borrower's name. my name doesn't appear on it. other than having a cashiers check receipt saying that i made a check out for it, there isn't anything from the trustee saying that it was my check.

i could wire Scott the money, he could produce a cashiers check that says remitter is DenSco and it would have the exact same affect as if i got cashiers check that said i'm the remitter.

i don't just do this with scott, i do this with 90% of the guys that i fund at the auctions. 90% of the time there is an intermediary

between my borrower and the trustee, a bidding co. everyone wires the money to the bidding co and the bidding co' gets the cashiers check saying remitter is the buyer.

put aside the logistics for a second, what proof or what guarantee is there by me cutting the check and handing it to suzy at the trustees office rather than my borrowers?

i know i must be missing something.  
dc

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

01/15/2014

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<i>Schenck</i>
EXH. NO. <u>37</u>
<u>6-19-18</u>
Kelly S. Oglesby CR 50178

<b>Corporate Inquiry</b>	
File Number: L-1418282-4	<b>Check Corporate Status</b>
Corp. Name: ARIZONA HOME FORECLOSURES, LLC	

<b>Domestic Address</b>
1006 W ADAMS ST
PHOENIX, AZ 85007

<b>Statutory Agent Information</b>
Agent Name: YOMTOV S MENAGED
Agent Mailing/Physical Address:
1006 W ADAMS ST
PHOENIX, AZ 85007
Agent Status: APPOINTED 12/31/2007
Agent Last Updated: 01/03/2008

<b>Additional Corporate Information</b>	
Corporation Type: DOMESTIC L.L.C.	Business Type:
Incorporation Date: 12/31/2007	Corporate Life Period: PERPETUAL
Domicile: ARIZONA	County: MARICOPA
Approval Date: 01/03/2008	Original Publish Date:

<b>Manager/Member Information</b>	
YOMTOV S MENAGED MEMBER 9103 E CHARTER OAK DR SCOTTSDALE, AZ 85260 Date of Taking Office: 12/31/2007 Last Updated: 01/03/2008	

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Document Number	Description	Date Received
02148632	ARTICLES OF ORGANIZATION	12/31/2007

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Location	Date Received	Description
32105001867	12/31/2007	ARTICLES OF ORGANIZATION

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01/15/2014

Arizona Corporation Commission  
State of Arizona Public Access System

3:54 PM

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<b>Schenck</b>	
EXH. NO.	<u>38</u>
	<u>12-19-18</u>
Kelly S. Oglesby CR 50178	

Corporate Inquiry	
File Number: L-1344069-5   LATEST DATE TO DISSOLVE 12/31/2057	<b>Check Corporate Status</b>
Corp. Name: AZBEN LIMITED, L.L.C.	

Domestic Address
1223 S CLEARVIEW AVE #103 PHOENIX, AZ 85209

Statutory Agent Information
Agent Name: MORRILL & ARONSON P L C
Agent Mailing/Physical Address: 1 E CAMELBACK RD #340 PHOENIX, AZ 85012
Agent Status: APPOINTED 02/09/2007 Agent Last Updated: 03/13/2007

Additional Corporate Information	
Corporation Type: DOMESTIC L.L.C.	Business Type:
Incorporation Date: 02/09/2007	Corporate Life Period:
Domicile: ARIZONA	County: MARICOPA
Approval Date: 02/15/2007	Original Publish Date: 03/05/2007
Status: LATEST DATE TO DISSOLVE	Dissolution/Withdrawal Date: 12/31/2057

Manager/Member Information	
GRIF C HIATT MANAGER 1223 S CLEARVIEW AVE #105 MESA, AZ 85209 Date of Taking Office: 04/03/2013 Last Updated: 04/08/2013	ELIJAH T CARDON MANAGER 1223 S CLEARVIEW AVE #105 MESA, AZ 85209 Date of Taking Office: 04/03/2013 Last Updated: 04/08/2013

BRENT A BOWDEN MANAGER 1223 S CLEARVIEW AVE #105 MESA, AZ 85209 Date of Taking Office: 04/03/2013 Last Updated: 04/08/2013	CRAIG D CARDON MANAGER 1223 S CLEARVIEW AVE #103 MESA, AZ 85209 Date of Taking Office: 02/09/2007 Last Updated: 02/15/2007
BROC C HIATT MANAGER 1223 S CLEARVIEW AVE #103 MESA, AZ 85209 Date of Taking Office: 02/09/2007 Last Updated: 02/15/2007	CRAIG D CARDON MEMBER 1223 S CLEARVIEW AVE #103 MESA, AZ 85209 Date of Taking Office: 02/09/2007 Last Updated: 02/15/2007
BROC C HIATT MEMBER 1223 S CLEARVIEW AVE #103 MESA, AZ 85209 Date of Taking Office: 02/09/2007 Last Updated: 02/15/2007	

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Document Number	Description	Date Received
01880194	ARTICLES OF ORGANIZATION	02/09/2007
01903405	PUB OF ARTICLES OF ORGANIZATION	03/05/2007
04194757	AMENDMENT	04/03/2013

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### Amendments

Amendment Date	Amendment Type	Publish Date	Publish Exception
04/03/2013	AMENDMENT		WAIVE

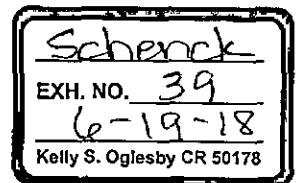
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Location	Date Received	Description
32019005332	02/09/2007	ARTICLES OF ORGANIZATION
32030000960	03/05/2007	PUB OF ARTICLES OF ORGANIZATION

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-



**Beauchamp, David G.**

---

**From:** Beauchamp, David G.  
**Sent:** Wednesday, January 15, 2014 8:00 PM  
**To:** Denny J. Chittick (dcmoney@yahoo.com)  
**Subject:** Non Disclosure Agreement  
**Attachments:** 200112402\_2.doc

Denny:

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

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

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

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

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

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

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

Best regards, David

David G. Beauchamp

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



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

---

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

David,

Attached is the NDA of DenSco.

**Daniel A. Schenck**

---

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

## CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT

This CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT (the "Agreement") is made and entered into as of January \_\_, 2014, by and between DenSco Investment Corporation, an Arizona corporation ("DenSco"), Arizona Home Foreclosures, LLC, an Arizona limited liability company ("AHF"), Easy Investments, LLC, an Arizona limited liability company ("EI"), Yomtov S. Menaged, an individual ("YM"), Azben Limited, L.L.C., an Arizona limited liability company ("Azben"), Geared Equity, LLC, an Arizona limited liability company ("Geared"), and 50780 L.L.C., an Arizona limited liability company ("50780"). DenSco, AHF, EI, YM, Azben, Geared, and 50780 are each considered a "Party" hereunder and are collectively referred to as the "Parties".

### RECITALS

A. DenSco previously made various loans (collectively, the "DenSco Loans") to AHF, EI and / or to other entities owned and /or controlled by YM (collectively, the "Borrower"), and a dispute has arisen between DenSco and Borrower regarding these loans and their respective collateral (the "DenSco Dispute");

B. Azben, Geared, and 50780 (collectively, the "Lenders") also previously made various loans to Borrower, and a dispute has arisen between Lenders and Borrower regarding these loans and their respective collateral (the "Lenders Dispute");

C. A dispute has arisen between DenSco and Lenders regarding which party has first priority to the collateral used to secure various loans which DenSco and / or Lenders made to Borrower (the "Priority Dispute");

D. DenSco and Borrower are considering entering into a loan workout arrangement regarding the DenSco Loans and the DenSco Dispute (the "DenSco Workout") and anticipate preparing various term sheets, correspondence, drafts of agreements, and final agreements regarding the DenSco Workout (collectively, the "DenSco Workout Documents");

E. The Parties anticipate discussions and activities (the "Discussions") amongst the Parties regarding possible mutually agreeable resolutions regarding the DenSco Dispute, Lenders Dispute, and Priority Dispute (collectively, the "Borrower Disputes");

F. In order to facilitate the Parties' participation and cooperation in the Discussions and to pursue possible resolutions to the Borrower Disputes, the Parties opine that the disclosures and access to certain information from one Party to another Party will be required. As a condition to their disclosure of Confidential Information (as defined herein), the Parties desire assurance that any Confidential Information disclosed to, or discovered by, one Party to another Party will not be disclosed to any third party or used in any manner other than as expressly permitted by this Agreement; and

G. In each instance, and as the circumstances apply, a Party which discloses Confidential Information shall be the "Discloser" and a Party receiving Confidential Information

shall be a "Recipient". Unless the context otherwise requires, as applicable, the term "Discloser" and "Recipient" will include the respective Party's directors, officers, employees, agents, consultants, advisors or other representatives, including legal counsel, accountants and financial advisors.

## AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

## TERMS AND CONDITIONS

1. **Incorporation of Recitals.** The Recitals set forth above are hereby incorporated into and made a part of this Agreement.

2. **Confidentiality.** Recipient agrees that it shall not at any time, directly or indirectly, disclose to any person or entity, use for its own benefit (other than as expressly permitted in writing from the Discloser) or for the benefit of any third party, any Confidential Information provided to it by the Discloser. As used in this Agreement, the term "Confidential Information" shall include all of the DenSco Workout Documents, including all details regarding their respective terms, representations, warranties, conditions, obligations, and other provisions; details regarding the DenSco Workout, including the negotiations and / or agreements of DenSco and Borrower regarding the same; and any and all correspondence, documents, material, and other information regarding any of the Parties, the DenSco Loans, the Lenders Loans, and or the Borrower Disputes, whether disclosed orally or in writing, which is designated by the Discloser as being "confidential" and or "proprietary" prior to being disclosed to the Recipient. Notwithstanding the foregoing, Recipient shall be permitted to disclose the Confidential Information to such of its officers, members of its board of directors, and its attorneys, accountants, or other professionals (collectively, "Authorized Parties"), as is necessary to analyze and review the Confidential Information, or if entered into, perform the obligations required in the DenSco Documents; provided that Recipient shall be fully responsible for any breach of the terms of this Agreement by any Authorized Party to whom it discloses such information.

The term Confidential Information shall not include information which, by clear and convincing written evidence:

- (i) was in the public domain at the time of execution of this Agreement;
- (ii) hereafter becomes part of the public domain by publication or otherwise through no action of Recipient; or
- (iii) was received by Recipient through a source (other than the Discloser) which is not under an obligation of confidentiality to the Discloser.

3. **Additional Covenants.** Recipient agrees that, following the receipt of Confidential Information hereunder, it shall:

(i) Undertake all reasonable and appropriate steps to ensure that the secrecy and confidentiality of Confidential Information is maintained, including, without limitation, restricting its disclosure solely to Authorized Parties; and

(ii) If requested pursuant to, or required by, applicable law or regulation or by legal process to disclose any Confidential Information, provide the Discloser with prompt notice of such request(s) to enable the Discloser to seek an appropriate protective order.

4. **Return of Confidential Information.** At any time requested by Discloser, Recipient (i) shall promptly deliver to Discloser all documents or other materials disclosed by Discloser to Recipient constituting Confidential Information, together with all copies and summaries thereof in the possession or under the control of Recipient, and (ii) will destroy materials generated by Recipient that include or refer to any part of the Confidential Information, without retaining a copy of any such material. Any such destruction pursuant to the foregoing must be certified by an authorized officer of Recipient in writing to Discloser (and such certification shall include a list of the destroyed materials).

5. **No Obligation to Resolve Disputes.** Each Party reserves the right, in its sole discretion, to conclude its participation in the Discussions and the negotiations of possible mutually agreeable resolutions of the Borrower Disputes. Without limiting the preceding sentences, nothing in this Agreement requires either Recipient or Discloser to enter into or agree to the terms of the DenSco Workout Documents or any agreement intended to resolve one or more of the Borrower Disputes.

6. **Ownership of Confidential Information.** At all times the ownership of the Confidential Information shall remain with Discloser. Nothing in this Agreement or in the disclosure of such Confidential Information to Recipient shall convey any right, title or interest in or to the Confidential Information to Recipient.

7. **No Liability.** Discloser agrees to act in good faith with respect to any Confidential Information provided to Recipient. Recipient agrees that no covenants, warranties or representations are made by the Discloser with respect to the accuracy or completeness of any Confidential Information. No Discloser shall have any liability to Recipient or the Authorized Parties arising out of the use of Confidential Information provided by such Discloser.

8. **Remedy.** Recipient hereby acknowledges that a violation of the provisions of this Agreement may cause irreparable damage to the Discloser, the amount of which may be impossible to quantify, and it is therefore agreed and understood that in the event of such a violation (or threatened violation) of this Agreement, the Discloser shall be entitled to injunctive relief, without the necessity of posting any bond, against such violation, in addition to such other remedies the Discloser may have.

9. **Waiver.** The waiver by the Discloser of any breach of any provision of this Agreement shall not be construed as a waiver of any subsequent breach, whether of the same or of a different character.

10. **Governing Law/Venue.** This Agreement shall be governed by and construed in accordance with the internal laws of the State of Arizona. All claims or proceedings arising out of or related to this Agreement shall be litigated in courts located within Maricopa County, Arizona, and each Party irrevocably hereby consents and submits to the jurisdiction of any local, state or federal court located in Maricopa County, Arizona.

11. **Binding Agreement.** This Agreement shall be binding upon, and inure to the benefit of, the Discloser and its successors and assigns.

12. **Severability.** In the event that any provision of this Agreement is determined to be invalid or unenforceable for any reason, such provision shall be deemed modified to the extent required to render it valid, enforceable and binding, and such determination shall not affect the validity or enforceability of any other provision of this Agreement.

13. **Integration.** This Agreement contains the entire understanding of the Parties with respect to the matters contained in this Agreement and no representation or covenants have been made other than those contained in this Agreement.

14. **Survival of Obligations.** The Parties understand that the conclusion of the Discussions will not terminate the Parties' obligations under this Agreement.

15. **Construction.** The Parties have participated jointly in the negotiation and drafting of this Agreement. If an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

16. **Attorneys' Fees.** In the event of any claim, controversy or dispute arising out of or relating to this Agreement, or the breach thereof, the prevailing party shall be entitled to recover reasonable attorneys' fees incurred in connection with the enforcement, construction or interpretation of this Agreement and in the case of a court proceeding, the fees shall be set by the court sitting without a jury.

17. **Counterparts; Facsimile or Electronic Signatures.** This Agreement may be executed in one or more counterparts, by facsimile, or by a scanned signature transmitted electronically, for the convenience of the parties and any such counterpart, facsimile or electronic signature, shall be deemed an original. All such counterparts shall be construed as being one and the same document.

[Signatures On the Following Page]

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

**DenSco:**

DenSco Investment Corporation, an Arizona corporation

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

**Azben:**

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

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

**AHF:**

Arizona Home Foreclosures, LLC, an Arizona limited liability company

By: \_\_\_\_\_  
Yomtov S. Menaged  
Its: Member

**Geared:**

Geared Equity, LLC, an Arizona limited liability company

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

**EI:**

Easy Investments, LLC, an Arizona limited liability company

By: \_\_\_\_\_  
Yomtov S. Menaged  
Its: Member

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

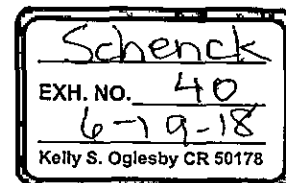
**50780:**

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

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

**YM:**

\_\_\_\_\_  
Yomtov S. Menaged, Individually



**Beauchamp, David G.**

**From:** Beauchamp, David G.  
**Sent:** Wednesday, January 15, 2014 10:30 PM  
**To:** Stringer, Lindsay L; Schenck, Daniel A.  
**Subject:** FW: Draft Term Sheet  
**Attachments:** Term Sheet v1.docx

Please see Denny's "detailed" comments. (Attempt at humor)

Thanks, David

**David G. Beauchamp**

CLARK HILL PLC

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

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**From:** Denny Chittick [mailto:[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)]  
**Sent:** Wednesday, January 15, 2014 10:25 PM  
**To:** Beauchamp, David G.; Yomtov Menaged  
**Subject:** Re: Draft Term Sheet

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

let me know any other changes.

thx

dc

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

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

**Sent:** Wednesday, January 15, 2014 9:24 PM  
**Subject:** Draft Term Sheet

Denny:

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

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

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

All the best, David

**David G. Beauchamp**

CLARK HILL PLC

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

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→ w/ Denny's  
Comments

## TERM SHEET

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

### TERMS

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

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

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

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

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

7. Borrower agrees to the following:

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

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

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

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


6

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

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

8. DenSco agrees to the following:

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

B. DenSco will defer the collection of interest from the Borrowers on DenSco's loans to the Borrowers **(on all loans or just for the loans secured by the Conflict Properties?)** during the process to fund the amount due to the Other Lenders in connection with the Conflict Properties; FOR NOW I'M DEFFERING ALL INTERST ON ALL LOANS. 

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

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

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

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

DENSCO INVESTMENT CORPORATION

By: \_\_\_\_\_

Denny Chittick, President

ARIZONA HOME FORECLOSURES, LLC

By: \_\_\_\_\_

Its: \_\_\_\_\_

EASY INVESTMENTS, LLC

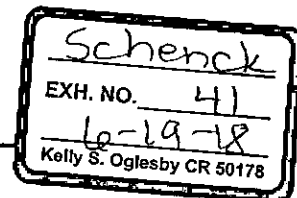
By: \_\_\_\_\_

Its: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
YOMTOV SCOTT MENAGED  
\_\_\_\_\_

Message

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



Denny:

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

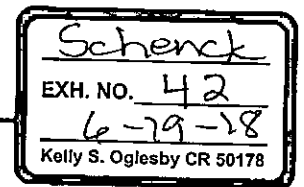
We should discuss this in the morning after I look at documents.

Best, David

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

Message

**From:** Schenck, Daniel A. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DSCHENCK]  
**Sent:** 1/16/2014 11:35:42 AM  
**To:** dcmoney@yahoo.com  
**CC:** Beauchamp, David G. [dbeauchamp@clarkhill.com]  
**Subject:** Term Sheet  
**Attachments:** Proposed Term Sheet R\_L version 2 & 3.DOCX; ATT00001.htm; Proposed Term Sheet (3).DOCX; ATT00002.htm



Denny:

Attached is the Term Sheet with a black line of the revisions for your reference. Please let us know if you would prefer other revisions.

Best,

**Daniel A. Schenck**

*Sent from my iPhone*

CLARK HILL PLC

480.684.1118 (direct) | 480.684.1179 (fax)

dschenck@clarkhill.com | www.clarkhill.com

## TERM SHEET

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

### TERMS

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



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

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

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

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

7 Borrower agrees to the following:

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

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

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

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

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

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

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

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

8. DenSco agrees to the following:

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

B. DenSco will defer (but not waive) the collection of interest from the Borrowers on DenSco's loans to the Borrowers ~~(on all loans or just for the loans secured by the Conflict Properties?)~~ during the process to fund the amount due to the Other Lenders in connection with the Conflict Properties (All deferred interest on a particular note

from Borrower to DenSco shall be paid to DenSco on or before the payoff of the applicable note);

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

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

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

[Signature page to follow.]

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

**DENSCO INVESTMENT CORPORATION**

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

Its: President

**ARIZONA HOME FORECLOSURES, LLC**

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

Its: \_\_\_\_\_ Member

**EASY INVESTMENTS, LLC**

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

Its: Member

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

Document comparison by Workshare Compare on Thursday, January 16, 2014  
12:14:49 PM

Input:	
Document 1 ID	interwovenSite://DETDMS1/ClarkHill/200112534/2
Description	#200112534v2<ClarkHill> - Proposed Term Sheet
Document 2 ID	interwovenSite://DETDMS1/ClarkHill/200112534/3
Description	#200112534v3<ClarkHill> - Proposed Term Sheet (3)
Rendering set	Standard

Legend:	
<u>Insertion</u>	
Deletion	
Moved from	
<u>Moved to</u>	
Style change	
Format change	
<del>Moved deletion</del>	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	28
Deletions	16
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	44

## TERM SHEET

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

### TERMS

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2. Certain of Borrower's properties were used as security for loans from other lenders and for loans from DenSco.
3. Certain of these other lenders have retained Bryan Cave, LLP to represent them (the "Other Lenders") in connection with the liens of these Other Lenders and the liens of DenSco which were each supposed to be in first lien position on the respective property (each a "Conflict Property" and collectively, the "Conflict Properties").
4. DenSco and Borrower agree to cooperate and assist each other in connection with resolving the dispute with the Other Lenders concerning these Conflict Properties.
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  - A. The Priority List will be submitted to Debbie Pihl at Magnus Title Agency ("Magnus"). Magnus will arrange for the necessary title work and verify the pay-off amounts for the Other Lender's loan and arrange for the closing of the additional funding from DenSco pursuant to a modification of its existing loan.

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

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

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

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

7. Borrower agrees to the following:

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

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

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

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

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

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

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

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

8. DenSco agrees to the following:

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

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



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

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

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

[Signature page to follow:]

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

**DENSCO INVESTMENT CORPORATION**

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

Its. President

**ARIZONA HOME FORECLOSURES, LLC**

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

Its: Member

**EASY INVESTMENTS, LLC**

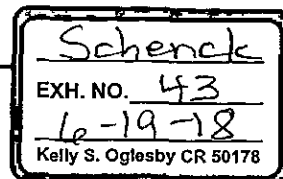
By: \_\_\_\_\_  
Scott Menaged

Its. Member

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

Message

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



Denny,

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

Best,

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

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

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

Dan:

Please

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

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

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

Dave ,

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

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

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

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

Confidentiality agreement is fine for me to sign as is.

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

Thanks

Scott

Sent from my iPhone



## TERM SHEET

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

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

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

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

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

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

7. Borrower agrees to the following:

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

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

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

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

6

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

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

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

6

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

8. DenSco agrees to the following:

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

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

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

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

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

[Signature page to follow:]



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

**DENSCO INVESTMENT CORPORATION**

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

Its: President

**ARIZONA HOME FORECLOSURES, LLC**

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

Its: Member

**EASY INVESTMENTS, LLC**

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

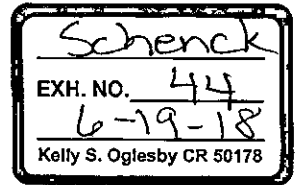
Its: Member

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

Densco /

**Beauchamp, David G.**

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



FYI

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

---

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

David –

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

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

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

Please let me know Densco's position asap.

Thank you.

Bob

---

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

Bob:

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

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

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

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

Thank you.

David

**David G. Beauchamp**

**CLARK HILL PLC**

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

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

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

**To:** Beauchamp, David G.

**Subject:** DenSco

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

Please advise so I may report to my clients.

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

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

Bob



**Robert J. Miller**  
Partner

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

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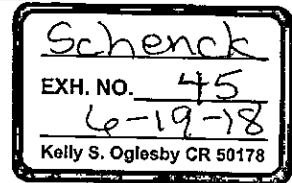
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DenSco / Worknet

**Beauchamp, David G.**

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



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

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

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

Denny:

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

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

Best, David

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

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

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

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602-532-7737 f

---

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

Denny,

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

Best,

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

—Original Message—

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

Dan:

Please

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

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

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

Dave ,

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

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

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

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

Confidentiality agreement is fine for me to sign as is.

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

Thanks

Scott

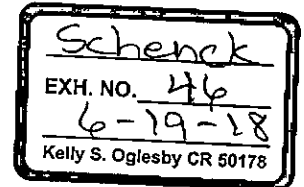
Sent from my iPhone

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DenSco/Worksite

**Beauchamp, David G.**

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



David,

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

**Daniel A. Schenck**

*Sent from my iPhone*

**CLARK HILL PLC**

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

Denny:

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

Best, David

David G. Beauchamp

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

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**From:** Denny Chittick [<mailto:dcmoney@yahoo.com>]

**Sent:** Thursday, January 16, 2014 02:47 PM

**To:** Beauchamp, David G.; Schenck, Daniel A.

**Subject:** Re: Revised Term Sheet

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

**DenSco Investment Corp**

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



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

---

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

Denny:

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

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

Best, David

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

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

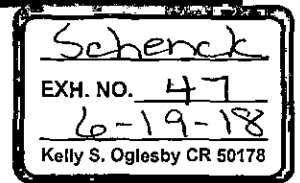
so are you telling me that the way this is worded now  
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DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)  
602-469-3001 C  
602-532-7737 f

DenSco / Workout

**Beauchamp, David G.**

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



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

they were paid off on four loans today. i dont' want to miss their dead line. the non-disclosure agreement is no brainer to sign, which Miller wants by 4pm tomorrow.

i think that if we get on the phone together we can figure out this terms sheet and give that to them as well.

at that point they should be happy and let us continue to pay them off .  
dc

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602-532-7737 f

---

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

Denny:

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

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

Best, David

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

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

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

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

---

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

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

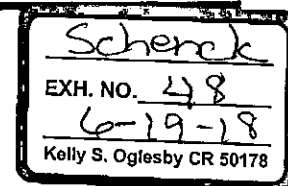
Best, David

David G. Beauchamp  
CLARK HILL PLC

DenSco/workout

**Beauchamp, David G.**

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



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

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

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

Denny:

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

Best, David

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

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

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

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

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

Denny:

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

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

Best, David

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

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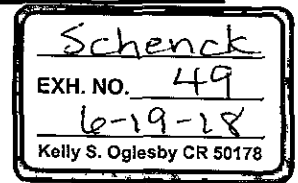
**From:** Denny Chittick [mailto:dcmoney@yahoo.com]  
**Sent:** Thursday, January 16, 2014 02:26 PM  
**To:** Schenck, Daniel A.  
**Cc:** Beauchamp, David G.  
**Subject:** Re: Revised Term Sheet

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

DenSco

**Beauchamp, David G.**

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



Denny:

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

Best, David

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

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

i don't think i've been given that document, have you been given the document?  
i know we have discussed it, it's ok to proceed after signing it because i don't give up anything.  
dc

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

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

Denny:

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

Sorry, David

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

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

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

they were paid off on four loans today. i dont' want to miss their dead line. the non-disclosure agreement is no brainer to sign, which Miller wants by 4pm tomorrow.

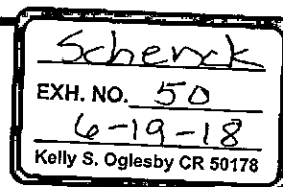
i think that if we get on the phone together we can figure out this terms sheet and give that to them as well.

at that point they should be happy and let us continue to pay them off .

dc

Den Sci/Workout

**Beauchamp, David G.**



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

Dan:

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

Thanks, David

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

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

David,

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

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

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

Begin forwarded message:

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



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

Dan,

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

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

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

Regards,

Craig Russell

**D. Craig Russell III**

CLARK HILL | THORP REED

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

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

Craig,

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

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

Thank you.

**Daniel A. Schenck**

CLARK HILL PLC

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

DenSco /

## TERM SHEET

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

### TERMS

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

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

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

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

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

7. Borrower agrees to the following:

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

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

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

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

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

6

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

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

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

6

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

8. DenSco agrees to the following:

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

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

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

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

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

[Signature page to follow:]

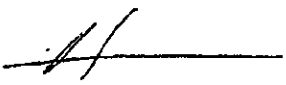
6

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

DENSCO INVESTMENT CORPORATION

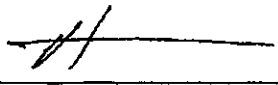
By:   
Denny Chittick  
Its: President

ARIZONA HOME FORECLOSURES, LLC

By:   
Yomtov "Scott" Menaged  
Its: Member

6

EASY INVESTMENTS, LLC

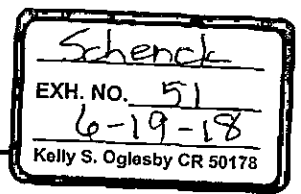
By:   
Yomtov "Scott" Menaged  
Its: Member

  
YOMTOV "SCOTT" MENAGED, Individually

200112534.5 43820/170082

6

DIC0007525



Message

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

Dan:

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

**David G. Beauchamp**

CLARK HILL PLC

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

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

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

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

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

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

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

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



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

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

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

The Plan:

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

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

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

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

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

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

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

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

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

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

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

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

thx

dc

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

When recorded, mail to:

**DenSco Investment**  
**6132 W. Victoria Place**  
**Chandler, AZ 85226**

## **MORTGAGE**

January 6, 2014

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

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

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

**Borrower:** Arizona Home Foreclosures, LLC

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

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

State of Arizona     )  
                                  ) ss.

County of Maricopa )

Subscribed, sworn to and acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2014.

By: Yomtov Scott Menaged

Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

**WHEN RECORDED MAIL TO:**

DenSco Investment  
6132 W. Victoria Place  
Chandler, AZ 85226

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

**DEED OF TRUST AND ASSIGNMENT OF RENTS**

Date: January 6, 2014

**TRUSTOR.** Arizona Home Foreclosures, LLC

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

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

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

**TRUSTEE:** Recontrust Company

Address: 2380 Performand Dr., Richardson, TX 75082

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

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

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

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

**FOR THE PURPOSE OF SECURING:**

A. Performance of each and every agreement of Borrower herein contained B Payment of the principal sum of \$186,000 00 (U.S \$One Hundred Eighty-six Thousand Dollars and No Cents). This debt is evidenced by Borrower's NOTE or NOTES dated the same date as this DEED OF TRUST, and any extension or renewal thereof (collectively, if applicable, the "Note"). C. Payment of all additional sums and interest thereon which at any time now or hereafter are owed by Borrower to Lender, or its successors or assigns. D. Payment of any amounts hereafter advanced by Lender or paid on behalf of Borrower to perform any duties or obligations of Borrower hereunder, or otherwise to protect the Property or the lien of this Deed of Trust.

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

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

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

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

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

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

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

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

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

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

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

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

**IT IS MUTUALLY AGREED:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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





**NOTE SECURED BY DEED OF TRUST**

\$186,000.00

Phoenix, AZ (Date): January 6, 2014

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

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

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

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

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

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

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

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

Borrower: Arizona Home Foreclosures, LLC

By: X

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

Personally Guaranteed by: X

Printed Name: X

**A. Settlement Statement (HUD-1)**Magnus Title Agency  
6991 E Camelback Rd, Ste C158  
Scottsdale, AZ 85251

OMB Approval No. 2502-0265

ESTIMATED - Figures subject  
to change

<b>B. Type of Loan</b>		<b>6. File Number:</b> 04041604-737 K3-3		<b>7. Loan Number:</b> 2036000168	<b>8. Mortgage Insurance Case Number:</b> 45-45-6-2857573
1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> RHS	3. <input type="checkbox"/> Conv. Unins.			
4. <input checked="" type="checkbox"/> VA	5. <input type="checkbox"/> Conv. Ins.				
<b>C. Note:</b> This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.d.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.					
<b>D. Name of Borrower:</b> Shane C Clark		<b>Meagan E Clark</b>			
<b>Address of Borrower:</b> 9924 E. Delta Mesa, AZ 85208		<b>9924 E. Delta Mesa, AZ 85208</b>			
<b>E. Name of Seller:</b> Arizona Home Foreclosures, LLC					
<b>Address of Seller:</b> 7320 W. Bell Rd. Glendale, AZ 85308					
<b>F. Name of Lender:</b> PrimeLending, a PlainsCapital Company					
<b>Address of Lender:</b> 18111 Preston Road, Ste 900 Dallas, TX 75252					
<b>G. Property Location:</b> 11509 E. Pratt Ave., Mesa, AZ 85212 Maricopa 304-01-726 Lot(s) 226, of Meridian Points Unit 2, Map Book 502, Map Page 32					
<b>H. Settlement Agent:</b> Magnus Title Agency (480) 682-0200 6991 E Camelback Rd, Ste C158, Scottsdale, AZ 85251		<b>Place of Settlement:</b> Magnus Title Agency (480) 682-0200 6991 E Camelback Rd Ste C158, Scottsdale, AZ 85251			
<b>I. Settlement Date:</b> 12/09/2013		<b>Proration Date:</b> 12/11/2013		<b>Funding Date:</b> 12/11/2013	<b>Disburse Date:</b> 12/11/2013
<b>J. Summary of Borrower's Transaction</b>			<b>K. Summary of Seller's Transaction</b>		
<b>100. Gross Amount Due from Borrower</b>			<b>400. Gross Amount Due to Seller</b>		
101. Contract sales price		210,000.00	401. Contract sales price		210,000.00
102. Personal property			402. Personal property		
103. Settlement charges to borrower (line 1400)		11,094.27	403.		
104.			404.		
105.			405.		
<b>Adjustments for items paid by seller in advance</b>			<b>Adjustments for items paid by seller in advance</b>		
106. City/town taxes	to		406. City/town taxes	to	
107. County taxes	to		407. County taxes	to	
108. Assessments	12/11/2013 to 01/01/2014	31.76	408. Assessments	12/11/2013 to 01/01/2014	31.76
109.			409.		
110.			410.		
111.			411.		
112.			412.		
113.			413.		
114.			414.		
115.			415.		
120. Gross Amount Due from Borrower		221,126.03	420. Gross Amount Due to Seller		210,031.76
<b>200. Amounts Paid by or in Behalf of Borrower</b>			<b>500. Reductions in Amount Due to Seller</b>		
201. Deposit or earnest money		1,000.00	501. Excess deposit (see Instructions)		
202. Principal amount of new loan(s)		214,515.00	502. Settlement charges to seller (line 1400)		11,971.17
203. Existing loan(s) taken subject to			503. Existing loan(s) taken subject to		
204. Buyers Closing Funds		2,418.67	504. Payoff of first mortgage loan to DENSCO Investment Corporation		141,890.00
205.			505. Payoff of second mortgage loan to Geared Equity LLC		146,155.14
206.			506.		
207. Seller Paid Owners Policy		1,200.00	507. Seller Paid Owners Policy		1,200.00
208. Seller Paid Loan Charges		1,425.00	508. Seller Paid Loan Charges		1,425.00
209.			509.		
<b>Adjustments for items unpaid by seller</b>			<b>Adjustments for items unpaid by seller</b>		
210. City/town taxes	to		510. City/town taxes	to	
211. County taxes	07/01/2013 to 12/11/2013	567.36	511. County taxes	07/01/2013 to 12/11/2013	567.36
212. Assessments	to		512. Assessments	to	
213.			513.		
214.			514.		
215.			515.		
216.			516.		
217.			517.		
218.			518.		
219.			519.		
220. Total Paid by/for Borrower		221,126.03	520. Total Reduction Amount Due Seller		303,208.67
<b>300. Cash at Settlement from/to Borrower</b>			<b>600. Cash at Settlement to/from Seller</b>		
301. Gross amount due from borrower (line 120)		221,126.03	601. Gross amount due to seller (line 420)		210,031.76
302. Less amounts paid by/for borrower (line 220)		221,126.03	602. Less reductions in amount due seller (line 520)		303,208.67
303. Cash <input type="checkbox"/> From <input type="checkbox"/> To Borrower		0.00	603. Cash <input type="checkbox"/> To <input checked="" type="checkbox"/> From Seller		93,176.91

1. Settlement Charges					
700. Total Real Estate Broker Fees:				Paid From	Paid From
Division of commission (line 700) follows:				Borrower's	Seller's
701	\$ 3,150.00	to Property Management		Funds at	Funds at
702	\$ 6,250.00	to Arizona Best Real Estate		Settlement	Settlement
703	Commission paid at settlement				8,400.00
704					
800. Items Payable in Connection with Loan:					
801	Our origination charge	\$ 1,285.00	(from GFE #1)		
802	Your credit or charge (points) for the specific interest rate chosen	\$	(from GFE #2)		
803	Your adjusted origination charges		(from GFE A)	1,285.00	
804	Appraisal fee to PL FBO Kittlmann Appraisal		(from GFE #3)	450.00	
805	Credit report to PL FBO Kroll Factual Data		(from GFE #3)	21.13	
806	Tax service to PrimeLending, a PlainsCapital Company		(from GFE #3)	90.00	
807	Flood certification to PL FBO Corelogic Flood services		(from GFE #3)	9.50	
808					
900. Items Required by Lender to Be Paid in Advance:					
901	Daily interest charges from 12/11/2013 to 01/01/2014 @ \$25.71 /day		(from GFE #10)	539.91	
902	Mortgage insurance premium for 0 months to		(from GFE #3)		
903	Homeowner's insurance for 1 years to Safeco Insurance Compa		(from GFE #11)	560.00	
904	VA Funding Fee to Veterans Administration			4,515.00	
1000. Reserves Deposited with Lender:					
1001	Initial deposit for your escrow account		(from GFE #9)	635.23	
1002	Homeowner's insurance 3 months @ \$ 46.6600	\$ 139.98			
1003	Mortgage insurance months @ \$	\$			
1004	Property taxes 6 months @ \$ 105.8700	\$ 635.22			
1005	months @ \$	\$			
1006	months @ \$	\$			
1007	Aggregate adjustment	\$ (139.97)			
1100. Title Charges:					
1101	Title services and lender's title insurance		(from GFE #4)	1,528.00	
1102	Settlement or closing fee to Magnus Title Agency	\$ 660.00			590.00
1103	Owner's title insurance to Magnus Title Agency	\$ 1,200.00	(from GFE #5)	1,200.00	
1104	Lender's title insurance to Magnus Title Agency	\$ 668.00			
1105	Lender's title policy limit \$214,515				
1106	Owner's title policy limit \$210,000				
1107	Agent's portion of the total title insurance premium to Magnus Title Agency	\$ 1,830.18			
1108	Underwriter's portion of the total title insurance premium to First American Title Insurance Company	\$ 237.82			
1200. Government Recording and Transfer Charges:					
1201	Government recording charges		(from GFE #7)		
1202	Deed \$ Mortgage \$ Release \$				
1203	Transfer taxes		(from GFE #8)		
1204	City/County tax/stamps	Deed \$ Mortgage \$			
1205	State tax/stamps	Deed \$ Mortgage \$			
1206	Excise Tax	Deed \$			
1300. Additional Settlement Charges:					
1301	Required services that you can shop for		(from GFE #6)		
1302		\$			
1303		\$			
1304	Home Warranty to BPG Home Warranty				425.00
1305	Homewise Servicing Fee to HomewiseDocs.com			30.00	
1306	HOA Current Balance to Meridian Pointe HOA				660.50
1307	HOA Pre-Paid Assess for 2014 to Meridian Pointe HOA			138.00	
1308	HOA Disclosure Pkg to Brown Community Management				185.00
1309	HOA Transfer Fee to Brown Community Management			92.50	92.50
1310	HOA 4th Qtr Fee to Meridian Pointe HOA				163.00
1311	4040842 Trustee Fee to Magnus Title				698.00
1312	4040842 Recording Fee to Magnus Title				10.00
1313	4040842 Courier Fee to Magnus Title				30.00
1314	Post Inspection to Carefree Termite Protection				75.00
1315	1st Half Of 2013 Taxes to Maricopa County Treasurer				652.17
1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)				11094.27	11971.17

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

PrimeLending, a PlainsCapital Company

2036000166

Comparison of Good Faith Estimate (GFE) and HUD-1 Charges		Good Faith Estimate	HUD-1
Charges That Cannot Increase			
	HUD-1 Line Number		
Our origination charge	# 801	1,285.00	1,285.00
Your credit or charge (points) for the specific interest rate chosen	# 802	0.00	0.00
Your adjusted origination charges	# 803	1,285.00	1,285.00
Transfer taxes	# 1203	0.00	0.00
<b>Total</b>		<b>1,285.00</b>	<b>1,285.00</b>

Charges That in Total Cannot Increase More Than 10%		Good Faith Estimate	HUD-1
Government recording charges	# 1201	0.00	0.00
Appraisal fee	# 804	450.00	450.00
Credit report	# 805	65.00	21.13
Tax service	# 806	90.00	90.00
Flood certification	# 807	9.50	9.50
VA Funding Fee	# 904	6,930.00	4,515.00
<b>Total</b>		<b>7,544.50</b>	<b>5,085.63</b>
<b>Increase between GFE and HUD-1 Charges</b>		<b>\$ (2,458.87) or (32.59) %</b>	

Charges That Can Change		Good Faith Estimate	HUD-1
Initial deposit for your escrow account	# 1001	635.23	635.23
Daily interest charges	# 901 \$25.71 /day	546.00	539.91
Homeowner's Insurance	# 903	700.00	560.00
Title services and lender's title insurance	# 1101	725.00	1,528.00
Owner's title insurance	# 1103	1,000.00	1,200.00

**Loan Terms**

Your initial loan amount is	\$ 214,515.00
Your loan term is	30 years
Your initial interest rate is	4.375 %
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ 1,071.04 includes <input type="checkbox"/> Principal <input checked="" type="checkbox"/> Interest <input type="checkbox"/> Mortgage Insurance
Can your interest rate rise?	<input checked="" type="checkbox"/> No. <input type="checkbox"/> Yes, it can rise to a maximum of _____ % . The first change will be on _____ and can change again every _____ after Every change date, your interest rate can increase or decrease by _____ % . Over the life of the loan, your interest rate is guaranteed to never be lower than _____ % or higher than _____ % .
Even if you make payments on time, can your loan balance rise?	<input checked="" type="checkbox"/> No. <input type="checkbox"/> Yes, it can rise to a maximum of \$ _____
Even if you make payments on time, can your monthly amount owed for principal, interest, and mortgage insurance rise?	<input checked="" type="checkbox"/> No. <input type="checkbox"/> Yes, the first increase can be on _____ and the monthly amount owed can rise to \$ _____ The maximum it can ever rise to is \$ _____
Does your loan have a prepayment penalty?	<input checked="" type="checkbox"/> No. <input type="checkbox"/> Yes, your maximum prepayment penalty is \$ _____
Does your loan have a balloon payment?	<input checked="" type="checkbox"/> No. <input type="checkbox"/> Yes, you have a balloon payment of \$ _____ due in _____ years on _____
Total monthly amount owed including escrow account payments	<input type="checkbox"/> You do not have a monthly payment for items, such as property taxes and homeowner's insurance. You must pay these items directly yourself. <input checked="" type="checkbox"/> You have an additional monthly escrow payment of \$ 152.53 that results in a total initial monthly amount owed of \$ 1,223.57. This includes principal, interest, any mortgage insurance and any items checked below <input checked="" type="checkbox"/> Property taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Flood Insurance <input type="checkbox"/> <input type="checkbox"/> _____ <input type="checkbox"/> _____

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

**Breakdown For HUD Line 208**

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

**Breakdown For HUD Line 508**

Description	Buyer Amount	Seller Amount
Your adjusted origination charges		1,285.00
Tax service		90.00
Flood certification		9.50
Homeowner's Insurance		40.50
<b>Total As Shown On HUD Line 508</b>		<b>1,425.00</b>

**Breakdown For HUD Line 803**

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

**Breakdown For HUD Line 1101**

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

**Breakdown of Commission as shown on 701****Agent Information**

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

Total Commission: \$3,150.00

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

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

Amount: \$2,890.00

**Breakdown of Commission as shown on 702****Agent Information**

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

Total Commission: \$5,250.00

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

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

Loan #: 4584

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

**BREAKDOWN OF PAYOFF ON HUD line 505**

Payoff to: Geared Equity, LLC

Loan #: 13-6105

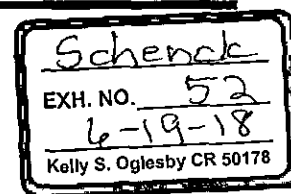
Description	Amount
Principal Balance	146,155.14
Interest	0.00
Good Thru 12/15/2013	0.00
Total Payoff	146,155.14
Total as shown on HUD line #505.	146,155.14



DenSco/

**Beauchamp, David G.**

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



Lindsay + Dan:

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

Dan: We also need to talk to Bob Anderson about the procedures used by DenSco to refute research from Bob Miller or to change DenSco's procedures. After taking a personal shot at me, Miller sent his client to litigation counsel, so we need to be ready to respond.

Thanks, David

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

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

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

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

Denny- I have Debbie working on more payoffs requests.

Thank you

Sent from my iPhone

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

Scott:

Sorry my phone died and I had to charge it.

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

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

Please share this with Jeff.

Hopefully, these work.

Sincerely, David

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

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

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

Thanks

Sent from my iPhone

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

Denny:

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

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

Best, DAvid

David G. Beauchamp

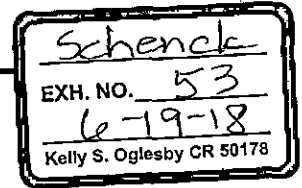
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[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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

Message

**From:** Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]  
**Sent:** 1/17/2014 3:22:06 PM  
**To:** Anderson, Robert G. [randerson@clarkhill.com]  
**CC:** Schenck, Daniel A. [dschenck@clarkhill.com]  
**Subject:** FW: see attached  
**Attachments:** Bryan Cave Doc.pdf



Bob:

Attached is the demand letter from Bryan Cave asserting the claim from the other lenders.

If this claim has any merit, we need to advise DenSco to change its internal procedures.

Thanks, David

**David G. Beauchamp**

CLARK HILL PLC

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

**From:** Denny Chittick [mailto:dcmoney@yahoo.com]  
**Sent:** Monday, January 06, 2014 1:59 PM  
**To:** Beauchamp, David G.  
**Subject:** see attached

read the first two pages, then give me a call.

thx

dc

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



Robert J. Miller  
Direct: (602) 364-7043  
Fax: (602) 716-8043  
rjmiller@bryancave.com

January 6, 2014

**VIA HAND-DELIVERY**

Densco Investment Corporation  
Attn: Mr. Denny J. Chittick  
6132 W. Victoria Place  
Chandler, AZ 85226

Re: Mortgage Recordation; Demand For Subordination

Dear Mr. Chittick:

This law firm represents Azben Limited, LLC ("Azben"), Geared Equity, LLC ("Geared Equity") and 50780, LLC in connection with their disputes with you and your company, Densco Investment Corporation ("Densco"). As you know, Geared Equity and 50780, LLC previously made various loans to Arizona Home Foreclosures, LLC and/or Easy Investments, LLC (collectively, the "Borrower"). Sell Wholesale Funding, LLC ("SWF") also made certain loans to Borrower which were collaterally assigned to Azben. Azben, Geared Equity, and 50780, LLC will be collectively referred to herein as the "Lienholders." Geared Equity, 50780, LLC, and SWF will be collectively referred to herein as the "Lenders."

This demand letter addresses the Lienholders' loans to the Borrower and the real property collateral described on Exhibit A attached hereto (the "Loans" and the "Properties," respectively). The Lenders made each of the Loans to the Borrower for the specific purpose of providing purchase money financing so the Borrower would have sufficient funds to acquire the Properties through trustee sales conducted under Arizona law. The Lenders, in each and every instance, deliberately advanced the loan proceeds pursuant to certified funds delivered directly to the trustee and received a receipt from the trustee confirming delivery of such funds. The Lenders, in each and every instance, also promptly recorded deeds of trust confirming a senior lien position on each of the Properties.

The Lienholders recently learned that your company, Densco, engaged in a practice of recording a "mortgage" on each of the Properties on or around the same time as the Lenders were recording their senior deeds of trust. In each and every instance, Densco's recorded mortgage states that Densco provided purchase money funding and that Densco's loans are "evidenced by a check payable" to the trustee for each of the Properties.

Thus, Densco is taking the position in recorded documents that it provided a purchase money loan to the Borrower with respect to each of the Properties.

752649.3

**Bryan Cave LLP**  
One Renaissance Square  
Two North Central Avenue  
Suite 2200  
Phoenix, AZ 85004-4406  
Tel (602) 364-7000  
Fax (602) 364-7070  
www.bryancave.com

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Tokyo

Mr. Denny J. Chittick

January 6, 2014

Page 2

Presumably, Densco is taking the position that its alleged loan is senior to the liens of the Lienholders with respect to each of the Properties. Of course, this is a practical and legal impossibility since, in each and every instance, only the Lenders provided the applicable trustee with certified funds supporting the Borrower's purchase money acquisition for each of the Properties and, with respect to the loans made by SWF, Azben "stands in the shoes" of SWF as the senior purchase money lender.

This demand letter provides Densco with an opportunity to immediately clarify its position and rectify this situation. Because of the seriousness of this situation, the Lenders are presenting their position as a formal demand on you and Densco. The demand is as follows:

Included herein are two forms of subordination agreement – one form document applies to the Azben loans and the other form applies to the loans of Geared Equity and 50780, LLC. The Lienholders hereby demand that Densco agree to complete and deliver this exact form of subordination agreement for each of the Properties to my office so that these completed subordination agreements may be recorded and delivered to the Borrower.<sup>1</sup> If Densco does not immediately so agree in writing and complete this entire subordination delivery process by no later than five (5) business days from the date of this demand letter, then the Lenders will immediately commence litigation against Densco and the other parties involved in this situation.

Please give this matter your immediate and undivided attention. While the Lienholders will be asserting all of the claims they have against the parties involved in this situation absent the timely completion of this subordination process, the most obvious claims the Lienholders will assert are: (i) fraud and conspiracy to defraud; (ii) negligent misrepresentation; and (iii) wrongful recordation pursuant to A.R.S. §33-420. The Lienholders reserve all of their rights and remedies against Densco, you, and all other parties, and no such rights or remedies are waived, modified, or impaired in any way pursuant to this demand letter or otherwise.

Sincerely,



Robert J. Miller  
FOR THE FIRM

RJM:se  
Enclosure

<sup>1</sup> Property addresses and other "form" information will need to be included in each subordination agreement. My firm will only commence preparing a subordination agreement for each loan when written confirmation is provided that Densco has unconditionally agreed to execute each subordination agreement in the form enclosed herein. A subordination agreement is required for each and every loan even though several of the loans have been paid in full and even though in several instances it is very clear the Densco mortgage was recorded after the Lender's deed of trust was recorded – the Lenders are entitled to total and permanent clarity on all of these issues now.

Bryan Cave LLP

Mr. Denny J. Chittick  
January 6, 2014  
Page 3

cc: **VIA FEDERAL EXPRESS (w/encs.)**

Kurt Johnson Associates, PC  
23005 N. 15th Avenue  
Suite 2  
Phoenix, AZ 85027  
Statutory Agent for DenSCO

Azben Limited, LLC (w/o encs.)  
Geared Equity, LLC (w/o encs.)  
50780, LLC (w/o encs.)  
Sell Wholesale Funding, LLC (w/encs.)

Exhibit A

Azben Limited, LLC Loans

<u>Loan #</u>	<u>Street Address</u>	<u>City</u>	
5445	Sheila Ln, 7134 W	Phoenix	Paid in Full
5448	Palmer St, 3826 E	Gilbert	
5506	Palm St, 2681 S	Gilbert	
5514	Horsetail Trail, 1751 W	Phoenix	Paid in Full
5594	Maui Ln, 13920 W	Surprise	
5597	66th Dr, 10020 N	Glendale	
5619	Millbrae Ln, 2895 E	Gilbert	
5620	Wood Dr, 1502 W	Phoenix	
5621	170th Ln, 16010 N	Surprise	
5629	Wayland Dr, 23687 W	Buckeye	
5631	Lobo Ave, 10125 E	Mesa	
5641	Dublin St, 516 W	Chandler	
5644	Sunsites Dr, 18915 N	Surprise	
5645	Cortland, 3043 S	Mesa	
5648	Yale, 1355 S	Mesa	
5660	Kent Ave, 3425 E	Gilbert	Paid in Full
5667	101st Dr, 2027 S	Tolleson	
5672	Peck Dr, 8987 W	Glendale	
5679	Colonial Dr, 977 S	Gilbert	
5680	220th Ln, 1040 S	Buckeye	
5684	Tyson St, 4232 E	Gilbert	Paid in Full
5685	Navajo St, 16739 W	Goodyear	
5690	Milburn, 2716 S	Mesa	
5691	Hassett, 126 S	Mesa	
5693	Ogelsby Ave, 11603 W	Youngstown	
5694	Cristine Ln, 15829 N	Surprise	Paid in Full
5695	85th Dr, 1629 S	Tolleson	
5719	Puget Ave, 18146 W	Waddell	
5720	Caribbean Ln, 14869 W	Surprise	
5722	Rose Garden Ln, 3014 W	Phoenix	
5724	Valley View Dr, 4119 W	Laveen	
5728	Gelding Dr, 4906 W	Glendale	
5729	Maldonado Dr, 3247 E	Phoenix	
5730	Anderson Dr, 3830 W	Glendale	
5742	Olla Ave, 9832 E	Mesa	
5754	Whyman St, 25510 W	Buckeye	
5755	233rd Ln, 1697 S	Buckeye	
5757	Bent Tree Dr, 2507 W	Phoenix	
5760	Arcadia Ave, 10836 E	Mesa	
5761	Sundance Way, 523 W	Chandler	

**Geared Equity, LLC Loans**

<u>Loan #</u>	<u>Street Address</u>	<u>City</u>	
13-6091	10440 W. Hammond Lane	Tolleson	
13-6094	39817 N. Messner Way	Anthem Way	
13-6104	W. Via Montoya Drive	Phoenix	
13-6105	11509 E. Pratt Ave	Mesa	Paid in Full
13-6113	707 E. Potter Drive	Phoenix	Property under review with Trustee for possible rescission of sale
13-6114	14904 W. Port Royale Lane	Surprise	
13-6118	4728 W. Carson Road	Laveen	
13-6122	978 N. 85th Place	Scottsdale	
13-6123	635 S. St Paul	Mesa	

**50780, LLC Loans**

<u>Loan #</u>	<u>Street Address</u>	<u>City</u>
13-1020	8116 E. Onza Avenue	Mesa
13-1051	11634 W. Adams Street	Avondale
13-1052	25863 W. Saint James Avenue	Buckeye



6

RECORDING REQUESTED  
BY AND WHEN RECORDED  
MAIL TO:

AZBEN LIMITED, L.L.C.  
1223 S. Clearview Avenue  
Suite 103  
Mesa, Arizona 85209

Space Above This Line for Recorder's Use Only

### SUBORDINATION AGREEMENT

NOTICE: THIS SUBORDINATION AGREEMENT (THIS "AGREEMENT") RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

6

THIS SUBORDINATION AGREEMENT ("Agreement"), made this \_\_\_\_\_ day of January, 2014, by SELL WHOLESALE FUNDING, LLC, an Arizona limited liability company (hereinafter referred to as "Senior Creditor"), whose mailing address is 4105 N. 20<sup>th</sup> Street, #210, Phoenix, Arizona 85016, and DENSCO INVESTMENT CORPORATION, an Arizona corporation (hereinafter referred to as "Junior Creditor"), whose mailing address is 6132 W. Victoria Place, Chandler, Arizona 85226;

### WITNESSETH

THAT WHEREAS, Arizona Home Foreclosures, LLC, an Arizona limited liability company (hereinafter referred to as "Owner"), is the owner of the land hereinafter described on Exhibit "A" attached hereto and made a part hereof (the "Land" or the "Property"); and

WHEREAS, Owner, as mortgagor, executed a Mortgage ("Junior Mortgage") dated September 16, 2013, to and for the benefit of Junior Creditor, as mortgagee, and recorded on September 17, 2013 at 8:32 a.m., as Instrument No. 2013-0832534 in the Records of Maricopa County, Arizona ("Records"), purporting to encumber the Land, which Junior Mortgage purportedly secures payment of the sum of \$140,000.00 ("Junior Liabilities") which might come due under or pursuant to a purported loan made by Junior Creditor to Owner in such purported amount referenced in said Junior Mortgage. When used herein, the term "Junior Mortgage" shall not only mean and refer to the Junior Mortgage stated above, but also to: i) any re-recording thereof, and ii) that certain Deed of Trust and Assignment of Rents, of even date with the Junior Mortgage ("Junior Deed of Trust"), made by Owner, as trustor, to First American Title, as trustee, to and for the benefit of Junior Creditor, as beneficiary, which Junior Deed of Trust was recorded September 27, 2013 as Instrument No. 2013-0863555 in the Records; and

WHEREAS, Owner, as trustor, also executed that certain Deed of Trust and Assignment of Rents ("Senior Deed of Trust") dated September 16, 2013, to Fidelity National Title, as trustee, to and for the benefit of Senior Creditor, as beneficiary, which Senior Deed of Trust secures payment of a Promissory Note of Owner to Senior Creditor in the original stated principal amount of \$144,080.00 ("Purchase

6  
Money Note"), recorded September 17, 2013 at 9:50 a.m. as Instrument No. 2013-0833010 in the Records. Proceeds from the Purchase Money Note were used to pay, and represent, purchase money of and for the Property. The beneficial interest in the Senior Deed of Trust was thereafter collaterally assigned by Senior Creditor to Azben Limited, L.L.C., an Arizona limited liability company (hereinafter referred to as "Azben"), by Collateral Assignment of Beneficial Interest Under a Single Deed of Trust dated September 16, 2013 and recorded on September 17, 2013 as Instrument No. 2013-0833044 in the Records, and subsequently re-recorded on October 25, 2013 as Instrument No. 2013-0940922 in the Records to correct the recited date of original recordation of such document. When used herein, the term "Senior Deed of Trust" shall not only mean and refer to the Senior Deed of Trust, but also to the re-recordation thereof on October 4, 2013 as Instrument No. 2013-0885116 in the Records. Capitalized terms not otherwise defined herein shall have the meanings given them in the Senior Deed of Trust; and

**WHEREAS**, Senior Creditor and Junior Creditor have further agreed that the Junior Liabilities secured by the Junior Mortgage are and shall be subordinated to the Purchase Money Note and to other sums due and owing thereunder and under the Senior Deed of Trust (collectively, the "Senior Liabilities"), all in accordance with the terms hereof; and

**WHEREAS**, Senior Creditor and Junior Creditor have further agreed that i) the Senior Deed of Trust, securing the Purchase Money Note and representing purchase money for the Land, is a lien or charge upon the Land prior and superior to the lien or charge of the Junior Mortgage, ii) that Junior Creditor will specifically and unconditionally subordinate the lien or charge of the Junior Mortgage to the lien or charge of the Senior Deed of Trust, and iii) that the Junior Liabilities secured by the Junior Mortgage are subordinated to the Senior Liabilities, all as more fully set forth herein below; and

6  
**WHEREAS**, it is to the mutual benefit of the parties hereto that Senior Creditor not: i) take any formal action (which would entail time and expense and in which Senior Creditor would prevail) to establish the first and prior nature of the lien of the Senior Deed of Trust; ii) institute immediate action for foreclosure of the Senior Deed of Trust which might result in proceeds insufficient to defray both the Senior Liabilities and the Junior Liabilities (it being understood that Senior Creditor's forbearance in this regard is limited to Owner's default ("Owner's Recording Default") under the Senior Deed of Trust occasioned by the existence of the Junior Deed of Trust and not to any other current or future defaults under the Senior Deed of Trust, including, without limitation, failure to pay at maturity or to perform any other terms and conditions of the Senior Deed of Trust or the Purchase Money Note [herein, "Other Defaults"]); and iii) presently enforce the right of Senior Creditor to charge interest at the default rate under the Senior Deed of Trust (it being understood that such forbearance is limited to the effect of Owner's Recording Default and not to any Other Defaults) which would be in priority to the Junior Liabilities, and Junior Creditor is willing to agree that the Senior Deed of Trust securing the Purchase Money Note shall constitute a lien or charge upon the Land which is unconditionally prior and superior to the lien or charge of the Junior Mortgage.

**NOW, THEREFORE**, in consideration of the mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, and in order to induce Senior Creditor to forbear from taking formal actions to establish the lien priority of the Senior Deed of Trust, to not institute any foreclosure actions on account of Owner's Recording Default and not presently enforce interest at the default rate due on the Purchase Money Note on account of Owner's Recording Default, it is hereby declared, understood and agreed as follows:

(1) That the Senior Deed of Trust securing the Senior Liabilities, and any renewals or extensions thereof, shall unconditionally be and remain at all times a lien or charge on the Land therein described, prior and superior to the lien or charge of the Junior Mortgage.

(2) That this Agreement shall be the whole and only agreement with regard to the subordination of the lien or charge of the Junior Mortgage to the lien or charge of the Senior Deed of Trust.

(3) That Senior Creditor may amend the Senior Deed of Trust or the Purchase Money Note in any manner without the prior written consent of Junior Creditor. No renewal, modification or extension of time of payment of the Senior Liabilities, and no release or surrender of any security for the Senior Liabilities, or the obligations of any endorsers, sureties or guarantors thereof, or release from the terms of this or any other subordination agreement of any claims subordinated, and no delay or omission in exercising any right or power on account of or in connection with the Senior Liabilities, or under this Agreement, shall, in any manner, impair or affect the rights and duties of Senior Creditor or Junior Creditor. Senior Creditor, in its uncontrolled discretion, may waive or release any right or option accorded Senior Creditor under this Agreement without the consent Junior Creditor, and without otherwise in any way affecting the obligations Junior Creditor hereunder. Junior Creditor hereby waives notice of the creation, existence, renewal, modification or extension of the time of payment, of the Senior Liabilities.

(4) That Junior Creditor may not amend the Junior Mortgage in any manner that would materially and adversely affect the Senior Liabilities or the Property, including, without limitation, increasing the face amount of the Junior Liabilities, increasing the interest rate or any payment obligations under the Junior Liabilities, or expanding Junior Creditor's security interests and liens under the Junior Loan relating to the Property, without the prior written consent of the Senior Creditor. Junior Creditor shall give Senior Creditor written notice as well as copies of any such amendments within five (5) business days after such documents have been executed by Junior Creditor.

(5) That Junior Creditor shall send to Senior Creditor a written copy of any notices given to Owner regarding: (i) any default under the Junior Mortgage or Junior Liabilities; or (ii) any event, with the giving of such notice or the passage of time without cure, would result in a default under the Junior Mortgage or Junior Liabilities. Junior Creditor agrees that all such notices to Senior Creditor shall be sent contemporaneously with the sending of such notices to Owner. Senior Creditor shall send to Junior Creditor a written copy of any notices given to Owner regarding: (i) any default under any of the Purchase Money Note or the Senior Deed of Trust; or (ii) any event, with the giving of such notice or the passage of time without cure, would result in a default or Event of Default under either the Purchase Money Note or the Senior Deed of Trust. Senior Creditor agrees that all such notices to Junior Creditor shall be sent contemporaneously with the sending of such notices to Owner. Senior Creditor and Junior Creditor shall each have the right, but not the obligation, to cure any default by Owner under the Junior Mortgage, on one hand, or the Purchase Money Note or the Senior Deed of Trust, on the other hand, and respectively. In addition, at any time and from time to time, Junior Creditor, at its option, shall have the right to fully repay the Purchase Money Note in full, together with accrued but unpaid interest and all of Senior Lender's costs and fees thereunder, in which case Junior Creditor shall be entitled to all of the rights and benefits of Senior Lender thereunder.

(6) Notwithstanding any lien now held or hereafter acquired by the Junior Creditor, the Senior Creditor may take possession of, sell, dispose of, and otherwise deal with all or any part of the Property, and may enforce any right or remedy available to it with respect to the Owner or the Property, all without notice to or the consent of the Junior Creditor except as specifically required by applicable law or this Agreement. The Senior Creditor shall have no duty to preserve, protect, care for, insure, take possession of, collect, dispose of, or otherwise realize upon any of the Property, except in accordance with applicable law (including the Arizona Uniform Commercial Code), and in no event shall the Senior Creditor be deemed the Junior Creditor's agent with respect to the Property. All proceeds received by the Senior Creditor with respect to the Property, or any portion thereof, may be applied, first, to pay or reimburse the Senior Creditor for all costs and expenses (including reasonable attorneys' fees) incurred by the Senior Creditor in connection with the collection of such proceeds, and, second, to any Senior Liabilities secured by the Senior Deed of Trust in any order that it may choose or as otherwise required by the Purchase Money Note or applicable law, and, third, to the Junior Liabilities.

(7) That, until the Senior Liabilities are paid in full, Junior Creditor agrees, except as expressly set forth herein, to not take any action or exercise any remedies under the Junior Deed of Trust or with respect of the Junior Liability or to cause Owner to voluntarily or involuntarily seek relief from its creditors, appointment of a receiver, liquidator or trustee for all or a major part of its assets or file a pleading or answer in any proceeding admitting insolvency, bankruptcy or inability of pay its debts as they mature.

6

(9) That if: (a) there occurs any casualty to the buildings or improvements constructed on the Property that is covered by insurance; or (b) any portion of the Property is condemned or taken under a power of eminent domain, Senior Creditor shall have the sole right, without any involvement or rights of Junior Creditor, to adjust, collect and compromise, in its sole discretion, all insurance proceeds and compensation and awards issued on account of such action.

(10) That the Recitals set forth above are incorporated by reference into the body of the Subordination Agreement as if fully re-written herein.

(11) No addition to or modification of any term or provision of this Agreement shall be effective unless set forth in writing and signed by both Senior Creditor and Junior Creditor.

(12) That each of Senior Creditor and Junior Creditor and attorneys for each such party have participated in the drafting and preparation of this Agreement. Therefore, the provisions of this Agreement shall not be construed in favor of or against either Senior Creditor or Junior Creditor, but shall be construed as if both Senior Creditor and Junior Creditor equally prepared this Agreement.

(13) That this Agreement may be executed in counterparts, each of which shall constitute an original, but all of which together shall constitute a single agreement. The signature page of any counterpart may be detached therefrom without impairing the legal effect of the signature(s) thereon provided such signature page is attached to any other counterpart identical thereto except having additional signature pages executed by the other party.

(14) That the laws of the State of Arizona applicable to contracts to be performed wholly within Arizona shall govern this Agreement.

6

**NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN SPECIFIC CONSIDERATION, A PORTION OF WHICH MAY BE EXPENDED, UTILIZED AND/OR APPLIED FOR OTHER PURPOSES THAN THE IMPROVEMENT OF THE LAND.**

**(ALL SIGNATURES MUST BE ACKNOWLEDGED)**

***IT IS RECOMMENDED THAT, PRIOR TO THE EXECUTION OF THIS SUBORDINATION AGREEMENT, THE PARTIES CONSULT WITH THEIR ATTORNEYS WITH RESPECT THERETO.***

**(Remainder of page intentionally blank.)**

6

**SENIOR CREDITOR.**

SELL WHOLESALE FUNDING, LLC, an Arizona limited liability company

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

STATE OF ARIZONA       )  
                                  )ss.  
County of Maricopa       )

On \_\_\_\_\_, before me, the undersigned Notary Public, personally appeared \_\_\_\_\_, the \_\_\_\_\_ of SELL WHOLESALE FUNDING, LLC, an Arizona limited liability company, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies) and that his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

6

My Commission  
Expires:

\_\_\_\_\_  
Notary Public

**JUNIOR CREDITOR:**

DENSCO INVESTMENT CORPORATION, an Arizona corporation

By: \_\_\_\_\_  
Denny J. Chittick, President

STATE OF ARIZONA            )  
  )ss.

County of Maricopa         )

On \_\_\_\_\_, before me, the undersigned Notary Public, personally appeared Denny J. Chittick, President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies) and that his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

My Commission  
Expires:

\_\_\_\_\_  
Notary Public

**AZBEN CONSENT**

The undersigned AZBEN LIMITED, L.L.C., an Arizona limited liability company, hereby consents to the foregoing Subordination Agreement between Sell Wholesale Funding, LLC, an Arizona limited liability company, as senior creditor, and Densco Investment Corporation, an Arizona corporation, as junior creditor, pertaining to the Land more particularly described on Exhibit "A" attached hereto.

AZBEN LIMITED, L.L.C., an Arizona limited liability company

By: \_\_\_\_\_  
Broc C. Hiatt, Manager

STATE OF ARIZONA                    )  
  )ss.  
County of Maricopa                    )

On \_\_\_\_\_, before me, the undersigned Notary Public, personally appeared Broc C. Hiatt, Manager of AZBEN LIMITED, L.L.C., an Arizona limited liability company, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies) and that his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

My Commission  
Expires:

\_\_\_\_\_  
Notary Public

EXHIBIT "A"

**Description of Property**

Lot 176, of SUBDIVISION LINDSAY AND WARNER, according to the Plat of Record in the Office of the County Recorder of Maricopa County, Arizona, recorded in Book 610 of Maps, Page 17.

APN: 309-25-432



RECORDING REQUESTED  
BY AND WHEN RECORDED  
MAIL TO:

GEARED EQUITY, LLC  
6828 E. Camelback Rd.  
Scottsdale, Arizona 85251

Space Above This Line for Recorder's Use Only

### SUBORDINATION AGREEMENT

NOTICE: THIS SUBORDINATION AGREEMENT (THIS "AGREEMENT") RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

THIS SUBORDINATION AGREEMENT ("Agreement"), made this \_\_\_\_ day of January, 2014, by GEARED EQUITY, LLC, an Arizona limited liability company (hereinafter referred to as "Senior Creditor"), whose mailing address is 6828 E. Camelback Rd., Phoenix, Arizona 85251, and DENSCO INVESTMENT CORPORATION, an Arizona corporation (hereinafter referred to as "Junior Creditor"), whose mailing address is 6132 W. Victoria Place, Chandler, Arizona 85226;

### WITNESSETH

THAT WHEREAS, Arizona Home Foreclosures, LLC, an Arizona limited liability company (hereinafter referred to as "Owner"), is the owner of the land hereinafter described on Exhibit "A" attached hereto and made a part hereof (the "Land" or the "Property"); and

WHEREAS, Owner, as mortgagor, executed a Mortgage ("Junior Mortgage") dated August 6, 2013, to and for the benefit of Junior Creditor, as mortgagee, and recorded on August 6, 2013 at 12:46 p.m., as Instrument No. 2013-0717135 in the Records of Maricopa County, Arizona ("Records"), purporting to encumber the Land, which Junior Mortgage purportedly secures payment of the sum of \$150,000.00 ("Junior Liabilities") which might come due under or pursuant to a purported loan made by Junior Creditor to Owner in such purported amount referenced in said Junior Mortgage. When used herein, the term "Junior Mortgage" shall not only mean and refer to the Junior Mortgage stated above, but also to: i) any re-recording thereof; and ii) that certain Deed of Trust and Assignment of Rents, of even date with the Junior Mortgage ("Junior Deed of Trust"), made by Owner, as trustor, to Trustee Corps, as trustee, to and for the benefit of Junior Creditor, as beneficiary, which Junior Deed of Trust was recorded August 21, 2013 as Instrument No. 2013-0760511 in the Records; and

WHEREAS, Owner, as trustor, also executed that certain Deed of Trust and Assignment of Rents ("Senior Deed of Trust") dated August 6, 2013, to Thomas C. Wilmer, Esq., as trustee, to and for the benefit of Senior Creditor, as beneficiary, which Senior Deed of Trust secures payment of a Promissory Note of Owner to Senior Creditor in the original stated principal amount of \$152,800.00 ("Purchase");

6  
Money Note"), recorded August 7, 2013 at 12:42 p.m. as Instrument No. 2013-0721399 in the Records. Proceeds from the Purchase Money Note were used to pay, and represent, purchase money of and for the Property. When used herein, the term "Senior Deed of Trust" shall not only mean and refer to the Senior Deed of Trust, but also to the re-recording thereof on August 22, 2013 as Instrument No. 2013-0765233 in the Records. Capitalized terms not otherwise defined herein shall have the meanings given them in the Senior Deed of Trust; and

**WHEREAS**, Senior Creditor and Junior Creditor have further agreed that the Junior Liabilities secured by the Junior Mortgage are and shall be subordinated to the Purchase Money Note and to other sums due and owing thereunder and under the Senior Deed of Trust (collectively, the "Senior Liabilities"), all in accordance with the terms hereof; and

**WHEREAS**, Senior Creditor and Junior Creditor have further agreed that i) the Senior Deed of Trust, securing the Purchase Money Note and representing purchase money for the Land, is a lien or charge upon the Land prior and superior to the lien or charge of the Junior Mortgage, ii) that Junior Creditor will specifically and unconditionally subordinate the lien or charge of the Junior Mortgage to the lien or charge of the Senior Deed of Trust, and iii) that the Junior Liabilities secured by the Junior Mortgage are subordinated to the Senior Liabilities, all as more fully set forth herein below; and

6  
**WHEREAS**, it is to the mutual benefit of the parties hereto that Senior Creditor not: i) take any formal action (which would entail time and expense and in which Senior Creditor would prevail) to establish the first and prior nature of the lien of the Senior Deed of Trust; ii) institute immediate action for foreclosure of the Senior Deed of Trust which might result in proceeds insufficient to defray both the Senior Liabilities and the Junior Liabilities (it being understood that Senior Creditor's forbearance in this regard is limited to Owner's default ("Owner's Recording Default") under the Senior Deed of Trust occasioned by the existence of the Junior Deed of Trust and not to any other current or future defaults under the Senior Deed of Trust, including, without limitation, failure to pay at maturity or to perform any other terms and conditions of the Senior Deed of Trust or the Purchase Money Note [herein, "Other Defaults"]); and iii) presently enforce the right of Senior Creditor to charge interest at the default rate under the Senior Deed of Trust (it being understood that such forbearance is limited to the effect of Owner's Recording Default and not to any Other Defaults) which would be in priority to the Junior Liabilities, and Junior Creditor is willing to agree that the Senior Deed of Trust securing the Purchase Money Note shall constitute a lien or charge upon the Land which is unconditionally prior and superior to the lien or charge of the Junior Mortgage.

**NOW, THEREFORE**, in consideration of the mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, and in order to induce Senior Creditor to forbear from taking formal actions to establish the lien priority of the Senior Deed of Trust, to not institute any foreclosure actions on account of Owner's Recording Default and not presently enforce interest at the default rate due on the Purchase Money Note on account of Owner's Recording Default, it is hereby declared, understood and agreed as follows:

(1) That the Senior Deed of Trust securing the Senior Liabilities, and any renewals or extensions thereof, shall unconditionally be and remain at all times a lien or charge on the Land therein described, prior and superior to the lien or charge of the Junior Mortgage.

(2) That this Agreement shall be the whole and only agreement with regard to the subordination of the lien or charge of the Junior Mortgage to the lien or charge of the Senior Deed of Trust.

(3) That Senior Creditor may amend the Senior Deed of Trust or the Purchase Money Note in any manner without the prior written consent of Junior Creditor. No renewal, modification or extension of time of payment of the Senior Liabilities, and no release or surrender of any security for the Senior Liabilities, or the obligations of any endorser, sureties or guarantors thereof, or release from the terms of this or any other subordination agreement of any claims subordinated, and no delay or omission in exercising any right or power on account of or in connection with the Senior Liabilities, or under this Agreement, shall, in

any manner, impair or affect the rights and duties of Senior Creditor or Junior Creditor. Senior Creditor, in its uncontrolled discretion, may waive or release any right or option accorded Senior Creditor under this Agreement without the consent of Junior Creditor, and without otherwise in any way affecting the obligations of Junior Creditor hereunder. Junior Creditor hereby waives notice of the creation, existence, renewal, modification or extension of the time of payment, of the Senior Liabilities.

(4) That Junior Creditor may not amend the Junior Mortgage in any manner that would materially and adversely affect the Senior Liabilities or the Property, including, without limitation, increasing the face amount of the Junior Liabilities, increasing the interest rate or any payment obligations under the Junior Liabilities, or expanding Junior Creditor's security interests and liens under the Junior Loan relating to the Property, without the prior written consent of the Senior Creditor. Junior Creditor shall give Senior Creditor written notice as well as copies of any such amendments within five (5) business days after such documents have been executed by Junior Creditor.

(5) That Junior Creditor shall send to Senior Creditor a written copy of any notices given to Owner regarding: (i) any default under the Junior Mortgage or Junior Liabilities; or (ii) any event, with the giving of such notice or the passage of time without cure, would result in a default under the Junior Mortgage or Junior Liabilities. Junior Creditor agrees that all such notices to Senior Creditor shall be sent contemporaneously with the sending of such notices to Owner. Senior Creditor shall send to Junior Creditor a written copy of any notices given to Owner regarding: (i) any default under any of the Purchase Money Note or the Senior Deed of Trust; or (ii) any event, with the giving of such notice or the passage of time without cure, would result in a default or Event of Default under either the Purchase Money Note or the Senior Deed of Trust. Senior Creditor agrees that all such notices to Junior Creditor shall be sent contemporaneously with the sending of such notices to Owner. Senior Creditor and Junior Creditor shall each have the right, but not the obligation, to cure any default by Owner under the Junior Mortgage, on one hand, or the Purchase Money Note or the Senior Deed of Trust, on the other hand, and respectively. In addition, at any time and from time to time, Junior Creditor, at its option, shall have the right to fully repay the Purchase Money Note in full, together with accrued but unpaid interest and all of Senior Lender's costs and fees thereunder, in which case Junior Creditor shall be entitled to all of the rights and benefits of Senior Lender thereunder.

(6) Notwithstanding any lien now held or hereafter acquired by the Junior Creditor, the Senior Creditor may take possession of, sell, dispose of, and otherwise deal with all or any part of the Property, and may enforce any right or remedy available to it with respect to the Owner or the Property, all without notice to or the consent of the Junior Creditor except as specifically required by applicable law or this Agreement. The Senior Creditor shall have no duty to preserve, protect, care for, insure, take possession of, collect, dispose of, or otherwise realize upon any of the Property, except in accordance with applicable law (including the Arizona Uniform Commercial Code), and in no event shall the Senior Creditor be deemed the Junior Creditor's agent with respect to the Property. All proceeds received by the Senior Creditor with respect to the Property, or any portion thereof, may be applied, first, to pay or reimburse the Senior Creditor for all costs and expenses (including reasonable attorneys' fees) incurred by the Senior Creditor in connection with the collection of such proceeds, and, second, to any Senior Liabilities secured by the Senior Deed of Trust in any order that it may choose or as otherwise required by the Purchase Money Note or applicable law, and, third, to the Junior Liabilities.

(7) That, until the Senior Liabilities are paid in full, Junior Creditor agrees, except as expressly set forth herein, to not take any action or exercise any remedies under the Junior Deed of Trust or with respect to the Junior Liability or to cause Owner to voluntarily or involuntarily seek relief from its creditors, appointment of a receiver, liquidator or trustee for all or a major part of its assets or file a pleading or answer in any proceeding admitting insolvency, bankruptcy or inability to pay its debts as they mature.

(9) That if: (a) there occurs any casualty to the buildings or improvements constructed on the Property that is covered by insurance; or (b) any portion of the Property is condemned or taken under a power of eminent domain, Senior Creditor shall have the sole right, without any involvement or rights of Junior Creditor, to adjust, collect and compromise, in its sole discretion, all insurance proceeds and compensation and awards issued on account of such action.

(10) That the Recitals set forth above are incorporated by reference into the body of the Subordination Agreement as if fully re-written herein.

(11) No addition to or modification of any term or provision of this Agreement shall be effective unless set forth in writing and signed by both Senior Creditor and Junior Creditor.

(12) That each of Senior Creditor and Junior Creditor and attorneys for each such party have participated in the drafting and preparation of this Agreement. Therefore, the provisions of this Agreement shall not be construed in favor of or against either Senior Creditor or Junior Creditor, but shall be construed as if both Senior Creditor and Junior Creditor equally prepared this Agreement.

(13) That this Agreement may be executed in counterparts, each of which shall constitute an original, but all of which together shall constitute a single agreement. The signature page of any counterpart may be detached therefrom without impairing the legal effect of the signature(s) thereon provided such signature page is attached to any other counterpart identical thereto except having additional signature pages executed by the other party.

(14) That the laws of the State of Arizona applicable to contracts to be performed wholly within Arizona shall govern this Agreement.

**NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN SPECIFIC CONSIDERATION, A PORTION OF WHICH MAY BE EXPENDED, UTILIZED AND/OR APPLIED FOR OTHER PURPOSES THAN THE IMPROVEMENT OF THE LAND.**

**(ALL SIGNATURES MUST BE ACKNOWLEDGED)**

**IT IS RECOMMENDED THAT, PRIOR TO THE EXECUTION OF THIS SUBORDINATION AGREEMENT, THE PARTIES CONSULT WITH THEIR ATTORNEYS WITH RESPECT THERETO.**

**(Remainder of page intentionally blank.)**

**SENIOR CREDITOR:**

GEARED EQUITY, LLC, an Arizona limited liability company

By: \_\_\_\_\_  
Printed Name. \_\_\_\_\_  
Title: \_\_\_\_\_

STATE OF ARIZONA            )  
                                      )ss.  
County of Maricopa         )

On \_\_\_\_\_, before me, the undersigned Notary Public, personally appeared \_\_\_\_\_, the \_\_\_\_\_ of GEARED EQUITY, LLC, an Arizona limited liability company, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies) and that his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

My Commission  
Expires:

\_\_\_\_\_  
Notary Public

**JUNIOR CREDITOR:**

DENSCO INVESTMENT CORPORATION, an Arizona corporation

By: \_\_\_\_\_  
Denny J. Chittick, President

STATE OF ARIZONA            )  
  )ss.  
County of Maricopa            )

On \_\_\_\_\_, before me, the undersigned Notary Public, personally appeared Denny J. Chittick, President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies) and that his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

My Commission  
Expires.

\_\_\_\_\_  
Notary Public

**EXHIBIT "A"**

**Description of Property**

Lot 218, of Anthem – Unit 55, According to the Plat of Record in the Office of the County Recorder of Maricopa County, Arizona, Recorded in Book 665 of Maps, Page 30.  
EXCEPT therefrom all coal, oil, gas and other mineral deposits, as reserved in the patent to the land.

APN: 211-93-218

**Beauchamp, David G.**

**From:** Beauchamp, David G.  
**Sent:** Tuesday, January 21, 2014 9:49 PM  
**To:** Anderson, Robert G.  
**Cc:** Schenck, Daniel A.  
**Subject:** FW: deferred interest

I think I forgot to include the dates for the deferred interest (below) in the Term Sheet.

Thanks, David

**David G. Beauchamp**

CLARK HILL PLC

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

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**From:** Denny [mailto:[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)]  
**Sent:** Thursday, January 16, 2014 5:25 AM  
**To:** Beauchamp, David G.  
**Subject:** Re: deferred interest

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

Sent from my iPad

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

Denny:

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

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

Best, David

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

---

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



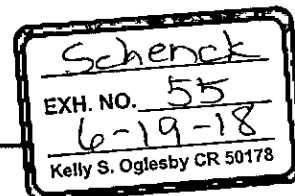
instead of a time table, what we agreed to was that i would defer the interest until the property pays off. once we start turning these properties and cash starts coming in for scott he's going to try to make interest payments too. but that depends on cash flow not a date.

dc

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

LEGAL NOTICE: This e-mail is for the exclusive use of the intended recipient(s), and may contain privileged and confidential information. If you are not an intended recipient, please notify the sender, delete the e-mail from your computer and do not copy or disclose it to anyone else. Your receipt of this message is not intended to waive any applicable privilege. Neither this e-mail nor any attachment(s) establish an attorney-client relationship, constitute an electronic signature or provide consent to contract electronically, unless expressly so stated by a Clark Hill attorney in the body of this e-mail or an attachment.

FEDERAL TAX ADVICE DISCLAIMER: Under U. S. Treasury Regulations, we are informing you that, to the extent this message includes any federal tax advice, this message is not intended or written by the sender to be used, and cannot be used, for the purpose of avoiding federal tax penalties.



Message

**From:** Schenck, Daniel A. [DSchenck@ClarkHill.com]  
**Sent:** 1/21/2014 1:35:00 PM  
**To:** dcmoney@yahoo.com  
**CC:** Beauchamp, David G. [DBeauchamp@ClarkHill.com]; Anderson, Robert G. [RAnderson@ClarkHill.com]  
**Subject:** Furniture King  
**Attachments:** 3528\_001.pdf

Denny,

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

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

Thank you.

**Daniel A. Schenck**

CLARK HILL PLC

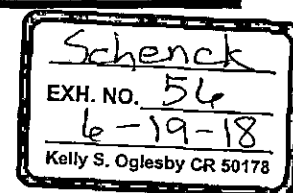
480.684.1118 (direct) | 480.684.1179 (fax)  
Licensed in Arizona, California, Utah and Nevada  
[dschenck@clarkhill.com](mailto:dschenck@clarkhill.com) | [bio](http://bio.clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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FEDERAL TAX ADVICE DISCLAIMER: Under U. S. Treasury Regulations, we are informing you that, to the extent this message includes any federal tax advice, this message is not intended or written by the sender to be used, and cannot be used, for the purpose of avoiding federal tax penalties.

*DanSio / Workout*

**Beauchamp, David G.**



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

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

Thanks, David

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

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

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

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

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

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

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

Dan:

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

Thanks, David

David G. Beauchamp

CLARK HILL PLC

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

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

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

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

To: Beauchamp, David G.

Subject: Tomorrow morning

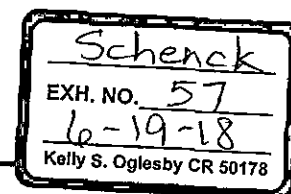
I didn't call u all weekend because I didn't have a solution. Scott is in NY and after talking with him, he's raised a 1.5 million and now all we have to do is get dan off our back, we have a plan I just need ur blessing. Here r the basics To use round numbers, let's say there r 50 loans from dans group,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

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

Sent from my iPad

Message

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



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

thx

dc

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

---

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

Denny,

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

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

Thank you.

**Daniel A. Schenck**

**CLARK HILL PLC**

---

480.684.1118 (direct) | 480.684.1179 (fax)

Licensed in Arizona, California, Utah and Nevada

[dschenck@clarkhill.com](mailto:dschenck@clarkhill.com) | [bio](#) | [www.clarkhill.com](http://www.clarkhill.com)

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**WHEN RECORDED MAIL TO:**

DenSco Investment  
6132 W. Victoria Place  
Chandler, AZ 85226

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

**DEED OF TRUST AND ASSIGNMENT OF RENTS**

Date: January 17, 2014

**TRUSTOR:** Arizona Home Foreclosures, LLC

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

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

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

**TRUSTEE:** Quality Loan Service Corp

Address: 2141 5<sup>th</sup> Ave., San Diego, CA 92101

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

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

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

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

**FOR THE PURPOSE OF SECURING:**

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

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

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

6

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

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

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

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

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

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

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

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

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



6  
Borrower learns, or is notified by any governmental or regulatory authority, that any removable or other remediation of any Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Laws. As used in this Paragraph 10, "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides or herbicides, volatile solvents, materials containing asbestos, formaldehyde or dioxins, and radioactive materials. As used in this Paragraph 10, "Environmental Law" means all federal laws and laws of the state, county and city of the jurisdiction where the Property is located that relates to health, safety or environmental protection.

**IT IS MUTUALLY AGREED:**

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

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

6  
13. TIME IS OF THE ESSENCE IN EACH COVENANT OF THIS DEED OF TRUST; and that by accepting payment of any sums secured hereby after its due date, Lender does not waive its right either to require prompt payment when due of all other sums so secured or to declare default for failure to pay.

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

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

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

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

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

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

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

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

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

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

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

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

**NOTE SECURED BY DEED OF TRUST**

\$43,500.00

Phoenix, AZ (Date) January 17, 2014

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

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

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

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

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

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

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

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

Borrower: Arizona Home Foreclosures, LLC

By: X

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

Personally Guaranteed by: X

Printed Name: X

357665v1

Monthly Installments

6/5/2007

CH\_0001417

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

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

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

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

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

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

**BORROWER:** Arizona Home Foreclosures, LLC

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

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

STATE OF ARIZONA	)
	) ss.
COUNTY OF MARICOPA	)
This Instrument was acknowledged before me this ____ day of _____, 2014	
By: YomTov Menaged	
Commission Expires: _____	_____ Notary

When recorded, mail to.

**DenSco Investment**  
**6132 W. Victoria Place**  
**Chandler, AZ 85226**

### MORTGAGE

January 17, 2014

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

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

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

**Borrower:** Arizona Home Foreclosures, LLC

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

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

State of Arizona     )  
  ) ss.

County of Maricopa )

Subscribed, sworn to and acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2014.

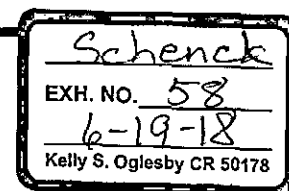
By: Yomtov Scott Menaged

Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

Den Sco / Workout

**Beauchamp, David G.**



**From:** Beauchamp, David G.  
**Sent:** Tuesday, January 21, 2014 3:26 PM  
**To:** Anderson, Robert G.  
**Cc:** Schenck, Daniel A.  
**Subject:** FW: update

I just confirmed with Denny that Scott and he agreed to ALSO use another title company to speed up the process. We will get the name of the escrow officer and the title company later today.

Thanks, David

**David G. Beauchamp**

CLARK HILL PLC

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

---

**From:** Denny Chittick [mailto:[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)]  
**Sent:** Tuesday, January 21, 2014 2:13 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: update

ok we'll use another title office. i've confirmed it with Scott.  
dc

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

---

**From:** "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)>  
**To:** Denny Chittick <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)>  
**Sent:** Tuesday, January 21, 2014 1:57 PM  
**Subject:** RE: update

Denny:

If I knew the attorney that they are now using, I could try to confirm the timing. If you or Scott talk to Dan or the others, please try to get a name.

I understand the fine line that you are taking. I am just very concerned about the payoffs getting so far ahead of the documentation. I have authorized the preparation of the Forbearance Agreement and the related documents. Under normal circumstances, this should be finalized and signed before you

advance all of this additional money. We plan to get the documents to you and Scott later this week. Hopefully, we can get the documents signed later this week.

Best, David

**David G. Beauchamp**

CLARK HILL PLC

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

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**From:** Denny Chittick [mailto:[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)]  
**Sent:** Tuesday, January 21, 2014 1:50 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: update

we talked about that, she can run title for me and just tell me that i'm clear, she's also working with us to get the payoffs so we'll see how it works out, i understand the risk. i'm trying to walk a fine line between doing it right and doing it quickly! i know how to do it right, i just don't know how fast i have to do it to keep them at bay. i can do 2 million this week, which will cut it in 1/2 , with payoffs coming in through the end of the month, i should be able to have them completely paid off with in another 2 weeks , knocking some off a little at a time, i just dont' know if they'll give us that time...

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

---

**From:** "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)>  
**To:** Denny Chittick <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)>  
**Sent:** Tuesday, January 21, 2014 1:42 PM  
**Subject:** RE: update

Denny:

If you do this outside escrow, you will probably not be eligible for title insurance. Under the circumstances, title insurance would be good to have to deal with the lien issues. You might want to ask Debbie what procedure you could use to expedite the pay-offs and still have her company be able to issue title insurance.

Would it make sense to split up the payoffs of these loans into two or three different escrows and title agencies?

Best, David

**David G. Beauchamp**

CLARK HILL PLC

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

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**From:** Denny Chittick [<mailto:dcmoney@yahoo.com>]

**Sent:** Tuesday, January 21, 2014 12:42 PM

**To:** Beauchamp, David G.

**Subject:** update

we are going to pay off 6 tomorrow, title can't work fast enough, the earliest we can do more through title is friday based on what debbie is saying. we may need to get payoff directly from them and just exchange checks and releases outside of title.

dc

**DenSco Investment Corp**

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

602-469-3001 C

602-532-7737 f

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Clark Hill attorney in the body of this e-mail or an attachment.

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Schenck
EXH. NO. 59
10-19-18
Kelly S. Oglesby CR 50178

Message

**From:** Anderson, Robert G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=RANDERSON]  
**Sent:** 1/23/2014 2:39:29 PM  
**To:** Beauchamp, David G. [dbeauchamp@clarkhill.com]  
**CC:** Schenck, Daniel A. [dschenck@clarkhill.com]  
**Subject:** Forbearance Ageement  
**Attachments:** 200131428\_1.doc

Needs a little polishing but it is close. Note this agreement is drafted for a single loan.

## FORBEARANCE AGREEMENT

THIS FORBEARANCE AGREEMENT ("Agreement") is executed on January \_\_, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company ("Borrower"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308, \*\*\* *Optional* [where loan is subject to Guaranty ("Guarantor")] and DenSco Investment Corporation, an Arizona corporation ("Lender"), whose address is 6132 W. Victoria Place, Chandler, Arizona 85226.

### Recitals

The following recitals of fact are a material part of this Agreement:

A. Borrower is indebted to Lender under the terms of a loan (the "Loan") evidenced by a certain promissory note dated January 17, 2014, in the original principal amount of \$43,500.00, executed by Borrower in favor of Lender (the "Note")

B. \*\*\* *OPTIONAL* [Guarantor guaranteed the payment and performance of the Loan pursuant to that certain \_\_\_\_\_ (the "Guaranty") dated January 17, 2014, executed by Guarantor in favor of Lender.]

C. The Loan is further evidenced and/or secured by various documents and instruments, including but not limited to that certain Deed of Trust and Assignment of Rents ("Deed of Trust") dated January 17, 2014, executed by Borrower in favor of Lender, which was recorded \_\_\_\_\_, 2014 at Recorder's No. 2014-\_\_\_\_\_, in the office of the Maricopa County Recorder. The Deed of Trust constitutes a lien on certain real property described therein ("Property"). The Note, Deed of Trust, [the Guaranty], the other document(s) described above and all other documents and instruments evidencing and/or securing the Loan, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "Loan Documents".

D. The Property was used as security for a loan from another lender ("Other Lender") and the Loan from Lender may not be in the first lien position as required by the Loan Documents.

E. The Loan is now in default and Lender has given any notice required under the Loan Documents concerning such default.

F. Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, but only so long as and on the conditions that (1) Borrower [and Guarantor] acknowledge the existing default under the Loan, (2) all liens, security interests, rights and remedies of Lender under the Loan Documents continue in full force and effect and (3) Borrower [and Guarantor] fulfill all conditions and comply with all terms and provisions set forth in this Agreement, and furnish all other documents and perform all other acts necessary to give effect to the agreements hereinafter set forth.

**NOW THEREFORE**, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. **Loan Balance.** The total sum now due and payable under the Loan is \$\_\_\_\_\_, consisting of \$\_\_\_\_\_ in principal, \$\_\_\_\_\_ in accrued interest (through and including \_\_\_\_\_, 2014), \$\_\_\_\_\_ advanced by Lender in payment of \_\_\_\_\_ as permitted under the Loan Documents and \$\_\_\_\_\_ in costs and expenses incurred by Lender for collection and enforcement of the Loan. Interest continues to accrue under the Loan at the default rate of \_\_\_\_\_% per annum as provided in the Note.

2. **Acknowledgment of Default.** Borrower [and Guarantor] hereby acknowledge and agree that the Loan is in default, and that as a result of such default, Lender now has the right to pursue foreclosure and any and all other rights and remedies permitted to Lender under the Loan Documents and/or under applicable law.

3. **Continued Effect of Loan Documents.** Borrower [and Guarantor] further acknowledge and confirm that the Loan Documents have been duly authorized, executed and delivered to Lender and are valid, binding and enforceable against Borrower [and Guarantor] in accordance with their respective terms, and that all liens and security interests created in favor of Lender under the Loan Documents have been validly created and duly perfected as first and prior encumbrances upon all property and collateral of Borrower [and/or Guarantor] as described in the Loan Documents.

4. **Forbearance by Lender on Conditions; Effect of Breach.** Lender hereby agrees to forbear pursuit of its rights and remedies under the Loan Documents and/or under applicable law, but only so long as and on the conditions that Borrower [and Guarantor] pay all sums, perform all covenants and agreements and do all acts and things required of them hereunder. If Borrower [or Guarantor] fails to pay any sum or to perform any covenant, agreement or obligation owed to Lender under this Agreement or any Loan Document, Lender may cease such forbearance and may immediately commence and pursue any or all rights and remedies Lender may have under the Loan Documents and/or under applicable law as to any or all of the collateral or security for the Loan, all in such order and manner as Lender may elect from time to time in its sole discretion and without notice of any kind to Borrower, [Guarantor] or any other person, as if this Section 4 had never been agreed to by Lender. Lender's agreement herein to forego immediate pursuit of its rights and remedies constitutes a postponement and forbearance only, and does not in any event constitute a waiver of any such rights or remedies.

5. **No Effect on Existing Default or Maturity.** Neither the execution and delivery of this Agreement or any other document or instrument required hereunder nor the consummation of the transactions and agreements set forth in this Agreement shall in any manner rescind or cure any existing default under the Loan Documents, reinstate the Loan to a current status, constitute an accord and satisfaction or extend the maturity of the Loan.

6. **Conditions to Effectiveness.** This Agreement shall be effective only when this Agreement has been executed and delivered by each of the undersigned parties, and the following conditions have been fulfilled:

(A) Lender agrees to increase the Loan amount up to 95% of the loan-to-value ("LTV") ratio of the [fair market] value of the Property. The additional funds advance to Borrower shall be used to pay off the Other Lender and release its security interest in the Property.

(B) Lender will defer (but not waive) the collection of interest from the Borrower on the Loan to the Borrower during the process to fund the amount due to the Other Lender; and all deferred interest on the Note from Borrower shall be paid to Lender on or before the payoff of the Note.

(C) Borrower agrees to provide any additional security ("Additional Security") to Lender, as may be requested by Lender, to secure Borrower's existing obligations to Lender and to secure the additional obligations that Lender is agreeing to provide pursuant to this Agreement.

(D) Execution, delivery and filing or recording (with all costs thereof paid by Borrower) of all documents and instruments required to create first and prior liens upon and/or security interests in the Additional Collateral.

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

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

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

(H) Borrower agrees to provide Lender with a personal guaranty from Scott Managed, guaranteeing all of Borrower's obligations under the Loan Documents and this Agreement. Further, Borrower agrees to provide a re-affirmation and consent from Scott Managed to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees of Lender's loans to Borrower, so that the terms and provisions of this Agreement will not cause or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's

obligations, as such obligations may be increased by the actions of Lender and Borrower pursuant to the terms and provisions of this Agreement.

(I) Except for Lender, Borrower agrees to continue to pay the interest due to the Other Lender and any other similarly situated lender on a timely basis and to keep such loans current and in compliance with its terms.

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

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

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

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

7. INTENTIONALLY DELETED

8. The entire principal sum and all accrued interest, costs, expenses, disbursements and fees due under the terms and provisions of the Note and all other sums payable under the Loan Documents shall be due and payable in full on \_\_ \_\_ \_\_\_\_, 2014 in any event, without notice or demand.

9. Additional Collateral Required. As one of the conditions to the effectiveness of this Agreement and of Lender's continued forbearance hereunder, the following additional collateral and security shall be furnished to Lender:

(A) \_\_\_\_\_

(B) \_\_\_\_\_

(C) \_\_\_\_\_

10. Grace and Cure Periods Eliminated. All provisions of the Loan Documents requiring any notice to Borrower or any other person as a condition precedent to the existence of any breach, default or Event of Default or to any acceleration or other remedial action by Lender,

6

permitting any grace period during which non-payment does not constitute a default, or granting any period after the giving or receipt of any notice for the cure of any breach, default or Event of Default under the Loan Documents prior to acceleration or other remedial action by Lender are hereby deleted, and all Loan Documents are hereby modified accordingly.

11. Release of Lender; Waiver of Claims and Defenses. As a material part of the consideration for Lender's execution of this Agreement, Borrower and Guarantor each hereby unconditionally and irrevocably release and forever discharge Lender and all of its directors, officers, employees, agents, attorneys, affiliates and subsidiaries from all liabilities, obligations, actions, claims, causes of action, suits, proceedings, damages, demands, costs and expenses whatsoever arising from or relating to any alleged or actual act, occurrence, omission or transaction occurring or happening prior to or on the date of this Agreement, including but not limited to any of the foregoing relating to the making, administration or enforcement of the Loan. Without limiting the foregoing, Borrower and Guarantor hereby unconditionally and irrevocably waive any and all defenses and claims existing or arising (or based on facts or circumstances actually or allegedly existing or arising) prior to or on the date of this Agreement which might otherwise limit their unconditional joint and several liability for all sums due under the Loan

12. Further Documents, Etc. Borrower and Guarantor each hereby agree to execute any and all further documents and instruments required by Lender and to do all other acts and things necessary to give effect to the terms and provisions of this Agreement and/or to create and perfect all liens and security interests granted to Lender under the Loan Documents or required under this Agreement.

13. Authorization of Agreement. The execution and delivery of this Agreement has been duly authorized by all necessary corporate or partnership action of Borrower and Guarantor (as applicable), and the individuals executing this Agreement on behalf of Borrower and/or Guarantor have been duly authorized and empowered to bind Borrower and/or Guarantor by such execution.

14. Costs and Expenses. Borrower hereby agrees to pay on demand any and all costs and expenses, including but not limited to attorneys' fees, incurred by Lender in connection with (A) the negotiation, preparation, filing and/or recording of this Agreement and all other documents and instruments required to give effect to this Agreement and/or to create and perfect the liens, security interests, assignments and/or pledges contemplated hereunder or under the Loan Documents and/or (B) the collection of the Loan and/or the enforcement of the Loan Documents, and Guarantor shall be liable for all of the foregoing pursuant to the Guaranty.

Borrower and Guarantor shall be solely responsible for the payment of all costs and expenses, including but not limited to attorneys' fees of their respective counsel, incurred by Borrower or Guarantor in connection with the negotiation, preparation, filing and/or recording of this Agreement or any other document required hereunder or relating to Lender's efforts to collect the Loan and enforce the Loan Documents, and Lender shall have no liability whatsoever for any of the foregoing.

15. Time of the Essence. Time is of the essence of all agreements contained herein

16. Construction of Agreement. If any provision of this Agreement conflicts with any provision of any Loan Document, the applicable provision of this Agreement shall control.

As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa.

The titles and captions in this Agreement are used for convenience of reference only and do not define, limit or control the scope, intent or effect of any provisions of this Agreement.

No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted all or any portion of this Agreement, any other document required hereunder or any Loan Document.

17 Ratification and Agreements by Guarantor. Guarantor hereby acknowledges and consents to the terms of this Agreement, agrees to be bound by all terms and provisions hereof and of any and all documents and instruments executed by Borrower in connection with and/or as contemplated in this Agreement; acknowledges and confirms that Guarantor is and shall remain liable for all indebtedness and obligations now or hereafter owed by Borrower to Lender in connection with the Loan (pursuant to this Agreement and the Loan Documents or otherwise); agrees that Guarantor's said liability shall not be released, reduced or otherwise affected by the execution of this Agreement, by any changes in the effect of the Loan Documents under the terms of this Agreement, by Lender's receipt of any additional collateral for the Loan, by the consummation of any transactions relating hereto, or by any other existing fact or circumstance; ratifies the Guaranty as security for the Loan; and confirms that the Guaranty remains in full force and effect.

18. Entire Agreement; No Oral Agreements Concerning Loan. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, which agreement shall not be varied by any alleged or actual oral statements or parol evidence whatsoever. Lender has not promised or agreed in any manner to extend the maturity of the Loan, to restructure the Loan or any security therefor, to modify any terms of the Loan Documents or the effect thereof, to forbear in the commencement, exercise or pursuit of any right or remedy Lender has under the Loan Documents or applicable law, to release or adversely affect any lien or security interest previously or concurrently granted in favor of Lender, or to forego the benefit of any term, provision or condition of the Loan Documents, except as may be otherwise specifically provided in this Agreement and subject in all instances to strict compliance by Borrower and Guarantor with all terms and conditions of this Agreement. Lender has not agreed or become obligated, whether by negotiating or executing this Agreement or otherwise, to make any new loan or to extend any new credit to Borrower or Guarantor under any circumstances.

The following notice is included in this Agreement pursuant to Section 432.045, R. S Mo :

Oral agreements or commitments to loan money, extend credit or to forbear from enforcing repayment of a debt including promises



to extend or renew such debt are not enforceable. To protect the parties to this Agreement and the Loan Documents from misunderstanding or disappointment, any agreements the parties reach covering such matters are contained in this Agreement and the Loan Documents (as defined above), all of which shall be construed as one writing, which is the complete and exclusive statement of the agreement between the parties, except as the parties may later agree in writing to modify it.

The following notice is included in this Agreement pursuant to K.S.A. Section 16-118(b):

THIS AGREEMENT AND THE "LOAN DOCUMENTS" AS DEFINED HEREIN COLLECTIVELY CONSTITUTE THE WRITTEN CREDIT AGREEMENT WHICH IS THE COMPLETE AND FINAL EXPRESSION OF THE CREDIT AGREEMENT BETWEEN BORROWER AND LENDER WITH REGARD TO THE EXTENSION OF CREDIT AND/OR FINANCIAL ACCOMMODATION REFERRED TO HEREIN AS THE SAME EXIST TODAY AND SUCH WRITTEN CREDIT AGREEMENT MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR ORAL CREDIT AGREEMENT OR OF ANY CONTEMPORANEOUS ORAL CREDIT AGREEMENT BETWEEN BORROWER AND LENDER. BORROWER AGREES THAT ALL NONSTANDARD TERMS OF THE CREDIT AGREEMENT BETWEEN BORROWER AND LENDER WITH RESPECT TO THE EXTENSION OF CREDIT REFERRED TO HEREIN AND ALL PRIOR ORAL CREDIT AGREEMENTS AND CONTEMPORANEOUS ORAL CREDIT AGREEMENTS BETWEEN THEM WITH RESPECT TO THE EXTENSION OF CREDIT REFERRED TO HEREIN ARE SUFFICIENTLY SET FORTH HEREIN AND IN THE OTHER "LOAN DOCUMENTS", WITHOUT EXCEPTION. BY SIGNING AND/OR ACCEPTING THIS AGREEMENT, BORROWER AND LENDER AFFIRM THAT NO UNWRITTEN ORAL CREDIT AGREEMENT BETWEEN BORROWER AND LENDER WITH REGARD TO THE AFORESAID EXTENSION OF CREDIT OR OTHER FINANCIAL ACCOMMODATION EXISTS.

**IN WITNESS WHEREOF**, the undersigned parties have executed this Agreement on the date first above written.

Borrower:

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_

Name  
Title:

Guarantor:

\_\_\_\_\_

Lender:

\_\_\_\_\_  
\_\_\_\_\_

By:

\_\_\_\_\_  
Name:  
Title

**ACKNOWLEDGMENTS**

**[Add appropriate acknowledgment forms  
for Borrower and Guarantor ]**

STATE OF \_\_\_\_\_ )  
 ) SS  
COUNTY OF \_\_\_\_\_ )

On this day of \_\_\_\_\_, 2014, before me appeared \_\_\_\_\_, to me  
personally known, who being by me duly sworn, did say that he/she is the  
\_\_\_\_\_ of \_\_\_\_\_, a  
corporation, and said \_\_\_\_\_ acknowledged execution of the foregoing  
instrument to be the free act and deed of said corporation.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my  
official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

Message

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**From:** Schenck, Daniel A. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DSCHENCK]  
**Sent:** 1/23/2014 5:00:16 PM  
**To:** Beauchamp, David G. [dbeauchamp@clarkhill.com]  
**CC:** Anderson, Robert G. [randerson@clarkhill.com]  
**Subject:** Forbearance Agreement  
**Attachments:** 200131428\_2.doc

David,

Attached is the revised Forbearance Agreement. This version can be used to apply to all of the loans between the parties.

Best,

**Daniel A. Schenck**

CLARK HILL PLC

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

## FORBEARANCE AGREEMENT

**THIS FORBEARANCE AGREEMENT ("Agreement")** is executed on January \_\_, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company ("**AHF**"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308, Easy Investments, LLC, an Arizona limited liability company ("**EI**"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308 (AHF and EI are collectively referred to as the ("**Borrower**"), Yomtov "Scott" Menaged ("**Guarantor**"), whose address is \_\_\_\_\_, and DenSco Investment Corporation, an Arizona corporation ("**Lender**"), whose address is 6132 W. Victoria Place, Chandler, Arizona 85226.

### Recitals

The following recitals of fact are a material part of this Agreement:

- A. Borrower is indebted to Lender under the terms of certain Loans (the "Loans"), which are listed on the attached Exhibit A, which is incorporated into this Agreement by this reference, evidenced by a certain promissory notes, executed by Borrower in favor of Lender (the "Notes").
- B. Guarantor guaranteed the payment and performance of the Loans pursuant to the terms of the Loans and or Notes (the "Guaranty"), executed by Guarantor in favor of Lender.
- C. The Loans are further evidenced and/or secured by various documents and instruments, including but not limited to certain Deeds of Trust and Assignment of Rents ("Deeds of Trust"), executed by Borrower in favor of Lender. The Deeds of Trust constitute a lien on the respective real properties described therein ("Properties") and referenced in Exhibit A. The Note, Deeds of Trust, the Guaranty, the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "Loans Documents"
- D. The Properties were used as security for one or more loans from another lender ("Other Lender") and the Loans from Lender may not be in the first lien position as required by the Loans Documents.
- E. The Loans are now in default and Lender has given any notice required under the Loans Documents concerning such default
- F. Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, but only so long as and on the conditions that (1) Borrower and Guarantor acknowledge the existing default under the Loans, (2) all liens, security interests, rights and remedies of Lender under the Loans Documents continue in full force and effect and (3) Borrower and Guarantor fulfill all conditions and comply with all terms and provisions set forth in this Agreement, and furnish all other documents and perform all other acts necessary to give effect to the agreements hereinafter set forth

**NOW THEREFORE**, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. Loans Balance. The total sum now due and payable under the Loans, in aggregate, is \$ \_\_\_\_\_, consisting of \$ \_\_\_\_\_ in principal, \$ \_\_\_\_\_ in accrued interest (through and including \_\_\_\_\_, 2014), \$ \_\_\_\_\_ advanced by Lender in payment of \_\_\_\_\_ as permitted under the Loans Documents and \$ \_\_\_\_\_ in costs and expenses incurred by Lender for collection and enforcement of the Loans. Interest continues to accrue under the Loans at the default rate of \_\_\_\_\_% per annum as provided in the Notes.

2. Acknowledgment of Default. Borrower and Guarantor hereby acknowledge and agree that the Loans are in default, and that as a result of such default, Lender now has the right to pursue foreclosure and any and all other rights and remedies permitted to Lender under the Loans Documents and/or under applicable law.

3. Continued Effect of Loans Documents. Borrower and Guarantor further acknowledge and confirm that the Loans Documents have been duly authorized, executed and delivered to Lender and are valid, binding and enforceable against Borrower and Guarantor in accordance with their respective terms, and that to Borrower and Guarantor's knowledge, all liens and security interests created in favor of Lender under the Loans Documents have been validly created and duly perfected as first and prior encumbrances upon all Properties and collateral of Borrower and/or Guarantor as described in the Loans Documents. Borrower and Guarantor also acknowledge and confirm that the past practices of the parties included the recording of the Deeds of Trust as a first priority encumbrance of the respective Properties, pursuant to the terms of the Loan Documents, and that Borrower was not aware of any changes to that practice when the Loans were made to the Borrower.

4. Forbearance by Lender on Conditions, Effect of Breach. Lender hereby agrees to forbear pursuit of its rights and remedies under the Loans Documents and/or under applicable law, but only so long as and on the conditions that Borrower and Guarantor pay all sums, perform all covenants and agreements and do all acts and things required of them hereunder. If Borrower or Guarantor fails to pay any sum or to perform any covenant, agreement or obligation owed to Lender under this Agreement or any Loans Document, Lender may cease such forbearance and may immediately commence and pursue any or all rights and remedies Lender may have under the Loans Documents and/or under applicable law as to any or all of the collateral or security for the Loans, all in such order and manner as Lender may elect from time to time in its sole discretion and without notice of any kind to Borrower, Guarantor or any other person, as if this Section 4 had never been agreed to by Lender. Lender's agreement herein to forego immediate pursuit of its rights and remedies constitutes a postponement and forbearance only, and does not in any event constitute a waiver of any such rights or remedies.

5. No Effect on Existing Default or Maturity. Neither the execution and delivery of this Agreement or any other document or instrument required hereunder nor the consummation of the transactions and agreements set forth in this Agreement shall in any manner rescind or cure any existing default under the Loans Documents, reinstate the Loans to a current status, constitute an accord and satisfaction or extend the maturity of the Loans.

6. Continued Performance. Lender's continued performance of the terms of this Agreement is conditioned upon each of the following obligations being fulfilled:

(A) Lender agrees to increase the Loan amount of each of the Properties referenced in Exhibit A up to 95% of the loan-to-value ("LTV") ratio of the value of the respective Properties, based on a broker assessment. The additional funds advance to Borrower shall be used to pay off the Other Lender and release its security interest in the Property

(B) Lender will defer (but not waive) the collection of interest from the Borrower on the Loans to the Borrower during the process to fund the amount due to the Other Lender; and all deferred interest on the Notes from Borrower shall be paid to Lender on or before the payoff of the subject Note.

(C) Borrower agrees to provide any additional security ("Additional Security") to Lender, as may be requested by Lender, to secure Borrower's existing obligations to Lender and to secure the additional obligations that Lender is agreeing to provide pursuant to this Agreement.

(D) Execution, delivery and filing or recording (with all costs thereof paid by Borrower) of all documents and instruments required to create first and prior liens, as applicable, upon and/or security interests in the Additional Collateral.

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

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

(G) Borrower agrees to provide Lender, and maintain in effect, a life insurance policy from a life insurance carrier reasonably approved by Lender, in the amount of \$10,000,000, insuring the life of Guarantor with Lender named as the sole beneficiary, until all obligations pursuant to the Agreement have been full satisfied.

(H) Borrower agrees to provide Lender with a separate personal guaranty from Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents and this Agreement. Further, Borrower agrees to provide a re-affirmation and consent from Guarantor to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees of Lender's Loans to Borrower, so that the terms and provisions of this Agreement will not cause

or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of Lender and Borrower pursuant to the terms and provisions of this Agreement

(I) Except for Lender, Borrower agrees to continue to pay the interest due to the Other Lender and any other similarly situated lender on a timely basis and to keep such Loans current and in compliance with its terms.

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

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

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

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

7. INTENTIONALLY DELETED

8. The entire principal sum and all accrued interest, costs, expenses, disbursements and fees due under the terms and provisions of the Notes and all other sums payable under the Loans Documents shall be due and payable in full on \_\_\_\_\_, 2014 in any event, without notice or demand

9. Additional Collateral Required. As one of the conditions to the effectiveness of this Agreement and of Lender's continued forbearance hereunder, the following additional collateral and security shall be furnished to Lender

(A) \_\_\_\_\_

(B) \_\_\_\_\_

(C) \_\_\_\_\_

10. Grace and Cure Periods Eliminated. All provisions of the Loans Documents requiring any notice to Borrower or any other person as a condition precedent to the existence of



any breach, default or event of default or to any acceleration or other remedial action by Lender, permitting any grace period during which non-payment does not constitute a default, or granting any period after the giving or receipt of any notice for the cure of any breach, default or event of default under the Loans Documents prior to acceleration or other remedial action by Lender are hereby deleted, and all Loans Documents are hereby modified accordingly

11. Release of Lender; Waiver of Claims and Defenses. As a material part of the consideration for Lender's execution of this Agreement, Borrower and Guarantor each hereby unconditionally and irrevocably release and forever discharge Lender and all of its directors, officers, employees, agents, attorneys, affiliates and subsidiaries from all liabilities, obligations, actions, claims, causes of action, suits, proceedings, damages, demands, costs and expenses whatsoever arising from or relating to any alleged or actual act, occurrence, omission or transaction occurring or happening prior to or on the date of this Agreement, including but not limited to any of the foregoing relating to the making, administration or enforcement of the Loans. Without limiting the foregoing, Borrower and Guarantor hereby unconditionally and irrevocably waive any and all defenses and claims existing or arising (or based on facts or circumstances actually or allegedly existing or arising) prior to or on the date of this Agreement which might otherwise limit their unconditional joint and several liability for all sums due under the Loans.

12. Further Documents, Etc. Borrower and Guarantor each hereby agree to execute any and all further documents and instruments required by Lender and to do all other acts and things necessary to give effect to the terms and provisions of this Agreement and/or to create and perfect all liens and security interests granted to Lender under the Loans Documents or required under this Agreement.

13. Authorization of Agreement. The execution and delivery of this Agreement has been duly authorized by all necessary corporate or partnership action of Borrower and Guarantor (as applicable), and the individuals executing this Agreement on behalf of Borrower and/or Guarantor have been duly authorized and empowered to bind Borrower and/or Guarantor by such execution.

14. Costs and Expenses. Borrower hereby agrees to pay on demand any and all costs and expenses, including but not limited to attorneys' fees, incurred by Lender in connection with (A) the negotiation, preparation, filing and/or recording of this Agreement and all other documents and instruments required to give effect to this Agreement and/or to create and perfect the liens, security interests, assignments and/or pledges contemplated hereunder or under the Loans Documents and/or (B) the collection of the Loans and/or the enforcement of the Loans Documents, and Guarantor shall be liable for all of the foregoing pursuant to the Guaranty.

Borrower and Guarantor shall be solely responsible for the payment of all costs and expenses, including but not limited to attorneys' fees of their respective counsel, incurred by Borrower or Guarantor in connection with the negotiation, preparation, filing and/or recording of this Agreement or any other document required hereunder or relating to Lender's efforts to collect the Loans and enforce the Loans Documents, and Lender shall have no liability whatsoever for any of the foregoing.

15. Time of the Essence. Time is of the essence of all agreements contained herein.

16. Construction of Agreement. If any provision of this Agreement conflicts with any provision of any Loans Document, the applicable provision of this Agreement shall control.

As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa.

The titles and captions in this Agreement are used for convenience of reference only and do not define, limit or control the scope, intent or effect of any provisions of this Agreement.

No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted all or any portion of this Agreement, any other document required hereunder or any Loans Document.

17. Ratification and Agreements by Guarantor. Guarantor hereby acknowledges and consents to the terms of this Agreement, agrees to be bound by all terms and provisions hereof and of any and all documents and instruments executed by Borrower in connection with and/or as contemplated in this Agreement; acknowledges and confirms that Guarantor is and shall remain liable for all indebtedness and obligations now or hereafter owed by Borrower to Lender in connection with the Loans (pursuant to this Agreement and the Loans Documents or otherwise); agrees that Guarantor's said liability shall not be released, reduced or otherwise affected by the execution of this Agreement, by any changes in the effect of the Loans Documents under the terms of this Agreement, by Lender's receipt of any additional collateral for the Loans, by the consummation of any transactions relating hereto, or by any other existing fact or circumstance; ratifies the Guaranty as security for the Loans; and confirms that the Guaranty remains in full force and effect.

18. Entire Agreement; No Oral Agreements Concerning Loans. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, which agreement shall not be varied by any alleged or actual oral statements or parol evidence whatsoever. Lender has not promised or agreed in any manner to extend the maturity of the Loans, to restructure the Loans or any security therefor, to modify any terms of the Loans Documents or the effect thereof, to forbear in the commencement, exercise or pursuit of any right or remedy Lender has under the Loans Documents or applicable law, to release or adversely affect any lien or security interest previously or concurrently granted in favor of Lender, or to forego the benefit of any term, provision or condition of the Loans Documents, except as may be otherwise specifically provided in this Agreement and subject in all instances to strict compliance by Borrower and Guarantor with all terms and conditions of this Agreement. Lender has not agreed or become obligated, whether by negotiating or executing this Agreement or otherwise, to make any new Loans or to extend any new credit to Borrower or Guarantor under any circumstances.

19. Ratification of Workout. The parties acknowledge and agree that the terms and conditions of this Agreement are part of but not the entire body of a mutual workout arrangement between the parties for a resolution of a dispute regarding the Loans. Borrower and

Guarantor each hereby ratify, consent to, and agree to all of Lender's actions, from \_\_\_\_\_ to the date first stated above, regarding and or related to the Other Lender's claims alleging that the encumbrances for their loans were in first priority for the subject Properties; with the actions of the Lender including, without limitation, Lender lending Borrower an additional \$ \_\_\_\_\_, in the aggregate, with said funds being used towards satisfaction of certain loans from the Other Lenders. Borrower and Guarantor each ratify and agree that the Lender's loans for said Properties have increased by the amounts that Lender paid toward satisfaction of the Other Lender's loan for the subject Properties.

**IN WITNESS WHEREOF**, the undersigned parties have executed this Agreement on the date first above written.

**Borrower:**

ARIZONA HOME FORECLOSURES, LLC

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

EASY INVESTMENTS, LLC

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

**Guarantor:**

\_\_\_\_\_  
Yomtov "Scott" Menaged

**Lender:**

DENSCO INVESTMENT CORPORATION

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

**EXHIBIT A**

**LENDER LOANS AND ENCUMBERED PROPERTIES**

**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the Manager of ARIZONA HOME FORECLOSURES, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires  
\_\_\_\_\_

**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA )

On this day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the Manager of EASY INVESTMENTS, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:  
\_\_\_\_\_

**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did acknowledged execution of the foregoing instrument as the Guarantor.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires.  
  
\_\_\_\_\_

**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this day of \_\_\_\_\_, 2014, before me appeared Denny Chittick, to me personally known, who being by me duly sworn, did say that he/she is the President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, and said Denny Chittick acknowledged execution of the foregoing instrument to be the free act and deed of said corporation.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:  
\_\_\_\_\_



Schenck	
EXH. NO.	60
	6-19-18
Kelly S. Oglesby CR 50178	

Message

**From:** Anderson, Robert G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=RANDERSON]  
**Sent:** 1/28/2014 7:32:26 AM  
**To:** Beauchamp, David G. [dbeauchamp@clarkhill.com]; Schenck, Daniel A. [dschenck@clarkhill.com]  
**Subject:** DenSco Forbearance Agreement  
**Attachments:** 200131428\_2.doc

David and Dan, only two minor comments, see Sec. 6 c & m. Let me know if I can be of additional help.

Bob

## FORBEARANCE AGREEMENT

THIS FORBEARANCE AGREEMENT ("Agreement") is executed on January \_\_, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company ("AHF"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308, Easy Investments, LLC, an Arizona limited liability company ("EI"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308 (AHF and EI are collectively referred to as the ("Borrower"), Yomtov "Scott" Menaged ("Guarantor"), whose address is \_\_\_\_\_, and DenSco Investment Corporation, an Arizona corporation ("Lender"), whose address is 6132 W. Victoria Place, Chandler, Arizona 85226.

### Recitals

The following recitals of fact are a material part of this Agreement:

A. Borrower is indebted to Lender under the terms of certain Loans (the "Loans"), which are listed on the attached Exhibit A, which is incorporated into this Agreement by this reference, evidenced by a certain promissory notes, executed by Borrower in favor of Lender (the "Notes")

B. Guarantor guaranteed the payment and performance of the Loans pursuant to the terms of the Loans and or Notes (the "Guaranty"), executed by Guarantor in favor of Lender

C. The Loans are further evidenced and/or secured by various documents and instruments, including but not limited to certain Deeds of Trust and Assignment of Rents ("Deeds of Trust"), executed by Borrower in favor of Lender. The Deeds of Trust constitute a lien on the respective real properties described therein ("Properties") and referenced in Exhibit A. The Note, Deeds of Trust, the Guaranty, the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "Loans Documents".

D. The Properties were used as security for one or more loans from another lender ("Other Lender") and the Loans from Lender may not be in the first lien position as required by the Loans Documents.

E. The Loans are now in default and Lender has given any notice required under the Loans Documents concerning such default.

F. Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, but only so long as and on the conditions that (1) Borrower and Guarantor acknowledge the existing default under the Loans, (2) all liens, security interests, rights and remedies of Lender under the Loans Documents continue in full force and effect and (3) Borrower and Guarantor fulfill all conditions and comply with all terms and provisions set forth in this Agreement, and furnish all other documents and perform all other acts necessary to give effect to the agreements hereinafter set forth

**NOW THEREFORE**, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. **Loans Balance.** The total sum now due and payable under the Loans, in aggregate, is \$ \_\_\_\_\_, consisting of \$ \_\_\_\_\_ in principal, \$ \_\_\_\_\_ in accrued interest (through and including \_\_\_\_\_, 2014), \$ \_\_\_\_\_ advanced by Lender in payment of \_\_\_\_\_ as permitted under the Loans Documents and \$ \_\_\_\_\_ in costs and expenses incurred by Lender for collection and enforcement of the Loans. Interest continues to accrue under the Loans at the default rate of \_\_\_\_\_% per annum as provided in the Notes.

2. **Acknowledgment of Default.** Borrower and Guarantor hereby acknowledge and agree that the Loans are in default, and that as a result of such default, Lender now has the right to pursue foreclosure and any and all other rights and remedies permitted to Lender under the Loans Documents and/or under applicable law

3. **Continued Effect of Loans Documents.** Borrower and Guarantor further acknowledge and confirm that the Loans Documents have been duly authorized, executed and delivered to Lender and are valid, binding and enforceable against Borrower and Guarantor in accordance with their respective terms, and that to Borrower and Guarantor's knowledge, all liens and security interests created in favor of Lender under the Loans Documents have been validly created and duly perfected as first and prior encumbrances upon all Properties and collateral of Borrower and/or Guarantor as described in the Loans Documents. Borrower and Guarantor also acknowledge and confirm that the past practices of the parties included the recording of the Deeds of Trust as a first priority encumbrance of the respective Properties, pursuant to the terms of the Loan Documents, and that Borrower was not aware of any changes to that practice when the Loans were made to the Borrower.

4. **Forbearance by Lender on Conditions; Effect of Breach** Lender hereby agrees to forbear pursuit of its rights and remedies under the Loans Documents and/or under applicable law, but only so long as and on the conditions that Borrower and Guarantor pay all sums, perform all covenants and agreements and do all acts and things required of them hereunder. If Borrower or Guarantor fails to pay any sum or to perform any covenant, agreement or obligation owed to Lender under this Agreement or any Loans Document, Lender may cease such forbearance and may immediately commence and pursue any or all rights and remedies Lender may have under the Loans Documents and/or under applicable law as to any or all of the collateral or security for the Loans, all in such order and manner as Lender may elect from time to time in its sole discretion and without notice of any kind to Borrower, Guarantor or any other person, as if this Section 4 had never been agreed to by Lender. Lender's agreement herein to forego immediate pursuit of its rights and remedies constitutes a postponement and forbearance only, and does not in any event constitute a waiver of any such rights or remedies.

5. **No Effect on Existing Default or Maturity.** Neither the execution and delivery of this Agreement or any other document or instrument required hereunder nor the consummation of the transactions and agreements set forth in this Agreement shall in any manner rescind or cure any existing default under the Loans Documents, reinstate the Loans to a current status, constitute an accord and satisfaction or extend the maturity of the Loans.

6. Continued Performance. Lender's continued performance of the terms of this Agreement is conditioned upon each of the following obligations being fulfilled.

(A) Lender agrees to increase the Loan amount of each of the Properties referenced in Exhibit A up to 95% of the loan-to-value ("LTV") ratio of the value of the respective Properties, based on a broker assessment. The additional funds advance to Borrower shall be used to pay off the Other Lender and release its security interest in the Property.

(B) Lender will defer (but not waive) the collection of interest from the Borrower on the Loans to the Borrower during the process to fund the amount due to the Other Lender; and all deferred interest on the Notes from Borrower shall be paid to Lender on or before the payoff of the subject Note.

(C) Borrower agrees to provide any additional security ("Additional Collateral") to Lender, as may be requested by Lender, to secure Borrower's existing obligations to Lender and to secure the additional obligations that Lender is agreeing to provide pursuant to this Agreement.

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(E) Borrower agrees to reimburse all costs and expenses, including without limitation title reports, amendments or title insurance, investigation fees, and / or attorneys' fees, incurred by Lender in connection with this Agreement, or the existing and / or any future lien disputes with the Other Lender or any other similarly situated lenders

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(G) Borrower agrees to provide Lender, and maintain in effect, a life insurance policy from a life insurance carrier reasonably approved by Lender, in the amount of \$10,000,000, insuring the life of Guarantor with Lender named as the sole beneficiary, until all obligations pursuant to the Agreement have been full satisfied.

(H) Borrower agrees to provide Lender with a separate personal guaranty from Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents and this Agreement. Further, Borrower agrees to provide a re-affirmation and consent from Guarantor to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees of Lender's Loans to Borrower, so that the terms and provisions of this Agreement will not cause

or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of Lender and Borrower pursuant to the terms and provisions of this Agreement.

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

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(M) Borrower and Lender acknowledge and agree that this forbearance/ workout agreement shall not constitute nor create a joint venture or partnership arrangement between or among Lender and the Borrower.

7. INTENTIONALLY DELETED

8. The entire principal sum and all accrued interest, costs, expenses, disbursements and fees due under the terms and provisions of the Notes and all other sums payable under the Loans Documents shall be due and payable in full on \_\_\_\_\_, 2014 in any event, without notice or demand.

9. Additional Collateral Required. As one of the conditions to the effectiveness of this Agreement and of Lender's continued forbearance hereunder, the following additional collateral and security shall be furnished to Lender:

(A) \_\_\_\_\_

(B) \_\_\_\_\_

(C) \_\_\_\_\_

10. Grace and Cure Periods Eliminated. All provisions of the Loans Documents requiring any notice to Borrower or any other person as a condition precedent to the existence of

any breach, default or event of default or to any acceleration or other remedial action by Lender, permitting any grace period during which non-payment does not constitute a default, or granting any period after the giving or receipt of any notice for the cure of any breach, default or event of default under the Loans Documents prior to acceleration or other remedial action by Lender are hereby deleted, and all Loans Documents are hereby modified accordingly.

11. Release of Lender; Waiver of Claims and Defenses. As a material part of the consideration for Lender's execution of this Agreement, Borrower and Guarantor each hereby unconditionally and irrevocably release and forever discharge Lender and all of its directors, officers, employees, agents, attorneys, affiliates and subsidiaries from all liabilities, obligations, actions, claims, causes of action, suits, proceedings, damages, demands, costs and expenses whatsoever arising from or relating to any alleged or actual act, occurrence, omission or transaction occurring or happening prior to or on the date of this Agreement, including but not limited to any of the foregoing relating to the making, administration or enforcement of the Loans. Without limiting the foregoing, Borrower and Guarantor hereby unconditionally and irrevocably waive any and all defenses and claims existing or arising (or based on facts or circumstances actually or allegedly existing or arising) prior to or on the date of this Agreement which might otherwise limit their unconditional joint and several liability for all sums due under the Loans.

12. Further Documents, Etc. Borrower and Guarantor each hereby agree to execute any and all further documents and instruments required by Lender and to do all other acts and things necessary to give effect to the terms and provisions of this Agreement and/or to create and perfect all liens and security interests granted to Lender under the Loans Documents or required under this Agreement.

13. Authorization of Agreement The execution and delivery of this Agreement has been duly authorized by all necessary corporate or partnership action of Borrower and Guarantor (as applicable), and the individuals executing this Agreement on behalf of Borrower and/or Guarantor have been duly authorized and empowered to bind Borrower and/or Guarantor by such execution.

14. Costs and Expenses. Borrower hereby agrees to pay on demand any and all costs and expenses, including but not limited to attorneys' fees, incurred by Lender in connection with (A) the negotiation, preparation, filing and/or recording of this Agreement and all other documents and instruments required to give effect to this Agreement and/or to create and perfect the liens, security interests, assignments and/or pledges contemplated hereunder or under the Loans Documents and/or (B) the collection of the Loans and/or the enforcement of the Loans Documents, and Guarantor shall be liable for all of the foregoing pursuant to the Guaranty.

Borrower and Guarantor shall be solely responsible for the payment of all costs and expenses, including but not limited to attorneys' fees of their respective counsel, incurred by Borrower or Guarantor in connection with the negotiation, preparation, filing and/or recording of this Agreement or any other document required hereunder or relating to Lender's efforts to collect the Loans and enforce the Loans Documents, and Lender shall have no liability whatsoever for any of the foregoing.

15. Time of the Essence. Time is of the essence of all agreements contained herein.

16. Construction of Agreement. If any provision of this Agreement conflicts with any provision of any Loans Document, the applicable provision of this Agreement shall control.

As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa.

The titles and captions in this Agreement are used for convenience of reference only and do not define, limit or control the scope, intent or effect of any provisions of this Agreement.

No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted all or any portion of this Agreement, any other document required hereunder or any Loans Document.

17. Ratification and Agreements by Guarantor. Guarantor hereby acknowledges and consents to the terms of this Agreement, agrees to be bound by all terms and provisions hereof and of any and all documents and instruments executed by Borrower in connection with and/or as contemplated in this Agreement, acknowledges and confirms that Guarantor is and shall remain liable for all indebtedness and obligations now or hereafter owed by Borrower to Lender in connection with the Loans (pursuant to this Agreement and the Loans Documents or otherwise); agrees that Guarantor's said liability shall not be released, reduced or otherwise affected by the execution of this Agreement, by any changes in the effect of the Loans Documents under the terms of this Agreement, by Lender's receipt of any additional collateral for the Loans, by the consummation of any transactions relating hereto, or by any other existing fact or circumstance; ratifies the Guaranty as security for the Loans; and confirms that the Guaranty remains in full force and effect.

18. Entire Agreement; No Oral Agreements Concerning Loans. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, which agreement shall not be varied by any alleged or actual oral statements or parol evidence whatsoever. Lender has not promised or agreed in any manner to extend the maturity of the Loans, to restructure the Loans or any security therefor, to modify any terms of the Loans Documents or the effect thereof, to forbear in the commencement, exercise or pursuit of any right or remedy Lender has under the Loans Documents or applicable law, to release or adversely affect any lien or security interest previously or concurrently granted in favor of Lender, or to forego the benefit of any term, provision or condition of the Loans Documents, except as may be otherwise specifically provided in this Agreement and subject in all instances to strict compliance by Borrower and Guarantor with all terms and conditions of this Agreement. Lender has not agreed or become obligated, whether by negotiating or executing this Agreement or otherwise, to make any new Loans or to extend any new credit to Borrower or Guarantor under any circumstances.

19. Ratification of WorkOut. The parties acknowledge and agree that the terms and conditions of this Agreement are part of but not the entire body of a mutual workout arraignment between the parties for a resolution of a dispute regarding the Loans. Borrower and

Guarantor each hereby ratify, consent to, and agree to all of Lender's actions, from \_\_\_\_\_ to the date first stated above, regarding and or related to the Other Lender's claims alleging that the encumbrances for their loans were in first priority for the subject Properties; with the actions of the Lender including, without limitation, Lender lending Borrower an additional \$ \_\_\_\_\_, in the aggregate, with said funds being used towards satisfaction of certain loans from the Other Lenders. Borrower and Guarantor each ratify and agree that the Lender's loans for said Properties have increased by the amounts that Lender paid toward satisfaction of the Other Lender's loan for the subject Properties.

IN WITNESS WHEREOF, the undersigned parties have executed this Agreement on the date first above written.

**Borrower:**

ARIZONA HOME FORECLOSURES, LLC

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

Its: Member

EASY INVESTMENTS, LLC

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

Its: Member

**Guarantor:**

\_\_\_\_\_  
Yomtov "Scott" Menaged

**Lender:**

DENSCO INVESTMENT CORPORATION

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

Its: President



**EXHIBIT A**

**LENDER LOANS AND ENCUMBERED PROPERTIES**

**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the Manager of ARIZONA HOME FORECLOSURES, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:  
\_\_\_\_\_

**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the Manager of EASY INVESTMENTS, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:  
  
\_\_\_\_\_

**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did acknowledged execution of the foregoing instrument as the Guarantor.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires  
\_\_\_\_\_

**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this day of \_\_\_\_\_, 2014, before me appeared Denny Chittick, to me personally known, who being by me duly sworn, did say that he/she is the President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, and said Denny Chittick acknowledged execution of the foregoing instrument to be the free act and deed of said corporation.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires.  
\_\_\_\_\_

Appointment

**From:** Anderson, Robert G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=RANDERSON]  
**Sent:** 1/29/2014 7:22:42 PM  
**Subject:** David B, rev Densco loan docs and procedures re closing and 1st lien position, title co  
**Start:** 1/30/2014 3:30:00 PM  
**End:** 1/30/2014 4:00:00 PM  
**Show Time As:** Busy

Schenck
EXH. NO. 61
6-19-18
Kelly S. Oglesby CR 50178

Schenek  
EXH. NO. 62  
6-19-18  
Kelly S. Oglesby CR 50178

Appointment

From: Anderson, Robert G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=RANDERSON]  
Sent: 1/31/2014 9:53:53 AM  
Subject: DenSco loan doc review  
Start: 1/31/2014 3:00:00 PM  
End: 1/31/2014 3:30:00 PM  
Show Time As: Busy

Schenck  
EXH. NO. 63  
6-19-18  
Kelly S. Oglesby CR 50178

Message

**From:** phxcanoncolor@clarkhill.com [phxcanoncolor@clarkhill.com]  
**Sent:** 2/4/2014 5:51:48 PM  
**To:** Schenck, Daniel A. [dschenck@clarkhill.com]; Beauchamp, David G. [dbeauchamp@clarkhill.com]  
**Subject:** Attached Image  
**Attachments:** 3640\_001.pdf



## FORBEARANCE AGREEMENT

**THIS FORBEARANCE AGREEMENT** ("Agreement") is executed on ~~January/February~~ \_\_, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company ("**AHF**"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308, Easy Investments, LLC, an Arizona limited liability company ("**EI**"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308 (AHF and EI are collectively referred to as the ("**Borrower**"), Yomtov "Scott" Menaged ("**Guarantor**"), whose address is ~~10510 East Sunnyside Drive, Scottsdale, Arizona~~, Furniture King, LLC, an Arizona limited liability Company ("**New Guarantor**"), whose address is 303 N. Central Avenue, Suite 603, Phoenix, AZ 85012, and DenSco Investment Corporation, an Arizona corporation ("**Lender**"), whose address is 6132 W. Victoria Place, Chandler, Arizona 85226, (collectively, the Borrower, the Guarantor, the New Guarantor, and Lender are each considered a "**Party**" hereunder and are collectively referred to as the "**Parties**").

## Recitals

The following recitals of fact are a material part of this Agreement:

A. Borrower is indebted to Lender under the terms of certain Loans (the "Loans"), which are listed on the attached Exhibit A, which is incorporated into this Agreement by this reference, and are evidenced by certain promissory notes, executed by Borrower in favor of Lender (the "Notes"). ~~DAVID - PLEASE PROVIDE EXHIBIT A!~~

B. Guarantor guaranteed the payment and performance of each of the Loans as demonstrated on Loans and/or Notes (the "Guaranty"), executed by Guarantor in favor of Lender.

C. The Loans are further evidenced and/or secured by various documents and instruments, including but not limited to certain Deeds of Trust and Assignment of Rents ("Deeds of Trust"), executed by Borrower in favor of Lender. The Deeds of Trust constitute a lien on the respective real properties described therein (individually a "Property" and collectively, "Properties") and referenced in Exhibit A. The Note, Deeds of Trust, the Guaranty, the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "Loans Documents".

D. Certain of the Properties were also used as security for one or more loans from one or more other lenders (individually, the "Other Lender" and collectively, the "Other Lenders") and the Loans from Lender may not be in the first lien position on the respective Property, as required by the Loans Documents.

E. The Loans are now in default and Lender has provided Borrower with any and all notice required under the Loans Documents concerning such default.

F. Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, but only so long as and on the conditions that (1) Borrower and Guarantor acknowledge the existing default under the Loans, (2) all liens, security interests, rights and remedies of Lender under the Loans Documents continue in full force and effect and (3) Borrower and Guarantor fulfill all conditions and comply with all terms and provisions set forth in this Agreement, and furnish all other documents and perform all other acts necessary to give effect to the agreements hereinafter set forth.

**NOW THEREFORE**, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. **Loans Balance.** The total sum now due and payable under the Loans, in aggregate, is approximately \$\_\_\_\_\_, consisting of \$\_\_\_\_\_ in principal, \$\_\_\_\_\_ in accrued interest (through and including \_\_\_\_\_, 2014), \$\_\_\_\_\_ advanced by Lender in payment of \_\_\_\_\_ as permitted under the Loans Documents and approximately \$\_\_\_\_\_ in costs and expenses incurred by Lender for collection and enforcement of the Loans. Interest continues to accrue under the Loans at the rate of \_\_\_\_\_% per annum as provided in the Notes (as opposed to the default rate set forth in the Notes).

2. **Acknowledgment of Default.** Borrower and Guarantor hereby acknowledge and agree that the Loans are in default, and that as a result of such default, Lender now has the right to pursue foreclosure and any and all other rights and remedies permitted to Lender under the Loans Documents and/or under applicable law.

3. **Continued Effect of Loans Documents.** Borrower and Guarantor further acknowledge and confirm that the Loans Documents have been duly authorized, executed and delivered to Lender and are valid, binding and enforceable against Borrower and Guarantor in accordance with their respective terms, and that to Borrower and Guarantor's knowledge, all liens and security interests created in favor of Lender under the Loans Documents have been validly created and duly perfected as first and prior encumbrances upon all Properties and collateral of Borrower and/or Guarantor as described in the Loans Documents. ~~Borrower and Guarantor also acknowledge and confirm that the past practices of the Parties included the loan being funded to Borrower for Borrower to pay the previous Trustee of each Property, the recording of the Deeds of Trust as a first priority encumbrance of the respective Properties, pursuant to the terms of each set of the Loans Documents, and that Borrower was not aware of any changes to that practice when the Loans were made to the Borrower.~~

4. **Forbearance by Lender on Conditions; Effect of Breach.** Lender hereby agrees to forbear pursuit of its rights and remedies under the Loans Documents and/or under applicable law, but only so long as and on the conditions that Borrower and Guarantor pay all sums, perform all covenants and agreements and do all acts and things required of them hereunder. If Borrower or Guarantor fails to pay any sum or to perform any covenant, agreement or obligation owed to Lender under this Agreement ~~or any Loan Document~~, Lender may cease such forbearance and may immediately commence and pursue any or all rights and remedies Lender may have under the ~~Loans Documents~~ and/or under applicable law as to any or all of the collateral or security for the Loans, all in such order and manner as Lender may elect from time

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to time in its sole discretion and without notice of any kind to Borrower, Guarantor or any other person, as if this Section 4 had never been agreed to by Lender. Lender's agreement herein to forego immediate pursuit of its rights and remedies constitutes a postponement and forbearance only, and does not in any event constitute a waiver of any such rights or remedies.

5. **No Effect on Existing Default or Extension of Maturity.** Neither the execution and delivery of this Agreement or any other document or instrument required hereunder nor the consummation of the transactions and agreements set forth in this Agreement shall in any manner rescind or cure any existing default under the Loans Documents, reinstate the Loans to a current status, ~~or constitute an accord and satisfaction or extend the maturity of the Loans.~~ Notwithstanding this provision, the maturity date of all of the Loans is hereby extended to February 1, 2016.

6. **Borrower's Actions.** Lender's continued performance of the terms of this Agreement is conditioned upon each of the following obligations being fulfilled:

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

(B) Borrower agrees to provide Lender, and maintain in effect, a life insurance policy from a nationally-recognized life insurance carrier (with a rating of \_\_\_\_\_ or better from \_\_\_\_\_) and reasonably approved by Lender, in the amount of ~~\$10,000,000~~ \$5,000,000, insuring the life of Guarantor with Lender named as the sole beneficiary, until all obligations pursuant to the Agreement have been full satisfied.

(C) Borrower agrees to provide Lender with a separate personal guaranty from Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents and this Agreement. Further, Borrower agrees to provide a re-affirmation and consent from Guarantor to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees of Lender's Loans to Borrower, so that the terms and provisions of this Agreement will not cause or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of Lender and Borrower pursuant to the terms and provisions of this Agreement. **[DAVID - PLEASE PROVIDE COPIES OF THESE DOCUMENTS.]**

(D) Borrower agrees to provide Lender with a separate personal guaranty from New Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents and this Agreement, to be secured by a lien against all of New Guarantor's inventory, accounts, and assets.

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(E) Except for Lender, Borrower agrees to continue to pay the interest due to the Other Lenders for loans secured by any of the Properties, and any other similarly situated lender on a timely basis and to keep each of such loans current and in compliance with their respective terms.

(F) Borrower has arranged for private outside financing in the amount of approximately \$1,000,000 (the "Outside Funds"), which is to be provided to Borrower on or before February ~~March 20~~, 2014. Such Outside Funds shall be used exclusively for the pay-off of the Other Lenders and any other similarly situated lender (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower, as provided herein);

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

(H) Borrower, Guarantor and Lender acknowledge and agree that this Agreement shall not constitute nor create a joint venture or partnership arrangement between or among Lender and any of the Borrower or Guarantor.

~~(I) Borrower agrees to provide any additional collateral ("Additional Security") to Lender, as may be requested by Lender, to secure Borrower's existing obligations to Lender and to secure the additional obligations that Lender is agreeing to provide pursuant to this Agreement.~~

~~(J) Execution, delivery and filing or recording (with all costs thereof paid by Borrower) of all documents and instruments required to create first and prior liens, as applicable, upon and/or security interests in the Additional Collateral.~~ (K) Borrower agrees to reimburse all costs and expenses, including without limitation title reports, amendments or title insurance, investigation fees, and / or attorneys' fees, incurred by Lender in connection with this Agreement, or the existing and / or any future lien disputes with the Other Lenders or any other similarly situated lenders, up to a total of \$\_\_\_\_\_.

7. **Lender's Actions.** Subject to the full compliance of the Borrower, Guarantor, and New Guarantor to each of their respective obligations, as detailed in this Agreement, the Lender will perform the following obligations:

(A) Lender agrees to increase the Loan amount of each of the Properties referenced in Exhibit A up to 95% of the loan-to-value ("LTV") ratio of the value of the respective Properties, as determined by Lender. The additional funds advance to Borrower shall be used to pay off the Other Lender and release its security interest in that Property.

(B) Lender will defer (but not waive) the collection of interest from the Borrower on the Loans to the Borrower during the process to fund the amount due to the Other Lenders; and all deferred interest on the Notes from Borrower shall be paid to Lender on or before the payoff of the ~~subject~~ respective Note.

(C) Lender will provide a new loan to Borrower in the amount up to 1 Million US Dollars, which loan is to provide for multiple advances, earn 3% annual interest to be secured by a first lien position against certain real property or properties to be approved by Lender, in its sole discretion, and the obligation is to be personally guaranteed by Guarantor (the "Additional Loan").

(D) ~~Provided that Borrower complies with its obligations under this Agreement~~ Lender will ~~defer (but not waive)~~ the right to charge the default rate which is or may be permitted pursuant to the terms of the Loans Documents. ~~If Borrower fails to comply with these obligations, however, it shall then be liable for interest at the default rate set forth in the Loan Documents.~~

8. The entire principal sum and all accrued interest, costs, expenses, disbursements and fees due under the terms and provisions of the Notes and all other sums payable under the Loans Documents shall be due and payable in full on ~~or before September 30, 2014~~ February 1, 2016 in any event, without notice or demand.

9. **Additional Collateral Required.** ~~As one of the conditions to the effectiveness of this Agreement and of Lender's continued forbearance hereunder, the following additional collateral and security shall be furnished to Lender:~~ **[Already covered above]**

(A) ~~Guaranty by Furniture King, LLC, secured by its assets;~~

(B) ~~Life Insurance policy insuring the life of Guarantor, in the amount of \$10,000,000, and~~

(C) ~~[what else should be included]~~

10. **Grace and Cure Periods Eliminated.** ~~All provisions of the Loans Documents requiring any notice to Borrower or any other person as a condition precedent to the existence of any breach, default or event of default or to any acceleration or other remedial action by Lender, permitting any grace period during which non-payment does not constitute a default, or granting any period after the giving or receipt of any notice for the cure of any breach, default or event of default under the Loans Documents prior to acceleration or other remedial action by Lender are hereby deleted, and all Loans Documents are hereby modified accordingly.~~ **Grace and Cure Periods.** ~~If Borrower fails to comply with any obligation undertaken by it through this Agreement, Borrower shall be in default of this Agreement if it fails to satisfy the obligation within five (5) business days of receiving written demand from Lender.~~

~~11.10.~~

**Release of Lender; Waiver of Claims and Defenses.** As a material part of the consideration for Lender's execution of this Agreement, Borrower and Guarantor each hereby unconditionally and irrevocably release and forever discharge Lender and all of its directors, officers, employees, agents, attorneys, affiliates and subsidiaries from all liabilities, obligations, actions, claims,

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causes of action, suits, proceedings, damages, demands, costs and expenses whatsoever arising from or relating to any alleged or actual act, occurrence, omission or transaction occurring or happening prior to or on the date of this Agreement, including but not limited to any of the foregoing relating to the making, administration or enforcement of the Loans. Without limiting the foregoing, Borrower and Guarantor hereby unconditionally and irrevocably waive any and all defenses and claims existing or arising (or based on facts or circumstances actually or allegedly existing or arising) prior to or on the date of this Agreement which might otherwise limit their unconditional joint and several liability for all sums due under the Loans.

~~12-11. Further Documents.~~ Borrower, Guarantor, and New Guarantor each hereby agree to execute any and all further documents and instruments required by Lender and to do all other acts and things necessary to give effect to the terms and provisions of this Agreement and/or to create and perfect all liens and security interests granted to Lender under the Loans Documents or required under this Agreement.

~~13-12. Authorization of Agreement.~~ The execution and delivery of this Agreement has been duly authorized by all necessary corporate or partnership action of Borrower, Guarantor (as applicable) and New Guarantor, and the individuals executing this Agreement on behalf of Borrower, Guarantor and/or New Guarantor have been duly authorized and empowered to bind Borrower, Guarantor and/or New Guarantor by such execution.

~~14. and Expenses.~~ Borrower hereby agrees to pay on demand any and all costs and expenses, including but not limited to attorneys' fees, incurred by Lender in connection with (A) the negotiation, preparation, filing and/or recording of this Agreement and all other documents and instruments required to give effect to this Agreement and/or to create and perfect the liens, security interests, assignments and/or pledges contemplated hereunder or under the Loans Documents and/or (B) the collection of the Loans and/or the enforcement of the Loans Documents, and Guarantor and New Guarantor shall each be liable for all of their respective foregoing costs and expenses pursuant to their respective guarantees. Lender shall have no liability whatsoever for any of the foregoing. ~~13.~~ Costs and Expenses. ALREADY COVERED BY 16(K).

~~15-13.~~ Time. of the Essence. Time is of the essence of all agreements and obligations contained herein.

~~16-14.~~

Construction of Agreement. If any provision of this Agreement conflicts with any provision of any Loans Documents, the applicable provision of this Agreement shall control.

As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa.

The titles and captions in this Agreement are used for convenience of reference only and do not define, limit or control the scope, intent or effect of any provisions of this Agreement.

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No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted all or any portion of this Agreement, any other document required hereunder or in connection with any Loans Documents.

~~17-15. Ratification and Agreements by Guarantor.~~ Guarantor hereby acknowledges and consents to the terms of this Agreement, agrees to be bound by all terms and provisions hereof and of any and all documents and instruments executed by Borrower in connection with and/or as contemplated in this Agreement; acknowledges and confirms that Guarantor is and shall remain liable for all indebtedness and obligations now or hereafter owed by Borrower to Lender in connection with the Loans (pursuant to this Agreement and the Loans Documents or otherwise); agrees that Guarantor's said liability shall not be released, reduced or otherwise affected by the execution of this Agreement, by any changes in the effect of the Loans Documents under the terms of this Agreement, by Lender's receipt of any additional collateral for the Loans, by the consummation of any transactions relating hereto, or by any other existing fact or circumstance; ratifies the Guaranty as security for the Loans; and confirms that the Guaranty remains in full force and effect.

~~18-16.~~ Entire Agreement; No Oral Agreements Concerning Loans. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, which agreement shall not be varied by any alleged or actual oral statements or parol evidence whatsoever. Lender has not promised or agreed in any manner to extend the maturity of the Loans, to restructure the Loans or any security therefor, to modify any terms of the Loans Documents or the effect thereof, to forbear in the commencement, exercise or pursuit of any right or remedy Lender has under the Loans Documents or applicable law, to release or adversely affect any lien or security interest previously or concurrently granted in favor of Lender, or to forego the benefit of any term, provision or condition of the Loans Documents, except as may be otherwise specifically provided in this Agreement and subject in all instances to strict compliance by Borrower and Guarantor with all terms and conditions of this Agreement. Except as specifically provided in this Agreement (and so long as Borrower is in compliance with the terms of this Agreement), Lender has not agreed or become obligated, whether by negotiating or executing this Agreement or otherwise, to make any new Loans or to extend any new credit to Borrower or Guarantor under any circumstances.

~~19-17. Ratification of Workout.~~ The parties acknowledge and agree that the terms and conditions of ~~the~~ this Agreement are part of but not the entire body of a mutual workout ~~arrangement~~ arrangement between the parties for a resolution of a dispute regarding the Loans. Borrower and Guarantor each hereby ratify, consent to, and agree to all of Lender's actions, from November \_\_\_\_, 2013, to the date first stated above, regarding and or related to the claims of the Other Lenders alleging that the encumbrances for their loans were in first priority for the subject Properties; with the actions of the Lender including, without limitation, Lender lending Borrower an additional \$\_\_\_\_\_ in the aggregate, with said funds being used towards satisfaction of certain loans from the Other Lenders. Borrower and Guarantor each ratify and agree that the Lender's loans for said Properties have increased by the amounts that Lender paid toward satisfaction of the respective Other Lenders' loans for the subject Properties.

[signatures on following page]

DB04/1003619.0002/10352141.3



**IN WITNESS WHEREOF**, the undersigned Parties have executed this Agreement on the date first above written.

**Borrower:**

ARIZONA HOME FORECLOSURES, LLC

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

EASY INVESTMENTS, LLC

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

**Guarantor:**

\_\_\_\_\_  
Yomtov "Scott" Menaged

**New Guarantor:**

FURNITURE KING, LLC

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

**Lender:**

DENSCO INVESTMENT CORPORATION

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

DB04/1003619.0002/10352141.3

**EXHIBIT A**

**LENDER LOANS AND ENCUMBERED PROPERTIES**

DB04/1003619.0002/10352141.3

**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                      ) SS  
COUNTY OF MARICOPA   )

On this \_\_\_ day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of ARIZONA HOME FORECLOSURES, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:  
\_\_\_\_\_

**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                      ) SS  
COUNTY OF MARICOPA   )

On this \_\_\_\_ day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of EASY INVESTMENTS, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:  
  
\_\_\_\_\_

**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                      ) SS  
COUNTY OF MARICOPA   )

On this \_\_\_\_ day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did acknowledged execution of the foregoing instrument as the Guarantor.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this \_\_\_\_ day of \_\_\_\_\_, 2014, before me appeared Yomotov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the Manager of FURNITURE KING, LLC, an Arizona limited liability company, and said Yomotov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said company.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:  
  
\_\_\_\_\_

**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this \_\_\_\_ day of \_\_\_\_\_, 2014, before me appeared Denny Chittick, to me personally known, who being by me duly sworn, did say that he/she is the President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, and said Denny Chittick acknowledged execution of the foregoing instrument to be the free act and deed of said corporation.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_  
DB04/1003619.0002/10352141.3

Document comparison by Workshare Professional on Tuesday, February 04, 2014 6:44:22 PM

Input:	
Document 1 ID	InterwovenSite://DETDMS1/ClarkHill/200131428/4
Description	#200131428v4<ClarkHill> - Forbearance Ag.Densco/AHF,1-23-14
Document 2 ID	InterwovenSite://DETDMS1/ClarkHill/200164121/1
Description	#200164121v1<ClarkHill> - Forbearance Agreement (Revised 2) (2-4-14)(OC VERSION)
Rendering set	standard

Legend:	
Insertion	
Deletion	
Moved from	
Moved to	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	28
Deletions	38
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	66



DenSco / Work Note

Schenck
EXH. NO. 64
6-19-18
Kelly S. Oglesby CR 50178

Beauchamp, David G.

From: Denny <dcmoney@yahoo.com>  
Sent: Tuesday, February 04, 2014 9:09 PM  
To: Beauchamp, David G.  
Subject: Re: Attached Redline of Forbearance Agreement

I understand ur concerns. I talked to scott three times today over certain points so that we r on the same page. We worked through several things. None of them r ones u brought up. It is like scott and I talk, u and I talk, we r ok Jeff enters and it is like a different language. I will talk to scott but I am not sure what will be the next step.

Sent from my iPad

On Feb 4, 2014, at 9:01 PM, "Beauchamp, David G." <DBeauchamp@ClarkHill.com> wrote:

Denny:

Before we all get into a room, you and I need to make sure that we have a clear understanding of what you can do and what you cannot do without going back to all of your investors for approval. We have a deal that works for you and your investors and is fair to Scott. Now Jeff is trying to better the deal for Scott, but you already have been more than generous trying to help Scott out of Scott's problem. Again, this goes back to Jeff not acknowledging that this is Scott's problem and instead insisting that this is your problem because you did not make sure that Scott handled the loans properly and that you did not take the necessary actions so that DenSco had a first lien on each of the properties. As Jeff said to me, why did Denny do it this way (pay Scott directly) and why did DenSco not get title insurance if Denny wanted to be in first position? Those are not questions to clarify a point, but rather to change the underlying understanding of who created this problem. Jeff is trying to have you think that you have significant responsibility for creating this problem as opposed to this being created by Scott's cousin working for Scott. Hopefully, my poor attempts to explain the difference in perspective are sufficient for you to understand it.

Over the last ten years, I have prepared far in excess of 100 (if not closer to 200) forbearance agreements for various institutional and private lenders. There are certain standard issues that have evolved over the years. **[PLEASE UNDERSTAND THAT AT YOUR REQUEST, I DID NOT INCLUDE ANY HARSH OR SIGNIFICANTLY PRO-LENDER PROVISIONS.]** Accordingly, there is nothing included to give and trade over small issues. I already did not include them. These changes from Jeff are cutting muscle and bone that are needed to protect you.

For example, did you agree to NOT have Scott pay your attorneys' fees? If so, that will be the first time that I have ever seen the legal fees for the preparation of a Forbearance Agreement to not be paid by the Borrower.

I have also never seen a forbearance not include a cross-default provision to other obligations of the Borrower to the lender.

I have also never seen some of the other changes that Jeff inserted. For example, the changes require you to defend yourself against any other lender which has a conflicting lien one of Scott's properties, even though Scott's office created this problem by having two lenders loan on the same property. In a forbearance, the Borrower takes full responsibility for the problems created and what needs to be done to resolve the problem. Jeff is trying to make you feel that you are guilty so you have to assume a

significant responsibility in the agreement to share in Scott's problem, but nobody stole the money from you. You can help and have helped Scott, but you cannot OBLIGATE DenSco to further help Scott, because that would breach your fiduciary duty to your investors.

Best, David  
**David G. Beauchamp**

CLARK HILL PLC

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

---

**From:** Denny [<mailto:dcmoney@yahoo.com>]  
**Sent:** Tuesday, February 04, 2014 8:30 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: Attached Redline of Forbearance Agreement

This is degrading in to a quagmire to which I never would have imagined. I will talk to scott and it looks like we will have to get in a room and beat this whole thing out.

Sent from my iPad

On Feb 4, 2014, at 7:27 PM, "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

Denny:

I cannot promise you that this redline captures all of the changes, but it seems to have all of the changes that I have identified by comparing Jeff's version of the agreement to the version that I sent.

Please review this and let me know when you might have time to discuss these changes and what did you discuss with Scott.

With respect to the language concerning the first lien, you and I had discussed including that after I looked at the mortgage document that contained that express obligation. You had said to leave it in, but Jeff has taken that language out and only left in the delayed interest payment. Unfortunately, Jeff has previously said that he could defeat any default claim based on no current interest payments, because you had offered to defer interest when Scott came to you about this problem. Again, Jeff is trying to take advantage of you because you are trying to help Scott. Since Scott was only concerned about referencing DenSco's rights to first lien position due to potential litigation being filed by Dan's group against Scott, that should no longer be an issue.

Although I have asked for this and we have discussed this several times, we still do not have an actual copy of any of the loan documents for any of the loans that you made to Scott that are the subject of this problem. This is really important for many different reasons, but a key reason is the "guarantee" at the bottom of the note that Scott signed.

Best, David

**David G. Beauchamp**

CLARK HILL PLC

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

**From:** [phxcanoncolor@clarkhill.com](mailto:phxcanoncolor@clarkhill.com) [mailto:[phxcanoncolor@clarkhill.com](mailto:phxcanoncolor@clarkhill.com)]  
**Sent:** Tuesday, February 04, 2014 6:52 PM  
**To:** Schenck, Daniel A.; Beauchamp, David G.  
**Subject:** Attached Image

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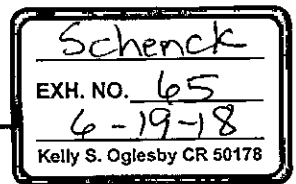
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Message

**From:** Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]  
**Sent:** 2/4/2014 5:39:10 PM  
**To:** Schenck, Daniel A. [dschenck@clarkhill.com]  
**Subject:** FW: Easy/DenSco - Revised Forbearance Agreement  
**Attachments:** Forbearance Agreement (Revised 2) (2-4-14).DOCX; Forbearance Agreement (Redline 3) (2-4-14).DOCX



**David G. Beauchamp**

CLARK HILL PLC

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

**From:** Goulder, Jeffrey [mailto:jeffrey.goulder@stinsonleonard.com]  
**Sent:** Tuesday, February 04, 2014 3:20 PM  
**To:** Beauchamp, David G.  
**Subject:** Easy/DenSco - Revised Forbearance Agreement

David – Attached is a clean and redlined copy of the revised agreement. I believe our clients have already discussed the changes in the business terms. We will look forward to hearing from you.

**Jeffrey J. Goulder** | Partner | Stinson Leonard Street LLP  
1850 N. Central Avenue, Suite 2100 | Phoenix, AZ 85004-4584  
T: 602.212.8531 | M: 602.999.4350 | F: 602.586.5217  
[jeffrey.goulder@stinsonleonard.com](mailto:jeffrey.goulder@stinsonleonard.com) | [www.stinsonleonard.com](http://www.stinsonleonard.com)

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## FORBEARANCE AGREEMENT

**THIS FORBEARANCE AGREEMENT** ("Agreement") is executed on February \_\_, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company ("AHF"), whose address is 7320 W Bell Road, Glendale, Arizona 85308, Easy Investments, LLC, an Arizona limited liability company ("EI"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308 (AHF and EI are collectively referred to as the ("Borrower"), Yomtov "Scott" Menaged ("Guarantor"), whose address is 10510 East Sunnyside Drive, Scottsdale, Arizona, Furniture King, LLC, an Arizona limited liability Company ("New Guarantor"), whose address is 303 N. Central Avenue, Suite 603, Phoenix, AZ 85012, and DenSco Investment Corporation, an Arizona corporation ("Lender"), whose address is 6132 W Victoria Place, Chandler, Arizona 85226, (the Borrower, the Guarantor, the New Guarantor, and Lender are each considered a "Party" hereunder and are collectively referred to as the "Parties").

### Recitals

The following recitals of fact are a material part of this Agreement:

A. Borrower is indebted to Lender under the terms of certain Loans (the "Loans"), which are listed on the attached Exhibit A, which is incorporated into this Agreement by this reference, and are evidenced by certain promissory notes, executed by Borrower in favor of Lender (the "Notes"). **[DAVID – PLEASE PROVIDE EXHIBIT A]**

B. Guarantor guaranteed the payment and performance of each of the Loans (the "Guaranty"), executed by Guarantor in favor of Lender.

C. The Loans are further evidenced and/or secured by various documents and instruments, including but not limited to certain Deeds of Trust and Assignment of Rents ("Deeds of Trust"), executed by Borrower in favor of Lender. The Deeds of Trust constitute a lien on the respective real properties described therein (individually a "Property" and collectively, "Properties") and referenced in Exhibit A. The Note, Deeds of Trust, the Guaranty, the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "Loans Documents".

D. Certain of the Properties were also used as security for one or more loans from one or more other lenders (individually, the "Other Lender" and collectively, the "Other Lenders") and the Loans from Lender may not be in the first lien position on the respective Property

E. The Loans are now in default and Lender has provided Borrower with any and all notice required under the Loans Documents concerning such default.

F. Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, but only so long as and on the conditions that (1) Borrower and Guarantor acknowledge the existing default under the Loans, (2) all liens, security interests, rights and remedies of Lender under the Loans Documents continue in full force and

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effect and (3) Borrower and Guarantor fulfill all conditions and comply with all terms and provisions set forth in this Agreement, and furnish all other documents and perform all other acts necessary to give effect to the agreements hereinafter set forth.

**NOW THEREFORE**, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. **Loans Balance.** The total sum now due and payable under the Loans, in aggregate, is approximately \$\_\_\_\_\_, consisting of \$\_\_\_\_\_ in principal, \$\_\_\_\_\_ in accrued interest (through and including \_\_\_\_\_, 2014), \$\_\_\_\_\_ advanced by Lender in payment of \_\_\_\_\_ as permitted under the Loans Documents and approximately \$\_\_\_\_\_ in costs and expenses incurred by Lender for collection and enforcement of the Loans. Interest continues to accrue under the Loans at the rate of \_\_\_\_\_% per annum as provided in the Notes (as opposed to the default rate set forth in the Notes).

2. **Acknowledgment of Default.** Borrower and Guarantor hereby acknowledge and agree that the Loans are in default, and that as a result of such default, Lender now has the right to pursue foreclosure and any and all other rights and remedies permitted to Lender under the Loans Documents and/or under applicable law.

3. **Continued Effect of Loans Documents.** Borrower and Guarantor further acknowledge and confirm that the Loans Documents have been duly authorized, executed and delivered to Lender and are valid, binding and enforceable against Borrower and Guarantor in accordance with their respective terms, and that to Borrower and Guarantor's knowledge, all liens and security interests created in favor of Lender under the Loans Documents have been validly created and duly perfected as encumbrances upon all Properties and collateral of Borrower and/or Guarantor as described in the Loans Documents

4. **Forbearance by Lender on Conditions; Effect of Breach.** Lender hereby agrees to forbear pursuit of its rights and remedies under the Loans Documents and/or under applicable law, but only so long as and on the conditions that Borrower and Guarantor pay all sums, perform all covenants and agreements and do all acts and things required of them hereunder. If Borrower or Guarantor fails to pay any sum or to perform any covenant, agreement or obligation owed to Lender under this Agreement, Lender may cease such forbearance and may immediately commence and pursue any or all rights and remedies Lender may have under the Loan Documents and/or under applicable law as to any or all of the collateral or security for the Loans, all in such order and manner as Lender may elect from time to time in its sole discretion and without notice of any kind to Borrower, Guarantor or any other person, as if this Section 4 had never been agreed to by Lender. Lender's agreement herein to forego immediate pursuit of its rights and remedies constitutes a postponement and forbearance only, and does not in any event constitute a waiver of any such rights or remedies.

5. **No Effect on Existing Default; Extension of Maturity.** Neither the execution and delivery of this Agreement or any other document or instrument required hereunder nor the consummation of the transactions and agreements set forth in this Agreement shall in any manner rescind or cure any existing default under the Loans Documents, reinstate the Loans to a

current status, or constitute an accord and satisfaction of the Loans. Notwithstanding this provision, the maturity date of all of the Loans is hereby extended to February 1, 2016.

6. **Borrower's Actions.** Lender's continued performance of the terms of this Agreement is conditioned upon each of the following obligations being fulfilled:

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

(B) Borrower agrees to provide Lender, and maintain in effect, a life insurance policy from a nationally-recognized life insurance carrier (with a rating of \_\_\_\_ or better from \_\_\_\_\_) and reasonably approved by Lender, in the amount of \$5,000,000, insuring the life of Guarantor with Lender named as the sole beneficiary, until all obligations pursuant to the Agreement have been full satisfied.

(C) Borrower agrees to provide Lender with a separate personal guaranty from Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents and this Agreement. Further, Borrower agrees to provide a re-affirmation and consent from Guarantor to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees of Lender's Loans to Borrower, so that the terms and provisions of this Agreement will not cause or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of Lender and Borrower pursuant to the terms and provisions of this Agreement. **[DAVID - PLEASE PROVIDE COPIES OF THESE DOCUMENTS.]**

(D) Borrower agrees to provide Lender with a separate personal guaranty from New Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents and this Agreement, to be secured by a lien against all of New Guarantor's inventory, accounts, and assets

(E) Except for Lender, Borrower agrees to continue to pay the interest due to the Other Lenders for loans secured by any of the Properties, and any other similarly situated lender on a timely basis and to keep each of such loans current and in compliance with their respective terms.

(F) Borrower has arranged for private outside financing in the amount of approximately \$1,000,000 (the "Outside Funds"), which is to be provided to Borrower on or before March 20, 2014. Such Outside Funds shall be used exclusively for the pay-off of the

Other Lenders and any other similarly situated lender (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower, as provided herein);

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

(H) Borrower, Guarantor and Lender acknowledge and agree that this Agreement shall not constitute nor create a joint venture or partnership arrangement between or among Lender and any of the Borrower or Guarantor.

(I) Borrower agrees to reimburse all costs and expenses, including without limitation title reports, amendments or title insurance, investigation fees, and / or attorneys' fees, incurred by Lender in connection with this Agreement, or the existing and / or any future lien disputes with the Other Lenders or any other similarly situated lenders, up to a total of \$\_\_\_\_\_.

7 **Lender's Actions** Subject to the full compliance of the Borrower, Guarantor, and New Guarantor to each of their respective obligations, as detailed in this Agreement, the Lender will perform the following obligations:

(A) Lender agrees to increase the Loan amount of each of the Properties referenced in Exhibit A up to 95% of the loan-to-value ("LTV") ratio of the value of the respective Properties, as determined by Lender. The additional funds advance to Borrower shall be used to pay off the Other Lender and release its security interest in that Property.

(B) Lender will defer (but not waive) the collection of interest from the Borrower on the Loans to the Borrower during the process to fund the amount due to the Other Lenders; and all deferred interest on the Notes from Borrower shall be paid to Lender on or before the payoff of the respective Note.

(C) Lender will provide a new loan to Borrower in the amount up to 1 Million US Dollars, which loan is to provide for multiple advances, earn 3% annual interest to be secured by a first lien position against certain real property or properties to be approved by Lender, in its sole discretion, and the obligation is to be personally guaranteed by Guarantor (the "Additional Loan").

(D) Provided that Borrower complies with its obligations under this Agreement. Lender will waive the right to charge the default rate which is or may be permitted pursuant to the terms of the Loans Documents. If Borrower fails to comply with these obligations, however, it shall then be liable for interest at the default rate set forth in the Loan Documents

8. The entire principal sum and all accrued interest, costs, expenses, disbursements and fees due under the terms and provisions of the Notes and all other sums payable under the Loans Documents shall be due and payable in full on February 1, 2016 in any event, without notice or demand.



9 — **Additional Collateral Required.** [Already covered above]

9. **Grace and Cure Periods.** If Borrower fails to comply with any obligation undertaken by it through this Agreement, Borrower shall be in default of this Agreement if it fails to satisfy the obligation within five (5) business days of receiving written demand from Lender.

10 **Release of Lender; Waiver of Claims and Defenses.** As a material part of the consideration for Lender's execution of this Agreement, Borrower and Guarantor each hereby unconditionally and irrevocably release and forever discharge Lender and all of its directors, officers, employees, agents, attorneys, affiliates and subsidiaries from all liabilities, obligations, actions, claims, causes of action, suits, proceedings, damages, demands, costs and expenses whatsoever arising from or relating to any alleged or actual act, occurrence, omission or transaction occurring or happening prior to or on the date of this Agreement, including but not limited to any of the foregoing relating to the making, administration or enforcement of the Loans. Without limiting the foregoing, Borrower and Guarantor hereby unconditionally and irrevocably waive any and all defenses and claims existing or arising (or based on facts or circumstances actually or allegedly existing or arising) prior to or on the date of this Agreement which might otherwise limit their unconditional joint and several liability for all sums due under the Loans.

11 **Further Documents.** Borrower, Guarantor, and New Guarantor each hereby agree to execute any and all further documents and instruments required by Lender and to do all other acts and things necessary to give effect to the terms and provisions of this Agreement and/or to create and perfect all liens and security interests granted to Lender under the Loans Documents or required under this Agreement.

12 **Authorization of Agreement** The execution and delivery of this Agreement has been duly authorized by all necessary corporate or partnership action of Borrower, Guarantor (as applicable) and New Guarantor, and the individuals executing this Agreement on behalf of Borrower, Guarantor and/or New Guarantor have been duly authorized and empowered to bind Borrower, Guarantor and/or New Guarantor by such execution.

13 — ~~**Costs and Expenses**~~ — **ALREADY COVERED BY ¶ 6(K).**

13. **Time of the Essence.** Time is of the essence of all agreements and obligations contained herein.

14 **Construction of Agreement.** If any provision of this Agreement conflicts with any provision of any Loans Documents, the applicable provision of this Agreement shall control

As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa.

The titles and captions in this Agreement are used for convenience of reference only and do not define, limit or control the scope, intent or effect of any provisions of this Agreement.

No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted all or any portion of this Agreement, any other document required hereunder or in connection with any Loans Documents.

15. **Ratification and Agreements by Guarantor.** Guarantor hereby acknowledges and consents to the terms of this Agreement, agrees to be bound by all terms and provisions hereof and of any and all documents and instruments executed by Borrower in connection with and/or as contemplated in this Agreement; acknowledges and confirms that Guarantor is and shall remain liable for all indebtedness and obligations now or hereafter owed by Borrower to Lender in connection with the Loans (pursuant to this Agreement and the Loans Documents or otherwise); agrees that Guarantor's said liability shall not be released, reduced or otherwise affected by the execution of this Agreement, by any changes in the effect of the Loans Documents under the terms of this Agreement, by Lender's receipt of any additional collateral for the Loans, by the consummation of any transactions relating hereto, or by any other existing fact or circumstance; ratifies the Guaranty as security for the Loans; and confirms that the Guaranty remains in full force and effect.

16. **Entire Agreement; No Oral Agreements Concerning Loans.** This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, which agreement shall not be varied by any alleged or actual oral statements or parol evidence whatsoever. Lender has not promised or agreed in any manner to extend the maturity of the Loans, to restructure the Loans or any security therefor, to modify any terms of the Loans Documents or the effect thereof, to forbear in the commencement, exercise or pursuit of any right or remedy Lender has under the Loans Documents or applicable law, to release or adversely affect any lien or security interest previously or concurrently granted in favor of Lender, or to forego the benefit of any term, provision or condition of the Loans Documents, except as may be otherwise specifically provided in this Agreement and subject in all instances to strict compliance by Borrower and Guarantor with all terms and conditions of this Agreement. Except as specifically provided in this Agreement (and so long as Borrower is in compliance with the terms of this Agreement), Lender has not agreed or become obligated, whether by negotiating or executing this Agreement or otherwise, to make any new Loans or to extend any new credit to Borrower or Guarantor under any circumstances.

17. **Ratification of Workout.** The parties acknowledge and agree that the terms and conditions of this Agreement are part of but not the entire body of a mutual workout arrangement between the parties for a resolution of a dispute regarding the Loans. Borrower and Guarantor each hereby ratify, consent to, and agree to all of Lender's actions, from November \_\_, 2013, to the date first stated above, regarding and or related to the claims of the Other Lenders alleging that the encumbrances for their loans were in first priority for the subject Properties; with the actions of the Lender including, without limitation, Lender lending Borrower an additional \$ \_\_\_\_\_, in the aggregate, with said funds being used towards satisfaction of certain loans from the Other Lenders. Borrower and Guarantor each ratify and agree that the Lender's loans for said Properties have increased by the amounts that Lender paid toward satisfaction of the respective Other Lenders' loans for the subject Properties.

[signatures on following page]

DB04/1003619.0002/10352141.3

CH\_0006701

**IN WITNESS WHEREOF**, the undersigned Parties have executed this Agreement on the date first above written.

**Borrower.**

ARIZONA HOME FORECLOSURES, LLC

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

EASY INVESTMENTS, LLC

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

**Guarantor:**

\_\_\_\_\_  
Yomtov "Scott" Menaged

**New Guarantor**

FURNITURE KING, LLC

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

**Lender:**

DENSCO INVESTMENT CORPORATION

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

DB04/1003619.0002/10352141.3

CH\_0006702

**EXHIBIT A**

**LENDER LOANS AND ENCUMBERED PROPERTIES**

DB04/1003619.0002/10352141.3

CH\_0006703

**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this \_\_\_ day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of ARIZONA HOME FORECLOSURES, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this \_\_\_\_ day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of EASY INVESTMENTS, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires  
\_\_\_\_\_

ACKNOWLEDGMENTS

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this \_\_\_\_ day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did acknowledged execution of the foregoing instrument as the Guarantor.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires  
\_\_\_\_\_



ACKNOWLEDGMENTS

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this \_\_ day of \_\_\_\_\_, 2014, before me appeared Yomotov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the Manager of FURNITURE KING, LLC, an Arizona limited liability company, and said Yomotov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said company.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:  
  
\_\_\_\_\_

**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this \_\_\_\_ day of \_\_\_\_\_, 2014, before me appeared Denny Chittick, to me personally known, who being by me duly sworn, did say that he/she is the President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, and said Denny Chittick acknowledged execution of the foregoing instrument to be the free act and deed of said corporation.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

Message

**From:** phxcanon2@clarkhill.com [phxcanon2@clarkhill.com]  
**Sent:** 2/5/2014 3:00:23 PM  
**To:** Schenck, Daniel A. [dschenck@clarkhill.com]  
**Subject:** Attached Image  
**Attachments:** 0611\_001.pdf

Schenck
EXH. NO. 66
6-19-18
Kelly S. Oglesby CR 50178

Message

**From:** Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]  
**Sent:** 2/5/2014 3:58:59 PM  
**To:** Schenck, Daniel A. [dschenck@clarkhill.com]  
**Subject:** RE: Deed of Trust

Thanks

**David G. Beauchamp**

CLARK HILL PLC

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

**From:** Schenck, Daniel A.  
**Sent:** Wednesday, February 05, 2014 4:24 PM  
**To:** Beauchamp, David G.  
**Subject:** Deed of Trust

David,

The Deed of Trust is intended to be a first priority lien. Albeit, the Deed of Trust does not state that it has to be recorded as a first-position lien, Paragraph 5 does require the Borrower to discharge any prior liens unless

- (a) the Lender agrees in writing to a payment plan for the obligation secured by a prior lien,
- (b) Borrower contests the lien in legal proceedings which in Lender's opinion prevents the enforcement of the prior lien, or
- (c) Borrower secures a subordination of the lien that is satisfactory to Lender.

If the other lender's lien does, in fact, have priority over DenSco's lien, then the Borrower is in default unless one of the three above-actions has already been taken. If the priority of the other lender's lien is questionable, then DenSco may give the Borrower notice identifying the lien "which may attain priority over this Deed of Trust". If DenSco provides this notice, the Borrower will have 10 days to either "satisfy the lien or take one or more actions [detailed above]". If the Borrower's attorney is still disputing whether a default of the Deed of Trust has occurred (due to uncertainty regarding the liens' priorities), DenSco could provide the notice of the other lien, which would then force the Borrower to either resolve the lien issues or be unquestionably in default. I'm not sure if you will be able to read the image from your phone, but here is a clip of Paragraph 5:

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

**Daniel A. Schenck**

CLARK HILL PLC

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

Message

**From:** phxcanon2@clarkhill.com [phxcanon2@clarkhill.com]  
**Sent:** 2/5/2014 3:00:23 PM  
**To:** Schenck, Daniel A. [dschenck@clarkhill.com]  
**Subject:** Attached Image  
**Attachments:** 0611\_001.pdf

Schenck	
EXH. NO.	67
	6-19-18
Kelly S. Oglesby CR 50178	

**WHEN RECORDED MAIL TO:**

DenSco Investment  
6132 W. Victoria Place  
Chandler, AZ 85226

9-29-16  
2010-084210

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

**DEED OF TRUST AND ASSIGNMENT OF RENTS**

Date: September 21, 2010

**TRUSTOR:** Easy Investments, LLC

Address: 1006 W Adams St, Phoenix, AZ 85007

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

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

**TRUSTEE:** Trustee Corps

Address: 2112 Business Center Dr., 2nd Floor, Irvine, CA 92612

**PROPERTY** in the County of Maricopa, State of Arizona, described as: Lot 16, Subdivision 8<sup>th</sup> Street Square, according to the Book 168, of Maps, Page 48, in the Recorder's office of Maricopa County, Arizona.

Except the South 14 feet thereof.

Street address: 822 E Orange Dr., Phoenix, [street, city] Arizona, 85014[zip code]

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

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

**FOR THE PURPOSE OF SECURING:**

A. Performance of each and every agreement of Borrower herein contained. B. Payment of the principal sum of \$70,000.00 (U.S. \$Seventy Thousand Dollars and No Cents). This debt is evidenced by Borrower's NOTE or NOTES dated the same date as this DEED OF TRUST, and any extension or renewal thereof (collectively, if applicable, the "Note"). C. Payment of all additional sums and interest thereon which at any time now or hereafter are owed by Borrower to Lender, or its successors or assigns. D. Payment of any amounts hereafter advanced by Lender or paid on behalf of Borrower to perform any duties or obligations of Borrower hereunder, or otherwise to protect the Property or the lien of this Deed of Trust.

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

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

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

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

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

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

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

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

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

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

10. Borrower shall not cause or permit the presence, use, disposal, storage or release of any Hazardous Substances on or in the Property. Borrower shall not do or allow anyone else to do, anything affecting the Property that is in violation of any Environmental Law. The preceding two sentences shall not apply to the presence, use or storage on the Property of small immaterial quantities of Hazardous Substances that are

generally recognized to be appropriate to normal cleaning and maintenance purposes of a commercial or residential property. Borrower shall promptly give Lender written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property or any Hazardous Substance or Environmental Law of which Borrower has actual or constructive knowledge. If Borrower learns, or is notified by any governmental or regulatory authority, that any removable or other remediation of any Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Laws. As used in this Paragraph 10, "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides or herbicides, volatile solvents, materials containing asbestos, formaldehyde or dioxins, and radioactive materials. As used in this Paragraph 10, "Environmental Law" means all federal laws and laws of the state, county and city of the jurisdiction where the Property is located that relates to health, safety or environmental protection.

**IT IS MUTUALLY AGREED:**

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

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

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

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

15. As additional security, Borrower hereby gives to, confers upon and assigns to Lender the right, power and authority during the continuance of these Trusts, to collect the rents, issues and profits of said Property, reserving unto Borrower the right, prior to any default by Lender payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Lender may at any time without notice, either in person, by agent or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said Property or any part hereof, in its own name sue for or otherwise collect such rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees, upon any indebtedness secured hereby, and in such order as Lender may determine. The entering upon and taking possession of said



Property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

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

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

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

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

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

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

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

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

19. Lender may, for any reason or cause, from time to time remove Trustee and appoint a substitute/ successor trustee to any Trustee appointed hereunder, and when any such substitution has been filed for record in the Office of the Recorder of the County in which the Property herein described is situated, it shall be

conclusive evidence of the appointment of such trustee or trustees. Without conveyance to the Property, the successor trustee shall succeed to all the title, power and duties conferred upon Trustee herein and by applicable law.

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

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

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

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

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

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

**BORROWER:** Easy Investments, LLC

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

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

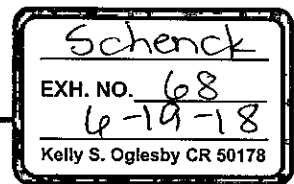
STATE OF ARIZONA     )  
                                  ) ss.  
COUNTY OF MARICOPA )



This Instrument was acknowledged before me this 21<sup>st</sup> day of September, 2010.  
By: Yomtov Scott Menaged

Commission Expires: 10-27-13

\_\_\_\_\_  
Notary



Message

**From:** Schenck, Daniel A. [DSchenck@ClarkHill.com]  
**Sent:** 2/6/2014 10:50:38 PM  
**To:** Beauchamp, David G. [DBeauchamp@ClarkHill.com]  
**Subject:** Guaranty Agreement  
**Attachments:** 200170139\_1.doc

David,

A draft of a Guaranty Agreement is attached.

**Daniel A. Schenck**

CLARK HILL PLC

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

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## GUARANTY AGREEMENT

**THIS GUARANTY AGREEMENT** (this "**Guaranty**") is made as of February \_\_\_\_, 2014, by Yomtov "Scott" Menaged ("**Menaged**"), an individual whose address is 10510 East Sunnyside Drive, Scottsdale, Arizona 85259, Furniture King, LLC, an Arizona limited liability company ("**Arizona Furniture King**"), whose address is 303 N. Central Avenue, Suite 603, Phoenix, Arizona 85012 (Menaged and Arizona Furniture King are hereinafter referred to, individually and collectively, as the context may require, as "**Guarantor**") in favor of DenSco Investment Corporation, an Arizona corporation (together with its successor and assigns, "**Lender**"), having an address at 6132 W. Victoria Place, Chandler, Arizona 85226

### Recitals

The following recitals are a material part of this Guaranty:

A. Arizona Home Foreclosures, LLC, an Arizona limited liability company ("**AHF**"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308 and Easy Investments, LLC, an Arizona limited liability company ("**EI**"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308 (AHF and EI are hereinafter referred to, individually and collectively, as the context may require, as "**Borrower**") are indebted to Lender under the terms of certain Loans (individually a "**Loan**" and collectively, the "**Loans**"), which are listed on the attached Exhibit A, which is incorporated into this Agreement by this reference. Guarantor did have and continues to have a significant financial interest in Lender's making the Loans (and loaning additional funds), and has and will continue to realize significant financial benefit from the Loans. Each Loan is evidenced by a certain Note Secured by Deed of Trust or other similar promissory notes, executed by Borrower in favor of Lender (individually a "**Note**" and collectively, the "**Notes**") and by a Mortgage (or a "Receipt and Mortgage") (collectively, the "**Mortgages**"), and are each secured in part by one or more Deeds of Trust and Assignment of Rents, deeds of trust, deeds to secure debt, or similar documents (individually and collectively, the "**Security Instruments**") encumbering Borrower's interest in the respective real properties described therein (individually a "**Property**" and collectively, the "**Properties**") and referenced in Exhibit A. The Notes, Mortgages, Security Instruments, and the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "**Loans Documents**" or individually as a "**Loan Document**". The Loan Documents are hereby incorporated by this reference as if fully set forth in this Guaranty.

B. The Loans are now in Default (as defined in the respective Notes) and Lender has provided Borrower with any and all notice required under each of the Loans Documents concerning such Default.

C. Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, subject to the terms of a Forbearance Agreement of

SIGNATURE PAGE TO GUARANTY AGREEMENT

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even date, by and between the Borrower, Guarantor, and Lender (the "**Forbearance Agreement**").

D. Lender has required that Guarantor guaranty to Lender the payment of the Liabilities (as such term is defined in Section 2.1 hereof).

E. Lender is unwilling to agree to the terms of the Forbearance Agreement and/or to loan additional funds to the Borrower, pursuant to the terms of the Loan Documents, absent this Guaranty

### **Agreement**

In consideration of Lender's agreement to the terms of the Forbearance Agreement and agreement to loan additional funds to the Borrower, pursuant to the terms of the Loan Documents and the Forbearance Agreement, and other good and valuable consideration, the receipt and legal sufficiency of which is hereby acknowledged, Guarantor hereby states and agrees as follows:

1. **Requests of Guarantor.** Guarantor hereby requests that Lender agree to the terms of the Forbearance Agreement, and further, that Lender extend additional credit and give financial accommodations to Borrower, pursuant to the terms of the Loan Documents, as Borrower may desire and as Lender may grant, from time to time, whether to the Borrower alone or to the Borrower and others, and specifically to extend the additional credit described in the Forbearance Agreement.

2. **Guaranty of Liabilities.**

2.1 Guarantor hereby absolutely and unconditionally guarantees full and punctual payment and performance when due of the following (collectively, the "**Liabilities**"):

(a) all amounts that shall become due and owing to Lender at any time by virtue of or arising out of any of the acts, omissions, circumstances or conditions included in any of the Nonrecourse Carve-Outs (as hereinafter defined), including all renewals or extensions of any amount owing or obligation under the Nonrecourse Carve-Outs, all liability under the Nonrecourse Carve-Outs whether arising under any of the original Loans or any extension, modification, future advance, increase, amendment or modification thereof, interest due on amounts owing under the Nonrecourse Carve-Outs at the applicable Default Interest or other default rates specified in the respective Note(s), all expenses, including attorneys' fees, incurred by Lender in connection with the enforcement of any of Lender's rights under this Guaranty and all Administration and Enforcement Expenses (as hereinafter defined), to the extent the same relate to amounts or obligations owing under the Nonrecourse Carve-Outs (the foregoing are sometimes hereinafter collectively referred to as the "**Nonrecourse Carve-Out Liabilities**") As used herein, the term "**Nonrecourse Carve Outs**" means any loss, damage, cost, expense or liability incurred by Lender (including attorneys' fees and expenses and other collection and litigation expenses) arising out of or in connection with any of the following:

(i) fraud or willful misrepresentation by Borrower or any of its affiliates or Guarantor or any agent, employee or other person with actual or apparent authority to make statements or representations on behalf of Borrower, any affiliate of Borrower or Guarantor in connection with any of the Loans ("apparent authority" meaning such authority as the principal knowingly or negligently permits the agent to assume, or which he holds the agent out as possessing);

(ii) the gross negligence or willful misconduct of Borrower or Guarantor, or any affiliate, agent, or employee of the foregoing,

(iii) material physical waste of any of the Properties;

(iv) the removal or disposal of any portion of any of the Properties in violation of the terms of the Loan Documents,

(v) the misapplication, misappropriation, or conversion by Borrower, any of its affiliates or Guarantor of (A) any insurance proceeds paid by reason of any loss, damage or destruction to a Property, (B) any awards received in connection with a condemnation of all or a portion of a Property, (C) any Rents or other Property income or collateral proceeds, or (D) any Rents paid more than one month in advance (including security deposits);

(vi) following the occurrence of an event of default, the failure to either apply rents or other Property income, whether collected before or after such event of default, to the ordinary, customary, and necessary expenses of operating the subject Property or, upon demand, to deliver such rents or other Property income to Lender;

(vii) failure to maintain insurance or to pay taxes and assessments, or to pay charges for labor or materials or other charges or judgments that can create liens on any portion of a Property;

(viii) any security deposits, advance deposits or any other deposits collected with respect to a Property which are not delivered to Lender upon a foreclosure of the subject Property or action in lieu thereof, except to the extent any such security deposits were applied in accordance with the terms and conditions of any of the leases prior to the occurrence of the event of default that gave rise to such foreclosure or action in lieu thereof; or

(x) any failure by Borrower to comply with any of the representations, warranties, or covenants set forth in any of the Loan Agreements.

(b) (i) all payments due under each of the Notes, including the repayment of all additional advances of any kind that may be made by Lender to Borrower, whether at stated maturity, by acceleration or otherwise, (ii) any and all renewals or extensions of any such item of indebtedness or obligation or any part thereof; (iii) all obligations and indebtedness of any kind or nature arising under any of the Loan

Documents; (iv) any future advances that may be made by Lender related to a Loan or a Property, whether made to protect the security or otherwise, and whether or not evidenced by additional promissory notes or other evidences of indebtedness; (v) all interest due on all of the same; (vi) all expenses, including attorney's fees, incurred by Lender in connection with the enforcement of Lender's rights under this Guaranty and all Administration and Enforcement Expenses.

2.2 Upon the request of Lender, Guarantor shall immediately pay or perform the Liabilities when they or any of them become due or are to be paid or performed under the term of any of the Loan Documents. Any amounts received by Lender from any sources and applied by Lender towards the payment of the Liabilities shall be applied in such order of application as Lender may from time to time elect. All Liabilities shall conclusively be presumed to have been created, extended, contracted, or incurred by Lender in reliance upon this Guaranty and all dealings between Borrower and Lender shall likewise be presumed to be in reliance upon this Guaranty.

2.3 For the purpose of this Guaranty, "**Administration and Enforcement Expenses**" shall mean all fees and expenses incurred at any time or from time to time by Lender, including legal (whether for the purpose of advice, negotiation, documentation, defense, enforcement or otherwise), accounting, financial advisory, auditing, appraisal, valuation, title or title insurance, engineering, environmental, collection agency, or other expert or consulting or similar services, in connection with: (a) the Forbearance Agreement, including the negotiations and preparations of the same, (b) this Guaranty, including the negotiations and preparations of the same, (c) the Loan Documents and any amendments or modifications of a Loan or any of the Loan Documents, whether or not consummated; (d) the administration, servicing or enforcement of a Loan or any of the Loan Documents, including any request for interpretation or modification of the Loan Documents or any matter related to a Loan or the servicing thereof (which shall include the consideration of any requests for consents, waivers, modifications, approvals, lease reviews or similar matters and any proposed transfer of the Property or any interest therein), (e) any litigation, contest, dispute, suit, arbitration, mediation, proceeding or action (whether instituted by or against Lender, including actions brought by or on behalf of Borrower or Borrower's bankruptcy estate or any indemnitor or guarantor of the Loan or any other person) in any way relating to a Loan or the Loan Documents including in connection with any bankruptcy, reorganization, insolvency, or receivership proceeding; (f) any attempt to enforce any rights of Lender against Borrower or any other person that may be obligated to Lender by virtue of any Loan Document or otherwise whether or not litigation is commenced in pursuance of such rights, and (g) protection, enforcement against, or liquidation of a Property or any other collateral for a Loan, including any attempt to inspect, verify, preserve, restore, collect, sell, liquidate or otherwise dispose of or realize upon a Loan, the subject Property or any other collateral for a Loan.

3. **Additional Advances, Renewals, Extensions and Releases** Guarantor hereby agrees and consents that, without notice to or further consent by Guarantor, Lender may make additional advances with respect to any of the Loans or any of the Properties, and the obligations of Borrower or any other party in connection with the applicable Loan may be renewed, extended, modified, accelerated or released by Lender as Lender may deem advisable, and any collateral the Lender may hold or in which the Lender may have an interest may be exchanged,

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sold, released or surrendered by it, as it may deem advisable, without impairing or affecting the obligations of Guarantor hereunder in any way whatsoever.

#### 4      **Waivers.**

4.1      Guarantor hereby waives each of the following: (a) any and all notice of the acceptance of this Guaranty or of the creation, renewal or accrual of any Liabilities or the debt related to and/or stemming from the Notes, present or future (including any additional advances made by Lender under any of the Loan Documents) (the "Debt"); (b) the reliance of Lender upon this Guaranty; (c) notice of the existence or creation of any Loan Document or of any of the Liabilities or the Debt; (d) protest, presentment, demand for payment, notice of default or nonpayment, notice of dishonor to or upon Guarantor, Borrower or any other party liable for any of the Liabilities or the Debt; (e) any and all other notices or formalities to which Guarantor may otherwise be entitled, including notice of Lender's granting the Borrower any indulgences or extensions of time on the payment of any Liabilities or the Debt; and (f) promptness in making any claim or demand hereunder.

4.2      No delay or failure on the part of Lender in the exercise of any right or remedy against either Borrower or Guarantor shall operate as a waiver thereof, and no single or partial exercise by Lender of any right or remedy herein shall preclude other or further exercise thereof or of any other right or remedy whether contained herein or in a Note or any of the other Loan Document. No action of Lender permitted hereunder shall in any way impair or affect this Guaranty.

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4.3      Guarantor acknowledges and agrees that Guarantor shall be and remain absolutely and unconditionally liable for the full amount of all Liabilities notwithstanding any of the following, and Guarantor waives any defense or counterclaims to which Guarantor may be entitled, based upon any of the following, in any proceeding (without prejudice to assert the same in a separate cause of action at a later time):

(a)      Any or all of the Liabilities being or hereafter becoming invalid or otherwise unenforceable for any reason whatsoever or being or hereafter becoming released or discharged, in whole or in part, whether pursuant to a proceeding under any bankruptcy or insolvency laws or otherwise; or

(b)      Lender failing or delaying to properly perfect or continue the perfection of any security interest or lien on any property which secures any of the Liabilities, or to protect the property covered by such security interest or enforce its rights respecting such property or security interest; or

(c)      Lender failing to give notice of any disposition of any property serving as collateral for any Liabilities or failing to dispose of such collateral in a commercially reasonable manner; or

(d)      Any other circumstance that might otherwise constitute a defense other than payment in full of the Liabilities.



5. **Guaranty of Payment** Guarantor agrees that Guarantor's liability hereunder is primary, absolute and unconditional without regard to the liability of any other party. This Guaranty shall be construed as an absolute, irrevocable and unconditional guaranty of payment and performance (and not a guaranty of collection), without regard to the validity, regularity or enforceability of any of the Liabilities.

6. **Guaranty Effective Regardless of Collateral.** This Guaranty is made and shall continue as to any and all Liabilities without regard to any liens or security interests in any collateral, the validity, effectiveness or enforceability of such liens or security interests, or the existence or validity of any other guaranties or rights of Lender against any other obligors. Any and all such collateral, security, guaranties and rights against other obligors, if any, may from time to time without notice to or consent of Guarantor, be granted, sold, released, surrendered, exchanged, settled, compromised, waived, subordinated or modified, with or without consideration, on such terms or conditions as may be acceptable to Lender, without in any manner affecting or impairing the liabilities of Guarantor. Without limiting the generality of the foregoing, it is acknowledged that Guarantor's liability hereunder shall survive any foreclosure proceeding, any foreclosure sale, any delivery of a deed in lieu of foreclosure, and any release of record of any of the Security Instruments.

7. **Additional Credit.** Credit or financial accommodation may be granted or continued from time to time by Lender to Borrower regardless of Borrower's financial or other condition at the time of any such grant or continuation, without notice to or the consent of Guarantor and without affecting Guarantor's obligations hereunder. Lender shall have no obligation to disclose or discuss with Guarantor its assessment of the financial condition of Borrower.

8. **Rescission of Payments** If at any time payment of any of the Liabilities or any part thereof is rescinded or must otherwise be restored or returned by Lender upon the insolvency, bankruptcy or reorganization of Borrower or under any other circumstances whatsoever, this Guaranty shall, upon such rescission, restoration or return, continue to be effective or shall (if previously terminated) be reinstated, as the case may be, as if such payment had not been made.

9. **Additional Waivers.** So long as any portion of the Liabilities or Debt remains unpaid or any portion of the Liabilities or Debt (or any security therefor) that has been paid to Lender remains subject to invalidation, reversal or avoidance as a preference, fraudulent transfer or for any other reason whatsoever (whether under bankruptcy or non-bankruptcy law) to being set aside or required to be repaid to Borrower as a debtor in possession or to any trustee in bankruptcy, Guarantor irrevocably waives (a) any rights which it may acquire against Borrower by way of subrogation under this Guaranty or by virtue of any payment made hereunder (whether contractual, under the Bankruptcy Code or similar state or federal statute, under common law, or otherwise), (b) all contractual, common law, statutory or other rights of reimbursement, contribution, exoneration or indemnity (or any similar right) from or against Borrower that may have arisen in connection with this Guaranty, (c) any right to participate in any way in any of the Loan Documents or in the right, title and interest in any collateral securing the payment of Borrower's obligations to Lender, and (d) all rights, remedies and claims relating to any of the foregoing. If any amount is paid to Guarantor on account of subrogation rights or

otherwise, such amount shall be held in trust for its benefit and shall forthwith be paid to Lender to be applied to the Debt, whether matured or unmatured, in such order as Lender shall determine.

10. **Independent Obligations** The obligations of Guarantor are independent of the obligations of Borrower, and a separate action or actions for payment, damages or performance may be brought and prosecuted against Guarantor, whether or not an action is brought against Borrower or the security for Borrower's obligations, and whether or not Borrower is joined in any such action or actions. Guarantor expressly waives any requirement that Lender institute suit against Borrower or any other persons, or exercise or exhaust its remedies or rights against Borrower or against any other person, other guarantor, or other collateral securing all or any part of the Liabilities, prior to enforcing any rights Lender has under this Guaranty or otherwise. Lender may pursue all or any such remedies at one or more different times without in any way impairing its rights or remedies hereunder. Guarantor hereby further waives the benefit of any statute of limitations affecting its liability hereunder or the enforcement hereof. If there shall be more than one guarantor with respect to any of the Liabilities, then the obligations of each such guarantor shall be joint and several.

11. **Subordination of Indebtedness of Borrower to Guarantor.** Any indebtedness of Borrower to Guarantor now or hereafter existing is hereby subordinated to the prior payment in full of the Liabilities. Guarantor agrees that until all of Borrower's obligations detailed in the Forbearance Agreement have been fully satisfied, Guarantor will not seek, accept or retain for Guarantor's own account, any payment (whether for principal, interest, or otherwise) from Borrower for or on account of such subordinated debt. Following the occurrence and during the continuance of an event of default of the Forbearance Agreement, any payments to Guarantor on account of such subordinated debt shall be collected and received by Guarantor in trust for Lender and shall be paid over to Lender on account of the Liabilities or Debt, as Lender determines in its discretion, without impairing or releasing the obligations of Guarantor hereunder. Guarantor hereby unconditionally and irrevocably agrees that (a) Guarantor will not at any time while the Liabilities remain unpaid, assert against Borrower (or Borrower's estate in the event that Borrower becomes the subject of any case or proceeding under any federal or state bankruptcy or insolvency laws) any right or claim to indemnification, reimbursement, contribution or payment for or with respect to any and all amounts Guarantor may pay or be obligated to pay Lender, including the Liabilities, and any and all obligations which Guarantor may perform, satisfy or discharge, under or with respect to the Guaranty, and (b) Guarantor subordinates to the Debt all such rights and claims to indemnification, reimbursement, contribution or payment that Guarantor may have now or at any time against Borrower (or Borrower's estate in the event that Borrower becomes the subject of any case or proceeding under any federal or state bankruptcy or insolvency laws)

12. **Claims in Bankruptcy.** Guarantor shall file all claims against Borrower in any bankruptcy or other proceeding in which the filing of claims is required by law upon any indebtedness of Borrower to Guarantor and will assign to Lender all right of Guarantor thereunder. Guarantor hereby irrevocably appoints Lender its attorney-in-fact, which appointment is coupled with an interest, to file any such claim that Guarantor may fail to file, in the name of Guarantor or, in Lender's discretion, to assign the claim and to cause proof of claim to be filed in the name of Lender's nominee. In all such cases, whether in administration,

bankruptcy or otherwise, the person or persons authorized to pay such claim shall pay to Lender the full amount thereof and, to the full extent necessary for that purpose, Guarantor hereby assigns to Lender all of Guarantor's rights to any such payments or distributions to which Guarantor would otherwise be entitled.

**13. Guarantor's Representations and Warranties.** Guarantor represents, warrants and covenants to and with Lender that:

13.1 There is no action or proceeding pending or, to the knowledge of Guarantor, threatened against Guarantor before any court or administrative agency which might result in any material adverse change in the business or financial condition of Guarantor or in the property of Guarantor;

13.2 Guarantor has filed all Federal and state income tax returns which Guarantor has been required to file, and has paid all taxes as shown on said returns and on all assessments received by Guarantor to the extent that such taxes have become due;

13.3 Neither the execution nor delivery of this Guaranty nor fulfillment of nor compliance with the terms and provisions hereof will conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, or result in the creation of any lien, charge or encumbrance upon any property or assets of Guarantor under any agreement or instrument to which Guarantor is now a party or by which Guarantor may be bound;

13.4 This Guaranty is a valid and legally binding agreement of Guarantor and is enforceable against Guarantor in accordance with its terms;

13.5 Guarantor has either (i) examined the Loan Documents or (ii) has had an opportunity to examine the Loan Documents and has waived the right to examine them; and

13.6 Guarantor has the full power, authority, and legal right to execute and deliver this Guaranty. If Guarantor is not an individual, (i) Guarantor is duly organized, validly existing and in good standing under the laws of the state of its formation, and (ii) the execution, delivery and performance of this Guaranty by Guarantor has been duly and validly authorized and the person(s) signing this Guaranty on Guarantor's behalf has been validly authorized and directed to sign this Guaranty.

**14. Notice of Litigation.** Guarantor shall promptly give Lender notice of all litigation or proceedings before any court or governmental authority affecting Guarantor or its property, except litigation or proceedings which, if adversely determined, would not have a material adverse effect on the financial condition or operations of Guarantor or its ability to perform any of its obligations hereunder.

**15. Access to Records.** Guarantor shall give Lender and its representatives access to, and permit Lender and such representatives to examine, copy or make extracts from, any and all books, records and documents in the possession of Guarantor relating to the performance of Guarantor's obligations hereunder and under any of the Loan Documents, all at such times and as often as Lender may reasonably request. If Guarantor is not an individual, Guarantor shall continuously maintain its existence and shall not dissolve or permit its dissolution.

16. **Assignment by Lender.** In connection with any sale, assignment or transfer of a Loan, Lender may sell, assign or transfer this Guaranty and all or any of its rights, privileges, interests and remedies hereunder to any other person or entity whatsoever without notice to or consent by Guarantor, and in such event the assignee shall be entitled to the benefits of this Guaranty and to exercise all rights, interests and remedies as fully as Lender.

17. **Termination.** This Guaranty shall terminate only when all of the Liabilities and the Debt have been paid in full, including all interest thereon, late charges and other charges and fees included within the Liabilities and the Debt. When the conditions described above have been fully met, Lender will, upon request, furnish to Guarantor a written cancellation of this Guaranty.

18. **Notices** All notices, consents, approvals and requests required or permitted hereunder shall be given in writing and shall be effective for all purposes if hand delivered or sent by (a) certified or registered United States mail, postage prepaid, return receipt requested or (b) expedited prepaid delivery service, either commercial or United States Postal Service, with proof of attempted delivery, or (c) by telecopier (with answer back acknowledged), addressed as follows (or at such other address and Person as shall be designated from time to time by any party hereto, as the case may be, in a written notice to the other parties hereto in the manner provided for in this Section):

If to Lender:

DenSco Investment Corporation  
6132 W. Victoria Place  
Chandler, Arizona 85226  
Facsimile No.: [ ]  
Attention: Denny Chittick

with a copy to:

David G. Beauchamp, Esq  
Clark Hill PLC  
14850 N. Scottsdale Road, Suite 500  
Scottsdale, Arizona 85254  
Facsimile No : (480) 684-1166

If to Menaged:

Scott Menaged  
10510 East Sunnyside Drive  
Scottsdale, Arizona 85259

with a copy to:

[ ]  
[ ]  
[ ]  
[ ]  
Facsimile No : [ ]

If to Arizona  
Furniture King:

Arizona Furniture King  
303 N. Central Avenue, Suite 603  
Phoenix, Arizona 85012

Attention: Scott Menaged

with a copy to:

[ ]  
[ ]  
[ ]  
[ ]

Facsimile No.: [ ]

A notice shall be deemed to have been given: in the case of hand delivery, at the time of delivery; in the case of registered or certified mail, when delivered or the first attempted delivery on a business day; or in the case of expedited prepaid delivery, upon the first attempted delivery on a business day; or in the case of telecopy, upon sender's receipt of a machine-generated confirmation of successful transmission after advice by telephone to recipient that a telecopy notice is forthcoming.

**19. Waiver of Jury Trial. TO THE FULLEST EXTENT NOW OR HEREAFTER PERMITTED BY APPLICABLE LAW, GUARANTOR HEREBY AGREES NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THIS GUARANTY, ANY OF THE NOTES, ANY OF THE SECURITY INSTRUMENTS OR ANY OF THE OTHER LOAN DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY GUARANTOR, AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH RIGHT TO TRIAL BY JURY WOULD OTHERWISE ACCRUE. LENDER IS HEREBY AUTHORIZED TO FILE A COPY OF THIS SECTION IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER BY GUARANTOR.**

**20. Miscellaneous.** This Guaranty shall be a continuing guaranty. This Guaranty shall bind the heirs, successors and assigns of Guarantor (except that Guarantor may not assign his, her, or its liabilities under this Guaranty without the prior written consent of Lender, which consent Lender may in its discretion withhold), and shall inure to the benefit of Lender, its successors, transferees and assigns. Each provision of this Guaranty shall be interpreted in such manner as to be effective and valid under applicable law. Neither this Guaranty nor any of the terms hereof, including the provisions of this Section, may be terminated, amended, supplemented, waived or modified orally, but only by an instrument in writing executed by the party against which enforcement of the termination, amendment, supplement, waiver or modification is sought, and the parties hereby: (a) expressly agree that it shall not be reasonable for any of them to rely on any alleged, non-written amendment to this Guaranty; (b) irrevocably waive any and all right to enforce any alleged, non-written amendment to this Guaranty; and (c) expressly agree that it shall be beyond the scope of authority (apparent or otherwise) for any of their respective agents to agree to any non-written modification of this Guaranty. This Guaranty may be executed in several counterparts, each of which counterpart shall be deemed an original instrument and all of which together shall constitute a single Guaranty. The failure of any party hereto to execute this Guaranty, or any counterpart hereof, shall not relieve the other signatories

from their obligations hereunder. As used in this Guaranty, (i) the terms "include," "including" and similar terms shall be construed as if followed by the phrase "without being limited to," (ii) any pronoun used herein shall be deemed to cover all genders, and words importing the singular number shall mean and include the plural number, and vice versa, (iii) all captions to the Sections hereof are used for convenience and reference only and in no way define, limit or describe the scope or intent of, or in any way affect, this Guaranty, (iv) no inference in favor of, or against, Lender or Guarantor shall be drawn from the fact that such party has drafted any portion hereof or any other Loan Document, (v) the term "Borrower" shall mean individually and collectively, jointly and severally, each Borrower (if more than one) and shall include the successors (including any subsequent owner or owners of a Property or any part thereof or any interest therein and Borrower in its capacity as debtor-in-possession after the commencement of any bankruptcy proceeding), assigns, heirs, personal representatives, executors and administrators of Borrower, (vi) the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or," (vii) the words "hereof," "herein," "hereby," "hereunder," and similar terms in this Guaranty refer to this Guaranty as a whole and not to any particular provision or section of this Guaranty, and (viii) an event of default shall "continue" or be "continuing" until such event of default has been waived in writing by Lender or cured by Borrower, with such cure being accepted by Lender. Wherever Lender's judgment, consent, approval or discretion is required under this Guaranty or Lender shall have an option, election, or right of determination or any other power to decide any matter relating to the terms of this Guaranty, including any right to determine that something is satisfactory or not ("Decision Power"), such Decision Power shall be exercised in the sole and absolute discretion of Lender except as may be otherwise expressly and specifically provided herein. Such Decision Power and each other power granted to Lender upon this Guaranty or any other Loan Document may be exercised by Lender or by any authorized agent of Lender (including any servicer or attorney-in-fact), and Guarantor hereby expressly agrees to recognize the exercise of such Decision Power by such authorized agent. If any provision of this Guaranty is held invalid or unenforceable by final and unappealable judgment of the court having jurisdiction over the matter and persons, such provisions shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision, its application in other circumstances, or the remaining provisions of this Guaranty.

21. **Applicable Law; Jurisdiction and Venue.** This Guaranty shall be governed by and construed in accordance with the laws of jurisdiction in which the real property collateral for the subject Loan is located ("Governing State"). Guarantor hereby consents to personal jurisdiction in the Governing State. Venue of any action brought to enforce this Guaranty or any other Loan Document or any action relating to the subject Loan(s) or the relationships created by or under the subject Loan Documents ("Action") shall, at the election of Lender, be in (and if any Action is originally brought in another venue, the Action shall at the election of Lender be transferred to) a state or federal court of appropriate jurisdiction located in the Governing State. Guarantor hereby consents and submits to the personal jurisdiction of the Governing State and of federal courts located in the Governing State in connection with any Action and hereby waives any and all personal rights under the laws of any other state to object to jurisdiction within such State for purposes of any Action. Guarantor hereby waives and agrees not to assert, as a defense to any Action or a motion to transfer venue of any Action, (a) any claim that it is not subject to such jurisdiction, (b) any claim that any Action may not be brought against it or is not maintainable in those courts or that this Guaranty may not be enforced in or by those courts, or

that it is exempt or immune from execution, (c) that the Action is brought in an inconvenient forum, or (d) that the venue for the Action is in any way improper.

22. **Local Law Provisions.** In the event of any inconsistencies between the terms and conditions of this Section and any other terms and conditions of this Guaranty, the terms and conditions of this Section shall be binding.

22.1 To the maximum extent permitted by law, Guarantor unconditionally and irrevocably waives any rights or benefits arising under A.R.S. §§ 12-1556, 12-1641 through and including 12-1644, 12-1645, 12-1646, 33-814, 33-725, 33-727 and 44-142 and Ariz. R. Civ. P. 17(f) or such statutes, rules or similar provisions as may be enacted or adopted hereafter.

IN WITNESS WHEREOF, Guarantor has executed or caused this Guaranty to be executed as of the day and year first above written.

**GUARANTOR:**

\_\_\_\_\_  
Yomtov "Scott" Menaged, Individually

[Does Scott own all of his assets as separate property or do we need to add his spouse in order to encumber the community property?]

[Does Scott have a trust which owns significant assets? If so, do we need to add the trust as a guarantor?]

FURNITURE KING, LLC

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

**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this \_\_\_\_ day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did acknowledged execution of the foregoing instrument as a Guarantor

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_



ACKNOWLEDGMENTS

STATE OF ARIZONA       )  
                                      ) SS  
COUNTY OF MARICOPA   )

On this \_\_\_\_ day of \_\_\_\_\_, 2014, before me appeared Yomotov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the Manager of FURNITURE KING, LLC, an Arizona limited liability company, and said Yomotov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said company.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

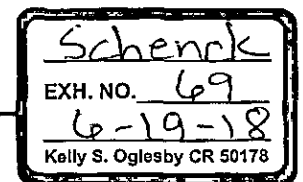
\_\_\_\_\_

**EXHIBIT A**

**LENDER LOANS AND ENCUMBERED PROPERTIES**

Message

From: Schenck, Daniel A. [DSchenck@ClarkHill.com]  
Sent: 2/7/2014 1:27:09 PM  
To: Beauchamp, David G. [DBeauchamp@ClarkHill.com]  
Subject: Security Agreement  
Attachments: 200171551\_1.DOCX.docx



David,

Attached is a draft of a Security Agreement for Furniture King.

Best,

**Daniel A. Schenck**

CLARK HILL PLC

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

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**SECURITY AGREEMENT**

DATE: February, 2014

SECURED PARTY: DenSco Investment Corporation,  
an Arizona corporation  
6132 W. Victoria Place  
Chandler, Arizona 85226

DEBTOR. Furniture King, LLC,  
an Arizona limited liability Company  
303 N. Central Avenue, Suite 603  
Phoenix, Arizona 85012

**OBLIGATIONS  
SECURED:**

All obligations, both payment and performance, owed by Debtor to Secured Party, including, but not limited to the obligations under each of the following: (i) the Forbearance Agreement, of even date herewith, (ii) each of the Loan Documents (defined herein), and (iii) the Guaranty Agreement, of even date herewith (the "**Guaranty**"), wherein the Secured Party personal guaranteed the indebtedness and other obligations of Arizona Home Foreclosures, LLC, an Arizona limited liability company ("**AHF**") and Easy Investments, LLC, an Arizona limited liability company ("**EI**", AHF and EI are hereinafter referred to, individually and collectively, as the context may require, as "**Borrower**") to Secured Party under the terms of certain Loans (individually a "**Loan**" and collectively, the "**Loans**"), which are listed on the attached Exhibit A of the Guaranty, which is incorporated into this Agreement by this reference, with each Loan evidenced by a certain Note Secured by Deed of Trust or other similar promissory notes, executed by Borrower in favor of Secured Party (individually a "**Note**" and collectively, the "**Notes**") and by a Mortgage (or a "Receipt and Mortgage") (collectively, the "**Mortgages**"), and are each secured in part by one or more Deeds of Trust and Assignment of Rents, deeds of trust, deeds to secure debt, or similar documents (individually and collectively, the "**Security Instruments**") encumbering Borrower's interest in the respective real properties described therein (individually a "**Property**" and collectively, the "**Properties**") and referenced in Exhibit A of the Guaranty. The Notes, Mortgages, Security Instruments, and the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are

referred to collectively herein as the "Loans Documents" or individually as a "Loan Document".

**COLLATERAL:** All of Debtor's inventory, accounts, and assets.

Debtor, for value received, hereby grants to Secured Party a security interest in and to the Collateral described above, complete with accessories, attachments, accessions, repairs, replacements, parts and equipment now or hereafter attached or appertaining thereto, or used in connection therewith and all proceeds thereof to secure performance of the covenants and agreements herein set forth and payment and performance of the Obligations Secured hereby and any and all extensions or renewals thereof, in whole or in part, and also any other indebtedness or liability of Debtor to Secured Party now existing or hereafter arising, due or to become due, absolute or contingent and whether several, joint, or joint and several. Debtor hereby authorizes Secured Party to execute and file any and all financing statements (the "Financing Statements") describing the Collateral deemed necessary or desirable by Secured Party to confirm, perfect, continue, modify or extend the security interest in the Collateral granted herein.

1. **Debtor's Representations and Warranties.** Debtor represents and warrants:

a. Debtor is and, as to Collateral acquired after the date hereof, will be the owner of the Collateral free from any adverse lien, security interest or encumbrance. Debtor is in exclusive possession of the Collateral. Debtor shall defend the Collateral against all claims and demands of all persons.

b. All Collateral now existing, and all Collateral hereafter acquired, is and shall be located solely within the State of Arizona (the "Collateral State").

c. Debtor is a limited liability company organized and existing under the laws of the State of Arizona with its chief executive office located in Phoenix, Maricopa County, Arizona. Debtor's exact legal name is set forth on the first page of this Security Agreement.

d. There is no financing statement now on file covering any of the Collateral of Debtor or in which Debtor is named as or signs as a Debtor, except as may be approved by Secured Party. Without the prior written consent of the Secured Party, Debtor will not execute nor permit the filing of any such financing statement or statements.

e. Debtor shall maintain possession of the Collateral, except where expressly otherwise provided in this Security Agreement or where Secured Party chooses to perfect its security interest by possession in addition to the filing of the Financing Statements.

f. Said Collateral being personal property, the same will be used and located at the hereinabove specified addresses within the Collateral State. Debtor shall have the right to replace any items of Collateral with equal or better property, provided such replacement property shall become Collateral hereunder.

g. Debtor will not sell, offer or attempt to sell or dispose of the Collateral or any substitutions, accessions or interest therein, other than inventory in the ordinary course of

business, and will not create or permit to exist any other security interest or other encumbrance upon the Collateral.

2. **Right to Protect Collateral.** Secured Party may, in the event of default by Debtor, obtain insurance or pay taxes, assessments, liens, fees, charges or encumbrances, or order and pay for repairs or spend any amounts necessary to maintain the Collateral in Debtor's exclusive possession and in good condition and repair, and all amounts expended by Secured Party shall, with interest thereon at ten percent (10%) per annum, constitute an indebtedness of Debtor to Secured Party secured by the Collateral and by the terms of this Agreement, and shall be immediately due and payable, but no such act or expenditure by Secured Party shall relieve Debtor from the consequences of such default. The making of any such payment by Secured Party or the performance of any obligation on behalf of Debtor shall constitute prima facie evidence of the necessity therefor and the reasonableness thereof.

3. **Events of Default.** Any one of the following shall constitute an event of default ("Event of Default").

- a. Failure of Debtor to pay when due any indebtedness secured hereby;
- b. Any default, Event of Default (as defined) or breach of any warranty, representation or statement under any of the Loan Documents or other documents associated with any of the Obligations Secured hereby;
- c. If any warranty, representation or statement made herein or furnished to Secured Party by or on behalf of Debtor in connection with this Agreement proves to have been false in any material respect when made or furnished;
- d. The commencement of any bankruptcy proceedings, arrangement, reorganization, insolvency, receivership or similar proceedings by or against Debtor or any guarantor or surety for Debtor;
- e. The dissolution or termination of the Debtor's limited liability company existence;
- f. If the Collateral is sold or disposed of unlawfully, levied on or seized under any levy, attachment, garnishment, writ or other legal process; if any lien shall attach thereto; or if a security interest is created with respect thereto;
- g. If Debtor uses the Collateral in violation of any law or governmental regulation;
- h. If Debtor defaults in performing any of Debtor's obligations, promises, covenants or agreements contained herein or in any agreement, paper or document given by Debtor to Secured Party;
- i. If the Collateral is lost, stolen or suffers substantial damage or destruction which is not compensated for by insurance;

j. If Debtor removes or permits the Collateral to be removed from the location herein specified without prior written consent of Secured Party, other than a sale of inventory in the ordinary course of business;

k. If Debtor fails to keep and maintain exclusive possession of and title to the Collateral, other than a sale of inventory in the ordinary course of business;

l. If Debtor fails to pay promptly when due all taxes, liens, fees, charges and assessments upon the Collateral or fails to keep the Collateral in good condition and repair or fails to keep the Collateral properly insured at all times, with an insurance company or companies acceptable to Secured Party and with loss payable to Secured Party as its interest may appear against fire (with extended coverage), theft, physical damage and such other risks, and in such amounts for all risks as Secured Party shall require.

m. Debtor shall fail to comply with, or become subject to any administrative or judicial proceeding under any federal, state or local (a) hazardous waste or environmental law, (b) asset forfeiture or similar law which can result in the forfeiture of property or (c) other law where noncompliance may have any significant effect on the Collateral; or

n. Secured Party shall receive at any time following the date of this Agreement a report from the Secretary of State or other governmental agency indicating that Secured Party's security interest is not prior to all other security interests or other interests reflected in the report unless such security interests or other interests have been previously consented to in writing by Secured Party.

4. **Default Costs.** Should an Event of Default occur, Debtor will pay to Secured Party all costs incurred by Secured Party for the purpose of enforcing its rights hereunder, including, without limitation:

a. The costs of foreclosure;

b. The costs of obtaining money damages including without limitation the costs incurred in any litigation or arbitration proceeding arising out of this Security Agreement; and

c. The attorneys' fees incurred by Secured Party for any purpose related to this Security Agreement or the Obligations Secured hereby, including consultation, drafting documents, sending notices or instituting, prosecuting or defending litigation or arbitration

5. **Rights and Remedies.** Upon the happening of any of the foregoing Events of Default and at any time thereafter, at Secured Party's option and without notice to Debtor declare all of the indebtedness of Debtor to Secured Party to be immediately due and payable, and Secured Party shall have the rights, options, duties and remedies of a Secured Party, and Debtor shall have the rights and duties of a Debtor, under the Uniform Commercial Code as adopted in the State of Arizona; and, without limitation thereto, Secured Party shall have the following specific rights:

a. To terminate any commitment to make loans or to otherwise extend credit to Borrower;

b. To take immediate possession of the Collateral without notice or resort to legal process and for such purpose to enter upon any premises on which the Collateral or any part thereof may be situated and remove the same therefrom or at its option to render the Collateral unusable;

c. To require Debtor to assemble the Collateral and make it available to Secured Party at a place, to then be designated by Secured Party which is reasonably convenient to both parties,

d. To retain the Collateral in satisfaction of the Obligations Secured hereunder in accordance with A.R.S. Sections 47-9620 and 47-9621, provided, however, Secured Party will not be deemed to accept the Collateral in satisfaction of the Obligations Secured in the absence of Secured Party's compliance with A.R.S. Section 47-9620(B)(1);

e. Without taking possession, sell, lease or otherwise dispose of the Collateral at public or private sale in accordance with the Uniform Commercial Code as adopted in the State of Arizona; and

f. At any sale or disposition of the Collateral, Secured Party may accept a trade of property for all or a portion of the sale price;

6. **Foreclosure Procedures.**

a. No delay or omission by Secured Party to exercise any right or remedy accruing upon any Event of Default shall: (a) impair any right or remedy, (b) waive any default or operate as an acquiescence to the Event of Default or (c) affect any subsequent default of the same or of a different nature.

b. Secured Party shall give Debtor such notice of any private or public sale as may be required by the Uniform Commercial Code as adopted in the State of Arizona. Any written notice required to be given to Debtor, if mailed by ordinary mail, postage prepaid, to Debtor's mailing address given above, or to Debtor's most recent address as shown by a notice of change of address on file with the Secured Party, shall be deemed reasonable notification.

c. Secured Party has no obligation to clean up or otherwise prepare the Collateral for sale.

d. Secured Party has no obligation to attempt to satisfy the Obligations Secured hereby by collecting them from any other person liable for them and Secured Party may release, modify or waive any collateral provided by any other person to secure any of the Obligations Secured hereby, all without affecting Secured Party's rights against Debtor. Debtor waives any right it may have to require Secured Party to pursue any third person for any of the Obligations Secured hereby.



e. Secured Party may comply with any applicable state or federal law or regulation in connection with the disposition of the Collateral and such compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral.

f. Secured Party may sell the Collateral without giving any warranties as to the Collateral. Secured Party may specifically disclaim any warranty of title or the like. This procedure will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral.

g. If Secured Party sells any of the Collateral upon credit, Debtor will be credited only with payments actually made by the purchaser, received by Secured Party and applied to the indebtedness of the purchaser. In the event the purchaser fails to pay for the Collateral, Secured Party may resell the Collateral and Debtor shall be credited with the proceeds of the sale.

h. Secured Party shall have no obligation to marshal any assets in favor of Debtor, or against or in payment of (i) one or more of the Notes, (ii) any of the other Obligations Secured hereby or (iii) any other obligation owed to Secured Party by Debtor or any other person.

i. Secured Party shall apply the proceeds realized from any disposition of the Collateral in accordance with the Uniform Commercial Code as adopted in the State of Arizona and to the payment of reasonable attorneys' fees and legal expenses incurred by Secured Party whether or not suit be filed. If the proceeds realized from the disposition of the Collateral shall fail to satisfy all of the Obligations Secured hereby, Debtor shall pay any deficiency balance to Secured Party.

7. **Debtor's Covenants.** Until the Obligations Secured are paid in full, Debtor covenant and agrees:

a. That the Collateral will be kept at the addresses set forth above, and Debtor will not remove the Collateral from the Collateral State without the prior written consent of Secured Party.

b. Debtor shall promptly notify Secured Party in writing of any change in location of the Collateral (other than in the event of a sale of inventory in the ordinary course of business), Debtor's place or places of business or Debtor's place of residence. Such notice to be effective must be received by Secured Party at the place where payments are to be made under the terms of this Agreement.

c. That Debtor shall not change its company name without providing Secured Party with at least thirty (30) days prior written notice.

d. That Debtor will preserve its company existence and will not, in one transaction or in a series of related transactions, merge into or consolidate with any other entity, or sell all or substantially all of its assets.

8. **General.**

a. This Agreement constitutes the entire agreement between the parties relative to the subject hereof and may not be amended or altered except by a writing signed by all parties.

b. This Agreement shall be governed by the laws of the State of Arizona. Any action arising out of this Agreement shall be brought in the Maricopa County (Arizona) Superior Court.

c. In the event litigation is commenced to enforce the terms of this Agreement, the prevailing party shall be entitled to recover its attorneys' fees and costs of suit from the non-prevailing party.

d. All terms used herein which are defined in the Uniform Commercial Code as adopted in the State of Arizona shall have the same meaning herein as in the Code.

e. Should any provision of this Security Agreement be found to be void, invalid or unenforceable by a court of competent jurisdiction, that finding shall only affect the provisions found to be void, invalid or unenforceable and shall not affect the remaining provisions of this Security Agreement.

f. If this Security Agreement is signed by more than one Debtor, the obligations of all such Debtors shall be joint and several

g. Time is of the essence of this Agreement.

h. This Security Agreement shall bind and inure to the benefit of the heirs, legatees, executors, administrators, successors and assigns of Secured Party and shall bind all persons who become bound as a debtor to this Security Agreement. Secured Party does not consent to any assignment by Debtor except as expressly provided in this Security Agreement. Secured Party may assign its rights and interests under this Security Agreement. If an assignment is made, Debtor shall render performance of this Security Agreement to the assignee. Debtor waives and will not assert against any assignee any claims, defenses or set-offs which Debtor could assert against Secured Party except defenses which cannot be waived.

i. Debtor agrees to execute any further documents, and to take any further actions, reasonably requested by Secured Party to evidence or perfect the security interests granted herein, to maintain the first priority of the security interests granted herein or to effectuate the rights granted to Secured Party herein.

[The Remainder of This Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed the day and year first above written.

**DEBTOR:**

Furniture King, LLC,  
an Arizona limited liability Company

By: \_\_\_\_\_  
Yomotov "Scott" Menaged  
Its: Manager

STATE OF ARIZONA       )  
                                  ) ss.  
County of Maricopa       )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2014, by Yomotov "Scott" Menaged in his capacity as Manager of Furniture King, LLC, an Arizona limited liability company, for and on behalf of said company.

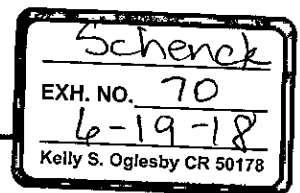
\_\_\_\_\_  
Notary Public

My Commission Expires:

**SECURED PARTY:**

DenSco Investment Corporation,  
an Arizona corporation

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



Message

From: Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]  
Sent: 2/7/2014 6:37:22 PM  
To: Goulder, Jeffrey (jeffrey.goulder@stinsonleonard.com) [jeffrey.goulder@stinsonleonard.com]  
CC: Denny J. Chittick (dcmoney@yahoo.com) [dcmoney@yahoo.com]  
Subject: Workshare Professional Document Distribution  
Attachments: #200131428v8\_ClarkHill\_ - Forbearance Agreement (8).DOCX; Forbearance\_Ag.Densco(5) - Forbearance Agreement (8).pdf

Jeff:

Based on your previous changes, the Forbearance Agreement would be prima facia evidence that Denny Chittick had committed securities fraud because the loan documents he had Scott sign did not comply with DenSco's representations to DenSco's investors in its securities offering documents. Unfortunately, this agreement needs to not only protect Scott from having this agreement used as evidence of fraud against him in a litigation, the agreement needs to comply with Denny's fiduciary obligations to his investors as well as not become evidence to be used against Denny for securities fraud.

The previous version that I had sent to you was basically a complete rewrite of our standard forbearance agreement that I have used in almost 200 forbearance agreements over the last 10 years. The previous version that I sent to you was intended to be as fair as possible while setting forth all of the business points that both Denny and Scott had told me in a meeting and over several conference calls. (Scott specifically did agree to pay all costs and related costs in this matter. Scott also proposed and agreed to the \$10 million life insurance policy, because they now believe that the outstanding loan balance will be much higher than the previous estimate. The higher loan balance will result in a significant unsecured portion if anything happens to Scott and the Properties are liquidated.)

In addition to the business points, we had intended to make the document as balanced as possible. We wanted the document to set forth the necessary facts for Denny to satisfy his securities obligations to his investors (including that the original loans had to have been written and secured by a first lien on real property and that the workout agreed to by Denny complied with his workout authorization) without having Scott have to admit facts that could cause trouble to him. I had been informed that since "Dan's litigious group" had agreed to get paid off, Scott was not as concerned with stating facts and legal conclusions in the document, but your changes indicated that you are still very concerned. If you do not want the conclusions to be stated in the document, then we have to use another approach.

To try to balance the respective interests, I have inserted sections from the loan documents into the Forbearance Agreement. Referencing the language of the Loan Documents is needed to satisfy Denny's fiduciary obligations, but I have also modified the other provisions so that Borrower is not admitting that it was required to provide first lien position in connection with the loans. Further, I have inserted a parenthetical that "(though Guarantor acknowledged no fault)" in the section where Guarantor (Scott) advises Denny of the additional liens on the Properties. We are also using the Borrower's failure to subordinate or remove the additional liens in 10 days as the applicable default.

Bottom line: Borrower does not admit that the existing loans were to be secured in first lien position, nor that the modified loans will be in first lien position. However, Borrower will obtain a lender's title insurance policy in favor of Lender that will insure Lender in first lien position as the other liens are extinguished on each Property (unless DenSco is paid off). Correspondingly, the respective provisions in the Loan Documents are referenced to satisfy Denny's fiduciary duties to his investors and the Default is acknowledged so that this workout is consistent with the limitations of the scope of Denny's authority.

Sincerely, David

The following files have been attached to this mail by Workshare Professional...

#200131428v8\_ClarkHill\_ - Forbearance Agreement (8).DOCX (WORDX)

Forbearance\_Ag.Densco(5) - Forbearance Agreement (8).pdf (PDF)

**David G. Beauchamp**

CLARK HILL PLC

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

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IRS Circular 230 Disclosure: To ensure compliance with the requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended for or written to be used, and cannot be used, for the purpose of (a) avoiding any penalties under the Internal Revenue Code or (b) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

## FORBEARANCE AGREEMENT

THIS FORBEARANCE AGREEMENT ("Agreement") is executed on February \_\_, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company ("AHF"), whose address is 7320 W Bell Road, Glendale, Arizona 85308, Easy Investments, LLC, an Arizona limited liability company ("EI"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308 (AHF and EI are collectively referred to as the ("Borrower"), Yomtov "Scott" Menaged ("Guarantor"), whose address is 10510 East Sunnyside Drive, Scottsdale, Arizona, Furniture King, LLC, an Arizona limited liability Company ("New Guarantor"), whose address is 303 N. Central Avenue, Suite 603, Phoenix, AZ 85012, and DenSco Investment Corporation, an Arizona corporation ("Lender"), whose address is 6132 W. Victoria Place, Chandler, Arizona 85226, (the Borrower, the Guarantor, the New Guarantor, and Lender are each considered a "Party" hereunder and are collectively referred to as the "Parties") (Any capitalized term not defined in this Agreement shall have the meaning set forth in the Deeds of Trust as later defined)

### Recitals

The following recitals of fact are a material part of this Agreement:

A. Borrower is indebted to Lender under the terms of certain Loans (the "Loans"), which are listed on the attached Exhibit A, which is incorporated into this Agreement by this reference, and each are evidenced by a Note Secured by Deed of Trust (each, a "Note" and collectively, the "Notes"), all of which were executed by Borrower in favor of Lender (the "Notes") and by a Mortgage (or a "Receipt and Mortgage") (each, a "Mortgage", and collectively, the "Mortgages"), and each such Note and Mortgage was executed by Borrower and delivered to Lender, as a condition precedent to and immediately prior to the funding of the applicable Loan.

B. Guarantor guaranteed the payment and performance of each of the Loans (the "Guaranty"), executed by Guarantor in favor of Lender.

C. Each of the Loans are further evidenced and/or secured by various documents and instruments, including but not limited to a certain Deed of Trust and Assignment of Rents (each a "Deed of Trust", and collectively, the "Deeds of Trust"), executed by Borrower at the funding of the Loan in favor of Lender and recorded in conjunction with the Trustee's Deed conveying the real property to Borrower. The Deeds of Trust constitute a lien on the respective real properties described therein (individually a "Property" and collectively, the "Properties") and referenced in Exhibit A. The Notes, the Mortgages, the Deeds of Trust, the Guaranty, the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "Loans Documents".

D. Each of the Mortgages provides: "Borrower hereby grants to Lender or assignee a first, prior and superior equitable lien and mortgage against the Real Property to secure payment of the Loan .. Borrower has delivered to Lender a promissory note and deed

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of trust, and Borrower agrees that the deed of trust that the deed of trust shall be recorded against the Real Property as a first, prior and superior lien and encumbrance simultaneously with the recording of the Trustee's Deed."

E. Each Deed of Trust provides as follows:

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

....

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

F. Each Note provides as follows:

" A "Default" shall occur (i) ... or (vi) upon the occurrence of any default under any obligation of Maker to Holder. Further, at Holder's option after Default, all remaining unpaid principal and accrued interest shall become due and payable immediately without notice (other than any declaration prescribed in applicable sections of the agreements under which such events of default arose), presentment, demand or protest, all of which hereby are waived." ("Default" shall have the meaning set forth in the Note)

G. On or about November 27, 2013, Guarantor met with Denny Chittick of Lender to inform Lender that certain of the Properties had also been used (though Guarantor acknowledged no fault) as security for one or more loans from one or more other lenders (individually, the "Other Lender" and collectively, the "Other Lenders") and the Loans from Lender may not be in the first lien position on each respective Property

H. At the November 27 meeting, Guarantor acknowledged to Lender that Borrower had an obligation to discharge the liens of the Other Lenders or to take such other actions to satisfy Section 5 of each Deed of Trust within 10 days, as referenced above. Further, Borrower and Guarantor acknowledged that the meeting satisfied Lender's obligation to provide notice to Borrower and Guarantor of an action leading to a Default pursuant to each of the Loan Documents.

I. The Loans are now in Default (as defined in the Note) and Lender has provided Borrower with any and all notice required under each of the Loans Documents concerning such Default.

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J. Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, but only so long as and on the conditions that (1) Borrower, Guarantor and New Guarantor acknowledge the existing Defaults under the Loans, (2) all liens, security interests, rights and remedies of Lender under the Loans Documents continue in full force and effect and (3) Borrower, Guarantor and New Guarantor fulfill all conditions and comply with all terms and provisions set forth in this Agreement, and furnish all other documents and perform all other acts necessary to give effect to the agreements hereinafter set forth.

**NOW THEREFORE**, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. **Loans Balance.** The total sum now due and payable under the Loans, in aggregate, is approximately \$\_\_\_\_\_, consisting of \$\_\_\_\_\_ in principal, \$\_\_\_\_\_ in accrued interest (through and including February 1, 2014), \$\_\_\_\_\_ advanced by Lender in payment of costs and expenses as permitted under the Loans Documents and approximately \$\_\_\_\_\_ in costs and expenses incurred by Lender for collection and enforcement of the Loans. Interest continues to accrue under the Loans at the rate of 18 % per annum as provided in the Notes (as opposed to the Default Interest rate set forth in the Notes).

2. **Acknowledgment of Default.** Borrower, Guarantor and New Guarantor hereby acknowledge and agree that the Loans are in Default, and that as a result of such Default, Lender now has the right to pursue foreclosure and any and all other rights and remedies permitted to Lender under the Loans Documents and/or under applicable law

3. **Continued Effect of Loans Documents.** Borrower, Guarantor and New Guarantor further acknowledge and confirm that the Loans Documents have been duly authorized, executed and delivered to Lender and are valid, binding and enforceable against Borrower and Guarantor in accordance with their respective terms, and that to the collective knowledge of Borrower, Guarantor and New Guarantor, all liens and security interests created in favor of Lender under the Loans Documents have been validly created and duly perfected as encumbrances upon all Properties and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents and as modified by this Agreement. Upon the satisfaction of the lien of the applicable Other Lender with respect to a Property, the lien and security interest created in favor of Lender under the Loans Documents will be deemed to be validly created and duly perfected as an encumbrance upon the respective Property and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents. Further, Borrower shall cause to be provided to Lender a Lender's title insurance policy issued by a nationally-recognized title company, reasonably acceptable to Lender insuring that Lender's encumbrance in such Property, as evidenced by the respective Deed of Trust, shall constitute a valid and enforceable first and prior lien to any other encumbrance on the respective Property.

4 **Forbearance by Lender on Conditions; Effect of Breach.** Lender hereby agrees to forbear pursuit of its rights and remedies under the Loans Documents and/or under applicable law, but only so long as and on the conditions that Borrower, Guarantor and New Guarantor pay all sums, perform all covenants and agreements and do all acts and things required of them hereunder. If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any

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covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Lender may cease such forbearance and may immediately commence and pursue any or all rights and remedies Lender may have under the Loans Documents and/or under applicable law as to any or all of the collateral or security for the Loans, all in such order and manner as Lender may elect from time to time in its sole discretion and without notice of any kind to Borrower, Guarantor, New Guarantor or any other person, as if this Section 4 had never been agreed to by Lender. Lender's agreement herein to forego immediate pursuit of its rights and remedies constitutes a postponement and forbearance only, and does not in any event constitute a waiver of any such rights or remedies.

5. **No Effect on Existing Default; Extension of Maturity.** Neither the execution and delivery of this Agreement or any other document or instrument required hereunder nor the consummation of the transactions and agreements set forth in this Agreement shall in any manner rescind or cure any existing Default under the Loans Documents, reinstate the Loans to a current status, or constitute an accord and satisfaction of the Loans. Notwithstanding this provision, the maturity date of all of the Loans is hereby extended to February 1, 2015; provided, however, Lender, at its sole discretion, may further extend the maturity date of all of the Loans to February 1, 2016, so long as Borrower, Guarantor and New Guarantor have complied and are in compliance with the terms of this Agreement.

6. **Borrower's Actions** Lender's continued performance of the terms of this Agreement is conditioned upon each of the following obligations being fulfilled:

(A) Borrower agrees to use its good faith efforts to (i) liquidate other assets, which is expected to generate approximately \$4 to \$5 million US Dollars; (ii) apply all net proceeds from the rental of Borrower's other real estate assets, or the net proceeds from the acquisition and disposition of other real estate or other assets by Borrower, and (iii) apply all funds received from Borrower's continued good faith efforts to recover any other asset that can be recovered from the missing proceeds from the multiple Loans that were advanced from Lender and Other Lenders with respect to certain properties as referenced above. Any additional funds obtained and / or made available to Borrower pursuant to this subsection shall be made available to and used by Borrower in connection with the resolution of the lien disputes between Lender and Other Lenders as referenced above (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower as provided herein).

(B) Borrower agrees to provide Lender, and maintain in effect, a life insurance policy from a nationally-recognized life insurance carrier (with a rating of \_\_\_\_ or better from \_\_\_\_\_) and reasonably approved by Lender, in the amount of \$10,000,000, insuring the life of Guarantor with Lender named as the sole beneficiary, until all obligations pursuant to the Agreement have been fully satisfied.

(C) Borrower agrees to provide Lender with a separate personal guaranty from Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents, and this Agreement, and such Guaranty shall be in commercially reasonable form for a lender loaning a similar aggregate amount of money to a borrower as Lender is loaning in the aggregate to Borrower. Further, Borrower agrees to provide a re-affirmation and consent from Guarantor to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees

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of Lender's Loans to Borrower, so that the terms and provisions of this Agreement will not cause or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of Lender and Borrower pursuant to the terms and provisions of this Agreement.

(D) Borrower agrees to provide Lender with a separate corporate guaranty from New Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents and this Agreement, to be secured by a lien against all of New Guarantor's inventory, accounts, and assets.

(E) Except for Lender, Borrower agrees to continue to pay the interest due to the Other Lenders for loans secured by any of the Properties, and any other similarly situated lender on a timely basis and to keep each of such loans current and in compliance with their respective terms.

(F) Borrower has arranged for private outside financing (the "Outside Funds"), which is to be provided to Borrower in the approximate amounts and on the following prospective schedule: (i) approximately \$1,000,000 on or before March 20, 2014, and (ii) approximately \$ \_\_\_\_\_ on or before \_\_\_\_\_, 2014. Such Outside Funds shall be used exclusively for the pay-off of the Other Lenders and any other similarly situated lender (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower, as provided herein);

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

(H) During the term of this Agreement, Borrower, Guarantor and New Guarantor agree to use good faith efforts to satisfy and pay-off any and all financial obligations secured by liens in favor of the applicable Other Lender with respect to a Property. The Borrower and Lender shall cooperate to agree upon a sequencing schedule (which will need to be adjusted on a reasonable basis) to satisfy and release the liens of the Other Lenders on the applicable Properties. Borrower agrees to use its Good Faith Efforts to cause the liens of the Other Lenders to be satisfied and released on or before nine (9) months from the execution of this Agreement.

(I) Borrower, Guarantor, New Guarantor and Lender acknowledge and agree that this Agreement shall not constitute nor create a joint venture or partnership arrangement between or among Lender and any of the Borrower or Guarantor.

(J) If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Borrower agrees to provide any additional collateral ("Additional Security") to Lender, as may be requested by Lender, to secure Borrower's existing obligations.

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to Lender and to secure the additional obligations that Lender is agreeing to provide pursuant to this Agreement.

(K) Execution, delivery and filing or recording (with all costs thereof paid by Borrower) of all documents and instruments required to create the required liens on the respective Properties as required by the Loans Documents or to create a security interest in any Additional Collateral

(L) Borrower agrees to reimburse all costs and expenses, including without limitation title reports, amendments or title insurance, investigation fees, and / or reasonable attorneys' fees, incurred by Lender in connection with this Agreement (or the effect of this Agreement on Lender's business and with its investors), the default of Borrower in connection with the Loans Documents, or the existing and / or any future lien disputes with the Other Lenders or any other similarly situated lenders.

7. **Lender's Actions.** Subject to the full compliance of Borrower, Guarantor, and New Guarantor to each of their respective obligations, as detailed in this Agreement, the Lender will perform the following obligations:

(A) Lender agrees to increase the Loan amount of each of the Properties referenced in Exhibit A up to 95% of the loan-to-value ("LTV") ratio of the value of the respective Properties, as determined by Lender. The additional funds advanced to Borrower shall be used to pay off the Other Lender and release its security interest in that Property.

(B) Lender will defer (but not waive) the collection of interest from the Borrower on the Loans to the Borrower during the process to fund the amount due to the Other Lenders; and all deferred interest on the Notes from Borrower shall be paid to Lender on or before the payoff of the respective Note.

(C) Lender will provide a new loan to Borrower in the amount up to 1 Million US Dollars, which loan is to provide for multiple advances, earn 3% annual interest to be secured by a first lien position against certain real property or properties to be approved by Lender, in its sole discretion, and the obligation is to be personally guaranteed by Guarantor and New Guarantor (the "Additional Loan").

(D) Provided that Borrower, Guarantor and New Guarantor each complies with all of its respective obligations under this Agreement, Lender will defer the right to charge the Default Interest rate which is permitted pursuant to the terms of the Loans Documents. If any of Borrower, Guarantor or New Guarantor fails to comply with its respective obligations under this Agreement, Borrower shall then be liable for Default Interest at the Default Interest rate set forth in the Loan Documents on all outstanding Notes.

8. The entire principal sum and all accrued interest, costs, expenses, disbursements and fees due under the terms and provisions of the Notes and all other sums payable under the Loans Documents shall be due and payable in full on February 1, 2016 in any event, without notice or demand.

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9. **Grace and Cure Periods.** If Borrower fails to comply with any non-monetary obligation undertaken by it through this Agreement, Borrower shall be in default of this Agreement if it fails to satisfy the non-monetary obligation within five (5) business days of receiving email or telephonic notice from Lender. No such notice shall be required if Borrower fails to comply with any monetary obligation. Except for the non-monetary notice required above, all other notice provisions of the Loans Documents requiring any other notice to Borrower or any other person as a condition precedent to the existence of any breach, default or event of default or to any acceleration or other remedial action by Lender, permitting or granting any grace period after the giving or receipt of any notice for the cure of any breach, default or event of default under the Loans Documents prior to acceleration or other remedial action by Lender are hereby deleted, and all Loans Documents are hereby modified accordingly.

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10. **Release of Lender; Waiver of Claims and Defenses.** As a material part of the consideration for Lender's execution of this Agreement, Borrower, Guarantor and New Guarantor each hereby unconditionally and irrevocably release and forever discharge Lender and all of its directors, officers, employees, agents, attorneys, affiliates and subsidiaries from all liabilities, obligations, actions, claims, causes of action, suits, proceedings, damages, demands, costs and expenses whatsoever arising from or relating to any alleged or actual act, occurrence, omission or transaction occurring or happening prior to or on the date of this Agreement, including but not limited to any of the foregoing relating to the making, administration or enforcement of the Loans. Without limiting the foregoing, Borrower and Guarantor hereby unconditionally and irrevocably waive any and all defenses and claims existing or arising (or based on facts or circumstances actually or allegedly existing or arising) prior to or on the date of this Agreement which might otherwise limit their unconditional joint and several liability for all sums due under the Loans.

11. **Further Documents.** Borrower, Guarantor, and New Guarantor each hereby agree to execute any and all further documents and instruments required by Lender and to do all other acts and things necessary to give effect to the terms and provisions of this Agreement and/or to create and perfect all liens and security interests granted to Lender under the Loans Documents or required under this Agreement.

12. **Authorization of Agreement.** The execution and delivery of this Agreement has been duly authorized by all necessary corporate or partnership action of Borrower, Guarantor (as applicable) and New Guarantor, and the individuals executing this Agreement on behalf of Borrower, Guarantor and/or New Guarantor have been duly authorized and empowered to bind Borrower, Guarantor and/or New Guarantor by such execution.

13. **Costs and Expenses.** Borrower hereby agrees to pay on demand any and all costs and expenses, including but not limited to attorneys' fees, incurred by Lender in connection with (A) the negotiation, preparation, filing and/or recording of this Agreement and all other documents and instruments required to give effect to this Agreement and/or to create and perfect the liens, security interests, assignments and/or pledges contemplated hereunder or under the Loans Documents and/or (B) the collection of the Loans and/or the enforcement of the Loans Documents. Guarantor and New Guarantor shall each be liable for all of their respective foregoing costs and expenses pursuant to their respective guarantees. Lender shall have no liability whatsoever for any of the foregoing.

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14. **Time of the Essence.** Time is of the essence of all agreements and obligations contained herein.

15. **Construction of Agreement.** If any provision of this Agreement conflicts with any provision of any Loans Documents, the applicable provision of this Agreement shall control.

As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa.

The titles and captions in this Agreement are used for convenience of reference only and do not define, limit or control the scope, intent or effect of any provisions of this Agreement.

No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted all or any portion of this Agreement, any other document required hereunder or in connection with any Loans Documents.

16. **Ratification and Agreements by Guarantor.** Guarantor hereby acknowledges and consents to the terms of this Agreement, agrees to be bound by all terms and provisions hereof and of any and all documents and instruments executed by Borrower in connection with and/or as contemplated in this Agreement, acknowledges and confirms that Guarantor is and shall remain liable for all indebtedness and obligations now or hereafter owed by Borrower to Lender in connection with the Loans (pursuant to this Agreement and the Loans Documents or otherwise); agrees that Guarantor's said liability shall not be released, reduced or otherwise affected by the execution of this Agreement, by any changes in the effect of the Loans Documents under the terms of this Agreement, by Lender's receipt of any additional collateral for the Loans, by the consummation of any transactions relating hereto, or by any other existing fact or circumstance; ratifies the Guaranty as security for the Loans; and confirms that the Guaranty remains in full force and effect.

17. **Entire Agreement; No Oral Agreements Concerning Loans.** This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, which agreement shall not be varied by any alleged or actual oral statements or parol evidence whatsoever. Lender has not promised or agreed in any manner to extend the maturity of the Loans, to restructure the Loans or any security therefor, to modify any terms of the Loans Documents or the effect thereof, to forbear in the commencement, exercise or pursuit of any right or remedy Lender has under the Loans Documents or applicable law, to release or adversely affect any lien or security interest previously or concurrently granted in favor of Lender, or to forego the benefit of any term, provision or condition of the Loans Documents, except as may be otherwise specifically provided in this Agreement and subject in all instances to strict compliance by Borrower, Guarantor and New Guarantor with all terms and conditions of this Agreement. Except as specifically provided in this Agreement (and so long as Borrower is in compliance with the terms of this Agreement), Lender has not agreed or become obligated, whether by negotiating or executing this Agreement or otherwise, to make any new Loans or to extend any new credit to Borrower, Guarantor or New Guarantor under any circumstances.

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18     **Ratification of Workout.** The parties acknowledge and agree that the terms and conditions of this Agreement are part of but not the entire body of a mutual workout arrangement between the parties for a resolution of a dispute regarding the Loans. Borrower, Guarantor and New Guarantor each hereby ratify, consent to, and agree to all of Lender's actions, from November 27, 2013, to the date first stated above, regarding and/or related to the claims of the Other Lenders alleging that the encumbrances for their loans were in first priority for the subject Properties, with the actions of the Lender including, without limitation, Lender lending Borrower an additional amount of approximately \$\_\_\_\_\_, in the aggregate, with said funds being used towards satisfaction of certain loans from the Other Lenders. Borrower, Guarantor and New Guarantor each ratify and agree that the Lender's loans for said Properties have increased by the amounts that Lender paid toward satisfaction of the respective Other Lenders' loans for the subject Properties and Lender's Loans will continue to increase by the amount that Lender will advance to Borrower (or pay toward) for the satisfaction of the respective Other Lenders' Loans or in connection with Lender's rights or obligations pursuant to the Loans Documents as modified by this Agreement.

[signatures on following page]

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IN WITNESS WHEREOF, the undersigned Parties have executed this Agreement on the date first above written.

**Borrower:**

ARIZONA HOME FORECLOSURES, LLC

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

EASY INVESTMENTS, LLC

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

**Guarantor:**

\_\_\_\_\_  
Yomtov "Scott" Menaged

**New Guarantor:**

FURNITURE KING, LLC

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

**Lender:**

DENSCO INVESTMENT CORPORATION

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

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**EXHIBIT A**

**LENDER LOANS AND ENCUMBERED PROPERTIES**

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**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this \_\_\_ day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of ARIZONA HOME FORECLOSURES, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

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**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this \_\_\_\_ day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of EASY INVESTMENTS, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

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**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this \_\_\_\_ day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did acknowledged execution of the foregoing instrument as the Guarantor.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_  
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**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this \_\_\_\_ day of \_\_\_\_\_, 2014, before me appeared Yomotov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the Manager of FURNITURE KING, LLC, an Arizona limited liability company, and said Yomotov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said company.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

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**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                      ) SS  
COUNTY OF MARICOPA   )

On this \_\_\_\_ day of \_\_\_\_\_, 2014, before me appeared Denny Chittick, to me personally known, who being by me duly sworn, did say that he/she is the President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, and said Denny Chittick acknowledged execution of the foregoing instrument to be the free act and deed of said corporation.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

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## FORBEARANCE AGREEMENT

THIS FORBEARANCE AGREEMENT ("Agreement") is executed on February \_\_, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company ("AHF"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308, Easy Investments, LLC, an Arizona limited liability company ("EI"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308 (AHF and EI are collectively referred to as the ("Borrower")), Yomtov "Scott" Menaged ("Guarantor"), whose address is 10510 East Sunnyside Drive, Scottsdale, Arizona, Furniture King, LLC, an Arizona limited liability Company ("New Guarantor"), whose address is 303 N. Central Avenue, Suite 603, Phoenix, AZ 85012, and DenSco Investment Corporation, an Arizona corporation ("Lender"), whose address is 6132 W Victoria Place, Chandler, Arizona 85226, (the Borrower, the Guarantor, the New Guarantor, and Lender are each considered a "Party" hereunder and are collectively referred to as the "Parties"). (Any capitalized term not defined in this Agreement shall have the meaning set forth in the Deeds of Trust as later defined).

### Recitals

The following recitals of fact are a material part of this Agreement:

A. Borrower is indebted to Lender under the terms of certain Loans (the "Loans"), which are listed on the attached Exhibit A, which is incorporated into this Agreement by this reference, and each are evidenced by certain promissory notes, a Note Secured by Deed of Trust (each a "Note" and collectively, the "Notes"), all of which were executed by Borrower in favor of Lender (the "Notes") and by a Mortgage (or a "Receipt and Mortgage") (each a "Mortgage", and collectively, the "Mortgages"), and each such Note and Mortgage was executed by Borrower and delivered to Lender, as a condition precedent to and immediately prior to the funding of the applicable Loan. ~~{DAVID PLEASE PROVIDE EXHIBIT A}~~

B. Guarantor guaranteed the payment and performance of each of the Loans (the "Guaranty"), executed by Guarantor in favor of Lender.

C. ~~The~~Each of the Loans are further evidenced and/or secured by various documents and instruments, including but not limited to a certain DeedsDeed of Trust and Assignment of Rents (each a "Deed of Trust" and collectively, the "Deeds of Trust"), executed by Borrower at the funding of the Loan in favor of Lender and recorded in conjunction with the Trustee's Deed conveying the real property to Borrower. The Deeds of Trust constitute a lien on the respective real properties described therein (individually a "Property" and collectively, ~~the~~ "Properties") and referenced in Exhibit A. ~~The Note, Notes, the Mortgages, the~~ Deeds of Trust, the Guaranty, the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "Loans Documents".

D ~~Certain of the Properties were also used as security for one or more loans from one or more other lenders (individually, the "Other Lender" and collectively, the "Other Lenders") and the Loans from Lender may not be in the first lien position on the respective~~

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Property. Each of the Mortgages provides: "Borrower hereby grants to Lender or assignee a first, prior and superior equitable lien and mortgage against the Real Property to secure payment of the Loan. . . . Borrower has delivered to Lender a promissory note and deed of trust, and Borrower agrees that the deed of trust shall be recorded against the Real Property as a first, prior and superior lien and encumbrance simultaneously with the recording of the Trustee's Deed."

E. Each Deed of Trust provides as follows:

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

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

F. Each Note provides as follows:

"A "Default" shall occur (i) . . . or (vi) upon the occurrence of any default under any obligation of Maker to Holder. Further, at Holder's option after Default, all remaining unpaid principal and accrued interest shall become due and payable immediately without notice (other than any declaration prescribed in applicable sections of the agreements under which such events of default arose), presentment, demand or protest, all of which hereby are waived." ("Default" shall have the meaning set forth in the Note).

G. On or about November 27, 2013, Guarantor met with Denny Chittick of Lender to inform Lender that certain of the Properties had also been used (though Guarantor acknowledged no fault) as security for one or more loans from one or more other lenders (individually the "Other Lender" and collectively the "Other Lenders") and the Loans from Lender may not be in the first lien position on each respective Property.

H. At the November 27 meeting, Guarantor acknowledged to Lender that Borrower had an obligation to discharge the liens of the Other Lenders or to take such other actions to satisfy Section 5 of each Deed of Trust within 10 days, as referenced above. Further, Borrower and Guarantor acknowledged that the meeting satisfied Lender's obligation to provide notice to Borrower and Guarantor of an action leading to a Default pursuant to each of the Loan Documents.

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FI. The Loans are now in ~~default~~Default (as defined in the Note) and Lender has provided Borrower with any and all notice required under each of the Loans Documents concerning such ~~default~~Default.

FJ. Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, but only so long as and on the conditions that (1) Borrower ~~and~~ Guarantor and New Guarantor acknowledge the existing ~~default~~Defaults under the Loans, (2) all liens, security interests, rights and remedies of Lender under the Loans Documents continue in full force and effect and (3) Borrower ~~and~~ Guarantor and New Guarantor fulfill all conditions and comply with all terms and provisions set forth in this Agreement, and furnish all other documents and perform all other acts necessary to give effect to the agreements hereinafter set forth

**NOW THEREFORE**, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. **Loans Balance.** The total sum now due and payable under the Loans, in aggregate, is approximately \$ \_\_\_\_\_, consisting of \$ \_\_\_\_\_ in principal, \$ \_\_\_\_\_ in accrued interest (through and including \_\_\_\_\_ February 1, 2014), \$ \_\_\_\_\_ advanced by Lender in payment of \_\_\_\_\_ costs and expenses as permitted under the Loans Documents and approximately \$ \_\_\_\_\_ in costs and expenses incurred by Lender for collection and enforcement of the Loans. Interest continues to accrue under the Loans at the rate of \_\_\_\_\_ 18 % per annum as provided in the Notes (as opposed to the ~~default~~Default Interest rate set forth in the Notes).

2. **Acknowledgment of Default.** Borrower ~~and~~ Guarantor and New Guarantor hereby acknowledge and agree that the Loans are in ~~default~~Default, and that as a result of such ~~default~~Default, Lender now has the right to pursue foreclosure and any and all other rights and remedies permitted to Lender under the Loans Documents and/or under applicable law.

3. **Continued Effect of Loans Documents.** Borrower ~~and~~ Guarantor and New Guarantor further acknowledge and confirm that the Loans Documents have been duly authorized, executed and delivered to Lender and are valid, binding and enforceable against Borrower and Guarantor in accordance with their respective terms, and that to the collective knowledge of Borrower and Guarantor's knowledge and New Guarantor, all liens and security interests created in favor of Lender under the Loans Documents have been validly created and duly perfected as encumbrances upon all Properties and collateral of Borrower ~~and/or~~ Guarantor or New Guarantor as described in the Loans Documents— and as modified by this Agreement. Upon the satisfaction of the lien of the applicable Other Lender with respect to a Property, the lien and security interest created in favor of Lender under the Loans Documents will be deemed to be validly created and duly perfected as an encumbrance upon the respective Property and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents. Further, Borrower shall cause to be provided to Lender a Lender's title insurance policy issued by a nationally-recognized title company, reasonably acceptable to Lender insuring that Lender's encumbrance in such Property, as evidenced by the respective Deed of Trust, shall constitute a valid and enforceable first and prior lien to any other encumbrance on the respective Property.

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4. **Forbearance by Lender on Conditions; Effect of Breach.** Lender hereby agrees to forbear pursuit of its rights and remedies under the Loans Documents and/or under applicable law, but only so long as and on the conditions that Borrower ~~and~~ Guarantor and New Guarantor pay all sums, perform all covenants and agreements and do all acts and things required of them hereunder. If Borrower ~~or~~ Guarantor ~~fails~~ or New Guarantor fail to pay any sum or to perform any covenant, agreement or obligation owed to Lender under any of the Loans Documents as modified by this Agreement, Lender may cease such forbearance and may immediately commence and pursue any or all rights and remedies Lender may have under the ~~Loan~~ Loans Documents and/or under applicable law as to any or all of the collateral or security for the Loans, all in such order and manner as Lender may elect from time to time in its sole discretion and without notice of any kind to Borrower, Guarantor, New Guarantor or any other person, as if this Section 4 had never been agreed to by Lender. Lender's agreement herein to forego immediate pursuit of its rights and remedies constitutes a postponement and forbearance only, and does not in any event constitute a waiver of any such rights or remedies.

5. **No Effect on Existing Default; Extension of Maturity.** Neither the execution and delivery of this Agreement or any other document or instrument required hereunder nor the consummation of the transactions and agreements set forth in this Agreement shall in any manner rescind or cure any existing ~~default~~ Default under the Loans Documents, reinstate the Loans to a current status, or constitute an accord and satisfaction of the Loans. Notwithstanding this provision, the maturity date of all of the Loans is hereby extended to February 1, 2016 ~~2015~~; provided, however, Lender, at its sole discretion, may further extend the maturity date of all of the Loans to February 1, 2016, so long as Borrower, Guarantor and New Guarantor have complied and are in compliance with the terms of this Agreement.

6. **Borrower's Actions.** Lender's continued performance of the terms of this Agreement is conditioned upon each of the following obligations being fulfilled:

(A) Borrower agrees to use its good faith efforts to: (i) liquidate other assets, which is expected to generate approximately \$4 to \$5 million US Dollars; (ii) apply all net proceeds from the rental of Borrower's other real estate assets, or the net proceeds from the acquisition and disposition of other real estate or other assets by Borrower, and (iii) apply all funds received from Borrower's continued good faith efforts to recover any other asset that can be recovered from the missing proceeds from the multiple Loans that were advanced from Lender and Other Lenders with respect to certain properties as referenced above. Any additional funds obtained and / or made available to Borrower pursuant to this subsection shall be made available to and used by Borrower in connection with the resolution of the lien disputes between Lender and Other Lenders as referenced above (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower as provided herein).

(B) Borrower agrees to provide Lender, and maintain in effect, a life insurance policy from a nationally-recognized life insurance carrier (with a rating of \_\_\_\_\_ or better from \_\_\_\_\_) and reasonably approved by Lender, in the amount of ~~\$5,000,000~~ 10,000,000, insuring the life of Guarantor with Lender named as the sole beneficiary, until all obligations pursuant to the Agreement have been ~~fully~~ fully satisfied

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(C) Borrower agrees to provide Lender with a separate personal guaranty from Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents, and this Agreement, and such Guaranty shall be in commercially reasonable form for a lender loaning a similar aggregate amount of money to a borrower as Lender is loaning in the aggregate to Borrower. Further, Borrower agrees to provide a re-affirmation and consent from Guarantor to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees of Lender's Loans to Borrower, so that the terms and provisions of this Agreement will not cause or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of Lender and Borrower pursuant to the terms and provisions of this Agreement. ~~[DAVID PLEASE PROVIDE COPIES OF THESE DOCUMENTS.]~~

(D) Borrower agrees to provide Lender with a separate ~~personal~~ corporate guaranty from New Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents and this Agreement, to be secured by a lien against all of New Guarantor's inventory, accounts, and assets.

(E) Except for Lender, Borrower agrees to continue to pay the interest due to the Other Lenders for loans secured by any of the Properties, and any other similarly situated lender on a timely basis and to keep each of such loans current and in compliance with their respective terms.

(F) Borrower has arranged for private outside financing ~~in the amount of approximately \$1,000,000~~ (the "Outside Funds"), which is to be provided to Borrower ~~in the approximate amounts and on the following prospective schedule: (i) approximately \$1,000,000 on or before March 20, 2014; and (ii) approximately \$ on or before 2014.~~ Such Outside Funds shall be used exclusively for the pay-off of the Other Lenders and any other similarly situated lender (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower, as provided herein);

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

(H) During the term of this Agreement, Borrower, Guarantor and New Guarantor agree to use good faith efforts to satisfy and pay-off any and all financial obligations secured by liens in favor of the applicable Other Lender with respect to a Property. The Borrower and Lender shall cooperate to agree upon a sequencing schedule (which will need to be adjusted on a reasonable basis) to satisfy and release the liens of the Other Lenders on the applicable Properties. Borrower agrees to used its Good Faith Efforts to cause the liens of the Other Lenders to be satisfied and released on or before nine (9) months from the execution of this Agreement.

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(I) Borrower, Guarantor, New Guarantor and Lender acknowledge and agree that this Agreement shall not constitute nor create a joint venture or partnership arrangement between or among Lender and any of the Borrower or Guarantor.

(J) If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Borrower agrees to provide any additional collateral ("Additional Security") to Lender, as may be requested by Lender, to secure Borrower's existing obligations to Lender and to secure the additional obligations that Lender is agreeing to provide pursuant to this Agreement.

(K) Execution, delivery and filing or recording (with all costs thereof paid by Borrower) of all documents and instruments required to create the required liens on the respective Properties as required by the Loans Documents or to create a security interest in any Additional Collateral.

(L) Borrower agrees to reimburse all costs and expenses, including without limitation title reports, amendments or title insurance, investigation fees, and / or reasonable attorneys' fees, incurred by Lender in connection with this Agreement (or the effect of this Agreement on Lender's business and with its investors), the default of Borrower in connection with the Loans Documents, or the existing and / or any future lien disputes with the Other Lenders or any other similarly situated lenders, up to a total of \$ \_\_\_\_\_.

7. **Lender's Actions.** Subject to the full compliance of ~~the~~ Borrower, Guarantor, and New Guarantor to each of their respective obligations, as detailed in this Agreement, the Lender will perform the following obligations:

(A) Lender agrees to increase the Loan amount of each of the Properties referenced in Exhibit A up to 95% of the loan-to-value ("LTV") ratio of the value of the respective Properties, as determined by Lender. The additional funds ~~advance~~advanced to Borrower shall be used to pay off the Other Lender and release its security interest in that Property

(B) Lender will defer (but not waive) the collection of interest from the Borrower on the Loans to the Borrower during the process to fund the amount due to the Other Lenders; and all deferred interest on the Notes from Borrower shall be paid to Lender on or before the payoff of the respective Note.

(C) Lender will provide a new loan to Borrower in the amount up to 1 Million US Dollars, which loan is to provide for multiple advances, earn 3% annual interest to be secured by a first lien position against certain real property or properties to be approved by Lender, in its sole discretion, and the obligation is to be personally guaranteed by Guarantor and New Guarantor (the "Additional Loan").

(D) Provided that Borrower, Guarantor and New Guarantor each complies with all of its respective obligations under this Agreement—, Lender will waive~~defer~~ the right to charge the ~~default~~Default Interest rate which is ~~or may be permitted~~ pursuant to the terms of the Loans Documents. If any of Borrower, Guarantor or New Guarantor fails to comply with these~~its~~

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respective obligations, however, it under this Agreement, Borrower shall then be liable for interest~~Default Interest~~ at the default~~Default Interest~~ rate set forth in the Loan Documents on all outstanding Notes.

8. The entire principal sum and all accrued interest, costs, expenses, disbursements and fees due under the terms and provisions of the Notes and all other sums payable under the Loans Documents shall be due and payable in full on February 1, 2016 in any event, without notice or demand.

9. **Additional Collateral Required.** ~~{Already covered above}~~

9. **Grace and Cure Periods.** If Borrower fails to comply with any non-monetary obligation undertaken by it through this Agreement, Borrower shall be in default of this Agreement if it fails to satisfy the non-monetary obligation within five (5) business days of receiving written demand from Lender~~email or telephonic notice from Lender. No such notice shall be required if Borrower fails to comply with any monetary obligation. Except for the non-monetary notice required above, all other notice provisions of the Loans Documents requiring any other notice to Borrower or any other person as a condition precedent to the existence of any breach, default or event of default or to any acceleration or other remedial action by Lender, permitting or granting any grace period after the giving or receipt of any notice for the cure of any breach, default or event of default under the Loans Documents prior to acceleration or other remedial action by Lender are hereby deleted, and all Loans Documents are hereby modified accordingly.~~

10. **Release of Lender; Waiver of Claims and Defenses.** As a material part of the consideration for Lender's execution of this Agreement, Borrower ~~and~~ Guarantor and New Guarantor each hereby unconditionally and irrevocably release and forever discharge Lender and all of its directors, officers, employees, agents, attorneys, affiliates and subsidiaries from all liabilities, obligations, actions, claims, causes of action, suits, proceedings, damages, demands, costs and expenses whatsoever arising from or relating to any alleged or actual act, occurrence, omission or transaction occurring or happening prior to or on the date of this Agreement, including but not limited to any of the foregoing relating to the making, administration or enforcement of the Loans. Without limiting the foregoing, Borrower and Guarantor hereby unconditionally and irrevocably waive any and all defenses and claims existing or arising (or based on facts or circumstances actually or allegedly existing or arising) prior to or on the date of this Agreement which might otherwise limit their unconditional joint and several liability for all sums due under the Loans.

11. **Further Documents.** Borrower, Guarantor, and New Guarantor each hereby agree to execute any and all further documents and instruments required by Lender and to do all other acts and things necessary to give effect to the terms and provisions of this Agreement and/or to create and perfect all liens and security interests granted to Lender under the Loans Documents or required under this Agreement.

12. **Authorization of Agreement.** The execution and delivery of this Agreement has been duly authorized by all necessary corporate or partnership action of Borrower, Guarantor (as applicable) and New Guarantor, and the individuals executing this Agreement on behalf of

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Borrower, Guarantor and/or New Guarantor have been duly authorized and empowered to bind Borrower, Guarantor and/or New Guarantor by such execution.

13. Costs and Expenses. ~~ALREADY COVERED BY ¶ 6(K).~~ Borrower hereby agrees to pay on demand any and all costs and expenses, including but not limited to attorneys' fees, incurred by Lender in connection with (A) the negotiation, preparation, filing and/or recording of this Agreement and all other documents and instruments required to give effect to this Agreement and/or to create and perfect the liens, security interests, assignments and/or pledges contemplated hereunder or under the Loans Documents and/or (B) the collection of the Loans and/or the enforcement of the Loans Documents. Guarantor and New Guarantor shall each be liable for all of their respective foregoing costs and expenses pursuant to their respective guarantees. Lender shall have no liability whatsoever for any of the foregoing.

~~13-14.~~ Time of the Essence. Time is of the essence of all agreements and obligations contained herein.

~~14-15.~~ Construction of Agreement. If any provision of this Agreement conflicts with any provision of any Loans Documents, the applicable provision of this Agreement shall control.

As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa.

The titles and captions in this Agreement are used for convenience of reference only and do not define, limit or control the scope, intent or effect of any provisions of this Agreement.

No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted all or any portion of this Agreement, any other document required hereunder or in connection with any Loans Documents.

~~15-16.~~ Ratification and Agreements by Guarantor. Guarantor hereby acknowledges and consents to the terms of this Agreement, agrees to be bound by all terms and provisions hereof and of any and all documents and instruments executed by Borrower in connection with and/or as contemplated in this Agreement; acknowledges and confirms that Guarantor is and shall remain liable for all indebtedness and obligations now or hereafter owed by Borrower to Lender in connection with the Loans (pursuant to this Agreement and the Loans Documents or otherwise); agrees that Guarantor's said liability shall not be released, reduced or otherwise affected by the execution of this Agreement, by any changes in the effect of the Loans Documents under the terms of this Agreement, by Lender's receipt of any additional collateral for the Loans, by the consummation of any transactions relating hereto, or by any other existing fact or circumstance; ratifies the Guaranty as security for the Loans; and confirms that the Guaranty remains in full force and effect.

~~16-17.~~ Entire Agreement; No Oral Agreements Concerning Loans. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, which agreement shall not be varied by any alleged or actual oral statements or parol evidence whatsoever. Lender has not promised or agreed in any manner to extend the maturity of the

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Loans, to restructure the Loans or any security therefor, to modify any terms of the Loans Documents or the effect thereof, to forbear in the commencement, exercise or pursuit of any right or remedy Lender has under the Loans Documents or applicable law, to release or adversely affect any lien or security interest previously or concurrently granted in favor of Lender, or to forego the benefit of any term, provision or condition of the Loans Documents, except as may be otherwise specifically provided in this Agreement and subject in all instances to strict compliance by Borrower and Guarantor and New Guarantor with all terms and conditions of this Agreement. Except as specifically provided in this Agreement (and so long as Borrower is in compliance with the terms of this Agreement), Lender has not agreed or become obligated, whether by negotiating or executing this Agreement or otherwise, to make any new Loans or to extend any new credit to Borrower or Guarantor or New Guarantor under any circumstances.

**17.18. Ratification of Workout.** The parties acknowledge and agree that the terms and conditions of this Agreement are part of but not the entire body of a mutual workout arrangement between the parties for a resolution of a dispute regarding the Loans. Borrower and Guarantor and New Guarantor each hereby ratify, consent to, and agree to all of Lender's actions, from November 27, 2013, to the date first stated above, regarding and/or related to the claims of the Other Lenders alleging that the encumbrances for their loans were in first priority for the subject Properties; with the actions of the Lender including, without limitation, Lender lending Borrower an additional amount of approximately \$ \_\_\_\_\_, in the aggregate, with said funds being used towards satisfaction of certain loans from the Other Lenders. Borrower and Guarantor and New Guarantor each ratify and agree that the Lender's loans for said Properties have increased by the amounts that Lender paid toward satisfaction of the respective Other Lenders' loans for the subject Properties and Lender's Loans will continue to increase by the amount that Lender will advance to Borrower (or pay toward) for the satisfaction of the respective Other Lenders' Loans or in connection with Lender's rights or obligations pursuant to the Loans Documents as modified by this Agreement.

[signatures on following page]

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IN WITNESS WHEREOF, the undersigned Parties have executed this Agreement on the date first above written.

**Borrower:**

ARIZONA HOME FORECLOSURES, LLC

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

EASY INVESTMENTS, LLC

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

**Guarantor:**

\_\_\_\_\_  
Yomtov "Scott" Menaged

**New Guarantor:**

FURNITURE KING, LLC

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

**Lender:**

DENSCO INVESTMENT CORPORATION

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

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**EXHIBIT A**

**LENDER LOANS AND ENCUMBERED PROPERTIES**

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**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this \_\_\_ day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of ARIZONA HOME FORECLOSURES, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

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**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                      ) SS  
COUNTY OF MARICOPA    )

On this \_\_\_\_ day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of EASY INVESTMENTS, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:  
\_\_\_\_\_

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**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA )

On this \_\_\_\_ day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did acknowledged execution of the foregoing instrument as the Guarantor

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

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**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this \_\_\_\_ day of \_\_\_\_\_, 2014, before me appeared Yomotov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the Manager of FURNITURE KING, LLC, an Arizona limited liability company, and said Yomotov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said company.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:  
\_\_\_\_\_

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**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this \_\_\_\_ day of \_\_\_\_\_, 2014, before me appeared Denny Chittick, to me personally known, who being by me duly sworn, did say that he/she is the President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, and said Denny Chittick acknowledged execution of the foregoing instrument to be the free act and deed of said corporation.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

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Document comparison by Workshare Compare on Friday, February 07, 2014  
7:09:25 PM

Input:	
Document 1 ID	interwovenSite://DETDMS1/ClarkHill/200131428/5
Description	#200131428v5<ClarkHill> - Forbearance_Ag.Densco(5)
Document 2 ID	interwovenSite://DETDMS1/ClarkHill/200131428/8
Description	#200131428v8<ClarkHill> - Forbearance Agreement (8)
Rendering set	standard

Legend:	
Insertion	
Deletion	
Moved from	
Moved to	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics	
	Count
Insertions	112
Deletions	64
Moved from	1
Moved to	1
Style change	0
Format changed	0
Total changes	178

Schenck
EXH. NO. 71
6-19-18
Kelly S. Oglesby CR 50178

**Beauchamp, David G.**

**From:** Beauchamp, David G.  
**Sent:** Friday, February 07, 2014 7:05 PM  
**To:** Schenck, Daniel A.  
**Subject:** Workshare Professional Document Distribution

Jeff:

Based on your previous changes, the Forbearance Agreement would be prima facia evidence that Denny Chittick had committed securities fraud because the loan documents he had Scott sign did not comply with DenSco's representations to its investors in its securities offering documents. Unfortunately, this agreement needs to not only protect Scott from having this agreement used as evidence of fraud against him in a litigation, the agreement needs to comply with Denny's fiduciary obligations to his investors as well as not become evidence to be used against Denny for securities fraud.

The previous version that I had sent to you was basically a complete rewrite of our standard forbearance agreement that I have used in almost 200 forbearance agreements over the last 10 years. The previous version that I sent to you was intended to be as fair as possible while setting forth all of the business points that both Denny and Scott had told me in a meeting and over several conference calls. (Scott specifically did agree to pay all costs and related costs in this matter. Scott also proposed and agreed to the \$10 million life insurance policy, because they now believe that the outstanding loan balance will be much higher than the previous estimate. The higher loan balance will result in a significant unsecured portion if anything happens to Scott and the Properties are liquidated.)

In addition to the business points, we had intended to make the document as balanced as possible. We wanted the document to set forth the necessary facts for Denny to satisfy his securities obligations to his investors (including that the original loans had to have been written and secured by a first lien on real property and that the workout agreed to by Denny complied with his workout authorization) without having Scott have to admit facts that could cause trouble to him. I had been informed that since "Dan's litigious group" had agreed to get paid off, Scott was not as concerned with stating facts and legal conclusions in the document, but your changes indicated that you are still very concerned. If you do not want the conclusions to be stated in the document, then we have to use another approach.

To try to balance the respective interests, I have inserted sections from the loan documents into the Forbearance Agreement. Referencing the language of the Loan Documents is needed to satisfy Denny's fiduciary obligations, but I have also modified the other provisions so that Borrower is not admitting that it was required to provide first lien position in connection with the loans. Further, I have inserted a parenthetical that "(though Guarantor acknowledged no fault)" in the section where Guarantor (Scott) advises Denny of the additional liens on the Properties. We are also using the Borrower's failure to subordinate or remove the additional liens in 10 days as the applicable default.

Bottom line: Borrower does not admit that the existing loans were to be secured in first lien position, nor that the modified loans will be in first lien position. However, Borrower will obtain a lender's title insurance policy in favor of Lender that will insure Lender in first lien position as the other liens are extinguished on each Property (unless DenSco is paid off). Correspondingly, the respective provisions in the Loan Documents are referenced to satisfy Denny's fiduciary duties to his investors and the Default is acknowledged so that this workout complies with Denny's authorization.

*is consistent the limitations of the scope of D's authority*

Sincerely, David

The following files have been attached to this mail by Workshare Professional...

#200131428v8\_ClarkHill\_ - Forbearance Agreement (8).DOCX (WORDX)  
Forbearance\_Ag.Densco(5) - Forbearance Agreement (8).pdf (PDF)

David G. Beauchamp

CLARK HILL PLC

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

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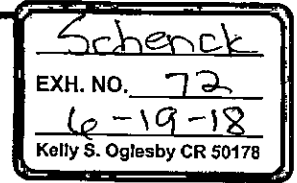
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DenSco / Workout

**Beauchamp, David G.**

**From:** Denny <dcmoney@yahoo.com>  
**Sent:** Sunday, February 09, 2014 9:17 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: Status



I understand, I just want to get it done and I will continue on working on the solving the problem.

Sent from my iPad

On Feb 9, 2014, at 9:12 PM, "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

Denny:

Your point is understood. If possible, please recognize and understand that you will "use" the document even if you and Scott never refer to it again. It has to have the necessary and essential terms to protect you from potential litigation from investors and third parties.

Best, David

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

---

**From:** Denny Chittick [<mailto:dcmoney@yahoo.com>]  
**Sent:** Sunday, February 09, 2014 09:05 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: Status

i trust that we are in balance and i have even more confidence that scott andi can solve this problem with out issue and we never have to use the document that we've worked so long on getting completed!

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

**From:** "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)>  
**To:** "[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)" <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)>  
**Cc:** "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)>  
**Sent:** Sunday, February 9, 2014 8:56 PM  
**Subject:** Re: Status

Denny:

Please understand that you are limited in what risk or liability you can assume. Your fiduciary duty to your investors makes this a difficult balancing act.

All the best, David

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

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**From:** Denny Chittick [<mailto:dcmoney@yahoo.com>]  
**Sent:** Sunday, February 09, 2014 08:45 PM  
**To:** Beauchamp, David G  
**Subject:** Re: Status

i hope that we can get it resolved without leaving a huge liability or risk on the table. that's all scott said.  
dc

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

---

**From:** "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)>  
**To:** "[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)" <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)>  
**Cc:** "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)>  
**Sent:** Sunday, February 9, 2014 8:43 PM  
**Subject:** Re: Status

Denny:

How can we be finally making progress when my litigation partner said I gave away the store? Other than the business points that Jeff tried to change, I do

not see what else we can give up in the Agreement.

Did Scott share any other information?

Best, David

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

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From: Denny Chittick [<mailto:dcmoney@yahoo.com>]  
Sent: Sunday, February 09, 2014 08:34 PM  
To: Beauchamp, David G.  
Subject: Re: Status

i heard from scott, jeff read it, all scott said was  
jeff said "now we are making progress"

scott has a meeting with jeff tomorrow morning.

i thought that was good  
dc

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

---

From: "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)>  
To: "[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)" <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)>  
Cc: "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)>  
Sent: Sunday, February 9, 2014 8:28 PM  
Subject: Status

Denny:

Anything happen this weekend?

Best, David

David G. Beauchamp

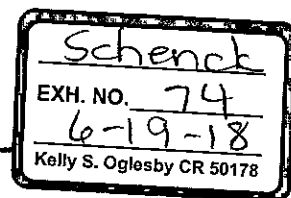
Appointment

**From:** Anderson, Robert G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=RANDERSON]  
**Sent:** 2/12/2014 9:18:04 AM  
**Subject:** Densco memo  
**Start:** 2/12/2014 11:00:00 AM  
**End:** 2/12/2014 11:30:00 AM  
**Show Time As:** Busy

Schenck
EXH. NO. 73
6-19-18
Kelly S. Oglesby CR 50178

Message

**From:** Schenck, Daniel A. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DSCHENCK]  
**Sent:** 2/13/2014 3:51:03 PM  
**To:** Beauchamp, David G. [dbeauchamp@clarkhill.com]  
**Subject:** Workshare Professional Document Distribution  
**Attachments:** #200131428v9\_ClarkHill\_ - Forbearance Agreement (9).DOCX; WSComparison\_#200131428v8\_ClarkHill\_ - Forbearance Agreement (8)-#200131428v9\_ClarkHill\_ - Forbearance Agreement (9).pdf



The following files have been attached to this mail by Workshare Professional...

#200131428v9\_ClarkHill\_ - Forbearance Agreement (9).DOCX (WORDX)  
WSComparison\_#200131428v8\_ClarkHill\_ - Forbearance Agreement (8)-#200131428v9\_ClarkHill\_ - Forbearance Agreement (9).pdf (PDF)

## FORBEARANCE AGREEMENT

**THIS FORBEARANCE AGREEMENT** ("Agreement") is executed on February \_\_, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company ("AHF"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308, Easy Investments, LLC, an Arizona limited liability company ("EI"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308 (AHF and EI are collectively referred to as the ("Borrower"), Yomtov "Scott" Menaged ("Guarantor"), whose address is 10510 East Sunnyside Drive, Scottsdale, Arizona, Furniture King, LLC, an Arizona limited liability company ("New Guarantor"), whose address is 303 N. Central Avenue, Suite 603, Phoenix, AZ 85012, and DenSco Investment Corporation, an Arizona corporation ("Lender"), whose address is 6132 W. Victoria Place, Chandler, Arizona 85226, (the Borrower, the Guarantor, the New Guarantor, and Lender are each considered a "Party" hereunder and are collectively referred to as the "Parties"). (Any capitalized term not defined in this Agreement shall have the meaning set forth in the Deeds of Trust as later defined).

### Recitals

The following recitals of fact are a material part of this Agreement:

A. Borrower is indebted to Lender under the terms of certain Loans (the "Loans"), which are listed on the attached Exhibit A, which is incorporated into this Agreement by this reference, and each are evidenced by a Note Secured by Deed of Trust (each, a "Note" and collectively, the "Notes"), all of which were executed by Borrower in favor of Lender (the "Notes") and by a Mortgage (or a "Receipt and Mortgage") (each, a "Mortgage", and collectively, the "Mortgages"), and each such Note and Mortgage was executed by Borrower and delivered to Lender, as a condition precedent to and immediately prior to the funding of the applicable Loan.

B. Guarantor guaranteed the payment and performance of each of the Loans (the "Guaranty"), executed by Guarantor in favor of Lender.

C. Each of the Loans are further evidenced and/or secured by various documents and instruments, including but not limited to a certain Deed of Trust and Assignment of Rents (each a "Deed of Trust", and collectively, the "Deeds of Trust"), executed by Borrower at the funding of the Loan in favor of Lender and recorded in conjunction with the Trustee's Deed conveying the real property to Borrower. The Deeds of Trust constitute a lien on the respective real properties described therein (individually a "Property" and collectively, the "Properties") and referenced in Exhibit A. The Notes, the Mortgages, the Deeds of Trust, the Guaranty, the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "Loans Documents"

D. Each of the Mortgages provides: "Borrower hereby grants to Lender or assignee a first, prior and superior equitable lien and mortgage against the Real Property to secure payment of the Loan... . Borrower has delivered to Lender a promissory note and deed

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of trust, and Borrower agrees that the deed of trust that the deed of trust shall be recorded against the Real Property as a first, prior and superior lien and encumbrance simultaneously with the recording of the Trustee's Deed."

E. Each Deed of Trust provides as follows:

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

... .

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

F. Each Note provides as follows:

" A "Default" shall occur (i) ... . or (vi) upon the occurrence of any default under any obligation of Maker to Holder. Further, at Holder's option after Default, all remaining unpaid principal and accrued interest shall become due and payable immediately without notice (other than any declaration prescribed in applicable sections of the agreements under which such events of default arose), presentment, demand or protest, all of which hereby are waived." ("Default" shall have the meaning set forth in the Note).

G On or about November 27, 2013, Guarantor met with Denny Chittick of Lender to inform Lender that certain of the Properties had also been used (though Guarantor acknowledged no fault) as security for one or more loans from one or more other lenders (individually, the "Other Lender" and collectively, the "Other Lenders") and the Loans from Lender may not be in the first lien position on each respective Property

H. At the November 27 meeting, Guarantor acknowledged to Lender that Borrower had an obligation to discharge the liens of the Other Lenders or to take such other actions to satisfy Section 5 of each Deed of Trust within 10 days, as referenced above. Further, Borrower and Guarantor acknowledged that the meeting satisfied Lender's obligation to provide notice to Borrower and Guarantor of an action leading to a Default pursuant to each of the Loan Documents.

I. The Loans are now in Default (as defined in the Note) and Lender has provided Borrower with any and all notice required under each of the Loans Documents concerning such Default.

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J. Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, but only so long as and on the conditions that (1) Borrower, Guarantor and New Guarantor acknowledge the existing Defaults under the Loans, (2) all liens, security interests, rights and remedies of Lender under the Loans Documents continue in full force and effect and (3) Borrower, Guarantor and New Guarantor fulfill all conditions and comply with all terms and provisions set forth in this Agreement, and furnish all other documents and perform all other acts necessary to give effect to the agreements hereinafter set forth.

**NOW THEREFORE**, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. **Loans Balance.** The total sum now due and payable under the Loans, in aggregate, is approximately \$ \_\_\_\_\_, consisting of \$ \_\_\_\_\_ in principal, \$ \_\_\_\_\_ in accrued interest (through and including February 1, 2014), \$ \_\_\_\_\_ advanced by Lender in payment of costs and expenses as permitted under the Loans Documents and approximately \$ \_\_\_\_\_ in costs and expenses incurred by Lender for collection and enforcement of the Loans. Interest continues to accrue under the Loans at the rate of 18 % per annum as provided in the Notes (as opposed to the Default Interest rate set forth in the Notes).

2. **Acknowledgment of Default.** Borrower, Guarantor and New Guarantor hereby acknowledge and agree that the Loans are in Default, and that as a result of such Default, Lender now has the right to pursue foreclosure and any and all other rights and remedies permitted to Lender under the Loans Documents and/or under applicable law

3. **Continued Effect of Loans Documents.** Borrower, Guarantor and New Guarantor further acknowledge and confirm that the Loans Documents have been duly authorized, executed and delivered to Lender and are valid, binding and enforceable against Borrower and Guarantor in accordance with their respective terms, and that to the collective knowledge of Borrower, Guarantor and New Guarantor, all liens and security interests created in favor of Lender under the Loans Documents have been validly created and duly perfected as encumbrances upon all Properties and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents and as modified by this Agreement. Upon the satisfaction of the lien of the applicable Other Lender with respect to a Property, the lien and security interest created in favor of Lender under the Loans Documents will be deemed to be validly created and duly perfected as an encumbrance upon the respective Property and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents. Further, Borrower shall cause to be provided to Lender a Lender's title insurance policy issued by a nationally-recognized title company, reasonably acceptable to Lender insuring that Lender's encumbrance in such Property, as evidenced by the respective Deed of Trust, shall constitute a valid and enforceable first and prior lien to any other encumbrance on the respective Property.

4 **Forbearance by Lender on Conditions; Effect of Breach.** Lender hereby agrees to forbear pursuit of its rights and remedies under the Loans Documents and/or under applicable law, but only so long as and on the conditions that Borrower, Guarantor and New Guarantor pay all sums, perform all covenants and agreements and do all acts and things required of them hereunder. If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any

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covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Lender may cease such forbearance and may immediately commence and pursue any or all rights and remedies Lender may have under the Loans Documents and/or under applicable law as to any or all of the collateral or security for the Loans, all in such order and manner as Lender may elect from time to time in its sole discretion and without notice of any kind to Borrower, Guarantor, New Guarantor or any other person, as if this Section 4 had never been agreed to by Lender. Lender's agreement herein to forego immediate pursuit of its rights and remedies constitutes a postponement and forbearance only, and does not in any event constitute a waiver of any such rights or remedies.

5. **No Effect on Existing Default; Extension of Maturity.** Neither the execution and delivery of this Agreement or any other document or instrument required hereunder nor the consummation of the transactions and agreements set forth in this Agreement shall in any manner rescind or cure any existing Default under the Loans Documents, reinstate the Loans to a current status, or constitute an accord and satisfaction of the Loans. Notwithstanding this provision, the maturity date of all of the Loans is hereby extended to February 1, 2015, provided, however, Lender, at its sole discretion, may further extend the maturity date of all of the Loans to February 1, 2016, so long as Borrower, Guarantor and New Guarantor have complied and are in compliance with the terms of this Agreement.

6. **Borrower's Actions.** Lender's continued performance of the terms of this Agreement is conditioned upon each of the following obligations being fulfilled:

(A) Borrower agrees to use its good faith efforts to: (i) liquidate other assets, which is expected to generate approximately \$4 to \$5 million US Dollars; (ii) apply all net proceeds from the rental of Borrower's other real estate assets, or the net proceeds from the acquisition and disposition of other real estate or other assets by Borrower, and (iii) apply all funds received from Borrower's continued good faith efforts to recover any other asset that can be recovered from the missing proceeds from the multiple Loans that were advanced from Lender and Other Lenders with respect to certain properties as referenced above. Any additional funds obtained and / or made available to Borrower pursuant to this subsection shall be made available to and used by Borrower in connection with the resolution of the lien disputes between Lender and Other Lenders as referenced above (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower as provided herein).

(B) Borrower agrees to provide Lender, and maintain in effect, a life insurance policy from a nationally-recognized life insurance carrier (with a rating of \_\_\_\_ or better from \_\_\_\_\_) and reasonably approved by Lender, in the amount of \$10,000,000, insuring the life of Guarantor with Lender named as the sole beneficiary, until all obligations pursuant to the Agreement have been fully satisfied.

(C) Borrower agrees to provide Lender with a separate personal guaranty from Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents, and this Agreement, and such Guaranty shall be in commercially reasonable form for a lender loaning a similar aggregate amount of money to a borrower as Lender is loaning in the aggregate to Borrower. Further, Borrower agrees to provide a re-affirmation and consent from Guarantor to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees

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of Lender's Loans to Borrower, so that the terms and provisions of this Agreement will not cause or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of Lender and Borrower pursuant to the terms and provisions of this Agreement.

(D) Borrower agrees to provide Lender with a separate corporate guaranty from New Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents and this Agreement, to be secured by a lien against all of New Guarantor's inventory, accounts, and assets.

(E) Except for Lender, Borrower agrees to continue to pay the interest due to the Other Lenders for loans secured by any of the Properties, and any other similarly situated lender on a timely basis and to keep each of such loans current and in compliance with their respective terms.

(F) Borrower has arranged for private outside financing (the "Outside Funds"), which is to be provided to Borrower in the approximate amounts and on the following prospective schedule: (i) approximately \$1,000,000 on or before March 20, 2014; and (ii) approximately \$\_\_\_\_\_ on or before \_\_\_\_\_, 2014. Such Outside Funds shall be used exclusively for the pay-off of the Other Lenders and any other similarly situated lender (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower, as provided herein);

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

(H) During the term of this Agreement, Borrower, Guarantor and New Guarantor agree to use good faith efforts to satisfy and pay-off any and all financial obligations secured by liens in favor of the applicable Other Lender with respect to a Property. The Borrower and Lender shall cooperate to agree upon a sequencing schedule (which will need to be adjusted on a reasonable basis) to satisfy and release the liens of the Other Lenders on the applicable Properties. Borrower agrees to use its Good Faith Efforts to cause the liens of the Other Lenders to be satisfied and released on or before nine (9) months from the execution of this Agreement.

(I) Borrower, Guarantor, New Guarantor and Lender acknowledge and agree that this Agreement shall not constitute nor create a joint venture or partnership arrangement between or among Lender and any of the Borrower or Guarantor.

(J) If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Borrower agrees to provide any additional collateral ("Additional Security") to Lender, as may be requested by Lender, to secure Borrower's existing obligations

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to Lender and to secure the additional obligations that Lender is agreeing to provide pursuant to this Agreement.

(K) Execution, delivery and filing or recording (with all costs thereof paid by Borrower) of all documents and instruments required to create the required liens on the respective Properties as required by the Loans Documents or to create a security interest in any Additional Collateral

(L) As more fully set forth in Section 13, Borrower agrees to reimburse all costs and expenses, including without limitation attorneys' fees, incurred by Lender in connection with this Agreement (or the effect of this Agreement on Lender's business and with its investors).

7. **Lender's Actions.** Subject to the full compliance of Borrower, Guarantor, and New Guarantor to each of their respective obligations, as detailed in this Agreement, the Lender will perform the following obligations:

(A) Lender agrees to increase the Loan amount of each of the Properties referenced in Exhibit A up to 95% of the loan-to-value ("LTV") ratio of the value of the respective Properties, as determined by Lender. The additional funds advanced to Borrower shall be used to pay off the Other Lender and release its security interest in that Property.

(B) Lender will defer (but not waive) the collection of interest from the Borrower on the Loans to the Borrower during the process to fund the amount due to the Other Lenders; and all deferred interest on the Notes from Borrower shall be paid to Lender on or before the payoff of the respective Note.

(C) Lender will provide a new loan to Borrower in the amount up to 1 Million US Dollars, which loan is to provide for multiple advances, earn 3% annual interest to be secured by a first lien position against certain real property or properties to be approved by Lender, in its sole discretion, and the obligation is to be personally guaranteed by Guarantor and New Guarantor (the "Additional Loan").

(D) Provided that Borrower, Guarantor and New Guarantor each complies with all of its respective obligations under this Agreement, Lender will defer the right to charge the Default Interest rate which is permitted pursuant to the terms of the Loans Documents. If any of Borrower, Guarantor or New Guarantor fails to comply with its respective obligations under this Agreement, Borrower shall then be liable for Default Interest at the Default Interest rate set forth in the Loan Documents on all outstanding Notes.

(E) Upon the complete and full satisfaction by Borrower, Guarantor and New Guarantor (the "Borrower Entities") of each and every obligation, term, condition and requirement of the Borrower Entities set forth in and pursuant to this Agreement, the Loans Documents and/or any other document executed in connection with this Agreement and/or the Loans Documents, Lender agrees to and will execute a mutual release and covenant not to sue (or pursue) the Borrower and/or Guarantor in connection with a civil fraud case based upon the facts set forth in the Recitals to this Agreement.

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8. The entire principal sum and all accrued interest, costs, expenses, disbursements and fees due under the terms and provisions of the Notes and all other sums payable under the Loans Documents shall be due and payable in full on February 1, 2016 in any event, without notice or demand.

9. **Grace and Cure Periods.** If Borrower fails to comply with any non-monetary obligation undertaken by it through this Agreement, Borrower shall be in default of this Agreement if it fails to satisfy the non-monetary obligation within ten (10) business days of receiving email or telephonic notice from Lender. No such notice shall be required if Borrower fails to comply with any monetary obligation. Except for the non-monetary notice required above, all other notice provisions of the Loans Documents requiring any other notice to Borrower or any other person as a condition precedent to the existence of any breach, default or event of default or to any acceleration or other remedial action by Lender, permitting or granting any grace period after the giving or receipt of any notice for the cure of any breach, default or event of default under the Loans Documents prior to acceleration or other remedial action by Lender are hereby deleted, and all Loans Documents are hereby modified accordingly.

10. **Release of Lender; Waiver of Claims and Defenses.** As a material part of the consideration for Lender's execution of this Agreement, Borrower, Guarantor and New Guarantor each hereby unconditionally and irrevocably release and forever discharge Lender and all of its directors, officers, employees, agents, attorneys, affiliates and subsidiaries from all liabilities, obligations, actions, claims, causes of action, suits, proceedings, damages, demands, costs and expenses whatsoever arising from or relating to any alleged or actual act, occurrence, omission or transaction occurring or happening prior to or on the date of this Agreement, including but not limited to any of the foregoing relating to the making, administration or enforcement of the Loans. Without limiting the foregoing, Borrower and Guarantor hereby unconditionally and irrevocably waive any and all defenses and claims existing or arising (or based on facts or circumstances actually or allegedly existing or arising) prior to or on the date of this Agreement which might otherwise limit their unconditional joint and several liability for all sums due under the Loans.

11. **Further Documents.** Borrower, Guarantor, and New Guarantor each hereby agree to execute any and all further documents and instruments required by Lender and to do all other acts and things necessary to give effect to the terms and provisions of this Agreement and/or to create and perfect all liens and security interests granted to Lender under the Loans Documents or required under this Agreement.

12. **Authorization of Agreement.** The execution and delivery of this Agreement has been duly authorized by all necessary corporate or partnership action of Borrower, Guarantor (as applicable) and New Guarantor, and the individuals executing this Agreement on behalf of Borrower, Guarantor and/or New Guarantor have been duly authorized and empowered to bind Borrower, Guarantor and/or New Guarantor by such execution.

13. **Costs and Expenses.** Borrower hereby agrees to pay on demand any and all fees, costs and expenses, including but not limited to attorneys' fees, incurred by Lender in connection with (A) the negotiation, preparation, filing and/or recording of this Agreement and all other documents and instruments required to give effect to this Agreement and/or to create

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and perfect the liens, security interests, assignments and/or pledges contemplated hereunder or under the Loans Documents; (B) the issuance to Lender of any and all title reports, amendments and title insurance; (C) any investigation fees and/or other fees and costs incurred by Lender in connection with this Agreement and/or the Loans Documents (or the effect of this Agreement on Lender's business and with its investors); (D) the default of Borrower in connection with the Loans Documents, or the existing and/or any future lien disputes with any of the Other Lenders or any other similarly situated lenders; and/or (E) the collection of the Loans and/or the enforcement of this Agreement and/or the Loans Documents and/or any other document executed in connection with this Agreement and/or the Loans Documents. Guarantor and New Guarantor shall each be liable for all of their respective foregoing costs and expenses pursuant to their respective guarantees. Lender shall have no liability whatsoever for any of the foregoing.

14. **Time of the Essence.** Time is of the essence of all agreements and obligations contained herein.

15. **Construction of Agreement.** If any provision of this Agreement conflicts with any provision of any Loans Documents, the applicable provision of this Agreement shall control

As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa.

The titles and captions in this Agreement are used for convenience of reference only and do not define, limit or control the scope, intent or effect of any provisions of this Agreement.

No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted all or any portion of this Agreement, any other document required hereunder or in connection with any Loans Documents.

16. **Ratification and Agreements by Guarantor** Guarantor hereby acknowledges and consents to the terms of this Agreement, agrees to be bound by all terms and provisions hereof and of any and all documents and instruments executed by Borrower in connection with and/or as contemplated in this Agreement; acknowledges and confirms that Guarantor is and shall remain liable for all indebtedness and obligations now or hereafter owed by Borrower to Lender in connection with the Loans (pursuant to this Agreement and the Loans Documents or otherwise); agrees that Guarantor's said liability shall not be released, reduced or otherwise affected by the execution of this Agreement, by any changes in the effect of the Loans Documents under the terms of this Agreement, by Lender's receipt of any additional collateral for the Loans, by the consummation of any transactions relating hereto, or by any other existing fact or circumstance; ratifies the Guaranty as security for the Loans; and confirms that the Guaranty remains in full force and effect.

17. **Entire Agreement; No Oral Agreements Concerning Loans.** The Recitals set forth at the beginning of this Agreement are incorporated into this Agreement as a material part of this Agreement. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, which agreement shall not be varied by any alleged or actual oral statements or parol evidence whatsoever. Lender has not promised or agreed in any manner to

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extend the maturity of the Loans, to restructure the Loans or any security therefor, to modify any terms of the Loans Documents or the effect thereof, to forbear in the commencement, exercise or pursuit of any right or remedy Lender has under the Loans Documents or applicable law, to release or adversely affect any lien or security interest previously or concurrently granted in favor of Lender, or to forego the benefit of any term, provision or condition of the Loans Documents, except as may be otherwise specifically provided in this Agreement and subject in all instances to strict compliance by Borrower, Guarantor and New Guarantor with all terms and conditions of this Agreement. Except as specifically provided in this Agreement (and so long as Borrower is in compliance with the terms of this Agreement), Lender has not agreed or become obligated, whether by negotiating or executing this Agreement or otherwise, to make any new Loans or to extend any new credit to Borrower, Guarantor or New Guarantor under any circumstances.

18. **Ratification of Workout.** The parties acknowledge and agree that the terms and conditions of this Agreement are part of but not the entire body of a mutual workout arrangement between the parties for a resolution of a dispute regarding the Loans. Borrower, Guarantor and New Guarantor each hereby ratify, consent to, and agree to all of Lender's actions, from November 27, 2013, to the date first stated above, regarding and/or related to the claims of the Other Lenders alleging that the encumbrances for their loans were in first priority for the subject Properties, with the actions of the Lender including, without limitation, Lender lending Borrower an additional amount of approximately \$ \_\_\_\_\_, in the aggregate, with said funds being used towards satisfaction of certain loans from the Other Lenders. Borrower, Guarantor and New Guarantor each ratify and agree that the Lender's loans for said Properties have increased by the amounts that Lender paid toward satisfaction of the respective Other Lenders' loans for the subject Properties and Lender's Loans will continue to increase by the amount that Lender will advance to Borrower (or pay toward) for the satisfaction of the respective Other Lenders' Loans or in connection with Lender's rights or obligations pursuant to the Loans Documents as modified by this Agreement.

[signatures on following page]

IN WITNESS WHEREOF, the undersigned Parties have executed this Agreement on the date first above written.

**Borrower:**

ARIZONA HOME FORECLOSURES, LLC

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

EASY INVESTMENTS, LLC

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

**Guarantor:**

\_\_\_\_\_  
Yomtov "Scott" Menaged

**New Guarantor:**

FURNITURE KING, LLC

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

**Lender:**

DENSCO INVESTMENT CORPORATION

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

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**EXHIBIT A**

**LENDER LOANS AND ENCUMBERED PROPERTIES**

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**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this \_\_\_ day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of ARIZONA HOME FORECLOSURES, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

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**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this \_\_ day of \_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of EASY INVESTMENTS, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

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**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this \_\_\_\_ day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did acknowledged execution of the foregoing instrument as the Guarantor.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

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**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this \_\_\_\_ day of \_\_\_\_\_, 2014, before me appeared Yomotov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the Manager of FURNITURE KING, LLC, an Arizona limited liability company, and said Yomotov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said company.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

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**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this \_\_\_\_ day of \_\_\_\_\_, 2014, before me appeared Denny Chittick, to me personally known, who being by me duly sworn, did say that he/she is the President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, and said Denny Chittick acknowledged execution of the foregoing instrument to be the free act and deed of said corporation.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

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## FORBEARANCE AGREEMENT

THIS FORBEARANCE AGREEMENT ("Agreement") is executed on February \_\_, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company ("AHF"), whose address is 7320 W Bell Road, Glendale, Arizona 85308, Easy Investments, LLC, an Arizona limited liability company ("EI"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308 (AHF and EI are collectively referred to as the ("Borrower"), Yomtov "Scott" Menaged ("Guarantor"), whose address is 10510 East Sunnyside Drive, Scottsdale, Arizona, Furniture King, LLC, an Arizona limited liability Company ("New Guarantor"), whose address is 303 N Central Avenue, Suite 603, Phoenix, AZ 85012, and DenSco Investment Corporation, an Arizona corporation ("Lender"), whose address is 6132 W. Victoria Place, Chandler, Arizona 85226, (the Borrower, the Guarantor, the New Guarantor, and Lender are each considered a "Party" hereunder and are collectively referred to as the "Parties"). (Any capitalized term not defined in this Agreement shall have the meaning set forth in the Deeds of Trust as later defined).

### Recitals

The following recitals of fact are a material part of this Agreement.

A. Borrower is indebted to Lender under the terms of certain Loans (the "Loans"), which are listed on the attached Exhibit A, which is incorporated into this Agreement by this reference, and each are evidenced by a Note Secured by Deed of Trust (each, a "Note" and collectively, the "Notes"), all of which were executed by Borrower in favor of Lender (the "Notes") and by a Mortgage (or a "Receipt and Mortgage") (each, a "Mortgage", and collectively, the "Mortgages"), and each such Note and Mortgage was executed by Borrower and delivered to Lender, as a condition precedent to and immediately prior to the funding of the applicable Loan.

B. Guarantor guaranteed the payment and performance of each of the Loans (the "Guaranty"), executed by Guarantor in favor of Lender

C. Each of the Loans are further evidenced and/or secured by various documents and instruments, including but not limited to a certain Deed of Trust and Assignment of Rents (each a "Deed of Trust", and collectively, the "Deeds of Trust"), executed by Borrower at the funding of the Loan in favor of Lender and recorded in conjunction with the Trustee's Deed conveying the real property to Borrower. The Deeds of Trust constitute a lien on the respective real properties described therein (individually a "Property" and collectively, the "Properties") and referenced in Exhibit A. The Notes, the Mortgages, the Deeds of Trust, the Guaranty, the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "Loans Documents".

D. Each of the Mortgages provides: "Borrower hereby grants to Lender or assignee a first, prior and superior equitable lien and mortgage against the Real Property to secure payment of the Loan . . . Borrower has delivered to Lender a promissory note and deed of trust, and Borrower agrees that the deed of trust that the deed of trust shall be recorded against the Real Property as a first, prior and superior lien and encumbrance simultaneously with the recording of the Trustee's Deed."

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E. Each Deed of Trust provides as follows:

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

...

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

F. Each Note provides as follows:

" A "Default" shall occur (i) ... or (vi) upon the occurrence of any default under any obligation of Maker to Holder. Further, at Holder's option after Default, all remaining unpaid principal and accrued interest shall become due and payable immediately without notice (other than any declaration prescribed in applicable sections of the agreements under which such events of default arose), presentment, demand or protest, all of which hereby are waived." ("Default" shall have the meaning set forth in the Note).

G. On or about November 27, 2013, Guarantor met with Denny Chittick of Lender to inform Lender that certain of the Properties had also been used (though Guarantor acknowledged no fault) as security for one or more loans from one or more other lenders (individually, the "Other Lender" and collectively, the "Other Lenders") and the Loans from Lender may not be in the first lien position on each respective Property.

H. At the November 27 meeting, Guarantor acknowledged to Lender that Borrower had an obligation to discharge the liens of the Other Lenders or to take such other actions to satisfy Section 5 of each Deed of Trust within 10 days, as referenced above. Further, Borrower and Guarantor acknowledged that the meeting satisfied Lender's obligation to provide notice to Borrower and Guarantor of an action leading to a Default pursuant to each of the Loan Documents.

I. The Loans are now in Default (as defined in the Note) and Lender has provided Borrower with any and all notice required under each of the Loans Documents concerning such Default.

J. Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, but only so long as and on the conditions that (1) Borrower, Guarantor and New Guarantor acknowledge the existing Defaults under the Loans, (2) all liens, security interests, rights and remedies of Lender under the Loans Documents continue in full force and effect and (3) Borrower, Guarantor and New Guarantor fulfill all conditions and

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comply with all terms and provisions set forth in this Agreement, and furnish all other documents and perform all other acts necessary to give effect to the agreements hereinafter set forth.

**NOW THEREFORE**, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. **Loans Balance.** The total sum now due and payable under the Loans, in aggregate, is approximately \$\_\_\_\_\_, consisting of \$\_\_\_\_\_ in principal, \$\_\_\_\_\_ in accrued interest (through and including February 1, 2014), \$\_\_\_\_\_ advanced by Lender in payment of costs and expenses as permitted under the Loans Documents and approximately \$\_\_\_\_\_ in costs and expenses incurred by Lender for collection and enforcement of the Loans. Interest continues to accrue under the Loans at the rate of 18 % per annum as provided in the Notes (as opposed to the Default Interest rate set forth in the Notes).

2. **Acknowledgment of Default.** Borrower, Guarantor and New Guarantor hereby acknowledge and agree that the Loans are in Default, and that as a result of such Default, Lender now has the right to pursue foreclosure and any and all other rights and remedies permitted to Lender under the Loans Documents and/or under applicable law

3. **Continued Effect of Loans Documents** Borrower, Guarantor and New Guarantor further acknowledge and confirm that the Loans Documents have been duly authorized, executed and delivered to Lender and are valid, binding and enforceable against Borrower and Guarantor in accordance with their respective terms, and that to the collective knowledge of Borrower, Guarantor and New Guarantor, all liens and security interests created in favor of Lender under the Loans Documents have been validly created and duly perfected as encumbrances upon all Properties and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents and as modified by this Agreement. Upon the satisfaction of the lien of the applicable Other Lender with respect to a Property, the lien and security interest created in favor of Lender under the Loans Documents will be deemed to be validly created and duly perfected as an encumbrance upon the respective Property and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents. Further, Borrower shall cause to be provided to Lender a Lender's title insurance policy issued by a nationally-recognized title company, reasonably acceptable to Lender insuring that Lender's encumbrance in such Property, as evidenced by the respective Deed of Trust, shall constitute a valid and enforceable first and prior lien to any other encumbrance on the respective Property

4. **Forbearance by Lender on Conditions; Effect of Breach.** Lender hereby agrees to forbear pursuit of its rights and remedies under the Loans Documents and/or under applicable law, but only so long as and on the conditions that Borrower, Guarantor and New Guarantor pay all sums, perform all covenants and agreements and do all acts and things required of them hereunder. If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Lender may cease such forbearance and may immediately commence and pursue any or all rights and remedies Lender may have under the Loans Documents and/or under applicable law as to any or all of the collateral or security for the Loans, all in such order and manner as Lender may elect from time to time in its sole discretion and without notice of any kind to

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Borrower, Guarantor, New Guarantor or any other person, as if this Section 4 had never been agreed to by Lender. Lender's agreement herein to forego immediate pursuit of its rights and remedies constitutes a postponement and forbearance only, and does not in any event constitute a waiver of any such rights or remedies.

5. **No Effect on Existing Default; Extension of Maturity.** Neither the execution and delivery of this Agreement or any other document or instrument required hereunder nor the consummation of the transactions and agreements set forth in this Agreement shall in any manner rescind or cure any existing Default under the Loans Documents, reinstate the Loans to a current status, or constitute an accord and satisfaction of the Loans. Notwithstanding this provision, the maturity date of all of the Loans is hereby extended to February 1, 2015; provided, however, Lender, at its sole discretion, may further extend the maturity date of all of the Loans to February 1, 2016, so long as Borrower, Guarantor and New Guarantor have complied and are in compliance with the terms of this Agreement.

6. **Borrower's Actions.** Lender's continued performance of the terms of this Agreement is conditioned upon each of the following obligations being fulfilled:

(A) Borrower agrees to use its good faith efforts to: (i) liquidate other assets, which is expected to generate approximately \$4 to \$5 million US Dollars; (ii) apply all net proceeds from the rental of Borrower's other real estate assets, or the net proceeds from the acquisition and disposition of other real estate or other assets by Borrower, and (iii) apply all funds received from Borrower's continued good faith efforts to recover any other asset that can be recovered from the missing proceeds from the multiple Loans that were advanced from Lender and Other Lenders with respect to certain properties as referenced above. Any additional funds obtained and / or made available to Borrower pursuant to this subsection shall be made available to and used by Borrower in connection with the resolution of the lien disputes between Lender and Other Lenders as referenced above (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower as provided herein).

(B) Borrower agrees to provide Lender, and maintain in effect, a life insurance policy from a nationally-recognized life insurance carrier (with a rating of \_\_\_\_ or better from \_\_\_\_\_) and reasonably approved by Lender, in the amount of \$10,000,000, insuring the life of Guarantor with Lender named as the sole beneficiary, until all obligations pursuant to the Agreement have been fully satisfied.

(C) Borrower agrees to provide Lender with a separate personal guaranty from Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents, and this Agreement, and such Guaranty shall be in commercially reasonable form for a lender loaning a similar aggregate amount of money to a borrower as Lender is loaning in the aggregate to Borrower. Further, Borrower agrees to provide a re-affirmation and consent from Guarantor to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees of Lender's Loans to Borrower, so that the terms and provisions of this Agreement will not cause or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of Lender and Borrower pursuant to the terms and provisions of this Agreement.

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(D) Borrower agrees to provide Lender with a separate corporate guaranty from New Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents and this Agreement, to be secured by a lien against all of New Guarantor's inventory, accounts, and assets

(E) Except for Lender, Borrower agrees to continue to pay the interest due to the Other Lenders for loans secured by any of the Properties, and any other similarly situated lender on a timely basis and to keep each of such loans current and in compliance with their respective terms.

(F) Borrower has arranged for private outside financing (the "Outside Funds"), which is to be provided to Borrower in the approximate amounts and on the following prospective schedule: (i) approximately \$1,000,000 on or before March 20, 2014; and (ii) approximately \$\_\_\_\_\_ on or before \_\_\_\_\_, 2014. Such Outside Funds shall be used exclusively for the pay-off of the Other Lenders and any other similarly situated lender (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower, as provided herein);

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

(H) During the term of this Agreement, Borrower, Guarantor and New Guarantor agree to use good faith efforts to satisfy and pay-off any and all financial obligations secured by liens in favor of the applicable Other Lender with respect to a Property. The Borrower and Lender shall cooperate to agree upon a sequencing schedule (which will need to be adjusted on a reasonable basis) to satisfy and release the liens of the Other Lenders on the applicable Properties. Borrower agrees to use its Good Faith Efforts to cause the liens of the Other Lenders to be satisfied and released on or before nine (9) months from the execution of this Agreement.

(I) Borrower, Guarantor, New Guarantor and Lender acknowledge and agree that this Agreement shall not constitute nor create a joint venture or partnership arrangement between or among Lender and any of the Borrower or Guarantor.

(J) If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Borrower agrees to provide any additional collateral ("Additional Security") to Lender, as may be requested by Lender, to secure Borrower's existing obligations to Lender and to secure the additional obligations that Lender is agreeing to provide pursuant to this Agreement.

(K) Execution, delivery and filing or recording (with all costs thereof paid by Borrower) of all documents and instruments required to create the required liens on the respective Properties as required by the Loans Documents or to create a security interest in any Additional Collateral.

(L) As more fully set forth in Section 13, Borrower agrees to reimburse all costs and expenses, including without limitation ~~title reports, amendments or title insurance, investigation~~

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~~fees, and /or reasonable attorneys' fees, incurred by Lender in connection with this Agreement (or the effect of this Agreement on Lender's business and with its investors), the default of Borrower in connection with the Loans Documents, or the existing and /or any future lien disputes with the Other Lenders or any other similarly situated lenders.~~

7. **Lender's Actions.** Subject to the full compliance of Borrower, Guarantor, and New Guarantor to each of their respective obligations, as detailed in this Agreement, the Lender will perform the following obligations:

(A) Lender agrees to increase the Loan amount of each of the Properties referenced in Exhibit A up to 95% of the loan-to-value ("LTV") ratio of the value of the respective Properties, as determined by Lender. The additional funds advanced to Borrower shall be used to pay off the Other Lender and release its security interest in that Property.

(B) Lender will defer (but not waive) the collection of interest from the Borrower on the Loans to the Borrower during the process to fund the amount due to the Other Lenders, and all deferred interest on the Notes from Borrower shall be paid to Lender on or before the payoff of the respective Note.

(C) Lender will provide a new loan to Borrower in the amount up to 1 Million US Dollars, which loan is to provide for multiple advances, earn 3% annual interest to be secured by a first lien position against certain real property or properties to be approved by Lender, in its sole discretion, and the obligation is to be personally guaranteed by Guarantor and New Guarantor (the "Additional Loan").

(D) Provided that Borrower, Guarantor and New Guarantor each complies with all of its respective obligations under this Agreement, Lender will defer the right to charge the Default Interest rate which is permitted pursuant to the terms of the Loans Documents. If any of Borrower, Guarantor or New Guarantor fails to comply with its respective obligations under this Agreement, Borrower shall then be liable for Default Interest at the Default Interest rate set forth in the Loan Documents on all outstanding Notes.

(E) Upon the complete and full satisfaction by Borrower, Guarantor and New Guarantor (the "Borrower Entities") of each and every obligation, term, condition and requirement of the Borrower Entities set forth in and pursuant to this Agreement, the Loans Documents and/or any other document executed in connection with this Agreement and/or the Loans Documents, Lender agrees to and will execute a mutual release and covenant not to sue (or pursue) the Borrower and/or Guarantor in connection with a civil fraud case based upon the facts set forth in the Recitals to this Agreement.

8. The entire principal sum and all accrued interest, costs, expenses, disbursements and fees due under the terms and provisions of the Notes and all other sums payable under the Loans Documents shall be due and payable in full on February 1, 2016 in any event, without notice or demand

9. **Grace and Cure Periods.** If Borrower fails to comply with any non-monetary obligation undertaken by it through this Agreement, Borrower shall be in default of this

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Agreement if it fails to satisfy the non-monetary obligation within ~~five~~<sup>ten</sup> (5<sup>10</sup>) business days of receiving email or telephonic notice from Lender. No such notice shall be required if Borrower fails to comply with any monetary obligation. Except for the non-monetary notice required above, all other notice provisions of the Loans Documents requiring any other notice to Borrower or any other person as a condition precedent to the existence of any breach, default or event of default or to any acceleration or other remedial action by Lender, permitting or granting any grace period after the giving or receipt of any notice for the cure of any breach, default or event of default under the Loans Documents prior to acceleration or other remedial action by Lender are hereby deleted, and all Loans Documents are hereby modified accordingly.

10. **Release of Lender; Waiver of Claims and Defenses** As a material part of the consideration for Lender's execution of this Agreement, Borrower, Guarantor and New Guarantor each hereby unconditionally and irrevocably release and forever discharge Lender and all of its directors, officers, employees, agents, attorneys, affiliates and subsidiaries from all liabilities, obligations, actions, claims, causes of action, suits, proceedings, damages, demands, costs and expenses whatsoever arising from or relating to any alleged or actual act, occurrence, omission or transaction occurring or happening prior to or on the date of this Agreement, including but not limited to any of the foregoing relating to the making, administration or enforcement of the Loans. Without limiting the foregoing, Borrower and Guarantor hereby unconditionally and irrevocably waive any and all defenses and claims existing or arising (or based on facts or circumstances actually or allegedly existing or arising) prior to or on the date of this Agreement which might otherwise limit their unconditional joint and several liability for all sums due under the Loans.

11. **Further Documents**. Borrower, Guarantor, and New Guarantor each hereby agree to execute any and all further documents and instruments required by Lender and to do all other acts and things necessary to give effect to the terms and provisions of this Agreement and/or to create and perfect all liens and security interests granted to Lender under the Loans Documents or required under this Agreement.

12. **Authorization of Agreement**. The execution and delivery of this Agreement has been duly authorized by all necessary corporate or partnership action of Borrower, Guarantor (as applicable) and New Guarantor, and the individuals executing this Agreement on behalf of Borrower, Guarantor and/or New Guarantor have been duly authorized and empowered to bind Borrower, Guarantor and/or New Guarantor by such execution

13. **Costs and Expenses** Borrower hereby agrees to pay on demand any and all fees, costs and expenses, including but not limited to attorneys' fees, incurred by Lender in connection with: (A) the negotiation, preparation, filing and/or recording of this Agreement and all other documents and instruments required to give effect to this Agreement and/or to create and perfect the liens, security interests, assignments and/or pledges contemplated hereunder or under the Loans Documents and/or (B) the issuance to Lender of any and all title reports, amendments and title insurance; (C) any investigation fees and/or other fees and costs incurred by Lender in connection with this Agreement and/or the Loans Documents (or the effect of this Agreement on Lender's business and with its investors); (D) the default of Borrower in connection with the Loans Documents, or the existing and/or any future lien disputes with any of the Other Lenders or any other similarly situated lenders, and/or (E) the collection of the Loans and/or the enforcement of this Agreement and/or the Loans Documents and/or any other document executed

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in connection with this Agreement and/or the Loans Documents. Guarantor and New Guarantor shall each be liable for all of their respective foregoing costs and expenses pursuant to their respective guarantees. Lender shall have no liability whatsoever for any of the foregoing.

14. **Time of the Essence.** Time is of the essence of all agreements and obligations contained herein.

15. **Construction of Agreement.** If any provision of this Agreement conflicts with any provision of any Loans Documents, the applicable provision of this Agreement shall control.

As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa.

The titles and captions in this Agreement are used for convenience of reference only and do not define, limit or control the scope, intent or effect of any provisions of this Agreement.

No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted all or any portion of this Agreement, any other document required hereunder or in connection with any Loans Documents.

16. **Ratification and Agreements by Guarantor.** Guarantor hereby acknowledges and consents to the terms of this Agreement, agrees to be bound by all terms and provisions hereof and of any and all documents and instruments executed by Borrower in connection with and/or as contemplated in this Agreement, acknowledges and confirms that Guarantor is and shall remain liable for all indebtedness and obligations now or hereafter owed by Borrower to Lender in connection with the Loans (pursuant to this Agreement and the Loans Documents or otherwise); agrees that Guarantor's said liability shall not be released, reduced or otherwise affected by the execution of this Agreement, by any changes in the effect of the Loans Documents under the terms of this Agreement, by Lender's receipt of any additional collateral for the Loans, by the consummation of any transactions relating hereto, or by any other existing fact or circumstance, ratifies the Guaranty as security for the Loans; and confirms that the Guaranty remains in full force and effect.

17. **Entire Agreement; No Oral Agreements Concerning Loans.** The Recitals set forth at the beginning of this Agreement are incorporated into this Agreement as a material part of this Agreement. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, which agreement shall not be varied by any alleged or actual oral statements or parol evidence whatsoever. Lender has not promised or agreed in any manner to extend the maturity of the Loans, to restructure the Loans or any security therefor, to modify any terms of the Loans Documents or the effect thereof, to forbear in the commencement, exercise or pursuit of any right or remedy Lender has under the Loans Documents or applicable law, to release or adversely affect any lien or security interest previously or concurrently granted in favor of Lender, or to forego the benefit of any term, provision or condition of the Loans Documents, except as may be otherwise specifically provided in this Agreement and subject in all instances to strict compliance by Borrower, Guarantor and New Guarantor with all terms and conditions of this Agreement. Except as specifically provided in this Agreement (and so long as Borrower is in compliance with

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the terms of this Agreement), Lender has not agreed or become obligated, whether by negotiating or executing this Agreement or otherwise, to make any new Loans or to extend any new credit to Borrower, Guarantor or New Guarantor under any circumstances.

18     **Ratification of Workout.** The parties acknowledge and agree that the terms and conditions of this Agreement are part of but not the entire body of a mutual workout arrangement between the parties for a resolution of a dispute regarding the Loans. Borrower, Guarantor and New Guarantor each hereby ratify, consent to, and agree to all of Lender's actions, from November 27, 2013, to the date first stated above, regarding and/or related to the claims of the Other Lenders alleging that the encumbrances for their loans were in first priority for the subject Properties, with the actions of the Lender including, without limitation, Lender lending Borrower an additional amount of approximately \$ \_\_\_\_\_, in the aggregate, with said funds being used towards satisfaction of certain loans from the Other Lenders. Borrower, Guarantor and New Guarantor each ratify and agree that the Lender's loans for said Properties have increased by the amounts that Lender paid toward satisfaction of the respective Other Lenders' loans for the subject Properties and Lender's Loans will continue to increase by the amount that Lender will advance to Borrower (or pay toward) for the satisfaction of the respective Other Lenders' Loans or in connection with Lender's rights or obligations pursuant to the Loans Documents as modified by this Agreement.

[signatures on following page]

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IN WITNESS WHEREOF, the undersigned Parties have executed this Agreement on the date first above written.

**Borrower:**

ARIZONA HOME FORECLOSURES, LLC

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

EASY INVESTMENTS, LLC

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

**Guarantor:**

\_\_\_\_\_  
Yomtov "Scott" Menaged

**New Guarantor:**

FURNITURE KING, LLC

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

**Lender:**

DENSCO INVESTMENT CORPORATION

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

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**EXHIBIT A**

**LENDER LOANS AND ENCUMBERED PROPERTIES**

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**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this \_\_\_ day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of ARIZONA HOME FORECLOSURES, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

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**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this \_\_\_\_ day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of EASY INVESTMENTS, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

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**ACKNOWLEDGMENTS**

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this \_\_\_\_ day of \_\_\_\_\_, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did acknowledged execution of the foregoing instrument as the Guarantor.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

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**ACKNOWLEDGMENTS**

STATE OF ARIZONA        )  
                                  ) SS  
COUNTY OF MARICOPA    )

On this \_\_\_\_ day of \_\_\_\_\_, 2014, before me appeared Yomotov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the Manager of FURNITURE KING, LLC, an Arizona limited liability company, and said Yomotov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said company.

**IN WITNESS WHEREOF**, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

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ACKNOWLEDGMENTS

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this \_\_\_\_ day of \_\_\_\_\_, 2014, before me appeared Denny Chittick, to me personally known, who being by me duly sworn, did say that he/she is the President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, and said Denny Chittick acknowledged execution of the foregoing instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

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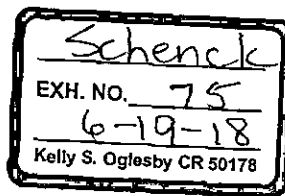
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Document comparison by Workshare Professional on Thursday, February 13, 2014 4:49:43 PM

Input	
Document 1 ID	interwovenSite://DETDMS1/ClarkHill/200131428/8
Description	#200131428v8<ClarkHill> - Forbearance Agreement (8)
Document 2 ID	interwovenSite://DETDMS1/ClarkHill/200131428/9
Description	#200131428v9<ClarkHill> - Forbearance Agreement (9)
Rendering set	standard

Legend	
<u>Insertion</u>	
<u>Deletion</u>	
<u>Moved from</u>	
<u>Moved to</u>	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics	
	Count
Insertions	15
Deletions	7
Moved from	4
Moved to	4
Style change	0
Format changed	0
Total changes	30



*Denny/Wickert*

**Beauchamp, David G.**

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**From:** Beauchamp, David G.  
**Sent:** Friday, February 14, 2014 11:17 PM  
**To:** 'dcmoney@yahoo.com'  
**Cc:** Beauchamp, David G.  
**Subject:** Re: Denny: Please Read This But do NOT Share with Scott: Attorney Client Privileged!!!

Denny:

The current agreement still protects you under most circumstances, but there is no room to make any concessions. We need to know all of their issues before there is any more "negotiation."

With all due respect, Scott is letting Jeff "play us" to change the deal after Scott had said that Scott and you had a deal and we needed to work together to get the paperwork done.

NOTE: We cannot threaten to go to the Maricopa County Prosecutor's office if Scott does not sign the agreement, because that would be a classic case of extortion. I had a client threaten to do that once in a fit of frustration and it created a real problem.

Best, David

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

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**From:** Denny Chittick [mailto:dcmoney@yahoo.com]  
**Sent:** Friday, February 14, 2014 10:02 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: Denny: Please Read This But do NOT Share with Scott: Attorney Client Privileged!!!

i understand the situation. i undestand i need to protect myself and my responsiblity to my investors. at this point i dont' think i've jeopardized any of that. an agreement has to be reached between scott and my self, which protects me and my investors and allows scott and i to solve the problem created by scott. what do you recommend to do?

dc

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

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**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Friday, February 14, 2014 7:48 PM  
**Subject:** Denny: Please Read This But do NOT Share with Scott: Attorney Client Privileged!!!

Denny:

Since I did not talk to either Jeff or Scott concerning their last requests, did you not convey what issues you were willing to agree to or did Scott not want to understand what you told him after you and I talked? The changes I made were exactly as you and I had discussed. Every time that Scott has gone to you after talking to Jeff, you are only told half of the story and less than half of the negative impact for you from a change they request. \*\*\*\*\*So Scott and Jeff believe with both of us in the room, that they will push you to reach an agreement over my objections and you will not listen to me. As Jeff told me, Scott has previously told Jeff that you will do anything to avoid litigation, so Jeff said that I am in a bad negotiation position. Jeff clearly thinks he can force you to agree to accept a watered down agreement and give up substantial rights that you should not have to give up. Unfortunately, it is not your money. It is your investors' money. So you have a fiduciary duty.

Jeff is a litigator and he will talk over me and put pressure on you just like a cross examination. Jeff has a reputation of going through other attorneys to deal with the adverse client to the detriment of the adverse client. If we are all together, I will need to control the meeting and never leave you alone with them. However, in our previous meeting with Scott there were a number of different things that you said to Scott that I would have preferred you not to say or to not say anything until I could explain the full effect to you of Scott's request. Initially, a telephone conference (with you in my office) makes sense, but we are still trying to shoot a moving target with Jeff bringing up new issue after new issue.

Scott is the one responsible for this and not you. He failed to put proper protection systems in place so his cousin could not do what his cousin did.

Your waiver of suing Scott for fraud has nothing to do with him going to jail. A person can only go to jail for a criminal conviction, which can only be brought against him by a federal or state prosecutor. However, both Jeff and Scott have tried to deliberately use that reference "go to jail" to confuse you as to what they are asking. Your only leverage here is to be able to pursue a fraud suit if Scott puts his entities into bankruptcy and tries to walk away. Only a fraud judgment will not be dischargeable in bankruptcy. Anything short of what I put into the agreement will leave you fully and completely exposed if Scott decides to walk away or puts these entities into bankruptcy. Scott could also sell the entities for \$1.00 and walk away from these entities and what are you left with? If you give Scott what Jeff wants, you are giving up your right to force him to pay you with his future earnings as opposed to limiting your recovery to what he has today, which in a bankruptcy liquidation process is not enough to pay off all of these loans.

Further, there is NEVER a limitation on legal fees when a third party can bring an action that needs to be defended against. In addition, Scott's actions to comply with the terms of this agreement will have a big effect on whether or not you have to deal with a third party lawsuit filed against you in court. In this situation, you can have an action brought against you by any of the other lenders, and / or by any of your investors. In a fraud action, facts are the biggest part of the case so it is extremely important to



obtain the best evidence possible so the facts can be easily proven in court. (That is why it is SUCH A MAJOR CONCESSION to Scott to not require him to admit all of the applicable facts in the agreement.) One recent article indicated that the discovery costs alone in a potential fraud action are almost 150% to 250% higher than even a major multi-party complex litigation matter, and legal fees are almost 300% to 500% higher. In addition, you could also face an action by the SEC or by the Securities Division of the ACC if an investor is able to convince someone in a prosecutor's office that you somehow assisted Scott to cover up this fraud or you were guilty of gross negligence by failing to perform adequate due diligence (on behalf of your investors' money) to determine what was going on. If Scott performs the Agreement in full and everything goes right, then those claims are unlikely to happen, but Scott will control the future events, so his FUTURE actions directly affect the likelihood of any action being brought against you. Based on that why should you take any risk of legal fees or costs exceeding any number that might be thought to be reasonable now

I know you want this over and done, but Jeff just keeps trying to whittle away at your protections so that you are not protected in the future. Jeff's basic argument is how he construes "fairness" to Scott. However, your duty and obligation is not to be fair to Scott, but to completely protect the rights of your investors. I am sorry if Scott is hurt through this, but Scott's hurt will give Scott the necessary incentive to go after his cousin. Your job is to protect the money that your investors have loaned to DenSco.

\*\*\*\*\*It would be a terrible irony here if you have to defend yourself against a criminal or securities charge against you for trying to be "fair" or "reasonable" to Scott and he gets to walk away without a problem. That irony has an even greater impact when we recognize that this whole situation was created because Scott did not have adequate internal controls in place which allowed this to happen.

If we need to talk this weekend, please let me know.

All the best, David  
David G. Beauchamp

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

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From: Denny Chittick [mailto:dcmoney@yahoo.com]  
Sent: Friday, February 14, 2014 6:45 PM  
To: Beauchamp, David G.  
Subject: Re: scott's dollars

i just read an email from scott saying that some of the changes that they thought were goign to be incorporated were not, and he didn't like the wording of the latest request, i'm guessing the release of fraud issue. i really think this is the only way to get this resolved with out spending another 20k on back adn forth.  
dc

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

---

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
To: "Denny J. Chittick (dcmoney@yahoo.com)" <dcmoney@yahoo.com>  
Sent: Friday, February 14, 2014 6:37 PM  
Subject: FW: scott's dollars

Denny:

What are the issues now? Have they added more that they want or are they just refusing to go along with what you have decided?

I am very hesitant to set up any meeting until I know what has been discussed and what are the remaining issues. Over the last 4 exchanges, Jeff has added 6 new issues.

Best regards, David

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

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

From: Scott Menaged [<mailto:smena98754@aol.com>]  
Sent: Friday, February 14, 2014 6:34 PM  
To: Denny Chittick  
Cc: Beauchamp, David G.; Jeffrey Goulder  
Subject: Re: scott's dollars

Jeff and Dave

Please schedule an appointment for all 4 of us to sit down and go over agreement and makes changes as necessary and get this thing signed. Denny and I will make ourself available

Thanks

Denny is out of town till Tuesday

So wed- Friday is fine

Schenck  
EXH. NO. 76  
6-19-18  
Kelly S. Oglesby CR 50178

Appointment

From: Anderson, Robert G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=RANDERSON]  
Sent: 2/17/2014 9:46:15 AM  
Subject: Densco  
Start: 2/17/2014 2:00:00 PM  
End: 2/17/2014 2:30:00 PM  
Show Time As: Busy

Appointment

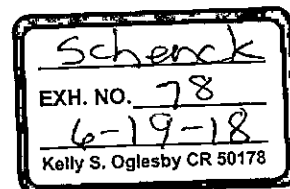
**From:** Anderson, Robert G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=RANDERSON]  
**Sent:** 2/20/2014 3:45:00 PM  
**Subject:** Densco checklist  
**Start:** 2/21/2014 9:30:00 AM  
**End:** 2/21/2014 10:00:00 AM  
**Show Time As:** Busy

Schenck	
EXH. NO.	77
6-19-18	
Kelly S. Oglesby CR 50178	

Dated as of \_\_\_\_\_, 2014  
Anticipated Closing Date: \_\_\_\_\_, 2014

PRELIMINARY LEGAL CLOSING CHECKLIST<sup>1</sup>

PROPOSED \$ \_\_\_\_\_ RESIDENTIAL LOAN ("LOAN") TO BE MADE BY  
DENSCO INVESTMENT CORPORATION ("LENDER") TO  
\_\_\_\_\_ ("BORROWER")



[RESIDENTIAL PROPERTY DESIGNATION]  
[PROPERTY ADDRESS], ARIZONA

Resp.	Item	Status
<b>A. LOAN DOCUMENTS</b>		
LC	1. Promissory Note	
LC	2. Deed of Trust and Assignment of Rents	
LC	3. Assignment of Leases and Rents	
LC	4. Guaranty of Recourse Obligations of Borrower	
LC	5. Certificate of Borrower	
LC	6. Borrower's Financial Certificate	
LC	7. Guarantor's Financial Certificate	
<b>B. ORGANIZATIONAL DOCUMENTS OF BORROWER</b>		
B	1. Articles of Organization and all amendments thereto, certified by the Secretary of State where incorporated	
B	2. Operating Agreement, and all amendments thereto	
B	3. Certificate of Good Standing	
B	4. Certificate of Member and Resolution (name of managing member)	
B	5. Articles of Incorporation	
B	6. Bylaws	
B	7. Good Standing Certificate	
B	8. Incumbency Certificate and Resolution (name of authorized party)	
<b>C. LEASE DOCUMENTATION</b>		
B	1. Form Lease Agreement	
B	2. Space leases, including all amendments	
B	3. Tenant Estoppel Certificates	

<sup>1</sup> This preliminary closing checklist (this "Checklist") is a standard form checklist, and does not reflect all items required to be delivered to Lender with respect to the Loan. This Checklist does not constitute a commitment by Lender to make a loan, and should not be relied on as such.

Resp.	Item	Status
B	4. Guarantor Estoppel Certificate	
B	5. Subordination, Non-Disturbance and Attornment Agreements	
<b>D. AGREEMENTS AFFECTING PROPERTY</b>		
B	1. Management Agreement	
<b>E. TITLE</b>		
B/TC	1. Title insurance commitment	
B/TC	2. Copies of all recorded easements, rights of way, restrictive covenants, leases and other instruments of record	
B/TC	3. Proforma policy (with Lender's required endorsements and affirmative insurance, Lender in 1 <sup>st</sup> Lien Position)	
L/TC	4. UCC-1 financing statement search, tax lien search and judgment search (Secretary of State and county where property is located and where Borrower is organized)	
B/TC	5. Real estate tax search and most recent tax bills	
<b>G. LENDER DUE DILIGENCE ITEMS</b>		
B	1. Insurance Policies/Evidence of Required Insurance Coverage	
L	2. Appraisal	
B	3. Financial Statements of Borrower and Guarantor as required by Lender	
L/B	4. Credit Report and Background Check	
L	5. Site Inspection	
<b>F. CLOSING DOCUMENTATION</b>		
LC	1. Escrow Letter with Title Company	
B/TC	2. Closing Protection Letter, if applicable	
B	3. Wiring Instructions	
B	4. Settlement Statement	
B	5. Evidence of payment of applicable interest, reserves, third party fees, title fees and legal fees	

**KEY**

L - Lender

LC - Lender's Counsel

B - Borrower/Borrower's Counsel

TC - Title Company

<sup>2</sup> See footnote 1 above.

**Contact List**

**LENDER:**

DenSco Investments Corporation  
6132 W. Victoria Place  
Chandler, Arizona 85226

Denny Chittick  
Phone: (602)-469-3001  
Fax: (602)-532-7737  
dcmoney@yahoo.com

**LENDER'S COUNSEL:**

Clark Hill  
14850 N. Scottsdale Road, Suite 500  
Scottsdale, AZ 85054

David Beauchamp  
DBeauchamp@clarkhill.com.  
Dan Schenck  
DSchenck@ClarkHill.com  
Telephone: (480) 684-1118  
Fax: (480) 684-1179

**TITLE COMPANY:**

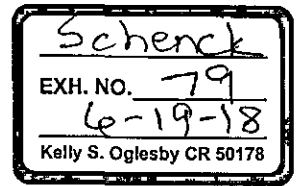
**BORROWER:**

**BORROWER'S COUNSEL:**

Dated as of \_\_\_\_\_, 2014  
Anticipated Closing Date: \_\_\_\_\_, 2014

**PRELIMINARY LEGAL CLOSING CHECKLIST<sup>1</sup>**

PROPOSED \$ \_\_\_\_\_ LOAN ("LOAN") TO BE MADE BY  
DENSCO INVESTMENT CORPORATION ("LENDER") TO  
\_\_\_\_\_ ("BORROWER")



[PROPERTY DESIGNATION]  
[PROPERTY ADDRESS], ARIZONA

Resp.	Item	Status
<b>A. LOAN DOCUMENTS</b>		
LC	1. Promissory Note	
LC	2. Deed of Trust and Assignment of Rents	
LC	3. Assignment of Leases and Rents	
LC	4. Guaranty of Recourse Obligations of Borrower	
LC	5. Environmental Indemnity Agreement	
LC	6. Assignment of Management Agreement and Subordination of Management Fees	
LC	7. Assignment of Agreements, Permits and Contracts	
LC	8. Certificate of Borrower	
LC	9. Borrower's Financial Certificate	
LC	10. Guarantor's Financial Certificate	
LC	11. UCC-1 Financing Statement (State)	
LC	12. UCC-1 Financing Statement (County)	
<b>B. ORGANIZATIONAL DOCUMENTS OF BORROWER</b>		
B	1. Articles of Organization and all amendments thereto, certified as filed by the Secretary of State where incorporated	
B	2. Operating Agreement, and all amendments thereto	
B	3. Certificate of Good Standing	
B	4. Certificate of Member and Resolution (name of managing member)	
	5. Articles of Incorporation	

<sup>1</sup> This preliminary closing checklist (this "Checklist") is a standard form checklist, and does not reflect all items required to be delivered to Lender with respect to the Loan. Please see the Loan Application and Delivery Checklist attached thereto (which is subject to change). This Checklist does not constitute a commitment by Lender to make a loan, and should not be relied on as such.



Resp	Item	Status
	6. Bylaws	
	7. Good Standing Certificate	
	8. Incumbency Certificate and Resolution (name of authorized party)	
<b>C. LEASE DOCUMENTATION</b>		
B	1. Form Lease Agreement	
B	2. Space leases, including all amendments	
B	3. Rent Roll	
B	4. Tenant Estoppel Certificates	
B	5. Guarantor Estoppel Certificate	
B	6. Subordination, Non-Disturbance and Attornment Agreements	
<b>D. ZONING, USE AND OCCUPANCY</b>		
L	1. Survey Certification/PZR Report	
<b>E. AGREEMENTS AFFECTING PROPERTY</b>		
B	1. Management Agreement	
<b>F. TITLE</b>		
B/TC	1. Title insurance commitment	
B/TC	2. Copies of all recorded easements, rights of way, restrictive covenants, leases and other instruments of record	
B/TC	3. Proforma policy (with Lender's required endorsements and affirmative insurance, Lender in 1 <sup>st</sup> Lien Position)	
B/TC	4. Legal description in Word	
B	5. Estoppel letter confirming payment and performance under reciprocal easement and operating agreements and similar agreements encumbering Property (if applicable)	
L/TC	6. UCC-1 financing statement search, tax lien search and judgment search (Secretary of State and county where property is located and where Borrower is organized)	
B/TC	7. Real estate tax search and most recent tax bills	
B	8. Verification of independent tax lot status	
<b>G. SURVEY</b>		
B	1. Updated ALTA Survey (in accordance with Lender's certification requirements)	

Resp	Item	Status
B	2. Flood Zone Designation/Insurance (or Surveyor's Certification)	
<b>G. LENDER DUE DILIGENCE ITEMS<sup>2</sup></b>		
B	1. Insurance Policies/Evidence of Required Insurance Coverage	
L	2. Phase I Environmental Report	
L	3. Appraisal	
L	4. Engineering Report	
B	5. Financial Statements of Borrower and Guarantor as required by Lender	
L/B	6. Credit Report and Background Check	
L	7. Site Inspection	
L	8. Review Warranties	
B	9. Inventory of Personal Property	
<b>H. CLOSING DOCUMENTATION</b>		
LC	1. Escrow Letter with Title Company	
B/TC	2. Closing Protection Letter, if applicable	
B	3. Wiring Instructions	
B	4. Settlement Statement	
B	5. Evidence of payment of applicable interest, reserves, third party fees, title fees and legal fees	

**KEY**

L - Lender

LC - Lender's Counsel

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TC - Title Company

<sup>2</sup> See footnote 1 above.

**Contact List**

**LENDER:**

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6132 W. Victoria Place  
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Denny Chittick  
Phone: (602)-469-3001  
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dcmoney@yahoo.com

**LENDER'S COUNSEL:**

Clark Hill  
14850 N. Scottsdale Road, Suite 500  
Scottsdale, AZ 85054

David Beauchamp  
DBeauchamp@clarkhill.com.  
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DSchenck@ClarkHill.com  
Telephone: (480) 684-1118  
Fax: (480) 684-1179

**TITLE COMPANY:**

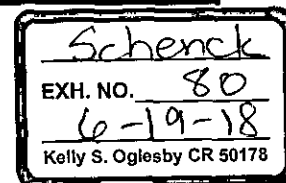
**BORROWER:**

**BORROWER'S COUNSEL:**

DeSio / workout

**Beauchamp, David G.**

**From:** Beauchamp, David G.  
**Sent:** Thursday, February 20, 2014 9:35 PM  
**To:** Gordon, Robert D.; Wakim, Kimberly L.; Applebaum, Joel D.  
**Cc:** Beauchamp, David G.  
**Subject:** Re: Bankruptcy Help



Robert:

Thank you for your email. I agree with your assessment completely, but our client has made it clear that he does not want to litigate. So the Borrower's attorney (who is very full of himself) has made several last minute demands that have all but undermined the agreement. I am trying to help our client understand all of the issues and then decide if he is better off with or without the agreement.

However, the bankruptcy issue is beyond my current knowledge so I am reaching out for help. Thank you again for your help.

Please point me in the direction of someone who can help analyze and explain the issue to our client.

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:** Gordon, Robert D.  
**Sent:** Thursday, February 20, 2014 08:36 PM  
**To:** Beauchamp, David G.; Wakim, Kimberly L.; Applebaum, Joel D.  
**Subject:** RE: Bankruptcy Help

I have never heard of the lender giving a release as part of a forbearance. Those two concepts seem antithetical: what is left to forbear on if you give a release? On what basis does the Borrower have any right to make such a demand? How does your client benefit by entering into such an arrangement? You may have a good non-dischargeability claim against the guarantor inasmuch as there appears to have been fraud; that would have to be examined a little more (don't know if the Guarantor was really a party to the fraud, or just the cousin). But regardless, I don't see why you would give up the right to enforce claims and seek a non-dischargeability ruling in the event of a bankruptcy.

**Robert D. Gordon**  
CLARK HILL PLC  
248.988.5882 (direct) | 248.988.2502 (fax)

---

**From:** Beauchamp, David G.  
**Sent:** Thursday, February 20, 2014 9:51 PM  
**To:** Gordon, Robert D.; Wakim, Kimberly L.; Applebaum, Joel D.  
**Subject:** Bankruptcy Help

I know that each of you are very busy, but I need some help from an experienced bankruptcy attorney concerning a very important issue that is critical to a \$31 million Forbearance Agreement. Sorry for the long email but hopefully, one of you can delegate this to someone who can provide key guidance on how to resolve the issue outlined below.

Background: Our client is an investment fund that has made approximately 185 loans to two affiliated LLCs that are collectively referred to as Borrower. Each Borrower is owned by the same house remodeler and rental company, and the owner has guaranteed the loans (on a very weak and almost unenforceable guaranty) ("Guarantor"). Each of the 185 loans are secured by separate homes. As hard money loans no lender's title insurance policies were obtained for the liens, but the Borrower acknowledged and agreed in each Deed of Trust that the loans were to be secured by first liens on each of the homes. Due to personal issues, Borrower/Guarantor was pre-occupied with his wife's failing health and he let his cousin from Israel run the day to day of the Borrower's business. Cousin arranged for other lenders to also make approximately 145 hard money loans to Borrower, which were also secured by 145 of the homes that Borrower had simultaneously used as security for loans from our client. The duplicate loans were signed by Borrower / Guarantor who claimed he had no knowledge of the duplicate loans until he was trying to sell a home and found two liens recorded against it. When that was discovered, his cousin immediately left to return to Israel. Without any additional documentation or any legal advice, our client has been reworking his loans and deferring interest payments to assist Borrower / Guarantor to pay off some of the duplicate loans. When we became aware of this issue, we advised our client that he needs to have a Forbearance Agreement in place to evidence the forbearance and the additional protections he needs.

Issue: We are trying to finish a Forbearance Agreement, but the Borrower/Guarantor's attorney is NOW insisting upon our client provide a full and complete release from our client (lender) in favor of the Borrower / Guarantor as a condition to sign the Forbearance Agreement. Since our client has loaned over \$8 million more than we estimate the aggregate collateral in the homes are worth, I am concerned that the Borrower / Guarantor can put Borrower into bankruptcy and then put the Guarantor into personal bankruptcy and be completely discharged of these obligations. My understanding is that our client can only stop the discharge by making a claim in bankruptcy based upon fraud, which if our client is successful would have these obligations to our client be deemed non-dischargeable. Since the other attorney is demanding a full release now, what can we do to break the impasse without putting our client at significant risk? The Borrower's attorney (who I do not trust) has proposed that we use a full release with a "springing right" to block the full release and allow our client to assert the fraud claim if the Borrowers and/or Guarantor file for bankruptcy. I do not know if our client would be able to enforce that "springing right" in a bankruptcy action of the Borrower or the Guarantor.

My concern is heightened by a bulletin that I previously read concerning a string of bankruptcy cases that have determined that several provisions used by lenders in various loan documents have been determined to be unenforceable penalties because these provisions were designed (or had the effect) to limit the Debtor's ability to assert its legal right to file for bankruptcy protection.

Thank you for your assistance with this matter.

Best, David

David G. Beauchamp

CLARK HILL PLC

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

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please contact us immediately at the telephone number shown above and take immediate steps to delete the message completely from your computer system. Thank you.

IRS Circular 230 Disclosure: To ensure compliance with the requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended for or written to be used, and cannot be used, for the purpose of (a) avoiding any penalties under the Internal Revenue Code or (b) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

Beauchamp, David G.

Schenck
EXH. NO. 81
6-19-18
Kelly S. Oglesby CR 50178

DenSoc/Workout

**From:** Price, William C.  
**Sent:** Thursday, February 20, 2014 9:43 PM  
**To:** Wakim, Kimberly L.; Beauchamp, David G.; Gordon, Robert D.; Applebaum, Joel D.  
**Subject:** Re: Fwd: Bankruptcy Help

Has there been a suggestion by the owner/guarantor that the release from lender be made solely with respect to the owner/guarantor on the basis that the loan is a mess due to activities while he was tending to his ailing spouse and the lender did nothing to monitor its own credit that ballooned to \$8 million over the collateral base and the underlying guaranty agreement is potentially unenforceable (both taken together with the issues while he was gone and on the standalone basis that it is simply unenforceable)?

I could see the owner/guarantor saying "the value of the enterprise is gone (including any equity, ever), the lender is underwater, I am working to optimize the value of your collateral, I didn't create this mess, the agreement is unenforceable, I can file my own bankruptcy and move on with my life while letting the lender clean up the mess since a non-discharge for me is sticky as I didn't perpetrate the fraud (my cousin did) and I will gladly work with you to get as much as possible -- but you are going to release me from any obligation I may have on a personal level."

I cannot see a basis for a release by the lender to the enterprise. Also, I think the lender should stand firm that a release of the owner/guarantor is out of the question since he simply deputized the bad actor.

In any event, that is the only thing I can come up with on the facts. The guarantor/owner wants a release to cooperate with collateral protection. Otherwise, he'll file bankruptcy and see what happens while he makes a living elsewhere.

Bill

William C. Price  
CLARK HILL  
One Oxford Centre | 301 Grant Street, 14th Fl. | Pittsburgh, PA 15219  
Direct Dial: 412.394.7776 | Fax: 412.394.2555 | Cell: 412.463.5079  
wprice@clarkhill.com | www.clarkhillthorpreed.com

---

**From:** Wakim, Kimberly L.  
**Sent:** Thursday, February 20, 2014 10:39 PM  
**To:** Price, William C.  
**Subject:** Fwd: Bankruptcy Help

FYI- chime in if you have any thoughts.

Sent from my iPhone

Begin forwarded message:

**From:** "Gordon, Robert D." <[RGordon@ClarkHill.com](mailto:RGordon@ClarkHill.com)>  
**Date:** February 20, 2014, 10:36:29 PM EST  
**To:** "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)>, "Wakim, Kimberly L." <[kwakim@ClarkHillThorpeReed.com](mailto:kwakim@ClarkHillThorpeReed.com)>, "Applebaum, Joel D." <[JApplebaum@ClarkHill.com](mailto:JApplebaum@ClarkHill.com)>  
**Subject:** RE: Bankruptcy Help

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**Robert D. Gordon**

CLARK HILL PLC

248.988.5882 (direct) | 248.988.2502 (fax)

---

**From:** Beauchamp, David G.

**Sent:** Thursday, February 20, 2014 9:51 PM

**To:** Gordon, Robert D.; Wakim, Kimberly L.; Applebaum, Joel D.

**Subject:** Bankruptcy Help

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My concern is heightened by a bulletin that I previously read concerning a string of bankruptcy cases that have determined that several provisions used by lenders in various loan documents have been determined to be unenforceable penalties because these provisions were designed (or had the effect) to limit the Debtor's ability to assert its legal right to file for bankruptcy protection.

Thank you for your assistance with this matter.

Best, David

**David G. Beauchamp**

CLARK HILL PLC

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

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DenSco / Workout

Tcw Denny Clittick (2/21/14)

602-469-3001

(0.8) — relayed info from Bill Price concerning the "Springing Rights"  
+ that it is "highly unlikely" that a court would allow Denny to be protected  
by that procedure  
— asked both attys — so need to wait until Jeff gets back to Scott

— Denny wants Scott to hear answer from

— Denny talked to Scott a couple of times today

- received 3 loan payoffs back (from the 95%)
- another 2 — ~~Den's~~ loans — was payoff; eliminated 2 of Greg's loans
- did overages on some loans — up to 95%
- wired in \$180,000 + received back \$220,000

— another 20 to close in the next couple of weeks

— Resolved for 8 loans that were double leveraged  
— to do that had to put out more money → so higher leveraged

Annual DenSco mtg. — DenSco — Sat 8th @ 3:00 — cannot be ready to tell everything

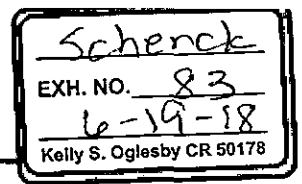
— What to put in notice to the investors

- explain concentration to Scott to help Scott package homes to sell to a Hedge Fund in \$5M groups
- then problem was discovered — but to resolve the loans with double leverage — came up w/ a plan → but that required DenSco to make higher leveraged
- DenSco also make advances on new homes purchased

Message

---

**From:** Anderson, Robert G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=RANDERSON]  
**Sent:** 2/23/2015 8:44:23 AM  
**To:** Anderson, Robert G. [randerson@clarkhill.com]  
**Subject:** Forebearance Ag.  
**Attachments:** 200131428\_20.docx



Message

**From:** Anderson, Robert G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=RANDERSON]  
**Sent:** 2/27/2014 3:38:55 PM  
**To:** Beauchamp, David G. [dbeauchamp@clarkhill.com]; Lorenz, Ryan J. [rlorenz@clarkhill.com]  
**Subject:** RE: Aspen Sheriff's Sale

It's been a few years since I participated in a Sheriff's Sale. I will brush up on the procedures and get back to you.

Bob

**Robert G. Anderson**

480.684.1154 (direct) | 480.684.1184 (fax) | 602.684.5964 (cell)  
[randerson@clarkhill.com](mailto:randerson@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

**From:** Beauchamp, David G.  
**Sent:** Thursday, February 27, 2014 4:19 PM  
**To:** Anderson, Robert G.; Lorenz, Ryan J.  
**Subject:** FW: Aspen Sheriff's Sale

Ryan:

Do either of you know the notice procedures for a Sheriff's Sale of real property? Should a lienholder on the real property have been notified?

Assuming an individual person is in personal bankruptcy and he is also the sole owner of an LLC. What should be the procedure to provide notice to a lender to the LLC that is supposedly secured by a lien on the LLC's real property? If a creditor takes an action against the LLC's real property in the bankruptcy court, should this creditor have provided notice to the lender to be able to argue that the LLC is a separate entity.

What other documents should I ask to see to determine if we can take an action to protect our client as the lender from this Sheriff's Sale?

Thanks, David

**David G. Beauchamp**

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

**From:** Denny Chittick [mailto:dcmoney@yahoo.com]  
**Sent:** Thursday, February 27, 2014 7:12 AM  
**To:** Beauchamp, David G.  
**Subject:** Fw: Aspen Sheriff's Sale

i just received this morning. John said that he would get us in touch with his attorney  
dc

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

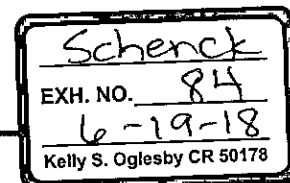
----- Forwarded Message -----

**From:** John Ray <johnraypc@gmail.com>  
**To:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Thursday, February 27, 2014 12:48 AM  
**Subject:** Aspen Sheriff's Sale

I received this today. I will have my attorney review tomorrow & get back to you.

Thanks,

**John Ray**  
*Senior Managing Partner*  
FLIP-PHX, LLC  
[www.flip-phx.com](http://www.flip-phx.com)  
602-229-1200 Office  
602-989-1234 Cell



Message

**From:** Anderson, Robert G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=RANDERSON]  
**Sent:** 2/28/2014 12:39:41 PM  
**To:** Beauchamp, David G. [dbeauchamp@clarkhill.com]  
**Subject:** RE: Aspen Sheriff's Sale

David, don't do anything until I check out this issue.

Bob

**Robert G. Anderson**

480.684.1154 (direct) | 480.684.1184 (fax) | 602.684.5964 (cell)  
[randerson@clarkhill.com](mailto:randerson@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

**From:** Lorenz, Ryan J.

**Sent:** Friday, February 28, 2014 1:37 PM

**To:** Anderson, Robert G.; Beauchamp, David G.

**Subject:** RE: Aspen Sheriff's Sale

A lienholder does not have to be notified because their interest in the property is not at risk. "Upon a sale of real property, the purchaser is substituted to and acquires all the right, title, interest and claim of the judgment debtor thereto." A.R.S. § 12-1626(A). "It is well established that the purchaser at a foreclosure sale takes only the interest of the mortgagor." *Smith v. Rabb*, 95 Ariz. 49, 56, 386 P.2d 649, 654 (1963), citing *Metcalf v. Phoenix Title & Trust Co.*, 33 Ariz. 13, 261 P. 633, 57 A.L.R. 1015 (1927).

I see that John Ray's bankruptcy remains pending. The business entity that owns the property is itself property of the bankruptcy estate. The chapter 7 trustee should be worried about that.

**Ryan J. Lorenz**

CLARK HILL PLC

14850 North Scottsdale Road | Suite 500 | Scottsdale, Arizona 85254  
480.684.1107 (direct) | 480.684.1167 (fax)  
[rlorenz@clarkhill.com](mailto:rlorenz@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

**From:** Anderson, Robert G.

**Sent:** Thursday, February 27, 2014 4:39 PM

**To:** Beauchamp, David G.; Lorenz, Ryan J.

**Subject:** RE: Aspen Sheriff's Sale

It's been a few years since I participated in a Sheriff's Sale. I will brush up on the procedures and get back to you.

Bob

**Robert G. Anderson**

480.684.1154 (direct) | 480.684.1184 (fax) | 602.684.5964 (cell)  
[randerson@clarkhill.com](mailto:randerson@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

**From:** Beauchamp, David G.  
**Sent:** Thursday, February 27, 2014 4:19 PM  
**To:** Anderson, Robert G.; Lorenz, Ryan J.  
**Subject:** FW: Aspen Sheriff's Sale

Ryan:

Do either of you know the notice procedures for a Sherriff's Sale of real property? Should a lienholder on the real property have been notified?

Assuming an individual person is in personal bankruptcy and he is also the sole owner of an LLC. What should be the procedure to provide notice to a lender to the LLC that is supposedly secured by a lien on the LLC's real property? If a creditor takes an action against the LLC's real property in the bankruptcy court, should this creditor have provided notice to the lender to be able to argue that the LLC is a separate entity.

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Thanks, David

**David G. Beauchamp**

CLARK HILL PLC

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

**From:** Denny Chittick [mailto:[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)]  
**Sent:** Thursday, February 27, 2014 7:12 AM  
**To:** Beauchamp, David G.  
**Subject:** Fw: Aspen Sheriff's Sale

i just received this morning. John said that he would get us in touch with his attorney  
dc

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

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

From: John Ray <johnraypc@gmail.com>

To: Denny Chittick <dcmoney@yahoo.com>

Sent: Thursday, February 27, 2014 12:48 AM

Subject: Aspen Sheriff's Sale

I received this today. I will have my attorney review tomorrow & get back to you.

Thanks,

**John Ray**

*Senior Managing Partner*

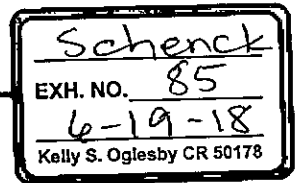
*FLIP-PHX, LLC*

[www.flip-phx.com](http://www.flip-phx.com)

*602-229-1200 Office*

*602-989-1234 Cell*





Appointment

From: Anderson, Robert G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=RANDERSON]  
Sent: 3/4/2014 9:18:04 AM  
Subject: Densco, TT David  
Start: 3/5/2014 9:00:00 AM  
End: 3/5/2014 9:30:00 AM  
Show Time As: Busy

Schenck  
EXH. NO. 86  
6-19-18  
Kelly S. Oglesby CR 50178

Message

6  
**From:** Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]  
**Sent:** 3/4/2014 7:07:31 PM  
**To:** Anderson, Robert G. [randerson@clarkhill.com]  
**Subject:** RE: Aspen Sheriff's Sale

Bob:

I stopped by twice and I missed you both times. You had just left for lunch and I left a message with Michelle. The second time you were "out of your office somewhere".

Sorry we missed.

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**From:** Anderson, Robert G.  
**Sent:** Tuesday, March 04, 2014 10:19 AM  
**To:** Beauchamp, David G.  
**Subject:** RE: Aspen Sheriff's Sale

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**Robert G. Anderson**

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

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*Senior Managing Partner*

FLIP-PHX, LLC

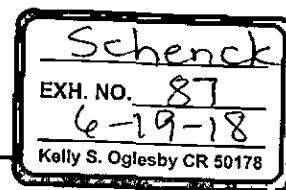
[www.flip-phx.com](http://www.flip-phx.com)

602-229-1200 Office  
602-989-1234 Cell

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6

6



Message

**From:** Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]  
**Sent:** 3/5/2014 6:17:49 PM  
**To:** Anderson, Robert G. [randerson@clarkhill.com]  
**Subject:** RE: Aspen Sheriff's Sale

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**From:** Anderson, Robert G.  
**Sent:** Wednesday, March 05, 2014 8:54 AM  
**To:** Beauchamp, David G.  
**Subject:** RE: Aspen Sheriff's Sale

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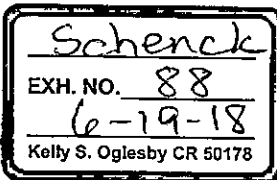
----- Forwarded Message -----

From: John Ray <johnraypc@gmail.com>  
To: Denny Chittick <dcmoney@yahoo.com>  
Sent: Thursday, February 27, 2014 12:48 AM  
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[www.flip-phx.com](http://www.flip-phx.com)  
602-229-1200 Office  
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Message

**From:** Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]  
**Sent:** 3/6/2014 7:57:24 PM  
**To:** Anderson, Robert G. [randerson@clarkhill.com]  
**Subject:** RE: Aspen Sheriff's Sale

Bob:

What was the scheduled date for the Sherriff's Sale? Have we missed it due to my lack of availability? Please check it and let me know.

Best, David

**David G. Beauchamp**

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**From:** Anderson, Robert G.  
**Sent:** Thursday, March 06, 2014 9:25 AM  
**To:** Beauchamp, David G.  
**Subject:** RE: Aspen Sheriff's Sale

Hi David, call me when time permits.

Bob

**Robert G. Anderson**

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**From:** Beauchamp, David G.  
**Sent:** Wednesday, March 05, 2014 7:18 PM  
**To:** Anderson, Robert G.  
**Subject:** RE: Aspen Sheriff's Sale

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**From:** Beauchamp, David G.  
**Sent:** Thursday, February 27, 2014 4:19 PM  
**To:** Anderson, Robert G.; Lorenz, Ryan J.  
**Subject:** FW: Aspen Sheriff's Sale

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**Sent:** Thursday, February 27, 2014 7:12 AM

**To:** Beauchamp, David G.

**Subject:** Fw: Aspen Sheriff's Sale

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602-469-3001 C

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

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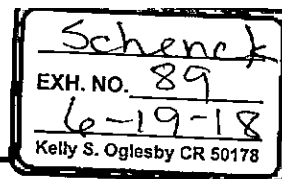
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Message

**From:** Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]  
**Sent:** 3/7/2014 9:08:25 AM  
**To:** Anderson, Robert G. [randerson@clarkhill.com]  
**Subject:** Re: Aspen Sheriff's Sale

Thank you!!

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

**From:** Anderson, Robert G.  
**Sent:** Friday, March 07, 2014 08:06 AM  
**To:** Beauchamp, David G.  
**Subject:** RE: Aspen Sheriff's Sale

Sheriff's sale is on March 20<sup>th</sup>.

**Robert G. Anderson**  
480 684 1154 (direct) | 480 684.1184 (fax) | 602 684.5964 (cell)  
randerson@clarkhill.com | www.clarkhill.com

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**Sent:** Thursday, March 06, 2014 8:57 PM  
**To:** Anderson, Robert G.  
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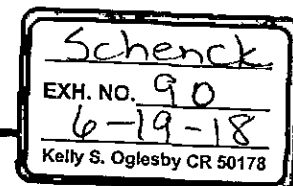
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602-989-1234 Cell

6



**Beauchamp, David G.**

**From:** Beauchamp, David G.  
**Sent:** Tuesday, March 25, 2014 12:07 AM  
**To:** Schenck, Daniel A.  
**Cc:** Beauchamp, David G.  
**Subject:** Additional Funds Loan

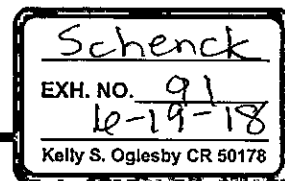
Dan:

I left the draft Additional Funds Note on your chair for you to see what is needed. If you do not understand my notes on the document, I will show you what is needed when I get in. The Note has to provide for multiple draws and be a revolver. That way principal can be borrowed, paid back and then borrowed again.

Best, David

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





**Beauchamp, David G.**

**From:** Schenck, Daniel A.  
**Sent:** Wednesday, March 26, 2014 5:11 PM  
**To:** dcmoney@yahoo.com  
**Cc:** Beauchamp, David G.  
**Subject:** Forbearance Documents  
**Attachments:** Forbearance Agreement (3-26-14).DOCX; REDLINE - Forbearance Agreement - Forbearance Agreement (3-26-14) v17 to 18.doc; Promissory Note (\$5 million).doc; REDLINE - Promissory Note (\$5 million) - Promissory Note (\$5 million) v4 to v6.doc; Promissory Note (\$1 million).doc; REDLINE - Promissory Note (\$1 million) - Promissory Note (\$1 million) v3 to v5.doc; Guaranty Agreement (Menaged) (3-20-14).doc; Guaranty Agreement (Furniture King) (3-20-14).doc; Security Agreement (3-26-14).DOCX

Denny,

David asked me to email you the current documents prepared for the loan work-outs. Attached for your review please find clean versions of the Forbearance Agreement, Additional Funds Loan (\$5M), Additional Loan (\$1M), Guaranty from Menaged, Guaranty from Furniture King, and the Security Agreement. Attached are also redlines of the Forbearance Agreement, Additional Funds Loan (\$5M), Additional Loan (\$1M). You'll notice that we added Scott's spouse, Francine as a party to the notes and the guaranty.

Please contact us with any questions.

Best,

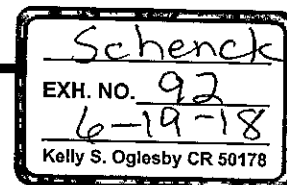
**Daniel A. Schenck**

CLARK HILL PLC

480.684.1118 (direct) | 480.684.1179 (fax)  
[dschenck@clarkhill.com](mailto:dschenck@clarkhill.com) | [blog](http://blog.clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

DenSoo/Workout

**Beauchamp, David G.**



**From:** Beauchamp, David G.  
**Sent:** Wednesday, March 26, 2014 4:57 PM  
**To:** Schenck, Daniel A.  
**Subject:** RE: What documents do you want me to email to Denny (or do you prefer to email them)?

Please go ahead and email to Denny.

Thanks, David

**David G. Beauchamp**

CLARK HILL PLC

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

---

**From:** Schenck, Daniel A.  
**Sent:** Wednesday, March 26, 2014 4:56 PM  
**To:** Beauchamp, David G.  
**Subject:** What documents do you want me to email to Denny (or do you prefer to email them)?

I have clean versions attached of the Forbearance Agreement, Additional Funds Loan (\$5M), Additional Loan (\$1M), Guaranty from Menaged, Guaranty from Furniture King, and the Security Agreement. Attached are also redlines of the Forbearance Agreement, Additional Funds Loan (\$5M), Additional Loan (\$1M).

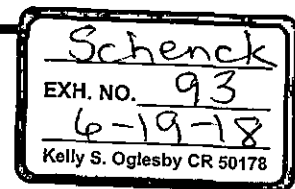
**Daniel A. Schenck**

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

DenSco/Workout

**Beauchamp, David G.**



**From:** Beauchamp, David G.  
**Sent:** Sunday, March 30, 2014 12:26 PM  
**To:** Schenck, Daniel A.  
**Cc:** Beauchamp, David G.  
**Subject:** Fw: Forbearance Documents

Dan:

I will need you to prepare the Representation And Disclaimer Agreement (or whatever you want to call it) and delete Scott's wife as a signer on the other documents. The representation agreement should provide for the signatures to be notarized.

Thanks, David

David G. Beauchamp  
CLARK HILL PLC  
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480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
dbeauchamp@clarkhill.com | www.clarkhill.com

---

**From:** Denny [mailto:dcmoney@yahoo.com]  
**Sent:** Sunday, March 30, 2014 12:14 PM  
**To:** Beauchamp, David G.  
**Cc:** Yomtov Scott Menaged <smena98754@aol.com>  
**Subject:** Re: Forbearance Documents

He said that he and his wife would sign such a doc

Sent from my iPad

On Mar 30, 2014, at 12:10 PM, "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

Denny:

We can do that. I did not know that Scott said he owned everything as his sole + separate property. The underlying concern is trying to cover all of the possibilities.

Since we do not have a detailed financial statement indicating what assets are owned by who or what entity, we probably should have a document that Scott and his wife signs where Scott indicates how he holds his assets (no family trust, no family partnership entity, Etc.) and have his wife sign agreeing with the representations and disclaiming her community property interest in Scott's assets.

Let me know what you think.

Best, David

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

---

**From:** Denny [<mailto:dcmoney@yahoo.com>]  
**Sent:** Sunday, March 30, 2014 11:56 AM  
**To:** Beauchamp, David G.  
**Subject:** Fwd: Forbearance Documents

Should we just have Scott's wife sign a disclaimer instead of adding her to everything? He says he owns it all sole and separate

Sent from my iPad

Begin forwarded message:

**From:** "Schenck, Daniel A." <[DSchenck@ClarkHill.com](mailto:DSchenck@ClarkHill.com)>  
**Date:** March 26, 2014 at 5:11:24 PM MST  
**To:** "[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)" <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)>  
**Cc:** "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)>  
**Subject:** Forbearance Documents

Denny,

David asked me to email you the current documents prepared for the loan work-outs. Attached for your review please find clean versions of the Forbearance Agreement, Additional Funds Loan (\$5M), Additional Loan (\$1M), Guaranty from Menaged, Guaranty from Furniture King, and the Security Agreement. Attached are also redlines of the Forbearance Agreement, Additional Funds Loan (\$5M), Additional Loan (\$1M). You'll notice that we added Scott's spouse, Francine as a party to the notes and the guaranty.

Please contact us with any questions.

Best,

**Daniel A. Schenck**

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

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message is not intended or written by the sender to be used, and cannot be used, for the purpose of avoiding federal tax penalties.

<Forbearance Agreement (3-26-14).DOCX>

<REDLINE - Forbearance Agreement - Forbearance Agreement (3-26-14) v17 to 18.doc>

<Promissory Note (\$5 million).doc>

<REDLINE - Promissory Note (\$5 million) - Promissory Note (\$5 million) v4 to v6.doc>

<Promissory Note (\$1 million).doc>

<REDLINE - Promissory Note (\$1 million) - Promissory Note (\$1 million) v3 to v5.doc>

<Guaranty Agreement (Menaged) (3-20-14).doc>

<Guaranty Agreement (Furniture King) (3-20-14).doc>

<Security Agreement (3-26-14).DOCX>

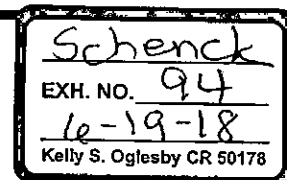
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DenSco/Workout

Beauchamp, David G.

From: Denny <dcmoney@yahoo.com>  
Sent: Sunday, March 30, 2014 12:17 PM  
To: Beauchamp, David G.  
Subject: Fwd: Forbearance Documents



Sent from my iPad

Begin forwarded message:

From: Scott Menaged <smena98754@aol.com>  
Date: March 30, 2014 at 12:16:03 PM MST  
To: Denny <dcmoney@yahoo.com>  
Subject: Re: Forbearance Documents

Yes that's fine

Sent from my iPhone

On Mar 30, 2014, at 12:14 PM, Denny <dcmoney@yahoo.com> wrote:

He said that he and his wife would sign such a doc

Sent from my iPad

On Mar 30, 2014, at 12:10 PM, "Beauchamp, David G." <DBeauchamp@ClarkHill.com> wrote:

Denny:

We can do that. I did not know that Scott said he owned everything as his sole + separate property. The underlying concern is trying to cover all of the possibilities.

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Let me know what you think.

Best, David

David G. Beauchamp  
CLARK HILL PLC  
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254

---

**From:** Denny [<mailto:dcmoney@yahoo.com>]  
**Sent:** Sunday, March 30, 2014 11:56 AM  
**To:** Beauchamp, David G.  
**Subject:** Fwd: Forbearance Documents

Should we just have Scott's wife sign a disclaimer instead of adding her to everything? He says he owns it all sole and separate

Sent from my iPad

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**From:** "Schenck, Daniel A." <[DSchenck@ClarkHill.com](mailto:DSchenck@ClarkHill.com)>  
**Date:** March 26, 2014 at 5:11:24 PM MST  
**To:** "[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)" <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)>  
**Cc:** "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)>  
**Subject:** Forbearance Documents

Denny,

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Please contact us with any questions.

Best,

**Daniel A. Schenck**

---

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

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<REDLINE - Promissory Note (\$1 million) -  
Promissory Note (\$1 million) v3 to v5.doc>

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<Guaranty Agreement (Furniture King) (3-20-  
14).doc>

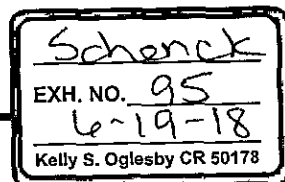
<Security Agreement (3-26-14).DOCX>

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Schenck, Daniel A.



**From:** Schenck, Daniel A.  
**Sent:** Thursday, April 03, 2014 3:30 PM  
**To:** David G. Beauchamp Esq. (DBeauchamp@ClarkHill.com)  
**Subject:** Forbearance Documents (Action Required)

David,

Below are the items that require attention/correction for the forbearance documents:

• Forbearance Agreement: *2004131428, 20* Page 1 - Need to date the Agreement "April 3"  
Exhibit A - Need the list of Lender Loans and Encumbered Properties (this list should reflect the full \$39M owed, listing each property and the amount loaned for each property).

• Promissory Note \$5M: *200414066, 8* Page 1 - Need to re-date the Note to "April 3"  
Page 2<sup>nd</sup> - Add date "April 3" to description of Forbearance Agreement  
Page 2<sup>nd</sup> - Add amount advanced of \$5M revolving loan, as of April 3<sup>rd</sup>  
Page 4<sup>th</sup> - Add late penalty details (need % and max \$ amount of late fee)  
Page 4 - Re-date Security & Guaranty to "April 3"  
Page 7-8 - Need email addresses for DenSco, Arizona Home Foreclosure, Easy Invest,

Scott and Furniture King

Exhibit A - we need a list of Property and Loan for \$5M loan (this list should reflect the full \$ currently owed on the \$5M line of credit, listing each property and the amount loaned for each property).

• Promissory Note \$1M: *200414075, 7* Page 1 - Need to re-date the Note to "April 3"  
Page 2 - Add date "April 3<sup>rd</sup>" to description of Forbearance Agreement  
Page 3 - Add amount advanced of \$1M revolving loan, as of April 3<sup>rd</sup>  
Page 4 - Add late penalty details (need % and max \$ amount of late fee)  
Page 5 - Re-date the descriptions of the Note and Security Agreement to "April 3"  
Page 7-8 - Add email addresses for DenSco, Arizona Home Foreclosures, Easy

Investments and Scott

Exhibit A - we need a list of Property and Loan for \$1M loan (this list should reflect the full \$ currently owed on the \$51 line of credit, listing each property and the amount loaned for each property).

• Guaranty Agreement (FK): *200408518, 4* Page 10 - Need email address of DenSco & Furniture King  
Exhibit A - (this will be copy of the Exhibit A from Forbearance Agreement)

• Guaranty Agreement (Scott): *2004 200170139, 6* Page 1 - Need to date the Agreement to "April 3"  
Page 9 - Need email addresses of DenSco & Scott  
Exhibit A - (this will be copy of the Exhibit A from Forbearance Agreement)

• Security Agreement: *200171551, 6* Page 1 - Change date of Security Agreement to "April 3"  
Page 1 - Insert date of Forbearance Agreement to "April 3"  
Page 2 - Insert date of "April 3" to descriptions of \$5M and \$1M Loan Documents.

Representation and Disclosure Agreement: *2004 81555, 41* Page 1 - Re-date document to "April 3"  
Page 2 - Add address of "10510 E. Sunnyside Dr." to description of  
Scottsdale Property

Schenck  
EXH. NO. 96  
6-19-18  
Kelly S. Oglesby CR 50178

EXHIBIT A TO FORBEARANCE AGREEMENT

4410	easy	Arizona Home Foreclosures, LLC 9521 E Posada Ave	Mesa, 85212	\$ 147,573.65	7/3/2013	1/3/2014	12/3/2013
4417	easy	Arizona Home Foreclosures, LLC 17540 N Estrella Vista Dr	Surprise, 85374	\$ 170,000.00	7/9/2013	1/9/2014	12/9/2013
4430	easy	Arizona Home Foreclosures, LLC 5414 S Heather Dr	Tempe, 85283	\$ 190,000.00	7/12/2013	1/12/2014	12/12/2013
4434	easy	Arizona Home Foreclosures, LLC 2210 S Keene	Mesa, 85209	\$ 250,000.00	7/15/2013	1/15/2014	12/15/2013
4444	easy	Arizona Home Foreclosures, LLC 11979 N 154th Drive	Surprise, 85379	\$ 142,621.19	7/18/2013	1/18/2014	12/18/2013
4459	easy	Arizona Home Foreclosures, LLC 1427 W Windsong Dr	Phx, 85045	\$ 250,000.00	7/23/2013	1/23/2014	12/23/2013
4482	easy	Arizona Home Foreclosures, LLC 10440 W Hammond Ln	Tolleson, 85353	\$ 145,000.00	7/29/2013	1/29/2014	12/29/2013
4495	easy	Arizona Home Foreclosures, LLC 16527 W Post Dr	Surprise, 85388	\$ 122,128.76	8/1/2013	2/1/2014	12/1/2013
4501	easy	Arizona Home Foreclosures, LLC 2216 W Plata Cir	Mesa, 85202	\$ 148,065.50	8/2/2013	2/2/2014	12/2/2013
4505	easy	Arizona Home Foreclosures, LLC 2105 S 108th Ave	Avondale, 85323	\$ 130,000.00	8/6/2013	2/6/2014	12/6/2013
4509	easy	Arizona Home Foreclosures, LLC 1561 E Mia Ln	Gilbert 85298	\$ 255,000.00	8/7/2013	2/7/2014	12/7/2013
4513	easy	Arizona Home Foreclosures, LLC 16010 N 170th Lane	Surprise, 85388	\$ 156,000.00	8/8/2013	2/8/2014	12/8/2013
4519	easy	Arizona Home Foreclosures, LLC 23851 W Wier Ave	Buckeye, 85326	\$ 164,348.66	8/12/2013	2/12/2014	12/12/2013
4530	easy	Arizona Home Foreclosures, LLC 1750 W Potter Dr	Phx, 85027	\$ 100,000.00	8/19/2013	2/19/2014	12/19/2013
4536	easy	Arizona Home Foreclosures, LLC 18915 N Sunsites Dr	Surprise, 85387	\$ 195,000.00	8/22/2013	2/22/2014	12/22/2013
4541	easy	Arizona Home Foreclosures, LLC 31008 W Columbus Ave	Buckeye, 85326	\$ 80,000.00	8/23/2013	2/23/2014	12/23/2013
4546	easy	Arizona Home Foreclosures, LLC 15550 N Frank Lloyd Wright #1005	Scottsdale, 85260	\$ 220,000.00	8/27/2013	2/27/2014	12/27/2013
4574	easy	Arizona Home Foreclosures, LLC 25863 W St James Ave	Buckeye, 85326	\$ 123,500.00	9/12/2013	3/12/2014	12/12/2013

DIC0005550

4579	easy	Arizona Home Foreclosures, LLC 977 S Colonial Dr	Gilbert, 85296	\$ 205,000.00	9/16/2013	3/16/2014	12/16/2013
4589	easy	Arizona Home Foreclosures, LLC 16739 W Navajo St	Goodyear, 85395	\$ 270,000.00	9/19/2013	3/19/2014	12/19/2013
4599	easy	Arizona Home Foreclosures, LLC 1629 S 85th Dr	Tolleson, 85353	\$ 137,000.00	9/23/2013	3/23/2014	12/23/2013
4611	easy	Arizona Home Foreclosures, LLC 14904 W Port Royale Ln	Surprise, 85379	\$ 142,500.00	9/27/2013	3/27/2014	12/27/2013
4618	easy	Arizona Home Foreclosures, LLC 15835 N 47th Street	Phx, 85032	\$ 220,000.00	10/2/2013	4/2/2014	12/2/2013
4624	easy	Arizona Home Foreclosures, LLC 15143 E Aspen Dr	Ftn Hills, 85268	\$ 210,000.00	10/4/2013	4/4/2014	12/4/2013
4627	easy	Arizona Home Foreclosures, LLC 10769 W Runion Dr	Sun City, 85373	\$ 195,000.00	10/7/2013	4/7/2014	12/7/2013
4637	easy	Arizona Home Foreclosures, LLC 8742 W Pioneer St	Tolleson, 85353	\$ 100,000.00	10/11/2013	4/11/2014	12/11/2013
4643	easy	Arizona Home Foreclosures, LLC 842 E Sheffield Ave	Gilbert, 85296	\$ 100,000.00	10/15/2013	4/15/2014	12/14/2013
4645	easy	Arizona Home Foreclosures, LLC 14869 W Caribbean Ln	Surprise, 85379	\$ 125,000.00	10/16/2013	4/16/2014	12/16/2013
4658	easy	Arizona Home Foreclosures, LLC 3830 W Anderson Dr	Glendale, 85308	\$ 150,000.00	10/22/2013	4/22/2014	12/22/2013
4662	easy	Arizona Home Foreclosures, LLC 3247 W Maldonado Dr	Phx, 85042	\$ 165,000.00	10/23/2013	4/23/2014	12/23/2013
4665	easy	Arizona Home Foreclosures, LLC 635 S St Paul	Mesa, 85206	\$ 180,000.00	10/25/2013	4/25/2014	12/25/2013
4670	easy	Arizona Home Foreclosures, LLC 2229 W Steed Rd	Phx, 85085	\$ 305,000.00	10/30/2013	4/30/2014	12/30/2013
4672	easy	Arizona Home Foreclosures, LLC 9537 E Plana Ave	Mesa, 85212	\$ 150,000.00	10/30/2013	4/30/2014	12/30/2013
4687	easy	Arizona Home Foreclosures, LLC 7030 W Pontiac Dr	Glendale, 85308	\$ 140,000.00	11/5/2013	5/5/2014	12/5/2013
4689	easy	Arizona Home Foreclosures, LLC 17661 W Marconi Ave	Surprise, 85388	\$ 170,000.00	11/6/2013	5/6/2014	12/6/2013
4711	easy	Arizona Home Foreclosures, LLC 1697 S 233rd Ln	Buckeye, 85326	\$ 100,000.00	11/18/2013	5/18/2014	12/18/2013
4719	easy	Arizona Home Foreclosures, LLC 523 W Sundance Way	Chandler, 85225	\$ 115,000.00	11/21/2013	5/21/2014	12/21/2013
4729	easy	Arizona Home Foreclosures, LLC 8742 W Grovers Ave	Peoria, 85382	\$ 117,500.00	12/4/2013	6/4/2014	1/4/2014

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4732	easy	Arizona Home Foreclosures, LLC	5916 W Fetlock Trl	Phx, 85085	\$ 329,000.00	12/5/2013	6/5/2014	1/5/2014
4738	easy	Arizona Home Foreclosures, LLC	17732 W Desert Bloom St	Goodyear, 85338	\$ 125,500.00	12/11/2013	6/11/2014	1/11/2014
4753	easy	Arizona Home Foreclosures, LLC	4749 N 108th Ave	Phx, 85037	\$ 152,500.00	12/18/2013	6/18/2014	1/18/2014
4755	easy	Arizona Home Foreclosures, LLC	40320 N High Noon Way	Phx, 85086	\$ 244,200.00	12/18/2013	6/18/2014	1/18/2014
4777	easy	Arizona Home Foreclosures, LLC	1119 E Potter Dr	Phx, 85024	\$ 236,100.00	12/26/2013	6/26/2014	1/26/2014
4791	easy	Arizona Home Foreclosures, LLC	711 W Stottler Dr	Chandler, 85225	\$ 139,200.00	1/3/2014	7/3/2014	2/3/2014
4804	easy	Arizona Home Foreclosures, LLC	16550 W Taylor St	Goodyear, 85338	\$ 111,000.00	1/10/2014	7/10/2014	2/10/2014
4849	easy	Arizona Home Foreclosures, LLC	1351 N Pleasant Dr #1175	Chandler, 85225	\$ 87,800.00	2/6/2014	8/6/2014	3/6/2014
4870	easy	Arizona Home Foreclosures, LLC	4063 W Runion Dr	Glendale, 85308	\$ 168,100.00	2/27/2014	8/27/2014	3/27/2014
4885	easy	Arizona Home Foreclosures, LLC	12786 W Pasaro Dr	Peoria, 85383	\$ 176,500.00	3/6/2014	9/6/2014	4/6/2014
4903	easy	Arizona Home Foreclosures, LLC	8739 N 182nd Ln	Waddell, 85355	\$ 170,000.00	3/13/2014	9/13/2014	4/13/2014
4913	easy	Arizona Home Foreclosures, LLC	9003 W Encanto Blvd	Phx, 85051	\$ 118,300.00	3/18/2014	9/18/2014	4/18/2014
4917	easy	Arizona Home Foreclosures, LLC	7717 W North Ln	Peoria, 85345	\$ 143,789.00	3/19/2014	9/19/2014	4/19/2014
4933	easy	Arizona Home Foreclosures, LLC	13418 N 50th Street	Scottsdale, 85254	\$ 276,800.00	3/25/2014	9/25/2014	4/25/2014
4937	easy	Arizona Home Foreclosures, LLC	37300 N Tom Darlington Dr #0	Scottsdale, 85377	\$ 186,200.00	3/26/2014	9/26/2014	4/26/2014
4944	easy	Arizona Home Foreclosures, LLC	180 W Juanita Ave	Gilbert, 85233	\$ 150,751.00	3/28/2014	9/28/2014	4/28/2014
4946	easy	Arizona Home Foreclosures, LLC	1340 E Donner Dr	Tempe, 85282	\$ 194,300.00	3/28/2014	9/28/2014	4/28/2014
4949	easy	Arizona Home Foreclosures, LLC	16032 N 159th Drive	Surprise, 85374	\$ 136,200.00	4/1/2014	10/1/2014	5/1/2014
4952	easy	Arizona Home Foreclosures, LLC	2446 W Portobello Ave	Mesa, 85202	\$ 175,000.00	4/2/2014	10/2/2014	5/2/2014



4954	easy	Arizona Home Foreclosures, LLC	4305 E Branded Rd	Gilbert, 85297	\$	183,300.00	4/2/2014	10/2/2014	5/2/2014
4956	easy	Arizona Home Foreclosures, LLC	4621 N 123rd Drive	Avondale, 85392	\$	143,800.00	4/4/2014	10/4/2014	5/4/2014
4958	easy	Arizona Home Foreclosures, LLC	10321 E Juanita Ave	Mesa, 85209	\$	189,200.00	4/4/2014	10/4/2014	5/4/2014
1192	Easy	Easy Investments, LLC	8122 N 32nd Ave	Phx, 85051	\$	85,000.00	3/17/2008	9/17/2008	12/17/2013
2509	Easy	Easy Investments, LLC	196 Leisure World	Mesa, 85206	\$	117,000.00	5/11/2011	11/11/2011	12/11/2013
3610	Easy	Easy Investments, LLC	20802 N Grayhawk Dr #1076	Scottsdale, 85255	\$	366,474.60	8/20/2012	2/20/2013	12/20/2013
3828	easy	Easy Investments, LLC	1605 W Winter Dr	Phx, 85021	\$	477,352.68	11/13/2012	5/13/2013	12/13/2013
3882	easy	Easy Investments, LLC	10721 W Laurelwood Ln	Avondale, 85323	\$	164,920.40	12/13/2012	6/13/2013	12/13/2013
3885	easy	Easy Investments, LLC	9555 E Raintree Dr #1020	Scottsdale, 85260	\$	152,000.00	12/13/2012	6/13/2013	12/13/2013
3914	easy	Easy Investments, LLC	3740 E Sexton St	Gilbert, 85297	\$	194,051.84	12/28/2012	6/28/2013	12/28/2013
3927	easy	Easy Investments, LLC	7204 W Warner St	Phx, 85043	\$	160,000.00	1/3/2013	7/3/2013	12/3/2013
3957	Easy	Easy Investments, LLC	1500 N Markdale #1	Mesa, 85201	\$	190,000.00	1/16/2013	7/16/2013	12/16/2013
3975		Easy Investments, LLC	1080 E Redwood Dr	Chandler, 85286	\$	170,000.00	1/24/2013	7/24/2013	12/24/2013
3977		Easy Investments, LLC	7771 W Marlette Ave	Glendale, 85303	\$	166,867.99	1/24/2013	7/24/2013	12/24/2013
3994	easy	Easy Investments, LLC	9016 S 41st Lane	Laveen, 85339	\$	229,213.96	1/30/2013	7/30/2013	12/30/2013
3998	Easy	Easy Investments, LLC	2367 E Balsam Dr	Chandler, 85286	\$	343,078.80	1/31/2013	7/31/2013	12/30/2013
4003	easy	Easy Investments, LLC	4529 E Sharon Dr	Phx, 85032	\$	195,997.87	2/1/2013	8/1/2013	12/1/2013
4020		Easy Investments, LLC	12802 W Willow Ave	El Mirage, 85335	\$	110,000.00	2/7/2013	8/7/2013	12/7/2013
4032		Easy Investments, LLC	10510 E Sunnyside Dr	Scottsdale, 85259	\$	2,515,167.89	2/14/2013	8/14/2013	12/14/2013
4034		Easy Investments, LLC	11571 W Hopl St	Avondale, 85323	\$	148,280.94	2/14/2013	8/14/2013	12/14/2013

# EXHIBIT A TO FORBEARANCE

4410	easy	Arizona Home Foreclosures, LLC	9521 E Posada Ave
4417	easy	Arizona Home Foreclosures, LLC	17540 N Estrella Vista Dr
4430	easy	Arizona Home Foreclosures, LLC	5414 S Heather Dr
4434	easy	Arizona Home Foreclosures, LLC	2210 S Keene
4444	easy	Arizona Home Foreclosures, LLC	11979 N 154th Drive
4459	easy	Arizona Home Foreclosures, LLC	1427 W Windsong Dr
4482	easy	Arizona Home Foreclosures, LLC	10440 W Hammond Ln
4495	easy	Arizona Home Foreclosures, LLC	16527 W Post Dr
4501	easy	Arizona Home Foreclosures, LLC	2216 W Plata Cir
4505	easy	Arizona Home Foreclosures, LLC	2105 S 108th Ave
4509	easy	Arizona Home Foreclosures, LLC	1561 E Mia Ln
4513	easy	Arizona Home Foreclosures, LLC	16010 N 170th Lane
4519	easy	Arizona Home Foreclosures, LLC	23851 W Wier Ave
4530	easy	Arizona Home Foreclosures, LLC	1750 W Potter Dr
4536	easy	Arizona Home Foreclosures, LLC	18915 N Sunsites Dr
4541	easy	Arizona Home Foreclosures, LLC	31008 W Columbus Ave
4546	easy	Arizona Home Foreclosures, LLC	15550 N Frank Lloyd Wright #1005
4574	easy	Arizona Home Foreclosures, LLC	25863 W St James Ave
4579	easy	Arizona Home Foreclosures, LLC	977 S Colonial Dr
4589	easy	Arizona Home Foreclosures, LLC	16739 W Navajo St
4599	easy	Arizona Home Foreclosures, LLC	1629 S 85th Dr
4611	easy	Arizona Home Foreclosures, LLC	14904 W Port Royale Ln

4618	easy	Arizona Home Foreclosures, LLC	15835 N 47th Street
4619	easy	Arizona Home Foreclosures, LLC	17410 W Valley View Dr
4624	easy	Arizona Home Foreclosures, LLC	15143 E Aspen Dr
4625	easy	Arizona Home Foreclosures, LLC	114 E Valley View Dr
4627	easy	Arizona Home Foreclosures, LLC	10769 W Runion Dr
4630	easy	Arizona Home Foreclosures, LLC	2705 N Broadway Ave
4637	easy	Arizona Home Foreclosures, LLC	8742 W Pioneer St
4641	easy	Arizona Home Foreclosures, LLC	1095 W Belmont Dr
4643	easy	Arizona Home Foreclosures, LLC	842 E Sheffield Ave
4644	easy	Arizona Home Foreclosures, LLC	13145 W Rust Ave
4645	easy	Arizona Home Foreclosures, LLC	14869 W Caribbean Ln
4646	easy	Arizona Home Foreclosures, LLC	1115 E Valley View Dr
4658	easy	Arizona Home Foreclosures, LLC	3830 W Anderson Dr
4661	easy	Arizona Home Foreclosures, LLC	1778 W Carson Rd
4662	easy	Arizona Home Foreclosures, LLC	3247 W Maldonado Dr
4663	easy	Arizona Home Foreclosures, LLC	9281 S Hill Ave
4665	easy	Arizona Home Foreclosures, LLC	635 S St Paul
4666	easy	Arizona Home Foreclosures, LLC	12407 N Palm St Dr
4670	easy	Arizona Home Foreclosures, LLC	2229 W Steed Rd
4671	easy	Arizona Home Foreclosures, LLC	2385 N Broadway Ave
4672	easy	Arizona Home Foreclosures, LLC	9537 E Plana Ave
4673	easy	Arizona Home Foreclosures, LLC	1795 E Gary Ave
4687	easy	Arizona Home Foreclosures, LLC	7030 W Pontiac Dr
4688	easy	Arizona Home Foreclosures, LLC	1531 E Gary Ave
4689	easy	Arizona Home Foreclosures, LLC	17661 W Marconi Ave
4690	easy	Arizona Home Foreclosures, LLC	11111 W Wilcox St
4711	easy	Arizona Home Foreclosures, LLC	1697 S 233rd Ln
4712	easy	Arizona Home Foreclosures, LLC	10361 E Camel Ave
4719	easy	Arizona Home Foreclosures, LLC	523 W Sundance Way
4720	easy	Arizona Home Foreclosures, LLC	2305 W Camel St
4729	easy	Arizona Home Foreclosures, LLC	8742 W Grovers Ave
4730	easy	Arizona Home Foreclosures, LLC	1250 N Napa Rd
4732	easy	Arizona Home Foreclosures, LLC	5916 W Fetlock Trl
4733	easy	Arizona Home Foreclosures, LLC	5535 W Polkline Dr
4738	easy	Arizona Home Foreclosures, LLC	17732 W Desert Bloom St
4740	easy	Arizona Home Foreclosures, LLC	1770 N Palm Way
4753	easy	Arizona Home Foreclosures, LLC	4749 N 108th Ave
4754	easy	Arizona Home Foreclosures, LLC	3550 E Camel St
4755	easy	Arizona Home Foreclosures, LLC	40320 N High Noon Way
4756	easy	Arizona Home Foreclosures, LLC	11555 S Highland Dr
4777	easy	Arizona Home Foreclosures, LLC	1119 E Potter Dr
4778	easy	Arizona Home Foreclosures, LLC	4073 S Warner Dr
4791	easy	Arizona Home Foreclosures, LLC	711 W Stottler Dr
4796	easy	Arizona Home Foreclosures, LLC	6137 W Chandler Blvd
4804	easy	Arizona Home Foreclosures, LLC	16550 W Taylor St
4805	easy	Arizona Home Foreclosures, LLC	1706 N 10th Street Dr
4849	easy	Arizona Home Foreclosures, LLC	1351 N Pleasant Dr #1175

4870	easy	Arizona Home Foreclosures, LLC	4063 W Runion Dr
4884	easy	Arizona Home Foreclosures, LLC	513 W Duke Dr
4885	easy	Arizona Home Foreclosures, LLC	12786 W Pasaro Dr
4903	easy	Arizona Home Foreclosures, LLC	8739 N 182nd Ln
4913	easy	Arizona Home Foreclosures, LLC	9003 W Encanto Blvd
4917	easy	Arizona Home Foreclosures, LLC	7717 W North Ln
4933	easy	Arizona Home Foreclosures, LLC	13418 N 50th Street
4937	easy	Arizona Home Foreclosures, LLC	37300 N Tom Darlington Dr #0
4944	easy	Arizona Home Foreclosures, LLC	180 W Juanita Ave
4946	easy	Arizona Home Foreclosures, LLC	1340 E Donner Dr
4949	easy	Arizona Home Foreclosures, LLC	16032 N 159th Drive
4952	easy	Arizona Home Foreclosures, LLC	2446 W Portobello Ave
4954	easy	Arizona Home Foreclosures, LLC	4305 E Branded Rd
4956	easy	Arizona Home Foreclosures, LLC	4621 N 123rd Drive
4958	easy	Arizona Home Foreclosures, LLC	10321 E Juanita Ave
1192	Easy	Easy Investments, LLC	8122 N 32nd Ave
2509	Easy	Easy Investments, LLC	196 Leisure World
3610	Easy	Easy Investments, LLC	20802 N Grayhawk Dr #1076
3828	easy	Easy Investments, LLC	1605 W Winter Dr
3882	easy	Easy Investments, LLC	10721 W Laurelwood Ln
3885	easy	Easy Investments, LLC	9555 E Raintree Dr #1020
3914	easy	Easy Investments, LLC	3740 E Sexton St
3927	easy	Easy Investments, LLC	7204 W Warner St
3957	Easy	Easy Investments, LLC	1500 N Markdale #1
3959	easy	Easy Investments, LLC	5490 W Summit Dr



3975	Easy Investments, LLC	1080 E Redwood Dr
3975	Easy Investments, LLC	7401 E Valley St
3977	Easy Investments, LLC	7771 W Marlette Ave
3981	Easy Investments, LLC	881 E W Mission Ln
3994 easy	Easy Investments, LLC	9016 S 41st Lane
3997 easy	Easy Investments, LLC	1131 N Kennedy Pl
3998 Easy	Easy Investments, LLC	2367 E Balsam Dr
3999	Easy Investments, LLC	2671 N 33rd Road
4003 easy	Easy Investments, LLC	4529 E Sharon Dr
4003 easy	Easy Investments, LLC	757 S Linderoth Rd
4020	Easy Investments, LLC	12802 W Willow Ave
4020	Easy Investments, LLC	11105 W 9th Ave
4032	Easy Investments, LLC	10510 E Sunnyside Dr
4032	Easy Investments, LLC	10401 N 52nd Street
4034	Easy Investments, LLC	11571 W Hopi St
4034	Easy Investments, LLC	2491 N 10th St
4038	Easy Investments, LLC	3150 E Beardsley Rd #1076
4042	Easy Investments, LLC	2211 W Mountain View
4069	Easy Investments, LLC	3333 W Apollo Rd
4072	Easy Investments, LLC	1111 N 10th Ave
4093	Easy Investments, LLC	2360 E Carmel Ave
4100	Easy Investments, LLC	1317 N 10th St
4116	Easy Investments, LLC	6332 W Sonora St
4116	Easy Investments, LLC	2001 E Main St
4122	Easy Investments, LLC	1431 E Bridgeport Pkwy
4122	Easy Investments, LLC	2140 W Main St
4130	Easy Investments, LLC	18650 N 91st Ave #3301
4130	Easy Investments, LLC	14516 N 154th Ave
4146	Easy Investments, LLC	4627 E Red Range Way
4146	Easy Investments, LLC	1051 W 10th St
4180	Easy Investments, LLC	7089 E Andrew Ln
4180	Easy Investments, LLC	8715 E 1st Ave
4227	Easy Investments, LLC	15677 W Ripple Cir
4228	Easy Investments, LLC	3193 N 10th Ave
4229	Easy Investments, LLC	436 N 159th Ave
4241	Easy Investments, LLC	1611 E Wadsworth Way
4253	Easy Investments, LLC	4303 E Cactus Rd., #201
4253	Easy Investments, LLC	3327 W 10th St
4287	Easy Investments, LLC	4745 W Golden Ln
4289	Easy Investments, LLC	775 W 10th St
4307	Easy Investments, LLC	2681 S Palm St
4307	Easy Investments, LLC	2111 E Porter St
4313	Easy Investments, LLC	19296 W Adams St
4313	Easy Investments, LLC	3511 W Monona Dr
4338	Easy Investments, LLC	2945 E Dunbar Dr
4338	Easy Investments, LLC	1744 W Hadley St
4343	Easy Investments, LLC	23827 W Gibson Ln

4361	Easy Investments, LLC	614 W Aire Libre
4383	Easy Investments, LLC	9423 W McRae Way
4386	Easy Investments, LLC	2182 E Arabian Dr
4395	Easy Investments, LLC	3002 N 70th St #144
4703 easy	Easy Investments, LLC	14365 W Verde Ln
	Michelle Managed	9103 E Cliff Creek Ln

City	Amount	Start Date	End Date	End Date
Gilbert, 85292	\$ 185,000.00	7/3/2013	1/3/2014	12/3/2013
Mesa, 85212	\$ 147,573.65	7/3/2013	1/3/2014	12/3/2013
Chandler, 85225	\$ 250,000.00	7/5/2013	1/5/2014	12/5/2013
Surprise, 85374	\$ 170,000.00	7/9/2013	1/9/2014	12/9/2013
Avondale, 85323	\$ 100,000.00	7/10/2013	1/10/2014	12/10/2013
Tempe, 85283	\$ 190,000.00	7/12/2013	1/12/2014	12/12/2013
Surprise, 85374	\$ 100,000.00	7/17/2013	1/17/2014	12/17/2013
Mesa, 85209	\$ 250,000.00	7/15/2013	1/15/2014	12/15/2013
Phoenix, 85001	\$ 100,000.00	7/17/2013	1/17/2014	12/17/2013
Surprise, 85379	\$ 142,621.19	7/18/2013	1/18/2014	12/18/2013
Mesa, 85209	\$ 250,000.00	7/18/2013	1/18/2014	12/18/2013
Phx, 85045	\$ 250,000.00	7/23/2013	1/23/2014	12/23/2013
Phoenix, 85001	\$ 100,000.00	7/29/2013	1/29/2014	12/29/2013
Tolleson, 85353	\$ 145,000.00	7/29/2013	1/29/2014	12/29/2013
Glendale, 85302	\$ 100,000.00	7/29/2013	1/29/2014	12/29/2013
Surprise, 85388	\$ 122,128.76	8/1/2013	2/1/2014	12/1/2013
Tolleson, 85353	\$ 100,000.00	8/2/2013	2/2/2014	12/2/2013
Mesa, 85202	\$ 148,065.50	8/2/2013	2/2/2014	12/2/2013
Glendale, 85302	\$ 100,000.00	8/6/2013	2/6/2014	12/6/2013
Avondale, 85323	\$ 130,000.00	8/6/2013	2/6/2014	12/6/2013
Phoenix, 85001	\$ 100,000.00	8/7/2013	2/7/2014	12/7/2013
Gilbert, 85298	\$ 255,000.00	8/7/2013	2/7/2014	12/7/2013
Phoenix, 85001	\$ 100,000.00	8/8/2013	2/8/2014	12/8/2013
Surprise, 85388	\$ 156,000.00	8/8/2013	2/8/2014	12/8/2013
Gilbert, 85292	\$ 100,000.00	8/12/2013	2/12/2014	12/12/2013
Buckeye, 85326	\$ 164,348.66	8/12/2013	2/12/2014	12/12/2013
Mesa, 85202	\$ 100,000.00	8/19/2013	2/19/2014	12/19/2013
Phx, 85027	\$ 100,000.00	8/19/2013	2/19/2014	12/19/2013
Mesa, 85202	\$ 150,000.00	8/21/2013	2/21/2014	12/21/2013
Surprise, 85387	\$ 195,000.00	8/22/2013	2/22/2014	12/22/2013
Mesa, 85202	\$ 20,000.00	8/23/2013	2/23/2014	12/23/2013
Buckeye, 85326	\$ 80,000.00	8/23/2013	2/23/2014	12/23/2013
Phx, 85001	\$ 100,000.00	8/25/2013	2/25/2014	12/25/2013
Scottsdale, 85260	\$ 220,000.00	8/27/2013	2/27/2014	12/27/2013
Tolleson, 85353	\$ 100,000.00	8/27/2013	2/27/2014	12/27/2013
Buckeye, 85326	\$ 123,500.00	9/12/2013	3/12/2014	12/12/2013
Buckeye, 85326	\$ 100,000.00	9/16/2013	3/16/2014	12/16/2013
Gilbert, 85296	\$ 205,000.00	9/16/2013	3/16/2014	12/16/2013
Phoenix, 85001	\$ 150,000.00	9/17/2013	3/17/2014	12/17/2013
Goodyear, 85395	\$ 270,000.00	9/19/2013	3/19/2014	12/19/2013
Youngtown, 85363	\$ 100,000.00	9/23/2013	3/23/2014	12/23/2013
Tolleson, 85353	\$ 137,000.00	9/23/2013	3/23/2014	12/23/2013
Phx, 85001	\$ 100,000.00	9/25/2013	3/25/2014	12/25/2013
Surprise, 85379	\$ 142,500.00	9/27/2013	3/27/2014	12/27/2013
Buckeye, 85326	\$ 100,000.00	10/1/2013	3/1/2014	12/1/2013

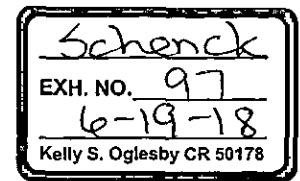
Phx, 85032	\$	220,000.00	10/2/2013	4/2/2014	12/2/2013
Glendale, 85308	\$	30,000.00	10/3/2013	4/3/2014	12/3/2013
Ftn Hills, 85268	\$	210,000.00	10/4/2013	4/4/2014	12/4/2013
Phoenix, 85001	\$	20,000.00	10/4/2013	4/4/2014	12/4/2013
Sun City, 85373	\$	195,000.00	10/7/2013	4/7/2014	12/7/2013
Surprise, 85379	\$	150,000.00	10/11/2013	4/11/2014	12/11/2013
Tolleson, 85353	\$	100,000.00	10/11/2013	4/11/2014	12/11/2013
Glendale, 85308	\$	105,000.00	10/15/2013	4/15/2014	12/14/2013
Gilbert, 85296	\$	100,000.00	10/15/2013	4/15/2014	12/14/2013
Wendover, 85354	\$	50,000.00	10/16/2013	4/16/2014	12/16/2013
Surprise, 85379	\$	125,000.00	10/16/2013	4/16/2014	12/16/2013
Phoenix, 85001	\$	200,000.00	10/16/2013	4/16/2014	12/16/2013
Glendale, 85308	\$	150,000.00	10/22/2013	4/22/2014	12/22/2013
Phoenix, 85001	\$	30,000.00	10/23/2013	4/23/2014	12/23/2013
Phx, 85042	\$	165,000.00	10/23/2013	4/23/2014	12/23/2013
Phoenix, 85001	\$	20,000.00	10/24/2013	4/24/2014	12/24/2013
Mesa, 85206	\$	180,000.00	10/25/2013	4/25/2014	12/25/2013
Phoenix, 85001	\$	10,000.00	10/29/2013	4/29/2014	12/29/2013
Phx, 85085	\$	305,000.00	10/30/2013	4/30/2014	12/30/2013
Phoenix, 85001	\$	20,000.00	10/30/2013	4/30/2014	12/30/2013
Mesa, 85212	\$	150,000.00	10/30/2013	4/30/2014	12/30/2013
Glendale, 85308	\$	120,000.00	11/1/2013	5/1/2014	12/1/2013
Glendale, 85308	\$	140,000.00	11/5/2013	5/5/2014	12/5/2013
Phoenix, 85001	\$	15,000.00	11/6/2013	5/6/2014	12/6/2013
Surprise, 85388	\$	170,000.00	11/6/2013	5/6/2014	12/6/2013
Phoenix, 85001	\$	10,000.00	11/15/2013	5/15/2014	12/15/2013
Buckeye, 85326	\$	100,000.00	11/18/2013	5/18/2014	12/18/2013
Mesa, 85206	\$	135,000.00	11/21/2013	5/21/2014	12/21/2013
Chandler, 85225	\$	115,000.00	11/21/2013	5/21/2014	12/21/2013
Buckeye, 85326	\$	150,000.00	11/21/2013	5/21/2014	12/21/2013
Peoria, 85382	\$	117,500.00	12/4/2013	6/4/2014	1/4/2014
Phoenix, 85001	\$	200,000.00	12/5/2013	6/5/2014	1/5/2014
Phx, 85085	\$	329,000.00	12/5/2013	6/5/2014	1/5/2014
Phoenix, 85001	\$	15,000.00	12/7/2013	6/7/2014	1/7/2014
Goodyear, 85338	\$	125,500.00	12/11/2013	6/11/2014	1/11/2014
Glendale, 85308	\$	138,000.00	12/18/2013	6/18/2014	1/18/2014
Phx, 85037	\$	152,500.00	12/18/2013	6/18/2014	1/18/2014
Phoenix, 85001	\$	15,000.00	12/18/2013	6/18/2014	1/18/2014
Phx, 85086	\$	244,200.00	12/18/2013	6/18/2014	1/18/2014
Phoenix, 85001	\$	15,000.00	12/26/2013	6/26/2014	1/26/2014
Phx, 85024	\$	236,100.00	12/26/2013	6/26/2014	1/26/2014
Chandler, 85225	\$	139,200.00	1/3/2014	7/3/2014	2/3/2014
Glendale, 85308	\$	150,000.00	1/6/2014	7/6/2014	2/6/2014
Goodyear, 85338	\$	111,000.00	1/10/2014	7/10/2014	2/10/2014
Phoenix, 85001	\$	20,000.00	1/15/2014	7/15/2014	2/15/2014
Chandler, 85225	\$	87,800.00	2/6/2014	8/6/2014	3/6/2014

Tempe, 85381		\$ 78,500.00	2/28/2014	8/30/2014	3/28/2014
Glendale, 85308	\$	168,100.00	2/27/2014	8/27/2014	3/27/2014
Peoria, 85383	\$	176,500.00	3/6/2014	9/6/2014	4/6/2014
Waddell, 85355	\$	170,000.00	3/13/2014	9/13/2014	4/13/2014
Phx, 85051	\$	118,300.00	3/18/2014	9/18/2014	4/18/2014
Peoria, 85345	\$	143,789.00	3/19/2014	9/19/2014	4/19/2014
Scottsdale, 85254	\$	276,800.00	3/25/2014	9/25/2014	4/25/2014
Scottsdale, 85377	\$	186,200.00	3/26/2014	9/26/2014	4/26/2014
Gilbert, 85233	\$	150,751.00	3/28/2014	9/28/2014	4/28/2014
Tempe, 85282	\$	194,300.00	3/28/2014	9/28/2014	4/28/2014
Surprise, 85374	\$	136,200.00	4/1/2014	10/1/2014	5/1/2014
Mesa, 85202	\$	175,000.00	4/2/2014	10/2/2014	5/2/2014
Gilbert, 85297	\$	183,300.00	4/2/2014	10/2/2014	5/2/2014
Avondale, 85392	\$	143,800.00	4/4/2014	10/4/2014	5/4/2014
Mesa, 85209	\$	189,200.00	4/4/2014	10/4/2014	5/4/2014
Phx, 85051	\$	85,000.00	3/17/2008	9/17/2008	12/17/2013
Mesa, 85206	\$	117,000.00	5/11/2011	11/11/2011	12/11/2013
Scottsdale, 85255	\$	366,474.60	8/20/2012	2/20/2013	12/20/2013
Phx, 85021	\$	477,352.68	11/13/2012	5/13/2013	12/13/2013
Avondale, 85323	\$	164,920.40	12/13/2012	6/13/2013	12/13/2013
Scottsdale, 85260	\$	152,000.00	12/13/2012	6/13/2013	12/13/2013
Gilbert, 85297	\$	194,051.84	12/28/2012	6/28/2013	12/28/2013
Phx, 85043	\$	160,000.00	1/3/2013	7/3/2013	12/3/2013
Mesa, 85201	\$	190,000.00	1/16/2013	7/16/2013	12/16/2013

Chandler, 85286	\$	170,000.00	1/24/2013	7/24/2013	12/24/2013
Glendale, 85303	\$	166,867.99	1/24/2013	7/24/2013	12/24/2013
Laveen, 85339	\$	229,213.96	1/30/2013	7/30/2013	12/30/2013
Chandler, 85286	\$	343,078.80	1/31/2013	7/31/2013	12/30/2013
Phx, 85032	\$	195,997.87	2/1/2013	8/1/2013	12/1/2013
El Mirage, 85335	\$	110,000.00	2/7/2013	8/7/2013	12/7/2013
Scottsdale, 85259	\$	2,515,167.89	2/14/2013	8/14/2013	12/14/2013
Avondale, 85323	\$	148,280.94	2/14/2013	8/14/2013	12/14/2013
Phx, 85050	\$	135,000.00	2/15/2013	8/15/2013	12/15/2013
Phx, 85041	\$	140,000.00	2/28/2013	8/28/2013	12/28/2013
Mesa, 85204	\$	124,012.14	3/5/2013	9/5/2013	12/5/2013
Phx, 85043	\$	100,000.00	3/11/2013	9/11/2013	12/11/2013
Gilbert, 85295	\$	263,511.13	3/14/2013	9/14/2013	12/14/2013
Peoria, 85382	\$	161,589.22	3/18/2013	9/18/2013	12/18/2013
Cave Creek, 85331	\$	336,417.80	3/21/2013	9/21/2013	12/21/2013
Peoria, 85383	\$	213,668.91	4/3/2013	10/3/2013	12/3/2013
Goodyear, 85395	\$	110,000.00	4/19/2013	10/19/2013	12/19/2013
Goodyear, 85395	\$	203,377.73	4/19/2013	10/19/2013	12/19/2013
Phx, 85032	\$	142,968.30	4/29/2013	10/29/2013	12/29/2013
Glendale, 85302	\$	83,052.33	5/13/2013	11/13/2013	12/13/2013
Gilbert, 85295	\$	330,000.00	5/21/2013	11/21/2013	12/21/2013
Buckeye, 85326	\$	150,000.00	5/23/2013	11/23/2013	12/23/2013
Phx, 85042	\$	100,000.00	6/5/2013	12/5/2013	12/5/2013
Buckeye, 85326	\$	150,000.00	6/6/2013	12/6/2013	12/6/2013

Phoenix, 85023	\$	180,000.00	6/12/2013	12/12/2013	12/12/2013
Phoenix, 85023	\$	160,000.00	6/21/2013	12/21/2013	12/21/2013
Peoria, 85382	\$	100,000.00	6/21/2013	12/21/2013	12/21/2013
Phoenix, 85023	\$	110,000.00	6/21/2013	12/21/2013	12/21/2013
Gilbert, 85296	\$	170,000.00	6/24/2013	12/24/2013	12/24/2013
Sun Lake, 85248	\$	100,000.00	6/26/2013	12/26/2013	12/26/2013
Scottsdale, 85251	\$	69,741.00	6/26/2013	12/26/2013	12/26/2013
Gilbert, 85296	\$	110,000.00	6/27/2013	12/27/2013	12/27/2013
Goodyear, 85395	\$	150,000.00	11/13/2013	5/13/2014	12/13/2013
Scottsdale, 85251	\$	110,000.00	10/13/2013	4/13/2014	12/13/2013
		\$ 37,657,625.48			

# CLARK HILL



Jessica A. Zaporowski  
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14850 N. Scottsdale Road  
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April 11, 2014

BY FEDERAL EXPRESS

DenSco Investment Corporation  
Attn: Denny Chittick  
6132 N. Victoria Place  
Chandler, Arizona 85226

Re: DenSco Investment Corporation

Dear Mr. Chittick:


Enclosed please find the following agreements per Dave Beauchamp for your review:

Forbearance Agreement;  
Promissory Note (\$5 million);  
Promissory Note (\$1 million);  
Security Agreement, Guaranty Agreement (Furniture King);  
Guaranty Agreement (Menaged), and;  
Representation and Disclaimer Agreement.

Should you have any questions in regard to the enclosed, please contact our office.  
Thank you.

Sincerely,

CLARK HILL PLC

  
Jessica A. Zaporowski  
Paralegal

JAZ:jaz  
Enclosure

200555802.1

DIC0005387



## FORBEARANCE AGREEMENT

THIS FORBEARANCE AGREEMENT ("Agreement") is executed on April 16, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company, whose address is 7320 W. Bell Road, Glendale, Arizona 85308 ("AHF"), Easy Investments, LLC, an Arizona limited liability company, whose address is 7320 W. Bell Road, Glendale, Arizona 85308 ("EI") (AHF and EI are collectively referred to as the "Borrower"), Yomtov "Scott" Menaged, an individual whose address is 10510 East Sunnyside Drive, Scottsdale, Arizona 85259 ("Guarantor"), Furniture King, LLC, an Arizona limited liability Company, whose address is 303 N. Central Avenue, Suite 603, Phoenix, AZ 85012 ("New Guarantor"), and DenSco Investment Corporation, an Arizona corporation, whose address is 6132 W. Victoria Place, Chandler, Arizona 85226 ("Lender") (the Borrower, the Guarantor, the New Guarantor, and Lender are each considered a "Party" hereunder and are collectively referred to as the "Parties"). (Any capitalized term not defined in this Agreement shall have the meaning set forth in the Deeds of Trust as later defined).

### Recitals

The following recitals of fact are a material part of this Agreement:

A. Borrower is indebted to Lender under the terms of certain Loans (the "Loans"), which are listed on the attached Exhibit A, which is incorporated into this Agreement by this reference, and each are evidenced by a Note Secured by Deed of Trust (each, a "Note" and collectively, the "Notes"), all of which were executed by Borrower in favor of Lender (the "Notes") and by a Mortgage (or a "Receipt and Mortgage") (each, a "Mortgage," and collectively, the "Mortgages"), and each such Note and Mortgage was executed by Borrower and delivered to Lender, as a condition precedent to and immediately prior to the funding of the applicable Loan.

B. Guarantor guaranteed the payment and performance of each of the Loans (the "Guaranty"), executed by Guarantor in favor of Lender.

C. Each of the Loans are further evidenced and/or secured by various documents and instruments, including but not limited to a certain Deed of Trust and Assignment of Rents (each a "Deed of Trust," and collectively, the "Deeds of Trust"), executed by Borrower at the funding of the Loan in favor of Lender and recorded in conjunction with the Trustee's Deed conveying the real property to Borrower. The Deeds of Trust constitute a lien on the respective real properties described therein (individually a "Property" and collectively, the "Properties") and referenced in Exhibit A. The Notes, the Mortgages, the Deeds of Trust, the Guaranty, the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "Loans Documents".

D. Each of the Mortgages provides: "Borrower hereby grants to Lender or assignee a first, prior and superior equitable lien and mortgage against the Real Property to secure payment of the Loan... Borrower has delivered to Lender a promissory note and deed of trust,

and Borrower agrees that the deed of trust that the deed of trust shall be recorded against the Real Property as a first, prior and superior lien and encumbrance simultaneously with the recording of the Trustee's Deed."

E. Each Deed of Trust provides as follows:

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

....

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

F. Each Note provides as follows:

"A "Default" shall occur (i) ... or (vi) upon the occurrence of any default under any obligation of Maker to Holder. Further, at Holder's option after Default, all remaining unpaid principal and accrued interest shall become due and payable immediately without notice (other than any declaration prescribed in applicable sections of the agreements under which such events of default arose), presentment, demand or protest, all of which hereby are waived." ("Default" shall have the meaning set forth in the Note).

G. On or about November 27, 2013, Guarantor met with Denny Chittick of Lender to inform Lender that certain of the Properties had also been used (though Guarantor acknowledged no fault) as security for one or more loans from one or more other lenders (individually, the "Other Lender" and collectively, the "Other Lenders") and the Loans from Lender may not be in the first lien position on each respective Property.

H. At the November 27 meeting, Guarantor acknowledged to Lender that Borrower had an obligation to discharge the liens of the Other Lenders or to take such other actions to satisfy Section 5 of each Deed of Trust within 10 days, as referenced above. Further, Borrower and Guarantor acknowledged that the meeting satisfied Lender's obligation to provide notice to Borrower and Guarantor of an action leading to a Default pursuant to each of the Loan Documents.

I. The Loans are now in Default (as defined in the Note) and Lender has provided Borrower with any and all notice required under each of the Loans Documents concerning such Default.

J. Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, but only so long as and on the conditions that (1) Borrower, Guarantor and New Guarantor acknowledge the existing Defaults under the Loans, (2) all liens, security interests, rights and remedies of Lender under the Loans Documents continue in full force and effect and (3) Borrower, Guarantor and New Guarantor fulfill all conditions and comply with all terms and provisions set forth in this Agreement, and furnish all other documents and perform all other acts necessary to give effect to the agreements hereinafter set forth.

**NOW THEREFORE**, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. **Loans Balance.** As of the close of business on April 16, 2014, the total principal sum now due and payable under the Loans, in aggregate, is \$35,639,880.71. In addition to the outstanding principal, Lender has advanced costs and expenses as permitted under the Loans Documents and incurred costs and expenses for collection and enforcement of the Loans. Interest continues to accrue under the Loans at the rate of 18% per annum as provided in the Notes (as opposed to the Default Interest rate set forth in the Notes).

2. **Acknowledgment of Default.** Borrower, Guarantor and New Guarantor hereby acknowledge and agree that the Loans are in Default, that any necessary or required notices have been provided by Lender and all applicable "cure periods" have expired, and that as a result of such Default, Lender now has the right to pursue foreclosure and any and all other rights and remedies permitted to Lender under the Loans Documents and/or under applicable law.

3. **Continued Effect of Loans Documents.** Borrower, Guarantor and New Guarantor further acknowledge and confirm that the Loans Documents have been duly authorized, executed and delivered to Lender and are valid, binding and enforceable against Borrower and Guarantor in accordance with their respective terms, and that to the collective knowledge of Borrower, Guarantor and New Guarantor, all liens and security interests created in favor of Lender under the Loans Documents have been validly created and duly perfected as encumbrances upon all Properties and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents and as modified by this Agreement. Upon the satisfaction of the lien of the applicable Other Lender with respect to a Property, the lien and security interest created in favor of Lender under the Loans Documents will be deemed to be validly created and duly perfected as an encumbrance upon the respective Property and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents. Further, Borrower shall cause to be provided to Lender a Lender's title insurance policy issued by a nationally-recognized title company, reasonably acceptable to Lender insuring that Lender's encumbrance in such Property, as evidenced by the respective Deed of Trust, shall constitute a valid and enforceable first and prior lien to any other encumbrance on the respective Property.

4. **Forbearance by Lender on Conditions; Effect of Breach.** Lender hereby agrees to forbear pursuit of its rights and remedies under the Loans Documents and/or under applicable law, but only so long as and on the conditions that Borrower, Guarantor and New Guarantor pay all sums, perform all covenants and agreements and do all acts and things required of them

hereunder. If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Lender may cease such forbearance and may immediately commence and pursue any or all rights and remedies Lender may have under the Loans Documents and/or under applicable law as to any or all of the collateral or security for the Loans, all in such order and manner as Lender may elect from time to time in its sole discretion and without notice of any kind to Borrower, Guarantor, New Guarantor or any other person, as if this Section 4 had never been agreed to by Lender. Lender's agreement herein to forego immediate pursuit of its rights and remedies constitutes a postponement and forbearance only, and does not in any event constitute a waiver of any such rights or remedies.

5. **No Effect on Existing Default; Extension of Maturity.** Neither the execution and delivery of this Agreement or any other document or instrument required hereunder nor the consummation of the transactions and agreements set forth in this Agreement shall in any manner rescind or cure any existing Default under the Loans Documents, reinstate the Loans to a current status, or constitute an accord and satisfaction of the Loans. Notwithstanding this provision, the maturity date of all of the Loans (and the payment of the entire principal sum and all accrued interest, costs, expenses, disbursements and fees due under the terms and provisions of this Agreement, the Notes and all other sums payable under the Loans Documents) is hereby extended to February 1, 2015, and shall be due in any event, without notice or demand; provided, however, Lender, at its sole discretion, may further extend the maturity date of all of the Loans to February 1, 2016, so long as Borrower, Guarantor and New Guarantor have complied and are in material compliance with the terms of this Agreement.

6. **Borrower's Actions.** Lender's continued performance of the terms of this Agreement is conditioned upon each of the following obligations being fulfilled:

(A) Borrower agrees to use its good faith efforts to: (i) liquidate other assets, which is expected to generate approximately \$4 to \$5 million US Dollars; (ii) apply all net proceeds from the rental of Borrower's other real estate assets, or the net proceeds from the acquisition and disposition of other real estate or other assets by Borrower, and (iii) apply all funds received from Borrower's continued good faith efforts to recover any other asset that can be recovered from the missing proceeds from the multiple Loans that were advanced from Lender and Other Lenders with respect to certain properties as referenced above. Any additional funds obtained and / or made available to Borrower pursuant to this subsection shall be made available to and used by Borrower in connection with the resolution of the lien disputes between Lender and Other Lenders as referenced above (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan or the Additional Funds Loan to Borrower as provided herein).

(B) Borrower agrees to provide Lender, and maintain in effect, a life insurance policy from a nationally-recognized life insurance carrier (Lincoln Benefit Life Insurance, a subsidiary of Allstate Insurance Co., shall be deemed acceptable to Lender), in the amount of \$10,000,000, insuring the life of Guarantor with Lender named as the sole beneficiary, until all obligations pursuant to the Agreement have been fully satisfied.

(C) Borrower agrees to provide Lender with a separate personal guaranty from Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents, and this

Agreement, and such Guaranty shall be in commercially reasonable form for a lender loaning a similar aggregate amount of money to a borrower as Lender is loaning in the aggregate to Borrower. Further, Borrower agrees to provide a re-affirmation and consent from Guarantor to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees of Lender's Loans to Borrower, so that the terms and provisions of this Agreement will not cause or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of Lender and Borrower pursuant to the terms and provisions of this Agreement.

(D) Borrower agrees to provide Lender with a separate corporate guaranty from New Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents, this Agreement, and the Additional Loan (defined herein) to be secured by a lien against all of New Guarantor's inventory, accounts, and assets.

(E) Except for Lender, Borrower agrees to continue to pay the interest due to the Other Lenders for loans secured by any of the Properties, and any other similarly situated lender on a timely basis and to keep each of such loans current and in compliance with their respective terms.

(F) Borrower has arranged for private outside financing (the "Outside Funds"), which is to be provided to Borrower in the approximate amounts and on the following prospective schedule: (i) approximately \$1,000,000 on or before March 20, 2014; (ii) approximately \$1,000,000 on or before May 26, 2014; (iii) approximately \$1,000,000 on or before July 15, 2014; and (iv) approximately \$1,200,000 on or before September 15, 2014. Such Outside Funds shall be used exclusively for the pay-off of the Other Lenders and any other similarly situated lender: to pay interest payments to similarly situated lenders; to pay repair and/rehab expenses associated with the collateral for the Loans, or to make any other payment that, in Borrower's reasonable judgment, is for the mutual benefit of Borrower and Lender. Any balance remaining shall be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower, as provided herein;

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

(H) During the term of this Agreement, Borrower, Guarantor and New Guarantor agree to use good faith efforts to satisfy and pay-off any and all financial obligations secured by liens in favor of the applicable Other Lender with respect to a Property. The Borrower and Lender shall cooperate to agree upon a sequencing schedule (which will need to be adjusted on a reasonable basis) to satisfy and release the liens of the Other Lenders on the applicable Properties. Borrower agrees to use its Good Faith Efforts to cause the liens of the Other Lenders to be satisfied and released on or before nine (9) months from the execution of this Agreement.

(I) Borrower, Guarantor, New Guarantor and Lender acknowledge and agree that this Agreement shall not constitute nor create a joint venture or partnership arrangement between or among Lender and any of the Borrower or Guarantor.

(J) If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Borrower agrees to provide any additional collateral ("**Additional Security**") to Lender, as may be requested by Lender, to secure Borrower's existing obligations to Lender and to secure the additional obligations that Lender is agreeing to provide pursuant to this Agreement.

(K) Execution, delivery and filing or recording (with all costs thereof paid by Borrower) of all documents and instruments required to create the required liens on the respective Properties as required by the Loans Documents or to create a security interest in any Additional Collateral.

(L) As more fully set forth in Section 12, Borrower agrees to reimburse all costs and expenses, including without limitation attorneys' fees, incurred by Lender in connection with this Agreement (or the effect of this Agreement on Lender's business and with its investors).

7. **Lender's Actions.** Subject to the full compliance of Borrower, Guarantor, and New Guarantor to each of their respective obligations, as detailed in this Agreement, the Lender will perform the following obligations:

(A) Lender has increased the Loan amount applicable to certain of the Properties referenced in Exhibit A up to 120% of the loan-to-value ("LTV") ratio of the value of the respective Properties, as determined by Lender. The additional funds advanced to Borrower have been used to pay off the Other Lender and release its security interest in that Property.

(B) In connection with the sale of a Property to an independent third party or new third party financing of any of the Properties referenced in Exhibit A, Lender agrees to work reasonably with Borrower, Guarantor and New Guarantor to provide additional funds to Borrower to pay off the respective Loans of the Other Lender and Lender secured by a lien against the applicable Property so that the respective security interests in the respective Property will be released at the Closing of the sale or new financing of the Property. The additional funds provided by Lender to Borrower in connection with such third party sale or new third party financing of such Properties shall be evidenced by a new loan to Borrower, Guarantor, and New Guarantor, jointly and severally, in an amount up to \$5.0 Million US Dollars, which loan is to provide for multiple advances, earn 18% interest, with monthly principal and interest payments (calculated pursuant to a formula consisting of all outstanding interest and 3% of outstanding principal), and all unpaid interest and outstanding principal shall be all due and payable on or before February 1, 2016 (the "**Additional Funds Loan**"). The Additional Funds Loan will include a Default Interest Rate of 29%. Upon the sale or refinance of the Property securing the Additional Loan (pursuant to Section 7 (D)), the outstanding principal balance of the Additional Funds Loan shall be paid down so that the outstanding principal balance is reduced to an amount of \$4.0 Million US Dollars or less and the promissory note evidencing the Additional Funds Loan shall be modified to reduce the maximum outstanding principal to \$4.0 Million US Dollars.

The promissory note to evidence the Additional Funds Loan shall be in commercially reasonable form for a lender loaning a similar aggregate amount of money on a partially unsecured basis to a borrower as Lender is loaning in the aggregate to Borrower, Guarantor, and New Guarantor. Full Payment of the Additional Funds Loan shall be secured by a lien against the inventory and assets of the New Guarantor, which shall be evidenced by a security agreement and financing statement in commercially reasonable form to secure a lender loaning a similar aggregate amount of money to a borrower as Lender is loaning in the aggregate to Borrower pursuant to the Additional Funds Loan. If Borrower, Guarantor, or New Guarantor fail to pay any sum or to perform any covenant, agreements or obligation owed to Lender under the Additional Funds Loan, this Agreement, or any of the Loans Documents, as modified by this Agreement, Borrower and Guarantor agree to work with Lender to provide any additional collateral available ("**Additional Funds Collateral**") to Lender, as may be requested by Lender, to secure the obligations pursuant to the Additional Funds Loan for the benefit of Lender.

(C) Lender will defer (but not waive) the collection of interest from the Borrower on the Loans to the Borrower during the process to fund the amount due to the Other Lenders; and all deferred interest on the Notes from Borrower shall be paid to Lender on or before the payoff of the respective Note.

(D) Lender has provided a new loan to Borrower and Guarantor, jointly and severally, in the amount up to \$1 Million US Dollars, which loan is to provide for multiple advances, and currently accrues 3% annual interest (which interest shall be calculated based upon, and periodically adjusted as necessary, to equal the interest costs to Denny Chittick on his line of credit from Bank of America plus ½%) with monthly principal and interest payments (calculated pursuant to a formula consisting of all outstanding interest and 3% of outstanding principal balance), all unpaid interest and outstanding principal shall be all due and payable on or before February 1, 2016, and such loan shall be secured by a first lien position against certain real property in Scottsdale, AZ (the "**Additional Loan**"). The Additional Loan will include a Default Interest Rate of 29%. The promissory note to evidence the Additional Funds Loan shall be in commercially reasonable form for a lender loaning a similar aggregate amount of money on a partially unsecured basis to a borrower as Lender is loaning in the aggregate to Borrower and Guarantor. Upon the sale or refinancing of such Property, Borrower and Guarantor will arrange for the Additional Loan to be secured by a lien against certain real property or properties, with the properties and the lien position to be approved by Lender, in its sole discretion, and the obligation is to be personally guaranteed by New Guarantor. Further, upon the sale or refinance of such Property, Borrower, Guarantor and Lender shall modify the Additional Funds Loan to reduce the maximum outstanding balance to \$4.0 Million US Dollars.

(E) Provided that Borrower, Guarantor and New Guarantor each complies with all of its respective obligations under this Agreement, Lender will waive the right to charge the Default Interest rate which is permitted pursuant to the terms of the Loans Documents. If any of Borrower, Guarantor or New Guarantor fails to comply with its respective obligations under this Agreement, Borrower shall then be liable for Default Interest at the Default Interest rate set forth in the Loan Documents on all outstanding Notes.

(F) Upon the complete and full satisfaction by Borrower, Guarantor and New Guarantor (the "**Borrower Entities**") of each and every obligation, term, condition and

requirement of the Borrower Entities set forth in and pursuant to this Agreement, the Loans Documents and/or any other document executed in connection with this Agreement and/or the Loans Documents, Lender, Borrower, Guarantor and New Guarantor agree to and will execute a mutual release and covenant not to sue (or pursue) the Borrower and/or Guarantor in any legal action based upon the facts set forth in the Recitals to this Agreement.

8. **Grace and Cure Periods.** If Borrower, Guarantor or New Guarantor fail to comply with any non-monetary obligation undertaken by it through this Agreement or any of the Loans Documents, or any of the documents executed in connection with this Agreement (collectively, the "**Forbearance Documents**"), the Borrower Entities shall be in default of this Agreement if none of the Borrower Entities fails to satisfy the non-monetary obligation within ten (10) business days of receiving email or telephonic notice from Lender. No such notice shall be required if any of the Borrower Entities fail to comply with any monetary obligation in favor of Lender under the Forbearance Documents. Except for the non-monetary notice required above, all other notice provisions of the Forbearance Documents requiring any other notice to Borrower or Borrower Entities or any other person as a condition precedent to the existence of any breach, default or event of default or to any acceleration or other remedial action by Lender, permitting or granting any grace period after the giving or receipt of any notice for the cure of any breach, default or event of default under the Forbearance Documents prior to acceleration or other remedial action by Lender are hereby deleted, and all Forbearance Documents are hereby modified accordingly.

9. **No Knowledge of Claims and Defenses against Lender.** As a material part of the consideration for Lender's execution of this Agreement, Borrower, Guarantor and New Guarantor each hereby represent and warrant to Lender and its officers, directors, shareholders and its affiliates that neither the Borrower nor Guarantor are aware of any liabilities, obligations, actions, claims, causes of action, suits, proceedings, damages, demands, costs and expenses whatsoever that would give rise to, or be the basis for, or to create an obligation owed by Lender to Borrower or Guarantor (except as set forth in this Agreement) (collectively, "**Potential Claims**") or any action, failure to act, facts or circumstances that could give rise to or be the basis for or to create a Potential Claim, including but not limited to any of the foregoing relating to the making, administration or enforcement of the Loans. Without limiting the foregoing, Borrower and Guarantor hereby unconditionally and irrevocably waive any and all defenses and claims existing or arising (or based on facts or circumstances actually or allegedly existing or arising) prior to or on the date of this Agreement which might otherwise limit their unconditional joint and several liability for all sums due under the Loans as set forth in this Agreement.

10. **Further Documents.** Borrower, Guarantor, and New Guarantor each hereby agree to execute any and all further documents and instruments required by Lender and to do all other acts and things necessary to give effect to the terms and provisions of this Agreement and/or to create and perfect all liens and security interests granted to Lender under the Loans Documents or required under this Agreement.

11. **Authorization of Agreement.** The execution and delivery of this Agreement has been duly authorized by all necessary corporate or partnership action of Borrower, Guarantor (as applicable) and New Guarantor, and the individuals executing this Agreement on behalf of



Borrower, Guarantor and/or New Guarantor have been duly authorized and empowered to bind Borrower, Guarantor and/or New Guarantor by such execution.

12. **Costs and Expenses.** Borrower hereby agrees to pay on demand any and all fees, costs and expenses, including but not limited to attorneys' fees, incurred by Lender in connection with: (A) the negotiation, preparation, filing and/or recording of this Agreement and all other documents and instruments required to give effect to this Agreement and/or to create and perfect the liens, security interests, assignments and/or pledges contemplated hereunder or under the Loans Documents and such disclosure to Lender's investors as necessary to provide an updated disclosure concerning Borrower's Default and the terms of this Forbearance Agreement; provided, however, the legal fees incurred in connection with this subsection A to prepare and implement this Agreement and the necessary initial updated disclosure to Lender's investors in connection with Borrower's Default and the terms of this Forbearance Agreement shall be limited by a total and cumulative cap of \$80,000; (B) the issuance to Lender of any and all title reports, amendments and title insurance; (C) any investigation fees and/or other fees and costs incurred by Lender in connection with this Agreement and/or the Loans Documents (or the effect of this Agreement on Lender's business and with its investors); (D) the default of Borrower in connection with the Loans Documents, or the existing and/or any future lien disputes with any of the Other Lenders or any other similarly situated lenders; and/or (E) the collection of the Loans and/or the enforcement of this Agreement and/or the Loans Documents and/or any other document executed in connection with this Agreement and/or the Loans Documents. The Parties acknowledge that the cumulative cap of \$80,000 is only applicable to legal fees, incurred pursuant to subsection A above. Guarantor and New Guarantor shall each be liable for all of their respective foregoing costs and expenses pursuant to their respective guarantees. Lender shall have no liability whatsoever for any of the foregoing.

13. **Time of the Essence.** Time is of the essence of all agreements and obligations contained herein.

14. **Construction of Agreement.** If any provision of this Agreement conflicts with any provision of any Loans Documents, the applicable provision of this Agreement shall control.

As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa.

The titles and captions in this Agreement are used for convenience of reference only and do not define, limit or control the scope, intent or effect of any provisions of this Agreement.

No inference in favor of, or against, any Party shall be drawn from the fact that such Party has drafted all or any portion of this Agreement, any other document required hereunder or in connection with any Loans Documents.

All parties were advised to and were given the opportunity to consult with independent counsel before executing this Agreement and the Forbearance Documents.

15. **Ratification and Agreements by Guarantor.** Guarantor hereby acknowledges and consents to the terms of this Agreement, agrees to be bound by all terms and provisions

hereof and of any and all documents and instruments executed by Borrower in connection with and/or as contemplated in this Agreement; acknowledges and confirms that Guarantor is and shall remain liable for all indebtedness and obligations now or hereafter owed by Borrower to Lender in connection with the Loans (pursuant to this Agreement and the Loans Documents or otherwise); agrees that Guarantor's said liability shall not be released, reduced or otherwise affected by the execution of this Agreement, by any changes in the effect of the Loans Documents under the terms of this Agreement, by Lender's receipt of any additional collateral for the Loans, by the consummation of any transactions relating hereto, or by any other existing fact or circumstance; ratifies the Guaranty as security for the Loans; and confirms that the Guaranty remains in full force and effect.

16. **Entire Agreement; No Oral Agreements Concerning Loans.** The Recitals set forth at the beginning of this Agreement are incorporated into this Agreement as a material part of this Agreement. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, which agreement shall not be varied by any alleged or actual oral statements or parol evidence whatsoever. Lender has not promised or agreed in any manner to extend the maturity of the Loans, to restructure the Loans or any security therefor, to modify any terms of the Loans Documents or the effect thereof, to forbear in the commencement, exercise or pursuit of any right or remedy Lender has under the Loans Documents or applicable law, to release or adversely affect any lien or security interest previously or concurrently granted in favor of Lender, or to forego the benefit of any term, provision or condition of the Loans Documents, except as may be otherwise specifically provided in this Agreement and subject in all instances to strict compliance by Borrower, Guarantor and New Guarantor with all terms and conditions of this Agreement. Except as specifically provided in this Agreement (and so long as each of the Borrower Entities are in compliance with the terms of this Agreement), Lender has not agreed or become obligated, whether by negotiating or executing this Agreement or otherwise, to make any new Loans or to extend any new credit to Borrower, Guarantor or New Guarantor under any circumstances.

17. **Ratification of Workout.** The Parties acknowledge and agree that the terms and conditions of this Agreement are part of but not the entire body of a mutual workout arrangement between the parties for a resolution of a dispute regarding the Loans. Borrower, Guarantor and New Guarantor each hereby ratify, consent to, and agree to all of Lender's actions, from November 27, 2013, to the date first stated above, regarding and/or related to the claims of the Other Lenders alleging that the encumbrances for their loans were in first priority for the subject Properties; with the actions of the Lender including, without limitation, Lender lending Borrower an additional amount of approximately \$5,000,000, in the aggregate, with said funds being used towards satisfaction of certain loans from the Other Lenders. Borrower, Guarantor and New Guarantor each ratify and agree that the Lender's loans for said Properties have increased by the amounts that Lender paid toward satisfaction of the respective Other Lenders' loans for the subject Properties and Lender's Loans will continue to increase by the amount that Lender will advance to Borrower (or pay toward) for the satisfaction of the respective Other Lenders' Loans or in connection with Lender's rights or obligations pursuant to the Loans Documents as modified by this Agreement.

18. **Confidentiality.** In connection with or based upon the facts underlying this Agreement, the Parties agree not to assist, suggest, notify, or recommend that third parties

investigate or pursue any requests for information, claims, or litigation relating to any of the Parties, their officers, directors, shareholders, owners, employees, consultants, attorneys, agents, successors, affiliates, subsidiaries, parents, heirs, representatives, and assigns. Each Party shall refrain from making any disparaging or negative statements or comments about the other Parties to any third parties, including any derogatory statements or criticism. Except as set forth below, the Parties further agree that: (i) the material terms of the Agreement and the material facts underlying the Agreement are intended to remain confidential; and (ii) they agree not to disclose, or cause others to disclose, to anyone the material terms stated in this Agreement or the material facts underlying this Agreement; provided, however, these disclosure limitations set forth in (i) and (ii) above are subject to the following exceptions: a) except as such facts are set forth in the applicable public records, or b) except as may be required to be disclosed to any governmental agency or authority with applicable jurisdiction (after notice to the other Party and an opportunity to object to such required disclosure), or c) except as may be disclosed to such Party's outside professionals, or d) except as may be necessary for Lender to disclose to Lender's current or future investors (which disclosure is intended to be limited as described below). With respect to the limitation on Lender's disclosure to its investors as referenced above, Lender agrees to use its good faith efforts to limit such disclosure as much as legally possible pursuant to the applicable SEC Regulation D disclosure rules, which limitation is intended to have Lender only describe: 1. the multiple Loans secured by the same Properties, which created the Loans Defaults; 2. the work-out plan pursuant to this Agreement in connection with the steps to be taken to resolve the Loans Defaults; 3. the work-out plan shall also include disclosing the previous additional advances that Lender has made and the additional advances that are intended to be made by Lender to Borrower pursuant to this Agreement in connection with increases in the loan amount of certain specific Loans (up to 120% of the LTV of the applicable Property being used as security for that Loan), the additional advances pursuant to both the Additional Loan and the Additional Funds Loan; and 4. the cumulative effect that all of such additional advances to Borrower will have on Lender's business plan that Lender has previously disclosed to its investors in Lender's private offering documents and which Lender committed to follow, including the overall LTV loan ratios for all of Lender's outstanding loans to its borrowers in the aggregate and the concentration of all of Lender's outstanding loans among all of its borrowers. Further, Lender will use its good faith efforts not to include the names of Borrower, Guarantor, or New Guarantor in Lender's disclosure material. Lender will also provide Borrower with a copy of the applicable disclosure prior to dissemination to Lender's investors and allow Borrower to have 48 hours to review and comment upon such disclosure.

19. **Counterparts.** This Agreement may be executed in several counterparts, each of which counterpart shall be deemed an original instrument and all of which together shall constitute a single Agreement. The failure of any party hereto to execute this Agreement, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder.

20. **Notices.** All notices, consents, approvals and requests required or permitted hereunder shall be given in writing and shall be effective for all purposes if hand delivered or sent by (a) certified or registered United States mail, postage prepaid, return receipt requested or (b) expedited prepaid delivery service, either commercial or United States Postal Service, with proof of attempted delivery, or (c) by email addressed as follows (or at such other address and person as shall be designated from time to time by any party hereto, as the case may be, in a written notice to the other parties hereto in the manner provided for in this Paragraph):

Arizona Home Foreclosures, LLC  
7320 West Bell Road  
Glendale, AZ 85308  
Attention: Scott Menaged  
Email: smena98754@aol.com

Easy Investments, LLC  
7320 West Bell Road  
Glendale, AZ 85308  
Attention: Scott Menaged  
Email: smena98754@aol.com

Yomotov, "Scott" Menaged  
7320 west Bell Road  
Glendale, AZ 85308  
Email: smena98754@aol.com

Furniture King, LLC  
303 North Central Avenue, Suite 603  
Phoenix, AZ 85012  
Attention: Scott Menaged  
Email: smena98754@aol.com

DenSco Investment Corporation  
6132 West Victoria Place  
Chandler, AZ 85226  
Attention: Denny Chittick  
Email: dcmoney@yahoo.com

21. **Choice of Law.** THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ARIZONA WITHOUT GIVING EFFECT TO CONFLICT OF LAWS PRINCIPLES.

22. **Severability.** If any provision of this Agreement is found to be void, invalid or unenforceable by a court of competent jurisdiction, that finding shall only affect the provisions found to be void, invalid or unenforceable and shall not affect the other of this Agreement, and they shall remain in full force and effect.

23. **Event of Default.** The failure to pay any amount due under this Note when due, or any occurrence of a failure to cure any non-monetary default under any of the Forbearance Documents or any other Loan Documents after the appropriate notice required in Section 8 of this Agreement, shall be deemed to be an event of default ("Event of Default") hereunder.

24. **Remedies.** Upon the occurrence of an Event of Default and at any time thereafter, then at the option of the Lender, and with notice only as specifically required in this Agreement, the entire balance of principal together with all accrued interest thereon, and all other amounts payable by the Borrower Entities under the Forbearance Documents shall, without demand or notice, immediately become due and payable. Upon the occurrence of an Event of Default (and so long as such Event of Default shall continue), the entire balance of principal hereof, together with all accrued interest thereon, all other amounts due under the Forbearance Documents, and any judgment for such principal, interest, and other amounts shall bear interest at the Default Interest Rate, as provided in the Additional Funds Loan. No delay or omission on the part of the Lender hereof in exercising any right under any of the Forbearance Documents hereof shall operate as a waiver of such right

25. **Waiver.** The Borrower Entities hereby waive diligence, demand for payment, presentment for payment, protest, notice of nonpayment, notice of protest, notice of intent to accelerate, notice of acceleration, notice of dishonor, and notice of nonpayment, and all other notices or demands of any kind (except notices specifically provided for in the Forbearance Documents) and expressly agree that, without in any way affecting the liability of any of the

Borrower Entities, the Lender hereof may extend any maturity date or the time for payment of any payment due under any of the Forbearance Agreements, otherwise modify the Forbearance Documents, accept additional security, release any person liable, and release any security. The Borrower Entities waive, to the full extent permitted by law, the right to plead any and all statutes of limitations as a defense.

27. **Integration.** This Agreement contains the complete understanding and agreement of the Borrower Entities and Lender and supersedes all prior representations, warranties, agreements, arrangements, understandings, and negotiations.

28. **Binding Effect.** This Agreement will be binding upon, and inure to the benefit of, the Lender, the Borrower Entities, and their respective successors and assigns. Borrowers may not delegate their obligations under the Forbearance Documents.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the undersigned Parties have executed this Agreement on the date first above written.

**Borrower:**

ARIZONA HOME FORECLOSURES, LLC

By: 

Yomtov "Scott" Menaged

Its: Member


EASY INVESTMENTS, LLC

By: 

Yomtov "Scott" Menaged

Its: Member

**Guarantor:**

  
Yomtov "Scott" Menaged

**New Guarantor:**

FURNITURE KING, LLC

By: 

Yomtov "Scott" Menaged

Its: Manager

**Lender:**

DENSCO INVESTMENT CORPORATION

By: 

Denny Chittick

Its: President

{Signature Page of Forbearance Agreement}

**EXHIBIT A**

**LENDER LOANS AND ENCUMBERED PROPERTIES**

200131428.20 43820/170082

**DIC0010745**

#	Not Holder	City/Zip	Property Address	Amount of Loan	Est. Value	Note Due	Int Due	Int Per Day	Days	Total Owed
1192	Easy Investments, LLC	81224 N 32nd Ave	81224 N 32nd Ave	\$165,000.00	\$135,000.00	3/17/2008	9/17/2008	42.50	150	\$165,000.00
2120	Easy Investments, LLC	822 E Orange Ave	822 E Orange Ave	\$115,000.00	\$125,000.00	9/11/2010	3/21/2011	57.50	146	\$125,000.00
2509	Easy Investments, LLC	196 Leisure World Tr	196 Leisure World Tr	\$115,000.00	\$125,000.00	9/11/2010	3/21/2011	58.50	156	\$125,000.00
3364	Easy Investments, LLC	14894 N 97th Place	14894 N 97th Place	\$344,702.12	\$375,000.00	9/19/2012	11/9/2012	172.35	159	\$375,000.00
3610	Easy Investments, LLC	20802 N Grayhawk Dr #1076	20802 N Grayhawk Dr #1076	\$366,474.60	\$375,000.00	9/19/2012	11/9/2012	183.24	159	\$375,000.00
3736	Michelle Meneged	9103 E Claire Oak Dr	9103 E Claire Oak Dr	\$650,000.00	\$650,000.00	10/12/2012	10/12/2013	720.00	156	\$650,000.00
3817	Easy Investments, LLC	7513 N 47th Drive	7513 N 47th Drive	\$20,000.00	\$50,000.00	11/16/2013	12/16/2013	10.00	162	\$50,000.00
3828	Easy Investments, LLC	1605 W Winder Dr	1605 W Winder Dr	\$472,357.68	\$500,000.00	11/13/2012	12/13/2013	738.08	155	\$500,000.00
3829	Easy Investments, LLC	702 W Wilshire Dr	702 W Wilshire Dr	\$204,276.99	\$265,000.00	11/13/2012	12/13/2013	77.50	155	\$265,000.00
3882	Easy Investments, LLC	10721 W Laurelwood Ln	10721 W Laurelwood Ln	\$164,200.40	\$190,000.00	11/13/2012	12/13/2013	82.46	155	\$190,000.00
3883	Easy Investments, LLC	9555 E Rainier Dr #1004	9555 E Rainier Dr #1004	\$152,000.00	\$160,000.00	12/13/2012	12/13/2013	76.00	155	\$160,000.00
3885	Easy Investments, LLC	9555 E Rainier Dr #1020	9555 E Rainier Dr #1020	\$152,000.00	\$160,000.00	12/13/2012	12/13/2013	76.00	155	\$160,000.00
3913	Easy Investments, LLC	1892 E Elk Dr	1892 E Elk Dr	\$210,971.79	\$235,000.00	12/28/2012	12/28/2013	105.49	140	\$235,000.00
3914	Easy Investments, LLC	3740 E Sarton St	3740 E Sarton St	\$194,051.84	\$265,000.00	12/28/2012	12/28/2013	97.03	140	\$265,000.00
3926	Easy Investments, LLC	320 S 70th Street #9	320 S 70th Street #9	\$155,000.00	\$165,000.00	1/9/2013	12/9/2013	77.50	165	\$165,000.00
3927	Easy Investments, LLC	7204 W Warner St	7204 W Warner St	\$170,000.00	\$170,000.00	1/9/2013	12/9/2013	80.00	165	\$170,000.00
3933	Easy Investments, LLC	9451 E Becker Ln #B1057	9451 E Becker Ln #B1057	\$136,196.70	\$160,000.00	1/9/2013	12/9/2013	68.10	164	\$160,000.00
3957	Easy Investments, LLC	1500 N Markdale #1	1500 N Markdale #1	\$190,000.00	\$205,000.00	1/16/2013	12/16/2013	85.00	152	\$205,000.00
3959	Easy Investments, LLC	5420 W Sunnyside Dr	5420 W Sunnyside Dr	\$190,000.00	\$140,000.00	1/16/2013	12/16/2013	65.00	152	\$140,000.00
3975	Easy Investments, LLC	1080 E Redwood Dr	1080 E Redwood Dr	\$320,000.00	\$320,000.00	1/20/2013	12/20/2013	85.00	144	\$320,000.00
3976	Easy Investments, LLC	2402 E Yuca St	2402 E Yuca St	\$292,084.39	\$325,000.00	1/20/2013	12/20/2013	85.00	144	\$325,000.00
3977	Easy Investments, LLC	3771 W Marietta Ave	3771 W Marietta Ave	\$166,667.99	\$198,000.00	1/24/2013	12/24/2013	83.43	144	\$198,000.00
3987	Easy Investments, LLC	18355 W Mission Ln	18355 W Mission Ln	\$190,000.00	\$220,000.00	1/28/2013	12/28/2013	95.00	140	\$220,000.00
3993	Easy Investments, LLC	5016 S 41st Lane	5016 S 41st Lane	\$229,219.96	\$265,000.00	1/30/2013	12/30/2013	114.61	138	\$265,000.00
3997	Easy Investments, LLC	311 N Kenneth Pl	311 N Kenneth Pl	\$289,274.40	\$340,000.00	1/31/2013	12/31/2013	144.64	138	\$340,000.00
3998	Easy Investments, LLC	2667 E Balfour Dr	2667 E Balfour Dr	\$343,078.80	\$355,000.00	1/31/2013	12/31/2013	172.54	138	\$355,000.00
3999	Easy Investments, LLC	26733 N Sand Lane	26733 N Sand Lane	\$130,340.24	\$165,000.00	1/31/2013	12/31/2013	65.17	138	\$165,000.00
4003	Easy Investments, LLC	4529 E Sharon Dr	4529 E Sharon Dr	\$195,997.87	\$200,000.00	1/31/2013	12/31/2013	98.00	167	\$200,000.00
4004	Easy Investments, LLC	7575 E Indian Bend Rd #2123	7575 E Indian Bend Rd #2123	\$160,000.00	\$175,000.00	2/1/2013	12/1/2013	80.00	167	\$175,000.00
4020	Easy Investments, LLC	12802 W Willow Ave	12802 W Willow Ave	\$330,000.00	\$330,000.00	2/1/2013	12/1/2013	55.00	161	\$330,000.00
4027	Easy Investments, LLC	11106 W Dena Lane	11106 W Dena Lane	\$175,000.00	\$195,000.00	2/1/2013	12/1/2013	87.50	157	\$195,000.00
4032	Easy Investments, LLC	10510 E Sunnyside Dr	10510 E Sunnyside Dr	\$255,167.89	\$283,000.00	2/1/2013	12/1/2013	135.58	154	\$283,000.00
4033	Easy Investments, LLC	10401 N 52nd Street #10	10401 N 52nd Street #10	\$100,000.00	\$120,000.00	2/1/2013	12/1/2013	50.00	154	\$120,000.00
4034	Easy Investments, LLC	11571 W Hopkiss	11571 W Hopkiss	\$148,280.94	\$170,000.00	2/1/2013	12/1/2013	74.14	154	\$170,000.00
4035	Easy Investments, LLC	23949 W Hadley St	23949 W Hadley St	\$130,000.00	\$150,000.00	2/1/2013	12/1/2013	65.00	154	\$150,000.00
4038	Easy Investments, LLC	3150 E Beardsley Rd #1076	3150 E Beardsley Rd #1076	\$135,000.00	\$145,000.00	2/15/2013	12/15/2013	67.50	153	\$145,000.00
4061	Easy Investments, LLC	2261 W Moonlight Path	2261 W Moonlight Path	\$80,000.00	\$125,000.00	2/27/2013	12/27/2013	40.00	141	\$125,000.00
4069	Easy Investments, LLC	3333 W Apollo Rd	3333 W Apollo Rd	\$140,000.00	\$150,000.00	2/28/2013	12/28/2013	70.00	140	\$150,000.00
4077	Easy Investments, LLC	5357 S Ranger Trail	5357 S Ranger Trail	\$15,002.32	\$340,000.00	3/1/2013	12/1/2013	156.50	167	\$340,000.00
4093	Easy Investments, LLC	2360 E Carmel Ave	2360 E Carmel Ave	\$124,012.14	\$155,000.00	3/5/2013	12/5/2013	162.01	163	\$155,000.00
4109	Easy Investments, LLC	12827 W Desert Mirage Dr	12827 W Desert Mirage Dr	\$198,254.24	\$210,000.00	3/6/2013	12/6/2013	99.13	160	\$210,000.00
4115	Easy Investments, LLC	6933 W Sonora St	6933 W Sonora St	\$100,000.00	\$115,000.00	3/11/2013	12/11/2013	50.00	157	\$115,000.00
4118	Easy Investments, LLC	2048 E Marilyn Ave	2048 E Marilyn Ave	\$184,446.84	\$215,000.00	3/12/2013	12/12/2013	92.22	156	\$215,000.00
4122	Easy Investments, LLC	1431 E Bridgeport Pkwy	1431 E Bridgeport Pkwy	\$263,511.13	\$310,000.00	3/14/2013	12/14/2013	131.76	154	\$310,000.00
4129	Easy Investments, LLC	2210 W Marco Polo Rd	2210 W Marco Polo Rd	\$151,181.92	\$175,000.00	3/18/2013	12/18/2013	77.59	150	\$175,000.00
4130	Easy Investments, LLC	18650 N 91st Ave #3307	18650 N 91st Ave #3307	\$161,499.22	\$200,000.00	3/18/2013	12/18/2013	80.79	150	\$200,000.00
4136	Easy Investments, LLC	14556 N 154th Lane	14556 N 154th Lane	\$160,000.00	\$170,000.00	3/19/2013	12/19/2013	80.00	149	\$170,000.00
4146	Easy Investments, LLC	4627 E Red Range Way	4627 E Red Range Way	\$336,413.80	\$365,000.00	3/21/2013	12/21/2013	138.11	147	\$365,000.00
4152	Easy Investments, LLC	18131 W Ruth Ave	18131 W Ruth Ave	\$270,000.00	\$285,000.00	3/25/2013	12/25/2013	135.00	143	\$285,000.00
4180	Easy Investments, LLC	7208 E Andrew Ln	7208 E Andrew Ln	\$213,688.91	\$250,000.00	4/3/2013	12/3/2013	106.83	165	\$250,000.00
4185	Easy Investments, LLC	3824 E Palmer St	3824 E Palmer St	\$210,000.00	\$220,000.00	4/5/2013	12/5/2013	105.00	163	\$220,000.00
4227	Easy Investments, LLC	15677 W Ripple Cir	15677 W Ripple Cir	\$110,000.00	\$125,000.00	4/9/2013	12/9/2013	75.00	149	\$125,000.00
4228	Easy Investments, LLC	7389 W Tierra Buena Ln	7389 W Tierra Buena Ln	\$150,000.00	\$160,000.00	4/9/2013	12/9/2013	75.00	149	\$160,000.00
4229	Easy Investments, LLC	436 N 159th Ave	436 N 159th Ave	\$203,371.73	\$225,000.00	4/19/2013	12/19/2013	101.68	149	\$225,000.00
4241	Easy Investments, LLC	16832 W Toronto Way	16832 W Toronto Way	\$177,861.35	\$185,000.00	4/23/2013	12/23/2013	88.93	145	\$185,000.00
4253	Easy Investments, LLC	4309 E Cedar Rd #201	4309 E Cedar Rd #201	\$142,968.30	\$165,000.00	4/23/2013	12/23/2013	71.48	145	\$165,000.00
4280	Easy Investments, LLC	23922 W Desert Bloom St	23922 W Desert Bloom St	\$120,000.00	\$145,000.00	5/6/2013	12/6/2013	60.00	162	\$145,000.00
4289	Easy Investments, LLC	2703 W Linn Rd	2703 W Linn Rd	\$146,228.35	\$150,000.00	5/13/2013	12/13/2013	73.11	155	\$150,000.00
4307	Easy Investments, LLC	2681 S Palm St	2681 S Palm St	\$330,000.00	\$350,000.00	5/13/2013	12/13/2013	165.00	147	\$350,000.00





4637	Arizona Home Foreclosures, LLC	8742 W Pioneer St	Tolleson, 85353	\$	100,000.00	\$	156,000.00	54.10%	10/17/2013	4/11/2014	12/11/2013	\$	50.00	157	\$	7,850.00	\$	107,850.00
4642	Arizona Home Foreclosures, LLC	211554 W Sheffield Dr	Gilbert, 85333	\$	100,000.00	\$	100,000.00	58.97%	10/15/2013	4/15/2014	11/14/2013	\$	50.00	154	\$	7,700.00	\$	107,700.00
4643	Arizona Home Foreclosures, LLC	847 E Sheffield Ave	Gilbert, 85296	\$	100,000.00	\$	100,000.00	50.00%	10/15/2013	4/15/2014	11/14/2013	\$	50.00	154	\$	7,700.00	\$	107,700.00
4644	Arizona Home Foreclosures, LLC	18146 W Pleasant Ave	Waddell, 85355	\$	128,000.00	\$	130,000.00	83.33%	10/16/2013	4/16/2014	11/19/2013	\$	62.50	153	\$	9,500.00	\$	139,500.00
4645	Arizona Home Foreclosures, LLC	14869 W Caribbean Ln	Surprise, 85379	\$	125,000.00	\$	145,000.00	86.21%	10/16/2013	4/16/2014	12/16/2013	\$	62.50	152	\$	9,500.00	\$	134,500.00
4652	Arizona Home Foreclosures, LLC	14119 W Valley View Dr	Laveen, 85339	\$	140,000.00	\$	140,000.00	80.00%	10/16/2013	4/16/2014	12/18/2013	\$	70.00	150	\$	10,500.00	\$	150,500.00
4658	Arizona Home Foreclosures, LLC	3830 W Anderson Dr	Glendale, 85308	\$	150,000.00	\$	175,000.00	85.71%	10/17/2013	4/17/2014	12/22/2013	\$	75.00	146	\$	10,950.00	\$	160,950.00
4659	Arizona Home Foreclosures, LLC	41728 W Carson Rd	Laveen, 85397	\$	180,000.00	\$	180,000.00	94.74%	10/17/2013	4/17/2014	12/22/2013	\$	90.00	146	\$	13,140.00	\$	193,140.00
4662	Arizona Home Foreclosures, LLC	3247 W Maldonado Dr	Phx, 85042	\$	165,000.00	\$	180,000.00	91.67%	10/17/2013	4/17/2014	12/23/2013	\$	82.50	145	\$	11,962.50	\$	176,962.50
4663	Arizona Home Foreclosures, LLC	1978 N 85th Place	Scottsdale, 85257	\$	170,000.00	\$	185,000.00	94.74%	10/17/2013	4/17/2014	12/24/2013	\$	135.00	144	\$	19,440.00	\$	204,440.00
4665	Arizona Home Foreclosures, LLC	635 S St Paul	Mesa, 85206	\$	180,000.00	\$	190,000.00	94.74%	10/17/2013	4/17/2014	12/25/2013	\$	90.00	143	\$	12,870.00	\$	192,870.00
4669	Arizona Home Foreclosures, LLC	12601 N 56th Street	Scottsdale, 85255	\$	240,000.00	\$	240,000.00	95.00%	10/17/2013	4/17/2014	12/29/2013	\$	174.50	139	\$	24,742.50	\$	264,742.50
4670	Arizona Home Foreclosures, LLC	2229 W Speed Rd	Phx, 85085	\$	305,000.00	\$	320,000.00	95.31%	10/30/2013	4/30/2014	12/16/2013	\$	152.50	138	\$	21,045.00	\$	326,045.00
4671	Arizona Home Foreclosures, LLC	23846 W Gibson Ln	Buckeye, 85316	\$	150,000.00	\$	175,000.00	85.71%	10/30/2013	4/30/2014	12/30/2013	\$	75.00	136	\$	10,350.00	\$	160,350.00
4672	Arizona Home Foreclosures, LLC	9337 E Plana Ave	Mesa, 85212	\$	150,000.00	\$	165,000.00	90.91%	10/30/2013	4/30/2014	12/30/2013	\$	75.00	138	\$	10,350.00	\$	160,350.00
4681	Arizona Home Foreclosures, LLC	1781 E Gary Dr	Chandler, 85225	\$	120,000.00	\$	120,000.00	70.59%	11/1/2013	5/1/2014	12/1/2013	\$	60.00	167	\$	10,200.00	\$	130,200.00
4687	Arizona Home Foreclosures, LLC	7030 W Pontiac Dr	Glendale, 85308	\$	140,000.00	\$	235,000.00	59.57%	11/5/2013	5/5/2014	12/5/2013	\$	70.00	169	\$	11,410.00	\$	151,410.00
4689	Arizona Home Foreclosures, LLC	17661 W Alameda Ave	Surprise, 85381	\$	170,000.00	\$	250,000.00	68.00%	11/6/2013	5/6/2014	12/6/2013	\$	75.00	162	\$	13,720.00	\$	183,720.00
4703	Easy Investments, LLC	14365 W Verde Ln	Goodyear, 85395	\$	150,000.00	\$	210,000.00	71.43%	11/13/2013	5/13/2014	12/13/2013	\$	75.00	155	\$	11,625.00	\$	161,625.00
4710	Arizona Home Foreclosures, LLC	25510 W Whymian St	Buckeye, 85316	\$	142,000.00	\$	150,000.00	94.67%	11/18/2013	5/18/2014	12/18/2013	\$	71.00	150	\$	10,650.00	\$	152,650.00
4711	Arizona Home Foreclosures, LLC	16974 233rd Ln	Buckeye, 85316	\$	100,000.00	\$	125,000.00	80.00%	11/18/2013	5/18/2014	12/18/2013	\$	50.00	150	\$	7,500.00	\$	107,500.00
4718	Arizona Home Foreclosures, LLC	10836 E Arcadia Ave	Mesa, 85208	\$	120,000.00	\$	143,500.00	94.08%	11/21/2013	5/21/2014	12/21/2013	\$	67.50	147	\$	9,922.50	\$	144,922.50
4719	Arizona Home Foreclosures, LLC	1523 W Sundance Way	Chandler, 85225	\$	115,000.00	\$	115,000.00	82.00%	11/21/2013	5/21/2014	12/21/2013	\$	57.50	147	\$	8,452.50	\$	123,452.50
4727	Arizona Home Foreclosures, LLC	23665 W Papago St	Buckeye, 85316	\$	150,000.00	\$	165,000.00	90.91%	12/3/2013	6/3/2014	1/3/2014	\$	75.00	135	\$	10,125.00	\$	160,125.00
4729	Arizona Home Foreclosures, LLC	3742 W Groves Ave	Peoria, 85382	\$	117,500.00	\$	130,000.00	78.33%	12/4/2013	6/4/2014	1/4/2014	\$	58.25	134	\$	7,872.50	\$	125,372.50
4731	Arizona Home Foreclosures, LLC	28730 N Nobal Rd	Phx, 85085	\$	288,900.00	\$	335,300.00	86.24%	12/5/2013	6/5/2014	1/5/2014	\$	144.45	133	\$	19,211.85	\$	308,111.85
4732	Arizona Home Foreclosures, LLC	5916 W Feltlock Trl	Phx, 85085	\$	240,000.00	\$	415,000.00	79.28%	12/5/2013	6/5/2014	1/5/2014	\$	164.50	133	\$	21,878.50	\$	396,878.50
4737	Arizona Home Foreclosures, LLC	13033 W Columbine Dr	El Mirage, 85335	\$	125,000.00	\$	130,000.00	96.15%	12/11/2013	6/11/2014	1/11/2014	\$	62.50	127	\$	7,887.50	\$	132,887.50
4738	Arizona Home Foreclosures, LLC	17732 W Desert Bloom St	Goodyear, 85338	\$	125,500.00	\$	135,000.00	90.97%	12/13/2013	6/13/2014	1/13/2014	\$	62.75	127	\$	7,969.25	\$	132,969.25
4740	Arizona Home Foreclosures, LLC	1070 N Robins Way	Chandler, 85225	\$	158,100.00	\$	195,000.00	81.08%	12/13/2013	6/12/2014	1/12/2014	\$	79.05	135	\$	10,671.25	\$	168,771.25
4753	Arizona Home Foreclosures, LLC	4749 N 108th Ave	Phx, 85033	\$	153,500.00	\$	198,000.00	76.63%	12/18/2013	6/18/2014	1/18/2014	\$	76.25	120	\$	9,937.50	\$	163,437.50
4754	Arizona Home Foreclosures, LLC	9430 W Cactus Dr	Phx, 85053	\$	154,000.00	\$	200,000.00	77.00%	12/18/2013	6/18/2014	1/18/2014	\$	77.00	120	\$	9,450.00	\$	163,450.00
4755	Arizona Home Foreclosures, LLC	40320 N High Noon Way	Phx, 85086	\$	244,200.00	\$	315,000.00	77.52%	12/18/2013	6/18/2014	1/18/2014	\$	121.00	120	\$	14,652.00	\$	258,652.00
4777	Arizona Home Foreclosures, LLC	11119 E Porter Dr	Phx, 85024	\$	226,100.00	\$	289,000.00	81.70%	12/16/2013	6/16/2014	1/16/2014	\$	118.05	112	\$	13,221.60	\$	249,221.60
4779	Arizona Home Foreclosures, LLC	4073 W Wyatt Pl	Chandler, 85249	\$	276,000.00	\$	340,000.00	81.39%	12/17/2013	6/17/2014	1/17/2014	\$	138.35	111	\$	15,559.85	\$	291,559.85
4791	Arizona Home Foreclosures, LLC	711 W Stottler Dr	Chandler, 85225	\$	139,200.00	\$	180,000.00	77.33%	1/3/2014	7/3/2014	2/3/2014	\$	69.60	104	\$	7,239.40	\$	146,439.40
4796	Arizona Home Foreclosures, LLC	6132 W Chandler Oak Rd	Glendale, 85304	\$	168,000.00	\$	200,000.00	76.36%	1/6/2014	7/6/2014	2/6/2014	\$	84.00	101	\$	8,484.00	\$	176,484.00
4804	Arizona Home Foreclosures, LLC	16550 W Taylor St	Goodyear, 85338	\$	111,000.00	\$	145,500.00	76.59%	1/10/2014	7/10/2014	2/10/2014	\$	55.50	97	\$	5,983.50	\$	116,983.50
4845	Arizona Home Foreclosures, LLC	19700 N 76th Street	Scottsdale, 85255	\$	274,000.00	\$	395,000.00	84.31%	1/25/2014	8/25/2014	3/25/2014	\$	137.00	71	\$	9,277.00	\$	283,277.00
4849	Arizona Home Foreclosures, LLC	1351 N Pleasant Dr #1175	Chandler, 85225	\$	87,800.00	\$	115,000.00	76.35%	2/6/2014	8/6/2014	3/6/2014	\$	43.90	70	\$	3,073.00	\$	90,873.00
4853	Arizona Home Foreclosures, LLC	14116 E Del Rio Dr	Tampe, 85282	\$	178,000.00	\$	230,000.00	77.39%	2/20/2014	8/20/2014	3/20/2014	\$	99.00	56	\$	4,984.00	\$	182,984.00
4854	Arizona Home Foreclosures, LLC	4063 W Runion Dr	Glendale, 85308	\$	168,100.00	\$	225,000.00	74.71%	2/27/2014	8/27/2014	3/27/2014	\$	84.05	49	\$	4,118.45	\$	172,118.45
4884	Arizona Home Foreclosures, LLC	303 W Duke Dr	Tempe, 85283	\$	29,000.00	\$	115,000.00	71.39%	3/6/2014	9/6/2014	4/6/2014	\$	14.50	42	\$	1,690.00	\$	90,690.00
4885	Arizona Home Foreclosures, LLC	12786 W Pasaro Dr	Peoria, 85383	\$	176,500.00	\$	225,000.00	78.44%	3/6/2014	9/6/2014	4/6/2014	\$	88.25	42	\$	3,706.50	\$	180,206.50
4903	Arizona Home Foreclosures, LLC	1426 W Missouri Ave	Phx, 85012	\$	140,101.00	\$	220,000.00	63.50%	3/6/2014	9/6/2014	4/6/2014	\$	89.12	42	\$	3,735.03	\$	181,735.03
4913	Arizona Home Foreclosures, LLC	9003 W Encanto Blvd	Waddell, 85355	\$	170,000.00	\$	215,000.00	79.07%	3/13/2014	9/13/2014	4/13/2014	\$	85.00	35	\$	2,975.00	\$	172,975.00
4917	Arizona Home Foreclosures, LLC	7717 W North Ln	Peoria, 85345	\$	143,789.00	\$	195,000.00	73.74%	3/19/2014	9/19/2014	4/19/2014	\$	71.89	29	\$	2,084.94	\$	145,873.94
4924	Arizona Home Foreclosures, LLC	3418 E Desert Truemet Rd	Phx, 85044	\$	237,607.00	\$	300,000.00	79.24%	4/3/2014	9/20/2014	4/20/2014	\$	118.70	26	\$	3,273.70	\$	240,737.70
4938	Arizona Home Foreclosures, LLC	1406 W Missouri Ave	Phx, 85013	\$	144,101.00	\$	220,000.00	65.50%	3/6/2014	9/6/2014	4/6/2014	\$	72.05	22	\$	1,585.11	\$	145,686.11
4944	Arizona Home Foreclosures, LLC	180 W Juana Ave	Gilbert, 85123	\$	128,250.00	\$	225,000.00	67.00%	3/28/2014	9/28/2014	4/28/2014	\$	75.38	20	\$	1,507.50	\$	129,757.50
4948	Arizona Home Foreclosures, LLC	10222 N 54th Drive	Glendale, 85302	\$	136,000.00	\$	185,000.00	73.51%	4/1/2014	10/1/2014	5/1/2014	\$	68.00	16	\$	1,088.00	\$	137,088.00
4952	Arizona Home Foreclosures, LLC	12406 W Fortbell Ave	Mesa, 85209	\$	175,000.00	\$	225,000.00	77.78%	4/2/2014	10/2/2014	5/2/2014	\$	87.50	15	\$	1,312.50	\$	176,312.50
4955	Arizona Home Foreclosures, LLC	2219 W Bethany Home Rd	Phx, 85015	\$	107,600.00	\$	140,000.00	73.29%	4/3/2014	10/3/2014	5/3/2014	\$	51.90	14	\$	718.20	\$	103,318.20
4962	Arizona Home Foreclosures, LLC	3806 S Alder Dr	Tampe, 85283	\$	192,500.00	\$	250,000.00	77.00%	4/7/2014	10/7/2014	5/7/2014	\$	86.25	10	\$	962.50	\$	193,462.50
4964	Arizona Home Foreclosures, LLC	4739 W Bloomfield Rd	Glendale, 85304	\$	118,000.00	\$	150,000.00	78.67%	4/7/2014	10/7/2014	5/7/2014	\$	59.00	10	\$	590.00	\$	118,590.00
4965	Arizona Home Foreclosures, LLC	3705 W Cas Ballo Dr	Glenale, 85308	\$	128,500.00	\$	155,000.00	82.90%	4/9/2014	10/9/2014	5/9/2014	\$	64.25	8	\$	514.00	\$	129,014.00
4966	Arizona Home Foreclosures, LLC	2435 W Park Ave	Chandler, 85224	\$	164,500.00	\$	200,000.00	82.25%	4/9/2014	10/9/2014	5/9/2014	\$	82.15	8	\$	637.20	\$	164,937.20
4967	Arizona Home Foreclosures, LLC	1020 E Hammon Vista Dr	Mesa, 85207	\$	131,300.00	\$	165,000.00	79.58%	4/9/2014	10/9/2014	5/9/2014	\$	65.65	8	\$	525.20	\$	131,825.20
4969	Arizona Home Foreclosures, LLC	364 W Linda Ln	Gilbert, 85233	\$	142,300.00	\$	185,000.00	76.92%	4/9/2014	10/9/2014	5/9/2014	\$	71.15	8	\$	569.20	\$	142,869.20

4970	Arizona Home Foreclosures, LLC	4528 E Mockingbird Dr	Phoenix, 85234	\$ 277,800.00	\$ 1,216,215,000.00	87.70%	4/9/2014	10/9/2014	5/9/2014	\$ 188.90	8	\$ 711.00	\$ 2,178,511.00
4971	Arizona Home Foreclosures, LLC	10850 E Carol Ave	Mesa, 85208	\$ 127,000.00	\$ 155,000.00	81.94%	4/9/2014	10/9/2014	5/9/2014	\$ 63.50	8	\$ 508.00	\$ 127,508.00
4972	Arizona Home Foreclosures, LLC	24016 W Camelback Rd	Phoenix, 85028	\$ 245,800.00	\$ 295,000.00	83.64%	4/9/2014	10/9/2014	5/9/2014	\$ 79.40	8	\$ 635.20	\$ 159,435.20
4973	Arizona Home Foreclosures, LLC	21551 N Casa Royale Dr	Surprise, 85387	\$ 184,300.00	\$ 235,000.00	78.43%	4/10/2014	10/10/2014	5/10/2014	\$ 92.15	7	\$ 643.05	\$ 184,945.05
4974	Arizona Home Foreclosures, LLC	47415 E Red Bird Rd	Casa Creek, 85324	\$ 253,600.00	\$ 310,000.00	81.74%	4/10/2014	10/10/2014	5/10/2014	\$ 126.70	7	\$ 886.90	\$ 254,886.90
4975	Arizona Home Foreclosures, LLC	5704 E Alhambra Dr	Scottsdale, 85254	\$ 118,900.00	\$ 150,000.00	79.27%	4/11/2014	10/11/2014	5/11/2014	\$ 59.45	6	\$ 356.70	\$ 119,256.70
4976	Arizona Home Foreclosures, LLC	32052 W Memorial Dr	Phoenix, 85066	\$ 159,000.00	\$ 180,000.00	88.33%	4/11/2014	10/11/2014	5/11/2014	\$ 76.60	6	\$ 459.60	\$ 155,659.60
4977	Arizona Home Foreclosures, LLC	12399 W Roberts Ln	Peoria, 85383	\$ 185,200.00	\$ 230,000.00	80.96%	4/11/2014	10/11/2014	5/11/2014	\$ 93.10	6	\$ 558.60	\$ 186,758.60
4978	Arizona Home Foreclosures, LLC	29321 N Casa Tomita Ct	Peoria, 85016	\$ 94,800.00	\$ 125,000.00	75.84%	4/11/2014	10/11/2014	5/11/2014	\$ 47.40	6	\$ 284.40	\$ 95,084.40
4979	Arizona Home Foreclosures, LLC	10237 W Westlund Dr	Peoria, 85383	\$ 378,500.00	\$ 474,000.00	79.85%	4/14/2014	10/14/2014	5/14/2014	\$ 189.25	3	\$ 567.75	\$ 379,067.75
4980	Arizona Home Foreclosures, LLC	7352 E Drummer Ave	Mesa, 85208	\$ 140,100.00	\$ 180,000.00	77.83%	4/14/2014	10/14/2014	5/14/2014	\$ 70.05	3	\$ 210.15	\$ 140,310.15
4981	Arizona Home Foreclosures, LLC	8832 W Lawrence Ln	Goodyear, 85345	\$ 113,000.00	\$ 150,000.00	75.33%	4/14/2014	10/14/2014	5/14/2014	\$ 56.50	3	\$ 169.50	\$ 113,169.50
4982	Arizona Home Foreclosures, LLC	3208 S 162nd Lane	Goodyear, 85338	\$ 115,800.00	\$ 145,000.00	79.86%	4/14/2014	10/14/2014	5/14/2014	\$ 57.80	3	\$ 173.00	\$ 115,973.00
4983	Arizona Home Foreclosures, LLC	10364 W Atlanta Way	Tolleson, 85353	\$ 153,000.00	\$ 195,000.00	82.70%	4/14/2014	10/14/2014	5/14/2014	\$ 76.50	3	\$ 229.50	\$ 153,229.50
4984	Arizona Home Foreclosures, LLC	43306 W Windsor Dr	Phoenix, 85048	\$ 225,400.00	\$ 275,000.00	81.96%	4/15/2014	10/15/2014	5/15/2014	\$ 112.70	2	\$ 225.40	\$ 125,625.40
4985	Arizona Home Foreclosures, LLC	1149 W Shinn Dr	Gilbert, 85233	\$ 289,600.00	\$ 345,000.00	83.94%	4/15/2014	10/15/2014	5/15/2014	\$ 144.80	2	\$ 289.60	\$ 289,889.60
4986	Arizona Home Foreclosures, LLC	37456 S 62nd Ave	Phoenix, 85044	\$ 315,000.00	\$ 390,000.00	80.77%	4/15/2014	10/15/2014	5/15/2014	\$ 157.50	2	\$ 315.00	\$ 315,315.00
4987	Arizona Home Foreclosures, LLC	1149 W Shinn Dr	Gilbert, 85233	\$ 289,600.00	\$ 345,000.00	83.94%	4/15/2014	10/15/2014	5/15/2014	\$ 144.80	2	\$ 289.60	\$ 289,889.60
4988	Arizona Home Foreclosures, LLC	1149 W Shinn Dr	Gilbert, 85233	\$ 289,600.00	\$ 345,000.00	83.94%	4/15/2014	10/15/2014	5/15/2014	\$ 144.80	2	\$ 289.60	\$ 289,889.60
4989	Arizona Home Foreclosures, LLC	1149 W Shinn Dr	Gilbert, 85233	\$ 289,600.00	\$ 345,000.00	83.94%	4/15/2014	10/15/2014	5/15/2014	\$ 144.80	2	\$ 289.60	\$ 289,889.60
4990	Arizona Home Foreclosures, LLC	1149 W Shinn Dr	Gilbert, 85233	\$ 289,600.00	\$ 345,000.00	83.94%	4/15/2014	10/15/2014	5/15/2014	\$ 144.80	2	\$ 289.60	\$ 289,889.60
4991	Arizona Home Foreclosures, LLC	1149 W Shinn Dr	Gilbert, 85233	\$ 289,600.00	\$ 345,000.00	83.94%	4/15/2014	10/15/2014	5/15/2014	\$ 144.80	2	\$ 289.60	\$ 289,889.60
4992	Arizona Home Foreclosures, LLC	1149 W Shinn Dr	Gilbert, 85233	\$ 289,600.00	\$ 345,000.00	83.94%	4/15/2014	10/15/2014	5/15/2014	\$ 144.80	2	\$ 289.60	\$ 289,889.60
4993	Arizona Home Foreclosures, LLC	1149 W Shinn Dr	Gilbert, 85233	\$ 289,600.00	\$ 345,000.00	83.94%	4/15/2014	10/15/2014	5/15/2014	\$ 144.80	2	\$ 289.60	\$ 289,889.60
4994	Arizona Home Foreclosures, LLC	1149 W Shinn Dr	Gilbert, 85233	\$ 289,600.00	\$ 345,000.00	83.94%	4/15/2014	10/15/2014	5/15/2014	\$ 144.80	2	\$ 289.60	\$ 289,889.60
4995	Arizona Home Foreclosures, LLC	1149 W Shinn Dr	Gilbert, 85233	\$ 289,600.00	\$ 345,000.00	83.94%	4/15/2014	10/15/2014	5/15/2014	\$ 144.80	2	\$ 289.60	\$ 289,889.60
4996	Arizona Home Foreclosures, LLC	1149 W Shinn Dr	Gilbert, 85233	\$ 289,600.00	\$ 345,000.00	83.94%	4/15/2014	10/15/2014	5/15/2014	\$ 144.80	2	\$ 289.60	\$ 289,889.60
4997	Arizona Home Foreclosures, LLC	1149 W Shinn Dr	Gilbert, 85233	\$ 289,600.00	\$ 345,000.00	83.94%	4/15/2014	10/15/2014	5/15/2014	\$ 144.80	2	\$ 289.60	\$ 289,889.60
4998	Arizona Home Foreclosures, LLC	1149 W Shinn Dr	Gilbert, 85233	\$ 289,600.00	\$ 345,000.00	83.94%	4/15/2014	10/15/2014	5/15/2014	\$ 144.80	2	\$ 289.60	\$ 289,889.60
4999	Arizona Home Foreclosures, LLC	1149 W Shinn Dr	Gilbert, 85233	\$ 289,600.00	\$ 345,000.00	83.94%	4/15/2014	10/15/2014	5/15/2014	\$ 144.80	2	\$ 289.60	\$ 289,889.60
5000	Arizona Home Foreclosures, LLC	1149 W Shinn Dr	Gilbert, 85233	\$ 289,600.00	\$ 345,000.00	83.94%	4/15/2014	10/15/2014	5/15/2014	\$ 144.80	2	\$ 289.60	\$ 289,889.60

ACKNOWLEDGMENTS

STATE OF ARIZONA     )  
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COUNTY OF MARICOPA )

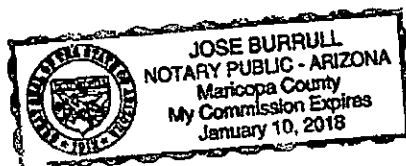
On this 16<sup>th</sup> day of April, 2014, before me appeared Yomotov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he is the manager of ARIZONA HOME FORECLOSURES, LLC, an Arizona limited liability company (the "Company"), and said Yomotov "Scott" Menaged acknowledged to me that the Company is named as both AHF and a Borrower in the foregoing instrument and that as the manager of the Company, he did execute the foregoing instrument, for and on behalf of the Company, and that he did so as his and the Company's free act and deed.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

  
\_\_\_\_\_  
Notary Public

My Commission Expires:

01-10-2018



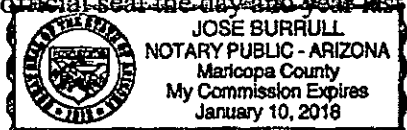
{Acknowledgments for Forbearance Agreement - AHF}

## ACKNOWLEDGMENTS

STATE OF ARIZONA     )  
                                      ) SS  
COUNTY OF MARICOPA   )

On this 10<sup>th</sup> day of APRIL, 2014, before me appeared Yomotov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he is the manager of EASY INVESTMENTS, LLC, an Arizona limited liability company (the "**Company**"), and said Yomotov "Scott" Menaged acknowledged to me that the Company is named as both EI and a Borrower in the foregoing instrument and that as the manager of the Company, he did execute the foregoing instrument, for and on behalf of the Company, and that he did so as his and the Company's free act and deed.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.



  
\_\_\_\_\_  
Notary Public

My Commission Expires:

01-10-2018

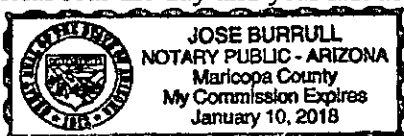
{Acknowledgments for Forbearance Agreement - EI}

ACKNOWLEDGMENTS

STATE OF ARIZONA     )  
                                  ) SS  
COUNTY OF MARICOPA )

On this 16<sup>th</sup> day of APRIL, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, and said Yomotov "Scott" Menaged acknowledged to me that he is named as the Guarantor in the foregoing instrument and that he did execute the foregoing instrument and that he did so as his free act and deed.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.



  
\_\_\_\_\_  
Notary Public

My Commission Expires:

01-10-2018

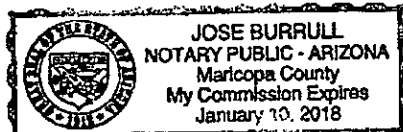
{Acknowledgments for Forbearance Agreement - Menaged}

ACKNOWLEDGMENTS

STATE OF ARIZONA       )  
                                      ) SS  
COUNTY OF MARICOPA   )

On this 16<sup>th</sup> day of APRIL, 2014, before me appeared Yomotov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he is the manager of FURNITURE KING, LLC, an Arizona limited liability company (the "Company"), and said Yomotov "Scott" Menaged acknowledged to me that the Company is named as the New Guarantor in the foregoing instrument and that as the manager of the Company, he did execute the foregoing instrument, for and on behalf of the Company, and that he did so as his and the Company's free act and deed.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.



My Commission Expires:

01-10-2018 2018

  
\_\_\_\_\_  
Notary Public

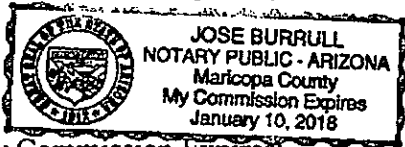
{Acknowledgments for Forbearance Agreement - Furniture King}

ACKNOWLEDGMENTS

STATE OF ARIZONA       )  
                                      ) SS  
COUNTY OF MARICOPA   )

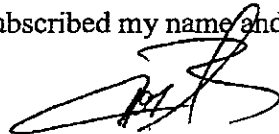
On this 16<sup>th</sup> day of APRIL, 2014, before me appeared Denny Chittick, to me personally known, who being by me duly sworn, did say that he is the President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, (the "Corporation"), and said Denny Chittick acknowledged to me that the Corporation is named as the Lender in the foregoing instrument and that as the President of the Corporation, he did execute the foregoing instrument, for and on behalf of the Corporation, and that he did so as his and the Corporation's free act and deed.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.



My Commission Expires:

01-10-2018

  
\_\_\_\_\_  
Notary Public

{Acknowledgments for Forbearance Agreement - DenSco}



## GUARANTY AGREEMENT

**THIS GUARANTY AGREEMENT** (this "Guaranty") is made as of April 16, 2014, by Yomtov "Scott" Menaged ( "Menaged" or "Guarantor"), an individual whose address is 10510 East Sunnyside Drive, Scottsdale, Arizona 85259, in favor of DenSco Investment Corporation, an Arizona corporation (together with its successor and assigns, "Lender"), having an address at 6132 W. Victoria Place, Chandler, Arizona 85226.

### Recitals

The following recitals are a material part of this Guaranty:

A. Arizona Home Foreclosures, LLC, an Arizona limited liability company ("AHF"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308 and Easy Investments, LLC, an Arizona limited liability company ("EI"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308 (AHF and EI are hereinafter referred to, individually and collectively, as the context may require, as "Borrower") are indebted to Lender under the terms of certain Loans (individually a "Loan" and collectively, the "Loans"), which are listed on the attached Exhibit A (as may be subsequently amended as additional real properties are added as collateral for the Loans), which is incorporated into this Agreement by this reference. Guarantor is or was the owner of each Borrower, and Guarantor did have and continues to have a significant financial interest in Lender making the Loans (and loaning additional funds), and has and will continue to realize significant financial benefit from the existing and additional Loans. Each Loan is evidenced by (or will be evidenced by) a certain Note Secured by Deed of Trust or other similar promissory notes, executed by Borrower in favor of Lender (individually a "Note" and collectively, the "Notes") and by a Mortgage (or a "Receipt and Mortgage") (collectively, the "Mortgages"), and are each secured in part by one or more Deeds of Trust and Assignment of Rents, deeds of trust, deeds to secure debt, or similar documents (individually and collectively, the "Security Instruments") encumbering Borrower's interest in the respective real properties described therein (individually a "Property" and collectively, the "Properties") and referenced in Exhibit A (as may be subsequently amended as additional real properties are added as collateral for the Loans). The Notes, Mortgages, Security Instruments, and the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "Loans Documents" or individually as a "Loan Document". The Loan Documents are hereby incorporated by this reference as if fully set forth in this Guaranty.

B. The Loans are now in Default (as defined in the respective Notes) and Lender has provided Borrower with any and all notice required under each of the Loans Documents concerning such Default.

C. Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, subject to the terms of a Forbearance Agreement of even date, by and between the Borrower, Guarantor, Furniture King, LLC, an Arizona limited

liability Company, whose address is 303 N. Central Avenue, Suite 603, Phoenix, Arizona 85012 ("Furniture King") and Lender (the "Forbearance Agreement").

D. Pursuant to the Forbearance Agreement, Lender agreed to loan additional funds in an amount up to Five Million Dollars (\$5,000,000) to Borrower, Guarantor, and Furniture King, jointly and severally (the "Additional Funds Loan"), which is evidenced by that certain Secured Line of Credit Promissory Note (the "Additional Funds Note").

E. Pursuant to the Forbearance Agreement, Lender agreed to loan additional funds in an amount up to One Million Dollars (\$1,000,000) to Borrower and Guarantor, jointly and severally (the "Additional Loan"), which is evidenced by that certain Secured Line of Credit Promissory Note (the "Additional Note"). Furniture King has personally guaranteed the Additional Loan under a separate Guaranty Agreement. (For purposes of this Guaranty, the Additional Funds Note, and the Additional Note shall be included in the definition of the "Notes." Further, the Forbearance Agreement, the Additional Funds Note, and the Additional Note, the Deed of Trust Security Agreement and other documents executed in connection with the Forbearance Agreement shall be included in the definition of the "Loan Documents.")

F. Lender has required that Guarantor guaranty to Lender the payment of the Liabilities (as such term is defined in Section 2.1 hereof).

G. Absent this Guaranty, Lender is unwilling to agree to the terms of the Forbearance Agreement, loan the additional funds to Borrower pursuant to the Additional Funds Loan, and the Additional Loan, and/or to loan any other additional funds to the Borrower, pursuant to the terms of the Loan Documents.

### Agreement

In consideration of Lender's agreement to the terms of the Forbearance Agreement and agreement to loan additional funds to the Borrower, pursuant to the terms of the Loan Documents, the Additional Funds Note, the Additional Note, and the Forbearance Agreement, and other good and valuable consideration, the receipt and legal sufficiency of which is hereby acknowledged, Guarantor hereby states and agrees as follows:

1. **Requests of Guarantor.** Guarantor hereby requests that Lender agree to the terms of the Forbearance Agreement, and further, that Lender extend additional credit and give financial accommodations to Borrower, pursuant to the terms of the Loan Documents, as Borrower may desire and as Lender may grant, from time to time, whether to the Borrower alone or to the Borrower and others, and specifically to extend the additional credit in the form of the Additional Funds Loan and Additional Loan.

2. **Guaranty of Liabilities.**

2.1 Guarantor hereby absolutely and unconditionally guarantees full and punctual payment and performance when due of the following (collectively, the "Liabilities"):

(a) (i) all payments due under each of the Notes, including the repayment of all additional advances of any kind that may be made by Lender to

Borrower, whether at stated maturity, by acceleration or otherwise, (ii) any and all renewals or extensions of any such item of indebtedness or obligation or any part thereof; (iii) all obligations and indebtedness of any kind or nature arising under any of the Loan Documents; (iv) any future advances that may be made by Lender related to a Loan, or a Property, whether made to protect the security or otherwise, and whether or not evidenced by additional promissory notes or other evidences of indebtedness; (v) all interest due on all of the same; (vi) all expenses, including attorney's fees, incurred by Lender in connection with the enforcement of Lender's rights under this Guaranty and all Administration and Enforcement Expenses.

(b) all amounts that shall become due and owing to Lender at any time by virtue of or arising out of any of the acts, omissions, circumstances or conditions referenced in any of the Notes, Loans, Forbearance Agreement or other Loan Documents (collectively, the "**Financial Obligations**"), including all renewals or extensions of any amount owing or obligation under the Financial Obligations, all liability under the Financial Obligations whether arising under any of the original Loans, or any extension, modification, future advance, increase, amendment or modification thereof, interest due on amounts owing under the Financial Obligations at the applicable Default Interest or other default rates specified in the respective Note(s), all expenses, including attorneys' fees, incurred by Lender in connection with the enforcement of any of Lender's rights under this Guaranty and all Administration and Enforcement Expenses (as hereinafter defined), to the extent the same relate to amounts or obligations owing under the Financial Obligations. As used herein, the term "Financial Obligations" includes any loss, damage, cost, expense or liability incurred by Lender (including attorneys' fees and expenses and other collection and litigation expenses) arising out of or in connection with any of the following:

(i) fraud or willful misrepresentation by Borrower or any of its affiliates or Guarantor or any agent, employee or other person with actual or apparent authority to make statements or representations on behalf of Borrower, any affiliate of Borrower or Guarantor in connection with any of the Loans ("apparent authority" meaning such authority as the principal knowingly or negligently permits the agent to assume, or which he holds the agent out as possessing);

(ii) the gross negligence or willful misconduct of Borrower or Guarantor, or any affiliate, agent, or employee of the foregoing;

(iii) material physical waste of any of the Properties;

(iv) the removal or disposal of any structure locate any of the Properties in violation of the terms of the Loan Documents;

(v) the misapplication, misappropriation, or conversion by Borrower, any of its affiliates or Guarantor of (A) any insurance proceeds paid by reason of any loss, damage or destruction to a Property, (B) any awards received in connection with a condemnation of all or a portion of a Property, (C) any Rents or

other Property income or collateral proceeds, or (D) any Rents paid more than one month in advance (including security deposits);

(vi) following the occurrence of an event of default, the failure to either apply rents or other Property income, whether collected before or after such event of default, to the ordinary, customary, and necessary expenses of operating the subject Property or, upon demand, to deliver such rents or other Property income to Lender;

(vii) failure to maintain insurance or to pay taxes and assessments, or to pay charges for labor or materials or other charges or judgments that can create liens on any portion of a Property;

(viii) any security deposits, advance deposits or any other deposits collected with respect to a Property which are not delivered to Lender upon a foreclosure of the subject Property or action in lieu thereof, except to the extent any such security deposits were applied in accordance with the terms and conditions of any of the leases prior to the occurrence of the event of default that gave rise to such foreclosure or action in lieu thereof; or

(x) any failure by Borrower to comply with any of the representations, warranties, or covenants set forth in any of the Loan Documents.

2.2 Upon the request of Lender, Guarantor shall immediately pay or perform the Liabilities when they or any of them become due or are to be paid or performed under the term of any of the Loan Documents. Any amounts received by Lender from any sources and applied by Lender towards the payment of the Liabilities shall be applied in such order of application as Lender may from time to time elect. All Liabilities shall conclusively be presumed to have been created, extended, contracted, or incurred by Lender in reliance upon this Guaranty and all dealings between Borrower and Lender shall likewise be presumed to be in reliance upon this Guaranty.

2.3 For the purpose of this Guaranty, "**Administration and Enforcement Expenses**" shall mean all fees and expenses incurred at any time or from time to time by Lender, including legal (whether for the purpose of advice, negotiation, documentation, defense, enforcement or otherwise), accounting, financial advisory, auditing, appraisal, valuation, title or title insurance, engineering, environmental, collection agency, or other expert or consulting or similar services, in connection with: (a) the Forbearance Agreement, including the negotiations and preparations of the same, (b) this Guaranty, including the negotiations and preparations of the same, (c) the Loan Documents and any amendments or modifications of a Loan or any of the Loan Documents, whether or not consummated; (d) the administration, servicing or enforcement of a Loan or any of the Loan Documents, including any request for interpretation or modification of the Loan Documents or any matter related to a Loan or the servicing thereof (which shall include the consideration of any requests for consents, waivers, modifications, approvals, lease reviews or similar matters and any proposed transfer of any Property or any interest therein), (e) any litigation, contest, dispute, suit, arbitration, mediation, proceeding or action (whether instituted by or against Lender, including actions brought by or on behalf of Borrower or

Borrower's bankruptcy estate or any indemnitor or guarantor of a Loan or any other person) in any way relating to a Loan or the Loan Documents including in connection with any bankruptcy, reorganization, insolvency; or receivership proceeding; (f) any attempt to enforce any rights of Lender against Borrower or any other person that may be obligated to Lender by virtue of any Loan Document or otherwise whether or not litigation is commenced in pursuance of such rights; and (g) protection, enforcement against, or liquidation of a Property or any other collateral for a Loan, including any attempt to inspect, verify, preserve, restore, collect, sell, liquidate or otherwise dispose of or realize upon a Loan, the subject Property or any other collateral for a Loan.

3. **Additional Advances, Renewals, Extensions and Releases.** Guarantor hereby agrees and consents that, without notice to or further consent by Guarantor, Lender may make additional advances with respect to any of the Loans or any of the Properties, and the obligations of Borrower or any other party in connection with the applicable Loan may be renewed, extended, modified, accelerated or released by Lender as Lender may deem advisable, and any collateral the Lender may hold or in which the Lender may have an interest may be exchanged, sold, released or surrendered by it, as it may deem advisable, without impairing or affecting the obligations of Guarantor hereunder in any way whatsoever.

4. **Waivers.**

4.1 Guarantor hereby waives each of the following: (a) any and all notice of the acceptance of this Guaranty or of the creation, renewal or accrual of any Liabilities or the debt related to and/or stemming from the Notes, present or future (including any additional advances made by Lender under any of the Loan Documents) (the "Debt"); (b) the reliance of Lender upon this Guaranty; (c) notice of the existence or creation of any Loan Document or of any of the Liabilities or the Debt; (d) protest, presentment, demand for payment, notice of default or nonpayment, notice of dishonor to or upon Guarantor, Borrower or any other party liable for any of the Liabilities or the Debt; (e) any and all other notices or formalities to which Guarantor may otherwise be entitled, including notice of Lender's granting the Borrower any indulgences or extensions of time on the payment of any Liabilities or the Debt; and (f) promptness in making any claim or demand hereunder.

4.2 No delay or failure on the part of Lender in the exercise of any right or remedy against either Borrower or Guarantor shall operate as a waiver thereof, and no single or partial exercise by Lender of any right or remedy herein shall preclude other or further exercise thereof or of any other right or remedy whether contained herein or in a Note, or any of the other Loan Documents. No action of Lender permitted hereunder shall in any way impair or affect this Guaranty.

4.3 Guarantor acknowledges and agrees that Guarantor shall be and remain absolutely and unconditionally liable for the full amount of all Liabilities notwithstanding any of the following, and Guarantor waives any defense or counterclaims to which Guarantor may be entitled, based upon any of the following, in any proceeding (without prejudice to assert the same in a separate cause of action at a later time):

(a) Any or all of the Liabilities being or hereafter becoming invalid or otherwise unenforceable for any reason whatsoever or being or hereafter becoming released or discharged, in whole or in part, whether pursuant to a proceeding under any bankruptcy or insolvency laws or otherwise; or

(b) Lender failing or delaying to properly perfect or continue the perfection of any security interest or lien on any property which secures any of the Liabilities, or to protect the property covered by such security interest or enforce its rights respecting such property or security interest; or

(c) Lender failing to give notice of any disposition of any property serving as collateral for any Liabilities or failing to dispose of such collateral in a commercially reasonable manner; or

(d) Any other circumstance that might otherwise constitute a defense other than payment in full of the Liabilities.

5. **Guaranty of Payment.** Guarantor agrees that Guarantor's liability hereunder is primary, absolute and unconditional without regard to the liability of any other party. This Guaranty shall be construed as an absolute, irrevocable and unconditional guaranty of payment and performance (and not a guaranty of collection), without regard to the validity, regularity or enforceability of any of the Liabilities.

6. **Guaranty Effective Regardless of Collateral.** This Guaranty is made and shall continue as to any and all Liabilities without regard to any liens or security interests in any collateral, the validity, effectiveness or enforceability of such liens or security interests, or the existence or validity of any other guaranties or rights of Lender against any other obligors. Any and all such collateral, security, guaranties and rights against other obligors, if any, may from time to time without notice to or consent of Guarantor, be granted, sold, released, surrendered, exchanged, settled, compromised, waived, subordinated or modified, with or without consideration, on such terms or conditions as may be acceptable to Lender, without in any manner affecting or impairing the liabilities of Guarantor. Without limiting the generality of the foregoing, it is acknowledged that Guarantor's liability hereunder shall survive any foreclosure proceeding, any foreclosure sale, any delivery of a deed in lieu of foreclosure, and any release of record of any of the Security Instruments.

7. **Additional Credit.** Credit or financial accommodation may be granted or continued from time to time by Lender to Borrower regardless of Borrower's financial or other condition at the time of any such grant or continuation, without notice to or the consent of Guarantor and without affecting Guarantor's obligations hereunder. Lender shall have no obligation to disclose or discuss with Guarantor its assessment of the financial condition of Borrower.

8. **Rescission of Payments.** If at any time payment of any of the Liabilities or any part thereof is rescinded or must otherwise be restored or returned by Lender upon the insolvency, bankruptcy or reorganization of Borrower or under any other circumstances whatsoever, this Guaranty shall, upon such rescission, restoration or return, continue to be

effective or shall (if previously terminated) be reinstated, as the case may be, as if such payment had not been made.

9. **Additional Waivers.** So long as any portion of the Liabilities or Debt remains unpaid or any portion of the Liabilities or Debt (or any security therefor) that has been paid to Lender remains subject to invalidation, reversal or avoidance as a preference, fraudulent transfer or for any other reason whatsoever (whether under bankruptcy or non-bankruptcy law) to being set aside or required to be repaid to Borrower as a debtor in possession or to any trustee in bankruptcy, Guarantor irrevocably waives (a) any rights which it may acquire against Borrower by way of subrogation under this Guaranty or by virtue of any payment made hereunder (whether contractual, under the Bankruptcy Code or similar state or federal statute, under common law, or otherwise), (b) all contractual, common law, statutory or other rights of reimbursement, contribution, exoneration or indemnity (or any similar right) from or against Borrower that may have arisen in connection with this Guaranty, (c) any right to participate in any way in any of the Loan Documents or in the right, title and interest in any collateral securing the payment of Borrower's obligations to Lender, and (d) all rights, remedies and claims relating to any of the foregoing. If any amount is paid to Guarantor on account of subrogation rights or otherwise, such amount shall be held in trust for its benefit and shall forthwith be paid to Lender to be applied to the Debt, whether matured or unmatured, in such order as Lender shall determine.

10. **Independent Obligations.** The obligations of Guarantor are independent of the obligations of Borrower, and a separate action or actions for payment, damages or performance may be brought and prosecuted against Guarantor, whether or not an action is brought against Borrower or the security for Borrower's obligations, and whether or not Borrower is joined in any such action or actions. Guarantor expressly waives any requirement that Lender institute suit against Borrower or any other persons, or exercise or exhaust its remedies or rights against Borrower or against any other person, other guarantor, or other collateral securing all or any part of the Liabilities, prior to enforcing any rights Lender has under this Guaranty or otherwise. Lender may pursue all or any such remedies at one or more different times without in any way impairing its rights or remedies hereunder. Guarantor hereby further waives the benefit of any statute of limitations affecting its liability hereunder or the enforcement hereof. If there shall be more than one guarantor with respect to any of the Liabilities, then the obligations of each such guarantor shall be joint and several.

11. **Subordination of Indebtedness of Borrower to Guarantor.** Any indebtedness of Borrower to Guarantor now or hereafter existing is hereby subordinated to the prior payment in full of the Liabilities. Guarantor agrees that until all of Borrower's obligations detailed in the Forbearance Agreement have been fully satisfied, Guarantor will not seek, accept or retain for Guarantor's own account, any payment (whether for principal, interest, or otherwise) from Borrower for or on account of such subordinated debt. Following the occurrence and during the continuance of an event of default of the Forbearance Agreement, any payments to Guarantor on account of such subordinated debt shall be collected and received by Guarantor in trust for Lender and shall be paid over to Lender on account of the Liabilities or Debt, as Lender determines in its discretion, without impairing or releasing the obligations of Guarantor hereunder. Guarantor hereby unconditionally and irrevocably agrees that (a) Guarantor will not at any time while the Liabilities remain unpaid, assert against Borrower (or Borrower's estate in

the event that Borrower becomes the subject of any case or proceeding under any federal or state bankruptcy or insolvency laws) any right or claim to indemnification, reimbursement, contribution or payment for or with respect to any and all amounts Guarantor may pay or be obligated to pay Lender, including the Liabilities, and any and all obligations which Guarantor may perform, satisfy or discharge, under or with respect to the Guaranty, and (b) Guarantor subordinates to the Debt all such rights and claims to indemnification, reimbursement, contribution or payment that Guarantor may have now or at any time against Borrower (or Borrower's estate in the event that Borrower becomes the subject of any case or proceeding under any federal or state bankruptcy or insolvency laws).

12. **Claims in Bankruptcy.** Guarantor shall file all claims against Borrower in any bankruptcy or other proceeding in which the filing of claims is required by law upon any indebtedness of Borrower to Guarantor and will assign to Lender all right of Guarantor thereunder. Guarantor hereby irrevocably appoints Lender its attorney-in-fact, which appointment is coupled with an interest, to file any such claim that Guarantor may fail to file, in the name of Guarantor or, in Lender's discretion, to assign the claim and to cause proof of claim to be filed in the name of Lender's nominee. In all such cases, whether in administration, bankruptcy or otherwise, the person or persons authorized to pay such claim shall pay to Lender the full amount thereof and, to the full extent necessary for that purpose, Guarantor hereby assigns to Lender all of Guarantor's rights to any such payments or distributions to which Guarantor would otherwise be entitled.

13. **Guarantor's Representations and Warranties.** Guarantor represents, warrants and covenants to and with Lender that:

13.1 There is no action or proceeding pending or, to the knowledge of Guarantor, threatened against Guarantor before any court or administrative agency which might result in any material adverse change in the business or financial condition of Guarantor or in the property of Guarantor;

13.2 Guarantor has filed all Federal and state income tax returns which Guarantor has been required to file, and has paid all taxes as shown on said returns and on all assessments received by Guarantor to the extent that such taxes have become due;

13.3 Neither the execution nor delivery of this Guaranty nor fulfillment of nor compliance with the terms and provisions hereof will conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, or result in the creation of any lien, charge or encumbrance upon any property or assets of Guarantor under any agreement or instrument to which Guarantor is now a party or by which Guarantor may be bound;

13.4 This Guaranty is a valid and legally binding agreement of Guarantor and is enforceable against Guarantor in accordance with its terms;

13.5 Guarantor has either (i) examined the Loan Documents or (ii) has had an opportunity to examine the Loan Documents and has waived the right to examine them;

13.6 Guarantor has the full power, authority, and legal right to execute and deliver this Guaranty; and



13.7 Guarantor acknowledges that Guarantor was advised to and was given the opportunity to consult with independent counsel before executing this Guaranty.

14. **Notice of Litigation.** Guarantor shall promptly give Lender notice of all litigation or proceedings before any court or governmental authority affecting Guarantor or its property, except litigation or proceedings which, if adversely determined, would not have a material adverse effect on the financial condition or operations of Guarantor or its ability to perform any of its obligations hereunder.

15. **Access to Records.** Guarantor shall give Lender and its representatives access to, and permit Lender and such representatives to examine, copy or make extracts from, any and all books, records and documents in the possession of Guarantor relating to the performance of Guarantor's obligations hereunder and under any of the Loan Documents, all at such times and as often as Lender may reasonably request.

16. **Assignment by Lender.** In connection with any sale, assignment or transfer of a Loan, Lender may sell, assign or transfer this Guaranty and all or any of its rights, privileges, interests and remedies hereunder to any other person or entity whatsoever without notice to or consent by Guarantor, and in such event the assignee shall be entitled to the benefits of this Guaranty and to exercise all rights, interests and remedies as fully as Lender.

17. **Termination.** This Guaranty shall terminate only when all of the Liabilities and the Debt have been paid in full, including all interest thereon, late charges and other charges and fees included within the Liabilities and the Debt. When all of the conditions described above have been fully met, Lender will, upon request, furnish to Guarantor a written cancellation of this Guaranty.

18. **Notices.** All notices, consents, approvals and requests required or permitted hereunder shall be given in writing and shall be effective for all purposes if hand delivered or sent by (a) certified or registered United States mail, postage prepaid, return receipt requested or (b) expedited prepaid delivery service, either commercial or United States Postal Service, with proof of attempted delivery, or (c) by email addressed as follows (or at such other address and person as shall be designated from time to time by any party hereto, as the case may be, in a written notice to the other parties hereto in the manner provided for in this Section):

If to Lender:

DenSco Investment Corporation  
6132 W. Victoria Place  
Chandler, Arizona 85226  
Attention: Denny Chittick  
Email: dcmoney@yahoo.com

If to Menaged:

Scott Menaged  
7320 West Bell Road  
Glendale, Arizona 85308  
Email: smena98754@aol.com

A notice shall be deemed to have been given: (i) in the case of hand delivery, at the time of delivery; in the case of registered or certified mail, when delivered or the first attempted delivery on a business day; or (ii) in the case of expedited prepaid delivery, upon the first attempted delivery on a business day; or (ii) in the case of email, the earlier of sender's receipt of a machine-generated confirmation/receipt of a successful delivery of the message or that the message was read, or sender's receipt of a response from the recipient regarding the email, such as a reply or a separate email which references the notice.

**19. Waiver of Jury Trial. TO THE FULLEST EXTENT NOW OR HEREAFTER PERMITTED BY APPLICABLE LAW, GUARANTOR HEREBY AGREES NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THIS GUARANTY, ANY OF THE NOTES, ANY OF THE SECURITY INSTRUMENTS OR ANY OF THE OTHER LOAN DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY GUARANTOR, AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH RIGHT TO TRIAL BY JURY WOULD OTHERWISE ACCRUE. LENDER IS HEREBY AUTHORIZED TO FILE A COPY OF THIS SECTION IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER BY GUARANTOR.**

**20. Miscellaneous.** This Guaranty shall be a continuing guaranty. This Guaranty shall bind the heirs, successors and assigns of Guarantor (except that Guarantor may not assign his, her, or its liabilities under this Guaranty without the prior written consent of Lender, which consent Lender may in its discretion withhold), and shall inure to the benefit of Lender, its successors, transferees and assigns. Each provision of this Guaranty shall be interpreted in such manner as to be effective and valid under applicable law. Neither this Guaranty nor any of the terms hereof, including the provisions of this Section, may be terminated, amended, supplemented, waived or modified orally, but only by an instrument in writing executed by the party against which enforcement of the termination, amendment, supplement, waiver or modification is sought, and the parties hereby: (a) expressly agree that it shall not be reasonable for any of them to rely on any alleged, non-written amendment to this Guaranty; (b) irrevocably waive any and all right to enforce any alleged, non-written amendment to this Guaranty; and (c) expressly agree that it shall be beyond the scope of authority (apparent or otherwise) for any of their respective agents to agree to any non-written modification of this Guaranty. This Guaranty may be executed in several counterparts, each of which counterpart shall be deemed an original instrument and all of which together shall constitute a single Guaranty. The failure of any party hereto to execute this Guaranty, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder. As used in this Guaranty, (i) the terms "include," "including" and similar terms shall be construed as if followed by the phrase "without being limited to," (ii) any pronoun used herein shall be deemed to cover all genders, and words importing the singular number shall mean and include the plural number, and vice versa, (iii) all captions to the Sections hereof are used for convenience and reference only and in no way define, limit or describe the scope or intent of, or in any way affect, this Guaranty, (iv) no inference in favor of, or against, Lender or Guarantor shall be drawn from the fact that such party has drafted any

portion hereof or any other Loan Document, (v) the term "Borrower" shall mean individually and collectively, jointly and severally, each Borrower (if more than one) and shall include the successors (including any subsequent owner or owners of a Property or any part thereof or any interest therein and Borrower in its capacity as debtor-in-possession after the commencement of any bankruptcy proceeding), assigns, heirs, personal representatives, executors and administrators of Borrower, (vi) the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or," (vii) the words "hereof," "herein," "hereby," "hereunder," and similar terms in this Guaranty refer to this Guaranty as a whole and not to any particular provision or section of this Guaranty, and (viii) an event of default shall "continue" or be "continuing" until such event of default has been waived in writing by Lender or cured by Borrower, with such cure being accepted by Lender. Wherever Lender's judgment, consent, approval or discretion is required under this Guaranty or Lender shall have an option, election, or right of determination or any other power to decide any matter relating to the terms of this Guaranty, including any right to determine that something is satisfactory or not ("**Decision Power**"), such Decision Power shall be exercised in the sole and absolute discretion of Lender except as may be otherwise expressly and specifically provided herein. Such Decision Power and each other power granted to Lender upon this Guaranty or any other Loan Document may be exercised by Lender or by any authorized agent of Lender (including any servicer or attorney-in-fact), and Guarantor hereby expressly agrees to recognize the exercise of such Decision Power by such authorized agent. If any provision of this Guaranty is held invalid or unenforceable by final and unappealable judgment of the court having jurisdiction over the matter and persons, such provisions shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision, its application in other circumstances, or the remaining provisions of this Guaranty.

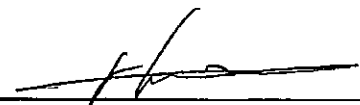
21. **Applicable Law; Jurisdiction and Venue.** This Guaranty shall be governed by and construed in accordance with the laws of jurisdiction in which the real property collateral for the subject Loan is located ("**Governing State**"). Guarantor hereby consents to personal jurisdiction in the Governing State. Venue of any action brought to enforce this Guaranty or any other Loan Document or any action relating to the subject Loan(s) or the relationships created by or under the subject Loan Documents ("**Action**") shall, at the election of Lender, be in (and if any Action is originally brought in another venue, the Action shall at the election of Lender be transferred to) a state or federal court of appropriate jurisdiction located in the Governing State. Guarantor hereby consents and submits to the personal jurisdiction of the Governing State and of federal courts located in the Governing State in connection with any Action and hereby waives any and all personal rights under the laws of any other state to object to jurisdiction within such State for purposes of any Action. Guarantor hereby waives and agrees not to assert, as a defense to any Action or a motion to transfer venue of any Action, (a) any claim that it is not subject to such jurisdiction, (b) any claim that any Action may not be brought against it or is not maintainable in those courts or that this Guaranty may not be enforced in or by those courts, or that it is exempt or immune from execution, (c) that the Action is brought in an inconvenient forum, or (d) that the venue for the Action is in any way improper.

22. **Severability.** Should any provisions of this Guaranty be found to be void, invalid or unenforceable by a court to competent jurisdiction, that finding shall only affect the provision found to be void, invalid or unenforceable and shall not affect the remaining provisions of this Guaranty.

23. To the maximum extent permitted by law, Guarantor unconditionally and irrevocably waives any rights or benefits arising under A.R.S. §§ 12-1556, 12-1641 through and including 12-1644, 12-1645, 12-1646, 33-814, 33-725, 33-727 and 44-142 and Ariz. R. Civ. P. 17(f) or such statutes, rules or similar provisions as may be enacted or adopted hereafter.

IN WITNESS WHEREOF, Guarantor has executed or caused this Guaranty to be executed as of the day and year first above written.

**GUARANTOR:**

  
\_\_\_\_\_  
Yomtov "Scott" Menaged, Individually

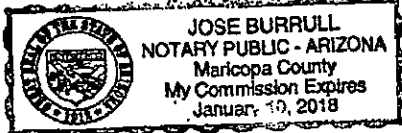
{Signature Page of Guaranty Agreement – Menaged}

ACKNOWLEDGMENTS

STATE OF ARIZONA       )  
                                      ) SS  
COUNTY OF MARICOPA   )

On this 16<sup>th</sup> day of April, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, and said Yomotov "Scott" Menaged acknowledged to me that he is named as the Guarantor in the foregoing instrument and that he did execute the foregoing instrument and that he did so as his free act and deed.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.



  
\_\_\_\_\_  
Notary Public

My Commission Expires:

01-10-2018

{Acknowledgements for Guaranty Agreement – Menaged}

**EXHIBIT A**

**LENDER LOANS AND ENCUMBERED PROPERTIES**







4637	Arizona Home Foreclosures, LLC	8742 W Pioneer St	Tollison, 85353	\$	100,000.00	\$	155,000.00	54.10%	10/11/2013	4/11/2014	12/11/2013	\$	50.00	157	\$	7,850.00	\$	107,850.00
4638	Arizona Home Foreclosures, LLC	3890 W Anderson Dr	Glenz, 85308	\$	150,000.00	\$	175,000.00	85.31%	10/22/2013	4/22/2014	12/22/2013	\$	75.00	146	\$	10,950.00	\$	160,950.00
4639	Arizona Home Foreclosures, LLC	3247 W Maldonado Dr	Phx, 85042	\$	165,000.00	\$	180,000.00	91.67%	10/23/2013	4/23/2014	12/23/2013	\$	82.50	145	\$	11,952.50	\$	176,952.50
4640	Arizona Home Foreclosures, LLC	635 S St Paul	Mesa, 85206	\$	180,000.00	\$	190,000.00	94.74%	10/25/2013	4/25/2014	12/25/2013	\$	90.00	143	\$	12,870.00	\$	192,870.00
4641	Arizona Home Foreclosures, LLC	2229 W Stead Rd	Phx, 85085	\$	305,000.00	\$	320,000.00	95.31%	10/30/2013	4/30/2014	12/30/2013	\$	152.50	138	\$	21,045.00	\$	326,045.00
4642	Arizona Home Foreclosures, LLC	9537 E Plana Ave	Mesa, 85212	\$	150,000.00	\$	165,000.00	90.91%	10/30/2013	4/30/2014	12/30/2013	\$	75.00	135	\$	10,350.00	\$	160,350.00
4643	Arizona Home Foreclosures, LLC	7090 W Pontiac Dr	Glenz, 85308	\$	140,000.00	\$	150,000.00	93.57%	11/1/2013	5/1/2014	12/1/2013	\$	70.00	163	\$	11,410.00	\$	151,410.00
4644	Arizona Home Foreclosures, LLC	14365 W Verde Ln	Goodyear, 85395	\$	150,000.00	\$	210,000.00	71.43%	11/13/2013	5/13/2014	12/13/2013	\$	75.00	155	\$	11,625.00	\$	161,625.00
4645	Arizona Home Foreclosures, LLC	25510 W Whymen St	Buckeye, 85326	\$	142,000.00	\$	150,000.00	94.67%	11/18/2013	5/18/2014	12/18/2013	\$	71.00	150	\$	10,650.00	\$	152,650.00
4646	Arizona Home Foreclosures, LLC	10836 E Arcadia Ave	Mesa, 85208	\$	135,000.00	\$	143,500.00	94.08%	11/21/2013	5/21/2014	12/21/2013	\$	67.50	147	\$	9,922.50	\$	144,922.50
4647	Arizona Home Foreclosures, LLC	23805 W Papago St	Buckeye, 85326	\$	150,000.00	\$	165,000.00	90.91%	12/1/2013	6/1/2014	1/1/2014	\$	75.00	135	\$	10,125.00	\$	160,125.00
4648	Arizona Home Foreclosures, LLC	1070 N Robins Way	Chandler, 85225	\$	158,000.00	\$	195,000.00	81.08%	12/12/2013	6/12/2014	1/12/2014	\$	79.05	135	\$	10,671.75	\$	168,771.75
4649	Arizona Home Foreclosures, LLC	28730 N Nobel Rd	Phx, 85085	\$	288,500.00	\$	315,000.00	86.24%	12/5/2013	6/5/2014	1/5/2014	\$	144.45	133	\$	19,211.85	\$	308,111.85
4650	Arizona Home Foreclosures, LLC	13033 W Columbine Dr	El Mirage, 85335	\$	125,000.00	\$	130,000.00	96.15%	12/11/2013	6/11/2014	1/11/2014	\$	62.50	127	\$	7,937.50	\$	132,937.50
4651	Arizona Home Foreclosures, LLC	10722 W Desert Blvd	Chandler, 85225	\$	158,000.00	\$	195,000.00	81.08%	12/12/2013	6/12/2014	1/12/2014	\$	79.05	135	\$	10,671.75	\$	168,771.75
4652	Arizona Home Foreclosures, LLC	3450 W Crocus Dr	Phx, 85053	\$	154,000.00	\$	200,000.00	77.00%	12/18/2013	6/18/2014	1/18/2014	\$	77.00	120	\$	9,440.00	\$	163,440.00
4653	Arizona Home Foreclosures, LLC	1119 E Porter Dr	Phx, 85024	\$	236,100.00	\$	289,000.00	81.70%	12/16/2013	6/16/2014	1/16/2014	\$	118.05	112	\$	13,721.60	\$	249,321.60
4654	Arizona Home Foreclosures, LLC	711 W Scott Dr	Chandler, 85225	\$	139,200.00	\$	180,000.00	77.33%	1/3/2014	7/3/2014	2/3/2014	\$	69.60	104	\$	7,238.40	\$	146,338.40
4655	Arizona Home Foreclosures, LLC	16550 W Taylor St	Goodyear, 85338	\$	111,000.00	\$	145,000.00	76.55%	1/10/2014	7/10/2014	2/10/2014	\$	55.50	97	\$	5,383.50	\$	116,383.50
4656	Arizona Home Foreclosures, LLC	1351 N Pleasant Dr #1175	Chandler, 85225	\$	87,800.00	\$	115,000.00	76.35%	2/6/2014	8/6/2014	3/6/2014	\$	43.90	70	\$	3,073.00	\$	90,873.00
4657	Arizona Home Foreclosures, LLC	4063 W Runtion Dr	Glenz, 85308	\$	168,100.00	\$	225,000.00	74.71%	2/21/2014	8/21/2014	3/21/2014	\$	84.05	49	\$	4,118.45	\$	172,218.45
4658	Arizona Home Foreclosures, LLC	12786 W Passero Dr	Peoria, 85383	\$	176,500.00	\$	225,000.00	78.44%	3/6/2014	9/6/2014	4/6/2014	\$	88.25	42	\$	3,706.50	\$	180,206.50
4659	Arizona Home Foreclosures, LLC	8739 N 182nd Ln	Waddell, 85355	\$	170,000.00	\$	215,000.00	79.07%	3/13/2014	9/13/2014	4/13/2014	\$	85.00	35	\$	2,975.00	\$	172,975.00
4660	Arizona Home Foreclosures, LLC	7171 W North Ln	Peoria, 85345	\$	143,789.00	\$	195,000.00	73.74%	3/19/2014	9/19/2014	4/19/2014	\$	71.89	29	\$	2,084.94	\$	145,873.94
4661	Arizona Home Foreclosures, LLC	3426 W Mizzou Ave	Phx, 85013	\$	144,101.00	\$	220,000.00	65.50%	3/28/2014	9/28/2014	4/28/2014	\$	72.05	22	\$	1,533.11	\$	145,666.11
4662	Arizona Home Foreclosures, LLC	10222 N 54th Drive	Glenz, 85302	\$	136,000.00	\$	185,000.00	73.51%	4/1/2014	10/1/2014	5/1/2014	\$	68.00	16	\$	1,088.00	\$	137,088.00
4663	Arizona Home Foreclosures, LLC	2219 W Burbank Home Rd	Phx, 85015	\$	102,600.00	\$	140,000.00	73.29%	4/9/2014	10/9/2014	5/9/2014	\$	51.80	14	\$	718.20	\$	103,318.20
4664	Arizona Home Foreclosures, LLC	4739 W Bloomfield Rd	Glenz, 85304	\$	118,000.00	\$	150,000.00	78.67%	4/7/2014	10/7/2014	5/7/2014	\$	59.00	10	\$	590.00	\$	118,590.00
4665	Arizona Home Foreclosures, LLC	2435 W Park Ave	Chandler, 85224	\$	164,300.00	\$	200,000.00	82.15%	4/9/2014	10/9/2014	5/9/2014	\$	82.15	8	\$	657.20	\$	164,957.20
4666	Arizona Home Foreclosures, LLC	364 W Linda Ln	Gilbert, 85233	\$	143,300.00	\$	185,000.00	76.92%	4/9/2014	10/9/2014	5/9/2014	\$	71.15	8	\$	569.20	\$	143,869.20



## GUARANTY AGREEMENT

**THIS GUARANTY AGREEMENT** (this "**Guaranty**") is made as of April 16, 2014, by Furniture King, LLC, an Arizona limited liability Company, whose address is 303 N. Central Avenue, Suite 603, Phoenix, Arizona 85012 ("**Furniture King**" or "**Guarantor**"), in favor of DenSco Investment Corporation, an Arizona corporation (together with its successor and assigns, "**Lender**"), having an address at 6132 W. Victoria Place, Chandler, Arizona 85226.

### Recitals

The following recitals are a material part of this Guaranty:

A. Arizona Home Foreclosures, LLC, an Arizona limited liability company ("**AHF**"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308 and Easy Investments, LLC, an Arizona limited liability company ("**EI**"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308 (AHF and EI are hereinafter referred to, individually and collectively, as the context may require, as "**Borrower**") are indebted to Lender under the terms of certain Loans (individually a "**Loan**" and collectively, the "**Loans**"), which are listed on the attached Exhibit A (as may be subsequently amended as additional real property are added as collateral for the Loans), which is incorporated into this Agreement by this reference. Guarantor is or was owned by the owner of each Borrower, and Guarantor did have and continues to have a significant financial interest in Lender making the Loans (and loaning additional funds), and has and will continue to realize significant financial benefit from the existing and additional Loans. Each Loan is evidenced by (or will be evidenced by) a certain Note Secured by Deed of Trust or other similar promissory notes, executed by Borrower in favor of Lender (individually a "**Note**" and collectively, the "**Notes**") and by a Mortgage (or a "**Receipt and Mortgage**") (collectively, the "**Mortgages**"), and are each secured in part by one or more Deeds of Trust and Assignment of Rents, deeds of trust, deeds to secure debt, or similar documents (individually and collectively, the "**Security Instruments**") encumbering Borrower's interest in the respective real properties described therein (individually a "**Property**" and collectively, the "**Properties**") and referenced in Exhibit A (as may be subsequently amended as additional real property are added as collateral for the Loan): The Notes, Mortgages, Security Instruments, and the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "**Loans Documents**" or individually as a "**Loan Document**". The Loan Documents are hereby incorporated by this reference as if fully set forth in this Guaranty.

B. The Loans are now in Default (as defined in the respective Notes) and Lender has provided Borrower with any and all notice required under each of the Loans Documents concerning such Default.

C. Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, subject to the terms of a Forbearance Agreement of even date, by and between the Borrower, Yomtov "Scott" Managed, an individual whose address

 SIGNATURE PAGE TO GUARANTY AGREEMENT

200402518 4 31833/171972

DIC0010773

is 10510 East Sunnyside Drive, Scottsdale, Arizona 85259 ("Menaged"), Guarantor, and Lender (the "Forbearance Agreement").

D. Pursuant to the Forbearance Agreement, Lender agreed to loan additional funds in an amount up to Five Million Dollars (\$5,000,000) to Borrower, Guarantor, and Menaged, jointly and severally (the "Additional Funds Loan"), which is evidenced by that certain Secured Line of Credit Promissory Note (the "Additional Funds Note").

E. Pursuant to the Forbearance Agreement, Lender agreed to loan additional funds in an amount up to One Million Dollars (\$1,000,000) to Borrower and Menaged, jointly and severally (the "Additional Loan"), which is evidenced by that certain Secured Line of Credit Promissory Note (the "Additional Note"). (For purposes of this Guaranty, the Additional Funds Note and the Additional Note shall be included in the definition on the "Notes." Further, the Forbearance Agreement, the Additional Funds Note, the Additional Note, the Deed of Trust, Security Agreement and the other documents executed in connection with the Forbearance Agreement shall be included in the definition of the "Loan Documents.")

F. Lender has required that Guarantor guaranty to Lender the payment of the Liabilities (as such term is defined in Section 2.1 hereof).

G. Absent this Guaranty, Lender is unwilling to agree to the terms of the Forbearance Agreement, loan the additional funds to Borrower pursuant to the Additional Funds Loan, and the Additional Loan, and/or to loan any other additional funds to the Borrower, pursuant to the terms of the Loan Documents.

### Agreement

In consideration of Lender's agreement to the terms of the Forbearance Agreement and agreement to loan additional funds to the Borrower, pursuant to the terms of the Loan Documents, the Additional Funds Note, the Additional Note, and the Forbearance Agreement, and other good and valuable consideration, the receipt and legal sufficiency of which is hereby acknowledged, Guarantor hereby states and agrees as follows:

1. **Requests of Guarantor.** Guarantor hereby requests that Lender agree to the terms of the Forbearance Agreement, and further, that Lender extend additional credit and give financial accommodations to Borrower, pursuant to the terms of the Loan Documents, as Borrower may desire and as Lender may grant, from time to time, whether to the Borrower alone or to the Borrower and others, and specifically to extend the additional credit in the form of the Additional Funds Loan and Additional Loan.

2. **Guaranty of Liabilities.**

2.1 Guarantor hereby absolutely and unconditionally guarantees full and punctual payment and performance when due of the following (collectively, the "Liabilities"):

(a) (i) all payments due under each of the Notes and the Additional Loan, including the repayment of all additional advances of any kind that may be made by Lender to Borrower, whether at stated maturity, by acceleration or otherwise, (ii) any

and all renewals or extensions of any such item of indebtedness or obligation or any part thereof; (iii) all obligations and indebtedness of any kind or nature arising under any of the Loan Documents and the terms of the Additional Loan; (iv) any future advances that may be made by Lender related to a Loan, the Additional Loan, or a Property, whether made to protect the security or otherwise, and whether or not evidenced by additional promissory notes or other evidences of indebtedness; (v) all interest due on all of the same; (vi) all expenses, including attorney's fees, incurred by Lender in connection with the enforcement of Lender's rights under this Guaranty and all Administration and Enforcement Expenses.

(b) all amounts that shall become due and owing to Lender at any time by virtue of or arising out of any of the acts, omissions, circumstances or conditions referenced in any of the Notes, Loans, Forbearance Agreement or other Loan Documents (collectively, the "**Financial Obligations**"), including all renewals or extensions of any amount owing or obligation under the Financial Obligations, all liability under the Financial Obligations whether arising under any of the original Loans or the Additional Loan, or any extension, modification, future advance, increase, amendment or modification thereof, interest due on amounts owing under the Financial Obligations at the applicable Default Interest or other default rates specified in the respective Note(s) and/or the terms of the Additional Loan, all expenses, including attorneys' fees, incurred by Lender in connection with the enforcement of any of Lender's rights under this Guaranty and all Administration and Enforcement Expenses (as hereinafter defined), to the extent the same relate to amounts or obligations owing under the Financial Obligations. As used herein, the term "Financial Obligations" includes any loss, damage, cost, expense or liability incurred by Lender (including attorneys' fees and expenses and other collection and litigation expenses) arising out of or in connection with any of the following:

(i) fraud or willful misrepresentation by Borrower or any of its affiliates or Guarantor or any agent, employee or other person with actual or apparent authority to make statements or representations on behalf of Borrower, any affiliate of Borrower or Guarantor in connection with any of the Loans and/or the Additional Loan ("apparent authority" meaning such authority as the principal knowingly or negligently permits the agent to assume, or which he holds the agent out as possessing);

(ii) the gross negligence or willful misconduct of Borrower or Guarantor, or any affiliate, agent, or employee of the foregoing;

(iii) material physical waste of any of the Properties;

(iv) the removal or disposal of any structure located on any of the Properties in violation of the terms of the Loan Documents;

(v) the misapplication, misappropriation, or conversion by Borrower, any of its affiliates or Guarantor of (A) any insurance proceeds paid by reason of any loss, damage or destruction to a Property, (B) any awards received in

connection with a condemnation of all or a portion of a Property, (C) any Rents or other Property income or collateral proceeds, or (D) any Rents paid more than one month in advance (including security deposits);

(vi) following the occurrence of an event of default, the failure to either apply rents or other Property income, whether collected before or after such event of default, to the ordinary, customary, and necessary expenses of operating the subject Property or, upon demand, to deliver such rents or other Property income to Lender;

(vii) failure to maintain insurance or to pay taxes and assessments, or to pay charges for labor or materials or other charges or judgments that can create liens on any portion of a Property;

(viii) any security deposits, advance deposits or any other deposits collected with respect to a Property which are not delivered to Lender upon a foreclosure of the subject Property or action in lieu thereof, except to the extent any such security deposits were applied in accordance with the terms and conditions of any of the leases prior to the occurrence of the event of default that gave rise to such foreclosure or action in lieu thereof; or

(x) any failure by Borrower to comply with any of the representations, warranties, or covenants set forth in any of the Loan Documents.

2.2 Upon the request of Lender, Guarantor shall immediately pay or perform the Liabilities when they or any of them become due or are to be paid or performed under the term of any of the Loan Documents and/or the Additional Loan. Any amounts received by Lender from any sources and applied by Lender towards the payment of the Liabilities shall be applied in such order of application as Lender may from time to time elect. All Liabilities shall conclusively be presumed to have been created, extended, contracted, or incurred by Lender in reliance upon this Guaranty and all dealings between and among Borrower, Menaged and Lender shall likewise be presumed to be in reliance upon this Guaranty.

2.3 For the purpose of this Guaranty, "**Administration and Enforcement Expenses**" shall mean all fees and expenses incurred at any time or from time to time by Lender, including legal (whether for the purpose of advice, negotiation, documentation, defense, enforcement or otherwise), accounting, financial advisory, auditing, appraisal, valuation, title or title insurance, engineering, environmental, collection agency, or other expert or consulting or similar services, in connection with: (a) the Forbearance Agreement, including the negotiations and preparations of the same, (b) this Guaranty, including the negotiations and preparations of the same, (c) the Loan Documents and any amendments or modifications of a Loan or any of the Loan Documents, whether or not consummated; (d) the administration, servicing or enforcement of a Loan or any of the Loan Documents, including any request for interpretation or modification of the Loan Documents or any matter related to a Loan or the servicing thereof (which shall include the consideration of any requests for consents, waivers, modifications, approvals, lease reviews or similar matters and any proposed transfer of any Property or any interest therein), (e) any litigation, contest, dispute, suit, arbitration, mediation, proceeding or action (whether

instituted by or against Lender, including actions brought by or on behalf of Borrower or Borrower's bankruptcy estate or any indemnitor or guarantor of a Loan or any other person) in any way relating to a Loan or the Loan Documents including in connection with any bankruptcy, reorganization, insolvency, or receivership proceeding; (f) any attempt to enforce any rights of Lender against Borrower, Menaged or any other person that may be obligated to Lender by virtue of any Loan Document or otherwise whether or not litigation is commenced in pursuance of such rights; and (g) protection, enforcement against, or liquidation of a Property or any other collateral for a Loan, including any attempt to inspect, verify, preserve, restore, collect, sell, liquidate or otherwise dispose of or realize upon a Loan, the subject Property or any other collateral for a Loan.

3. **Additional Advances, Renewals, Extensions and Releases.** Guarantor hereby agrees and consents that, without notice to or further consent by Guarantor, Lender may make additional advances with respect to any of the Loans, the Additional Loan, or any of the Properties, and the obligations of Borrower, Menaged or any other party in connection with the applicable Loan and/or Additional Loan, may be renewed, extended, modified, accelerated or released by Lender as Lender may deem advisable, and any collateral the Lender may hold or in which the Lender may have an interest may be exchanged, sold, released or surrendered by it, as it may deem advisable, without impairing or affecting the obligations of Guarantor hereunder in any way whatsoever.

4. **Waivers.**

4.1 Guarantor hereby waives each of the following: (a) any and all notice of the acceptance of this Guaranty or of the creation, renewal or accrual of any Liabilities or the debt related to and/or stemming from the Notes and/or Additional Loan, present or future (including any additional advances made by Lender under any of the Loan Documents) (the "Debt"); (b) the reliance of Lender upon this Guaranty; (c) notice of the existence or creation of any Loan Document or of any of the Liabilities or the Debt; (d) protest, presentment, demand for payment, notice of default or nonpayment, notice of dishonor to or upon Guarantor, Borrower, Menaged or any other party liable for any of the Liabilities or the Debt; (e) any and all other notices or formalities to which Guarantor may otherwise be entitled, including notice of Lender's granting the Borrower or Menaged any indulgences or extensions of time on the payment of any Liabilities or the Debt; and (f) promptness in making any claim or demand hereunder.

4.2 No delay or failure on the part of Lender in the exercise of any right or remedy against any of Borrower, Menaged or Guarantor shall operate as a waiver thereof, and no single or partial exercise by Lender of any right or remedy herein shall preclude other or further exercise thereof or of any other right or remedy whether contained herein, in a Note, in the terms of the Additional Loan, or any of the other Loan Documents. No action of Lender permitted hereunder shall in any way impair or affect this Guaranty.

4.3 Guarantor acknowledges and agrees that Guarantor shall be and remain absolutely and unconditionally liable for the full amount of all Liabilities notwithstanding any of the following, and Guarantor waives any defense or counterclaims to which Guarantor may be entitled, based upon any of the following, in any proceeding (without prejudice to assert the same in a separate cause of action at a later time):

(a) Any or all of the Liabilities being or hereafter becoming invalid or otherwise unenforceable for any reason whatsoever or being or hereafter becoming released or discharged, in whole or in part, whether pursuant to a proceeding under any bankruptcy or insolvency laws or otherwise; or

(b) Lender failing or delaying to properly perfect or continue the perfection of any security interest or lien on any property which secures any of the Liabilities, or to protect the property covered by such security interest or enforce its rights respecting such property or security interest; or

(c) Lender failing to give notice of any disposition of any property serving as collateral for any Liabilities or failing to dispose of such collateral in a commercially reasonable manner; or

(d) Any other circumstance that might otherwise constitute a defense other than payment in full of the Liabilities.

5. **Guaranty of Payment.** Guarantor agrees that Guarantor's liability hereunder is primary, absolute and unconditional without regard to the liability of any other party. This Guaranty shall be construed as an absolute, irrevocable and unconditional guaranty of payment and performance (and not a guaranty of collection), without regard to the validity, regularity or enforceability of any of the Liabilities.

6. **Guaranty Effective Regardless of Collateral.** This Guaranty is made and shall continue as to any and all Liabilities without regard to any liens or security interests in any collateral, the validity, effectiveness or enforceability of such liens or security interests, or the existence or validity of any other guaranties or rights of Lender against any other obligors. Any and all such collateral, security, guaranties and rights against other obligors, if any, may from time to time without notice to or consent of Guarantor, be granted, sold, released, surrendered, exchanged, settled, compromised, waived, subordinated or modified, with or without consideration, on such terms or conditions as may be acceptable to Lender, without in any manner affecting or impairing the liabilities of Guarantor. Without limiting the generality of the foregoing, it is acknowledged that Guarantor's liability hereunder shall survive any foreclosure proceeding, any foreclosure sale, any delivery of a deed in lieu of foreclosure, and any release of record of any of the Security Instruments.

7. **Additional Credit.** Credit or financial accommodation may be granted or continued from time to time by Lender to either or both of Borrower or Menaged regardless of their respective financial or other condition at the time of any such grant or continuation, without notice to or the consent of Guarantor and without affecting Guarantor's obligations hereunder. Lender shall have no obligation to disclose or discuss with Guarantor its assessment of the financial condition of Borrower or Menaged.

8. **Rescission of Payments.** If at any time payment of any of the Liabilities or any part thereof is rescinded or must otherwise be restored or returned by Lender upon the insolvency, bankruptcy or reorganization of Borrower or Menaged or under any other circumstances whatsoever, this Guaranty shall, upon such rescission, restoration or return,



continue to be effective or shall (if previously terminated) be reinstated, as the case may be, as if such payment had not been made.

9. **Additional Waivers.** So long as any portion of the Liabilities or Debt remains unpaid or any portion of the Liabilities or Debt (or any security therefor) that has been paid to Lender remains subject to invalidation, reversal or avoidance as a preference, fraudulent transfer or for any other reason whatsoever (whether under bankruptcy or non-bankruptcy law) to being set aside or required to be repaid to Borrower or Menaged as a debtor in possession or to any trustee in bankruptcy, Guarantor irrevocably waives (a) any rights which it may acquire against Borrower or Menaged by way of subrogation under this Guaranty or by virtue of any payment made hereunder (whether contractual, under the Bankruptcy Code or similar state or federal statute, under common law, or otherwise), (b) all contractual, common law, statutory or other rights of reimbursement, contribution, exoneration or indemnity (or any similar right) from or against Borrower or Menaged that may have arisen in connection with this Guaranty, (c) any right to participate in any way in any of the Loan Documents or in the right, title and interest in any collateral securing the payment of Borrower's or Menaged obligations to Lender, and (d) all rights, remedies and claims relating to any of the foregoing. If any amount is paid to Guarantor on account of subrogation rights or otherwise, such amount shall be held in trust for its benefit and shall forthwith be paid to Lender to be applied to the Debt, whether matured or unmatured, in such order as Lender shall determine.

10. **Independent Obligations.** The obligations of Guarantor are independent of the obligations of Borrower and Menaged, and a separate action or actions for payment, damages or performance may be brought and prosecuted against Guarantor, whether or not an action is brought against Borrower or Menaged or the security for Borrower's or Menaged's obligations, and whether or not Borrower or Menaged is joined in any such action or actions. Guarantor expressly waives any requirement that Lender institute suit against Borrower or Menaged or any other persons, or exercise or exhaust its remedies or rights against Borrower or Menaged or against any other person, other guarantor, or other collateral securing all or any part of the Liabilities, prior to enforcing any rights Lender has under this Guaranty or otherwise. Lender may pursue all or any such remedies at one or more different times without in any way impairing its rights or remedies hereunder. Guarantor hereby further waives the benefit of any statute of limitations affecting its liability hereunder or the enforcement hereof. If there shall be more than one guarantor with respect to any of the Liabilities, then the obligations of each such guarantor shall be joint and several.

11. **Subordination of Indebtedness of Borrower to Guarantor.** Any indebtedness of Borrower or Menaged to Guarantor now or hereafter existing is hereby subordinated to the prior payment in full of the Liabilities. Guarantor agrees that until all of Borrower's or Menaged's obligations detailed in the Forbearance Agreement have been fully satisfied, Guarantor will not seek, accept or retain for Guarantor's own account, any payment (whether for principal, interest, or otherwise) from Borrower or Menaged for or on account of such subordinated debt. Following the occurrence and during the continuance of an event of default of the Forbearance Agreement, any payments to Guarantor on account of such subordinated debt shall be collected and received by Guarantor in trust for Lender and shall be paid over to Lender on account of the Liabilities or Debt, as Lender determines in its discretion, without impairing or releasing the obligations of Guarantor hereunder. Guarantor hereby unconditionally and

irrevocably agrees that (a) Guarantor will not at any time while the Liabilities remain unpaid, assert against Borrower or Menaged (or Borrower's or Menaged's estate in the event that Borrower or Menager becomes the subject of any case or proceeding under any federal or state bankruptcy or insolvency laws) any right or claim to indemnification, reimbursement, contribution or payment for or with respect to any and all amounts Guarantor may pay or be obligated to pay Lender, including the Liabilities, and any and all obligations which Guarantor may perform, satisfy or discharge, under or with respect to the Guaranty, and (b) Guarantor subordinates to the Debt all such rights and claims to indemnification, reimbursement, contribution or payment that Guarantor may have now or at any time against Borrower or Menaged (or Borrower's or Menaged's estate in the event that Borrower or Menage becomes the subject of any case or proceeding under any federal or state bankruptcy or insolvency laws).

12. **Claims in Bankruptcy.** Guarantor shall file all claims against Borrower or Menage in any bankruptcy or other proceeding in which the filing of claims is required by law upon any indebtedness of Borrower or Menage to Guarantor and will assign to Lender all right of Guarantor thereunder. Guarantor hereby irrevocably appoints Lender its attorney-in-fact, which appointment is coupled with an interest, to file any such claim that Guarantor may fail to file, in the name of Guarantor or, in Lender's discretion, to assign the claim and to cause proof of claim to be filed in the name of Lender's nominee. In all such cases, whether in administration, bankruptcy or otherwise, the person or persons authorized to pay such claim shall pay to Lender the full amount thereof and, to the full extent necessary for that purpose, Guarantor hereby assigns to Lender all of Guarantor's rights to any such payments or distributions to which Guarantor would otherwise be entitled.

13. **Guarantor's Representations and Warranties.** Guarantor represents, warrants and covenants to and with Lender that:

13.1 There is no action or proceeding pending or, to the knowledge of Guarantor, threatened against Guarantor before any court or administrative agency which might result in any material adverse change in the business or financial condition of Guarantor or in the property of Guarantor;

13.2 Guarantor has filed all Federal and state income tax returns which Guarantor has been required to file, and has paid all taxes as shown on said returns and on all assessments received by Guarantor to the extent that such taxes have become due;

13.3 Neither the execution nor delivery of this Guaranty nor fulfillment of nor compliance with the terms and provisions hereof will conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, or result in the creation of any lien, charge or encumbrance upon any property or assets of Guarantor under any agreement or instrument to which Guarantor is now a party or by which Guarantor may be bound;

13.4 This Guaranty is a valid and legally binding agreement of Guarantor and is enforceable against Guarantor in accordance with its terms;

13.5 Guarantor acknowledges that Guarantor was advised to and was given the opportunity to consult with independent legal counsel before executing this Guaranty;

13.6 Guarantor has either (i) examined the Loan Documents or (ii) has had an opportunity to examine the Loan Documents and has waived the right to examine them; and

13.7 Guarantor has the full power, authority, and legal right to execute and deliver this Guaranty. Guarantor is duly organized, validly existing and in good standing under the laws of the state of its formation, and the execution, delivery and performance of this Guaranty by Guarantor has been duly and validly authorized and the person(s) signing this Guaranty on Guarantor's behalf has been validly authorized and directed to sign this Guaranty.

14. **Notice of Litigation.** Guarantor shall promptly give Lender notice of all litigation or proceedings before any court or governmental authority affecting Guarantor or its property, except litigation or proceedings which, if adversely determined, would not have a material adverse effect on the financial condition or operations of Guarantor or its ability to perform any of its obligations hereunder.

15. **Access to Records.** Guarantor shall give Lender and its representatives access to, and permit Lender and such representatives to examine, copy or make extracts from, any and all books, records and documents in the possession of Guarantor relating to the performance of Guarantor's obligations hereunder and under any of the Loan Documents and/or terms of the Additional Loan, all at such times and as often as Lender may reasonably request. Guarantor shall continuously maintain its existence and shall not dissolve or permit its dissolution.

16. **Assignment by Lender.** In connection with any sale, assignment or transfer of a Loan, Lender may sell, assign or transfer this Guaranty and all or any of its rights, privileges, interests and remedies hereunder to any other person or entity whatsoever without notice to or consent by Guarantor, and in such event the assignee shall be entitled to the benefits of this Guaranty and to exercise all rights, interests and remedies as fully as Lender.

17. **Termination.** This Guaranty shall terminate only when all of the Liabilities and the Debt have been paid in full, including all interest thereon, late charges and other charges and fees included within the Liabilities and the Debt. When all of the conditions described above have been fully met, Lender will, upon request, furnish to Guarantor a written cancellation of this Guaranty.

18. **Notices.** All notices, consents, approvals and requests required or permitted hereunder shall be given in writing and shall be effective for all purposes if hand delivered or sent by (a) certified or registered United States mail, postage prepaid, return receipt requested or (b) expedited prepaid delivery service, either commercial or United States Postal Service, with proof of attempted delivery, or (c) by email addressed as follows (or at such other address and person as shall be designated from time to time by any party hereto, as the case may be, in a written notice to the other parties hereto in the manner provided for in this Section):

If to Lender:

DenSco Investment Corporation  
6132 W. Victoria Place  
Chandler, Arizona 85226  
Attention: Denny Chittick

Email: dcmoney@yahoo.com

If to Furniture King:

Arizona Furniture King  
303 N. Central Avenue, Suite 603  
Phoenix, Arizona 85012  
Attention: Scott Menaged  
Email: smena98754@aol.com

A notice shall be deemed to have been given: (i) in the case of hand delivery, at the time of delivery; in the case of registered or certified mail, when delivered or the first attempted delivery on a business day; or (ii) in the case of expedited prepaid delivery, upon the first attempted delivery on a business day; or (iii) in the case of email, the earlier of sender's receipt of a machine-generated confirmation/receipt of a successful delivery of the message or that the message was read, or sender's receipt of a response from the recipient regarding the email, such as a reply or a separate email which references the notice.

**19. Waiver of Jury Trial. TO THE FULLEST EXTENT NOW OR HEREAFTER PERMITTED BY APPLICABLE LAW, GUARANTOR HEREBY AGREES NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THIS GUARANTY, ANY OF THE NOTES AND/OR TERMS OF THE ADDITIONAL LOAN, ANY OF THE SECURITY INSTRUMENTS OR ANY OF THE OTHER LOAN DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY GUARANTOR, AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH RIGHT TO TRIAL BY JURY WOULD OTHERWISE ACCRUE. LENDER IS HEREBY AUTHORIZED TO FILE A COPY OF THIS SECTION IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER BY GUARANTOR.**

**20. Miscellaneous.** This Guaranty shall be a continuing guaranty. This Guaranty shall bind the heirs, successors and assigns of Guarantor (except that Guarantor may not assign his, her, or its liabilities under this Guaranty without the prior written consent of Lender, which consent Lender may in its discretion withhold), and shall inure to the benefit of Lender, its successors, transferees and assigns. Each provision of this Guaranty shall be interpreted in such manner as to be effective and valid under applicable law. Neither this Guaranty nor any of the terms hereof, including the provisions of this Section, may be terminated, amended, supplemented, waived or modified orally, but only by an instrument in writing executed by the party against which enforcement of the termination, amendment, supplement, waiver or modification is sought, and the parties hereby: (a) expressly agree that it shall not be reasonable for any of them to rely on any alleged, non-written amendment to this Guaranty; (b) irrevocably waive any and all right to enforce any alleged, non-written amendment to this Guaranty; and (c) expressly agree that it shall be beyond the scope of authority (apparent or otherwise) for any of their respective agents to agree to any non-written modification of this Guaranty. This Guaranty may be executed in several counterparts, each of which counterpart shall be deemed an original

instrument and all of which together shall constitute a single Guaranty. The failure of any party hereto to execute this Guaranty, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder. As used in this Guaranty, (i) the terms "include," "including" and similar terms shall be construed as if followed by the phrase "without being limited to," (ii) any pronoun used herein shall be deemed to cover all genders, and words importing the singular number shall mean and include the plural number, and vice versa, (iii) all captions to the Sections hereof are used for convenience and reference only and in no way define, limit or describe the scope or intent of, or in any way affect, this Guaranty, (iv) no inference in favor of, or against, Lender or Guarantor shall be drawn from the fact that such party has drafted any portion hereof or any other Loan Document, (v) the term "Borrower" shall mean individually and collectively, jointly and severally, each Borrower (if more than one) and shall include the successors (including any subsequent owner or owners of a Property or any part thereof or any interest therein and Borrower in its capacity as debtor-in-possession after the commencement of any bankruptcy proceeding), assigns, heirs, personal representatives, executors and administrators of Borrower, (vi) the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or," (vii) the words "hereof," "herein," "hereby," "hereunder," and similar terms in this Guaranty refer to this Guaranty as a whole and not to any particular provision or section of this Guaranty, and (viii) an event of default shall "continue" or be "continuing" until such event of default has been waived in writing by Lender or cured by Borrower, with such cure being accepted by Lender. Wherever Lender's judgment, consent, approval or discretion is required under this Guaranty or Lender shall have an option, election, or right of determination or any other power to decide any matter relating to the terms of this Guaranty, including any right to determine that something is satisfactory or not ("**Decision Power**"), such Decision Power shall be exercised in the sole and absolute discretion of Lender except as may be otherwise expressly and specifically provided herein. Such Decision Power and each other power granted to Lender upon this Guaranty or any other Loan Document may be exercised by Lender or by any authorized agent of Lender (including any servicer or attorney-in-fact), and Guarantor hereby expressly agrees to recognize the exercise of such Decision Power by such authorized agent. If any provision of this Guaranty is held invalid or unenforceable by final and unappealable judgment of the court having jurisdiction over the matter and persons, such provisions shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision, its application in other circumstances, or the remaining provisions of this Guaranty.

21. **Applicable Law; Jurisdiction and Venue.** This Guaranty shall be governed by and construed in accordance with the laws of jurisdiction in which the real property collateral for the subject Loan is located ("**Governing State**"). Guarantor hereby consents to personal jurisdiction in the Governing State. Venue of any action brought to enforce this Guaranty or any other Loan Document or any action relating to the subject Loan(s) or the relationships created by or under the subject Loan Documents ("**Action**") shall, at the election of Lender, be in (and if any Action is originally brought in another venue, the Action shall at the election of Lender be transferred to) a state or federal court of appropriate jurisdiction located in the Governing State. Guarantor hereby consents and submits to the personal jurisdiction of the Governing State and of federal courts located in the Governing State in connection with any Action and hereby waives any and all personal rights under the laws of any other state to object to jurisdiction within such State for purposes of any Action. Guarantor hereby waives and agrees not to assert, as a defense to any Action or a motion to transfer venue of any Action, (a) any claim that it is not subject to

such jurisdiction, (b) any claim that any Action may not be brought against it or is not maintainable in those courts or that this Guaranty may not be enforced in or by those courts, or that it is exempt or immune from execution, (c) that the Action is brought in an inconvenient forum, or (d) that the venue for the Action is in any way improper.

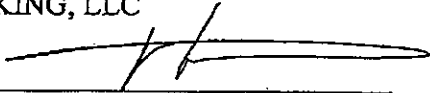
22. **Severability.** Should any provisions of this Guaranty be found to be void, invalid or unenforceable by a court to competent jurisdiction, that finding shall only affect the provision found to be void, invalid or unenforceable and shall not affect the remaining provisions of the Guaranty.

23. To the maximum extent permitted by law, Guarantor unconditionally and irrevocably waives any rights or benefits arising under A.R.S. §§ 12-1556, 12-1641 through and including 12-1644, 12-1645, 12-1646, 33-814, 33-725, 33-727 and 44-142 and Ariz. R. Civ. P. 17(f) or such statutes, rules or similar provisions as may be enacted or adopted hereafter.

IN WITNESS WHEREOF, Guarantor has executed or caused this Guaranty to be executed as of the day and year first above written.

**GUARANTOR:**

FURNITURE KING, LLC

By:   
Yomotov "Scott" Menaged  
Its: Manager

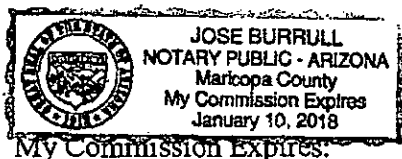
{Signature Page of Guaranty Agreement – Furniture King}

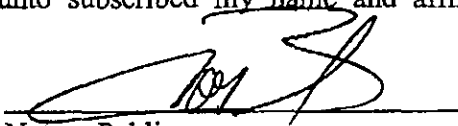
ACKNOWLEDGMENTS

STATE OF ARIZONA       )  
                                  ) SS  
COUNTY OF MARICOPA   )

On this 16<sup>th</sup> day of APRIL, 2014, before me appeared Yomotov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he is the manager of FURNITURE KING, LLC, an Arizona limited liability company (the "**Company**"), and said Yomotov "Scott" Menaged acknowledged to me that the Company is named as the Guarantor in the foregoing instrument and that as the manager of the Company, he did execute the foregoing instrument, for and on behalf of the Company, and that he did so as his and the Company's free act and deed.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.



  
Notary Public

01-10-2018

{Acknowledgements for Guaranty Agreement – Furniture King}

**EXHIBIT A**

**LENDER LOANS AND ENCUMBERED PROPERTIES**







4637	Arizona Home Foreclosures, LLC	8742 W Pioneer St	Tolleson, 85353	\$	100,000.00	\$	156,000.00	64.10%	10/11/2013	4/11/2014	12/11/2013	\$	50.00	157	\$	7,850.00	\$	107,850.00
4643	Arizona Home Foreclosures, LLC	842 E Sheffield Ave	Gilbert, 85396	\$	100,000.00	\$	200,000.00	50.00%	10/15/2013	4/15/2014	12/14/2013	\$	50.00	154	\$	7,700.00	\$	107,700.00
4645	Arizona Home Foreclosures, LLC	14869 W Caribbean Ln	Surprise, 85379	\$	125,000.00	\$	145,000.00	86.21%	10/16/2013	4/16/2014	12/16/2013	\$	62.50	152	\$	9,500.00	\$	134,500.00
4658	Arizona Home Foreclosures, LLC	3830 W Anderson Dr	Gilbert, 85308	\$	150,000.00	\$	175,000.00	83.71%	10/27/2013	4/27/2014	12/22/2013	\$	75.00	146	\$	10,500.00	\$	160,500.00
4662	Arizona Home Foreclosures, LLC	3247 W Maldonado Dr	Phoenix, 85042	\$	165,000.00	\$	180,000.00	91.67%	10/23/2013	4/23/2014	12/23/2013	\$	82.50	145	\$	11,862.50	\$	176,862.50
4665	Arizona Home Foreclosures, LLC	635 S St Paul	Mesa, 85206	\$	180,000.00	\$	190,000.00	94.74%	10/25/2013	4/25/2014	12/25/2013	\$	90.00	143	\$	12,870.00	\$	192,870.00
4670	Arizona Home Foreclosures, LLC	2229 W Stead Rd	Phoenix, 85085	\$	305,000.00	\$	320,000.00	95.31%	10/30/2013	4/30/2014	12/30/2013	\$	152.50	138	\$	21,045.00	\$	326,045.00
4672	Arizona Home Foreclosures, LLC	9537 E Plaza Ave	Mesa, 85212	\$	150,000.00	\$	165,000.00	90.91%	10/30/2013	4/30/2014	12/30/2013	\$	75.00	138	\$	10,450.00	\$	160,450.00
4687	Arizona Home Foreclosures, LLC	7030 W Pontiac Dr	Gilbert, 85308	\$	140,000.00	\$	235,000.00	59.57%	11/5/2013	5/5/2014	12/5/2013	\$	70.00	163	\$	11,410.00	\$	151,410.00
4703	Easy Investments, LLC	14865 W Verde Ln	Goodyear, 85395	\$	150,000.00	\$	210,000.00	71.43%	11/13/2013	5/13/2014	12/13/2013	\$	75.00	155	\$	11,625.00	\$	161,625.00
4718	Arizona Home Foreclosures, LLC	10836 E Arcadia Ave	Buckeye, 85326	\$	142,000.00	\$	150,000.00	94.67%	11/19/2013	5/19/2014	12/19/2013	\$	71.00	150	\$	10,650.00	\$	152,650.00
4727	Arizona Home Foreclosures, LLC	2385 W Papago St	Buckeye, 85326	\$	150,000.00	\$	165,000.00	90.91%	11/24/2013	6/4/2014	1/9/2014	\$	75.00	135	\$	10,125.00	\$	160,125.00
4731	Arizona Home Foreclosures, LLC	28720 N Nobel Rd	Phoenix, 85085	\$	288,900.00	\$	335,000.00	86.24%	12/24/2013	6/24/2014	1/9/2014	\$	144.45	183	\$	19,211.85	\$	308,111.85
4737	Arizona Home Foreclosures, LLC	19033 W Columbus Dr	El Mirage, 85335	\$	125,000.00	\$	130,000.00	96.15%	12/11/2013	6/11/2014	1/11/2014	\$	62.50	127	\$	7,937.50	\$	132,937.50
4740	Arizona Home Foreclosures, LLC	1070 N Rebins Way	Chandler, 85225	\$	153,100.00	\$	195,000.00	81.08%	12/17/2013	6/12/2014	1/12/2014	\$	79.05	135	\$	10,671.75	\$	163,711.75
4754	Arizona Home Foreclosures, LLC	3450 W Cactus Dr	Phoenix, 85028	\$	154,000.00	\$	200,000.00	77.00%	12/18/2013	6/18/2014	1/18/2014	\$	77.00	120	\$	9,240.00	\$	163,240.00
4777	Arizona Home Foreclosures, LLC	11119 E Potter Dr	Phoenix, 85024	\$	236,100.00	\$	289,000.00	81.70%	12/26/2013	6/26/2014	1/26/2014	\$	118.05	112	\$	13,221.60	\$	249,221.60
4849	Arizona Home Foreclosures, LLC	1351 N Pleasant Dr #1175	Chandler, 85225	\$	87,800.00	\$	115,000.00	76.35%	2/6/2014	8/6/2014	3/6/2014	\$	43.90	70	\$	3,073.00	\$	90,873.00
4870	Arizona Home Foreclosures, LLC	4063 W Runion Dr	Gilbert, 85308	\$	188,100.00	\$	225,000.00	74.71%	2/7/2014	8/7/2014	3/7/2014	\$	84.05	49	\$	4,118.45	\$	172,218.45
4885	Arizona Home Foreclosures, LLC	12786 W Pasaero Dr	Peoria, 85383	\$	176,500.00	\$	225,000.00	78.44%	3/6/2014	9/6/2014	4/6/2014	\$	88.25	42	\$	3,706.50	\$	180,206.50
4903	Arizona Home Foreclosures, LLC	8739 N 182nd Ln	Waddell, 85355	\$	170,900.00	\$	215,000.00	79.07%	3/13/2014	9/13/2014	4/13/2014	\$	85.00	35	\$	2,975.00	\$	172,975.00
4917	Arizona Home Foreclosures, LLC	7717 W North Ln	Peoria, 85345	\$	143,789.00	\$	195,000.00	73.74%	3/19/2014	9/19/2014	4/19/2014	\$	71.89	29	\$	2,084.94	\$	145,873.94
4938	Arizona Home Foreclosures, LLC	1426 W Missouri Ave	Phoenix, 85013	\$	144,101.00	\$	220,000.00	65.50%	3/26/2014	9/26/2014	4/26/2014	\$	72.05	22	\$	1,595.11	\$	145,686.11
4948	Arizona Home Foreclosures, LLC	10222 N 54th Drive	Gilbert, 85302	\$	136,000.00	\$	185,000.00	73.51%	4/1/2014	10/1/2014	5/1/2014	\$	68.00	16	\$	1,088.00	\$	137,088.00
4955	Arizona Home Foreclosures, LLC	2219 W Bathany Home Rd	Phoenix, 85015	\$	102,600.00	\$	140,000.00	73.29%	4/13/2014	10/13/2014	5/13/2014	\$	51.30	14	\$	718.10	\$	103,318.10
4964	Arizona Home Foreclosures, LLC	4739 W Bloomfield Rd	Gilbert, 85304	\$	118,000.00	\$	150,000.00	78.67%	4/7/2014	10/7/2014	5/7/2014	\$	59.00	10	\$	590.00	\$	118,590.00
4966	Arizona Home Foreclosures, LLC	2435 W Park Ave	Chandler, 85224	\$	164,300.00	\$	200,000.00	82.15%	4/9/2014	10/9/2014	5/9/2014	\$	82.15	8	\$	657.20	\$	164,957.20
4969	Arizona Home Foreclosures, LLC	364 W Linda Ln	Gilbert, 85233	\$	142,300.00	\$	185,000.00	76.92%	4/9/2014	10/9/2014	5/9/2014	\$	71.15	8	\$	569.20	\$	142,869.20

4970	Arizona Home Foreclosures, LLC	10850 E Carol Ave	Mesa, 85208	\$ 127,000.00	\$ 155,000.00	81.94%	4/9/2014	10/9/2014	5/4/2014	\$ 63.50	8	\$ 508.00	\$ 127,508.00
4971	Arizona Home Foreclosures, LLC	21551 N Casa Royale Dr	Surprise, 85387	\$ 184,300.00	\$ 235,000.00	78.43%	4/10/2014	10/10/2014	5/10/2014	\$ 92.15	7	\$ 645.05	\$ 184,945.05
4972	Arizona Home Foreclosures, LLC	5704 E Aire Libre Ave #1048	Scottsdale, 85254	\$ 118,900.00	\$ 150,000.00	79.27%	4/11/2014	10/11/2014	5/11/2014	\$ 59.85	6	\$ 356.70	\$ 119,256.70
4973	Arizona Home Foreclosures, LLC	12359 W Roberta Ln	Peoria, 85383	\$ 186,200.00	\$ 230,000.00	80.95%	4/11/2014	10/11/2014	5/11/2014	\$ 93.10	6	\$ 558.60	\$ 186,758.60
4974	Arizona Home Foreclosures, LLC	10237 W Westwind Dr	Peoria, 85383	\$ 378,500.00	\$ 474,000.00	79.85%	4/14/2014	10/14/2014	5/14/2014	\$ 189.25	3	\$ 567.75	\$ 379,067.75
4975	Arizona Home Foreclosures, LLC	2832 W Lawrence Ln	Peoria, 85345	\$ 113,000.00	\$ 150,000.00	75.33%	4/14/2014	10/14/2014	5/14/2014	\$ 56.50	3	\$ 168.50	\$ 113,168.50
4976	Arizona Home Foreclosures, LLC	20364 W Atlantic Way	Tolleson, 85353	\$ 153,000.00	\$ 185,000.00	82.70%	4/14/2014	10/14/2014	5/14/2014	\$ 76.50	3	\$ 229.50	\$ 153,229.50
4977	Arizona Home Foreclosures, LLC	11489 W Sharri Dr	Gilbert, 85233	\$ 289,600.00	\$ 345,000.00	83.94%	4/15/2014	10/15/2014	5/15/2014	\$ 144.80	2	\$ 289.60	\$ 289,889.60
				\$ 37,456,620.47									
												4/16/2014	\$ 2,296,772.81
													\$ 35,752,893.28

[Note to Amend, Supersede and Replace Existing \$1 Million Note]

Additional Loan

SECURED LINE OF CREDIT PROMISSORY NOTE

\$1,000,000.00

Phoenix, Arizona

April 16, 2014

1. FUNDAMENTAL PROVISIONS.

The following terms will be used as defined terms in this Secured Line Of Credit Promissory Note (as it may be amended, modified, extended and renewed from time to time, the "Note"):

Lender: DenSco Investment Corporation, an Arizona corporation

Borrower: Arizona Home Foreclosures, LLC, an Arizona limited liability company, whose address is 7320 W. Bell Road, Glendale, Arizona 85308 ("AHF"), Easy Investments, LLC, an Arizona limited liability company, whose address is 7320 W. Bell Road, Glendale, Arizona 85308 ("EI"), and Yomtov "Scott" Menaged, whose address is 10510 East Sunnyside Drive, Scottsdale, Arizona ("Menaged"), jointly and severally (AHF, EI, and Menaged are each individually a "Borrower" and collectively, the "Borrowers").

Principal Amount: The maximum amount of principal that is to be advanced and outstanding pursuant to this Note shall be One Million and No/100 Dollars (\$1,000,000.00).

Principal Balance: The amount of principal that has been advanced and is outstanding at a point of time.

Interest Rate: From the date hereof through and including February 1, 2016, a rate of one-half percent (0.50%) per annum above the Base Rate. The Interest Rate shall change from time to time as and when the Base Rate changes.

Default Interest Rate: Twenty-nine percent (29%) per annum.

Base Rate: The interest rate cost to Denny Chittick on his line of credit from Bank of America, N.A., currently at two and one-half percent (2.50%). Any change in the "interest rate costs" to Denny Chittick shall become effective as of the same date of any such change from Bank of America, N.A..

Maturity Date: February 1, 2016.



Business Day: Any day of the year other than Saturdays, Sundays and legal holidays on which the offices of the federal government are closed.

Deed of Trust: That certain Deed of Trust (or Deeds of Trusts) between a Borrower, as Trustor, and Lender, as Beneficiary, which are recorded as a lien (or will be recorded as a lien) against certain real property to secure the obligations of Borrower to Lender.

Loan: The loan from Lender to Borrower in the Principal Amount and evidenced by this Note.

Real Estate Collateral: The real properties (individually a "Property" and collectively, the "Properties") that are listed on Exhibit A, as may be amended from time to time, which is attached to and incorporated into the Note by this reference. A Deed of Trust shall be recorded as a lien against these Properties to secure the obligations of Borrower to Lender, pursuant to this Note.

Forbearance Agreement: That certain Forbearance Agreement, by and between AHF, EI, Menaged, Furniture King, LLC, an Arizona limited liability Company, whose address is 303 N. Central Avenue, Suite 603, Phoenix, AZ 85012 ("Furniture King"), and Lender, dated April 16, 2014.

Loan Documents: The "Loan Documents," as that term is defined in the Forbearance Agreement, together with the Forbearance Agreement, this Note, each Deed of Trust, and any documents executed in conjunction with the Forbearance Agreement or as security for this Note.

Initial Collateral: Certain real property in Scottsdale, Arizona which has a Deed of Trust recorded against it as a first lien position in favor of Lender to secure the obligations of the applicable Borrower, pursuant to the terms of this Note.

## 2. CREDIT ADVANCES.

Lender, in accordance with and subject to the terms and conditions set forth in this Note, shall advance to the Borrowers, on a revolving basis, such amounts as may from time to time be requested by Borrowers, provided that: (a) the Principal Balance, together with accrued interest, hereunder at any time shall not exceed the sum of the Principal Amount, and (b) no Event of Default (defined below) shall exist or be caused thereby. Amounts borrowed hereunder and repaid may be re-borrowed by Borrowers in accordance with the terms of this Agreement; provided, however, Lender may terminate, reduce or otherwise adjust the credit availability (*i.e.*, the Principal Amount) under the Loan at any time in its

sole discretion. As of close of business on April 16, 2014, Borrowers have previously requested and Lender has previously advanced to Borrowers, pursuant to the terms of this Note, the sum of Nine Hundred Fifteen Thousand One Hundred Sixty-Seven AND 89/100 DOLLARS (\$915,167.89).

3. PROMISE TO PAY.

For value received, the Borrowers, jointly and severally, promise to pay to the order of Lender, at its office at 6132 W. Victoria Place, Chandler, Arizona 85226, or at such other place as the Lender hereof may from time to time designate in writing, a sum equal to the amount of the Principal Balance and all accrued interest. The books and records of Lender shall be the best evidence of the Principal Balance and the interest amount owing at any time under this Note, and shall be conclusive absent manifest error.

4. INTEREST; PAYMENTS.

- (a) Absent an Event of Default hereunder or under any of the Loan Documents, each advance made hereunder shall bear interest at the Interest Rate in effect from time to time. Throughout the term of this Note, interest shall be computed by applying the ratio of the annual interest rate over a year of 360 days, multiplied by the outstanding Principal Balance, multiplied by the actual number of days the Principal Balance is outstanding.
- (b) All payments of principal and interest due hereunder shall be made (i) without deduction of any present and future taxes, levies, imposts, deductions, charges or withholdings, which amounts shall be paid by Borrowers, and (ii) without any other set off. Borrowers will pay the amounts necessary such that the gross amount of the principal and interest received by the holder hereof is not less than that required by this Note.
- (c) On the first day of each calendar month occurring after the date of this Note, through January 1, 2016, Borrowers shall make consecutive monthly installment payments of principal and interest in an amount equal to the sum of: (i) all accrued but outstanding interest, and (ii) 3% of the outstanding Principal Balance. On the Maturity Date, Borrowers shall make one (1) final "balloon" payment of all unpaid principal, accrued unpaid interest, and any other amounts due hereunder, which shall all be due and payable on the Maturity Date. If any payment of principal and interest to be made by Borrowers hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing the interest in such payment.

5. PREPAYMENT.

Borrower may prepay the Loan, in whole or in part, at any time without penalty or premium.

6. LAWFUL MONEY.

Principal and interest are payable in lawful money of the United States of America.

7. APPLICATION OF PAYMENTS/LATE CHARGE/DEFAULT INTEREST.

- (a) Unless otherwise agreed to, in writing, or otherwise required by applicable law, payments will be applied first to accrued, unpaid interest, then to principal, and any remaining amount to any unpaid collection costs, late charges and other charges, provided, however, upon delinquency or other default, Lender reserves the right to apply payments among principal, interest, late charges, collection costs and other charges at its discretion. All prepayments shall be applied to the indebtedness owing hereunder in such order and manner as Lender may from time to time determine in its sole discretion.
- (b) If any payment of interest and/or principal is not received by the holder hereof when such payment is due, then in addition to the remedies conferred upon the holder hereof pursuant to Section 10 hereof and the other Loan Documents, a late charge of ten percent (10%) of the amount of the regularly scheduled payment or \$25.00, whichever is greater, will be added to the delinquent amount to compensate the holder hereof for the expense of handling the delinquency for any payment past due in excess of ten (10) days, regardless of any notice and cure periods.
- (c) Upon the occurrence of an Event of Default, including the failure to pay upon final maturity, Lender, at its option, may also, if permitted under applicable law, do one or both of the following: (i) increase the applicable Interest Rate on this Note to the Default Interest Rate, and (ii) add any unpaid accrued interest to principal and such sum will bear interest therefrom until paid at the rate provided in this Note (including any increased rate). The interest rate will not exceed the maximum rate permitted by applicable law.

8. SECURITY AND GUARANTY.

This Note is secured by, inter alia, (i) one or more Deeds of Trust, which Deeds of Trust create, as applicable, an initial or additional lien on one or more of the Properties of the Initial Collateral or other Real Estate Collateral. In the event that the Initial Collateral is sold or refinanced, the Borrowers shall work with Lender to provide any additional collateral available to Borrower, with the properties and the lien positions to be approved by Lender, to secure the obligations of Borrower described in this Note. Borrowers will execute and acknowledge (or cause to be executed and acknowledged) and deliver to Lender all documents, and take all actions, reasonably required by Lender from time to time to confirm the rights created now or hereafter intended to be created under the Note



and Deeds of Trust, to protect and further the validity, priority and enforceability of any security intended by this Paragraph 8, to maintain, perfect or insure Lender's security provided for herein and in the other Loan Documents, including, without limitation, the execution, filing or recording of the Deeds of Trust, UCC financial statements, renewal statements or amendments, and the execution of such amendments to the Deeds of Trust and the other Loan Documents. This Note is guaranteed by that certain Guaranty Agreement, dated April 16, 2014, wherein Furniture King is the guarantor, and is further secured by that certain Security Agreement with Furniture King, as Debtor, and Lender, as Secured Party, dated April 16, 2014, which creates a lien against all of Furniture King's inventory, accounts, and assets for the benefit of Lender.

9. EVENT OF DEFAULT.

The failure to pay any amount due under this Note when due, or any occurrence of a default under the Forbearance Agreement or any other Loan Documents, shall be deemed to be an event of default ("Event of Default") hereunder.

10. REMEDIES.

Upon the occurrence of an Event of Default, then at the option of the holder hereof, the entire balance of principal together with all accrued interest thereon, and all other amounts payable by Borrower under the Loan Documents shall, without demand or notice, immediately become due and payable. Upon the occurrence of an Event of Default (and so long as such Event of Default shall continue), the entire balance of principal hereof, together with all accrued interest thereon, all other amounts due under the Loan Documents, and any judgment for such principal, interest, and other amounts shall bear interest at the Default Interest Rate, subject to the limitations contained in Paragraph 14 hereof. No delay or omission on the part of the holder hereof in exercising any right under this Note or under any of the other Loan Documents hereof shall operate as a waiver of such right.

11. WAIVER.

Borrower, endorsers, guarantors, and sureties of this Note hereby waive diligence, demand for payment, presentment for payment, protest, notice of nonpayment, notice of protest, notice of intent to accelerate, notice of acceleration, notice of dishonor, and notice of nonpayment, and all other notices or demands of any kind (except notices specifically provided for in the Loan Documents) and expressly agree that, without in any way affecting the liability of Borrowers, endorsers, guarantors, or sureties, the holder hereof may extend any maturity date or the time for payment of any installment due hereunder, otherwise modify the Loan Documents, accept additional security, release any Person liable, and release any security or guaranty. Borrower, endorsers, guarantors, and sureties waive, to the full extent permitted by law, the right to plead any and all statutes of limitations as a defense.

12. CHANGE, DISCHARGE, TERMINATION, OR WAIVER.

No provision of this Note may be changed, discharged, terminated, or waived except in a writing signed by the party against whom enforcement of the change, discharge, termination, or waiver is sought. No failure on the part of the holder hereof to exercise and no delay by the holder hereof in exercising any right or remedy under this Note or under the law shall operate as a waiver thereof.

13. ATTORNEYS' FEES.

If this Note is not paid when due or if any Event of Default occurs, Borrower promises to pay all costs of enforcement and collection and preparation therefor, including but not limited to, reasonable attorneys' fees, whether or not any action or proceeding is brought to enforce the provisions hereof (including, without limitation, all such costs incurred in connection with any bankruptcy, receivership, or other court proceedings (whether at the trial or appellate level)).

14. SEVERABILITY.

If any provision of this Note is unenforceable, the enforceability of the other provisions shall not be affected and they shall remain in full force and effect.

15. INTEREST RATE LIMITATION.

Borrower hereby agrees to pay an effective rate of interest that is the sum of the interest rate provided for herein, together with any additional rate of interest resulting from any other charges of interest or in the nature of interest paid or to be paid in connection with the Loan. Lender and Borrower agree that none of the terms and provisions contained herein or in any of the Loan Documents shall be construed to create a contract for the use, forbearance or detention of money requiring payment of interest at a rate in excess of the maximum interest rate permitted to be charged by the laws of the State of Arizona. In such event, if any holder of this Note shall collect monies which are deemed to constitute interest which would otherwise increase the effective interest rate on this Note to a rate in excess of the maximum rate permitted to be charged by the laws of the State of Arizona, all such sums deemed to constitute interest in excess of such maximum rate shall, at the option of the holder, be credited to the payment of other amounts payable under the Loan Documents or returned to Borrower.

16. INTERPRETATION.

Headings at the beginning of each numbered section of this Note are intended solely for convenience and are not part of this Note. No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted all or any portion of this Note, any other document required hereunder or in connection with any Loans Documents. As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa. All parties were advised to and were given the opportunity to consult with independent counsel before executing this Note.

17. CHOICE OF LAW.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ARIZONA WITHOUT GIVING EFFECT TO CONFLICT OF LAWS PRINCIPLES.

18. INTEGRATION.

The Note contains the complete understanding and agreement of the holder hereof and Borrower and supersede all prior representations, warranties, agreements, arrangements, understandings, and negotiations.

19. BINDING EFFECT.

The Note will be binding upon, and inure to the benefit of, the holder hereof, Borrower, and their respective successors and assigns. Borrower may not delegate its obligations under the Loan Documents.

20. TIME OF THE ESSENCE.

Time is of the essence with regard to each provision of the Loan Documents as to which time is a factor.

21. NOTICES.

All notices, consents, approvals and requests required or permitted hereunder shall be given in writing and shall be effective for all purposes if hand delivered or sent by (a) certified or registered United States mail, postage prepaid, return receipt requested or (b) expedited prepaid delivery service, either commercial or United States Postal Service, with proof of attempted delivery, or (c) by email addressed as follows (or at such other address and person as shall be designated from time to time by any party hereto, as the case may be, in a written notice to the other parties hereto in the manner provided for in this Paragraph):

If to Lender:

DenSco Investment Corporation  
6132 W. Victoria Place  
Chandler, Arizona 85226  
Attention: Denny Chittick  
Email: dcmoney@yahoo.com

If to AHF:

Arizona Home Foreclosures, LLC  
7320 W. Bell Road  
Glendale, Arizona 85308  
Attention: Scott Menaged  
Email: smena98754@aol.com

If to EI:

Easy Investments, LLC  
7320 W. Bell Road

Glendale, Arizona 85308  
Attention: Scott Menaged  
Email: smena98754@aol.com

If to Menaged:

Scott Menaged  
7320 W. Bell Road  
Glendale, Arizona 85308  
Email: smena98754@aol.com

A notice shall be deemed to have been given: (i) in the case of hand delivery, at the time of delivery; in the case of registered or certified mail, when delivered or the first attempted delivery on a business day; or (ii) in the case of expedited prepaid delivery, upon the first attempted delivery on a business day; or (iii) in the case of email, the earlier of sender's receipt of a machine-generated confirmation/receipt of a successful delivery of the message or that the message was read, or sender's receipt of a response from the recipient regarding the email, such as a reply or a separate email which references the notice.

22. SURVIVAL.

The representations, warranties, and covenants of the Borrower in the Loan Documents shall survive the execution and delivery of the Loan Documents and the making of the Loan.

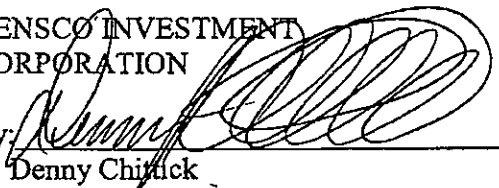
23. COUNTERPARTS.

This Note may be executed in several counterparts, each of which counterpart shall be deemed an original instrument and all of which together shall constitute a single Note. The failure of any party hereto to execute this Note, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder.

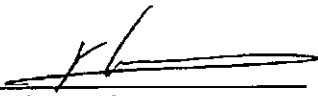
[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Borrower has duly executed this Note as of the date first stated above.

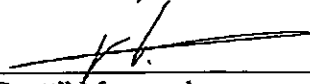
DENSCO INVESTMENT  
CORPORATION

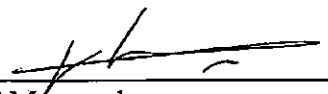
By:   
Denny Chirlick  
Its: President  
"Lender"

ARIZONA HOME FORECLOSURES,  
LLC

By:   
Yomtov "Scott" Menaged  
Its: Member  
"Borrower"

EASY INVESTMENTS, LLC

By:   
Yomtov "Scott" Menaged  
Its: Member  
"Borrower"

  
Yomtov "Scott" Menaged  
"Borrower"

{Signature Page for \$1,000,000.00 Secured Line Of Credit Promissory Note}

Exhibit A

Property

10510 East Sunnyside Drive, Scottsdale, Arizona 85259

\* As of April 4, 2014

Amount Advanced

\$915,167.89

## AUTHORIZATION TO UPDATE FORBEARANCE DOCUMENTS

This Authorization to Update Forbearance Documents (the "**Authorization**") is entered into on the dates set forth below and to be effective the 16<sup>th</sup> day of April, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company ("**AHF**"), Easy Investments, LLC, an Arizona limited liability company ("**EI**"), Furniture King, LLC, an Arizona limited liability Company ("**FK**"), Yomtov "Scott" Menaged ("**Scott**"), Francine Menaged ("**Francine**"), and DenSco Investment Corporation, an Arizona corporation ("**DenSco**").

### Recitals

A. WHEREAS AHF, EI, FK, Scott, and DenSco are the parties to a certain Forbearance Agreement, executed on April 16, 2014 (the "**Forbearance Agreement**"), together with other documents executed in connection with the Forbearance Agreement (collectively, the "**Forbearance Documents**").

B. WHEREAS having recognized that "April 14, 2014" was stated in various pages of the Forbearance Documents where they should have stated "April 16, 2014" and certain other inconsistencies with respect to the amounts due under the financings, the parties desire to make the necessary corrections.

C. WHEREAS Clark Hill, PLC ("**Clark Hill**") has been previously authorized by each of the parties to make the necessary corrections to the Forbearance Documents and as referenced on the attached **Exhibit A**. The replacement pages were previously circulated and approved by all parties.

D. WHEREAS the parties now wish to authorize and direct Clark Hill to insert the replacement pages as set forth below.

**NOW THEREFORE**, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. **Recitals.** The Recitals set forth above and Exhibit A attached hereto are incorporated into this Agreement.

2. **Forbearance Agreement.** Recognizing that "April 14, 2014" was stated in one (1) page of the Forbearance Agreement where it should have stated "April 16, 2014", AHF, EI, FK, Scott and DenSco desire to make the necessary correction. The corrected version of page 1 of the Forbearance Agreement ("**FA-1**") with "April 16, 2014" stated in the first paragraph as the execution date of the Forbearance Agreement has been circulated and approved. The corrected version of page 3 of the Forbearance Agreement ("**FA-3**") with a new first sentence in Section 1 which includes an updated figure of \$35,639,880.71 as the principal sum now due and payable under the Loans, as of close of business on April 16, 2014, has been circulated and approved. AHF, EI, FK, Scott and DenSco each hereby authorize and approve of the following:

- a. Clark Hill is instructed to substitute FA-1 and FA-3 into the corresponding pages of the executed original of the Forbearance Agreement; and

- b. The Forbearance Agreement with the inclusion of FA-1 and FA-3 will be deemed the original.

3. **Scott Guaranty.** Scott is a party to a certain Guaranty Agreement, executed on April 16, 2014 (the "**Scott Guaranty**"), in favor of DenSco. Recognizing that "April 14, 2014" was stated in one (1) page of the Scott Guaranty where it should have stated "April 16, 2014", Scott desire to make the necessary correction. The corrected version of page 1 of the Scott Guaranty ("**SG-1**") with "April 16, 2014" stated in the first paragraph as the execution date of the Scott Guaranty has been circulated and approved. Scott hereby authorizes and approves of the following:

- a. Clark Hill is instructed to substitute SG-1 into the corresponding page of the executed original of the Scott Guaranty; and
- b. The Scott Guaranty with the inclusion of SG-1 will be deemed the original.

4. **Furniture King Guaranty.** FK is a party to a certain Guaranty Agreement, executed on April 16, 2014 (the "**Furniture King Guaranty**"), in favor of DenSco. Recognizing that "April 14, 2014" was stated in one (1) page of the Furniture King Guaranty where it should have stated "April 16, 2014", FK desire to make the necessary correction. The corrected version of page 1 of the Furniture King Guaranty ("**FKG-1**") with "April 16, 2014" stated in the first paragraph as the execution date of the Furniture King Guaranty has been circulated and approved. FK hereby authorizes and approves of the following:

- a. Clark Hill is instructed to substitute FKG-1 into the corresponding page of the executed original of the Furniture King Guaranty; and
- b. The Furniture King Guaranty with the inclusion of FKG-1 will be deemed the original.

5. **Additional Loan.** AHF, EI, and Scott are the parties (as the "Borrowers") to a certain Secured Line of Credit Promissory Note, executed on April 16, 2014, with a Principal Amount of \$1,000,000.00, payable to DenSco (the "**Additional Loan Note**"). Recognizing that "April 14, 2014" was stated in three (3) pages of the Additional Loan Note where it should have stated "April 16, 2014", AHF, EI, and Scott desire to make the necessary corrections. The corrected version of page 1 of the Additional Loan Note ("**ALN-1**") with "April 16, 2014" stated in the top right as the date of the Additional Loan Note has been circulated and approved. The corrected version of page 2 of the Additional Loan Note ("**ALN-2**") with "April 16, 2014" stated in the "Forbearance Agreement" section as the date of the Forbearance Agreement has been circulated and approved. The corrected version of page 3 of the Additional Loan Note ("**ALN-3**") with "Nine Hundred Fifteen Thousand One Hundred Sixty-Seven AND 89/100 DOLLARS (\$915,167.87)" stated in Section 2 as the amount of funds previously advanced to Borrowers, pursuant to the terms of the Additional Loan Note, as of close of business on April 16, 2014, has been circulated and approved. In addition, the corrected version of page 5 of the Additional Loan Note ("**ALN-5**") with "April 16, 2014" stated in Section 8 as the date of both the Furniture



King Guaranty and the Security Agreement (defined herein) has been circulated and approved. AHF, EI, Scott and DenSco each hereby authorize and approve of the following:

- a. Clark Hill is instructed to substitute ALN-1, ALN-2, ALN-3, and ALN-5 into the corresponding pages of the executed original of the Additional Loan Note; and
- b. The Additional Loan Note with the inclusion of ALN-1, ALN-2, ALN-3, and ALN-5 will be deemed the original.

6. **Additional Funds Loan.** AHF, EI, FK, and Scott are the parties (as the "Borrowers") to a certain Secured Line of Credit Promissory Note, executed on April 16, 2014, with a Principal Amount of \$5,000,000.00, payable to DenSco (the "**Additional Funds Loan Note**"). Recognizing that "April 14, 2014" was stated in three (3) pages of the Additional Funds Loan Note where it should have stated "April 16, 2014", AHF, EI, FK, and Scott desire to make the necessary corrections. The corrected version of page 1 of the Additional Funds Loan Note ("AFLN-1") with "April 16, 2014" stated in the top right as the date of the Additional Funds Loan Note has been circulated and approved. The corrected version of page 2 of the Additional Funds Loan Note ("AFLN-2") with (i) "April 16, 2014" stated in the "Forbearance Agreement" section as the date of the Forbearance Agreement, and (ii) with "One Million Seven Hundred Eighty Thousand Two Hundred Thirty-Nine AND 76/100 DOLLARS (\$1,780,239.76)" stated in Section 2 as the amount of funds previously advanced to Borrowers, pursuant to the terms of the Additional Funds Loan Note, as of close of business on April 16, 2014 has been circulated and approved. In addition, the corrected version of page 4 of the Additional Funds Loan Note ("AFLN-4") with "April 16, 2014" stated in Section 8 as the date of the Security Agreement has been circulated and approved. AHF, EI, FK, Scott and DenSco each hereby authorize and approve of the following:

- a. Clark Hill is instructed to substitute AFLN-1, AFLN-2, and AFLN-4 into the corresponding pages of the executed original of the Additional Funds Loan Note; and
- b. The Additional Funds Loan Note with the inclusion of AFLN-1, AFLN-2, and AFLN-4 will be deemed the original.

7. **Security Agreement.** FK is the "Debtor" in that certain Security Agreement, executed on April 16, 2014, in favor of DenSco as the "Secured Party" (the "**Security Agreement**"). Recognizing that "April 14, 2014" was stated in two (2) pages of the Security Agreement where it should have stated "April 16, 2014", FK desires to make the necessary corrections. The corrected version of page 1 of the Security Agreement ("SA-1") with "April 16, 2014" stated at the top of the page as the date of the Security Agreement and in the "Obligations Secured" section as the date of the Forbearance Agreement has been circulated and approved. In addition, the corrected version of page 2 of the Security Agreement ("SA-2") with "April 16, 2014" stated in the "Obligations Secured" section as the date of both the Additional Funds Loan Note and the Additional Loan Note has been circulated and approved. FK and DenSco each hereby authorize and approve of the following:

- a. Clark Hill is instructed to substitute SA-1 and SA-2 into the corresponding pages of the executed original of the Security Agreement; and
- b. The Security Agreement with the inclusion of SA-1 and SA-2 will be deemed the original.

8. **Representation and Disclaimer Agreement.** Scott and Francine are the parties to a certain Representation and Disclaimer Agreement, in favor of DenSco (the "**Disclaimer**"), executed on April 16, 2014. Recognizing that the "April 14, 2014" was stated in one (1) page of the Disclaimer where it should have stated "April 16, 2014", Scott and Francine desire to make the necessary correction. The corrected version of page 1 of the Disclaimer ("**D-1**") with "April 16, 2014" stated in the first paragraph as the execution date of the Disclaimer has been circulated and approved. Scott and Francine each hereby authorize and approve of the following:

- a. Clark Hill is instructed to substitute D-1 into the corresponding page of the executed original of the Disclaimer; and
- b. The Disclaimer with the inclusion of D-1 will be deemed the original.

9. **Consent.** Each of the parties hereto agree to and consent to all of the changes to the Forbearance Documents, as detailed in this Authorization, and acknowledge and agree that such changes do not constitute, either individually or in the aggregate, the basis to challenge the enforcement of any of the Forbearance Documents.

10. **Counterparts.** This Authorization may be executed in several counterparts, each of which counterpart shall be deemed an original instrument and all of which together shall constitute a single Authorization. The failure of any party hereto to execute this Authorization, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder.

[signatures on following page]

IN WITNESS WHEREOF, the undersigned parties have executed this Authorization on the dates set forth below and to be effective April 16, 2014.

AHF:

ARIZONA HOME FORECLOSURES,  
LLC

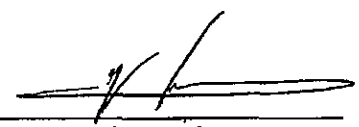
By: 

Yomtov "Scott" Menaged

Its: Member

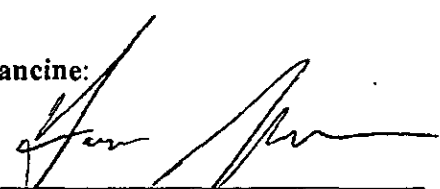
Dated: 6-18-14

Scott:

  
Yomtov "Scott" Menaged

Dated: 6-18-14

Francine:

  
Francine Menaged

Dated: 6-18-14

EI:

EASY INVESTMENTS, LLC

By: 

Yomtov "Scott" Menaged

Its: Member

Dated: 6-18-14

DenSco:

DENSCO INVESTMENT  
CORPORATION

By: 

Denny Chittick

Its: President

Dated: 6-16-14

FK:

FURNITURE KING, LLC

By: 

Yomtov "Scott" Menaged

Its: Manager

Dated: 6-18-14

{Signature Page of Authorization to Update Forebearance Documents}

## **EXHIBIT A**

### **Errata Sheet**

#### **Forbearance Agreement**

- Page 1-changed reference to April 14, 2014 to April 16, 2014 in the first paragraph
- Page 3-replace first sentence in Section 1 to include updated figure of \$35,639,880.71 as the principal sum now due and payable under the Loans, as of close of business on April 16, 2014

#### **Guaranty Agreement ( Scott Menaged)**

- Page 1-changed reference to April 14, 2014 to April 16, 2014 in the first paragraph

#### **Guaranty Agreement (Furniture King, LLC)**

- Page 1-changed reference to April 14, 2014 to April 16, 2014 in the first paragraph

#### **Secured Line of Credit Promissory Note \$1M**

- Page 1-changed date at the top right of the page from April 14, 2014 to April 16, 2014
- Page 2-changed reference to April 14, 2014 to April 16, 2014 under the "Forbearance Agreement" paragraph
- Page 3- replaced the last sentence in Section 2 to include updated figure of \$915,167.89 as the amount of funds previously advanced to Borrowers, pursuant to the terms of the Additional Loan Note, as of close of business on April 16, 2014
- Page 5-changed reference to date April 14, 2014 to April 16, 2014 in the first paragraph

#### **Secured Line of Credit Promissory Note \$5M**

- Page 1-changed reference to date at the top right of the page from April 14, 2014 to April 16, 2014
- Page 2- changed reference to April 14, 2014 to April 16, 2014 under the "Forbearance Agreement" paragraph
  - replaced the last sentence in Section 2 to include updated figure of \$1,780,239.76 as the amount of funds previously advanced to Borrowers, pursuant to the terms of the Additional Funds Loan Note, as of close of business on April 16, 2014
- Page 4-changed April 14, 2014 to April 16, 2014 under Section 8. Security and Guaranty

#### **Security Agreement**

- Page 1 -changed date from April 14, 2014 to April 16, 2014
  - changed reference to April 14, 2014 to April 16, 2014 in the "Obligations Secured" section
- Page 2-changed both references to April 14, 2014 to April 16, 2014 in the first paragraph

#### **Representation and Disclaimer Agreement**

- Page 1-changed reference to April 14, 2014 to April 16, 2014 in the first paragraph

SECURED LINE OF CREDIT PROMISSORY NOTE

\$5,000,000.00

Phoenix, Arizona

April 16, 2014

1. FUNDAMENTAL PROVISIONS.

The following terms will be used as defined terms in this Secured Line Of Credit Promissory Note (as it may be amended, modified, extended and renewed from time to time, the "Note"):

Lender: DenSco Investment Corporation, an Arizona corporation

Borrowers: Arizona Home Foreclosures, LLC, an Arizona limited liability company, whose address is 7320 W. Bell Road, Glendale, Arizona 85308 ("AHF"), Easy Investments, LLC, an Arizona limited liability company, whose address is 7320 W. Bell Road, Glendale, Arizona 85308 ("EI"), Yomtov "Scott" Menaged, whose address is 10510 East Sunnyside Drive, Scottsdale, Arizona ("Menaged"), and Furniture King, LLC, an Arizona limited liability Company, whose address is 303 N. Central Avenue, Suite 603, Phoenix, AZ 85012 ("Furniture King"), jointly and severally (AHF, EI, Menaged, and Furniture King are each individually a "Borrower" and collectively, the "Borrowers").

Principal Amount: The maximum amount of principal that is to be advanced and outstanding pursuant to this Note shall be Five Million and No/100 Dollars (\$5,000,000.00).

Principal Balance: The amount of principal that has been advanced and is outstanding at a point of time.

Interest Rate: From the date hereof through and including February 1, 2016, a rate of eighteen percent (18.00%) per annum.

Default Interest Rate: Twenty-nine percent (29%) per annum.

Maturity Date: February 1, 2016.

Business Day: Any day of the year other than Saturdays, Sundays and legal holidays on which the offices of the federal government are closed.

Deed of Trust: That certain Deed of Trust (or Deeds of Trusts) between a Borrower, as Trustor, and Lender, as Beneficiary, which are

recorded as a lien against certain real property to secure the obligations of Borrower to Lender.

Loan: The loan from Lender to Borrowers in the Principal Amount and evidenced by this Note.

Real Estate Collateral: The real properties (individually a "Property" and collectively, the "Properties") that are listed on Exhibit A, as may be amended from time to time, which is attached to and incorporated into the Note by this reference. A Deed of Trust shall be recorded as a lien against these Properties to secure the obligations of Borrower to Lender, pursuant to this Note.

Forbearance Agreement: That certain Forbearance Agreement, by and between AHF, EI, Menaged, Furniture King, and Lender, dated April 16, 2014.

Loan Documents: The "Loan Documents," as that term is defined in the Forbearance Agreement, together with the Forbearance Agreement, this Note, each Deed of Trust, and any documents executed in conjunction with the Forbearance Agreement or as security for this Note.

Additional Loan: The loan from Lender to AHF, EI, and Menaged in the principal amount of One Million and No/100 Dollars (\$1,000,000.00), and personally guaranteed by Furniture King.

Additional Loan Collateral: Certain real property in Scottsdale, Arizona which has a Deed of Trust recorded against it as a first lien position in favor of Lender to secure the obligations of the applicable Borrower, pursuant to the terms of the Additional Loan.

## 2. CREDIT ADVANCES.

Lender, in accordance with and subject to the terms and conditions set forth in this Note, shall advance to the Borrowers, on a revolving basis, such amounts as may from time to time be requested by Borrowers, provided that: (a) the Principal Balance, together with accrued interest, hereunder at any time shall not exceed the sum of the Principal Amount, and (b) no Event of Default (defined below) shall exist or be caused thereby. Amounts borrowed hereunder and repaid may be re-borrowed by Borrowers in accordance with the terms of this Agreement; provided, however, Lender may terminate, reduce or otherwise adjust the credit availability (*i.e.*, the Principal Amount) under the Loan at any time in its sole discretion. As of close of business on April 16, 2014, Borrowers have previously requested and Lender has previously advanced to Borrowers, pursuant to the terms of this Note, the sum of One Million Seven Hundred Eighty Thousand Two Hundred Thirty-Nine AND 76/100 DOLLARS (\$1,780,239.76).

3. PROMISE TO PAY

For value received, the Borrowers, jointly and severally, promise to pay to the order of Lender, at its office at 6132 W. Victoria Place, Chandler, Arizona 85226, or at such other place as the Lender hereof may from time to time designate in writing, a sum equal to the amount of the Principal Balance and all accrued interest. The books and records of Lender shall be the best evidence of the Principal Balance and the interest amount owing at any time under this Note, and shall be conclusive absent manifest error.

4. INTEREST; PAYMENTS.

- (a) Absent an Event of Default hereunder or under any of the Loan Documents, each advance made hereunder shall bear interest at the Interest Rate in effect from time to time. Throughout the term of this Note, interest shall be computed by applying the ratio of the annual interest rate over a year of 360 days, multiplied by the outstanding Principal Balance, multiplied by the actual number of days the Principal Balance is outstanding.
- (b) All payments of principal and interest due hereunder shall be made (i) without deduction of any present and future taxes, levies, imposts, deductions, charges or withholdings, which amounts shall be paid by Borrowers, and (ii) without any other set off. Borrowers will pay the amounts necessary such that the gross amount of the principal and interest received by the holder hereof is not less than that required by this Note.
- (c) On the first day of each calendar month occurring after the date of this Note, through January 1, 2016, Borrowers shall make consecutive monthly installment payments of principal and interest in an amount equal to the sum of: (i) all accrued but outstanding interest, and (ii) 3% of the outstanding Principal Balance. On the Maturity Date, Borrowers shall make one (1) final "balloon" payment of all unpaid principal, accrued unpaid interest, and any other amounts due hereunder, which shall all be due and payable on the Maturity Date. If any payment of principal and interest to be made by Borrowers hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing the interest in such payment.
- (d) Upon a sale or refinance of the Additional Loan Collateral, without demand or notice, Borrowers shall make a payment sufficient to reduce the outstanding Principal Balance, with accrued interest, to Four Million and No/100 Dollars (\$4,000,000.00) or less and the Principal Amount of this Note will thereafter be reduced to Four Million and No/100 Dollars (\$4,000,000.00).

5. PREPAYMENT.

Borrowers may prepay the Loan, in whole or in part, at any time without penalty or premium.

6. LAWFUL MONEY.

Principal and interest are payable in lawful money of the United States of America.

7. APPLICATION OF PAYMENTS/LATE CHARGE/DEFAULT INTEREST.

(a) Unless otherwise agreed to, in writing, or otherwise required by applicable law, payments will be applied first to accrued, unpaid interest, then to principal, and any remaining amount to any unpaid collection costs, late charges and other charges, provided, however, upon delinquency or other default, Lender reserves the right to apply payments among principal, interest, late charges, collection costs and other charges at its discretion. All prepayments shall be applied to the indebtedness owing hereunder in such order and manner as Lender may from time to time determine in its sole discretion.

(b) If any payment of interest and/or principal is not received by the holder hereof when such payment is due, then in addition to the remedies conferred upon the holder hereof pursuant to Section 10 hereof and the other Loan Documents, a late charge of ten percent (10%) of the amount of the regularly scheduled payment or \$25.00, whichever is greater, will be added to the delinquent amount to compensate the holder hereof for the expense of handling the delinquency for any payment past due in excess of ten (10) days, regardless of any notice and cure periods.

(c) Upon the occurrence of an Event of Default, including the failure to pay upon final maturity, Lender, at its option, may also, if permitted under applicable law, do one or both of the following: (i) increase the applicable Interest Rate on this Note to the Default Interest Rate, and (ii) add any unpaid accrued interest to principal and such sum will bear interest therefrom until paid at the rate provided in this Note (including any increased rate). The interest rate will not exceed the maximum rate permitted by applicable law.

8. SECURITY AND GUARANTY.

This Note is secured by, inter alia, (i) one or more Deeds of Trust, which Deeds of Trust create, as applicable, an initial or additional lien on one or more of the Properties of the Real Estate Collateral, and (ii) that certain Security Agreement with Furniture King, as Debtor, and Lender, as Secured Party, dated April 16, 2014, which creates a lien against all of Furniture King's inventory, accounts, and assets for the benefit of Lender. In the event that Borrowers fail to pay any sum or to perform any covenant, agreement, or obligation owed to Lender under any Loan Documents, the Borrowers shall work with Lender to provide any additional collateral available to Borrowers, as may be requested by Lender, to secure the obligations of Borrowers described in this Note. Borrowers will



execute and acknowledge (or cause to be executed and acknowledged) and deliver to Lender all documents, and take all actions, reasonably required by Lender from time to time to confirm the rights created now or hereafter intended to be created under the Note and Deeds of Trust, to protect and further the validity, priority and enforceability of any security intended by this Paragraph 8, to maintain, perfect or insure Lender's security provided for herein and in the other Loan Documents, including, without limitation, the execution, filing or recording of the Deeds of Trust, UCC financial statements, renewal statements or amendments, and the execution of such amendments to the Deeds of Trust and the other Loan Documents.

9. EVENT OF DEFAULT.

The failure to pay any amount due under this Note when due, or any occurrence of a default under the Forbearance Agreement or any other Loan Documents, shall be deemed to be an event of default ("Event of Default") hereunder.

10. REMEDIES.

Upon the occurrence of an Event of Default, then at the option of the holder hereof, the entire balance of principal together with all accrued interest thereon, and all other amounts payable by Borrowers under the Loan Documents shall, without demand or notice, immediately become due and payable. Upon the occurrence of an Event of Default (and so long as such Event of Default shall continue), the entire balance of principal hereof, together with all accrued interest thereon, all other amounts due under the Loan Documents, and any judgment for such principal, interest, and other amounts shall bear interest at the Default Interest Rate, subject to the limitations contained in Paragraph 15 hereof. No delay or omission on the part of the holder hereof in exercising any right under this Note or under any of the other Loan Documents hereof shall operate as a waiver of such right.

11. WAIVER.

Borrowers and endorers of this Note hereby waive diligence, demand for payment, presentment for payment, protest, notice of nonpayment, notice of protest, notice of intent to accelerate, notice of acceleration, notice of dishonor, and notice of nonpayment, and all other notices or demands of any kind (except notices specifically provided for in the Loan Documents) and expressly agree that, without in any way affecting the liability of Borrowers or endorers, the holder hereof may extend any maturity date or the time for payment of any installment due hereunder, otherwise modify the Loan Documents, accept additional security, release any person liable, and release any security. Borrowers and endorers waive, to the full extent permitted by law, the right to plead any and all statutes of limitations as a defense.

12. CHANGE, DISCHARGE, TERMINATION, OR WAIVER.

No provision of this Note may be changed, discharged, terminated, or waived except in a writing signed by the party against whom enforcement of the change, discharge, termination, or waiver is sought. No failure on the part of the holder hereof to exercise

and no delay by the holder hereof in exercising any right or remedy under this Note or under the law shall operate as a waiver thereof.

13. ATTORNEYS' FEES.

If this Note is not paid when due or if any Event of Default occurs, Borrowers promise to pay all costs of enforcement and collection and preparation therefor, including but not limited to, reasonable attorneys' fees, whether or not any action or proceeding is brought to enforce the provisions hereof (including, without limitation, all such costs incurred in connection with any bankruptcy, receivership, or other court proceedings (whether at the trial or appellate level)).

14. SEVERABILITY.

If any provision of this Note is unenforceable, the enforceability of the other provisions shall not be affected and they shall remain in full force and effect.

15. INTEREST RATE LIMITATION.

Borrowers hereby agree to pay an effective rate of interest that is the sum of the interest rate provided for herein, together with any additional rate of interest resulting from any other charges of interest or in the nature of interest paid or to be paid in connection with the Loan. Lender and Borrowers agree that none of the terms and provisions contained herein or in any of the Loan Documents shall be construed to create a contract for the use, forbearance or detention of money requiring payment of interest at a rate in excess of the maximum interest rate permitted to be charged by the laws of the State of Arizona. In such event, if any holder of this Note shall collect monies which are deemed to constitute interest which would otherwise increase the effective interest rate on this Note to a rate in excess of the maximum rate permitted to be charged by the laws of the State of Arizona, all such sums deemed to constitute interest in excess of such maximum rate shall, at the option of the holder, be credited to the payment of other amounts payable under the Loan Documents or returned to Borrowers.

16. INTERPRETATION.

Headings at the beginning of each numbered section of this Note are intended solely for convenience and are not part of this Note. No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted all or any portion of this Note, any other document required hereunder or in connection with any Loans Documents. As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa. All parties were advised to and were given the opportunity to consult with independent counsel before executing this Note.

17. CHOICE OF LAW.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ARIZONA WITHOUT GIVING EFFECT TO CONFLICT OF LAWS PRINCIPLES.

18. INTEGRATION.

The Note contains the complete understanding and agreement of the holder hereof and Borrowers and supersedes all prior representations, warranties, agreements, arrangements, understandings, and negotiations.

19. BINDING EFFECT.

The Note will be binding upon, and inure to the benefit of, the holder hereof, Borrowers, and their respective successors and assigns. Borrowers may not delegate their obligations under the Loan Documents.

20. TIME OF THE ESSENCE.

Time is of the essence with regard to each provision of the Loan Documents as to which time is a factor.

21. NOTICES.

All notices, consents, approvals and requests required or permitted hereunder shall be given in writing and shall be effective for all purposes if hand delivered or sent by (a) certified or registered United States mail, postage prepaid, return receipt requested or (b) expedited prepaid delivery service, either commercial or United States Postal Service, with proof of attempted delivery, or (c) by email addressed as follows (or at such other address and person as shall be designated from time to time by any party hereto, as the case may be, in a written notice to the other parties hereto in the manner provided for in this Paragraph):

If to Lender:

DenSco Investment Corporation  
6132 W. Victoria Place  
Chandler, Arizona 85226  
Attention: Denny Chittick  
Email: dcmoney@yahoo.com

If to AHF:

Arizona Home Foreclosures, LLC  
7320 W. Bell Road  
Glendale, Arizona 85308  
Attention: Scott Menaged  
Email: smena98754@aol.com

If to EI:

Easy Investments, LLC  
7320 W. Bell Road

Glendale, Arizona 85308  
Attention: Scott Menaged  
Email: smena98754@aol.com

If to Menaged:

Scott Menaged  
7320 W. Bell Road  
Glendale, Arizona 85308  
Email: smena98754@aol.com

If to Furniture King:

Arizona Furniture King  
303 N. Central Avenue, Suite 603  
Phoenix, Arizona 85012  
Attention: Scott Menaged  
Email: smena98754@aol.com

A notice shall be deemed to have been given: (i) in the case of hand delivery, at the time of delivery; in the case of registered or certified mail, when delivered or the first attempted delivery on a business day; or (ii) in the case of expedited prepaid delivery, upon the first attempted delivery on a business day; or (iii) in the case of email, the earlier of sender's receipt of a machine-generated confirmation/receipt of a successful delivery of the message or that the message was read, or sender's receipt of a response from the recipient regarding the email, such as a reply or a separate email which references the notice.

22. SURVIVAL.

The representations, warranties, and covenants of the Borrowers in the Loan Documents shall survive the execution and delivery of the Loan Documents and the making of the Loan.

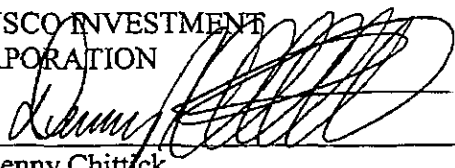
23. COUNTERPARTS.

This Note may be executed in several counterparts, each of which counterpart shall be deemed an original instrument and all of which together shall constitute a single Note. The failure of any party hereto to execute this Note, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder.

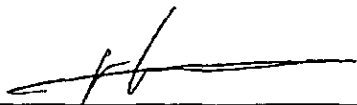
[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Borrowers have duly executed this Note as of the date first stated above.


DENSCO INVESTMENT  
CORPORATION

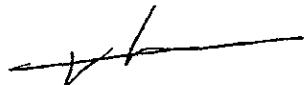
By:   
Denny Chittick  
Its: President  
"Lender"

ARIZONA HOME FORECLOSURES,  
LLC

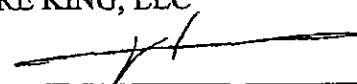
By:   
Yomtov "Scott" Menaged  
Its: Member  
"Borrower"

EASY INVESTMENTS, LLC

By:   
Yomtov "Scott" Menaged  
Its: Member  
"Borrower"

  
Yomtov "Scott" Menaged  
"Borrower"

FURNITURE KING, LLC

By:   
Yomtov "Scott" Menaged  
Its: Manager  
"Borrower"

{Signature Page for \$5,000,000.00 Secured Line Of Credit Promissory Note}

Exhibit A

Property

Amount Advanced

Address of Property	\$ Amount	Date of draw	Total \$	Int Per Day	Days	Payment	Interest \$	Date	Total Int & Debt Balance
Interest Payment to Gregg	\$ 100,000.00	2/28/2014	\$ 100,000.00	\$ 50.00	5	\$ 100,000.00	\$ 250.00	3/5/2014	\$
Legal Bill Inv#528891	\$ 38,224.00	3/6/2014	\$ 38,224.00	\$ 19.11	21		\$ 401.35		\$ 38,625.35
2105 S 108th Ave	\$ 95,864.00	3/7/2014	\$ 134,088.00	\$ 47.93	20		\$ 958.64		\$ 96,822.64
2027 S 101st Drive	\$ 79,380.98	3/7/2014	\$ 213,468.98	\$ 39.69	20		\$ 793.81		\$ 80,174.79
1697 S 233rd Ln	\$ 67,353.16	3/7/2014	\$ 280,822.14	\$ 33.68	20		\$ 673.53		\$ 68,026.69
4119 W Valley View Dr	\$ 88,896.00	3/7/2014	\$ 369,718.14	\$ 44.45	20		\$ 888.96		\$ 89,784.96
14869 W Caribbean Ln	\$ 79,252.00	3/7/2014	\$ 448,970.14	\$ 39.63	20		\$ 792.52		\$ 80,044.52
4906 W Gelding Dr	\$ 69,082.27	3/7/2014	\$ 518,052.41	\$ 34.54	20		\$ 690.82		\$ 69,773.09
1942 S Emerson St #252	\$ 41,382.56	3/7/2014	\$ 559,434.97	\$ 20.69	20		\$ 413.83		\$ 41,796.39
4119 W Grovers Ave	\$ 78,538.63	3/10/2014	\$ 637,973.60	\$ 39.27	17		\$ 667.58		\$ 79,206.21
23846 W Gibson Ln	\$ 92,372.15	3/14/2014	\$ 730,345.75	\$ 46.19	13		\$ 600.42		\$ 92,972.57
1040 S 220th Ln	\$ 68,127.63	3/14/2014	\$ 798,473.38	\$ 34.06	13		\$ 442.83		\$ 68,570.46
18146 W Puget Ave	\$ 63,851.07	3/14/2014	\$ 862,334.45	\$ 31.93	13		\$ 415.10		\$ 64,276.17
15456 S 47th Place	\$ 181,653.80	3/21/2014	\$ 1,043,988.25	\$ 90.83	6		\$ 544.96		\$ 182,198.76
Payment		3/26/2014	\$ 1,715.65			\$ 10,000.00	\$ 8,284.35		\$ 1,052,272.60
			\$ 1,042,272.60		3/26/2014				
Balance Forward	\$ 1,042,272.60	3/27/2014	\$ 1,042,272.60	\$ 521.14	21		\$ 10,943.86		\$ 1,053,216.46
6024 E Wethersfield Rd	\$ 112,625.27	3/28/2014	\$ 1,154,897.87	\$ 56.31	20		\$ 1,126.25		\$ 113,751.52
13920 W Maui Ln	\$ 38,414.70	3/31/2014	\$ 1,193,312.57	\$ 19.21	17		\$ 326.52		\$ 38,741.22
1820 S 106th Ln	\$ 63,544.61	3/31/2014	\$ 1,256,857.18	\$ 31.77	17		\$ 540.13		\$ 64,084.74
25852 S Beech Creek Dr	\$ 138,235.26	4/4/2014	\$ 1,395,092.44	\$ 69.12	13		\$ 898.53		\$ 139,133.79
707 E Potter Dr	\$ 184,619.56	4/4/2014	\$ 1,579,712.00	\$ 92.31	13		\$ 1,200.03		\$ 185,819.59
16739 W Navajo St	\$ 20,000.00	4/10/2014	\$ 1,599,712.00	\$ 10.00	7		\$ 70.00		\$ 20,070.00
4745 W Golden Ln	\$ 63,805.73	4/14/2014	\$ 1,663,517.73	\$ 31.90	3		\$ 95.71		\$ 63,901.44
635 S St Paul	\$ 27,783.84	4/14/2014	\$ 1,691,301.57	\$ 13.89	3		\$ 41.68		\$ 27,825.52
9832 E Olla Ave	\$ 37,589.85	4/14/2014	\$ 1,728,891.42	\$ 18.79	3		\$ 56.38		\$ 37,646.23
3154 W Via Montoya Dr	\$ 21,082.34	4/14/2014	\$ 1,749,973.76	\$ 10.54	3		\$ 31.62		\$ 21,113.96
Legal Bill	\$ 30,266.00	4/15/2014	\$ 1,780,239.76	\$ 15.13	2		\$ 30.27		\$ 30,296.27
Totals since last payment	\$ 1,780,239.76						\$ 15,360.98		\$ 1,795,600.74

4/16/2014

## REPRESENTATION AND DISCLAIMER AGREEMENT

This Representation And Disclaimer Agreement (this "**Agreement**") is made as of April 16, 2014, by Yomtov "Scott" Menaged ("**Scott**") and Francine Menaged ("**Francine**") (Scott and Francine are collectively referred to as the "**Parties**"), who are husband and wife, both residing at 10510 East Sunnyside Drive, Scottsdale, Arizona 85259, in favor of DenSco Investment Corporation, an Arizona corporation (together with its successor and assigns, "**Lender**"), having an address at 6132 W. Victoria Place, Chandler, Arizona 85226.

### Recitals

The following recitals are a material part of this Agreement:

A. Arizona Home Foreclosures, LLC, an Arizona limited liability company ("**AHF**"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308 and Easy Investments, LLC, an Arizona limited liability company ("**EI**"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308 (AHF and EI are hereinafter referred to, individually and collectively, as the context may require, as "**Borrower**") are indebted to Lender under the terms of certain loans or similar agreements (individually a "**Loan**" and collectively, the "**Loans**").

B. As of March 1, 2014, the total sum now due and payable under the Loans, in aggregate, is approximately \$39,116,888, consisting of \$37,133,019 in principal, \$1,983,869 in accrued interest, \$1,100,100 advanced by Lender in payment of costs and expenses as permitted under the Loans Documents and approximately \$38,000 in costs and expenses incurred by Lender for collection and enforcement of the Loans.

C. The Loans are now in default, pursuant to the terms of the promissory notes, mortgages, and deeds of trust, and other documents executed in connection with the Loans (collectively, the "**Loan Documents**").

D. Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, subject to the terms of a Forbearance Agreement of even date, by and between the Borrower, Scott, Furniture King, LLC, an Arizona limited liability Company, whose address is 303 N. Central Avenue, Suite 603, Phoenix, AZ 85012 ("**Furniture King**"), and Lender (the "**Forbearance Agreement**").

E. Pursuant to the Forbearance Agreement, Lender agreed to loan additional funds in an amount up to Five Million Dollars (\$5,000,000) to Borrower, Scott, and Furniture King, jointly and severally (the "**Additional Funds Loan**"), which is evidenced by that certain Secured Line of Credit Promissory Note (the "**Additional Funds Note**").

F. Pursuant to the Forbearance Agreement, Lender agreed to loan additional funds in an amount up to One Million Dollars (\$1,000,000) to Borrower and Scott, jointly and severally (the "**Additional Loan**"), which is evidenced by that certain Secured Line of Credit Promissory Note (the "**Additional Note**"). Furniture King has personally guaranteed the Additional Loan under a separate



Guaranty Agreement. Certain real property located at 10510 East Sunnyside Drive, Scottsdale, Arizona and the Guaranty Agreement, a Deed of Trust recorded against it as a first lien position in favor of Lender to secure the obligations of the applicable Borrower, pursuant to the terms of the Additional Note (the "Scottsdale Property"). (For purposes of this Agreement, the Forbearance Agreement, the Additional Funds Note, the Additional Note, and the Guaranty Agreement, and other documents executed in connection with the Forbearance Agreement shall be included in the definition of the "Loan Documents.")

G. Absent this Agreement, and the Ownership Representation set forth below, Lender is unwilling to agree to the terms of the Forbearance Agreement, loan the additional funds to Borrower pursuant to the Additional Funds Loan, and the Additional Loan, and/or to loan any other additional funds to the Borrower.

### AGREEMENT

In consideration of Lender's agreement to the terms of the Forbearance Agreement and agreement to loan additional funds to the Borrower, pursuant to the terms of the Loan Documents, the Additional Funds Note, the Additional Note, and the Forbearance Agreement, and other good and valuable consideration, the receipt and legal sufficiency of which is hereby acknowledged, Scott and Francine each state, agree, represent and warrant to Lender as follows:

1. **Incorporation of Recitals.** The Recitals set forth above are hereby incorporated into and made a part of this Agreement.

2. **Representations and Disclaimers.**

2.1 Francine is the spouse of Scott.

2.2 Each of the assets (collectively, the "Assets") listed on Exhibit A, attached hereto and incorporated into this Agreement by this reference, are the sole and separate property of Scott and Francine disclaims any and all community property interest or quasi-community property interest she may have in each of the Assets.

2.3 Scott and Francine each represent to Lender that Scott is the sole owner of AHF, EI, and Furniture King, and, further, that he owns each of these companies as his sole and separate property (the "Ownership Representation").

2.4 The Parties acknowledge that they have each read the Loan Documents and understand their respective provisions.

2.5 The Parties are each aware that, by the provisions of the Loan Documents, Scott, AHF, EI, and Furniture King, as applicable, have agreed to encumber and permit a lien on the Scottsdale Property and all, if not all, of the assets of AHF, EI, and Furniture King (collectively, the "Collateral") to secure certain obligations of the Loan Documents, in favor of Lender.

2.6 To the extent that she has (or may have in the future) any interest in the Assets, Francine expressly approves of and agrees to be bound by the provisions of the Loan Documents in their entirety, including, but not limited to, those provisions relating to the creation of liens on the

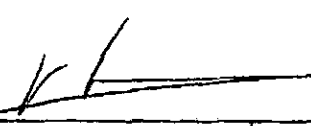
Collateral, in favor of Lender, and Lender's available remedies in the event of default regarding such collateral, including foreclosure of the Collateral.

2.7 Unless prohibited by applicable law, each of the Parties will indemnify, defend, and hold harmless Lender from and against all damages, liabilities, losses, and costs (including settlement costs and reasonable attorneys' fees) arising out of any claim concerning or arising from any of the following (each a "Claim"): (i) a dispute regarding whether Scott is the sole owner of an Asset; (ii) a dispute regarding whether any of the Assets are the sole and separate property of Scott; (iii) a dispute regarding whether Francine has any community property interest or quasi-community property interest in any of the Assets; and/or (iv) a dispute regarding whether Scott's individual signature is legally sufficient to provide a legally effective security interest in the any or all of the Assets without the signature of Francine.

3. **Counterparts.** This Agreement may be executed in several counterparts, each of which counterpart shall be deemed an original instrument and all of which together shall constitute a single Agreement. The failure of any party hereto to execute this Agreement, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder.

IN WITNESS WHEREOF, the Parties have executed or caused this Agreement to be executed as of the day and year first above written.

Parties:

  
\_\_\_\_\_  
Yomtov "Scott" Menaged  
"Scott"

  
\_\_\_\_\_  
Francine Menaged  
"Francine"

{Signature Page for Representation And Disclaimer Agreement}

EXHIBIT A

Sole And Separate Property

1. All ownership interest in Arizona Home Foreclosures, LLC, an Arizona limited liability company, whose address is 7320 W. Bell Road, Glendale, Arizona 85308.
2. All ownership interest in Easy Investments, LLC, an Arizona limited liability company, whose address is 7320 W. Bell Road, Glendale, Arizona 85308.
3. All ownership interest in Furniture King, LLC, an Arizona limited liability company, whose address is 303 N. Central Avenue, Suite 603, Phoenix, Arizona 85012.
4. Certain real property in Scottsdale, Arizona, commonly known as 10510 East Sunnyside Drive, Scottsdale, Arizona, 85259.

ACKNOWLEDGMENTS

STATE OF ARIZONA            )  
                                      ) SS  
COUNTY OF MARICOPA        )

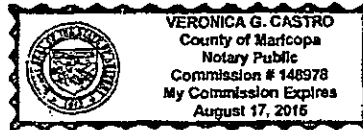
On this 16 day of April, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, and said Yomtov "Scott" Menaged acknowledged to me that he is the person named "Scott" in the foregoing instrument and that he did execute the foregoing instrument and that he did so as his free act and deed.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

  
Notary Public

My Commission Expires:

8-17-15



{Acknowledgments for Representation And Disclaimer Agreement - Scott}

ACKNOWLEDGMENTS

STATE OF ARIZONA           )  
  ) SS  
COUNTY OF MARICOPA       )

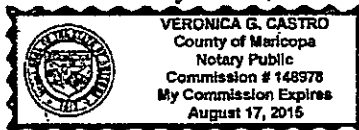
On this 14 day of April, 2014, before me appeared Francine Menaged, to me personally known, who being by me duly sworn, and said Francine Menaged acknowledged to me that she is the person named as "Francine" in the foregoing instrument and that she did execute the foregoing instrument and that she did so as her free act and deed.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

  
Notary Public

My Commission Expires:

8-17-15



{Acknowledgments for Representation, And Disclaimer Agreement - Francine}

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SECURITY AGREEMENT

DATE: April 16, 2014

SECURED PARTY: DenSco Investment Corporation,  
an Arizona corporation  
6132 W. Victoria Place  
Chandler, Arizona 85226

DEBTOR: Furniture King, LLC,  
an Arizona limited liability Company  
303 N. Central Avenue, Suite 603  
Phoenix, Arizona 85012

OBLIGATIONS  
SECURED:

All obligations, both payment and performance, owed by Debtor to Secured Party, including, but not limited to the obligations under each of the following: (i) the Forbearance Agreement, dated April 16, 2014; (ii) each of the Loan Documents (defined herein); (iii) the Guaranty Agreement, of even date herewith (the "Guaranty"), wherein the Secured Party personal guaranteed the indebtedness and other obligations of Arizona Home Foreclosures, LLC, an Arizona limited liability company ("AHF") and Easy Investments, LLC, an Arizona limited liability company ("EI", AHF and EI are hereinafter referred to, individually and collectively, as the context may require, as "Borrower") to Secured Party under the terms of certain Loans (individually a "Loan" and collectively, the "Loans"), which are listed on the attached Exhibit A (as may be subsequently amended as additional real properties are added as collateral for the Loans) of the Guaranty, which is incorporated into this Agreement by this reference, with each Loan evidenced by a certain Note Secured by Deed of Trust or other similar promissory notes, executed by Borrower in favor of Secured Party (individually a "Note" and collectively, the "Notes") and by a Mortgage (or a "Receipt and Mortgage") (collectively, the "Mortgages"), and are each secured in part by one or more Deeds of Trust and Assignment of Rents, deeds of trust, deeds to secure debt, or similar documents (individually and collectively, the "Security Instruments") encumbering Borrower's interest in the respective real properties described therein (individually a "Property" and collectively, the "Properties") and referenced in Exhibit A (as may be subsequently amended as additional real properties are added as collateral for the Loans) of the Guaranty. The Notes, Mortgages, Security Instruments, and the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally

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written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "Loans Documents" or individually as a "Loan Document"; (iv) the Secured Line of Credit Promissory Note, dated April 16, 2014, with a Principal Amount of \$5,000,000, with Secured Party, as Lender, and Debtor, Borrower, and Yomtov "Scott" Menaged, an individual whose address is 10510 East Sunnyside Drive, Scottsdale, Arizona 85259 ("Menaged"), as Borrowers (the "Additional Funds Loan"); and (v) the Secured Line of Credit Promissory Note, dated April 16, 2014, with a Principal Amount of \$1,000,000, with Secured Party, as Lender, Borrower and Menaged, as Borrowers, and Debtor, as guarantor (the "Additional Loan").

COLLATERAL: All of Debtor's inventory, accounts (with a Deposit Account Control Agreement), and assets.

Debtor, for value received, hereby grants to Secured Party a security interest in and to the Collateral described above, complete with accessories, attachments, accessions, repairs, replacements, parts and equipment now or hereafter attached or appertaining thereto, or used in connection therewith and all proceeds thereof to secure performance of the covenants and agreements herein set forth and payment and performance of the Obligations Secured hereby and any and all extensions or renewals thereof, in whole or in part, and also any other indebtedness or liability of Debtor to Secured Party now existing or hereafter arising, due or to become due, absolute or contingent and whether several, joint, or joint and several.

1. **Debtor's Representations and Warranties.** Debtor represents and warrants:

a. Debtor is and, as to Collateral acquired after the date hereof, will be the owner of the Collateral free from any adverse lien, security interest or encumbrance. Debtor is in exclusive possession of the Collateral. Debtor shall defend the Collateral against all claims and demands of all persons.

b. All Collateral now existing, and all Collateral hereafter acquired, is and shall be located solely within the State of Arizona (the "Collateral State").

c. Debtor is a limited liability company organized and existing under the laws of the State of Arizona with its chief executive office located in Phoenix, Maricopa County, Arizona. Debtor's exact legal name is set forth on the first page of this Security Agreement.

d. There is no financing statement now on file covering any of the Collateral of Debtor or in which Debtor is named as or signs as a Debtor, except as may be approved by Secured Party. Without the prior written consent of the Secured Party, Debtor will not execute nor permit the filing of any such financing statement or statements.

e. Debtor shall maintain possession of the Collateral, except where expressly otherwise provided in this Security Agreement or where Secured Party chooses to perfect its

security interest by possession in addition to the filing of the Financing Statements (defined below).

f. Said Collateral being personal property, the same will be used and located at the hereinabove specified addresses within the Collateral State. Debtor shall have the right to replace any items of Collateral with equal or better property, provided such replacement property shall become Collateral hereunder.

g. Debtor will not sell, offer or attempt to sell or dispose of the Collateral or any substitutions, accessions or interest therein, other than inventory in the ordinary course of business, and will not create or permit to exist any other security interest or other encumbrance upon the Collateral.

2. **Authorization.** Debtor hereby authorizes Secured Party to execute and file any and all financing statements (the "**Financing Statements**") describing the Collateral deemed necessary or desirable by Secured Party to confirm, perfect, continue, modify or extend the security interest in the Collateral granted herein.

3. **Right to Protect Collateral.** Secured Party may, in the event of default by Debtor, obtain insurance or pay taxes, assessments, liens, fees, charges or encumbrances, or order and pay for repairs or spend any amounts necessary to maintain the Collateral in Debtor's exclusive possession and in good condition and repair, and all amounts expended by Secured Party shall, with interest thereon at eighteen percent (18%) per annum, constitute an indebtedness of Debtor to Secured Party secured by the Collateral and by the terms of this Agreement, and shall be immediately due and payable, but no such act or expenditure by Secured Party shall relieve Debtor from the consequences of such default. The making of any such payment by Secured Party or the performance of any obligation on behalf of Debtor shall constitute prima facie evidence of the necessity therefor and the reasonableness thereof.

4. **Events of Default.** Any one of the following shall constitute an event of default ("**Event of Default**"):

- a. Failure of Debtor to pay when due any indebtedness secured hereby;
- b. Any default, Event of Default (as defined) or breach of any warranty, representation or statement under any of the Loan Documents, the Forbearance Agreement, the Additional Funds Loan, the Additional Loan, or other documents associated with any of the Obligations Secured hereby;
- c. If any warranty, representation or statement made herein or furnished to Secured Party by or on behalf of Debtor in connection with this Agreement proves to have been false in any material respect when made or furnished;
- d. The commencement of any bankruptcy proceedings, arrangement, reorganization, insolvency, receivership or similar proceedings by or against Debtor or any guarantor or surety for Debtor;



e. The dissolution or termination of the Debtor's limited liability company existence;

f. If the Collateral is sold or disposed of unlawfully, levied on or seized under any levy, attachment, garnishment, writ or other legal process; if any lien shall attach thereto; or if a security interest is created with respect thereto;

g. If Debtor uses the Collateral in violation of any law or governmental regulation;

h. If Debtor defaults in performing any of Debtor's obligations, promises, covenants or agreements contained herein or in any agreement, paper or document given by Debtor to Secured Party;

i. If the Collateral is lost, stolen or suffers substantial damage or destruction which is not compensated for by insurance;

j. If Debtor removes or permits the Collateral to be removed from the location herein specified without prior written consent of Secured Party, other than a sale of inventory in the ordinary course of business;

k. If Debtor fails to keep and maintain exclusive possession of and title to the Collateral, other than a sale of inventory in the ordinary course of business;

l. If Debtor fails to pay promptly when due all taxes, liens, fees, charges and assessments upon the Collateral or fails to keep the Collateral in good condition and repair or fails to keep the Collateral properly insured at all times, with an insurance company or companies acceptable to Secured Party and with loss payable to Secured Party as its interest may appear against fire (with extended coverage), theft, physical damage and such other risks, and in such amounts for all risks as Secured Party shall require.

m. Debtor shall fail to comply with, or become subject to any administrative or judicial proceeding under any federal, state or local (a) hazardous waste or environmental law, (b) asset forfeiture or similar law which can result in the forfeiture of property or (c) other law where noncompliance may have any significant effect on the Collateral; or

n. Secured Party shall receive at any time following the date of this Agreement a report from the Secretary of State or other governmental agency indicating that Secured Party's security interest is not prior to all other security interests or other interests reflected in the report unless such security interests or other interests have been previously consented to in writing by Secured Party.

5. **Default Costs.** Should an Event of Default occur, Debtor will pay to Secured Party all costs incurred by Secured Party for the purpose of enforcing its rights hereunder, including, without limitation:

a. The costs of foreclosure;

b. The costs of obtaining money damages including without limitation the costs incurred in any litigation or arbitration proceeding arising out of this Security Agreement; and

c. The attorneys' fees incurred by Secured Party for any purpose related to this Security Agreement or the Obligations Secured hereby, including consultation, drafting documents, sending notices or instituting, prosecuting or defending litigation or arbitration.

6. **Rights and Remedies.** Upon the happening of any of the foregoing Events of Default and at any time thereafter, at Secured Party's option and without notice to Debtor declare all of the indebtedness of Debtor to Secured Party to be immediately due and payable, and Secured Party shall have the rights, options, duties and remedies of a Secured Party, and Debtor shall have the rights and duties of a Debtor, under the Uniform Commercial Code as adopted in the State of Arizona; and, without limitation thereto, Secured Party shall have the following specific rights:

a. To terminate any commitment to make loans or to otherwise extend credit to Borrower;

b. To take immediate possession of the Collateral without notice or resort to legal process and for such purpose to enter upon any premises on which the Collateral or any part thereof may be situated and remove the same therefrom or at its option to render the Collateral unusable;

c. To require Debtor to assemble the Collateral and make it available to Secured Party at a place, to then be designated by Secured Party which is reasonably convenient to both parties;

d. To retain the Collateral in satisfaction of the Obligations Secured hereunder in accordance with A.R.S. Sections 47-9620 and 47-9621; provided, however, Secured Party will not be deemed to accept the Collateral in satisfaction of the Obligations Secured in the absence of Secured Party's compliance with A.R.S. Section 47-9620(B)(1);

e. Without taking possession, sell, lease or otherwise dispose of the Collateral at public or private sale in accordance with the Uniform Commercial Code as adopted in the State of Arizona; and

f. At any sale or disposition of the Collateral, Secured Party may accept a trade of property for all or a portion of the sale price;

7. **Foreclosure Procedures.**

a. No delay or omission by Secured Party to exercise any right or remedy accruing upon any Event of Default shall: (a) impair any right or remedy, (b) waive any default or operate as an acquiescence to the Event of Default or (c) affect any subsequent default of the same or of a different nature.

b. Secured Party shall give Debtor such notice of any private or public sale as may be required by the Uniform Commercial Code as adopted in the State of Arizona. Any written notice required to be given to Debtor, if mailed by ordinary mail, postage prepaid, to Debtor's mailing address given above, or to Debtor's most recent address as shown by a notice of change of address on file with the Secured Party, shall be deemed reasonable notification.

c. Secured Party has no obligation to clean up or otherwise prepare the Collateral for sale.

d. Secured Party has no obligation to attempt to satisfy the Obligations Secured hereby by collecting them from any other person liable for them and Secured Party may release, modify or waive any collateral provided by any other person to secure any of the Obligations Secured hereby, all without affecting Secured Party's rights against Debtor. Debtor waives any right it may have to require Secured Party to pursue any third person for any of the Obligations Secured hereby.

e. Secured Party may comply with any applicable state or federal law or regulation in connection with the disposition of the Collateral and such compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral.

f. Secured Party may sell the Collateral without giving any warranties as to the Collateral. Secured Party may specifically disclaim any warranty of title or the like. This procedure will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral.

g. If Secured Party sells any of the Collateral upon credit, Debtor will be credited only with payments actually made by the purchaser, received by Secured Party and applied to the indebtedness of the purchaser. In the event the purchaser fails to pay for the Collateral, Secured Party may resell the Collateral and Debtor shall be credited with the proceeds of the sale.

h. Secured Party shall have no obligation to marshal any assets in favor of Debtor, or against or in payment of (i) one or more of the Notes, (ii) any of the other Obligations Secured hereby or (iii) any other obligation owed to Secured Party by Debtor or any other person.

i. Secured Party shall apply the proceeds realized from any disposition of the Collateral in accordance with the Uniform Commercial Code as adopted in the State of Arizona and to the payment of reasonable attorneys' fees and legal expenses incurred by Secured Party whether or not suit be filed. If the proceeds realized from the disposition of the Collateral shall fail to satisfy all of the Obligations Secured hereby, Debtor shall pay any deficiency balance to Secured Party.

8. **Debtor's Covenants.** Until the Obligations Secured are paid in full, Debtor covenants and agrees:

a. That the Collateral will be kept at the addresses set forth above, and Debtor will not remove the Collateral from the Collateral State without the prior written consent of Secured Party.

b. Debtor shall promptly notify Secured Party in writing of any change in location of the Collateral (other than in the event of a sale of inventory in the ordinary course of business), Debtor's place or places of business or Debtor's place of residence. Such notice to be effective must be received by Secured Party at the place where payments are to be made under the terms of this Agreement.

c. That Debtor shall not change its company name or state of domicile without providing Secured Party with at least thirty (30) days prior written notice.

d. That Debtor will preserve its company existence and will not, in one transaction or in a series of related transactions, merge into or consolidate with any other entity, or sell all or substantially all of its assets.

9. **General.**

a. This Agreement constitutes the entire agreement between the parties relative to the subject hereof and may not be amended or altered except by a writing signed by all parties.

b. This Agreement shall be governed by the laws of the State of Arizona. Any action arising out of this Agreement shall be brought in the Maricopa County (Arizona) Superior Court.

c. In the event litigation is commenced to enforce the terms of this Agreement, the prevailing party shall be entitled to recover its attorneys' fees and costs of suit from the non-prevailing party.

d. All terms used herein which are defined in the Uniform Commercial Code as adopted in the State of Arizona shall have the same meaning herein as in the Code.

e. Should any provision of this Security Agreement be found to be void, invalid or unenforceable by a court of competent jurisdiction, that finding shall only affect the provisions found to be void, invalid or unenforceable and shall not affect the remaining provisions of this Security Agreement.

f. If this Security Agreement is signed by more than one Debtor, the obligations of all such Debtors shall be joint and several.

g. Time is of the essence of this Agreement.

h. This Security Agreement shall bind and inure to the benefit of the heirs, legatees, executors, administrators, successors and assigns of Secured Party and shall bind all persons who become bound as a debtor to this Security Agreement. Secured Party does not consent to any assignment by Debtor except as expressly provided in this Security Agreement.

Secured Party may assign its rights and interests under this Security Agreement. If an assignment is made, Debtor shall render performance of this Security Agreement to the assignee. Debtor waives and will not assert against any assignee any claims, defenses or set-offs which Debtor could assert against Secured Party except defenses which cannot be waived.

i. Debtor agrees to execute any further documents, and to take any further actions, reasonably requested by Secured Party to evidence or perfect the security interests granted herein, to maintain the first priority of the security interests granted herein or to effectuate the rights granted to Secured Party herein.

j. This Security Agreement may be executed in several counterparts, each of which counterpart shall be deemed an original instrument and all of which together shall constitute a single Security Agreement. The failure of any party hereto to execute this Security Agreement, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder.

k. All notices, consents, approvals and requests required or permitted hereunder shall be given in writing and shall be effective for all purposes if hand delivered or sent by (a) certified or registered United States mail, postage prepaid, return receipt requested or (b) expedited prepaid delivery service, either commercial or United States Postal Service, with proof of attempted delivery, or (c) by email addressed as follows (or at such other address and person as shall be designated from time to time by any party hereto, as the case may be, in a written notice to the other parties hereto in the manner provided for in this Paragraph):

Arizona Home Foreclosures, LLC  
7320 West Bell Road  
Glendale, AZ 85308  
Attention: Scott Menaged  
Email: smena98754@aol.com

Easy Investments, LLC  
7320 West Bell Road  
Glendale, AZ 85308  
Attention: Scott Menaged  
Email: smena98754@aol.com

Yomotov, "Scott" Menaged  
7320 West Bell Road  
Glendale, AZ 85308  
Email: smena98754@aol.com

Furniture King, LLC  
303 North Central Avenue, Suite 603  
Phoenix, AZ 85012  
Attention: Scott Menaged  
Email: smena98754@aol.com

DenSco Investment Corporation  
6132 West Victoria Place  
Chandler, AZ 85226  
Attention: Denny Chittick  
Email: dcmoney@yahoo.com

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed the day and year first above written.

**DEBTOR:**

Furniture King, LLC,  
an Arizona limited liability Company

By: [Signature]  
Yomotov "Scott" Menaged  
Its: Manager

**ACKNOWLEDGMENTS**

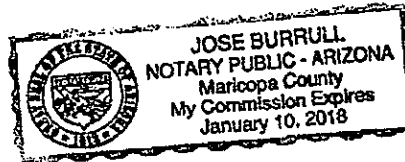
STATE OF ARIZONA       )  
                                      ) ss.  
County of Maricopa       )

On this 16<sup>th</sup> day of APRIL, 2014, before me appeared Yomotov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he is the manager of FURNITURE KING, LLC, an Arizona limited liability company (the "**Company**"), and said Yomotov "Scott" Menaged acknowledged to me that the Company is named as the Debtor in the foregoing instrument and that as the manager of the Company, he did execute the foregoing instrument, for and on behalf of the Company, and that he did so as his and the Company's free act and deed.

[Signature]  
Notary Public

My Commission Expires:

01-10-2018



**SECURED PARTY:**

DenSco Investment Corporation,  
an Arizona corporation

By: [Signature]  
Denny Chittick  
Its: President

{Signature Page and Acknowledgements for Security Agreement}

2014-001-5063-0

ARIZONA  
SECRETARY OF STATE  
05/08/14 08:55  
FILED

UCC FINANCING STATEMENT  
FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)  
David Beauchamp (480.684.1126)

B. E-MAIL CONTACT AT FILER (optional)

C. SEND ACKNOWLEDGMENT TO (Name and Address)

Clark Hill PLC  
c/o David Beauchamp  
14850 N. Scottsdale Rd., Suite 500  
Scottsdale, AZ 85254

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME: Provide only one Debtor's name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the individual Debtor's name will not fit in line 1b, leave all of item 1b blank, check here ☐ and provide the individual Debtor's information in item 1c of the Financing Statement Addendum (Form UCC1Ad).

1a. ORGANIZATION'S NAME  
Furniture King, LLC, an Arizona limited liability company (ACC file # L-1703844-9)

OR

1b. INDIVIDUAL'S SURNAME FIRST PERSONAL NAME ADDITIONAL NAME(S)/INITIAL(S) SUFFIX

1c. MAILING ADDRESS  
303 N. Central Avenue, Suite 603  
Phoenix  
AZ 85012  
USA

2. DEBTOR'S NAME: Provide only one Debtor's name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the individual Debtor's name will not fit in line 2b, leave all of item 2b blank, check here ☐ and provide the individual Debtor's information in item 2c of the Financing Statement Addendum (Form UCC1Ad).

2a. ORGANIZATION'S NAME

OR

2b. INDIVIDUAL'S SURNAME FIRST PERSONAL NAME ADDITIONAL NAME(S)/INITIAL(S) SUFFIX

2c. MAILING ADDRESS  
CITY STATE POSTAL CODE COUNTRY

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE or ASSIGNOR SECURED PARTY) (Provide only one Secured Party name (3a or 3b))

3a. ORGANIZATION'S NAME  
DenSco Investment Corporation, an Arizona corporation

OR

3b. INDIVIDUAL'S SURNAME FIRST PERSONAL NAME ADDITIONAL NAME(S)/INITIAL(S) SUFFIX

3c. MAILING ADDRESS  
6132 W. Victoria Place  
Chandler  
AZ 85226  
USA

4. COLLATERAL: This financing statement covers the following collateral:

All of Debtor's inventory [as defined in A.R.S. §47-9102 (A)(48)], accounts [as defined in A.R.S. § 47-9102 (A)(2)] (with a Deposit Account Control Agreement), and assets, complete with accessories, attachments, accessions, repairs, replacements, parts and equipment now and hereafter attached or appertaining thereto, or used in connection therewith and all proceeds thereof.

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and instructions) ☐ being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box:

☐ Public Finance Transaction ☐ Manufactured Home Transaction ☐ A Debtor is a Transacting Utility

6b. Check only if applicable and check only one box:

☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailor/Borrower ☐ Licensee/Licensee

8. OPTIONAL FILER REFERENCE DATA:  
43820.170082

FILING OFFICE COPY — UCC FINANCING STATEMENT (Form UCC1) (Rev. 04/20/11)

International Association of Commercial Administrators (IACA)

DIC0010833



# CHAIN OF CUSTODY / PROJECT DATA FORM

Buffalo • Chicago • Detroit • Grand Rapids • Lincoln • New York • Omaha • Orlando • Phoenix • Rochester • San Francisco • San Diego • Tampa

CHAIN OF CUSTODY				
Media	Date/Time	Released By	Accepted By	Purpose/Reason
33 Boxes 2012-to present	8/12 2:55 PM	Name: <u>DG Beauchamp</u>	Name: <u>Justin Corso</u>	
		Organization: <u>Clark Hill</u>	Organization: <u>D4</u>	
		Phone Number: <u></u>	Phone Number: <u>602 441 4410</u>	
		Signature: <u>DG Beauchamp</u>	Signature: <u>Justin Corso</u>	
Delivery Method: <input checked="" type="checkbox"/> In Person <input type="checkbox"/> Electronic (FTP, Email, etc.) <input type="checkbox"/> Courier / Messenger <input type="checkbox"/> Shipment				
Location of Exchange / Shipment Address: <u></u>				
		Name: <u></u>	Name: <u></u>	
		Organization: <u></u>	Organization: <u></u>	
		Phone Number: <u></u>	Phone Number: <u></u>	
		Signature: <u></u>	Signature: <u></u>	
Delivery Method: <input type="checkbox"/> In Person <input type="checkbox"/> Electronic (FTP, Email, etc.) <input type="checkbox"/> Courier / Messenger <input type="checkbox"/> Shipment				
Location of Exchange / Shipment Address: <u></u>				
		Name: <u></u>	Name: <u></u>	
		Organization: <u></u>	Organization: <u></u>	
		Phone Number: <u></u>	Phone Number: <u></u>	
		Signature: <u></u>	Signature: <u></u>	
Delivery Method: <input type="checkbox"/> In Person <input type="checkbox"/> Electronic (FTP, Email, etc.) <input type="checkbox"/> Courier / Messenger <input type="checkbox"/> Shipment				
Location of Exchange / Shipment Address: <u></u>				
		Name: <u></u>	Name: <u></u>	
		Organization: <u></u>	Organization: <u></u>	
		Phone Number: <u></u>	Phone Number: <u></u>	
		Signature: <u></u>	Signature: <u></u>	
Delivery Method: <input type="checkbox"/> In Person <input type="checkbox"/> Electronic (FTP, Email, etc.) <input type="checkbox"/> Courier / Messenger <input type="checkbox"/> Shipment				
Location of Exchange / Shipment Address: <u></u>				



DenSco/Valent

**Beauchamp, David G.**

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**From:** Beauchamp, David G.  
**Sent:** Friday, April 18, 2014 6:03 PM  
**To:** Schenck, Daniel A.  
**Cc:** Stringer, Lindsay L.  
**Subject:** FW: Exhibits

Needless to say, this is not good, but we will deal with it.

Thanks, David

**David G. Beauchamp**

CLARK HILL PLC

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

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**From:** Denny Chittick [mailto:[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)]  
**Sent:** Friday, April 18, 2014 5:58 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: Exhibits

ok i'm sure scott will be agreeable with what ever solution best protects me.

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

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**From:** "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)>  
**To:** Denny Chittick <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)>  
**Sent:** Friday, April 18, 2014 5:55 PM  
**Subject:** RE: Exhibits

Denny:

I put those numbers in the documents based on what I thought was right. If possible, can we talk Monday after I try to find where I got that number to see if it might be an easy adjustment fix (by a reference on the exhibit) or if we need to redo the document, which I think all of us want to avoid.

Best, David

David G. Beauchamp

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From: Denny Chittick [mailto:[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)]  
Sent: Friday, April 18, 2014 5:49 PM  
To: Beauchamp, David G.  
Subject: Re: Exhibits

If what daniel is saying is correct. we have a date and dollar issue. i looked at my balance sheet as of 3/1, and the total of 37,133,109, is not what is owed on that date. it was more like 34mil. so where you got those numbers and when is not matching up with the date you have in the document. when i gave you that number it wasn't for that date. the date wasn't update at the time.

what do you want to do?  
dc

David asked me to follow up on a few items regarding the loan work out documents. We received your list of Loans, dated as of April 16<sup>th</sup>, but need the March 1<sup>st</sup> version. Several of the agreements refer to the balance of the Loans, as of March 1<sup>st</sup>, as \$39,116,888, consisting of \$37,133,019 in principal and \$1,983,869 in accrued interest. The balance listed on the April 16<sup>th</sup> version does not match the amounts listed on the March 1<sup>st</sup> version. It shows a balance of \$39,752,893.28, consisting of \$37,456,620.47 in principal and \$2,296,272.81 in accrued interest. Because of the differences in these amounts, we need to use the March 1<sup>st</sup> version of your list of Loans as the Exhibit. David thinks that you had a March 1<sup>st</sup> version before. Can you please email us the March 1<sup>st</sup> version?

Thank you.

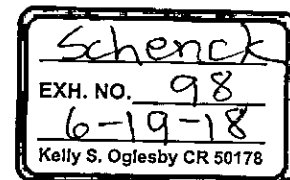
Daniel A. Schenck

CLARK HILL PLC

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

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**Beauchamp, David G.**

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**From:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Friday, April 18, 2014 5:39 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: Exhibits

i didn't understand the necessity of this, but now i do. i'm working on the exhibit 1 now.

thx

dc

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

---

**From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
**To:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Friday, April 18, 2014 5:37 PM  
**Subject:** RE: Exhibits

Denny:

Thank you. I do understand how difficult this whole process has been for you and I really do not want to make this any more difficult for you.

Thank you also for the payment that was credited to your account today.

All the best, David  
**David G. Beauchamp**

CLARK HILL PLC

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

---

**From:** Denny Chittick [<mailto:dcmoney@yahoo.com>]  
**Sent:** Friday, April 18, 2014 5:29 PM  
**To:** Beauchamp, David G.  
**Cc:** Schenck, Daniel A.  
**Subject:** Re: Exhibits

Attached are for exhibit 2, this is the balance of 3/31 of the work out loan.

dc

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

---

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>  
To: "Denny J. Chittick (dcmoney@yahoo.com)" <dcmoney@yahoo.com>  
Cc: "Schenck, Daniel A." <DSchenck@ClarkHill.com>  
Sent: Friday, April 18, 2014 4:06 PM  
Subject: FW: Exhibits

Denny:

As we discussed, we can replace pages in the agreements for DATE changes, but only if we have Scott's written permission. Even if we get Scott's written permission, we take a HUGE RISK in changing numbers in executed documents. There are so many arguments that could be made to a court to make all of the documents void and ineffective if we start changing more than just a few dates. I know running the schedules is frustrating to you, but we had to do this, because you had already advanced money pursuant to these notes. (As you know, normally the notes are signed BEFORE the money is loaned.) We had to describe and capture this transaction at a moment in time which made it difficult. We changed the references in the documents to use a specific date (e.g. March 1, 2014) to try to make it easier for you and Scott instead of having to continue to change the numbers in the documents every day.

I had thought that you could run the exhibits (spreadsheets) for the time period from last November through March 1. I had also planned to follow your idea (which is a good idea) to also attach the updated exhibits to show the updated numbers through the date of execution. However, we still need to have the original exhibit as support for the March 1 numbers referenced in the notes. We selected March 1 when we thought we were going to get everything signed in mid-March.

Do you want to discuss this? I still do not have my full voice back, but I could call if you want.

Best, David

David G. Beauchamp

CLARK HILL PLC

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

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From: Schenck, Daniel A.  
Sent: Friday, April 18, 2014 3:52 PM

To: Beauchamp, David G.  
Subject: FW: Exhibits

Daniel A. Schenck

CLARK HILL PLC

480.684.1118 (direct) | 480.684.1179 (fax)  
[dschenck@clarkhill.com](mailto:dschenck@clarkhill.com) | [bio](http://bio.clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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From: Denny Chittick [<mailto:dcmoney@yahoo.com>]  
Sent: Friday, April 18, 2014 3:47 PM  
To: Schenck, Daniel A.  
Subject: Re: Exhibits

I thought both dollar amounts should be as of the date that we signed it, thus the exhibits were dated for the day we signed it. if the dollars in the docs are off, i would change those pages to match the spreadsheets i sent as of 4/16

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

---

From: "Schenck, Daniel A." <[DSchenck@ClarkHill.com](mailto:DSchenck@ClarkHill.com)>  
To: "[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)" <[dcmoney@yahoo.com](mailto:dcmoney@yahoo.com)>  
Cc: "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)>  
Sent: Friday, April 18, 2014 2:30 PM  
Subject: Exhibits

Denny,

David asked me to follow up on a few items regarding the loan work out documents. We received your list of Loans, dated as of April 16<sup>th</sup>, but need the March 1<sup>st</sup> version. Several of the agreements refer to the balance of the Loans, as of March 1<sup>st</sup>, as \$39,116,888, consisting of \$37,133,019 in principal and \$1,983,869 in accrued interest. The balance listed on the April 16<sup>th</sup> version does not match the amounts listed on the March 1<sup>st</sup> version. It shows a balance of \$39,752,893.28, consisting of \$37,456,620.47 in principal and \$2,296,272.81 in accrued interest. Because of the differences in these amounts, we need to use the March 1<sup>st</sup> version of your list of Loans as the

Exhibit. David thinks that you had a March 1<sup>st</sup> version before. Can you please email us the March 1<sup>st</sup> version?

Similarly, do you have a different version of the list of credit advances for the \$5M line of credit or do we need to change the Note? In Section 2 of the Note, it states that \$1,395,092.44 has been advanced (as of April 16<sup>th</sup>), but the exhibit you sent us states that \$1,780,239.76 has been advanced. Is there a different version of this exhibit or is the \$1,780,239.76 amount accurate for April 16<sup>th</sup>? If the amount is accurate, we will need to get written confirmation from Scott that we can change Section 2 to reflect the correct amount.

Thank you.

Daniel A. Schenck

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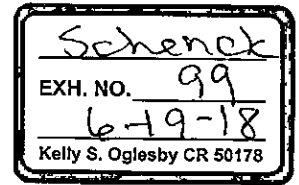
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DenSco/POM

**Beauchamp, David G.**

---

**From:** Denny Chittick <dcmoney@yahoo.com>  
**Sent:** Thursday, April 24, 2014 6:13 PM  
**To:** Beauchamp, David G.  
**Subject:** here you go  
**Attachments:** Private Offering Memorandum 2011.doc



attached  
dc

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

**Confidential Private Offering Memorandum**

**DenSco Investment Corporation**

**July 1, 2011**



No: \_\_\_\_\_

Name of Payee: \_\_\_\_\_

**Confidential Private Offering Memorandum**

**DenSco Investment Corporation**

**General Obligations Notes**

**Minimum Purchase \$50,000**

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

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

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

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

- (1) The Notes are offered in \$50,000 initial investment with additional increments with a minimum of at least \$10,000. All subscriptions for Notes are subject to review and acceptance by the Company.
- (2) The Company's President, Denny J. Chittick, is making the private placement of the Notes on behalf of the Company. Mr. Chittick will not receive any sales commission in connection with the placement of the Notes. The Company reserves the right to pay costs and commission to a licensed broker-dealer with an approved custodian to facilitate procedures by investors using qualified funds (i.e., IRA, SEP IRA, ROTH IRA and KEOGH Plans), up to one percent (1%) of the principal Note amount.
- (3) Offering expenses, estimated at \$25,000, will be paid from the Company's general operating funds.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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## MEMORANDUM SUMMARY

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

### The Company

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

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

### The Offering

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

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

**Restricted Nature of**

**Securities:**

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

**Risk Factors:**

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

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

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

## **BUSINESS**

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

### **Target Markets and Potential Future Markets**

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

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

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

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

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

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

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

#### **Cash Flow**

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

#### **Limited Due Diligence**

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

### **Funding and Purchase of Loans**

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

### **Collections**

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

## Regulation

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

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

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



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

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

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

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

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

### **Diversity of Risk**

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

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

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

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

#### **Executive Offices**

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

## RISK FACTORS

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

### Operating History

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

### Competition

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

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

#### **Ability to Generate Sufficient Cash Flow to Service the Outstanding Notes**

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

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

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

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

#### **Expansion of Real Estate Loan Base**

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

#### **Demand for Real Estate Loans**

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

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

#### **Management of Rapid Growth**

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

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

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

### **Terms of Notes**

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



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

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

### **Variable Rates and Maturities of Notes**

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

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

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

#### **Value of Company's Assets**

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

#### **Collections and Foreclosures**

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

#### **No Assurance of Conventional Financing for the Company's Operations**

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

management believes that during the past few years, conventional financing for speculative business enterprises, such as the Company's lending operations, has become more difficult to obtain. If regular, continued sale of the Notes is not successful, and the Company is not able to obtain sufficient financing from other sources, the Company may be forced to sell Trust Deeds and/or loans in its portfolio to pay maturing Notes as they come due. Mr. Chittick has provided liquidity to the Company through an equity line of credit in the past and he intends to do so in the future. When Mr. Chittick advances funds to the Company from this equity line of credit, Mr. Chittick draws an interest rate of 12% per annum from the Company. Funds advanced in this manner are generally only short term (3-5 days). If the Company were to require additional conventional financing, the lender will probably secure its loan through Mr. Chittick to the Company by requiring a lien on the Company's assets, including the Trust Deeds. The lender's lien would have priority to any claims of any of the investors in the Notes, which puts these investors at risk. There can be no assurance the Company would be able to receive sufficient proceeds from the sale of the loans or Trust Deeds to repay any additional financing, if applicable, and to repay all of the outstanding Notes. See "Use of Proceeds," "Business" and "Description of Securities."

### **Regulation**

Because it will not make loans for personal, family or household purposes, the Company believes it has structured its operations to be exempt from various federal and state regulations, and particularly from regulations affecting lending and financial institutions. If it is determined that the Company has not structured its operations so that it is exempt from regulation, the Company could become subject to extensive regulation, including the Truth in Lending Act, the Homeownership and Equity Protection Act of 1994, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Real Estate Settlement Procedures Act and the Home Mortgage Disclosure Act, as well as various state laws and regulations. Failure to comply with any of these requirements or any similar state law requirement, may result in, among other results, demands for indemnification or repurchase, rescission rights, lawsuits, administrative enforcement actions and civil and criminal liability. In addition, there can be no assurance that existing regulations will not be revised to govern the activities of the Company as currently

structured. Compliance with existing or future regulation could be costly and could materially and adversely affect the operations of the Company. See "Business – Regulation," including the predatory mortgage lending discussion contained therein.

#### **FHA Regulations**

If new regulations are issued by the Federal Housing Administration or if a more strict interpretation of any of its regulations is implemented in the future, such regulations could reduce the demand for the Company's loans from prospective borrowers, which could impair the Company's ability to keep all of the proceeds from this offering fully invested. See "Business – Regulation."

#### **No Assurance of Successful Placement of the Notes**

The Notes are being privately placed by the Company to qualified investors who intend to hold them for their own account until maturity. There is no underwriter, and there is no assurance that the Company will be successful in the continued placement of the Notes in a manner sufficient to satisfy its cash flow requirements to continue funding loans to its borrowers. See "Use of Proceeds" and "Business."

#### **Absence of Public Market/ Non-Transferability of Notes**

The Notes have not been registered under the Act or any state securities law and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Act and applicable state securities laws. The Company does not intend to register the Notes under the Act or any state securities law. In addition, the Notes are non-transferable without the prior written consent of the Company, which consent may be withheld in the Company's sole discretion. Accordingly, there is no public or private trading market for the Notes, and it is highly unlikely that a trading market

will develop. The Company has no obligation to make any effort to cause a trading market to develop and does not intend to take any actions to cause a trading market to develop. Accordingly, and because the restricted nature of the security prohibits the purchase of the Notes for any purpose other than holding to maturity, an investor in the Notes must anticipate holding the Notes to maturity. See "Description of Securities."

#### **Impact of Change in Economic Conditions**

An unforeseen change of general economic conditions, and particularly in Arizona and the southwestern United States, may adversely impact the Company's business and its ability to generate sufficient operating income to satisfy its debt obligations, including its obligations under the Notes as they become due. The Company maintains the right to adjust the interest paid in subsequently offered Notes and on the Notes offered hereby with 30 days' written notice. In the past, Arizona's real estate market has been cyclical and has experienced severe fluctuations. Investors should anticipate that these real estate markets might experience cyclical fluctuations in the future. The Company would adjust its operations in response to changing conditions, but there can be no assurance that the Company will be able to operate as planned during periods of such fluctuation or adjust its operations to avoid the impact of such changed conditions. See "Business-Target Markets and Potential Future Markets."

#### **Dependence on Key Personnel**

The Company is dependent on the continued services of Mr. Chittick. The Company's ability to continue its lending operations would be significantly and adversely affected by the loss of Mr. Chittick if a qualified replacement could not be found without undue delay. Although Mr. Chittick occasionally uses the services of outside consultants who have assisted Mr. Chittick in limited absences, it is unlikely that an outside consultant would be able to perform Mr. Chittick's duties as successfully as Mr. Chittick has done. If Mr. Chittick is disabled or unavailable for a long period of time, Mr. Chittick has developed a contingency plan for a consultant to wind down the Company's business, but there can be no assurance that such

plan will be successful. See "Management-Contingency Plan in the Event of the Death or Disability of Mr. Chittick."

#### **Management's Outside Interests and Conflicts of Interest**

Mr. Chittick may maintain some activity in personal investments outside of the Company and he may manage similar types of outside portfolios as those maintained by the Company. Some of the Company's outside consultants who occasionally assist Mr. Chittick also make investments in loans secured by deeds of trust. In addition, Mr. Chittick invests in similar instruments on his own behalf. Since the Company plans to invest in portfolios similar to those of some of its consultants and Mr. Chittick, and because of the past (and limited present) consulting relationships between and among Mr. Chittick and some consultants, conflicts of interest exist and will continue to exist between the Company and the outside interests of Mr. Chittick and some consultants. See "Management."

#### **No Protections From Investment Company Act Registration**

The Company is not registered, and does not intend to register, under the Investment Company Act of 1940 in reliance upon an exclusion from the definition of an investment company provided in Section 3(c)(5) thereof. As a result, the operation and conduct of the Company's business will be subject to substantially less federal and state regulation and supervision than a registered investment company. If the Company was subject to the Investment Company Act of 1940, the Company would be required to comply with significant, ongoing regulation which would have an adverse impact on its operations. This could occur if a significant proportion of the proceeds from the sale of the Notes were invested in short-term debt instruments for longer than a one-year period. The Company intends to take all reasonable steps to avoid such classification. See "Business."

#### **No Protections From Investment Advisers Act of 1940 or Analogous Arizona Law**

The Company is not registered or licensed, and does not intend to register or become licensed as an investment adviser with the State of Arizona or with the SEC pursuant to the Investment Advisers Act of 1940 because the Company's management believes that the Company is not engaged in the business of providing investment advice for compensation. Accordingly, the operation and conduct of the Company's business will be subject to less federal and state regulation and supervision than a registered investment adviser. If the Company was subject to the Investment Advisers Act of 1940 or the analogous Arizona law, the Company would be required to comply with significant, ongoing regulation which could cause the Company to incur additional costs, adversely impacting its operations. This could occur if the Company were deemed to be engaged in the business of providing investment advice for compensation and the Company cannot avail itself of the private investment adviser exemption under Arizona law or the forthcoming exemptions under the Rules to be promulgated by the SEC pursuant to the Dodd-Frank Act. The Company intends to take all reasonable steps to avoid such classification. See "Business."

#### **Control by and Benefits to Insiders**

Noteholders will not be able to influence the management of the Company because Mr. Chittick owns all of the outstanding shares of common stock of the Company. See "Management" and "Principal Shareholder."

### **Difficulties and Costs of Continuous Offering**

Until the maximum offering proceeds are attained or the Company terminates this offering, the Company expects to offer the Notes for placement on a continuing basis for two years from the date of this Memorandum unless the Company changes its operations or method of offering in any material respect prior to the expiration of the two year offering period. See "Plan of Distribution." In order to continue offering the Notes during this period, the Company will need to update this Memorandum from time to time. Keeping the information in the Memorandum current will cause the Company to incur additional costs. A failure to update this Memorandum as required could result in the Company being subject to a claim under Section 10b-5 of the Securities Act for employing a manipulative or deceptive device in the sale of securities, subjecting the Company, and possibly the management of the Company, to claims from regulators and investors. In addition, an investor might seek to have the sale of the Notes hereunder rescinded which would have a serious adverse effect on the Company's operations.

### **Certain Charter Provisions**

Arizona law provides that Arizona corporations may include provisions in their articles of incorporation or bylaws relieving directors and officers of monetary liability for breach of their fiduciary duty as director or officers, respectively, except for the liability of a director or officer resulting from: (i) any transaction from which the director derives an improper personal benefit; (ii) acts or omissions involving intentional misconduct or the absence of good faith; (iii) acts or omissions showing reckless disregard for the director's or officer's duty; or (iv) the making of an illegal distribution to shareholders or an illegal loan or guaranty.

The Company's Articles of Incorporation provide that the Company's directors are not liable to the Company or its shareholders for monetary damages for the breach of their fiduciary duties to the fullest extent permitted by Arizona law. The Company's Bylaws provide that the Company may indemnify its directors and officers as to those liabilities and on terms and conditions permitted by Arizona law including the payment of expenses incurred by a director or



officer in advance of final disposition of the proceeding following the furnishing of certain written representations.

#### **Notes Are Unsecured General Obligations**

The Notes are unsecured obligations of the Company, and Noteholders will be general unsecured creditors of the Company. The Notes do not limit the Company's ability to obtain additional capital from other sources and do not limit the Company's ability to grant such other financing sources liens or other security interests in the Company's assets and other property. If a bankruptcy proceeding is commenced by or against the Company, creditors of the Company who were granted a security interest in the Company's property will be entitled to repayment prior to any general unsecured creditors of the Company, including the Noteholders. The Company may also incur additional unsecured obligations, which could reduce the funds available for repayment of the Notes in a bankruptcy or other liquidation scenario. Title 11 of the United States Code (the Bankruptcy code") also specifies that certain other creditors be entitled to repayment prior to general unsecured creditors. There can be no assurance that the Noteholders will receive any payments in respect of the Notes if the indebtedness of any secured creditors of the Company exceeds the value of such secured creditors' collateral.

#### **Changes in Investment and Financing Policies Without Noteholder Approval**

The major business decisions and policies of the Company, including its investment and lending policies and other policies with respect to growth, operations, debt and distributions, will be determined by the Company's management. The Company's management will be able to amend or revise these and other policies, or approve transactions that deviate from these policies, from time to time without a vote of the Noteholders. Accordingly, the Noteholders will have no control over changes in strategies and policies of the Company, and such changes may not serve the interests of all the Noteholders and could materially and adversely affect the Company's financial condition or results of operations.

### **Issuance of Additional Debt and Equity Securities**

The Company will have authority to offer additional debt and equity securities for cash, in exchange for property, services or otherwise. The Noteholders will have no preemptive right to acquire any such securities. Further, the Company is not subject to any agreement that limits or restricts the amount or the terms of additional debt that the Company may incur in the future. To the extent that the Company incurs debt and grants its creditors security interests in or other liens upon the Company's assets or other collateral, those other creditors would enjoy priority in right of payment compared to the Noteholders, up to the value realizable from such collateral.

### **Concentration of Loans in Arizona**

The Company's portfolio of loans is concentrated in Arizona. Consequently, the Company's operations and financial condition are dependent upon general trends in the Arizona market in which such concentration exists and, more specifically, its respective real estate market. A decline in a market in which the Company has a concentration may adversely affect the values of properties securing the Company's loans, such that the principal balance of such loans may equal or exceed the value of the underlying properties, making the Company's ability to recover losses in the event of a borrower's default unlikely. In addition, uninsured disasters such as floods, terrorism, and acts of war may adversely impact the borrowers' ability to repay loans, which could have a material adverse effect on the Company's results of operations and financial condition.

### **Possible Inadequacy of Allowances for Loan Losses**

The Company's allowance for losses related to the loans is maintained at a level considered adequate by management to absorb anticipated losses, based upon historical experience and upon management's assessment of the collectibility of loans in the Company's portfolio from time to time. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates that may be beyond the

Company's control and such losses may exceed current estimates. Although management believes that the Company's allowance for losses related to the loans is adequate to absorb any losses on existing loans that may become uncollectible, there can be no assurance that the allowance will prove sufficient to cover actual losses related to the loans in the future.

#### **Broad Management Discretion as to Use of Proceeds**

The net proceeds to be received by the Company in connection with this offering will be used for working capital and general corporate purposes, including the funding of loans. Accordingly, management will have broad discretion with respect to the expenditure of such proceeds. Purchasers of the Notes will be entrusting their funds to the Company's management, upon whose judgment they must depend, with limited information concerning the specific working capital requirements and general corporate purposes to which the funds will ultimately be applied. See "Use of Proceeds."

#### **Company Is Exposed to Risks of Being a Lender**

The current economic downturn could severely disrupt the market for real estate loans and adversely affect the value of any outstanding real estate loans made by the Company, and in turn the Notes. Non-performing real estate loans may require substantial negotiations by the Company with the borrower in order for the Company to ultimately obtain the underlying property used as collateral for the loan. The Company may incur additional expenses to the extent it is required to negotiate with the borrower in order to obtain the underlying property. In the event the Company is unable to obtain the underlying property, because of the unique and customized nature of a real estate loan, certain real estate loans may not be sold easily. One or more non-performing real estate loans secured by property that the Company is unable to obtain could have a negative affect on the performance of the Company and the return on your investment.

### **Governmental Action May Reduce Recoveries on Non-Performing Real Estate Loans**

In the event the Company decides to foreclose on a real estate loan; legislative or regulatory initiatives by federal, state or local legislative bodies or administrative agencies, if enacted or adopted, could delay foreclosure, provide new defenses to foreclosure or otherwise impair the ability of the Company to foreclose on a real estate loan in default. Various jurisdictions have considered or are currently considering such actions, and the nature or extent of the limitation on foreclosure that may be enacted cannot be predicted. Bankruptcy courts could, if this legislation is enacted, reduce the amount of the principal balance on a real estate loan, reduce the interest rate, extend the term to maturity or otherwise modify the terms of a bankrupt borrower's real estate loan.

### **Property Owners Filing for Bankruptcy May Adversely Affect the Company and the Notes**

The filing of a petition in bankruptcy automatically stops or "stays" any actions to enforce the terms of a real estate loan. Further, the bankruptcy court may take other actions that prevent the Company from foreclosing on the underlying property. A court may require modifications of the terms of a real estate loan, including reducing the amount of each monthly payment, changing the rate of interest and altering the payment schedule, thus allowing the borrower to keep the underlying property and thus preventing foreclosure by the Company and/or making the sale of the real estate less profitable. A court may also permit a borrower to cure a monetary default relating to a real estate loan by paying arrearages within a reasonable period and reinstating the original real estate loan payment schedule, even if a final judgment of foreclosure has been entered in a state court. Any bankruptcy proceeding will, at a minimum, delay the Company in achieving its investment objectives and may adversely affect the Company's profitability.

### **Violation of Various Federal, State and Local Laws May Result in Losses**

Violations of certain federal, state or local laws and regulations relating to the protection of consumers, unfair and deceptive practices and debt collection practices may subject the

Company to damages and administrative enforcement. In the event that a real estate loan issued by the Company was not originated in compliance with applicable federal, state and local law, the Company may be subject to monetary penalties and could result in the borrowers rescinding the affected real estate loan. As a result, the Company may not be able to achieve its financial projections with respect to the particular underlying property.

#### **Delays in Liquidation Due to State and Local Laws**

Property foreclosure actions are regulated by state and local statutes and rules and are subject to many of the delays and expenses of other lawsuits, sometimes requiring several years to complete. As a result, if the Company is not able to obtain the property voluntarily from the borrower, the Company may not be able to quickly foreclose on and subsequently sell a property securing a real estate loan.

#### **An Investment in the Notes May Not Be Consistent With Section 404 of ERISA**

Persons acting as fiduciaries on behalf of a qualified profit sharing, pension or other retirement trusts subject to the Employee Retirement Income Security Act of 1974 ("ERISA") should satisfy themselves that an investment in the Notes is consistent with Section 404 of ERISA and that the investment is prudent, taking into consideration cash flow and other objectives of the investor.

#### **There Can Be no Assurance of Confidentiality**

As part of the subscription process, investors will provide significant amounts of information about themselves to the Company. Pursuant to applicable laws, such information may be made available to third parties that have dealings with the Company, and governmental authorities (including by means of securities law-required information statements that are open to public inspection). Investors that are highly sensitive to such issues should consider taking steps

to mitigate the impact upon them of such disclosures (such as by investing in the Notes through an intermediary entity).

#### **Legal Counsel to the Company and Its President Does Not Represent the Noteholders**

Each investor must acknowledge and agree in the Subscription Agreement that legal counsel representing the Company and its President does not represent, and shall not be deemed under the applicable codes of professional responsibility, to have represented or to be representing, any or all of the investors.

#### **Legal Counsel to the Company Will Represent the Interests Solely of the Company and Its President**

Documents relating to the purchase of Notes, including the Subscription Agreement to be completed by each investor, will be detailed and often technical in nature. Legal counsel to the Company will represent the interests solely of the Company and its President, and will not represent the interests of any investor. Accordingly, each prospective investor is urged to consult with its own legal counsel before investing in the Company and the purchase of the Notes. Finally, in advising as to matters of law (including matters of law described in this Memorandum), legal counsel has relied, and will rely, upon representations of fact made by the Company's President. Such advice may be materially inaccurate or incomplete if any such representations are themselves inaccurate or incomplete, and legal counsel generally will not undertake independent investigation with regard to such representations.

#### **Federal Income Tax Risks**

The discussion entitled "Certain United States Federal Income Tax Considerations" includes a discussion of certain U.S. income tax risks involved in an investment in the Notes. The section does not discuss all aspects of U.S. federal income taxation that may be relevant to any particular investor and cannot address any investor's specific investment circumstances. In

addition, the section does not include a discussion of state, local or foreign tax laws. Each investor should consult its own tax advisor with respect to these and other tax consequences of an investment in the Notes.

## FORWARD-LOOKING STATEMENTS

This Confidential Private Offering Memorandum, including information incorporated by reference in this Memorandum, contains forward-looking statements regarding the Company's plans, expectations, estimates and beliefs. Actual results could differ materially from those discussed in, or implied by, these forward-looking statements. When used in this Memorandum, the words "anticipate," "intend," "believe," "estimate," and other similar expressions generally identify forward-looking statements, which are found throughout this Memorandum whenever statements are made that are not historical facts. Accordingly, such forward-looking statements might not accurately predict future events or the actual performance of an investment in the Notes. In addition, you must disregard any projections and representations, written or oral, which do not conform to those contained in this Confidential Private Offering Memorandum.



## USE OF PROCEEDS

The Company intends to use the net proceeds received from the sale of the Notes, primarily for operating capital, to purchase and fund Trust Deeds and to acquire interests in properties or notes, which the Company's management anticipates to be able to resell or collect as applicable. The proceeds from the sale of Notes may be used to repay earlier maturing Notes; provided, however, the Company will limit the amount of money that may be raised for this purpose so that the Company will not become subject to the Investment Company Act of 1940. See "Risk Factors – Proceeds From Subsequently Issued Notes May Be Used to Repay Earlier Maturing Notes."

The Company may use proceeds from this private placement for general business purposes, including rent, advertising, labor and administrative expenses, if needed, investment, expansion or the purchase of capital assets and to fund loans to borrowers and purchase Trust Deeds. However, the Company expects that no more than .05 percent of the proceeds of the offering will be allocated to general business purposes. The Company is not required to maintain reserves or to deposit any of the proceeds of the offering, into a reserve account, for the purpose of providing liquidity to service interest payments on, and redemption of, the Notes as they mature. The Company does not intend to maintain reserves from the proceeds of the offering in a cash reserve account. The remaining proceeds, net of cash reserves, if any, should be available to fund and purchase Trust Deeds. The Company is not required or obligated to give Noteholders notice of any changes in the Company's intended use of proceeds of the offering. See "Business."

The following table sets forth the Company's best estimates of the use of the minimum and maximum target gross proceeds from the sale of the Notes.

	<i>Minimum Amount Raised</i>	<i>Percent of Offering</i>	<i>Target Amount Raised</i>	<i>Percent of Offering</i>
<b><i>Gross Offering Proceeds</i></b>	\$500,000	100%	\$50,000,000	100%
<b><i>Commissions &amp; Costs (1)</i></b>	-0-	0%	-0-	0%
<b><i>Cash Reserve (2)</i></b>	-0-	0%	-0-	0%
<b><i>General Business (3)</i></b>	\$25,000	5%	\$25,000	.05%
<b><i>Proceeds Available For Funding/ Purchase of Construction Loans (4)</i></b>	\$475,000	95%	\$49,975,000	99.95%

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- (1) The Company does not anticipate paying costs and commissions in excess of the costs associated with this offering. The Notes may be purchased directly from the Company without commission. Notes maturing more than two years also may be purchased by investors using qualified funds (i.e., IRA, SEP IRA, ROTH IRA and Keogh Plans), through a licensed broker-dealer and with an approved custodian; provided, that such investments meet the investor suitability requirement.
- (2) Company intends (but is not required) to maintain cash reserves (or access to other funds) approximately equal to a minimum of one percent of the aggregate balance of Notes outstanding in its general accounts to provide funds to service interest payments and to facilitate redemption of the Notes. This amount will be calculated using a proprietary cash-flow management model. Interest accruing in the general accounts will belong to the Company.
- (3) Company anticipates that its current facilities are adequate to fund real estate loans and to service the volume of contracts that would be purchased at the minimum level of proceeds. If its business is significantly increased, the Company may invest in additional personnel, computer equipment and facilities capable of processing increased data. General business expenses may also include the offering expenses.

- (4) This use of the proceeds is only an estimate and the Company reserves the right to allocate the proceeds in a different manner consistent with the Confidential Private Offering Memorandum.

## PRIOR PERFORMANCE

Mr. Chittick organized the Company in April of 2001 to provide a short-term funding source for primarily real estate developers and foreclosure specialists. Mr. Chittick has arranged for the funding and administration of real estate loans since that time. The chart set forth below indicates the Company's history in raising money from investors, the number of loans made, the aggregate amount of such loans, the underlying values of the security for such loans and any problems with respect to such loans.

Mr. Chittick initially capitalized the company with one million dollars of his personal funds. From July 2001 through December 2001, an additional \$500,000 was raised from investors. In 2002, an additional \$930,000 was raised from investors. In 2003, an additional \$1,550,000 was raised from existing and new investors. In 2004, the amount from both old and new investors increased to an additional \$2,450,000. In 2005, an additional \$2,670,000 was raised from existing and new investors. In 2006, an additional \$2,800,000 was raised from existing and new investors. In 2007, an additional \$2,400,000 was raised from existing and new investors. In 2008, an additional \$3,000,000 was raised from existing and new investors. In 2009, an additional \$2,100,000 was raised from existing and new investors. In 2010, an additional \$2,800,000 was raised from existing and new investors. From January 2011 to June, 2011, an additional \$4,700,000 was raised from existing and new investors. Mr. Chittick uses an equity line of credit to help facilitate cash flow for the Company. All of the money raised from investors has been through the sale of promissory notes like those being offered in this placement. Such notes were for terms of 6 to 60 months and have, to date, drawn interest at the rate of 8 to 12% per annum. The Company has never defaulted on either interest or principal for any of such notes.

The money raised by the Company from investors has historically been divided into a large portfolio of loans secured by marketable properties with varying values and locations in the Phoenix metro area. The Company is currently lending in approximately 20 cities in the Phoenix metro area, which includes Maricopa and Pinal Counties. The Company will have loans secured by properties in many of these cities simultaneously. The Company has endeavored to maintain a large and diverse base of borrowers as well as a diverse selection of properties as collateral for

its loans to the borrowers. However, in response to the more recent challenging conditions in the real estate market, the Company has focused on maintaining relationships with borrowers that have a proven track record with a good payment history and performance. The Company continues to strive to achieve a diverse borrower base by attempting to ensure that one borrower will not comprise more than 10 to 15 percent of the total portfolio.

All real estate loans funded by the Company have been and are intended to be secured through first position trust deeds. The loan to value ratio of the Company's overall portfolio has averaged less than 70% and the Company intends to maintain a loan to value ratio of 50% to 65%.

Year	Loans Funded	Loan Value	Value of Loans	Loans Repaid	Loans Repaid Value	Value of Homes Repaid
2001	37	\$3,378,000.00	\$6,393,000.00	15	\$1,452,000.00	\$2,431,000.00
2002	69	\$5,685,000.00	\$878,000.00	66	\$5,267,000.00	\$9,076,300.00
2003	124	\$11,673,000.00	\$1,753,500.00	106	\$963,500.00	\$14,488,500.00
2004	185	\$19,907,000.00	\$30,422,600.00	170	\$17,951,700.00	\$26,939,500.00
2005	236	\$34,955,700.00	\$50,487,300.00	232	\$31,001,940.00	\$45,101,500.00
2006	215	\$34,468,100.00	\$52,784,000.00	212	\$35,301,250.00	\$53,057,200.00
2007	272	\$42,579,634.00	\$65,931,500.00	257	\$41,424,815.00	\$65,482,800.00
2008	304	\$38,864,660.00	\$63,671,300.00	257	\$34,578,755.00	\$56,369,400.00
2009	412	\$41,114,707.00	\$72,078,070.00	349	\$39,416,824.00	\$67,713,100.00
2010	390	\$37,973,097.00	\$63,771,350.00	355	\$37,175,201.00	\$61,666,170.00
*2011	378	\$36,187,995.00	\$62,240,600.00	300	\$29,883,992.00	\$51,004,900.00
		\$306,786,893.00	\$470,411,170.00		\$274,416,977.00	\$453,340,370.00
	2622			2319		
*Through June 30, 2011						

From 2001-2005, all interest due from all loans was collected.

In 2006, one loan that was foreclosed on, and successfully resold, did not pay all the interest due. However, the small uncollected amount was absorbed by the Company.

In 2007, one condominium loan, two house loans, and one land loan were foreclosed. While the condominium and houses were sold with minimal principal loss, much of the interest

was collected on all four loans. One land loan was written off. The loss was absorbed by the Company.

In 2008, one condominium and six homes were sold with minimal principal loss; much of the interest was collected on all the loans. The loss was absorbed by the Company. There were 15 more homes that were either foreclosed on or ownership was acquired through the deed in lieu process. These houses are presently either for sale on the retail market, or have been rented and are for sale on the investor market.

In 2009, one condominium and 12 homes were sold with principle loss; much of the interest was collected on all the loans. The loss was absorbed by the Company. The Company also acquired a 12-plex that was a construction loan. This is being rented and managed by a property management firm.

In 2010, one house was sold for a loss. It was acquired through foreclosure in 2009; the loss was absorbed by the Company.

In 2011, three homes were sold for a loss. The losses were absorbed by the Company. There were three homes that were sold for a gain and all interest was paid in full. One loan was foreclosed on, sold at the auction, all principle, interest, late fees and foreclosure fees associated with the sale were collected. One house is presently in escrow, which will close in July, to which a gain will be made.

The Company presently has three condominiums, 12 houses and a 12-plex that are all being rented. A professional management company has been retained to manage these properties. All of these properties are listed to be sold. The rent received is at or slight negative to the cost of capital for the Company. It was Management's decision to retain these properties rather than sell them and take a loss. Now that the market has shown some signs of strengthening, it is believed that these properties can be sold for minimal loss to the Company.

The Company currently has one condominium and one lot that are for sale. The lot is currently be negotiated to be rented by a construction company at the cost of capital. The goal is sell both of these properties as soon as possible.

Since inception through June 30, 2011, the Company has participated in 2622 loans, with an average loan amount of \$116,000, with the highest single loan being \$800,000 and lowest being \$12,000. The aggregate amount of loans funded is \$306,786,893 with property values totaling \$470,411,170. The total amount of loans that have funded and closed is \$274,416,977 with home values equaling \$453,340,340. These loans have borne interest rates of 18% per annum. The interest rate paid to noteholders has ranged from 8% to 12% per annum through such date. Each and every Noteholder has been paid the interest and principle due to that Noteholder in accordance with the respective terms of the Noteholder's Notes. Despite any losses incurred by the Company from its borrowers, no Noteholder has sustained any diminished return or loss on their investment in a Note from the Company.

## **MANAGEMENT**

### **Directors and Executive Officers**

The Director and Executive Officer of the Company are: Denny J. Chittick, 4\_, President, Vice President, Treasurer, and Secretary.

Denny J. Chittick worked at Insight Enterprises, Inc, a publicly traded company, for nearly 10 years, holding many different positions from finance, accounting, operations and held the position of Sr. Vice President and CIO when he left the company in 1997. Since leaving Insight, he has been involved in several different companies, including a software company, internet company and finance company. Mr. Chittick holds a degree in Finance from Arizona State University.

### **Real Estate Consultant**

The Company will have only one employee, which will require the Company to use outside consultants on a periodic basis to provide various services. These consultants may be retained to assist with any necessary due diligence in connection with these loans and, to the extent necessary, to assist with the closing of a loan.

### **Employees**

With the assistance of outside consultants on an as-needed basis, Mr. Chittick intends to operate the Company as its primary employee, analyzing, negotiating, originating, purchasing and servicing Trust Deeds by himself. As the portfolio of contracts increases, the Company may add additional personnel.



### **Contingency Plan in the Event of Death or Disability of Mr. Chittick**

In the event that Mr. Chittick is unable to perform his duties to continue the operation of the Company in any capacity, Mr. Chittick has a written agreement with Robert Koehler, an owner of RLS Capital, Inc. to provide or arrange for any necessary services for the Company. Robert has twelve (12) years of experience supporting real estate loan portfolios similar to the portfolio of the Company. Robert holds a real estate license in Arizona and has worked as a loan officer in the residential and commercial transactions and has conducted due diligence effort for thousands of private purchase of notes and trust deeds. Robert is respected as a member of the Arizona real estate investment community by investors, borrowers, mortgage brokers, escrow officers and real estate agents. As part of this contingency plan, Robert is a signatory on the Company's bank account. On a weekly basis, Robert receives an updated spreadsheet of all properties currently being used as collateral for a loan. On a monthly basis, Robert receives a spreadsheet of all the investors and what is owed to each of them, and receives the monthly statements for all investors. Pursuant to the agreement with Robert, upon Robert's receipt of instructions from Denny Chittick, or from other designated individuals, or upon medical confirmation that Mr. Chittick is unable to continue to perform his duties as President of the Company for an extended period of time, Robert will act to close down the Company's business by collecting all of the monies due on the Trust Deeds and Robert will return all of the principal and interest owed to the investors pursuant to the Notes.

### **Management Compensation**

As the sole shareholder, Mr. Chittick receives a salary consistent with IRS guidelines. Salary adjustments are made at year-end in order for Mr. Chittick to fund his 401(K) and to pay his income taxes. Year-end profits are taxed to Mr. Chittick pursuant to the U.S. Internal Revenue Code rules applicable to Subchapter S corporations. Therefore, year-end profits may be distributed to Mr. Chittick. In addition, Mr. Chittick is paid interest on Notes funded by Mr. Chittick in the same manner as the other investors. See "Management – Management Compensation." As the Company expands its lending operations and increases the workload of

Mr. Chittick, he reserves the right to receive an increased salary so long as there is no current default under the Notes.

### **Ownership Compensation**

The Company receives its revenue primarily from interest earned on trust deeds, rents on properties owned by the Company, interest on cash reserve accounts, and interest earned on investments made by the Company after subtracting interest paid on its debts. The amount of profits, and therefore, compensation to Mr. Chittick, will be dependent upon the amount of Notes sold, Trust Deeds acquired, loans made and the terms of such loans. After payment of its principal and interest obligations under the Notes, the Company distributes the balance to Mr. Chittick; provided, however, the Company may (but is not required to) retain earnings in the Company up to a level of "reserve" or "retained earnings" goals that the Company deems adequate. Subject to the need to adjust these goals due to special liquidity needs due to plans to repay Notes or to fund future Trust Deeds, the Company anticipates that it will be able to achieve and maintain adequate reserve goals to meet the Company's obligations.

Mr. Chittick may have significant investments in the Notes, for which the Company will pay him monthly interest on the same basis as other Noteholders which investment amount will be subordinated to all other Notes placed pursuant to this Memorandum. (Mr. Chittick currently has invested approximately \$2,200,000 in Notes, but this amount varies from \$1.9 million to \$3.2 million.) See "Description of Securities." The Company intends to pay to Mr. Chittick all retained earnings in excess of any reserves deemed necessary or desirable by Mr. Chittick to meet the Company's obligations.

## PRINCIPAL SHAREHOLDER

The following table sets forth the beneficial ownership of shares of the Company's outstanding common stock.

<u>Name and Address</u>	<u>Number of Shares</u>	<u>Percent</u>
Denny J. Chittick	500,000	100%
6132 W. Victoria Place		
Chandler, AZ 85226		

The Company is authorized to issue up to 25,000,000 shares of common stock, but has no intent to issue additional common stock at this time.

## **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

### **Ownership**

Based on his 100 percent ownership of the Company's common stock, Denny J. Chittick maintains the exclusive ability to elect directors, appoint officers and manage the operations of the Company.

### **Competing Businesses**

During the four years prior to forming the Company, Denny Chittick personally invested in companies and in real estate loans that are substantially similar to the Company's investments in Trust Deeds. In addition to his activities on behalf of the Company, Mr. Chittick reserves the right to continue his personal investments in real estate and instruments similar to Trust Deeds, which are considered competing businesses of the Company. See "Risk Factors – Management's Outside Interests and Conflicts of Interest."

## DESCRIPTION OF SECURITIES

The Company is offering up to \$50 million in Notes. The minimum denomination is \$50,000, and the maximum denomination is \$1,000,000 in a single note. An investor may purchase more than \$1,000,000 in Notes, but it will be distributed over different Notes. Denominations increase from the minimum to the maximum in additional increments with a minimum incremental increase of \$10,000. Until the maximum offering proceeds are attained or the Company terminates this offering, the Company expects to offer the Notes for placement on a continuing basis for two years from the date of this Memorandum. Absent an earlier termination, the offering will continue for so long as the Company has not changed its operations or method of offering in any material respect. If the Company changes its operations or method of offering in any material respect, the Company will update the Memorandum as necessary to provide correct information to investors. The Company may experience difficulties in conducting a continuous offering of Notes. See "Risk Factors – Difficulties and Costs of Continuous Offering."

The Notes are general obligations of the Company and are superior in priority and liquidation preference to any Notes payable to Mr. Chittick. Mr. Chittick has agreed to subordinate any Notes to which he subscribes to Notes with similar maturities placed with other investors. Although the Company has never defaulted with respect to a Note, including any regular interest payment or the principal and interest due upon the maturity of the Note, if the Company should ever be in default with respect to any Note, Mr. Chittick will subordinate any Notes he may hold until the default is cured and Mr. Chittick will also defer any compensation until the default is cured. While Mr. Chittick has agreed and will act as set forth above in this Memorandum, such agreement is not evidenced in a separate writing signed by Mr. Chittick.

The Notes will bear interest at the rates stated for the term selected. The investor may elect to have interest paid monthly, quarterly or accrue and be paid at maturity. If the investor elects to have interest paid at maturity or quarterly, the interest will accrue monthly and earn compounded interest. Interest is payable on the last day of each period to the investors of the Notes at the principal office of the Company in Chandler, Arizona. At the option of the

Company, interest payments may be paid by check mailed to the address of the investor entitled thereto as it appears on the Subscription Agreement for the Notes. An investor may request in writing to the Company that a deposit be made to a designated bank or investment account.

The Notes are not transferable without the prior written consent of the Company, which the Company may withhold in its sole discretion. The Company anticipates withholding its consent if the transfer could jeopardize the Company's exemption under Regulation D or any applicable state blue-sky law or the Company's exclusion from the definition of an investment company under the Investment Company Act of 1940.

The Notes are unsecured and are not insured or guaranteed by any state or federal government entity or any insurance company. In event of default, an investor could look only to the Trust Deeds or other assets of the Company for repayment.

As unsecured, general obligations of the Company, the Notes will not have any specific collateral. The Company's Assets include all of the Company's right, title and interest in Trust Deeds owned by the Company, together with all payments and instruments received thereto, real estate owned by the Company as a result of a deed-in-lieu of foreclosure due to a borrower default, and all proceeds of the conversion of any of the foregoing into cash or other liquid property. So long as the Company is not in default on the Notes, the Company is permitted to freely transfer, sell or substitute, in the normal course of business, any Trust Deeds it owns, subject to general restrictions concerning transfers of property; provided, however, the Company may transfer, sell or substitute one or more Trust Deeds if such transfer, sale or substitution is done in connection with a plan to cure a default.

On an annual basis, the Company will retain an independent accounting firm to prepare the 1099's to be issued by the Company to the investors and to prepare the tax return for the Company. On an annual basis and upon written request from an investor, the Company will certify to the requesting investor(s) that the aggregate outstanding principal amount of all cash accounts, other property and Trust Deeds is at least equal to the principal amount of outstanding Notes as of the date of the request.

The Company may, in its discretion, modify the interest rate paid on subsequently issued Notes or the term of such Notes. Any such modification of the interest rate or term will not affect Notes then issued and outstanding.

Notes are initially being offered at the following rates and maturities:

<u>Note Terms (2) (3)</u>			
<u>Note Amount (1)</u>	<u>6 Months</u>	<u>1 Year</u>	<u>2 Years to 5 Years</u>
\$50,000 and up	8% <sup>(4)</sup>	10% <sup>(4)</sup>	12% <sup>(4)</sup>

- (1) Note amounts are issued in varied denominations from \$50,000 to \$1,000,000, and in additional increases with a minimum of \$10,000. For qualified funds, the Company will accept minimum contributions in such amounts as reasonably determined by the Company.
- (2) Although the Company intends to use its good faith efforts to accommodate written requests from an investor to prepay any Note prior to maturity and the Company has in fact been able to satisfy such requests in a timely manner with interest paid in full, the Company has no obligation to do so and the investor has no right to require the Company to redeem the Note prior to maturity. Upon the Company's election to honor an investor's request to prepay any Note prior to maturity, the Company reserves the right to adjust any interest payable to the investor to the interest rate that would have been payable for the actual outstanding term of the Note.
- (3) The Notes may be redeemed by the Company at any time prior to maturity upon 30 days written notice to the investor at a price equal to the principal amount of the Note plus accrued interest to the date of redemption.
- (4) The Company also reserves the right, in its sole discretion, to adjust the interest paid on outstanding Notes on 30 days written notice to Noteholders.

The Company has the right to sell, encumber, mortgage, create a lien on or otherwise dispose of any or all of its property, or in any manner secure an indebtedness so that such indebtedness shall have a claim against the assets of the Company securing such indebtedness, all without the consent of the investors of the outstanding Notes provided no Notes are in default. Any security interest granted in any of the Company's assets to secure indebtedness will be superior in priority to the general claim of a Noteholder.

Default may occur with respect to one Note and not another. The Company shall be in default of a particular Note if any of the following events ("Event of Default") occurs with respect to that Note: (a) default for 30 days in any payment of interest on a Note when due; (b) default for 15 days in any payment of principal on a Note when due after maturity; (c) a filing for protection by the Company under Chapters 11 or 7 of the U.S. Bankruptcy Code or a filing for the Company under the U.S. Bankruptcy Code by creditors of the Company which filing is not dismissed within 90 days of the filing date; or (d) default for 90 days after receiving appropriate notice of a breach of any other covenant applicable to a Note. Notwithstanding the events listed above, Mr. Chittick may defer any payment of interest or principal due to Mr. Chittick or an entity controlled by him on any of the Notes subscribed to personally by Mr. Chittick without creating an Event of Default.

The Company may not consolidate with or merge into any corporation, or transfer substantially all of its assets to any person, unless the successor corporation or transferee assumes the Company's obligations on the Notes. The Company has no present intention of merging with another company or consolidating with another company or transferring its assets.



## PLAN OF DISTRIBUTION

The Notes may be purchased directly from the Company without commission. Notes maturing in two through five years also may be purchased with qualified monies (such as IRA, SEP IRA, ROTH IRA and KEOGH plans) through a licensed broker-dealer and with an approved custodian; provided, that such investments meet the investor suitability requirements. Transaction costs for Notes purchased with qualified funds will be paid by the Company up to one percent of the Note's face amount. The principal amount of the Note will be equal to the amount paid by the investor, and interest would be calculated on that amount.

The Notes are not registered with the SEC or any other state or federal regulatory agency. No state or federal agency has made any finding or determination as to the fairness of this offering for investment, the adequacy or accuracy of the disclosures, or any recommendation or endorsement of the Notes.

The offering and sale of the Notes is intended to be exempt from registration under the Act by virtue of one or more of the following exemptions provided by: (i) Section 4(2) of the Act; and (ii) Regulation D promulgated under the Act. See "Investor Suitability." In accordance therewith, substantial restrictions are placed on the offering and purchase of the Notes, including, but not limited to, the following:

- (1) The transaction may not include any public offering. The offer to sell Notes must be directly communicated to the investor by an officer of the Company and at no time may the Company advertise or solicit by means of any leaflet, public promotional meeting, newspaper or magazine article, radio or television advertisement or any other form of general advertising or general promotion.
- (2) The Notes may be purchased only for the investor's own account, for investment purposes only and not with a view to distribution, assignment, hypothecation, resale or to fractionalization in whole or in part.
- (3) An investor must meet certain suitability requirements, which are set forth under "Investor Suitability."

- (4) The Company must have furnished and made available for inspection all documents and information that the investor has reasonably requested relating to an investment in the Company, including its Articles of Incorporation, stock records and financial account records.

### **DETERMINATION OF OFFERING PRICE**

The rate of return for the Notes offered hereby will be set from time to time by management of the Company to approximate a rate of return competitive with similar securities of other companies engaged in the finance industry. The Company has been in operation since April 2001. There is no market for the Company's securities and none is expected to develop. Accordingly, the rate of return on any Note bears no relation to the results of the Company, to any market price for the Company's securities, to the level of risk involved, or to any recognized measure of valuation or return on investment.

## CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a general discussion of certain U.S. federal tax considerations and consequences that may be relevant to a decision to acquire, own and dispose of Notes by an initial holder thereof. This summary only applies to Notes held as capital assets (generally, property held for investment) within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"). Except as set forth below, this summary does not address all of the tax consequences that may be relevant to a particular Noteholder and it is not intended to be applicable to Noteholders that are subject to special tax rules, such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, U.S. expatriates, partnerships or other pass-through entities, tax-exempt organizations or dealers or traders in securities or currencies, or to Noteholders that will hold Notes as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes or that have a functional currency other than the U.S. dollar. Moreover, except as set forth below, this summary does not address the U.S. federal estate and gift tax law, the tax laws of any state, local or foreign government or alternative minimum tax consequences of the acquisition, ownership or other disposition of Notes and does not address the U.S. federal income tax treatment of Noteholders that do not acquire Notes as part of the initial distribution at their initial issue price. Each prospective investor should consult its tax advisor, attorney and accountant with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, holding and disposing of Notes.

This summary is based on current provisions of the Code, as amended, existing and proposed U.S. Treasury Regulations, current administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein. No advance tax ruling has been sought or obtained from the Internal Revenue Service regarding the tax consequences of the transactions described herein. This discussion does not address tax considerations arising under the laws of any particular state, local or foreign jurisdiction.

**PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR TAX ADVISORS, ATTORNEYS AND ACCOUNTANTS REGARDING THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE NOTES IN LIGHT OF THEIR PARTICULAR SITUATIONS, AS WELL AS ANY TAX CONSEQUENCES THAT MAY ARISE UNDER THE LAWS OF ANY FOREIGN, STATE, LOCAL OR OTHER TAXING JURISDICTION.**

For purposes of this summary, a "U.S. Holder" is a beneficial owner of Notes who for U.S. federal income tax purposes is (i) a citizen or resident (or is treated as a resident for U.S. federal income tax purposes) of the United States; (ii) a corporation created or organized in or under the laws of the United States or any State or political subdivision thereof; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (1) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes or (2) (a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control. A "Non-U.S. Holder" is a beneficial owner of Notes who for U.S. federal income tax purposes is (i) a non-resident alien individual; (ii) a foreign corporation; or (iii) a foreign estate or trust the fiduciary of which is a nonresident alien.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such partner should consult its own tax advisor as to its consequences of holding and disposing of the Notes.

## **U.S. Holders**

### ***Interest***

Except as set forth below, interest paid on a Note generally will be includible in a U.S. Holder's gross income as ordinary interest income at the time it is paid or accrued in accordance with the U.S. Holder's usual method of tax accounting for U.S. federal income tax purposes.

### ***Market Discount***

A holder of Notes may in very limited circumstances, transfer their Notes to third parties. If the Company authorizes such a transfer, Notes sold on a secondary market after their original issue for a price lower than their stated redemption price at maturity are generally said to be acquired at market discount. Code Section 1278 defines "market discount" as the excess, if any, of the stated redemption price at maturity of the Note, over the purchaser's initial adjusted basis in the Note. If, however, the market discount with respect to a Note is less than 1/4th of one percent (.0025) of the stated redemption price at maturity of the Note multiplied by the number of complete years to maturity from the date the subsequent purchaser has acquired the Note, then the market discount is considered to be zero. Notes acquired by holders at original issue and Notes maturing not more than one year from the date of issue are not subject to the market discount rules.

Gain on the sale, redemption or other disposition of a Note, including full or partial redemption thereof, having "market discount" will be treated as interest income to the extent the gain does not exceed the accrued market discount on the Note at the time of the disposition. A holder may elect to include market discount in taxable income for the taxable years to which it is attributable. The amount included is treated as interest income. If this election is made, the rule requiring interest income treatment of all or a portion of the gain upon disposition is inapplicable. Once the election is made to include market discount in income currently, it cannot be revoked without the consent of the IRS. The election applies to all market discount notes acquired by the holder on or after the first day of the first taxable year to which such election applies.

### ***Sale, Exchange or Disposition of Notes***

A U.S. Holder's adjusted tax basis in a Note generally will equal the cost of the Note to such U.S. Holder, increased by any original issue discount ("OID") or market discount previously included by the holder in income with respect to the Note. Upon the sale, exchange or other disposition of a Note, a U.S. Holder will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other disposition (less an amount equal to the accrued but unpaid interest which will be taxable as ordinary income) and such U.S. Holder's adjusted tax basis in the Note. Any such gain or loss generally will be capital gain or loss. In the case of a noncorporate U.S. Holder, capital gains derived in respect of a Note that is held as a capital asset and that is held for more than one year are eligible for reduced income tax rates and may be deemed a long-term capital gain. The deductibility of capital losses is subject to limitations.

### **Non-U.S. Holders**

#### ***Interest***

Subject to the discussion below under the heading "U.S. Backup Withholding and Information Reporting," payments of principal of, and interest on (including any OID), a Note to (i) a controlled foreign corporation, as such term is defined in Section 957 of the Code, which is related to the Company, directly or indirectly, through stock ownership, (ii) a person owning, actually or constructively, securities representing at least more than 50% of the total combined outstanding voting power of all classes of the Company's voting stock and (iii) banks which acquire such Note in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. withholding tax provided that the beneficial owner of the Note provides certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "U.S. Backup Withholding and Information Reporting," or an exemption is otherwise established.

If a Non-U.S. Holder cannot satisfy the requirements above, payments of interest made to a Non-U.S. Holder will be subject to a U.S. withholding tax equal to 30% of the gross payments

made to the Non-U.S. Holder unless the Non-U.S. Holder provides the Company or the Company's paying agent, as the case may be, with a properly executed (1) IRS Form W-8BEN claiming an exemption from or reduction in withholding under the benefit of an applicable income tax treaty or (2) IRS Form W-8ECI stating that interest paid on the note is not subject to withholding tax because it is effectively connected with the beneficial owner's conduct of a trade or business in the United States. Alternative documentation may be applicable in certain situations.

If a Non-U.S. Holder is engaged in a trade or business in the United States and interest on a note is effectively connected with the conduct of such trade or business, the Non-U.S. Holder, although exempt from withholding as discussed above (provided the certification requirements described above are satisfied), will be subject to U.S. federal income tax on such interest (including OID) on a net income basis in the same manner as if the Non-U.S. Holder were a U.S. Holder. In addition, if such Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or lesser rate under an applicable income tax treaty) of such amount, subject to adjustments.

#### ***Sale, Exchange or Other Disposition of Notes***

Subject to the discussion below under the heading "U.S. Backup Withholding and Information Reporting," any gain realized by a Non-U.S. Holder upon the sale, exchange or other disposition of a Note generally will not be subject to U.S. federal income tax or withholding tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of such sale, exchange or disposition and certain other conditions are met. Special rules may apply upon the sale, exchange or disposition of a Note to certain Non-U.S. Holders, such as "controlled foreign corporations," "passive foreign investment companies," "foreign personal holding companies" and certain expatriates, that are subject to special treatment under the Code. Such entities and individuals should consult their own tax advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them.



## **U.S. Federal Estate Taxes**

A Note that is held by an individual who at the time of death is not a citizen or resident (as specially defined for United States federal estate tax purposes) of the United States will not generally be subject to U.S. federal estate tax as a result of such individual's death, provided that such individual is not a shareholder owning actually or constructively more than 10% of the total combined voting power of all classes of our stock entitled to vote and, at the time of such individual's death, payments of interest with respect to such note would not have been effectively connected with the conduct by such individual of a trade or business in the United States.

## **U.S. Backup Withholding and Information Reporting**

### ***U.S. Holders***

Information reporting requirements will apply to certain payments of principal and interest and the accrual of OID, if any, on an obligation and to proceeds of the sale, exchange or other disposition of an obligation, to certain U.S. Holders. This obligation, however, does not apply with respect to certain U.S. Holders including, corporations, tax-exempt organizations, qualified pension and profit sharing trusts and individual retirement accounts. In general, the Company is required to file with the IRS each year a Form 1099 information return reporting the amount of interest that was paid or that is considered earned by a U.S. Holder with respect to the Notes held during each calendar year, and a U.S. Holder is required to report such amount as income on its federal income tax return for that year. A U.S. backup withholding tax currently at a rate of 28% will apply to such payments if a U.S. Holder fails to provide a correct taxpayer identification number or certification of other tax-exempt status or fails to report in full dividend and interest income. Any amount withheld under the backup withholding rules is allowable as a credit against the taxpayer's U.S. federal income tax liability, provided that the required information is furnished to the IRS.

### *Non-U.S. Holders*

Information reporting will generally apply to payments of interest on a Note to a Non-U.S. Holder and the amount of tax, if any, withheld with respect to such payments. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under the provisions of an applicable income tax treaty. Payments of principal and interest on any Notes to Non-U.S. Holders will not be subject to any U.S. backup withholding tax if the beneficial owner of the Note (or a financial institution holding the note on behalf of the beneficial owner in the ordinary course of its trade or business) provides an appropriate certification to the payor and the payor does not have actual knowledge or reason to know, that the certification is incorrect. Payments of principal and interest on Notes not excluded from U.S. backup withholding tax discussed above generally will be subject to United States withholding tax at a rate of 28%, except where an applicable United States income tax treaty provides for the reduction or elimination of such withholding tax.

In addition, information reporting and, depending on the circumstances, backup withholding, will apply to the proceeds of the sale of a Note within the United States or conducted through United States-related financial intermediaries unless the beneficial owner provides the payor with an appropriate certification as to its non-U.S. status and the payor does not have actual knowledge or reason to know that the certification is incorrect.

Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against a Non-U.S. Holder's U.S. federal income tax liability provided the required information is furnished to the Internal Revenue Service.

**THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE ACQUISITION, OWNERSHIP, DISPOSITION OR RETIREMENT OF THE NOTES. PROSPECTIVE INVESTORS OF NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS, ATTORNEYS AND ACCOUNTANTS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.**

## INVESTOR SUITABILITY

### General

An investment in the Notes involves significant risks and is suitable only for persons of adequate financial means who have no need for liquidity with respect to this investment and who can bear the economic risk of a complete loss of their investment. This private placement is made in reliance on exemptions from the registration requirements of the Act and applicable state securities laws and regulations.

The suitability standards discussed below represent minimum suitability standards for prospective investors. The satisfaction of such standards by a prospective investor does not necessarily mean that the Notes are a suitable investment for such prospective investor. Prospective investors are encouraged to consult their personal financial advisors to determine whether an investment in the Notes is appropriate. The Company may reject subscriptions, in whole or in part, in its absolute discretion.

The Company will require each investor to represent in writing, among other things, that (i) by reason of the investor's business or financial experience, or that of the investor's professional advisor, the investor is capable of evaluating the merits and risks of an investment in the Notes and of protecting its own interest in connection with the transaction, (ii) the investor is acquiring the Notes for its own account for investment only and not with a view toward the resale or distribution thereof, (iii) the investor is aware that the Notes have not been registered under the Act or any state securities laws and that there is no market for the Notes, (iv) such investor meets the suitability requirements set forth below and (v) they have read and taken full cognizance of the Risk Factors and other information set forth in this Confidential Private Offering Memorandum.

### **Suitability Requirements**

Except as set forth below, each investor must represent in writing that it: (a) is “sophisticated” in so far as it is sufficiently knowledgeable and experienced in financial and business matters to be able to evaluate the merits and risks of an investment in the Notes either alone or with a purchaser representative; (b) is able to bear the economic risk of an investment in the Notes, including a loss of the entire investment; and (c) qualifies as an “accredited investor,” as such term is defined in Rule 501(a) of Regulation D under the Act and must demonstrate the basis for such qualification. To be an accredited investor, an investor must fall within any of the following categories at the time of sale of Notes to that investor:

- (1) A bank as defined in Section 3(a)(2) of the Act or a savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary capacity; a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; an insurance company as defined in Section 2(13) of the Act; an investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; a Small Business Investment Company licensed by the United States Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000; an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;
- (2) A private business development company as defined in Section 202(a) (22) of the Investment Advisers Act of 1940;
- (3) An organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust or partnership, not formed for the specific purpose of acquiring the Notes, with total assets in excess of \$5,000,000;

- (4) Any director, executive officer, or general partner of the Company, or any director, executive officer, or general partner of a general partner of the Company;
- (5) Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of such person's purchase of the Notes exceeds \$1,000,000 (excluding the value of such person's primary residence);
- (6) Any natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;
- (7) Any trust with total assets in excess of \$5,000,000 not formed for the specific purpose of acquiring the Notes, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) of Regulation D; and
- (8) An entity in which all of the equity owners are accredited investors (as defined above).

As used in this Memorandum, the term "net worth" means the excess of total assets over total liabilities. In determining income an investor should add to the investor's adjusted gross income any amounts attributable to tax exempt income received, losses claimed as limited partner in any limited partnership, deductions claimed for depletion, contributions to an IRA, KEOGH, SEP IRA or ROTH IRA retirement plan, alimony payments, and any amount by which income from long-term capital gains has been reduced in arriving at adjusted gross income.

/2013

Dani

USE this to mark up

ADD Updates/Forbearance, etc.

Schendek	
EXH. NO.	100
	6-19-18
Kelly S. Oglesby CR 50178	

**Confidential Private Offering Memorandum**

**DenSco Investment Corporation**

**July 1, 2011**

No: \_\_\_\_\_

Name of Payee: \_\_\_\_\_

**Confidential Private Offering Memorandum**

**DenSco Investment Corporation**

**General Obligations Notes**

**Minimum Purchase \$50,000**

The General Obligation Notes (the "Notes") are general obligations of DenSco Investment Corporation, an Arizona corporation (the "Company"). The Notes, together with all other outstanding notes and all other advances or liabilities owed by the Company to any holder of an outstanding note will be secured by a general pledge of all assets owned by or later acquired by the Company. The Company's largest assets will be the Trust Deeds, as defined herein, acquired by the Company and the Notes will be superior in priority and liquidation preference to Notes subscribed for by officers and shareholders of the Company. Interest will be paid monthly, quarterly or at maturity. The Notes are not insured or guaranteed by any state or federal government entity or any insurance company, and the Company will not establish a sinking fund for the Notes. The Company generally may transfer, sell or substitute collateral for the Notes. The Company may modify the interest rate to be paid on subsequently issued Notes. The Company will use good faith efforts to prepay Notes upon receipt of written request, but the Company will not be obligated to do so. The Notes may be redeemed by the Company prior to maturity upon notice at a price equal to the principal amount of the Notes plus accrued interest to the date of redemption. See "Description of Securities -- Note Terms." Default may occur with respect to one Note and not another. The Notes may be purchased directly from the Company without commission. The Company intends to offer the Notes on a continuous basis until the earlier of (a) the sale of the maximum offering, or (b) two years from the date of this memorandum; provided, however, the Company reserves the right to amend, modify and/or terminate this offering if the Company changes its operations or method of offering in any material respect. See "Description of Securities" and "Plan of Distribution."

THE NOTES ARE SPECULATIVE AND INVESTMENT IN THE NOTES INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS."

THE NOTES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR APPLICABLE STATE SECURITIES LAWS, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE REGULATORY AUTHORITY REVIEWED, APPROVED OR DISAPPROVED THE ACCURACY OR ADEQUACY OF THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM OR ENDORSED THE MERITS OF THE PLACEMENT OF NOTES. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. THE NOTES ARE OFFERED PURSUANT TO EXEMPTIONS PROVIDED BY SECTION 4(2) OF THE ACT, REGULATION D THEREUNDER, CERTAIN STATE SECURITIES LAWS AND CERTAIN RULES AND REGULATIONS PROMULGATED PURSUANT THERETO. THE NOTES MAY NOT BE TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS OR AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY AND ITS COUNSEL THAT SUCH REGISTRATION IS NOT REQUIRED.



	Offering Price (1)	Underwriting Commissions (2)	Proceeds to the Company (3)
Note	\$50,000	-0-	\$50,000
Total Minimum Offering	\$500,000	-0-	\$475,000
Offering Maximum	\$50,000,000	-0-	\$49,975,000

- (1) The Notes are offered in \$50,000 initial investment with additional increments with a minimum of at least \$10,000. All subscriptions for Notes are subject to review and acceptance by the Company.
- (2) The Company's President, Denny J. Chittick, is making the private placement of the Notes on behalf of the Company. Mr. Chittick will not receive any sales commission in connection with the placement of the Notes. The Company reserves the right to pay costs and commission to a licensed broker-dealer with an approved custodian to facilitate procedures by investors using qualified funds (i.e., IRA, SEP IRA, ROTH IRA and KEOGH Plans), up to one percent (1%) of the principal Note amount.
- (3) Offering expenses, estimated at \$25,000, will be paid from the Company's general operating funds.

**DenSco Investment Corporation**

6132 W. Victoria Place

Chandler, Arizona 85226

(c) 602-469-3001

(f) 602-532-7737

THE NOTES ARE OFFERED ONLY TO PERSONS WHO ARE: (1) "ACCREDITED INVESTORS" WITHIN THE MEANING OF RULE 501(a) OF REGULATION D PROMULGATED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAW; (2) ABLE TO BEAR THE ECONOMIC RISK OF AN INVESTMENT IN THE NOTES, INCLUDING A LOSS OF THE ENTIRE INVESTMENT; AND (3) SUFFICIENTLY KNOWLEDGEABLE AND EXPERIENCED IN FINANCIAL AND BUSINESS MATTERS TO BE ABLE TO EVALUATE THE MERITS AND RISKS OF AN INVESTMENT IN THE NOTES EITHER ALONE OR WITH A PURCHASER REPRESENTATIVE. SEE "INVESTOR SUITABILITY." THE NOTES ARE NOT OFFERED AND WILL NOT BE SOLD TO ANY PROSPECTIVE INVESTOR UNLESS SUCH INVESTOR HAS ESTABLISHED, TO THE SATISFACTION OF DENNY J. CHITTICK, THAT THE INVESTOR MEETS ALL OF THE FOREGOING CRITERIA. EACH INVESTOR MUST ACQUIRE THE NOTES FOR HIS, HER OR ITS OWN ACCOUNT, FOR INVESTMENT PURPOSES ONLY, AND WITHOUT ANY INTENTION OF DISTRIBUTING OR RESELLING ANY OF THE NOTES, EITHER IN WHOLE OR IN PART.

THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION TO ANYONE IN ANY JURISDICTION IN WHICH SUCH AN OFFER OR SOLICITATION IS NOT AUTHORIZED. IN ADDITION, THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM CONSTITUTES AN OFFER ONLY TO THE PERSON WHOSE IDENTITY APPEARS IN THE APPROPRIATE SPACE PROVIDED ON THE COVER PAGE HEREOF. THE RIGHT TO PURCHASE NOTES AS DESCRIBED HEREIN IS NOT ASSIGNABLE.

TO ENSURE COMPLIANCE WITH CIRCULAR 230 GOVERNING STANDARDS OF PRACTICE BEFORE THE INTERNAL REVENUE SERVICE, POTENTIAL INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED BY A POTENTIAL INVESTOR, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON A POTENTIAL INVESTOR UNDER THE INTERNAL REVENUE CODE; (B) SUCH

DISCUSSION IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE NOTES OFFERED HEREBY; AND (C) POTENTIAL INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

CERTAIN "REPORTABLE TRANSACTIONS" REQUIRE THAT PARTICIPANTS AND CERTAIN OTHER PERSONS FILE DISCLOSURE STATEMENTS WITH THE IRS, AND IMPOSE SIGNIFICANT PENALTIES FOR THE FAILURE TO DO SO. AN INVESTOR (AND EACH EMPLOYEE, REPRESENTATIVE, OR OTHER AGENT OF THE INVESTOR) MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF AN INVESTMENT IN THE NOTES AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) THAT ARE PROVIDED TO THE INVESTOR RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE, EXCEPT TO THE EXTENT THAT SUCH DISCLOSURE IS RESTRICTED BY APPLICABLE SECURITIES LAWS.

THE OBLIGATIONS AND REPRESENTATIONS OF THE PARTIES TO THIS TRANSACTION WILL BE SET FORTH ONLY IN THE DOCUMENTS DESCRIBED HEREIN. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS CONCERNING THE COMPANY OTHER THAN AS CONTAINED IN THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON. THE DELIVERY OF THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM DOES NOT IMPLY THAT THE INFORMATION SET FORTH IN IT IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM HAS BEEN PREPARED SOLELY FOR THE BENEFIT OF CERTAIN INVESTORS TO WHOM IT HAS BEEN DIRECTED. A PROSPECTIVE INVESTOR, BY ACCEPTING DELIVERY OF THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM, AGREES TO

RETURN THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM AND ALL ENCLOSED DOCUMENTS TO THE COMPANY IF THE HOLDER DOES NOT UNDERTAKE TO PURCHASE ANY OF THE NOTES OFFERED HEREBY.

PRIOR TO THE SALE OF ANY NOTES OFFERED HEREBY, THE COMPANY WILL MAKE AVAILABLE TO EACH INVESTOR THE OPPORTUNITY TO ASK QUESTIONS OF AND RECEIVE ANSWERS FROM MR. CHITTICK CONCERNING THE TERMS AND CONDITIONS OF THIS OFFERING AND TO OBTAIN ADDITIONAL INFORMATION NECESSARY TO VERIFY THE ACCURACY OF THE INFORMATION CONTAINED HEREIN, TO THE EXTENT THE COMPANY OR MR. CHITTICK POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE.

ANY REPRODUCTION OR DISTRIBUTION OF THE CONFIDENTIAL PRIVATE OFFERING MEMORANDUM IN WHOLE OR IN PART, OR THE DISCLOSURE OF ANY OF ITS CONTENTS, WITHOUT THE PRIOR WRITTEN CONSENT OF MR. CHITTICK IS STRICTLY PROHIBITED.

REFERENCE IS MADE TO THE SUBSCRIPTION AGREEMENT AND SUITABILITY QUESTIONNAIRE ATTACHED HERETO FOR COMPLETE INFORMATION CONCERNING THE RIGHTS AND OBLIGATIONS OF INVESTORS WHO PURCHASE THE NOTES OFFERED HEREBY. CERTAIN PROVISIONS OF AGREEMENTS AND DOCUMENTS ARE SUMMARIZED IN THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM, AND THE SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE DETAILED INFORMATION OR AGREEMENT OR DOCUMENT APPEARING ELSEWHERE. IN CASE OF A CONFLICT BETWEEN THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM AND SUCH AGREEMENTS OR DOCUMENTS, THE AGREEMENT OR DOCUMENT, AS THE CASE MAY BE, SHALL GOVERN. REFERENCE IS MADE HEREBY TO THE COMPLETE TEXT OF ALL DOCUMENTS RELATING TO THIS PLACEMENT THAT ARE DESCRIBED HEREIN. A COPY OF ALL DOCUMENTS AND AGREEMENTS SO DESCRIBED BUT NOT INCLUDED HEREIN WILL BE MADE

AVAILABLE TO A PROSPECTIVE INVESTOR AND ITS COUNSEL, ACCOUNTANT AND ADVISER(S) UPON REQUEST.

PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM OR ANY PRIOR OR SUBSEQUENT COMMUNICATIONS FROM THE COMPANY OR MR. CHITTICK OR THEIR AFFILIATES AS LEGAL OR TAX ADVICE. EACH INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN COUNSEL, ACCOUNTANT AND OTHER ADVISERS AS TO TAX MATTERS AND RELATED MATTERS CONCERNING AN INVESTMENT IN THE COMPANY'S NOTES.

NOTWITHSTANDING ANYTHING CONTAINED IN THIS CONFIDENTIAL OFFERING MEMORANDUM TO THE CONTRARY, EXCEPT AS REASONABLY NECESSARY TO COMPLY WITH APPLICABLE SECURITIES LAWS, INVESTORS (AND EACH EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF THE INVESTORS) MAY NOT DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE U.S. FEDERAL INCOME TAX TREATMENT AND TAX STRUCTURE OF THIS OFFERING AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) THAT ARE PROVIDED TO THE INVESTORS RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE. FOR THIS PURPOSE "TAX STRUCTURE" IS LIMITED TO FACTS RELEVANT TO THE U.S. FEDERAL INCOME TAX TREATMENT OF THIS OFFERING AND DOES NOT INCLUDE INFORMATION RELATING TO THE IDENTITY OF THE ISSUER, ITS AFFILIATES, AGENTS OR ADVISORS.

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## MEMORANDUM SUMMARY

The following summary should be read in conjunction with, and is qualified in its entirety by the more detailed information appearing elsewhere in this Confidential Private Offering Memorandum.

### The Company

DenSco Investment Corporation, an Arizona corporation (the "Company"), is an Arizona corporation, which has been in operation since April, 2001. In the ten years of operation from April, 2001 through June, 2011, the Company has engaged in 2622 loan transactions. The Company has been and will continue to be engaged primarily in the business of making high-interest loans with defined loan-to-value ratios to residential property remodelers ("Foreclosure Specialists") who purchase houses through pre-foreclosure process and foreclosure sales, all of which are secured by real estate deeds of trust ("Trust Deeds") recorded against Arizona residential properties, but the Company will not limit its efforts to this niche. In connection with its business, the Company will seek to maintain a diversity of builders, loan size, back-office commercial properties, medical offices, strip commercial centers, high-end specialty and custom residential properties and construction locations. The Company does not intend to exceed a maximum loan size of \$1,000,000.00. The Company intends to maintain a loan-to-value ratio below 70% percent in the aggregate for all loans in the loan portfolio.

The Company's office is currently located at 6132 W. Victoria Place, Chandler, Arizona 85226. Its current telephone number is 602-469-3001.

### The Offering

**Securities:** The Company is offering the first \$500,000 in principal amount of Notes on an "all-or-none, best efforts basis" and on a "best efforts" basis with respect to the remaining \$49.5 million in principal amount of Notes. In addition to the Company's President's (Denny Chittick) initial capital contribution to the Company, Mr. Chittick maintains a \$1 million

investment in the Company at all times. This investment takes the form of Notes. Therefore, depending on the maturity of the Notes currently held by Mr. Chittick, the minimum offering may be met with his investment only. The interest rates of the Notes will vary and will depend on the denomination of the Note and the term selected by the investor. The Notes are offered in denominations ranging from \$50,000 to \$1,000,000.00, increasing in additional increments with a minimum of \$10,000. The Notes are paid "interest only" during their terms, with principal payable only at maturity. Investors may elect to have interest paid monthly, quarterly or at maturity. If interest is paid other than monthly, interest will compound monthly. The Notes are not transferable without obtaining the prior written consent of the Company. The Notes are general obligations of the Company and are not directly secured by any specific asset of the Company. At any particular point in time, the assets of the Company will consist primarily of Trust Deeds in an aggregate principal amount approximately equal to the amount of the outstanding Notes. See "Use of Proceeds" and "Description of Securities."

**Restricted Nature of Securities:**

The Notes are not registered and are restricted securities. This is a private placement intended to be exempt from the registration requirements under federal and applicable state securities laws, and may only be made personally by a principal of the Company to a qualified investor who intends to hold the investment to maturity. See "Description of Securities."

**Risk Factors:**

An investment in the Notes involves a significant degree of risk. Only investors who can bear the economic risk of such an investment should purchase the Notes. See "Risk Factors" and "Investor Suitability."



**Use of Proceeds:** The proceeds of the offering will be used as working capital primarily for lending secured by, and the purchase of, Trust Deeds within the guidelines set by the Company. See "Use of Proceeds" and "Business."

**Plan of Distribution:** Notes may be purchased directly from the Company without commission. The Company intends to make a continuous offering of the Notes until the earlier of two years from the date of this memorandum or upon the sale of the maximum offering of \$50 million; provided, however, the Company reserves the right to amend, modify or terminate this offering if the Company changes its operations or method of offering in any material respect. See "Description of Securities" and "Plan of Distribution."

## BUSINESS

The Company was incorporated in Arizona on April 30, 2001 and is engaged primarily in the business of funding Foreclosure Specialists, who purchase houses through the preforeclosure process, and at foreclosure sales and through a sale of REO properties (Real Estate Owned by a financial institution after a foreclosure) or short sale transactions.

### Target Markets and Potential Future Markets

The Company will target the funding and purchasing of Trust Deeds to qualified purchasers of foreclosed homes and qualified builders of Arizona commercial and residential projects. The primary focus is to lend money to qualified borrowers who can fulfill their loan obligation on highly marketable real properties with sufficient equity. When purchasing Trust Deeds, the Company intends to consider Trust Deeds that the loan-to-value ratio does not exceed 70 percent (70%) and the current yield is 18 percent (18%) or greater. Most of these purchased loans will have short-term maturities (less than one year), and under certain circumstances, Company may charge a higher interest rate or pass through additional costs incurred on short-term loans. Most Trust Deeds will range in size from \$25,000 to \$500,000, and the largest loan size is not intended to exceed \$1,000,000. Each loan will be secured by its underlying real property (or in rare instances, separate real properties) as well as by personal property involved in the construction projects and personal guaranties (as determined on a case by case basis). The loans are written to be repaid in six months and all loans are structured to require monthly interest payments. A majority of the loans are paid back within three months; however, some loans are allowed to be extended on a case by case basis.

For lending to Foreclosure Specialists who purchase foreclosed homes prior to or at the foreclosure sale, the Company will target remodelers, contractors and other entities engaged in this niche real estate market, but the Company will not limit its efforts to this niche. The Company intends to have these Trust Deeds have loan-to-value ratios, no greater than 70 percent but with an objective goal of 50 percent to 60 percent. The Company anticipates that the minimum loan size will continue to be \$25,000, and the maximum loan size will continue to be

\$1,000,000. The values of these homes are determined to be based on the value to which they will appraise at or sell for on the retail market.

For lending on commercial projects, the Company will target established, reputable contractors and developers who are developing back-office commercial properties, medical and other professional offices, strip and pre-sold commercial centers, multi-unit apartment complexes, build-outs and high-end specialty projects on Arizona land they own or have rights to purchase. The Company intends to have these Trust Deeds have loan-to-value ratios, no greater than 65 percent but with an objective goal of 50 percent to 60 percent. The maximum loan size is intended to be \$1,000,000, with subordinated participation from other lenders for larger projects, which will probably obligate the Company to act on behalf of the other participating lenders. The Company intends to directly (through an officer or employee) or indirectly (through a real estate consultant) perform due diligence to verify certain information in connection with funding a Trust Deed. The loan-to-value ratio is determined by calculating the reasonable market value of the property at the end of the construction project.

For residential loans, the Company will seek reputable, licensed contractors who have pre-sold homes to build for qualified buyers. The Company also plans to finance builders' models, builders' "spec" homes and those projects that are highly marketable and have substantial builder equity. Most of these borrowers may qualify for conventional bank financing but they may use the Company because of the faster financing, competitive over all costs, better service and personal relationships with Mr. Chittick. The Company will not lend to natural persons for personal, family or household purposes.

The Company may elect to participate as an equity partner in some projects should the benefits warrant the risk. From time to time, a default occurs on a loan and the Company needs to conduct a Trustee's Sale or accept a Deed In Lieu of Foreclosure on the real property securing a loan. As such, if the Trustee conducting the Trustee's Sale does not receive a bid in excess of the Company's credit bid (in the amount of the loan, accrued interest and costs) at the Trustee's Sale, the Company becomes the owner of the subject real property. The Company intends to sell such properties as quickly as possible in an effort to minimize resulting costs and losses, and to maintain a diversified financing operation. However, the Company reserves the right to lease

any property obtained through a Trustee's Sale or a Deed in Lieu of Foreclosure until the Company determines that the property can be sold at a sufficient price. The Company may diversify its financing operations in the future to include other areas of finance. The Company does not anticipate entering any non-Arizona market without first attempting to contact the significant Note holders and discussing this market with them.

#### **Cash Flow**

The Company uses a proprietary cash flow-management model for balancing the terms of the Trust Deeds the Company makes to its borrowers with the terms of the Notes purchased by the Company's investors. The Company's objective is to have sufficient cash coming in from Trust Deed payoffs to be able to redeem all Notes as they come due and maintain reserves without any need to sell assets or issue new Notes to repay the earlier maturing Notes. See "Risk Factors - Proceeds From Subsequently Issued Notes May Be Used to Repay Earlier Maturing Notes."

#### **Limited Due Diligence**

To the extent Trust Deeds are purchased, Trust Deeds will be purchased through a network of consultants, mortgage brokers and title companies that the Company believes are reliable referral sources. Prior to purchasing a Trust Deed or funding a direct loan, the Company intends to have an officer, employee or an authorized representative conduct a due diligence review by interviewing its owner, verifying the documentation and performing limited credit investigations as are deemed appropriate by the Company and visiting the subject property in a timely manner. For purchases of foreclosed homes, the properties are inspected after purchase, before or during rehabilitation and after rehabilitation to insure the property is improved to a marketable condition. The Company will not make residential loans to natural persons for personal, family or household purposes.

### **Funding and Purchase of Loans**

The Company reserves the right to approve or decline the funding of each direct loan or the purchase of each Trust Deed submitted for purchase.

### **Collections**

The Company services the contracts it purchases and originates. If a customer misses a payment without making satisfactory arrangement prior to the due date, the Company's policy will be to contact the customer within three to five days and watch the account closely until the payment or satisfactory arrangement has been made. At the discretion of the Company, the Company's normal documents provide that a late charge of ten percent of the interest amount due is to be assessed on a delinquent payment that is not cured within five days. If payment on a Trust Deed is thirty (30) days delinquent, an accelerated default rate goes into effect and foreclosure proceedings may begin under the Deed of Trust, provided, however, the Company may elect not to begin foreclosure proceedings if the property secured by the loan is under contract for sale or is in the process of being refinanced. The goal of the Company is to recover the principal of a loan and any interest and on any late fees assessed. If the borrower is unable in a timely manner to sell or refinance the subject property, the Company may request that the borrower execute a Deed in Lieu of Foreclosure (a "Deed in Lieu") to the Company so that the Company will gain immediate control of the subject property rather than going through the ninety (90) day process and expense associated with a Trustee's Sale. Upon the Company gaining control of the property through a Deed in Lieu or a Trustee's Sale, the Company will decide either to market the subject property at retail, which may require additional monies to improve the property to retail ready condition, or to wholesale the subject property "as is." The Company may also decide to rent the subject property as an investment property. If applicable, the management of the rental properties will be maintained by a professional management company chosen by the Company.

## Regulation

The financing of construction loans and other types of real estate transactions are regulated by various federal and state government agencies, including the Arizona Department of Financial Institutions. Arizona Revised Statutes §§ 6-901 to 910, §§ 6-941 to 948 and 6-971 to 985, and regulations issued thereunder, have specific mortgage broker and mortgage banker licensing and operating requirements. The Company's management believes that it is not required to be licensed by the Arizona Department of Financial Institutions as a mortgage broker or a mortgage banker nor under certain federal laws, such as Truth-In-Lending Act or the Real Estate Settlement Procedures Act. The Company intends to take the necessary steps to ensure that the borrowers it lends to and the projects covered by such loans will not fall within the requirements imposed by the foregoing agency and acts.

The Company will not receive any points, commissions, bonuses, referral fees, loan origination fees or other similar fees in connection with its real estate loans. The Company will only receive periodic interest resulting from the application of the note rate of interest to the outstanding principal balance remaining unpaid from time to time. By limiting its compensation in this manner, the Company's management believes it does not need a license from the Arizona Department of Financial Institutions as either a mortgage loan broker or mortgage banker; provided, however, the Company reserves the right to work with and to pay a reasonable and customary mortgage broker fee to a licensed mortgage loan broker or mortgage banker for services in connection with its loans or to other third-party professionals in connection with due diligence for its loans.

Certain federal laws and regulations, such as the Truth-in-Lending Act, Real Estate Settlement Procedures Act and others contain specific requirements for lenders seeking to make loans to certain types of borrowers, which may or may not be secured by certain types of residential real property. Most of these statutes and regulations apply to transactions only if the loans are made to natural persons for personal, family or household purposes. The Company will not lend to natural persons for these purposes.

If new regulations are issued by the U.S. Federal Housing Administration (the "FHA") or if a more strict interpretation of the current FHA regulations is implemented in the future, such regulations could reduce the demand for the Company's loans from Foreclosure Specialists which could impair the Company's ability to keep all of the proceeds from this offering fully invested in loans with borrowers.

Other states in the West have instituted additional restrictions concerning loans secured by private real estate, which are commonly referred to as "predatory mortgage lending laws." Although Arizona has not passed a similar statute, such provisions may come into effect in Arizona either through law or regulation during this offering. The Company's management believes that its practices will not need to change in order to comply with any of the current proposals if they should go into effect. However, there can be no assurance that such will be the case.

The Company's management believes that it is not required to register or be licensed as an investment adviser with the State of Arizona or with the U.S. Securities Exchange Commission ("SEC") pursuant to the Investment Advisers Act of 1940 (the "Advisers Act"), as amended. The Advisers Act and the analogous Arizona law generally require all persons that are engaged in the business of providing investment advice for compensation to register with the SEC or Arizona provided that such adviser is not exempt from registration. The Company's management believes that it is not engaged in the business of providing investment advice for compensation, and as such, is not required to register as an investment adviser with either the SEC and/or the State of Arizona. In addition, even if the Company were deemed to be engaged in the business of providing investment advice for compensation, the Company anticipates that it would exempt from registration as a "private investment adviser" under rules and regulations of the SEC and/or the State of Arizona given that the Company has fewer than the threshold number of clients that would trigger registration with the SEC and/or the State of Arizona.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), the "private investment adviser" exemption was eliminated and replaced by a number of other specific exemptions. As directed by the Dodd-Frank Act, the SEC is currently preparing

the final rules (the "Rules") that will provide guidance as to the applicability of the additional specific exemptions that replace the "private investment adviser" exemption. The Company expects that the SEC will issue the Rules during this offering; however, until this occurs, the Company cannot determine whether it will be required to register as a result of the Dodd-Frank Act and the Rules promulgated thereunder. Should the Rules require the Company to register as an investment adviser, the Company intends to take the necessary steps to register as an investment adviser with the State of Arizona and/or the SEC within the time frame outlined in such Rules.

#### **Diversity of Risk**

The Company will attempt to maintain a diverse portfolio of Trust Deeds and loans by seeking a large borrowing base, participating in several local markets, acquiring Trust Deeds for any lending into residential and commercial projects, establishing loan-to-value guidelines and limiting financing to short terms. Currently, the Company's base of borrowers exceed 150 approved and qualified borrowers. It is the Company's plan that the base of borrowers eventually will exceed 250 qualified contractors and foreclosure specialists. The Company will maintain loans throughout the Phoenix metropolitan area to reduce its risk to fluctuations in values and conditions in markets within the metropolitan area. The Company also believes that it can reduce risk by participation in various types of financing: Trust Deeds on foreclosed properties, residential Trust Deeds and lending from \$50,000 tract homes and condominiums to \$1,000,000 custom "spec" homes; and commercial investments for flex-office, back-office, medical/general office and retail. In addition, the Company intends to maintain general loan-to-value guidelines that currently range from 50 percent to 65 percent (but it is intended not to exceed 70%), to help protect the Company's portfolio of loans. Further, all loans are relatively short term.

Because of these varying degrees of diversification, the relatively short duration of each of the loans, and management's knowledge of the Phoenix metropolitan area market, the Company's management anticipates that it will not experience a significant amount of losses; however, there can be no assurance that the Company will not experience such losses. Mr. Chittick, individually, has made or participated in approximately 2800 loans secured by real



estate over the last fourteen (14) years. As of the date of this Memorandum, Mr. Chittick and the Company have collectively experienced 44 loan defaults that required initiating a Trustee's sale process, with seven of such loans being settled prior to the Trustee Sale auction. Various borrowers have conveyed seven properties to the Company pursuant to a Deed in Lieu. To the extent the Company deems necessary, the Company intends to use the services of outside real estate lending consultants to assist in evaluating any loan or the security for the loan to reduce the risk of a loss of principal due to the default of a real estate loan by a borrower and the resulting foreclosure upon the security for the loan.

The Company will make available to each prospective investor, prior to the consummation of the offering and sale of a Note to such investor and such investor's representative and advisers, the opportunity to ask questions and receive answers concerning the terms and conditions of this offering and to obtain any additional information that the Company may possess or may be able to obtain without unreasonable effort or expense, and which may be necessary to verify the accuracy of the information furnished to such prospective investor.

#### **Executive Offices**

The Company's office is currently located at 6132 W. Victoria Place, Chandler, Arizona 85226. Its current telephone number is 602-469-3001.

## RISK FACTORS

*An investment in the Notes offered by the Company involves a significant degree of risk. The securities offered hereby should not be purchased by anyone who cannot tolerate significant risk, including the possibility of losing their total investment in the Notes. In analyzing a possible investment in the Notes, prospective investors should consider carefully the following factors, together with the information contained elsewhere in this Memorandum.*

### Operating History

In the Company's ten year operating history through June, 2011, the Company has completed in excess of 2622 loan transactions. However, even with these number of loans over ten years, the evaluation of prior company performance set forth in Prior Performance is limited in time. Accordingly, there can be no assurance that the Company will be able to continue to operate and achieve these results on a going-forward basis, which could limit the Company's ability to repay the Notes as planned.

### Competition

The Company is engaged in a highly competitive industry. The Company competes with banks, savings and loan institutions, credit unions, mortgage brokers, finance companies and other private investors that are established in the finance business. Competition in the finance business is based upon the lowest overall loan cost, which consists of interest rates, fees, closing costs, document fees, reputation, and availability of funds and the length of time it takes to approve a loan. The cost of funds to many of our competitors is typically lower than the Company's, allowing them to compete for borrowers on better terms, such as interest rates, which is a significant component of loan cost. The competition usually has lower costs on longer-term loans. The Company's higher cost of capital and lending rates may result, in part, in the Company acquiring Trust Deeds and lending to borrowers who are unable to obtain financing from these larger competitors. In some cases, these types of borrowers have weaker credit worthiness than other borrowers, which could expose the Company to a greater risk of

nonpayment of its loans by borrowers. See "Business-Target Markets and Potential Future Markets."

#### **Ability to Generate Sufficient Cash Flow to Service the Outstanding Notes**

The Company's ability to generate cash in amounts sufficient to pay interest on the Notes and to repay or otherwise refinance the Notes as they mature depends upon the Company's receipt of payments due under the loans that are in the Company's portfolio. The Company's financial performance and cash flow depends upon prevailing economic conditions and certain financial, business and other factors that are beyond the Company's control. These factors include, among others, economic and competitive conditions, particularly in areas in which the borrowers operate their businesses, and general economic conditions that affect the financial strength of developers and real estate investors in the areas that the Company intends to make investments. In recent years the decline of real estate values has been the largest challenge facing the real estate finance industry. This development is something new to the industry that typically sees a slow rising in values of properties or at least a stability of prices. The dramatic and prolonged decrease in values has forced the Company to change how it operates, which is requiring monthly interest payments under its loans rather than allowing the interest to compound. The Company has also shortened the maturity of loans to borrowers in some cases and is only extending the loans to a few borrowers under strict conditions. Accordingly, an investment in the Notes offered hereby involves substantial risk and Notes should not be purchased by anyone who cannot tolerate substantial risk, including the possibility of losing their total investment in the Notes. There can be no assurance that the Company will be able to continue to operate and repay the Notes as planned.

#### **Decrease in Value of Collateral for the Loans in Company's Portfolio**

The Company is responsible for collecting payments from loan obligors and for foreclosing under an applicable Trust Deed in the event of default by an obligor. If the Company is forced to conduct a Trustee's Sale to obtain ownership and possession of a property securing a loan, the value of the property may have decreased between the time that the outstanding loan

was initially made to the time of repossession pursuant to a Deed in Lieu or a Trustee's Sale. Consequently, the Company's sale of such property may result in a loss as a result of the amount owed to the Company being in excess of the value received by the Company pursuant to a subsequent sale of the property. Accordingly, an investment in the Notes offered hereby involves substantial risk and Notes should not be purchased by anyone who cannot tolerate substantial risk, including the possibility of losing their total investment in the Notes. There can be no assurance that the Company will be able to continue to operate and repay the Notes as planned.

#### **Expansion of Real Estate Loan Base**

After giving effect to this offering and the application of the net proceeds, the Company will have significant outstanding indebtedness. The Company's ability to make scheduled principal and interest payments on the Notes will depend upon the Company's ability to generate adequate revenues from its real estate lending operations. The Company has historically received approximately 18% effective interest on its real estate loans but minimal interest on its cash accounts at its bank. Therefore, in order to pay the principal and interest due on the Notes, the Company will need to loan a significant amount of its capital to its real estate loan borrowers and reloan any repayment proceeds in a timely manner. As the Company receives the proceeds from this offering, the Company intends to expand its real estate loan base in order to keep its capital loaned to its real estate loan borrowers as opposed to being in its cash accounts at the bank. If the Company cannot continue to expand its real estate loan base, it may not generate enough revenues to service its debt obligations, including the Notes. Accordingly, the Company will continue to rely upon repeat borrowers, word of mouth referrals and the referral network of outside mortgage brokers and consultants that Mr. Chittick has developed. See "Business-Target Markets and Potential Future Markets."

#### **Demand for Real Estate Loans**

The Company's success depends, in part, upon its ability to continue to develop and achieve growth in its real estate lending operations and to manage this growth effectively. In

formulating and implementing its business plan, the Company relied on the judgment of its officer and consultants, and on their research and collective experience to determine customers, marketing strategy and procedure. The Company has not planned, conducted or contracted for any independent market studies concerning the anticipated demand for the Company's real estate lending services. Although the Company has reviewed general reports concerning the number of houses being built, houses for sale, jobs created and people relocating to Metropolitan Phoenix, the Company has not reviewed any specific analysis concerning the demand for its niche in real estate lending. Although Mr. Chittick and the Company have developed a network of qualified borrowers and referral sources of current borrowers and escrow officers, there can be no assurance that there will continue to be sufficient demand for loans by qualified borrowers. To the extent that there is insufficient demand for loans by qualified borrowers, this could have an adverse effect on the anticipated demand for the Company's real estate lending services and limit the Company in its efforts to generate sufficient revenues to make scheduled interest and principal payments on the Notes needed for growth. See "Business-Target Markets and Potential Future Markets."

#### **Management of Rapid Growth**

The Company's success depends, to a large extent, on its ability to achieve growth in the number of loan applications and closings, the due diligence and servicing of these loans and the ability to manage this growth effectively. This growth will challenge the Company's management, resources and systems. As part of its business strategy, the Company intends to pursue continued growth through its business contacts, marketing capabilities and marketing alliances. As the Company continues to grow, the Company will need to expand its resources and systems to manage future growth, but there can be no assurance that the Company will continue to be able to grow in the future or to even manage this growth effectively. Failure to do so could materially and adversely affect the Company's business and financial performance. See "Business," and "Management."

### **No Sinking Fund Provision; No Separate Loan Loss Reserve; Lack of Governmental Insurance**

The Notes represent general obligations of the Company and will not be subject to redemption through a sinking fund. Although the Company does not currently maintain a loan loss reserve fund, the Company's Management tries to maintain an allowance for losses as part of the Company's general assets at a level that Management believes is adequate to absorb any anticipated losses. At this time, the Company reserves the right to maintain such reserve in the Company's discretion, but the Company has no plans to currently implement a separate loan loss reserve fund. As a result, the risk of loss on the Notes is greater than would be the case if the Notes were backed by a sinking fund or if the Company funded and maintained a separate loan loss reserve fund. Repayment of the Notes by the Company is not secured by any property owned by the Company or any third party. There will be no limitation on the amount of future indebtedness that the Company may issue, create or incur, and the Company will not be prohibited from permitting liens to be placed on or creating senior liens on its property for any purpose, including for the purpose of securing payments or additional indebtedness. Furthermore, neither the Federal Deposit Insurance Corporation nor any other state or federal government agency insures the Notes. See "Description of Securities."

### **Terms of Notes**

The Company expects to redeem the Notes as they mature, including the initial principal balance of each Note and all accrued and unpaid interest. However, the Company has the right to redeem the Notes at any time prior to maturity upon 30 days' written notice to the Noteholder. In the case of early redemption, the Company has the absolute discretion to select the Notes that it will redeem, and there is no requirement that Notes be redeemed from Noteholders on a pro rata or any other basis. Notes redeemed prior to maturity would prevent Noteholders of the Notes called for redemption from receiving the anticipated return on such Notes. See "Description of Securities."

### **Proceeds From Subsequently Issued Notes May Be Used to Repay Earlier Maturing Notes**

The Company may be dependent upon the proceeds of subsequently issued Notes to repay earlier maturing Notes. If sufficient proceeds from such subsequently issued Notes are not raised, the Company would rely on its cash reserves, its operating capital and proceeds from the sale of Trust Deeds to repay the earlier maturing Notes. Such funds may be insufficient to repay the earlier maturing Notes, in which event the Company may be unable to repay such Notes or the subsequently issued Notes. The ability of a Noteholder to obtain payment of principal and interest on a Note in these circumstances could be limited to the extremely unlikely event that the Noteholder gains control over and sell assets of the Company. See "Use of Proceeds" and "Description of Securities."

### **Variable Rates and Maturities of Notes**

Each Note bears a fixed rate of interest from the date of its issuance until maturity or early redemption. However, Notes issued subsequent to those purchased by an investor may be issued at higher or lower interest rates and shorter or longer maturities, depending upon market conditions and other factors. Notes outstanding at any given time will not be modified to reflect the terms and conditions of such subsequently issued Notes. Therefore, any particular investor risks investing in the Notes on terms less favorable than may be available at later dates to future investors. See "Description of Securities."

Management anticipates that the interest rate on each Note will be determined and agreed upon on the date of issuance, in significant part, by the demand for funds and the competitive environment in the foreseeable future by the Company. Since the interest rate the Company may charge for its loans to its customers is limited by competitive and other factors, the Company may not be able to increase the interest rates charged on its loans to compensate for increases in its funding rate to investors. Similarly, the Company may not be able to decrease the funding rate to its investors to compensate for decreases in the interest rates charged on its loans to its customers. Also, market forces could eliminate the interest rate difference between the interest

rate paid to Investors and the interest rate charged to the Company's customers. See "Description of Securities."

#### **Value of Company's Assets**

The Notes, together with all other outstanding Notes and all other advances or liabilities owed by the Company to any holder of an outstanding Note, will be unsecured as to any and all assets owned by or later acquired by the Company (the "Company's Assets"). There can be no assurance that the proceeds of any sale of the Company's Assets pursuant to and following an Event of Default (as defined in "Description of Securities") would be sufficient to repay the Notes. In addition, investors in the Notes will have no ability to cause a sale of Company assets. See "Use of Proceeds," "Business" and "Description of Securities."

#### **Collections and Foreclosures**

The Company is responsible for collecting payments from loan obligors and for foreclosing under the applicable Trust Deed in the event of default by an obligor. If the Company must complete a project repossessed by it, the Company may have to inject additional capital, which it may not be able to fully recover. Further, the completion time may be in excess of one year, causing a severe strain on the cash flow of the Company, depending upon the project size. The Company also is subject to strict state law requirements in the collection and repossession of its collateral securing each loan. Although the Company will make every effort to comply with all applicable laws, any failure to comply may subject the Company to severe monetary damages or penalties and may result in administrative or judicial action against the Company. See "Business-Regulation."

#### **No Assurance of Conventional Financing for the Company's Operations**

In addition to Note proceeds, the Company may establish lines of credit or obtain various forms of financing from a financial institution or any other person or entity. The Company's



management believes that during the past few years, conventional financing for speculative business enterprises, such as the Company's lending operations, has become more difficult to obtain. If regular, continued sale of the Notes is not successful, and the Company is not able to obtain sufficient financing from other sources, the Company may be forced to sell Trust Deeds and/or loans in its portfolio to pay maturing Notes as they come due. Mr. Chittick has provided liquidity to the Company through an equity line of credit in the past and he intends to do so in the future. When Mr. Chittick advances funds to the Company from this equity line of credit, Mr. Chittick draws an interest rate of 12% per annum from the Company. Funds advanced in this manner are generally only short term (3-5 days). If the Company were to require additional conventional financing, the lender will probably secure its loan through Mr. Chittick to the Company by requiring a lien on the Company's assets, including the Trust Deeds. The lender's lien would have priority to any claims of any of the investors in the Notes, which puts these investors at risk. There can be no assurance the Company would be able to receive sufficient proceeds from the sale of the loans or Trust Deeds to repay any additional financing, if applicable, and to repay all of the outstanding Notes. See "Use of Proceeds," "Business" and "Description of Securities."

### Regulation

Because it will not make loans for personal, family or household purposes, the Company believes it has structured its operations to be exempt from various federal and state regulations, and particularly from regulations affecting lending and financial institutions. If it is determined that the Company has not structured its operations so that it is exempt from regulation, the Company could become subject to extensive regulation, including the Truth in Lending Act, the Homeownership and Equity Protection Act of 1994, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Real Estate Settlement Procedures Act and the Home Mortgage Disclosure Act, as well as various state laws and regulations. Failure to comply with any of these requirements or any similar state law requirement, may result in, among other results, demands for indemnification or repurchase, rescission rights, lawsuits, administrative enforcement actions and civil and criminal liability. In addition, there can be no assurance that existing regulations will not be revised to govern the activities of the Company as currently

structured. Compliance with existing or future regulation could be costly and could materially and adversely affect the operations of the Company. See "Business – Regulation," including the predatory mortgage lending discussion contained therein.

#### **FHA Regulations**

If new regulations are issued by the Federal Housing Administration or if a more strict interpretation of any of its regulations is implemented in the future, such regulations could reduce the demand for the Company's loans from prospective borrowers, which could impair the Company's ability to keep all of the proceeds from this offering fully invested. See "Business – Regulation."

#### **No Assurance of Successful Placement of the Notes**

The Notes are being privately placed by the Company to qualified investors who intend to hold them for their own account until maturity. There is no underwriter, and there is no assurance that the Company will be successful in the continued placement of the Notes in a manner sufficient to satisfy its cash flow requirements to continue funding loans to its borrowers. See "Use of Proceeds" and "Business."

#### **Absence of Public Market/ Non-Transferability of Notes**

The Notes have not been registered under the Act or any state securities law and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Act and applicable state securities laws. The Company does not intend to register the Notes under the Act or any state securities law. In addition, the Notes are non-transferable without the prior written consent of the Company, which consent may be withheld in the Company's sole discretion. Accordingly, there is no public or private trading market for the Notes, and it is highly unlikely that a trading market

will develop. The Company has no obligation to make any effort to cause a trading market to develop and does not intend to take any actions to cause a trading market to develop. Accordingly, and because the restricted nature of the security prohibits the purchase of the Notes for any purpose other than holding to maturity, an investor in the Notes must anticipate holding the Notes to maturity. See "Description of Securities."

#### **Impact of Change in Economic Conditions**

An unforeseen change of general economic conditions, and particularly in Arizona and the southwestern United States, may adversely impact the Company's business and its ability to generate sufficient operating income to satisfy its debt obligations, including its obligations under the Notes as they become due. The Company maintains the right to adjust the interest paid in subsequently offered Notes and on the Notes offered hereby with 30 days' written notice. In the past, Arizona's real estate market has been cyclical and has experienced severe fluctuations. Investors should anticipate that these real estate markets might experience cyclical fluctuations in the future. The Company would adjust its operations in response to changing conditions, but there can be no assurance that the Company will be able to operate as planned during periods of such fluctuation or adjust its operations to avoid the impact of such changed conditions. See "Business-Target Markets and Potential Future Markets."

#### **Dependence on Key Personnel**

The Company is dependent on the continued services of Mr. Chittick. The Company's ability to continue its lending operations would be significantly and adversely affected by the loss of Mr. Chittick if a qualified replacement could not be found without undue delay. Although Mr. Chittick occasionally uses the services of outside consultants who have assisted Mr. Chittick in limited absences, it is unlikely that an outside consultant would be able to perform Mr. Chittick's duties as successfully as Mr. Chittick has done. If Mr. Chittick is disabled or unavailable for a long period of time, Mr. Chittick has developed a contingency plan for a consultant to wind down the Company's business, but there can be no assurance that such

plan will be successful. See "Management-Contingency Plan in the Event of the Death or Disability of Mr. Chittick."

#### **Management's Outside Interests and Conflicts of Interest**

Mr. Chittick may maintain some activity in personal investments outside of the Company and he may manage similar types of outside portfolios as those maintained by the Company. Some of the Company's outside consultants who occasionally assist Mr. Chittick also make investments in loans secured by deeds of trust. In addition, Mr. Chittick invests in similar instruments on his own behalf. Since the Company plans to invest in portfolios similar to those of some of its consultants and Mr. Chittick, and because of the past (and limited present) consulting relationships between and among Mr. Chittick and some consultants, conflicts of interest exist and will continue to exist between the Company and the outside interests of Mr. Chittick and some consultants. See "Management."

#### **No Protections From Investment Company Act Registration**

The Company is not registered, and does not intend to register, under the Investment Company Act of 1940 in reliance upon an exclusion from the definition of an investment company provided in Section 3(c)(5) thereof. As a result, the operation and conduct of the Company's business will be subject to substantially less federal and state regulation and supervision than a registered investment company. If the Company was subject to the Investment Company Act of 1940, the Company would be required to comply with significant, ongoing regulation which would have an adverse impact on its operations. This could occur if a significant proportion of the proceeds from the sale of the Notes were invested in short-term debt instruments for longer than a one-year period. The Company intends to take all reasonable steps to avoid such classification. See "Business."

### **No Protections From Investment Advisers Act of 1940 or Analogous Arizona Law**

The Company is not registered or licensed, and does not intend to register or become licensed as an investment adviser with the State of Arizona or with the SEC pursuant to the Investment Advisers Act of 1940 because the Company's management believes that the Company is not engaged in the business of providing investment advice for compensation. Accordingly, the operation and conduct of the Company's business will be subject to less federal and state regulation and supervision than a registered investment adviser. If the Company was subject to the Investment Advisers Act of 1940 or the analogous Arizona law, the Company would be required to comply with significant, ongoing regulation which could cause the Company to incur additional costs, adversely impacting its operations. This could occur if the Company were deemed to be engaged in the business of providing investment advice for compensation and the Company cannot avail itself of the private investment adviser exemption under Arizona law or the forthcoming exemptions under the Rules to be promulgated by the SEC pursuant to the Dodd-Frank Act. The Company intends to take all reasonable steps to avoid such classification. See "Business."

### **Control by and Benefits to Insiders**

Noteholders will not be able to influence the management of the Company because Mr. Chittick owns all of the outstanding shares of common stock of the Company. See "Management" and "Principal Shareholder."

## **Difficulties and Costs of Continuous Offering**

Until the maximum offering proceeds are attained or the Company terminates this offering, the Company expects to offer the Notes for placement on a continuing basis for two years from the date of this Memorandum unless the Company changes its operations or method of offering in any material respect prior to the expiration of the two year offering period. See "Plan of Distribution." In order to continue offering the Notes during this period, the Company will need to update this Memorandum from time to time. Keeping the information in the Memorandum current will cause the Company to incur additional costs. A failure to update this Memorandum as required could result in the Company being subject to a claim under Section 10b-5 of the Securities Act for employing a manipulative or deceptive device in the sale of securities, subjecting the Company, and possibly the management of the Company, to claims from regulators and investors. In addition, an investor might seek to have the sale of the Notes hereunder rescinded which would have a serious adverse effect on the Company's operations.

## **Certain Charter Provisions**

Arizona law provides that Arizona corporations may include provisions in their articles of incorporation or bylaws relieving directors and officers of monetary liability for breach of their fiduciary duty as director or officers, respectively, except for the liability of a director or officer resulting from: (i) any transaction from which the director derives an improper personal benefit; (ii) acts or omissions involving intentional misconduct or the absence of good faith; (iii) acts or omissions showing reckless disregard for the director's or officer's duty; or (iv) the making of an illegal distribution to shareholders or an illegal loan or guaranty.

The Company's Articles of Incorporation provide that the Company's directors are not liable to the Company or its shareholders for monetary damages for the breach of their fiduciary duties to the fullest extent permitted by Arizona law. The Company's Bylaws provide that the Company may indemnify its directors and officers as to those liabilities and on terms and conditions permitted by Arizona law including the payment of expenses incurred by a director or

officer in advance of final disposition of the proceeding following the furnishing of certain written representations.

#### **Notes Are Unsecured General Obligations**

The Notes are unsecured obligations of the Company, and Noteholders will be general unsecured creditors of the Company. The Notes do not limit the Company's ability to obtain additional capital from other sources and do not limit the Company's ability to grant such other financing sources liens or other security interests in the Company's assets and other property. If a bankruptcy proceeding is commenced by or against the Company, creditors of the Company who were granted a security interest in the Company's property will be entitled to repayment prior to any general unsecured creditors of the Company, including the Noteholders. The Company may also incur additional unsecured obligations, which could reduce the funds available for repayment of the Notes in a bankruptcy or other liquidation scenario. Title 11 of the United States Code (the Bankruptcy code) also specifies that certain other creditors be entitled to repayment prior to general unsecured creditors. There can be no assurance that the Noteholders will receive any payments in respect of the Notes if the indebtedness of any secured creditors of the Company exceeds the value of such secured creditors' collateral.

#### **Changes in Investment and Financing Policies Without Noteholder Approval**

The major business decisions and policies of the Company, including its investment and lending policies and other policies with respect to growth, operations, debt and distributions, will be determined by the Company's management. The Company's management will be able to amend or revise these and other policies, or approve transactions that deviate from these policies, from time to time without a vote of the Noteholders. Accordingly, the Noteholders will have no control over changes in strategies and policies of the Company, and such changes may not serve the interests of all the Noteholders and could materially and adversely affect the Company's financial condition or results of operations.

### **Issuance of Additional Debt and Equity Securities**

The Company will have authority to offer additional debt and equity securities for cash, in exchange for property, services or otherwise. The Noteholders will have no preemptive right to acquire any such securities. Further, the Company is not subject to any agreement that limits or restricts the amount or the terms of additional debt that the Company may incur in the future. To the extent that the Company incurs debt and grants its creditors security interests in or other liens upon the Company's assets or other collateral, those other creditors would enjoy priority in right of payment compared to the Noteholders, up to the value realizable from such collateral.

### **Concentration of Loans in Arizona**

The Company's portfolio of loans is concentrated in Arizona. Consequently, the Company's operations and financial condition are dependent upon general trends in the Arizona market in which such concentration exists and, more specifically, its respective real estate market. A decline in a market in which the Company has a concentration may adversely affect the values of properties securing the Company's loans, such that the principal balance of such loans may equal or exceed the value of the underlying properties, making the Company's ability to recover losses in the event of a borrower's default unlikely. In addition, uninsured disasters such as floods, terrorism, and acts of war may adversely impact the borrowers' ability to repay loans, which could have a material adverse effect on the Company's results of operations and financial condition.

### **Possible Inadequacy of Allowances for Loan Losses**

The Company's allowance for losses related to the loans is maintained at a level considered adequate by management to absorb anticipated losses, based upon historical experience and upon management's assessment of the collectibility of loans in the Company's portfolio from time to time. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates that may be beyond the



Company's control and such losses may exceed current estimates. Although management believes that the Company's allowance for losses related to the loans is adequate to absorb any losses on existing loans that may become uncollectible, there can be no assurance that the allowance will prove sufficient to cover actual losses related to the loans in the future.

#### **Broad Management Discretion as to Use of Proceeds**

The net proceeds to be received by the Company in connection with this offering will be used for working capital and general corporate purposes, including the funding of loans. Accordingly, management will have broad discretion with respect to the expenditure of such proceeds. Purchasers of the Notes will be entrusting their funds to the Company's management, upon whose judgment they must depend, with limited information concerning the specific working capital requirements and general corporate purposes to which the funds will ultimately be applied. See "Use of Proceeds."

#### **Company Is Exposed to Risks of Being a Lender**

The current economic downturn could severely disrupt the market for real estate loans and adversely affect the value of any outstanding real estate loans made by the Company, and in turn the Notes. Non-performing real estate loans may require substantial negotiations by the Company with the borrower in order for the Company to ultimately obtain the underlying property used as collateral for the loan. The Company may incur additional expenses to the extent it is required to negotiate with the borrower in order to obtain the underlying property. In the event the Company is unable to obtain the underlying property, because of the unique and customized nature of a real estate loan, certain real estate loans may not be sold easily. One or more non-performing real estate loans secured by property that the Company is unable to obtain could have a negative affect on the performance of the Company and the return on your investment.

### **Governmental Action May Reduce Recoveries on Non-Performing Real Estate Loans**

In the event the Company decides to foreclose on a real estate loan, legislative or regulatory initiatives by federal, state or local legislative bodies or administrative agencies, if enacted or adopted, could delay foreclosure, provide new defenses to foreclosure or otherwise impair the ability of the Company to foreclose on a real estate loan in default. Various jurisdictions have considered or are currently considering such actions, and the nature or extent of the limitation on foreclosure that may be enacted cannot be predicted. Bankruptcy courts could, if this legislation is enacted, reduce the amount of the principal balance on a real estate loan, reduce the interest rate, extend the term to maturity or otherwise modify the terms of a bankrupt borrower's real estate loan.

### **Property Owners Filing for Bankruptcy May Adversely Affect the Company and the Notes**

The filing of a petition in bankruptcy automatically stops or "stays" any actions to enforce the terms of a real estate loan. Further, the bankruptcy court may take other actions that prevent the Company from foreclosing on the underlying property. A court may require modifications of the terms of a real estate loan, including reducing the amount of each monthly payment, changing the rate of interest and altering the payment schedule, thus allowing the borrower to keep the underlying property and thus preventing foreclosure by the Company and/or making the sale of the real estate less profitable. A court may also permit a borrower to cure a monetary default relating to a real estate loan by paying arrearages within a reasonable period and reinstating the original real estate loan payment schedule, even if a final judgment of foreclosure has been entered in a state court. Any bankruptcy proceeding will, at a minimum, delay the Company in achieving its investment objectives and may adversely affect the Company's profitability.

### **Violation of Various Federal, State and Local Laws May Result in Losses**

Violations of certain federal, state or local laws and regulations relating to the protection of consumers, unfair and deceptive practices and debt collection practices may subject the

Company to damages and administrative enforcement. In the event that a real estate loan issued by the Company was not originated in compliance with applicable federal, state and local law, the Company may be subject to monetary penalties and could result in the borrowers rescinding the affected real estate loan. As a result, the Company may not be able to achieve its financial projections with respect to the particular underlying property.

#### **Delays in Liquidation Due to State and Local Laws**

Property foreclosure actions are regulated by state and local statutes and rules and are subject to many of the delays and expenses of other lawsuits, sometimes requiring several years to complete. As a result, if the Company is not able to obtain the property voluntarily from the borrower, the Company may not be able to quickly foreclose on and subsequently sell a property securing a real estate loan.

#### **An Investment in the Notes May Not Be Consistent With Section 404 of ERISA**

Persons acting as fiduciaries on behalf of a qualified profit sharing, pension or other retirement trusts subject to the Employee Retirement Income Security Act of 1974 ("ERISA") should satisfy themselves that an investment in the Notes is consistent with Section 404 of ERISA and that the investment is prudent, taking into consideration cash flow and other objectives of the investor.

#### **There Can Be no Assurance of Confidentiality**

As part of the subscription process, investors will provide significant amounts of information about themselves to the Company. Pursuant to applicable laws, such information may be made available to third parties that have dealings with the Company, and governmental authorities (including by means of securities law-required information statements that are open to public inspection). Investors that are highly sensitive to such issues should consider taking steps

to mitigate the impact upon them of such disclosures (such as by investing in the Notes through an intermediary entity).

#### **Legal Counsel to the Company and Its President Does Not Represent the Noteholders**

Each investor must acknowledge and agree in the Subscription Agreement that legal counsel representing the Company and its President does not represent, and shall not be deemed under the applicable codes of professional responsibility, to have represented or to be representing, any or all of the investors.

#### **Legal Counsel to the Company Will Represent the Interests Solely of the Company and Its President**

Documents relating to the purchase of Notes, including the Subscription Agreement to be completed by each investor, will be detailed and often technical in nature. Legal counsel to the Company will represent the interests solely of the Company and its President, and will not represent the interests of any investor. Accordingly, each prospective investor is urged to consult with its own legal counsel before investing in the Company and the purchase of the Notes. Finally, in advising as to matters of law (including matters of law described in this Memorandum), legal counsel has relied, and will rely, upon representations of fact made by the Company's President. Such advice may be materially inaccurate or incomplete if any such representations are themselves inaccurate or incomplete, and legal counsel generally will not undertake independent investigation with regard to such representations.

#### **Federal Income Tax Risks**

The discussion entitled "Certain United States Federal Income Tax Considerations" includes a discussion of certain U.S. income tax risks involved in an investment in the Notes. The section does not discuss all aspects of U.S. federal income taxation that may be relevant to any particular investor and cannot address any investor's specific investment circumstances. In

addition, the section does not include a discussion of state, local or foreign tax laws. Each investor should consult its own tax advisor with respect to these and other tax consequences of an investment in the Notes.



## FORWARD-LOOKING STATEMENTS

This Confidential Private Offering Memorandum, including information incorporated by reference in this Memorandum, contains forward-looking statements regarding the Company's plans, expectations, estimates and beliefs. Actual results could differ materially from those discussed in, or implied by, these forward-looking statements. When used in this Memorandum, the words "anticipate," "intend," "believe," "estimate," and other similar expressions generally identify forward-looking statements, which are found throughout this Memorandum whenever statements are made that are not historical facts. Accordingly, such forward-looking statements might not accurately predict future events or the actual performance of an investment in the Notes. In addition, you must disregard any projections and representations, written or oral, which do not conform to those contained in this Confidential Private Offering Memorandum.

## USE OF PROCEEDS

The Company intends to use the net proceeds received from the sale of the Notes, primarily for operating capital, to purchase and fund Trust Deeds and to acquire interests in properties or notes, which the Company's management anticipates to be able to resell or collect as applicable. The proceeds from the sale of Notes may be used to repay earlier maturing Notes; provided, however, the Company will limit the amount of money that may be raised for this purpose so that the Company will not become subject to the Investment Company Act of 1940. See "Risk Factors – Proceeds From Subsequently Issued Notes May Be Used to Repay Earlier Maturing Notes."

The Company may use proceeds from this private placement for general business purposes, including rent, advertising, labor and administrative expenses, if needed, investment, expansion or the purchase of capital assets and to fund loans to borrowers and purchase Trust Deeds. However, the Company expects that no more than .05 percent of the proceeds of the offering will be allocated to general business purposes. The Company is not required to maintain reserves or to deposit any of the proceeds of the offering, into a reserve account, for the purpose of providing liquidity to service interest payments on, and redemption of, the Notes as they mature. The Company does not intend to maintain reserves from the proceeds of the offering in a cash reserve account. The remaining proceeds, net of cash reserves, if any, should be available to fund and purchase Trust Deeds. The Company is not required or obligated to give Noteholders notice of any changes in the Company's intended use of proceeds of the offering. See "Business."

The following table sets forth the Company's best estimates of the use of the minimum and maximum target gross proceeds from the sale of the Notes.

	<i>Minimum Amount Raised</i>	<i>Percent of Offering</i>	<i>Target Amount Raised</i>	<i>Percent of Offering</i>
<i>Gross Offering Proceeds</i>	\$500,000	100%	\$50,000,000	100%
<i>Commissions &amp; Costs (1)</i>	-0-	0%	-0-	0%
<i>Cash Reserve (2)</i>	-0-	0%	-0-	0%
<i>General Business (3)</i>	\$25,000	5%	\$25,000	.05%
<i>Proceeds Available For Funding/ Purchase of Construction Loans (4)</i>	\$475,000	95%	\$49,975,000	99.95%

- (1) The Company does not anticipate paying costs and commissions in excess of the costs associated with this offering. The Notes may be purchased directly from the Company without commission. Notes maturing more than two years also may be purchased by investors using qualified funds (i.e., IRA, SEP IRA, ROTH IRA and Keogh Plans), through a licensed broker-dealer and with an approved custodian; provided, that such investments meet the investor suitability requirement.
- (2) Company intends (but is not required) to maintain cash reserves (or access to other funds) approximately equal to a minimum of one percent of the aggregate balance of Notes outstanding in its general accounts to provide funds to service interest payments and to facilitate redemption of the Notes. This amount will be calculated using a proprietary cash-flow management model. Interest accruing in the general accounts will belong to the Company.
- (3) Company anticipates that its current facilities are adequate to fund real estate loans and to service the volume of contracts that would be purchased at the minimum level of proceeds. If its business is significantly increased, the Company may invest in additional personnel, computer equipment and facilities capable of processing increased data. General business expenses may also include the offering expenses.



- (4) This use of the proceeds is only an estimate and the Company reserves the right to allocate the proceeds in a different manner consistent with the Confidential Private Offering Memorandum.

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## PRIOR PERFORMANCE

Mr. Chittick organized the Company in April of 2001 to provide a short-term funding source for primarily real estate developers and foreclosure specialists. Mr. Chittick has arranged for the funding and administration of real estate loans since that time. The chart set forth below indicates the Company's history in raising money from investors, the number of loans made, the aggregate amount of such loans, the underlying values of the security for such loans and any problems with respect to such loans.

Mr. Chittick initially capitalized the company with one million dollars of his personal funds. From July 2001 through December 2001, an additional \$500,000 was raised from investors. In 2002, an additional \$930,000 was raised from investors. In 2003, an additional \$1,550,000 was raised from existing and new investors. In 2004, the amount from both old and new investors increased to an additional \$2,450,000. In 2005, an additional \$2,670,000 was raised from existing and new investors. In 2006, an additional \$2,800,000 was raised from existing and new investors. In 2007, an additional \$2,400,000 was raised from existing and new investors. In 2008, an additional \$3,000,000 was raised from existing and new investors. In 2009, an additional \$2,100,000 was raised from existing and new investors. In 2010, an additional \$2,800,000 was raised from existing and new investors. From January 2011 to June, 2011, an additional \$4,700,000 was raised from existing and new investors. Mr. Chittick uses an equity line of credit to help facilitate cash flow for the Company. All of the money raised from investors has been through the sale of promissory notes like those being offered in this placement. Such notes were for terms of 6 to 60 months and have, to date, drawn interest at the rate of 8 to 12% per annum. The Company has never defaulted on either interest or principal for any of such notes.

The money raised by the Company from investors has historically been divided into a large portfolio of loans secured by marketable properties with varying values and locations in the Phoenix metro area. The Company is currently lending in approximately 20 cities in the Phoenix metro area, which includes Maricopa and Pinal Counties. The Company will have loans secured by properties in many of these cities simultaneously. The Company has endeavored to maintain a large and diverse base of borrowers as well as a diverse selection of properties as collateral for

its loans to the borrowers. However, in response to the more recent challenging conditions in the real estate market, the Company has focused on maintaining relationships with borrowers that have a proven track record with a good payment history and performance. The Company continues to strive to achieve a diverse borrower base by attempting to ensure that one borrower will not comprise more than 10 to 15 percent of the total portfolio.

All real estate loans funded by the Company have been and are intended to be secured through first position trust deeds. The loan to value ratio of the Company's overall portfolio has averaged less than 70% and the Company intends to maintain a loan to value ratio of 50% to 65%.

Year	Loans Funded	Loan Value	Value of Loans	Loans Repaid	Loans Repaid Value	Value of Homes Repaid
2001	37	\$3,378,000.00	\$6,393,000.00	15	\$1,452,000.00	\$2,431,000.00
2002	69	\$5,685,000.00	\$878,000.00	66	\$5,267,000.00	\$9,076,300.00
2003	124	\$13,673,000.00	\$1,733,500.00	106	\$963,500.00	\$14,488,500.00
2004	185	\$19,907,000.00	\$30,422,600.00	170	\$17,951,700.00	\$26,939,500.00
2005	236	\$34,955,700.00	\$50,487,300.00	232	\$31,001,940.00	\$45,114,500.00
2006	215	\$34,468,100.00	\$52,784,000.00	212	\$35,301,250.00	\$53,057,200.00
2007	272	\$42,579,684.00	\$65,931,500.00	257	\$41,424,815.00	\$66,482,800.00
2008	304	\$38,864,660.00	\$63,671,300.00	257	\$34,578,755.00	\$56,369,400.00
2009	412	\$41,114,707.00	\$72,078,020.00	349	\$39,416,824.00	\$67,713,100.00
2010	390	\$37,973,097.00	\$63,771,350.00	355	\$37,175,201.00	\$61,666,170.00
*2011	378	\$36,187,995.00	\$62,240,600.00	*300	\$29,883,992.00	\$51,004,900.00
		\$306,786,893.00	\$470,411,170.00		\$274,416,977.00	\$453,340,370.00
	2622			2319		
*Through June 30, 2011						

From 2001-2005, all interest due from all loans was collected.

In 2006, one loan that was foreclosed on, and successfully resold, did not pay all the interest due. However, the small uncollected amount was absorbed by the Company.

In 2007, one condominium loan, two house loans, and one land loan were foreclosed. While the condominium and houses were sold with minimal principal loss, much of the interest

was collected on all four loans. One land loan was written off. The loss was absorbed by the Company.

In 2008, one condominium and six homes were sold with minimal principal loss; much of the interest was collected on all the loans. The loss was absorbed by the Company. There were 15 more homes that were either foreclosed on or ownership was acquired through the deed in lieu process. These houses are presently either for sale on the retail market, or have been rented and are for sale on the investor market.

In 2009, one condominium and 12 homes were sold with principle loss; much of the interest was collected on all the loans. The loss was absorbed by the Company. The Company also acquired a 12-plex that was a construction loan. This is being rented and managed by a property management firm.

In 2010, one house was sold for a loss. It was acquired through foreclosure in 2009; the loss was absorbed by the Company.

In 2011, three homes were sold for a loss. The losses were absorbed by the Company. There were three homes that were sold for a gain and all interest was paid in full. One loan was foreclosed on, sold at the auction, all principle, interest, late fees and foreclosure fees associated with the sale were collected. One house is presently in escrow, which will close in July, to which a gain will be made.

The Company presently has three condominiums, 12 houses and a 12-plex that are all being rented. A professional management company has been retained to manage these properties. All of these properties are listed to be sold. The rent received is at or slight negative to the cost of capital for the Company. It was Management's decision to retain these properties rather than sell them and take a loss. Now that the market has shown some signs of strengthening, it is believed that these properties can be sold for minimal loss to the Company.

The Company currently has one condominium and one lot that are for sale. The lot is currently be negotiated to be rented by a construction company at the cost of capital. The goal is sell both of these properties as soon as possible.

Since inception through June 30, 2011, the Company has participated in 2622 loans, with an average loan amount of \$116,000, with the highest single loan being \$800,000 and lowest being \$12,000. The aggregate amount of loans funded is \$306,786,893 with property values totaling \$470,411,170. The total amount of loans that have funded and closed is \$274,416,977 with home values equaling \$453,340,340. These loans have borne interest rates of 18% per annum. The interest rate paid to noteholders has ranged from 8% to 12% per annum through such date. Each and every Noteholder has been paid the interest and principle due to that Noteholder in accordance with the respective terms of the Noteholder's Notes. Despite any losses incurred by the Company from its borrowers, no Noteholder has sustained any diminished return or loss on their investment in a Note from the Company.

## MANAGEMENT

### Directors and Executive Officers

The Director and Executive Officer of the Company are: Denny J. Chittick, 4\_, President, Vice President, Treasurer, and Secretary.

Denny J. Chittick worked at Insight Enterprises, Inc, a publicly traded company, for nearly 10 years, holding many different positions from finance, accounting, operations and held the position of Sr. Vice President and CIO when he left the company in 1997. Since leaving Insight, he has been involved in several different companies, including a software company, internet company and finance company. Mr. Chittick holds a degree in Finance from Arizona State University.

### Real Estate Consultant

The Company will have only one employee, which will require the Company to use outside consultants on a periodic basis to provide various services. These consultants may be retained to assist with any necessary due diligence in connection with these loans and, to the extent necessary, to assist with the closing of a loan.

### Employees

With the assistance of outside consultants on an as-needed basis, Mr. Chittick intends to operate the Company as its primary employee, analyzing, negotiating, originating, purchasing and servicing Trust Deeds by himself. As the portfolio of contracts increases, the Company may add additional personnel.

### **Contingency Plan in the Event of Death or Disability of Mr. Chittick**

In the event that Mr. Chittick is unable to perform his duties to continue the operation of the Company in any capacity, Mr. Chittick has a written agreement with Robert Koehler, an owner of RLS Capital, Inc. to provide or arrange for any necessary services for the Company. Robert has twelve (12) years of experience supporting real estate loan portfolios similar to the portfolio of the Company. Robert holds a real estate license in Arizona and has worked as a loan officer in the residential and commercial transactions and has conducted due diligence effort for thousands of private purchase of notes and trust deeds. Robert is respected as a member of the Arizona real estate investment community by investors, borrowers, mortgage brokers, escrow officers and real estate agents. As part of this contingency plan, Robert is a signatory on the Company's bank account. On a weekly basis, Robert receives an updated spreadsheet of all properties currently being used as collateral for a loan. On a monthly basis, Robert receives a spreadsheet of all the investors and what is owed to each of them, and receives the monthly statements for all investors. Pursuant to the agreement with Robert, upon Robert's receipt of instructions from Denny Chittick, or from other designated individuals, or upon medical confirmation that Mr. Chittick is unable to continue to perform his duties as President of the Company for an extended period of time, Robert will act to close down the Company's business by collecting all of the monies due on the Trust Deeds and Robert will return all of the principal and interest owed to the investors pursuant to the Notes.

### **Management Compensation**

As the sole shareholder, Mr. Chittick receives a salary consistent with IRS guidelines. Salary adjustments are made at year-end in order for Mr. Chittick to fund his 401(K) and to pay his income taxes. Year-end profits are taxed to Mr. Chittick pursuant to the U.S. Internal Revenue Code rules applicable to Subchapter S corporations. Therefore, year-end profits may be distributed to Mr. Chittick. In addition, Mr. Chittick is paid interest on Notes funded by Mr. Chittick in the same manner as the other investors. See "Management – Management Compensation." As the Company expands its lending operations and increases the workload of

Mr. Chittick, he reserves the right to receive an increased salary so long as there is no current default under the Notes.

#### **Ownership Compensation**

The Company receives its revenue primarily from interest earned on trust deeds, rents on properties owned by the Company, interest on cash reserve accounts, and interest earned on investments made by the Company after subtracting interest paid on its debts. The amount of profits, and therefore, compensation to Mr. Chittick, will be dependent upon the amount of Notes sold, Trust Deeds acquired, loans made and the terms of such loans. After payment of its principal and interest obligations under the Notes, the Company distributes the balance to Mr. Chittick; provided, however, the Company may (but is not required to) retain earnings in the Company up to a level of "reserve" or "retained earnings" goals that the Company deems adequate. Subject to the need to adjust these goals due to special liquidity needs due to plans to repay Notes or to fund future Trust Deeds, the Company anticipates that it will be able to achieve and maintain adequate reserve goals to meet the Company's obligations.

Mr. Chittick may have significant investments in the Notes, for which the Company will pay him monthly interest on the same basis as other Noteholders which investment amount will be subordinated to all other Notes placed pursuant to this Memorandum. (Mr. Chittick currently has invested approximately \$2,200,000 in Notes, but this amount varies from \$1.9 million to \$3.2 million.) See "Description of Securities." The Company intends to pay to Mr. Chittick all retained earnings in excess of any reserves deemed necessary or desirable by Mr. Chittick to meet the Company's obligations.



## PRINCIPAL SHAREHOLDER

The following table sets forth the beneficial ownership of shares of the Company's outstanding common stock.

<u>Name and Address</u>	<u>Number of Shares</u>	<u>Percent</u>
Denny J. Chittick 6132 W. Victoria Place Chandler, AZ 85226	500,000	100%

The Company is authorized to issue up to 25,000,000 shares of common stock, but has no intent to issue additional common stock at this time.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

### Ownership

Based on his 100 percent ownership of the Company's common stock, Denny J. Chittick maintains the exclusive ability to elect directors, appoint officers and manage the operations of the Company.

### Competing Businesses

During the four years prior to forming the Company, Denny Chittick personally invested in companies and in real estate loans that are substantially similar to the Company's investments in Trust Deeds. In addition to his activities on behalf of the Company, Mr. Chittick reserves the right to continue his personal investments in real estate and instruments similar to Trust Deeds, which are considered competing businesses of the Company. See "Risk Factors – Management's Outside Interests and Conflicts of Interest."

## DESCRIPTION OF SECURITIES

The Company is offering up to \$50 million in Notes. The minimum denomination is \$50,000, and the maximum denomination is \$1,000,000 in a single note. An investor may purchase more than \$1,000,000 in Notes, but it will be distributed over different Notes. Denominations increase from the minimum to the maximum in additional increments with a minimum incremental increase of \$10,000. Until the maximum offering proceeds are attained or the Company terminates this offering, the Company expects to offer the Notes for placement on a continuing basis for two years from the date of this Memorandum. Absent an earlier termination, the offering will continue for so long as the Company has not changed its operations or method of offering in any material respect. If the Company changes its operations or method of offering in any material respect, the Company will update the Memorandum as necessary to provide correct information to investors. The Company may experience difficulties in conducting a continuous offering of Notes. See "Risk Factors – Difficulties and Costs of Continuous Offering."

The Notes are general obligations of the Company and are superior in priority and liquidation preference to any Notes payable to Mr. Chittick. Mr. Chittick has agreed to subordinate any Notes to which he subscribes to Notes with similar maturities placed with other investors. Although the Company has never defaulted with respect to a Note, including any regular interest payment or the principal and interest due upon the maturity of the Note, if the Company should ever be in default with respect to any Note, Mr. Chittick will subordinate any Notes he may hold until the default is cured and Mr. Chittick will also defer any compensation until the default is cured. While Mr. Chittick has agreed and will act as set forth above in this Memorandum, such agreement is not evidenced in a separate writing signed by Mr. Chittick.

The Notes will bear interest at the rates stated for the term selected. The investor may elect to have interest paid monthly, quarterly or accrue and be paid at maturity. If the investor elects to have interest paid at maturity or quarterly, the interest will accrue monthly and earn compounded interest. Interest is payable on the last day of each period to the investors of the Notes at the principal office of the Company in Chandler, Arizona. At the option of the

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Company, interest payments may be paid by check mailed to the address of the investor entitled thereto as it appears on the Subscription Agreement for the Notes. An investor may request in writing to the Company that a deposit be made to a designated bank or investment account.

The Notes are not transferable without the prior written consent of the Company, which the Company may withhold in its sole discretion. The Company anticipates withholding its consent if the transfer could jeopardize the Company's exemption under Regulation D or any applicable state blue-sky law or the Company's exclusion from the definition of an investment company under the Investment Company Act of 1940.

The Notes are unsecured and are not insured or guaranteed by any state or federal government entity or any insurance company. In event of default, an investor could look only to the Trust Deeds or other assets of the Company for repayment.

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As unsecured, general obligations of the Company, the Notes will not have any specific collateral. The Company's Assets include all of the Company's right, title and interest in Trust Deeds owned by the Company; together with all payments and instruments received thereto, real estate owned by the Company as a result of a deed-in-lieu of foreclosure due to a borrower default, and all proceeds of the conversion of any of the foregoing into cash or other liquid property. So long as the Company is not in default on the Notes, the Company is permitted to freely transfer, sell or substitute, in the normal course of business, any Trust Deeds it owns, subject to general restrictions concerning transfers of property; provided, however, the Company may transfer, sell or substitute one or more Trust Deeds if such transfer, sale or substitution is done in connection with a plan to cure a default.

On an annual basis, the Company will retain an independent accounting firm to prepare the 1099's to be issued by the Company to the investors and to prepare the tax return for the Company. On an annual basis and upon written request from an investor, the Company will certify to the requesting investor(s) that the aggregate outstanding principal amount of all cash accounts, other property and Trust Deeds is at least equal to the principal amount of outstanding Notes as of the date of the request.

The Company may, in its discretion, modify the interest rate paid on subsequently issued Notes or the term of such Notes. Any such modification of the interest rate or term will not affect Notes then issued and outstanding.

Notes are initially being offered at the following rates and maturities:

Note Amount (1)	<u>Note Terms (2) (3)</u>		
	6 Months	1 Year	2 Years to 5 Years
\$50,000 and up	8% <sup>(4)</sup>	10% <sup>(4)</sup>	12% <sup>(4)</sup>

- (1) Note amounts are issued in varied denominations from \$50,000 to \$1,000,000, and in additional increases with a minimum of \$10,000. For qualified funds, the Company will accept minimum contributions in such amounts as reasonably determined by the Company.
- (2) Although the Company intends to use its good faith efforts to accommodate written requests from an investor to prepay any Note prior to maturity and the Company has in fact been able to satisfy such requests in a timely manner with interest paid in full, the Company has no obligation to do so and the investor has no right to require the Company to redeem the Note prior to maturity. Upon the Company's election to honor an investor's request to prepay any Note prior to maturity, the Company reserves the right to adjust any interest payable to the investor to the interest rate that would have been payable for the actual outstanding term of the Note.
- (3) The Notes may be redeemed by the Company at any time prior to maturity upon 30 days written notice to the investor at a price equal to the principal amount of the Note plus accrued interest to the date of redemption.
- (4) The Company also reserves the right, in its sole discretion, to adjust the interest paid on outstanding Notes on 30 days written notice to Noteholders.

The Company has the right to sell, encumber, mortgage, create a lien on or otherwise dispose of any or all of its property, or in any manner secure an indebtedness so that such indebtedness shall have a claim against the assets of the Company securing such indebtedness, all without the consent of the investors of the outstanding Notes provided no Notes are in default. Any security interest granted in any of the Company's assets to secure indebtedness will be superior in priority to the general claim of a Noteholder.

Default may occur with respect to one Note and not another. The Company shall be in default of a particular Note if any of the following events ("Event of Default") occurs with respect to that Note: (a) default for 30 days in any payment of interest on a Note when due; (b) default for 15 days in any payment of principal on a Note when due after maturity; (c) a filing for protection by the Company under Chapters 11 or 7 of the U.S. Bankruptcy Code or a filing for the Company under the U.S. Bankruptcy Code by creditors of the Company which filing is not dismissed within 90 days of the filing date; or (d) default for 90 days after receiving appropriate notice of a breach of any other covenant applicable to a Note. Notwithstanding the events listed above, Mr. Chittick may defer any payment of interest or principal due to Mr. Chittick or an entity controlled by him on any of the Notes subscribed to personally by Mr. Chittick without creating an Event of Default.

The Company may not consolidate with or merge into any corporation, or transfer substantially all of its assets to any person, unless the successor corporation or transferee assumes the Company's obligations on the Notes. The Company has no present intention of merging with another company or consolidating with another company or transferring its assets.

## PLAN OF DISTRIBUTION

The Notes may be purchased directly from the Company without commission. Notes maturing in two through five years also may be purchased with qualified monies (such as IRA, SEP IRA, ROTH IRA and KEOGH plans) through a licensed broker-dealer and with an approved custodian; provided, that such investments meet the investor suitability requirements. Transaction costs for Notes purchased with qualified funds will be paid by the Company up to one percent of the Note's face amount. The principal amount of the Note will be equal to the amount paid by the investor, and interest would be calculated on that amount.

The Notes are not registered with the SEC or any other state or federal regulatory agency. No state or federal agency has made any finding or determination as to the fairness of this offering for investment, the adequacy or accuracy of the disclosures, or any recommendation or endorsement of the Notes.

The offering and sale of the Notes is intended to be exempt from registration under the Act by virtue of one or more of the following exemptions provided by: (i) Section 4(2) of the Act; and (ii) Regulation D promulgated under the Act. See "Investor Suitability." In accordance therewith, substantial restrictions are placed on the offering and purchase of the Notes, including, but not limited to, the following:

- (1) The transaction may not include any public offering. The offer to sell Notes must be directly communicated to the investor by an officer of the Company and at no time may the Company advertise or solicit by means of any leaflet, public promotional meeting, newspaper or magazine article, radio or television advertisement or any other form of general advertising or general promotion.
- (2) The Notes may be purchased only for the investor's own account, for investment purposes only and not with a view to distribution, assignment, hypothecation, resale or to fractionalization in whole or in part.
- (3) An investor must meet certain suitability requirements, which are set forth under "Investor Suitability."

- (4) The Company must have furnished and made available for inspection all documents and information that the investor has reasonably requested relating to an investment in the Company, including its Articles of Incorporation, stock records and financial account records.

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## DETERMINATION OF OFFERING PRICE

The rate of return for the Notes offered hereby will be set from time to time by management of the Company to approximate a rate of return competitive with similar securities of other companies engaged in the finance industry. The Company has been in operation since April 2001. There is no market for the Company's securities and none is expected to develop. Accordingly, the rate of return on any Note bears no relation to the results of the Company, to any market price for the Company's securities, to the level of risk involved, or to any recognized measure of valuation or return on investment.

## CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a general discussion of certain U.S. federal tax considerations and consequences that may be relevant to a decision to acquire, own and dispose of Notes by an initial holder thereof. This summary only applies to Notes held as capital assets (generally, property held for investment) within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"). Except as set forth below, this summary does not address all of the tax consequences that may be relevant to a particular Noteholder and it is not intended to be applicable to Noteholders that are subject to special tax rules, such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, U.S. expatriates, partnerships or other pass-through entities, tax-exempt organizations or dealers or traders in securities or currencies, or to Noteholders that will hold Notes as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes or that have a functional currency other than the U.S. dollar. Moreover, except as set forth below, this summary does not address the U.S. federal estate and gift tax law, the tax laws of any state, local or foreign government or alternative minimum tax consequences of the acquisition, ownership or other disposition of Notes and does not address the U.S. federal income tax treatment of Noteholders that do not acquire Notes as part of the initial distribution at their initial issue price. Each prospective investor should consult its tax advisor, attorney and accountant with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, holding and disposing of Notes.

This summary is based on current provisions of the Code, as amended, existing and proposed U.S. Treasury Regulations, current administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein. No advance tax ruling has been sought or obtained from the Internal Revenue Service regarding the tax consequences of the transactions described herein. This discussion does not address tax considerations arising under the laws of any particular state, local or foreign jurisdiction.

PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR TAX ADVISORS, ATTORNEYS AND ACCOUNTANTS REGARDING THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE NOTES IN LIGHT OF THEIR PARTICULAR SITUATIONS, AS WELL AS ANY TAX CONSEQUENCES THAT MAY ARISE UNDER THE LAWS OF ANY FOREIGN, STATE, LOCAL OR OTHER TAXING JURISDICTION.

For purposes of this summary, a "U.S. Holder" is a beneficial owner of Notes who for U.S. federal income tax purposes is (i) a citizen or resident (or is treated as a resident for U.S. federal income tax purposes) of the United States; (ii) a corporation created or organized in or under the laws of the United States or any State or political subdivision thereof; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (1) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes or (2) (a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control. A "Non-U.S. Holder" is a beneficial owner of Notes who for U.S. federal income tax purposes is (i) a non-resident alien individual; (ii) a foreign corporation; or (iii) a foreign estate or trust the fiduciary of which is a nonresident alien.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such partner should consult its own tax advisor as to its consequences of holding and disposing of the Notes.

## **U.S. Holders**

### ***Interest***

Except as set forth below, interest paid on a Note generally will be includible in a U.S. Holder's gross income as ordinary interest income at the time it is paid or accrued in accordance with the U.S. Holder's usual method of tax accounting for U.S. federal income tax purposes.

### ***Market Discount***

A holder of Notes may in very limited circumstances, transfer their Notes to third parties. If the Company authorizes such a transfer, Notes sold on a secondary market after their original issue for a price lower than their stated redemption price at maturity are generally said to be acquired at market discount. Code Section 1278 defines "market discount" as the excess, if any, of the stated redemption price at maturity of the Note, over the purchaser's initial adjusted basis in the Note. If, however, the market discount with respect to a Note is less than 1/4th of one percent (.0025) of the stated redemption price at maturity of the Note multiplied by the number of complete years to maturity from the date the subsequent purchaser has acquired the Note, then the market discount is considered to be zero. Notes acquired by holders at original issue and Notes maturing not more than one year from the date of issue are not subject to the market discount rules.

Gain on the sale, redemption or other disposition of a Note, including full or partial redemption thereof, having "market discount" will be treated as interest income to the extent the gain does not exceed the accrued market discount on the Note at the time of the disposition. A holder may elect to include market discount in taxable income for the taxable years to which it is attributable. The amount included is treated as interest income. If this election is made, the rule requiring interest income treatment of all or a portion of the gain upon disposition is inapplicable. Once the election is made to include market discount in income currently, it cannot be revoked without the consent of the IRS. The election applies to all market discount notes acquired by the holder on or after the first day of the first taxable year to which such election applies.

### *Sale, Exchange or Disposition of Notes*

A U.S. Holder's adjusted tax basis in a Note generally will equal the cost of the Note to such U.S. Holder, increased by any original issue discount ("OID") or market discount previously included by the holder in income with respect to the Note. Upon the sale, exchange or other disposition of a Note, a U.S. Holder will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other disposition (less an amount equal to the accrued but unpaid interest which will be taxable as ordinary income) and such U.S. Holder's adjusted tax basis in the Note. Any such gain or loss generally will be capital gain or loss. In the case of a noncorporate U.S. Holder, capital gains derived in respect of a Note that is held as a capital asset and that is held for more than one year are eligible for reduced income tax rates and may be deemed a long-term capital gain. The deductibility of capital losses is subject to limitations.

### **Non-U.S. Holders**

#### *Interest*

Subject to the discussion below under the heading "U.S. Backup Withholding and Information Reporting," payments of principal of, and interest on (including any OID), a Note to (i) a controlled foreign corporation, as such term is defined in Section 957 of the Code, which is related to the Company, directly or indirectly, through stock ownership, (ii) a person owning, actually or constructively, securities representing at least more than 50% of the total combined outstanding voting power of all classes of the Company's voting stock and (iii) banks which acquire such Note in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. withholding tax provided that the beneficial owner of the Note provides certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "U.S. Backup Withholding and Information Reporting," or an exemption is otherwise established.

If a Non-U.S. Holder cannot satisfy the requirements above, payments of interest made to a Non-U.S. Holder will be subject to a U.S. withholding tax equal to 30% of the gross payments

made to the Non-U.S. Holder unless the Non-U.S. Holder provides the Company or the Company's paying agent, as the case may be, with a properly executed (1) IRS Form W-8BEN claiming an exemption from or reduction in withholding under the benefit of an applicable income tax treaty or (2) IRS Form W-8ECI stating that interest paid on the note is not subject to withholding tax because it is effectively connected with the beneficial owner's conduct of a trade or business in the United States. Alternative documentation may be applicable in certain situations.

If a Non-U.S. Holder is engaged in a trade or business in the United States and interest on a note is effectively connected with the conduct of such trade or business, the Non-U.S. Holder, although exempt from withholding as discussed above (provided the certification requirements described above are satisfied), will be subject to U.S. federal income tax on such interest (including OID) on a net income basis in the same manner as if the Non-U.S. Holder were a U.S. Holder. In addition, if such Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or lesser rate under an applicable income tax treaty) of such amount, subject to adjustments.

#### *Sale, Exchange or Other Disposition of Notes*

Subject to the discussion below under the heading "U.S. Backup Withholding and Information Reporting," any gain realized by a Non-U.S. Holder upon the sale, exchange or other disposition of a Note generally will not be subject to U.S. federal income tax or withholding tax unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of such sale, exchange or disposition and certain other conditions are met. Special rules may apply upon the sale, exchange or disposition of a Note to certain Non-U.S. Holders, such as "controlled foreign corporations," "passive foreign investment companies," "foreign personal holding companies" and certain expatriates, that are subject to special treatment under the Code. Such entities and individuals should consult their own tax advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them.

## **U.S. Federal Estate Taxes**

A Note that is held by an individual who at the time of death is not a citizen or resident (as specially defined for United States federal estate tax purposes) of the United States will not generally be subject to U.S. federal estate tax as a result of such individual's death, provided that such individual is not a shareholder owning actually or constructively more than 10% of the total combined voting power of all classes of our stock entitled to vote and, at the time of such individual's death, payments of interest with respect to such note would not have been effectively connected with the conduct by such individual of a trade or business in the United States.

## **U.S. Backup Withholding and Information Reporting**

### ***U.S. Holders***

Information reporting requirements will apply to certain payments of principal and interest and the accrual of OID, if any, on an obligation and to proceeds of the sale, exchange or other disposition of an obligation, to certain U.S. Holders. This obligation, however, does not apply with respect to certain U.S. Holders including, corporations, tax-exempt organizations, qualified pension and profit sharing trusts and individual retirement accounts. In general, the Company is required to file with the IRS each year a Form 1099 information return reporting the amount of interest that was paid or that is considered earned by a U.S. Holder with respect to the Notes held during each calendar year, and a U.S. Holder is required to report such amount as income on its federal income tax return for that year. A U.S. backup withholding tax currently at a rate of 28% will apply to such payments if a U.S. Holder fails to provide a correct taxpayer identification number or certification of other tax-exempt status or fails to report in full dividend and interest income. Any amount withheld under the backup withholding rules is allowable as a credit against the taxpayer's U.S. federal income tax liability, provided that the required information is furnished to the IRS.

### *Non-U.S. Holders*

Information reporting will generally apply to payments of interest on a Note to a Non-U.S. Holder and the amount of tax, if any, withheld with respect to such payments. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under the provisions of an applicable income tax treaty. Payments of principal and interest on any Notes to Non-U.S. Holders will not be subject to any U.S. backup withholding tax if the beneficial owner of the Note (or a financial institution holding the note on behalf of the beneficial owner in the ordinary course of its trade or business) provides an appropriate certification to the payor and the payor does not have actual knowledge or reason to know, that the certification is incorrect. Payments of principal and interest on Notes not excluded from U.S. backup withholding tax discussed above generally will be subject to United States withholding tax at a rate of 28%, except where an applicable United States income tax treaty provides for the reduction or elimination of such withholding tax.

In addition, information reporting and, depending on the circumstances, backup withholding, will apply to the proceeds of the sale of a Note within the United States or conducted through United States-related financial intermediaries unless the beneficial owner provides the payor with an appropriate certification as to its non-U.S. status and the payor does not have actual knowledge or reason to know that the certification is incorrect.

Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against a Non-U.S. Holder's U.S. federal income tax liability provided the required information is furnished to the Internal Revenue Service.

**THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE ACQUISITION, OWNERSHIP, DISPOSITION OR RETIREMENT OF THE NOTES. PROSPECTIVE INVESTORS OF NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS, ATTORNEYS AND ACCOUNTANTS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.**



## INVESTOR SUITABILITY

### General

An investment in the Notes involves significant risks and is suitable only for persons of adequate financial means who have no need for liquidity with respect to this investment and who can bear the economic risk of a complete loss of their investment. This private placement is made in reliance on exemptions from the registration requirements of the Act and applicable state securities laws and regulations.

The suitability standards discussed below represent minimum suitability standards for prospective investors. The satisfaction of such standards by a prospective investor does not necessarily mean that the Notes are a suitable investment for such prospective investor. Prospective investors are encouraged to consult their personal financial advisors to determine whether an investment in the Notes is appropriate. The Company may reject subscriptions, in whole or in part, in its absolute discretion.

The Company will require each investor to represent in writing, among other things, that (i) by reason of the investor's business or financial experience, or that of the investor's professional advisor, the investor is capable of evaluating the merits and risks of an investment in the Notes and of protecting its own interest in connection with the transaction, (ii) the investor is acquiring the Notes for its own account for investment only and not with a view toward the resale or distribution thereof, (iii) the investor is aware that the Notes have not been registered under the Act or any state securities laws and that there is no market for the Notes, (iv) such investor meets the suitability requirements set forth below and (v) they have read and taken full cognizance of the Risk Factors and other information set forth in this Confidential Private Offering Memorandum.

## Suitability Requirements

Except as set forth below, each investor must represent in writing that it: (a) is "sophisticated" in so far as it is sufficiently knowledgeable and experienced in financial and business matters to be able to evaluate the merits and risks of an investment in the Notes either alone or with a purchaser representative; (b) is able to bear the economic risk of an investment in the Notes, including a loss of the entire investment; and (c) qualifies as an "accredited investor," as such term is defined in Rule 501(a) of Regulation D under the Act and must demonstrate the basis for such qualification. To be an accredited investor, an investor must fall within any of the following categories at the time of sale of Notes to that investor:

- (1) A bank as defined in Section 3(a)(2) of the Act or a savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary capacity; a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; an insurance company as defined in Section 2(13) of the Act; an investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; a Small Business Investment Company licensed by the United States Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000; an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;
- (2) A private business development company as defined in Section 202(a) (22) of the Investment Advisers Act of 1940;
- (3) An organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust or partnership, not formed for the specific purpose of acquiring the Notes, with total assets in excess of \$5,000,000;

- (4) Any director, executive officer, or general partner of the Company, or any director, executive officer, or general partner of a general partner of the Company;
- (5) Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of such person's purchase of the Notes exceeds \$1,000,000 (excluding the value of such person's primary residence);
- (6) Any natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;
- (7) Any trust with total assets in excess of \$5,000,000 not formed for the specific purpose of acquiring the Notes, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) of Regulation D; and
- (8) An entity in which all of the equity owners are accredited investors (as defined above).

As used in this Memorandum, the term "net worth" means the excess of total assets over total liabilities. In determining income an investor should add to the investor's adjusted gross income any amounts attributable to tax exempt income received, losses claimed as limited partner in any limited partnership, deductions claimed for depletion, contributions to an IRA, KEOGH, SEP IRA or ROTH IRA retirement plan, alimony payments, and any amount by which income from long-term capital gains has been reduced in arriving at adjusted gross income.



Den Sco / POM

**Beauchamp, David G.**

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**From:** Schenck, Daniel A.  
**Sent:** Friday, April 25, 2014 10:00 AM  
**To:** Beauchamp, David G.  
**Subject:** RE: here you go

David,

We ran a redline of the POMs but they are the same document. The document number was the only difference.

**Daniel A. Schenck**

CLARK HILL PLC

480.684.1118 (direct) | 480.684.1179 (fax)  
[dschenck@clarkhill.com](mailto:dschenck@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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**From:** Beauchamp, David G.  
**Sent:** Thursday, April 24, 2014 6:43 PM  
**To:** Schenck, Daniel A.  
**Subject:** FW: here you go

FYI

**David G. Beauchamp**

CLARK HILL PLC

14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254  
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)  
[dbeauchamp@clarkhill.com](mailto:dbeauchamp@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

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**From:** Denny Chittick [<mailto:dcmoney@yahoo.com>]  
**Sent:** Thursday, April 24, 2014 6:13 PM  
**To:** Beauchamp, David G.  
**Subject:** here you go

attached  
dc

DenSco Investment Corp  
[www.denscoinvestment.com](http://www.denscoinvestment.com)  
602-469-3001 C  
602-532-7737 f

DenSco/Workout

**Beauchamp, David G.**

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**From:** Beauchamp, David G.  
**Sent:** Friday, May 02, 2014 5:04 PM  
**To:** dcmoney@yahoo.com  
**Cc:** Schenck, Daniel A.  
**Subject:** RE: DenSco Protection

Denny:

I fell behind and I had Daniel do the quick email below. I know that you wanted this outline to be able to discuss this with Scott this weekend.

As we previously discussed (and I did not share with Daniel), I think you will be safer having a named person be the Alternate Manager, as opposed to you or someone who DenSco appoints. The rest of the quick structure works to discuss with Scott.

Please call me if you have any additional questions.

Thanks, David  
**David G. Beauchamp**

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**From:** Schenck, Daniel A.  
**Sent:** Friday, May 02, 2014 4:54 PM  
**To:** dcmoney@yahoo.com  
**Cc:** Beauchamp, David G.  
**Subject:** DenSco Protection

Hi Denny,

David asked me to prepare an outline of the proactive steps we could take now to provide some protection for DenSco in the event that something was to happen to Scott and he became unable to manage his companies. To add this protection, we would need to change his LLCs to make them manager-managed and to have you (or your designee) be named as a substitute manager. Here are the details:

- 1- We will prepare Amended Articles of Organization for each LLC. These documents will change the LLCs so that they will each be manager-managed. We will also state that the Articles may only be subsequently amended as provided in an Operating Agreement. Scott will need to sign these documents and then file them with the A.C.C.
- 2- We will prepare a basic form of an Operating Agreement for a manager-managed LLC. We don't represent Scott so we will need to forward the form to you. If you find the form acceptable, you can share it with Scott.
- 3 - We will prepare custom provisions that may be inserted into the Operating Agreement form. Scott can insert them into the Operating Agreement form. These

custom provisions will include the following: (a) in the event of Scott's death, his estate will replace him as the member of the LLC; (b) in the event of Scott's death (or if he resigns or is unable/unwilling to remain the manager, DenSco will appoint a substitute manager; (c) a substitute manager may proceed to wind up the affairs of the business with a priority to satisfy the LLC's debt obligations; (d) so long as the LLC owes any money to DenSco, DenSco's written approval is required for: ownership transfers, amendments to the Operating Agreement, amendments to the Articles, changes to the selection of manager, and major business decisions, such as sale of most assets, mergers, dissolution, etc. We will also add "Special Purpose Entity" language that clarifies that the LLC is limited on its activities and will consider its lender's interests when making decisions. Once the DenSco debts are satisfied, Scott will be able to amend the Operating Agreement to remove these DenSco-friendly provisions.

4 - We will prepare Unanimous Consents and resolutions for Scott, as the sole-member, to approve and adopt the Amended Articles of Organization and the Operating Agreements.

Another item to consider is whether a substitute manager would be entitled to compensation.

Please let us know if you would like to begin preparing these documents.

Best,

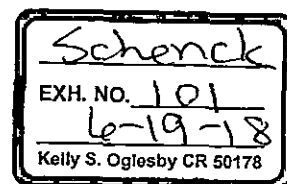
**Daniel A. Schenck**

*Sent from my iPhone*

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**Beauchamp, David G.**

**From:** Schenck, Daniel A.  
**Sent:** Wednesday, May 14, 2014 7:56 PM  
**To:** Beauchamp, David G.  
**Subject:** DenSco POM  
**Attachments:** #200743069v1\_ClarkHill\_ - Private Offering Memorandum 2014.doc; Private Offering Memorandum 2011 - Private Offering Memorandum 2014.pdf

David,

Attached is the latest draft for the POM for DenSco. The Word version includes several comments that request information/confirmation from Denny. A few of the comments are for your attention. These include "DGB" at the beginning of the comment. The attached redline does not show any of the comments.

Also, I highlighted the Table of Contents to serve as a reminder to double check the pagination once the POM is complete.

Please let me know what changes you prefer before this draft is sent to Denny.

Best,

**Daniel A. Schenck**

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**Confidential Private Offering Memorandum**

**DenSco Investment Corporation**

**May \_\_, 2014**

200743069.1 43820/170145

**DIC0008874**

No: \_\_\_\_\_ Name of Payee: \_\_\_\_\_

**Confidential Private Offering Memorandum**

**DenSco Investment Corporation**

**General Obligations Notes**

**Minimum Purchase \$50,000**

The General Obligation Notes (the "Notes") are general obligations of DenSco Investment Corporation, an Arizona corporation (the "Company"). The Notes, together with all other outstanding notes and all other advances or liabilities owed by the Company to any holder of an outstanding note will be secured by a general pledge of all assets owned by or later acquired by the Company. The Company's largest assets will be the Trust Deeds, as defined herein, acquired by the Company and the Notes will be superior in priority and liquidation preference to Notes subscribed for by officers and shareholders of the Company. Interest will be paid monthly, quarterly or at maturity. The Notes are not insured or guaranteed by any state or federal government entity or any insurance company, and the Company will not establish a sinking fund for the Notes. The Company generally may transfer, sell or substitute collateral for the Notes. The Company may modify the interest rate to be paid on subsequently issued Notes. ~~The Company may adjust the interest paid to subsequently offered Notes and, on the Notes offered hereby with 30 days written notice ("Interest Adjustment Notice"). For Notes offered by this Confidential Private Offering Memorandum, the interest paid for the Note will automatically adjust to the amount stated in the Interest Adjustment Notice unless within the 30 day notice period the Noteholder provides a written request to the Company for the Note to be prepaid. If the Noteholder provides such notice within the 30 day notice period, the interest paid on the Note will be unchanged until such time as the Company prepays the Note. The Company will use good faith efforts to prepay Notes upon receipt of written request, but the Company will not be obligated to do so. The Notes may be redeemed by the Company prior to maturity upon notice at a price equal to the principal amount of the Notes plus accrued interest to the date of redemption. See "Description of Securities - Note Terms." Default may occur with respect to~~

Comment [A1]: DenSco can adjust the interest of the Notes.

Comment [A2]: Note giving the Noteholder an option when there is an Interest Adjustment Notice to make the unilateral interest adjustment more enforceable. Also, because it may not always be feasible to prepay a Note when a Noteholder objects to an interest adjustment, we did not obligate the Company to prepay the Note within a certain time frame. By leaving the interest rate unchanged when there is an objection (demonstrated by requesting prepayment) there is technically no penalty to the Noteholder for making the objection; in reality, the motivation to accept an interest adjustment will not be to avoid a penalty bid to avoid an early prepayment that would end the investment opportunity. A court is much more likely to enforce this security than a penalty for not accepting a unilateral interest adjustment.

Comment [A3]: This is not an accurate

one Note and not another. The Notes may be purchased directly from the Company without commission. The Company intends to offer the Notes on a continuous basis until the earlier of (a) the sale of the maximum offering, or (b) ~~five~~ years from the date of this memorandum; provided, however, the Company reserves the right to amend, modify and/or terminate this offering if the Company changes its operations or method of offering in any material respect. See "Description of Securities" and "Plan of Distribution."

Comment [44]: DUL: what is the maximum number we can issue here?

THE NOTES ARE SPECULATIVE AND INVESTMENT IN THE NOTES INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS."

THE NOTES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR APPLICABLE STATE SECURITIES LAWS, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE REGULATORY AUTHORITY REVIEWED, APPROVED OR DISAPPROVED THE ACCURACY OR ADEQUACY OF THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM OR ENDORSED THE MERITS OF THE PLACEMENT OF NOTES. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. THE NOTES ARE OFFERED PURSUANT TO EXEMPTIONS PROVIDED BY SECTION 4(2) OF THE ACT, REGULATION D THEREUNDER, CERTAIN STATE SECURITIES LAWS AND CERTAIN RULES AND REGULATIONS PROMULGATED PURSUANT THERETO. THE NOTES MAY NOT BE TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS OR AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY AND ITS COUNSEL THAT SUCH REGISTRATION IS NOT REQUIRED.

	Offering Price (1)	Underwriting Commissions (2)	Proceeds to the Company (3)
Note	\$50,000	-0-	\$50,000
Offering Maximum	\$50,000,000	-0-	\$49,975,000

- (1) The Notes are offered in \$50,000 initial investment with additional increments with a minimum of at least \$10,000. All subscriptions for Notes are subject to review and acceptance by the Company.
- (2) The Company's President, Denny J. Chittick, is making the private placement of the Notes on behalf of the Company. Mr. Chittick will not receive any sales commission in connection with the placement of the Notes. The Company reserves the right to pay costs and commission to a licensed broker-dealer with an approved custodian to facilitate procedures by investors using qualified funds (i.e., IRA, SEP IRA, ROTH IRA and KEOGH Plans), up to one percent (1%) of the principal Note amount.
- (3) Offering expenses, estimated at ~~\$25,000~~ <sup>\$45,000</sup> will be paid from the Company's general operating funds.

Comment (A5) - Is this still accurate?

**DenSco Investment Corporation**  
**6132 W. Victoria Place**  
**Chandler, Arizona 85226**  
**(c) 602-469-3001**  
**(f) 602-532-7737**

THE NOTES ARE OFFERED ONLY TO PERSONS WHO ARE: (1) "ACCREDITED INVESTORS" WITHIN THE MEANING OF RULE 501(a) OF REGULATION D PROMULGATED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAW; (2) ABLE TO BEAR THE ECONOMIC RISK OF AN INVESTMENT IN THE NOTES, INCLUDING A LOSS OF THE ENTIRE INVESTMENT; AND (3) SUFFICIENTLY KNOWLEDGEABLE AND EXPERIENCED IN FINANCIAL AND BUSINESS MATTERS TO BE ABLE TO EVALUATE THE MERITS AND RISKS OF AN INVESTMENT IN THE NOTES EITHER ALONE OR WITH A PURCHASER REPRESENTATIVE. SEE "INVESTOR SUITABILITY." THE NOTES ARE NOT OFFERED AND WILL NOT BE SOLD TO ANY PROSPECTIVE INVESTOR UNLESS SUCH INVESTOR HAS ESTABLISHED, TO THE SATISFACTION OF DENNY J. CHITTICK, THAT THE INVESTOR MEETS ALL OF THE FOREGOING CRITERIA. EACH INVESTOR MUST ACQUIRE THE NOTES FOR HIS, HER OR ITS OWN ACCOUNT, FOR INVESTMENT PURPOSES ONLY, AND WITHOUT ANY INTENTION OF DISTRIBUTING OR RESELLING ANY OF THE NOTES, EITHER IN WHOLE OR IN PART.

THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION TO ANYONE IN ANY JURISDICTION IN WHICH SUCH AN OFFER OR SOLICITATION IS NOT AUTHORIZED. IN ADDITION, THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM CONSTITUTES AN OFFER ONLY TO THE PERSON WHOSE IDENTITY APPEARS IN THE APPROPRIATE SPACE PROVIDED ON THE COVER PAGE HEREOF. THE RIGHT TO PURCHASE NOTES AS DESCRIBED HEREIN IS NOT ASSIGNABLE.

TO ENSURE COMPLIANCE WITH CIRCULAR 230 GOVERNING STANDARDS OF PRACTICE BEFORE THE INTERNAL REVENUE SERVICE, POTENTIAL INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED BY A POTENTIAL INVESTOR, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON A POTENTIAL INVESTOR UNDER THE INTERNAL REVENUE CODE; (B) SUCH

DISCUSSION IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE NOTES OFFERED HEREBY; AND (C) POTENTIAL INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

CERTAIN "REPORTABLE TRANSACTIONS" REQUIRE THAT PARTICIPANTS AND CERTAIN OTHER PERSONS FILE DISCLOSURE STATEMENTS WITH THE IRS, AND IMPOSE SIGNIFICANT PENALTIES FOR THE FAILURE TO DO SO. AN INVESTOR (AND EACH EMPLOYEE, REPRESENTATIVE, OR OTHER AGENT OF THE INVESTOR) MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF AN INVESTMENT IN THE NOTES AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) THAT ARE PROVIDED TO THE INVESTOR RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE, EXCEPT TO THE EXTENT THAT SUCH DISCLOSURE IS RESTRICTED BY APPLICABLE SECURITIES LAWS.

THE OBLIGATIONS AND REPRESENTATIONS OF THE PARTIES TO THIS TRANSACTION WILL BE SET FORTH ONLY IN THE DOCUMENTS DESCRIBED HEREIN. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS CONCERNING THE COMPANY OTHER THAN AS CONTAINED IN THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON. THE DELIVERY OF THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM DOES NOT IMPLY THAT THE INFORMATION SET FORTH IN IT IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM HAS BEEN PREPARED SOLELY FOR THE BENEFIT OF CERTAIN INVESTORS TO WHOM IT HAS BEEN DIRECTED. A PROSPECTIVE INVESTOR, BY ACCEPTING DELIVERY OF THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM, AGREES TO

RETURN THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM AND ALL ENCLOSED DOCUMENTS TO THE COMPANY IF THE HOLDER DOES NOT UNDERTAKE TO PURCHASE ANY OF THE NOTES OFFERED HEREBY.

PRIOR TO THE SALE OF ANY NOTES OFFERED HEREBY, THE COMPANY WILL MAKE AVAILABLE TO EACH INVESTOR THE OPPORTUNITY TO ASK QUESTIONS OF AND RECEIVE ANSWERS FROM MR. CHITTICK CONCERNING THE TERMS AND CONDITIONS OF THIS OFFERING AND TO OBTAIN ADDITIONAL INFORMATION NECESSARY TO VERIFY THE ACCURACY OF THE INFORMATION CONTAINED HEREIN, TO THE EXTENT THE COMPANY OR MR. CHITTICK POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE.

ANY REPRODUCTION OR DISTRIBUTION OF THE CONFIDENTIAL PRIVATE OFFERING MEMORANDUM IN WHOLE OR IN PART, OR THE DISCLOSURE OF ANY OF ITS CONTENTS, WITHOUT THE PRIOR WRITTEN CONSENT OF MR. CHITTICK IS STRICTLY PROHIBITED.

REFERENCE IS MADE TO THE SUBSCRIPTION AGREEMENT AND SUITABILITY QUESTIONNAIRE ATTACHED HERETO FOR COMPLETE INFORMATION CONCERNING THE RIGHTS AND OBLIGATIONS OF INVESTORS WHO PURCHASE THE NOTES OFFERED HEREBY. CERTAIN PROVISIONS OF AGREEMENTS AND DOCUMENTS ARE SUMMARIZED IN THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM, AND THE SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE DETAILED INFORMATION OR AGREEMENT OR DOCUMENT APPEARING ELSEWHERE. IN CASE OF A CONFLICT BETWEEN THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM AND SUCH AGREEMENTS OR DOCUMENTS, THE AGREEMENT OR DOCUMENT, AS THE CASE MAY BE, SHALL GOVERN. REFERENCE IS MADE HEREBY TO THE COMPLETE TEXT OF ALL DOCUMENTS RELATING TO THIS PLACEMENT THAT ARE DESCRIBED HEREIN. A COPY OF ALL DOCUMENTS AND AGREEMENTS SO DESCRIBED BUT NOT INCLUDED HEREIN WILL BE MADE

AVAILABLE TO A PROSPECTIVE INVESTOR AND ITS COUNSEL, ACCOUNTANT AND ADVISER(S) UPON REQUEST.

PROSPECTIVE INVESTORS ARE NOT TO CONSTRUCT THE CONTENTS OF THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM OR ANY PRIOR OR SUBSEQUENT COMMUNICATIONS FROM THE COMPANY OR MR. CHITTICK OR THEIR AFFILIATES AS LEGAL OR TAX ADVICE. EACH INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN COUNSEL, ACCOUNTANT AND OTHER ADVISERS AS TO TAX MATTERS AND RELATED MATTERS CONCERNING AN INVESTMENT IN THE COMPANY'S NOTES.

NOTWITHSTANDING ANYTHING CONTAINED IN THIS CONFIDENTIAL OFFERING MEMORANDUM TO THE CONTRARY, EXCEPT AS REASONABLY NECESSARY TO COMPLY WITH APPLICABLE SECURITIES LAWS, INVESTORS (AND EACH EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF THE INVESTORS) MAY NOT DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE U.S. FEDERAL INCOME TAX TREATMENT AND TAX STRUCTURE OF THIS OFFERING AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) THAT ARE PROVIDED TO THE INVESTORS RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE. FOR THIS PURPOSE, "TAX STRUCTURE" IS LIMITED TO FACTS RELEVANT TO THE U.S. FEDERAL INCOME TAX TREATMENT OF THIS OFFERING AND DOES NOT INCLUDE INFORMATION RELATING TO THE IDENTITY OF THE ISSUER, ITS AFFILIATES, AGENTS OR ADVISORS.



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## MEMORANDUM SUMMARY

The following summary should be read in conjunction with, and is qualified in its entirety by the more detailed information appearing elsewhere in this Confidential Private Offering Memorandum.

### The Company

DenSco Investment Corporation, an Arizona corporation (the "Company"), is an Arizona corporation, which has been in operation since April, 2001. In the thirteen years of operation from April, 2001 through April, 2014, the Company has engaged in 2622 loan transactions. The Company has been and will continue to be engaged primarily in the business of making high-interest loans with defined loan-to-value ratios to residential property remodelers ("Foreclosure Specialists") who purchase houses through pre-foreclosure process and foreclosure sales, all of which are secured by real estate deeds of trust ("Trust Deeds") recorded against Arizona residential properties, but the Company will not limit its efforts to this niche. In connection with its business, the Company will seek to maintain a diversity of builders, loan size, back-office commercial properties, medical offices, strip commercial centers, high-end specialty and custom residential properties and construction locations. The Company does not intend to exceed a maximum loan size of \$1,000,000.00. The Company intends to maintain a loan-to-value ratio below 70% in the aggregate for all loans in the loan portfolio.

Comment (1)(b): How many loans in 13 year period, according to July 2014 POM the Company did 2622 loans from April 2001 to June 2014.

The Company's office is currently located at 6132 W Victoria Place, Chandler, Arizona 85226. Its current telephone number is 602-469-3001.

### The Offering

**Securities:** As of May \_\_\_\_, 2014, the Company has offered and secured the first \$\_\_\_\_ in principal amount of Notes. Of these Notes, \$\_\_\_\_ of principal has been prepaid. The Company is offering the balance of \$\_\_\_\_ in principal amount of Notes on a "best efforts" basis. The interest rates of the Notes will vary and will depend on the

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denomination of the Note and the term selected by the investor. The Notes are offered in denominations ranging from \$50,000 to \$1,000,000.00, increasing in additional increments with a minimum of \$10,000. The Notes are paid "interest only" during their terms, with principal payable only at maturity. Investors may elect to have interest paid monthly, quarterly or at maturity. If interest is paid other than monthly, interest will compound monthly. The Notes are not transferable without obtaining the prior written consent of the Company. The Notes are general obligations of the Company and are not directly secured by any specific asset of the Company. At any particular point in time, the assets of the Company will consist primarily of Trust Deeds in an aggregate principal amount approximately equal to the amount of the outstanding Notes. See "Use of Proceeds" and "Description of Securities."

**Restricted Nature of**

**Securities:** The Notes are not registered and are restricted securities. This is a private placement intended to be exempt from the registration requirements under federal and applicable state securities laws, and may only be made personally by a principal of the Company to a qualified investor who intends to hold the investment to maturity. See "Description of Securities."

**Risk Factors:** An investment in the Notes involves a significant degree of risk. Only investors who can bear the economic risk of such an investment should purchase the Notes. See "Risk Factors" and "Investor Suitability."

**Use of Proceeds:** The proceeds of the offering will be used as working capital primarily for lending secured by, and the purchase of, Trust Deeds within the guidelines set by the Company. See "Use of Proceeds" and "Business."

**Plan of Distribution:** Notes may be purchased directly from the Company without commission.

The Company intends to make a continuous offering of the Notes until the earlier of two years from the date of this memorandum or upon the sale of the maximum offering of \$50 million; provided, however, the Company reserves the right to amend, modify or terminate this offering if the Company changes its operations or method of offering in any material respect. See "Description of Securities" and "Plan of Distribution."

### Target Markets and Potential Future Markets

For lending to Foreclosure Specialists who purchase foreclosed homes prior to or at the foreclosure sale, the Company will target remodelers, contractors and other entities engaged in this niche real estate market, but the Company will not limit its efforts to this niche. The Company intends to have these First Deeds have loan-to-value ratios no greater than 70 percent, but with an objective goal of 50 percent to 60 percent. The Company anticipates that the minimum loan size will continue to be \$25,000, and the maximum loan size will continue to be

Comment [A7] It is still accurate?

\$1,000,000. The values of these homes are determined to be based on the value to which they will appraise at or sell for on the retail market.

For lending on commercial projects, the Company will target established, reputable contractors and developers who are developing back-office commercial properties, medical and other professional offices, strip and pre-sold commercial centers, multi-unit apartment complexes, build-outs and high-end specialty projects on Arizona land they own or have rights to purchase. The Company intends to have these Trust Deeds have loan-to-value ratios, no greater than 65 percent but with an objective goal of 50 percent to 60 percent. The maximum loan size is intended to be \$1,000,000, with subordinated participation from other lenders for larger projects, which will probably obligate the Company to act on behalf of the other participating lenders. The Company intends to directly (through an officer or employee) or indirectly (through a real estate consultant) perform due diligence to verify certain information in connection with funding a Trust Deed. The loan-to-value ratio is determined by calculating the reasonable market value of the property at the end of the construction project.

Comment (A): Is this still accurate?

For residential loans, the Company will seek reputable, licensed contractors who have pre-sold homes to build for qualified buyers. The Company also plans to finance builders' models, builders' "spec" homes and those projects that are highly marketable and have substantial builder equity. Most of these borrowers may qualify for conventional bank financing but they may use the Company because of the faster financing, competitive over all costs, better service and personal relationships with Mr. Chittick. The Company will not lend to natural persons for personal, family or household purposes.

The Company may elect to participate as an equity partner in some projects should the benefits warrant the risk. From time to time, a default occurs on a loan and the Company needs to conduct a Trustee's Sale or accept a Deed In Lieu of Foreclosure on the real property securing a loan. As such, if the Trustee conducting the Trustee's Sale does not receive a bid in excess of the Company's credit bid (in the amount of the loan, accrued interest and costs) at the Trustee's Sale, the Company becomes the owner of the subject real property. The Company intends to sell such properties as quickly as possible in an effort to minimize resulting costs and losses, and to maintain a diversified financing operation. However, the Company reserves the right to lease

any property obtained through a Trustee's Sale or a Deed in Lieu of Foreclosure until the Company determines that the property can be sold at a sufficient price. The Company may diversify its financing operations in the future to include other areas of finance. ~~This Company does not anticipate entering any non-Arizona market without first attempting to contact the significant note holders and discussing this market with them.~~

Comment (A9): Is this accurate?

#### Cash Flow

The Company uses a proprietary cash flow-management model for balancing the terms of the Trust Deeds the Company makes to its borrowers with the terms of the Notes purchased by the Company's investors. The Company's objective is to have sufficient cash coming in from Trust Deed payoffs to be able to redeem all Notes as they come due and maintain reserves without any need to sell assets or issue new Notes to repay the earlier maturing Notes. See "Risk Factors - Proceeds From Subsequently Issued Notes May Be Used to Repay Earlier Maturing Notes."

#### Limited Due Diligence

To the extent Trust Deeds are purchased, Trust Deeds will be purchased through a network of consultants, mortgage brokers and title companies that the Company believes are reliable referral sources. Prior to purchasing a Trust Deed or funding a direct loan, the Company intends to have an officer, employee or an authorized representative conduct a due diligence review by interviewing its owner, verifying the documentation and performing limited credit investigations as are deemed appropriate by the Company, which may include visiting the subject property in a timely manner. For purchases of foreclosed homes, the Company intends to have an officer, employee or an authorized representative inspect the properties ~~after purchase before or during rehabilitation and after rehabilitation~~ to ensure the property is improved to a marketable condition. The Company will not make residential loans to natural persons for personal, family or household purposes.

Comment (A10): Does Due Diligence include inspecting foreclosed homes? If so, at what stage (after purchase, during rehab, after rehab)?

### Funding and Purchase of Loans

The Company reserves the right to approve or decline the funding of each direct loan or the purchase of each Trust Deed submitted for purchase. The Company intends to follow certain practices and procedures when it funds or purchases a Trust Deed, including without limitation,

Comment (4.1.1): Please provide examples of the Company's procedures regarding how it funds (i.e., what the funds are used to and in what amounts), and how it perfects its title (i.e., preparation of Trust Deed, execution of Trust Deed, and recording of Trust Deed).

### Collections

The Company services the contracts it purchases and originates. If a customer misses a payment without making satisfactory arrangement prior to the due date, the Company's policy is to contact the customer within three to five days and watch the account closely until the payment or satisfactory arrangement has been made. At the discretion of the Company, the Company's normal documents provide that a late charge of ten percent of the interest amount due is to be assessed on a delinquent payment that is not cured within five days. If payment on a Trust Deed is thirty (30) days delinquent, an accelerated default rate goes into effect and foreclosure proceedings may begin under the Deed of Trust; provided, however, the Company may elect not to begin foreclosure proceedings if the property secured by the loan is under contract for sale or is in the process of being refinanced. The goal of the Company is to recover the principal of a loan and any interest and or any late fees assessed. If the borrower is unable in a timely manner to sell or refinance the subject property, the Company may request that the borrower execute a Deed in Lieu of Foreclosure (a "Deed in Lieu") to the Company so that the Company will gain immediate control of the subject property rather than going through the ninety (90) day process and expense associated with a Trustee's Sale. Upon the Company gaining control of the property through a Deed in Lieu or a Trustee's Sale, the Company will decide either to market the subject property at retail, which may require additional monies to improve the property to retail ready condition, or to wholesale the subject property "as is." The Company may also decide to rent the subject property as an investment property. If applicable, the management of the rental properties will be maintained by a professional management company chosen by the Company.

Comment (4.1.2): Is this still accurate?



## Regulation

The financing of construction loans and other types of real estate transactions are regulated by various federal and state government agencies, including the Arizona Department of Financial Institutions. Arizona Revised Statutes §§ 6-901 to 910, §§ 6-941 to 948 and 6-971 to 985, and regulations issued thereunder, have specific mortgage broker and mortgage banker licensing and operating requirements. The Company's management believes that it is not required to be licensed by the Arizona Department of Financial Institutions as a mortgage broker or a mortgage banker nor under certain federal laws, such as Truth-In-Lending Act or the Real Estate Settlement Procedures Act. The Company intends to take the necessary steps to ensure that the borrowers it lends to and the projects covered by such loans will not fall within the requirements imposed by the foregoing agency and acts.

The Company will not receive any points, commissions, bonuses, referral fees, loan origination fees or other similar fees in connection with its real estate loans. The Company will only receive periodic interest resulting from the application of the note rate of interest to the outstanding principal balance remaining unpaid from time to time. By limiting its compensation in this manner, the Company's management believes it does not need a license from the Arizona Department of Financial Institutions as either a mortgage loan broker or mortgage banker; provided, however, the Company reserves the right to work with and to pay a reasonable and customary mortgage broker fee to a licensed mortgage loan broker or mortgage banker for services in connection with its loans or to other third-party professionals in connection with due diligence for its loans.

Certain federal laws and regulations, such as the Truth-in-Lending Act, Real Estate Settlement Procedures Act and others contain specific requirements for lenders seeking to make loans to certain types of borrowers, which may or may not be secured by certain types of residential real property. Most of these statutes and regulations apply to transactions only if the loans are made to natural persons for personal, family or household purposes. The Company will not lend to natural persons for these purposes.

If new regulations are issued by the U.S. Federal Housing Administration (the "FHA") or if a more strict interpretation of the current FHA regulations is implemented in the future, such regulations could reduce the demand for the Company's loans from Foreclosure Specialists which could impair the Company's ability to keep all of the proceeds from this offering fully invested in loans with borrowers.

Other states in the Western United States have instituted additional restrictions concerning loans secured by private real estate, which are commonly referred to as "predatory mortgage lending laws." Although Arizona has not passed a similar statute, such provisions may come into effect in Arizona either through law or regulation during this offering. The Company's management believes that its practices will not need to change in order to comply with any of the current proposals if they should go into effect. However, there can be no assurance that such will be the case.

The Company's management believes that it is not required to register or be licensed as an investment adviser with the State of Arizona or with the U.S. Securities Exchange Commission ("SEC") pursuant to the Investment Advisers Act of 1940 (the "Advisers Act"), as amended. The Advisers Act and the analogous Arizona law generally require all persons that are engaged in the business of providing investment advice for compensation to register with the SEC or Arizona provided that such adviser is not exempt from registration. The Company's management believes that it is not engaged in the business of providing investment advice for compensation, and as such, is not required to register as an "investment adviser" with either the SEC and/or the State of Arizona. In addition, even if the Company were deemed to be engaged in the business of providing investment advice for compensation, the Company anticipates that it would be exempt from registration under the Adviser Act due to the "private fund adviser exemption" (See 17 C.F.R. § 275.203(m)-1) as the Company manages less than \$150 million in assets and would likely be deemed a "qualifying private fund"<sup>1</sup> because it has fewer than the threshold number of clients that would trigger registration with the SEC and/or the State of Arizona.

<sup>1</sup> See Exemptions for Advisers to Venture Capital Funds, Private Fund Advisers with Less Than \$150 Million in Assets Under Management, and Foreign Private Advisers, Advisers Act Rel. No. 3222, 76-80 (June 22, 2011), available at <http://www.sec.gov/rules/final/2011/11a-3222.pdf> (clarification provided regarding how real estate funds may meet the definition of "qualifying private fund").

## Diversity of Risk

The Company will attempt to maintain a diverse portfolio of Trust Deeds and loans by seeking a large borrowing base, participating in several local markets, acquiring Trust Deeds for any lending into residential and commercial projects, establishing loan-to-value guidelines and limiting financing to short terms. Currently, the Company's base of borrowers exceed 150 approved and qualified borrowers. It is the Company's plan that the base of borrowers eventually will exceed 250 qualified contractors and foreclosure specialists. The Company will maintain loans throughout the Phoenix metropolitan area to reduce its risk to fluctuations in values and conditions in markets within the metropolitan area. The Company also believes that it can reduce risk by participation in various types of financing: Trust Deeds on foreclosed properties, residential Trust Deeds and lending from \$50,000 tract homes and condominiums to \$1,000,000 custom "spec" homes; and commercial investments for flex-office, back-office, medical/general office and retail. In addition, the Company intends to maintain general loan-to-value guidelines that currently range from 50 percent to 65 percent (but it is intended not to exceed 70%), to help protect the Company's portfolio of loans. Further, all loans are intended to be relatively short term.

Because of these varying degrees of diversification, the relatively short duration of each of the loans, and management's knowledge of the Phoenix metropolitan area market, the Company's management anticipates that it will not experience a significant amount of losses; however, there can be no assurance that the Company will not experience such losses. Mr. Chittick, individually, has made or participated in approximately 2800 loans secured by real estate over the last fourteen (14) years. As of the date of this Memorandum, Mr. Chittick and the Company have collectively experienced 14 loan defaults that required initiating a Trustee's sale process, with seven of such loans being settled prior to the Trustee Sale auction. Various borrowers have conveyed seven properties to the Company pursuant to a Deed in Lieu. To the extent the Company deems necessary, the Company intends to use the services of outside real estate lending consultants to assist in evaluating any loan or the security for the loan to reduce the risk of a loss of principal due to the default of a real estate loan by a borrower and the resulting foreclosure upon the security for the loan.

Comment (A13): Do you want to update the # of loans and the length of years? In 2011, you had 2800 over the last 14 years. In 2014, you likely have much more.

Comment (A14): Do you have updated figures for the # of loan defaults requiring initiating a Trustee's Sale and the # that settled prior to the auction?

Comment (A15): Do you want to update the # of loans and the length of years? In 2011, you had 2800 over the last 14 years. In 2014, you likely have much more.

Comment (A16): Do you have updated figures for the # of loan defaults requiring initiating a Trustee's Sale and the # that settled prior to the auction?

The Company will make available to each prospective investor, prior to the consummation of the offering and sale of a Note to such investor and such investor's representative and advisers, the opportunity to ask questions and receive answers concerning the terms and conditions of this offering and to obtain any additional information that the Company may possess or may be able to obtain without unreasonable effort or expense, and which may be necessary to verify the accuracy of the information furnished to such prospective investor.

**Executive Offices**

The Company's office is currently located at 6132 W. Victoria Place, Chandler, Arizona 85226. Its current telephone number is 602-469-3001.

## RISK FACTORS

*An investment in the Notes offered by the Company involves a significant degree of risk. The securities offered hereby should not be purchased by anyone who cannot tolerate significant risk, including the possibility of losing their total investment in the Notes. In analyzing a possible investment in the Notes, prospective investors should consider carefully the following factors, together with the information contained elsewhere in this Memorandum.*

### Operating History

In the Company's thirteen year operating history through April, 2014, the Company has completed in excess of \_\_\_\_\_ loan transactions. However, even with these number of loans over thirteen years, the evaluation of prior company performance set forth in Prior Performance is limited in time. Accordingly, there can be no assurance that the Company will be able to continue to operate and achieve these results on a going-forward basis, which could limit the Company's ability to repay the Notes as planned.

Comment (A17): How many loans has the Company completed through April 2014? As of June 2014, the Company has completed 2822.

### Competition

The Company is engaged in a highly competitive industry. The Company competes with banks, savings and loan institutions, credit unions, mortgage brokers, finance companies and other private investors that are established in the finance business. Competition in the finance business is based upon the lowest overall loan cost, which consists of interest rates, fees, closing costs, document fees, reputation, and availability of funds and the length of time it takes to approve a loan. The cost of funds to many of our competitors is typically lower than the Company's, allowing them to compete for borrowers on better terms, such as interest rates, which is a significant component of loan cost. The competition usually has lower costs on longer-term loans. The Company's higher cost of capital and lending rates may result, in part, in the Company acquiring Trust Deeds and lending to borrowers who are unable to obtain financing from these larger competitors. In some cases, these types of borrowers have weaker credit worthiness than other borrowers, which could expose the Company to a greater risk of

nonpayment of its loans by borrowers. See "Business-Target Markets and Potential Future Markets."

#### **Ability to Generate Sufficient Cash Flow to Service the Outstanding Notes**

The Company's ability to generate cash in amounts sufficient to pay interest on the Notes and to repay or otherwise refinance the Notes as they mature depends upon the Company's receipt of payments due under the loans that are in the Company's portfolio. The Company's financial performance and cash flow depends upon prevailing economic conditions and certain financial, business and other factors that are beyond the Company's control. These factors include, among others, economic and competitive conditions, particularly in areas in which the borrowers operate their businesses, and general economic conditions that affect the financial strength of developers and real estate investors in the areas that the Company intends to make investments. In recent years the decline of real estate values has been the largest challenge facing the real estate finance industry. This development is something new to the industry that typically sees a slow rising in values of properties or at least a stability of prices. The dramatic and prolonged decrease in values has forced the Company to change how it operates, which is requiring monthly interest payments under its loans rather than allowing the interest to compound. The Company has also shortened the maturity of loans to borrowers in some cases and is only extending the loans to a few borrowers under strict conditions. Accordingly, an investment in the Notes offered hereby involves substantial risk and Notes should not be purchased by anyone who cannot tolerate substantial risk, including the possibility of losing their total investment in the Notes. There can be no assurance that the Company will be able to continue to operate and repay the Notes as planned.

#### **Decrease in Value of Collateral for the Loans in Company's Portfolio**

The Company is responsible for collecting payments from loan obligors and for foreclosing under an applicable Trust Deed in the event of default by an obligor. If the Company is forced to conduct a Trustee's Sale to obtain ownership and possession of a property securing a loan, the value of the property may have decreased between the time that the outstanding loan

was initially made to the time of repossession pursuant to a Deed in Lieu or a Trustee's Sale. Consequently, the Company's sale of such property may result in a loss as a result of the amount owed to the Company being in excess of the value received by the Company pursuant to a subsequent sale of the property. Accordingly, an investment in the Notes offered hereby involves substantial risk and Notes should not be purchased by anyone who cannot tolerate substantial risk, including the possibility of losing their total investment in the Notes. There can be no assurance that the Company will be able to continue to operate and repay the Notes as planned.

#### **Expansion of Real Estate Loan Base**

After giving effect to this offering and the application of the net proceeds, the Company will have significant outstanding indebtedness. The Company's ability to make scheduled principal and interest payments on the Notes will depend upon the Company's ability to generate adequate revenues from its real estate lending operations. The Company has historically received approximately 18% effective interest on its real estate loans but minimal interest on its cash accounts at its bank. Therefore, in order to pay the principal and interest due on the Notes, the Company will need to loan a significant amount of its capital to its real estate loan borrowers and reloan any repayment proceeds in a timely manner. As the Company receives the proceeds from this offering, the Company intends to expand its real estate loan base in order to keep its capital loaned to its real estate loan borrowers as opposed to being in its cash accounts at the bank. If the Company cannot continue to expand its real estate loan base, it may not generate enough revenues to service its debt obligations, including the Notes. Accordingly, the Company will continue to rely upon repeat borrowers, word of mouth referrals and the referral network of outside mortgage brokers and consultants that Mr. Chittick has developed. See "Business-Target Markets and Potential Future Markets."

Comment (A) is not a security

#### **Demand for Real Estate Loans**

The Company's success depends, in part, upon its ability to continue to develop and achieve growth in its real estate lending operations and to manage this growth effectively. In

formulating and implementing its business plan, the Company relied on the judgment of its officer and consultants, and on their research and collective experience to determine customers, marketing strategy and procedure. The Company has not planned, conducted or contracted for any independent market studies concerning the anticipated demand for the Company's real estate lending services. Although the Company has reviewed general reports concerning the number of houses being built, houses for sale, jobs created and people relocating to Metropolitan Phoenix, the Company has not reviewed any specific analysis concerning the demand for its niche in real estate lending. Although Mr. Chittick and the Company have developed a network of qualified borrowers and referral sources of current borrowers and escrow officers, there can be no assurance that there will continue to be sufficient demand for loans by qualified borrowers. To the extent that there is insufficient demand for loans by qualified borrowers, this could have an adverse effect on the anticipated demand for the Company's real estate lending services and limit the Company in its efforts to generate sufficient revenues to make scheduled interest and principal payments on the Notes needed for growth. See "Business-Target Markets and Potential Future Markets."

#### **Management of Rapid Growth**

The Company's success depends, to a large extent, on its ability to achieve growth in the number of loan applications and closings, the due diligence and servicing of these loans and the ability to manage this growth effectively. This growth will challenge the Company's management, resources and systems. As part of its business strategy, the Company intends to pursue continued growth through its business contacts, marketing capabilities and marketing alliances. As the Company continues to grow, the Company will need to expand its resources and systems to manage future growth, but there can be no assurance that the Company will continue to be able to grow in the future or to even manage this growth effectively. Failure to do so could materially and adversely affect the Company's business and financial performance. See "Business," and "Management."



**No Sinking Fund Provision; No Separate Loan Loss Reserve; Lack of Governmental Insurance**

The Notes represent general obligations of the Company and will not be subject to redemption through a sinking fund. Although the Company does not currently maintain a loan loss reserve fund, the Company's Management tries to maintain an allowance for losses as part of the Company's general assets at a level that Management believes is adequate to absorb any anticipated losses. At this time, the Company reserves the right to maintain such reserve in the Company's discretion, but the Company has no plans to currently implement a separate loan loss reserve fund. As a result, the risk of loss on the Notes is greater than would be the case if the Notes were backed by a sinking fund or if the Company funded and maintained a separate loan loss reserve fund. Repayment of the Notes by the Company is not secured by any property owned by the Company or any third party. There will be no limitation on the amount of future indebtedness that the Company may issue, create or incur, and the Company will not be prohibited from permitting liens to be placed on or creating senior liens on its property for any purpose, including for the purpose of securing payments or additional indebtedness. Furthermore, neither the Federal Deposit Insurance Corporation nor any other state or federal government agency insures the Notes. See "Description of Securities."

**Terms of Notes**

The Company expects to redeem the Notes as they mature, including the initial principal balance of each Note and all accrued and unpaid interest. However, the Company has the right to redeem the Notes at any time prior to maturity upon 30 days' written notice to the Noteholder. In the case of early redemption, the Company has the absolute discretion to select the Notes that it will redeem, and there is no requirement that Notes be redeemed from Noteholders on a pro rata or any other basis. Notes redeemed prior to maturity would prevent Noteholders of the Notes called for redemption from receiving the anticipated return on such Notes. See "Description of Securities."

#### **Proceeds From Subsequently Issued Notes May Be Used to Repay Earlier Maturing Notes**

The Company may be dependent upon the proceeds of subsequently issued Notes to repay earlier maturing Notes. If sufficient proceeds from such subsequently issued Notes are not raised, the Company would rely on its cash reserves, its operating capital and proceeds from the sale of Trust Deeds to repay the earlier maturing Notes. Such funds may be insufficient to repay the earlier maturing Notes, in which event the Company may be unable to repay such Notes or the subsequently issued Notes. The ability of a Noteholder to obtain payment of principal and interest on a Note in these circumstances could be limited to the extremely unlikely event that the Noteholder gains control over and sell assets of the Company. See "Use of Proceeds" and "Description of Securities."

#### **Variable Rates and Maturities of Notes**

Each Note bears a fixed rate of interest from the date of its issuance until maturity or early redemption. However, Notes issued subsequent to those purchased by an investor may be issued at higher or lower interest rates and shorter or longer maturities, depending upon market conditions and other factors. Notes outstanding at any given time will not be modified to reflect the terms and conditions of such subsequently issued Notes. Therefore, any particular investor risks investing in the Notes on terms less favorable than may be available at later dates to future investors. See "Description of Securities."

Management anticipates that the interest rate on each Note will be determined and agreed upon on the date of issuance, in significant part, by the demand for funds and the competitive environment in the foreseeable future by the Company. Since the interest rate the Company may charge for its loans to its customers is limited by competitive and other factors, the Company may not be able to increase the interest rates charged on its loans to compensate for increases in its funding rate to investors. Similarly, the Company may not be able to decrease the funding rate to its investors to compensate for decreases in the interest rates charged on its loans to its customers. Also, market forces could eliminate the interest rate difference between the interest

rate paid to Investors and the interest rate charged to the Company's customers. See "Description of Securities."

#### **Value of Company's Assets**

The Notes, together with all other outstanding Notes and all other advances or liabilities owed by the Company to any holder of an outstanding Note, will be unsecured as to any and all assets owned by or later acquired by the Company (the "Company's Assets"). There can be no assurance that the proceeds of any sale of the Company's Assets pursuant to and following an Event of Default (as defined in "Description of Securities") would be sufficient to repay the Notes. In addition, investors in the Notes will have no ability to cause a sale of Company Assets. See "Use of Proceeds," "Business" and "Description of Securities."

#### **Collections and Foreclosures**

The Company is responsible for collecting payments from loan obligors and for foreclosing under the applicable Trust Deed in the event of default by an obligor. If the Company must complete a project repossessed by it, the Company may have to inject additional capital, which it may not be able to fully recover. Further, the completion time may be in excess of one year, causing a severe strain on the cash flow of the Company, depending upon the project size. The Company also is subject to strict state law requirements in the collection and repossession of its collateral securing each loan. Although the Company will make every effort to comply with all applicable laws, any failure to comply may subject the Company to severe monetary damages or penalties and may result in administrative or judicial action against the Company. See "Business-Regulation."

#### **No Assurance of Conventional Financing for the Company's Operations**

In addition to Note proceeds, the Company may establish lines of credit or obtain various forms of financing from a financial institution or any other person or entity. The Company's

management believes that during the past few years, conventional financing for speculative business enterprises, such as the Company's lending operations, has become more difficult to obtain. If regular, continued sale of the Notes is not successful, and the Company is not able to obtain sufficient financing from other sources, the Company may be forced to sell Trust Deeds and/or loans in its portfolio to pay maturing Notes as they come due. Mr. Chittick has provided liquidity to the Company through an equity line of credit in the past and he intends to do so in the future. When Mr. Chittick advances funds to the Company from the equity line of credit, Mr. Chittick draws an interest rate of 12% per annum from the Company. Funds advanced in this manner are generally only short term (30-45 days). If the Company were to require additional conventional financing, the lender will probably secure its loan through Mr. Chittick to the Company by requiring a lien on the Company's Assets, including the Trust Deeds. The lender's lien would have priority to any claims of any of the investors in the Notes, which puts these investors at risk. There can be no assurance the Company would be able to receive sufficient proceeds from the sale of the loans or Trust Deeds to repay any additional financing, if applicable, and to repay all of the outstanding Notes. See "Use of Proceeds," "Business" and "Description of Securities."

Comment A19: Is this all accurate?

#### Regulation

Because it will not make loans for personal, family or household purposes, the Company believes it has structured its operations to be exempt from various federal and state regulations, and particularly from regulations affecting lending and financial institutions. If it is determined that the Company has not structured its operations so that it is exempt from regulation, the Company could become subject to extensive regulation, including the Truth in Lending Act, the Homeownership and Equity Protection Act of 1994, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Real Estate Settlement Procedures Act and the Home Mortgage Disclosure Act, as well as various state laws and regulations. Failure to comply with any of these requirements or any similar state law requirement, may result in, among other results, demands for indemnification or repurchase, rescission rights, lawsuits, administrative enforcement actions and civil and criminal liability. In addition, there can be no assurance that existing regulations will not be revised to govern the activities of the Company as currently

structured. Compliance with existing or future regulation could be costly and could materially and adversely affect the operations of the Company. See "Business -- Regulation," including the predatory mortgage lending discussion contained therein.

#### **FHA Regulations**

If new regulations are issued by the Federal Housing Administration or if a more strict interpretation of any of its regulations is implemented in the future, such regulations could reduce the demand for the Company's loans from prospective borrowers, which could impair the Company's ability to keep all of the proceeds from this offering fully invested. See "Business -- Regulation."

#### **No Assurance of Successful Placement of the Notes**

The Notes are being privately placed by the Company to qualified investors who intend to hold them for their own account until maturity. There is no underwriter, and there is no assurance that the Company will be successful in the continued placement of the Notes in a manner sufficient to satisfy its cash flow requirements to continue funding loans to its borrowers. See "Use of Proceeds" and "Business."

#### **Absence of Public Market/ Non-Transferability of Notes**

The Notes have not been registered under the Act or any state securities law and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Act and applicable state securities laws. The Company does not intend to register the Notes under the Act or any state securities law. In addition, the Notes are non-transferable without the prior written consent of the Company, which consent may be withheld in the Company's sole discretion. Accordingly, there is no public or private trading market for the Notes, and it is highly unlikely that a trading market

will develop. The Company has no obligation to make any effort to cause a trading market to develop and does not intend to take any actions to cause a trading market to develop. Accordingly, and because the restricted nature of the security prohibits the purchase of the Notes for any purpose other than holding to maturity, an investor in the Notes must anticipate holding the Notes to maturity. See "Description of Securities."

#### Impact of Change in Economic Conditions

An unforeseen change of general economic conditions, and particularly in Arizona and the southwestern United States, may adversely impact the Company's business and its ability to generate sufficient operating income to satisfy its debt obligations, including its obligations under the Notes as they become due. The Company maintains the right to adjust the interest paid in subsequently offered Notes and, on the Notes offered hereby, with a 30-day Interest Adjustment Notice. For Notes offered by this Confidential Private Offering Memorandum, the interest paid for the Note will automatically adjust to the amount stated in the Interest Adjustment Notice, unless within the 30-day notice period the Noteholder provides a written request to the Company for the Note to be prepaid. If the Noteholder provides such notice within the 30-day notice period, the interest paid on the Note will be unchanged until such time as the Company prepays the Note. In the past, Arizona's real estate market has been cyclical and has experienced severe fluctuations. Investors should anticipate that these real estate markets might experience cyclical fluctuations in the future. The Company would adjust its operations in response to changing conditions, but there can be no assurance that the Company will be able to operate as planned during periods of such fluctuation or adjust its operations to avoid the impact of such changed conditions. See "Business-Target Markets and Potential Future Markets."

Comment (A21): Note that the Company can adjust the interest of the Notes.

Comment (A21): Note that the Noteholder is required when there is an Interest Adjustment Notice to make the unilateral interest adjustment more enforceable. Also, because it may not always be feasible to prepay a Note when a Noteholder objects to an interest adjustment, we did not require the Company to prepay the Note within a certain time frame. By leaving the interest rate unchanged upon that is, in effect, (demonstrated by requesting prepayment), there is technically no penalty to the Noteholder for making an objection. In reality, the motivation to accept an interest adjustment will not be to avoid a penalty but to avoid an early prepayment that would end the investment opportunity. A claim is much more likely to enforce this scenario than a penalty for not accepting a unilateral interest adjustment.

#### Dependence on Key Personnel

The Company is dependent on the continued services of Mr. Chittick. The Company's ability to continue its lending operations would be significantly and adversely affected by the loss of Mr. Chittick if a qualified replacement could not be found without undue delay.

Although Mr. Chittick occasionally uses the services of outside consultants who have assisted Mr. Chittick in limited absences, it is unlikely that an outside consultant would be able to perform Mr. Chittick's duties as successfully as Mr. Chittick has done. If Mr. Chittick is disabled or unavailable for a long period of time, Mr. Chittick has developed a contingency plan for a consultant to wind down the Company's business, but there can be no assurance that such plan will be successful. See "Management-Contingency Plan in the Event of the Death or Disability of Mr. Chittick."

#### **Management's Outside Interests and Conflicts of Interest**

Mr. Chittick may maintain some activity in personal investments outside of the Company and he may manage similar types of outside portfolios as those maintained by the Company. Some of the Company's outside consultants who occasionally assist Mr. Chittick also make investments in loans secured by deeds of trust. In addition, Mr. Chittick invests in similar instruments on his own behalf. Since the Company plans to invest in portfolios similar to those of some of its consultants and Mr. Chittick, and because of the past (and limited present) consulting relationships between and among Mr. Chittick and some consultants, conflicts of interest exist and will continue to exist between the Company and the outside interests of Mr. Chittick and some consultants. See "Management."

#### **No Protections From Investment Company Act Registration**

The Company is not registered, and does not intend to register, under the Investment Company Act of 1940 in reliance upon an exclusion from the definition of an investment company provided in Section 3(c)(5) thereof. As a result, the operation and conduct of the Company's business will be subject to substantially less federal and state regulation and supervision than a registered investment company. If the Company was subject to the Investment Company Act of 1940, the Company would be required to comply with significant, ongoing regulation which would have an adverse impact on its operations. This could occur if a significant proportion of the proceeds from the sale of the Notes were invested in short-term debt

instruments for longer than a one-year period. The Company intends to take all reasonable steps to avoid such classification. See "Business."

#### **No Protections From Investment Advisers Act of 1940 or Analogous Arizona Law**

The Company is not registered or licensed, and does not intend to register or become licensed as an investment adviser with the State of Arizona or with the SEC pursuant to the Investment Advisers Act of 1940 because the Company's management believes that the Company is not engaged in the business of providing investment advice for compensation. Accordingly, the operation and conduct of the Company's business will be subject to less federal and state regulation and supervision than a registered investment adviser. If the Company was subject to the Investment Advisers Act of 1940 or the analogous Arizona law, the Company would be required to comply with significant, ongoing regulation which could cause the Company to incur additional costs, adversely impacting its operations. This could occur if the Company were deemed to be engaged in the business of providing investment advice for compensation and the Company cannot avail itself of the private investment adviser exemption under Arizona law or the forthcoming exemptions under the Rules to be promulgated by the SEC pursuant to the Dodd-Frank Act. The Company intends to take all reasonable steps to avoid such classification. See "Business."

#### **Control by and Benefits to Insiders**

Noteholders will not be able to influence the management of the Company because Mr Chittick owns all of the outstanding shares of common stock of the Company. See "Management" and "Principal Shareholder."



#### Difficulties and Costs of Continuous Offering

Until the maximum offering proceeds are attained or the Company terminates this offering, the Company expects to offer the Notes for placement on a continuing basis for ~~two~~ two years from the date of this Memorandum unless the Company changes its operations or method of offering in any material respect prior to the expiration of the two year offering period. See "Plan of Distribution." In order to continue offering the Notes during this period, the Company will need to update this Memorandum from time to time. Keeping the information in the Memorandum current will cause the Company to incur additional costs. A failure to update this Memorandum as required could result in the Company being subject to a claim under Section 10b-5 of the Securities Act for employing a manipulative or deceptive device in the sale of securities, subjecting the Company, and possibly the management of the Company, to claims from regulators and investors. In addition, an investor might seek to have the sale of the Notes hereunder rescinded which would have a serious adverse effect on the Company's operations.

Memorandum 1A22112 year

#### Certain Charter Provisions

Arizona law provides that Arizona corporations may include provisions in their articles of incorporation or bylaws relieving directors and officers of monetary liability for breach of their fiduciary duty as director or officers, respectively, except for the liability of a director or officer resulting from: (i) any transaction from which the director derives an improper personal benefit; (ii) acts or omissions involving intentional misconduct or the absence of good faith; (iii) acts or omissions showing reckless disregard for the director's or officer's duty; or (iv) the making of an illegal distribution to shareholders or an illegal loan or guaranty.

The Company's Articles of Incorporation provide that the Company's directors are not liable to the Company or its shareholders for monetary damages for the breach of their fiduciary duties to the fullest extent permitted by Arizona law. The Company's Bylaws provide that the Company may indemnify its directors and officers as to those liabilities and on terms and conditions permitted by Arizona law including the payment of expenses incurred by a director or

officer in advance of final disposition of the proceeding following the furnishing of certain written representations.

#### **Notes Are Unsecured General Obligations**

The Notes are unsecured obligations of the Company, and Noteholders will be general unsecured creditors of the Company. The Notes do not limit the Company's ability to obtain additional capital from other sources and do not limit the Company's ability to grant such other financing sources liens or other security interests in the Company's Assets and other property. If a bankruptcy proceeding is commenced by or against the Company, creditors of the Company who were granted a security interest in the Company's property will be entitled to repayment prior to any general unsecured creditors of the Company, including the Noteholders. The Company may also incur additional unsecured obligations, which could reduce the funds available for repayment of the Notes in a bankruptcy or other liquidation scenario. Title 11 of the United States Code (the Bankruptcy code") also specifies that certain other creditors be entitled to repayment prior to general unsecured creditors. There can be no assurance that the Noteholders will receive any payments in respect of the Notes if the indebtedness of any secured creditors of the Company exceeds the value of such secured creditors' collateral.

#### **Changes in Investment and Financing Policies Without Noteholder Approval**

The major business decisions and policies of the Company, including its investment and lending policies and other policies with respect to growth, operations, debt and distributions, will be determined by the Company's management. The Company's management will be able to amend or revise these and other policies, or approve transactions that deviate from these policies, from time to time without a vote of the Noteholders. Accordingly, the Noteholders will have no control over changes in strategies and policies of the Company, and such changes may not serve the interests of all the Noteholders and could materially and adversely affect the Company's financial condition or results of operations.

#### **Issuance of Additional Debt and Equity Securities**

The Company will have authority to offer additional debt and equity securities for cash, in exchange for property, services or otherwise. The Noteholders will have no presumptive right to acquire any such securities. Further, the Company is not subject to any agreement that limits or restricts the amount or the terms of additional debt that the Company may incur in the future. To the extent that the Company incurs debt and grants its creditors security interests in or other liens upon the Company's Assets or other collateral, those other creditors would enjoy priority in right of payment compared to the Noteholders, up to the value realizable from such collateral.

#### **Concentration of Loans in Arizona**

The Company's portfolio of loans is concentrated in Arizona. Consequently, the Company's operations and financial condition are dependent upon general trends in the Arizona market in which such concentration exists and, more specifically, its respective real estate market. A decline in a market in which the Company has a concentration may adversely affect the values of properties securing the Company's loans, such that the principal balance of such loans may equal or exceed the value of the underlying properties, making the Company's ability to recover losses in the event of a borrower's default unlikely. In addition, uninsured disasters such as floods, terrorism, and acts of war may adversely impact the borrowers' ability to repay loans, which could have a material adverse effect on the Company's results of operations and financial condition.

#### **Possible Inadequacy of Allowances for Loan Losses**

The Company's allowance for losses related to the loans is maintained at a level considered adequate by management to absorb anticipated losses, based upon historical experience and upon management's assessment of the collectibility of loans in the Company's portfolio from time to time. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates that may be beyond the

Company's control and such losses may exceed current estimates. Although management believes that the Company's allowance for losses related to the loans is adequate to absorb any losses on existing loans that may become uncollectible, there can be no assurance that the allowance will prove sufficient to cover actual losses related to the loans in the future.

Comment (A23) is not accurate.

#### **Broad Management Discretion as to Use of Proceeds**

The net proceeds to be received by the Company in connection with this offering will be used for working capital and general corporate purposes, including the funding of loans. Accordingly, management will have broad discretion with respect to the expenditure of such proceeds. Purchasers of the Notes will be entrusting their funds to the Company's management, upon whose judgment they must depend, with limited information concerning the specific working capital requirements and general corporate purposes to which the funds will ultimately be applied. See "Use of Proceeds."

#### **Company Is Exposed to Risks of Being a Lender**

The current economic downturn could severely disrupt the market for real estate loans and adversely affect the value of any outstanding real estate loans made by the Company, and in turn the Notes. Non-performing real estate loans may require substantial negotiations by the Company with the borrower in order for the Company to ultimately obtain the underlying property used as collateral for the loan. The Company may incur additional expenses to the extent it is required to negotiate with the borrower in order to obtain the underlying property. In the event the Company is unable to obtain the underlying property, because of the unique and customized nature of a real estate loan, certain real estate loans may not be sold easily. One or more non-performing real estate loans secured by property that the Company is unable to obtain could have a negative affect on the performance of the Company and the return on your investment.

#### **Governmental Action May Reduce Recoveries on Non-Performing Real Estate Loans**

In the event the Company decides to foreclose on a real estate loan, legislative or regulatory initiatives by federal, state or local legislative bodies or administrative agencies, if enacted or adopted, could delay foreclosure, provide new defenses to foreclosure or otherwise impair the ability of the Company to foreclose on a real estate loan in default. Various jurisdictions have considered or are currently considering such actions, and the nature or extent of the limitation on foreclosure that may be enacted cannot be predicted. Bankruptcy courts could, if this legislation is enacted, reduce the amount of the principal balance on a real estate loan, reduce the interest rate, extend the term to maturity or otherwise modify the terms of a bankrupt borrower's real estate loan.

#### **Property Owners Filing for Bankruptcy May Adversely Affect the Company and the Notes**

The filing of a petition in bankruptcy automatically stops or "stays" any actions to enforce the terms of a real estate loan. Further, the bankruptcy court may take other actions that prevent the Company from foreclosing on the underlying property. A court may require modifications of the terms of a real estate loan, including reducing the amount of each monthly payment, changing the rate of interest and altering the payment schedule, thus allowing the borrower to keep the underlying property and thus preventing foreclosure by the Company and/or making the sale of the real estate less profitable. A court may also permit a borrower to cure a monetary default relating to a real estate loan by paying arrearages within a reasonable period and reinstating the original real estate loan payment schedule, even if a final judgment of foreclosure has been entered in a state court. Any bankruptcy proceeding will, at a minimum, delay the Company in achieving its investment objectives and may adversely affect the Company's profitability.

#### **Violation of Various Federal, State and Local Laws May Result in Losses**

Violations of certain federal, state or local laws and regulations relating to the protection of consumers, unfair and deceptive practices and debt collection practices may subject the

Company to damages and administrative enforcement. In the event that a real estate loan issued by the Company was not originated in compliance with applicable federal, state and local law, the Company may be subject to monetary penalties and could result in the borrowers rescinding the affected real estate loan. As a result, the Company may not be able to achieve its financial projections with respect to the particular underlying property.

#### **Delays in Liquidation Due to State and Local Laws**

Property foreclosure actions are regulated by state and local statutes and rules and are subject to many of the delays and expenses of other lawsuits, sometimes requiring several years to complete. As a result, if the Company is not able to obtain the property voluntarily from the borrower, the Company may not be able to quickly foreclose on and subsequently sell a property securing a real estate loan.

#### **An Investment in the Notes May Not Be Consistent With Section 404 of ERISA**

Persons acting as fiduciaries on behalf of a qualified profit sharing, pension or other retirement trusts subject to the Employee Retirement Income Security Act of 1974 ("ERISA") should satisfy themselves that an investment in the Notes is consistent with Section 404 of ERISA and that the investment is prudent, taking into consideration cash flow and other objectives of the investor.

#### **There Can Be no Assurance of Confidentiality**

As part of the subscription process, investors will provide significant amounts of information about themselves to the Company. Pursuant to applicable laws, such information may be made available to third parties that have dealings with the Company, and governmental authorities (including by means of securities law-required information statements that are open to public inspection). Investors that are highly sensitive to such issues should consider taking steps

to mitigate the impact upon them of such disclosures (such as by investing in the Notes through an intermediary entity).

**Legal Counsel to the Company and Its President Does Not Represent the Noteholders**

Each investor must acknowledge and agree in the Subscription Agreement that legal counsel representing the Company and its President does not represent, and shall not be deemed under the applicable codes of professional responsibility, to have represented or to be representing, any or all of the investors.

**Legal Counsel to the Company Will Represent the Interests Solely of the Company and Its President**

Documents relating to the purchase of Notes, including the Subscription Agreement to be completed by each investor, will be detailed and often technical in nature. Legal counsel to the Company will represent the interests solely of the Company and its President, and will not represent the interests of any investor. Accordingly, each prospective investor is urged to consult with its own legal counsel before investing in the Company and the purchase of the Notes. Finally, in advising as to matters of law (including matters of law described in this Memorandum), legal counsel has relied, and will rely, upon representations of fact made by the Company's President. Such advice may be materially inaccurate or incomplete if any such representations are themselves inaccurate or incomplete, and legal counsel generally will not undertake independent investigation with regard to such representations.

**Federal Income Tax Risks**

The discussion entitled "Certain United States Federal Income Tax Considerations" includes a discussion of certain U.S. income tax risks involved in an investment in the Notes. The section does not discuss all aspects of U.S. federal income taxation that may be relevant to any particular investor and cannot address any investor's specific investment circumstances. In

addition, the section does not include a discussion of state, local or foreign tax laws. Each investor should consult its own tax advisor with respect to these and other tax consequences of an investment in the Notes.



## FORWARD-LOOKING STATEMENTS

This Confidential Private Offering Memorandum, including information incorporated by reference in this Memorandum, contains forward-looking statements regarding the Company's plans, expectations, estimates and beliefs. Actual results could differ materially from those discussed in, or implied by, these forward-looking statements. When used in this Memorandum, the words "anticipate," "intend," "believe," "estimate," and other similar expressions generally identify forward-looking statements, which are found throughout this Memorandum whenever statements are made that are not historical facts. Accordingly, such forward-looking statements might not accurately predict future events or the actual performance of an investment in the Notes. In addition, you must disregard any projections and representations, written or oral, which do not conform to those contained in this Confidential Private Offering Memorandum.

## USE OF PROCEEDS

The Company intends to use the net proceeds received from the sale of the Notes, primarily for operating capital, to purchase and fund Trust Deeds and to acquire interests in properties or notes, which the Company's management anticipates to be able to resell or collect as applicable. The proceeds from the sale of Notes may be used to repay earlier maturing Notes, provided, however, the Company will limit the amount of money that may be raised for this purpose so that the Company will not become subject to the Investment Company Act of 1940. See "Risk Factors – Proceeds From Subsequently Issued Notes May Be Used to Repay Earlier Maturing Notes."

The Company may use proceeds from this private placement for general business purposes, including rent, advertising, labor and administrative expenses, if needed, investment, expansion or the purchase of capital assets and to fund loans to borrowers and purchase Trust Deeds. However, the Company expects that no more than 2.0% percent of the proceeds of the offering will be allocated to general business purposes. The Company is not required to maintain reserves or to deposit any of the proceeds of the offering, into a reserve account, for the purpose of providing liquidity to service interest payments on, and redemption of, the Notes as they mature. The Company does not intend to maintain reserves from the proceeds of the offering in a cash reserve account. The remaining proceeds, net of cash reserves, if any, should be available to fund and purchase Trust Deeds. The Company is not required or obligated to give Noteholders notice of any changes in the Company's intended use of proceeds of the offering. See "Business."

Comment (A24) is still accurate.

The following table sets forth the Company's best estimates of the use of the minimum and maximum target gross proceeds from the sale of the Notes.

	<i>Target Amount Raised</i>	<i>Percent of Offering</i>
<i>Gross Offering Proceeds</i>	\$50,000,000	100%
<i>Commissions &amp; Costs (1)</i>	-0-	0%
<i>Cash Reserve (2)</i>	-0-	0%
<i>General Business (3)</i>	\$25,000	.05%
<i>Proceeds Available For Funding/ Purchase of Construction Loans (4)</i>	\$49,975,000	99.95%

Comment [A25]: Are these numbers all accurate?

- (1) The Company does not anticipate paying costs and commissions in excess of the costs associated with this offering. The Notes may be purchased directly from the Company without commission. Notes maturing more than two years also may be purchased by investors using qualified funds (i.e., IRA, SEP IRA, ROTH IRA and Keogh Plans), through a licensed broker-dealer and with an approved custodian; provided, that such investments meet the investor suitability requirement.
- (2) ~~Company intends (but is not required) to maintain cash reserves (or access to other funds) approximately equal to a minimum of one percent of the aggregate balance of Notes outstanding in its general accounts to provide funds to service interest payments and to facilitate redemption of the Notes.~~ This amount will be calculated using a proprietary cash-flow management model. Interest accruing in the general accounts will belong to the Company.
- (3) Company anticipates that its current facilities are adequate to fund real estate loans and to service the volume of contracts that would be purchased at the minimum level of proceeds. If its business is significantly increased, the Company may invest in additional personnel, computer equipment and facilities capable of processing increased data. General business expenses may also include the offering expenses.

Comment [A26]: Is this still accurate? If so, then why does the above calculation start at 0% for Cash Reserve?

- (4) This use of the proceeds is only an estimate and the Company reserves the right to allocate the proceeds in a different manner consistent with the Confidential Private Offering Memorandum.

### PRIOR PERFORMANCE

Mr. Chittick organized the Company in April of 2001 to provide a short-term funding source for primarily real estate developers and foreclosure specialists. Mr. Chittick has arranged for the funding and administration of real estate loans since that time. The paragraph below indicates the Company's history in raising money from investors, the number of loans made, the aggregate amount of such loans, the underlying values of the security for such loans and any problems with respect to such loans.

Mr. Chittick initially capitalized the company with one million dollars of his personal funds. From July 2001 through December 2001, an additional \$500,000 was raised from investors. In 2002, an additional \$930,000 was raised from investors. In 2003, an additional \$1,550,000 was raised from existing and new investors. In 2004, the amount from both old and new investors increased to an additional \$2,450,000. In 2005, an additional \$2,670,000 was raised from existing and new investors. In 2006, an additional \$2,800,000 was raised from existing and new investors. In 2007, an additional \$2,400,000 was raised from existing and new investors. In 2008, an additional \$3,000,000 was raised from existing and new investors. In 2009, an additional \$2,100,000 was raised from existing and new investors. In 2010, an additional \$2,800,000 was raised from existing and new investors. From January 2011 to June, 2011, an additional \$4,700,000 was raised from existing and new investors. From July 2011 to \_\_\_\_\_, an additional \$ \_\_\_\_\_ was raised from existing and new investors. Mr. Chittick uses an equity line of credit to help facilitate cash flow for the Company. All of the money raised from investors has been through the sale of promissory notes like those being offered in this placement. Such notes were for terms of 6 to 60 months and have, to date, drawn interest at the rate of 8 to 12% per annum. The Company has never defaulted on either interest or principal for any of such notes.

Comment [A27]: Are these details still accurate? Any updated figures?

The money raised by the Company from investors has historically been divided into a large portfolio of loans secured by marketable properties with varying values and locations in the Phoenix metro area. The Company is currently lending in approximately 20 cities in the Phoenix metro area, which includes Maricopa and Pinal Counties. The Company will have loans secured by properties in many of these cities simultaneously. The Company has endeavored to maintain

Comment [A28]: Is this still accurate?

a large and diverse base of borrowers as well as a diverse selection of properties as collateral for its loans to the borrowers. However, in response to the more recent challenging conditions in the real estate market, the Company has focused on maintaining relationships with borrowers that have a proven track record with a good payment history and performance. The Company continues to strive to achieve a diverse borrower base by attempting to ensure that one borrower will not comprise more than 10 to 15 percent of the total portfolio.

Comment (A29): Is this still accurate? If not, what % of the portfolio is from SBA's entities?

All real estate loans funded by the Company are intended to be secured through first position trust deeds. The loan to value ratio of the Company's overall portfolio has averaged less than 70% and the Company intends to maintain a loan to value ratio of 50% to 65%.

Comment (A30): Are these ratios still accurate?

Year	Loans Funded	Loan Value	Value of Loans	Loans Repaid	Loans Repaid Value	Value of Homes Repaid
2001	57	\$3,378,000.00	\$6,393,000.00	15	\$3,452,000.00	\$2,781,000.00
2002	69	\$5,685,000.00	\$878,000.00	65	\$5,267,000.00	\$9,076,300.00
2003	124	\$11,673,000.00	\$1,753,500.00	106	\$963,500.00	\$18,788,300.00
2004	185	\$19,907,000.00	\$30,422,600.00	170	\$17,951,700.00	\$26,939,500.00
2005	236	\$38,935,700.00	\$50,487,300.00	232	\$31,001,940.00	\$45,141,500.00
2006	215	\$34,468,100.00	\$52,784,000.00	212	\$35,301,250.00	\$53,057,200.00
2007	272	\$42,579,634.00	\$65,931,500.00	257	\$41,424,315.00	\$66,542,800.00
2008	304	\$38,864,660.00	\$63,671,300.00	257	\$34,578,755.00	\$56,369,400.00
2009	412	\$41,119,707.00	\$72,078,020.00	349	\$39,418,824.00	\$67,713,100.00
2010	390	\$37,973,097.00	\$63,771,350.00	355	\$37,175,201.00	\$61,666,170.00
2011	378	\$36,187,995.00	\$62,230,600.00	300	\$28,683,992.00	\$51,004,900.00
		\$306,786,893.00	\$470,411,170.00		\$274,416,977.00	\$439,340,370.00
	2622			2319		

\*Through June 30, 2011

Comment (A31): Were the 2011 figures together with adding 2012, 2013, and current 2014 figures.

From 2001-2005, all interest due from all loans was collected.

In 2006, one loan that was foreclosed on, and successfully resold, did not pay all the interest due. However, the small uncollected amount was absorbed by the Company.

In 2007, one condominium loan, two house loans, and one land loan were foreclosed. While the condominium and houses were sold with minimal principal loss, much of the interest

was collected on all four loans. One land loan was written off. The loss was absorbed by the Company

In 2008, one condominium and six homes were sold with minimal principal loss; much of the interest was collected on all the loans. The loss was absorbed by the Company. There were 15 more homes that were either foreclosed on or ownership was acquired through the deed in lieu process. These houses are presently either for sale on the retail market, or have been rented and are for sale on the investor market.

In 2009, one condominium and 12 homes were sold with principle loss; much of the interest was collected on all the loans. The loss was absorbed by the Company. The Company also acquired a 12-plex that was a construction loan. This is being rented and managed by a property management firm.

In 2010, one house was sold for a loss. It was acquired through foreclosure in 2009; the loss was absorbed by the Company.

In 2011, three homes were sold for a loss. The losses were absorbed by the Company. There were three homes that were sold for a gain and all interest was paid in full. One loan was foreclosed on, sold at the auction, all principle, interest, late fees and foreclosure fees associated with the sale were collected.

In 2012, \_\_\_\_\_.

In 2013, \_\_\_\_\_.

In 2014, \_\_\_\_\_ houses are presently in escrow, which will close in \_\_\_\_\_ to which a gain will be made: \_\_\_\_\_

The Company presently has three condominiums, 12 houses, and a 12-plex that are all being rented. A professional management company has been retained to manage these properties. All of these properties are listed to be sold. The rent received is at or slight negative to the cost of

Comment [A32]: How many homes owned by the Company are currently in escrow? Are losses or gains expected?

Comment [A33]: Does the Company currently have any rentals? If so, how many are there and what type of properties are they?

capital for the Company. It was Management's decision to retain these properties rather than sell them and take a loss. Now that the market has shown some signs of strengthening, it is believed that these properties can be sold for minimal loss to the Company.

Comment [A34]: What is the current situation? Is a professional engaged that Company used? Are the rentals listed to be sold? Etc.

The Company currently has one condominium and one lot that are for sale. The lot is currently being negotiated to be rented by a construction company at the cost of capital. The goal is sell both of these properties as soon as possible.

Comment [A35]: Current situation?

In April 2014, the Company agreed to a forbearance agreement (the "Work-Out") with two Foreclosure Specialists (the "Forbearance Debtors") regarding the terms of certain loans (collectively, the "Work-Out Loans"), which in aggregate totaled \$\_\_\_\_\_ in outstanding loans to the Foreclosure Debtors. At the time of the Work-Out, \$\_\_\_\_\_ in interest from the Work-Out Loans was due but unpaid. The Company and the Foreclosure Debtors agreed that the Work-Out Loans were in default under their terms as the properties that were used to secure the Work-Out Loans (each a "Forbearance Property," collectively, the "Forbearance Properties") were also used to secure approximately \$\_\_\_\_\_ in loans from third parties (each an "Outside Loan," and collectively, the "Outside Loans"). According to the Foreclosure Debtors, an agent of the Foreclosure Debtors had secured the Outside Loans without the Foreclosure Debtors' knowledge. In the opinion of the Company, the liens for both the Work-Out Loans and the Outside Loans resulted in many of the Forbearance Properties having an aggregate loan-to-value ratio in excess of 100%. The Company also opined that if it foreclosed on the Forbearance Properties, a dispute would arise between the Company and the lenders of the Outside Loans regarding which lender had the first lien position over the Forbearance Properties. To mitigate its risks regarding the Outside Loans, the Company initially loaned the Forbearance Debtors approximately \$5 million (the "Initial Loan") to satisfy and secure a release of the liens for some of the Outside Loans. In the Company's opinion, there still remained a risk of a dispute regarding the liens for the remaining Outside Loans. In light of these facts, the Company believed that the Work-Out provided the most feasible alternative to reach a satisfaction of the Work-Out Loans. Amongst other things, the terms of the Work-Out requires the Foreclosure Debtors to: (a) liquidate assets (expected to generate approximately \$4 to \$5 million); (b) apply all of its net proceeds from its operations (i.e., the rental and disposition of real estate) to resolve

Comment [A36]: Is this accurate? Did the Company loaned approx \$5 million prior to executing the Forbearance Agreement?



the lien disputes regarding the Forbearance Properties; (c) arrange for \$5.2 million in private outside financing; (d) agree to keep the Outside Loans current and in compliance with their respective terms; and (e) use these and other best efforts to satisfy and payoff the Outside Loans by no later than January 2015. To protect the interest of the Company, the terms of the Work-Out also requires the Foreclosure Debtors to: (s) ratify and agree to the increases to certain Work-Out Loans as a result of the Initial Loan; (t) cause appropriate title policies to be issued to insure that the Work-Out Loans constitute a valid and enforceable first and prior lien over the subject Forbearance Properties; (u) secure and maintain a life insurance policy in the amount of \$10 million, insuring the life of the principal of the Forbearance Debtors, with the Company named as the sole beneficiary; (v) provide the Company with a ratification of previous personal guarantees regarding the Work-Out Loans, together with a personal guarantee of the principal of the Forbearance Debtor regarding the terms of the Work-Out; (w) provide a new corporate guarantee (with a security agreement and retail inventory to serve as collateral) for the obligations of the Work-Out Loans and the terms of the Work-Out; (x) provide the Company details regarding the terms of the Outside Loans; (y) provide additional collateral in the event that any obligation of the Work-Out Loans are breached; and (z) reimburse the Company for \$80,000 in costs incurred as a result of the Work-Out. In consideration of these obligations of the Forbearance Debtors, the Company agreed, amongst other things, to defer (but not waive) collection of interest on the Work-Out Loans while the Outside Loans are being satisfied, and with the condition that the additional loans from the Company are used to satisfy Outside Loans, the Company agreed to increase (up to 120%) the maximum allowable loan-to-value ratio for certain Forbearance Properties and to provide up to \$6 million in additional loans (collectively, the "Additional Loans").

As a result of the Work-Out, including the Initial Loan and the Additional Loans, the loan to value ratio of the Company's overall portfolio averaged \_\_\_\_%, as of \_\_\_\_, 2014. Additionally, as of \_\_\_\_, 2014, \_\_\_\_% of all of the Company's outstanding loans are concentrated with one of the Forbearance Debtors and \_\_\_\_% is concentrated with the Forbearance Debtor. Both of these Forbearance Debtors have the same principal

Since inception through April 30, 2014, the Company has participated in 1 loans, with an average loan amount of \$\_\_\_\_\_, with the highest single loan being \$\_\_\_\_\_ and lowest being \$\_\_\_\_\_. The aggregate amount of loans funded is \$306,786.89, with property values totaling \$470,431,170. The total amount of loans that have funded and closed is \$274,416.97, with home values equaling \$453,540,340. These loans have borne interest rates of 18% per annum. The interest rate paid to noteholders has ranged from 8% to 12% per annum through such date. Each and every Noteholder has been paid the interest and principal due to that Noteholder in accordance with the respective terms of the Noteholder's Notes. Despite any losses incurred by the Company from its borrowers, no Noteholder has sustained any diminished return or loss on their investment in a Note from the Company.

Comment 1A373: as July 2011, the # was 20722

Comment 1A381: We need updated figures for the responsibility regarding interest and payments to Noteholders #27

## MANAGEMENT

### Directors and Executive Officers

The Director and Executive Officer of the Company are: Denny J. Chittick, 43, President, Vice President, Treasurer, and Secretary. Comment (A39) - What is your current age?

Denny J. Chittick worked at Insight Enterprises, Inc, a publicly traded company, for nearly 10 years, holding many different positions from finance, accounting, operations and held the position of Sr. Vice President and CIO when he left the company in 1997. Since leaving Insight, he has been involved in several different companies, including a software company, internet company and finance company. Mr. Chittick holds a degree in Finance from Arizona State University.

### Real Estate Consultant

The Company will have only one employee, which will require the Company to use outside consultants on a periodic basis to provide various services. These consultants may be retained to assist with any necessary due diligence in connection with these loans and, to the extent necessary, to assist with the closing of a loan.

### Employees

With the assistance of outside consultants on an as-needed basis, Mr. Chittick intends to operate the Company as its primary employee, analyzing, negotiating, originating, purchasing and servicing Trust Deeds by himself. As the portfolio of contracts increases, the Company may add additional personnel.

#### Contingency Plan in the Event of Death or Disability of Mr. Chittick

In the event that Mr. Chittick is unable to perform his duties to continue the operation of the Company in any capacity, Mr. Chittick has a written agreement with Robert Koehler, an owner of RUS Capital, Inc. to provide or arrange for any necessary services for the Company. Mr. Koehler has fifteen (15) years of experience supporting real estate loan portfolios similar to the portfolio of the Company. Mr. Koehler holds a real estate license in Arizona and has worked as a loan officer in the residential and commercial transactions and has conducted due diligence effort for thousands of private purchase of notes and trust deeds. Mr. Koehler is respected as a member of the Arizona real estate investment community by investors, borrowers, mortgage brokers, escrow officers and real estate agents. As part of this contingency plan, Mr. Koehler is a signatory on the Company's bank accounts. On a weekly basis, Mr. Koehler receives an updated spreadsheet of all properties currently being used as collateral for a loan. On a monthly basis, Mr. Koehler receives a spreadsheet of all the investors and what is owed to each of them and receives the monthly statements for all investors. Pursuant to the agreement with Mr. Koehler, upon Mr. Koehler's receipt of instructions from Mr. Chittick, or from other designated individuals or upon medical confirmation that Mr. Chittick is unable to continue to perform his duties as President of the Company for an extended period of time, Mr. Koehler will act to close down the Company's business by collecting all of the monies due on the Trust Deeds and Mr. Koehler will return all of the principal and interest owed to the investors pursuant to the Notes.

Comment (A40): is this still accurate?

Comment (A41): is this still accurate?

#### Management Compensation

As the sole shareholder, Mr. Chittick receives a salary consistent with IRS guidelines. Salary adjustments are made at year-end in order for Mr. Chittick to fund his 401(K) and to pay his income taxes. Year-end profits are taxed to Mr. Chittick pursuant to the U.S. Internal Revenue Code rules applicable to Subchapter S corporations. Therefore, year-end profits may be distributed to Mr. Chittick. In addition, Mr. Chittick is paid interest on Notes funded by Mr. Chittick in the same manner as the other investors. See "Management - Management Compensation" As the Company expands its lending operations and increases the workload of

Mr. Chittick, he reserves the right to receive an increased salary so long as there is no current default under the Notes.

#### Ownership Compensation

The Company receives its revenue primarily from interest earned on trust deeds, rents on properties owned by the Company, interest on cash reserve accounts, and interest earned on investments made by the Company after subtracting interest paid on its debts. The amount of profits, and therefore, compensation to Mr. Chittick, will be dependent upon the amount of Notes sold, Trust Deeds acquired, loans made and the terms of such loans. After payment of its principal and interest obligations under the Notes, the Company distributes the balance to Mr. Chittick; provided, however, the Company may (but is not required to) retain earnings in the Company up to a level of "reserve" or "retained earnings" goals that the Company deems adequate. Subject to the need to adjust these goals due to special liquidity needs due to plans to repay Notes or to fund future Trust Deeds, the Company anticipates that it will be able to achieve and maintain adequate reserve goals to meet the Company's obligations.

Mr. Chittick may have significant investments in the Notes, for which the Company will pay him monthly interest on the same basis as other Noteholders which investment amount will be subordinated to all other Notes placed pursuant to this Memorandum. (Mr. Chittick currently has invested approximately \$\_\_\_\_\_ in Notes, but this amount varies from \$1.9 million to \$3.2 million.) See "Description of Securities." The Company intends to pay to Mr. Chittick all retained earnings in excess of any reserves deemed necessary or desirable by Mr. Chittick to meet the Company's obligations.

Comment (242): "Are these figures still accurate?"

# PRINCIPAL SHAREHOLDER

The following table sets forth the beneficial ownership of shares of the Company's outstanding common stock.

Name and Address	Number of Shares	Percent
Denny J. Chittick 6132 W. Victoria Place Chandler, AZ 85226	500,000	100%

The Company is authorized to issue up to 25,000,000 shares of common stock, but has no intent to issue additional common stock at this time.

Comment (A3): All these details will be made  
Are any shares held by a trust?

## **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

### **Ownership**

Based on his 100 percent ownership of the Company's common stock, Mr. Chittick maintains the exclusive ability to elect directors, appoint officers and manage the operations of the Company.

### **Competing Businesses**

During the four years prior to forming the Company, Mr. Chittick personally invested in companies and in real estate loans that are substantially similar to the Company's investments in Trust Deeds. In addition to his activities on behalf of the Company, Mr. Chittick reserves the right to continue his personal investments in real estate and instruments similar to Trust Deeds, which are considered competing businesses of the Company. See "Risk Factors – Management's Outside Interests and Conflicts of Interest."

## DESCRIPTION OF SECURITIES

The Company is offering up to \$50 million in Notes. The minimum denomination is \$50,000, and the maximum denomination is \$1,000,000 in a single note. An investor may purchase more than \$1,000,000 in Notes, but it will be distributed over different Notes. Denominations increase from the minimum to the maximum in additional increments with a minimum incremental increase of \$10,000. Until the maximum offering proceeds are attained or the Company terminates this offering, the Company expects to offer the Notes for placement on a continuing basis for ~~two~~ years from the date of this Memorandum. Absent an earlier termination, the offering will continue for so long as the Company has not changed its operations or method of offering in any material respect. If the Company changes its operations or method of offering in any material respect, the Company will update the Memorandum as necessary to provide correct information to investors. The Company may experience difficulties in conducting a continuous offering of Notes. See "Risk Factors - Difficulties and Costs of Continuous Offering."

Comment (A44): Two years?

The Notes are general obligations of the Company and are superior in priority and liquidation preference to any Notes payable to Mr. Chittick. Mr. Chittick has agreed to subordinate any Notes to which he subscribes to Notes with similar maturities placed with other investors. ~~Although the Company has never defaulted with respect to a Note, including any regular interest payment or the principal and interest due upon the maturity of the Note, if the~~ Company should ever be in default with respect to any Note, Mr. Chittick will subordinate any Notes he may hold until the default is cured and Mr. Chittick will also defer any compensation until the default is cured. While Mr. Chittick has agreed and will act as set forth above in this Memorandum, such agreement is not evidenced in a separate writing signed by Mr. Chittick.

Comment (A45): Is this statement still accurate?

The Notes will bear interest at the rates stated for the term selected. ~~The investor may elect to have interest paid monthly, quarterly or annually and be paid at maturity.~~ If the investor elects to have interest paid at maturity or quarterly, the interest will accrue monthly and earn compounded interest. Interest is payable on the last day of each period to the investors of the Notes at the principal office of the Company in Chandler, Arizona. At the option of the

Comment (A46): Can an investor elect that the Note is executed to does the selected need to be made and detailed in the Note?



Company, interest payments may be paid by check mailed to the address of the investor entitled thereto as it appears on the Subscription Agreement for the Notes. An investor may request in writing to the Company that a deposit be made to a designated bank or investment account.

The Notes are not transferable without the prior written consent of the Company, which the Company may withhold in its sole discretion. The Company anticipates withholding its consent if the transfer could jeopardize the Company's exemption under Regulation D or any applicable state blue-sky law or the Company's exclusion from the definition of an investment company under the Investment Company Act of 1940.

The Notes are unsecured and are not insured or guaranteed by any state or federal government entity or any insurance company. In event of default, an investor could look only to the Trust Deeds or other assets of the Company for repayment.

As unsecured, general obligations of the Company, the Notes will not have any specific collateral. The Company's Assets include all of the Company's right, title and interest in Trust Deeds owned by the Company, together with all payments and instruments received thereto, real estate owned by the Company as a result of a deed-in-lieu of foreclosure due to a borrower default, and all proceeds of the conversion of any of the foregoing into cash or other liquid property. So long as the Company is not in default on the Notes, the Company is permitted to freely transfer, sell or substitute, in the normal course of business, any Trust Deeds it owns, subject to general restrictions concerning transfers of property; provided, however, the Company may transfer, sell or substitute one or more Trust Deeds if such transfer, sale or substitution is done in connection with a plan to cure a default.

On an annual basis, the Company will retain an independent accounting firm to prepare the 1099's to be issued by the Company to the investors and to prepare the tax return for the Company. On an annual basis and upon written request from an investor, the Company will certify to the requesting investor(s) that the aggregate outstanding principal amount of all cash accounts, other property and Trust Deeds is at least equal to the principal amount of outstanding Notes as of the date of the request.

The Company maintains the right to adjust the interest paid in subsequently offered Notes and on the Notes offered hereby with a 30 days' Interest Adjustment Notice. For Notes offered by this Confidential Private Offering Memorandum, the interest paid for the Note will automatically adjust to the amount stated in the Interest Adjustment Notice unless within the 30 day notice period the Noteholder provides a written request to the Company for the Note to be prepaid. If the Noteholder provides such notice within the 30 day notice period, the interest paid on the Note will be unchanged until such time as the Company prepays the Note. Any such modification of the interest rate or term will not affect Notes then issued and outstanding.

Notes are initially being offered at the following rates and maturities:

Note Terms (2) (3)			
Note Amount (1)	6 Months	1 Year	2 Years to 5 Years
\$50,000 and up	8% <sup>(4)</sup>	10% <sup>(4)</sup>	12% <sup>(4)</sup>

- (1) Note amounts are issued in varied denominations from \$50,000 to \$1,000,000, and in additional increases with a minimum of \$10,000. For qualified funds, the Company will accept minimum contributions in such amounts as reasonably determined by the Company
- (2) Although the Company intends to use its good faith efforts to accommodate written requests from an investor to prepay any Note prior to maturity and the Company has in fact been able to satisfy such requests in a timely manner with interest paid in full, the Company has no obligation to do so and the investor has no right to require the Company to redeem the Note prior to maturity. Upon the Company's election to honor an investor's request to prepay any Note prior to maturity, the Company reserves the right to cap an investor's payment to the investor at the interest rate that would have been payable for the annual outstanding term of the Note.
- (3) The Notes may be redeemed by the Company at any time prior to maturity upon 30 days written notice to the investor at a price equal to the principal amount of the Note plus accrued interest to the date of redemption.

Comment [A47]: Note: Giving the Noteholder an option when there is an Interest Adjustment Notice makes the unilateral interest adjustment more enforceable. Also, because it may not always be feasible to prepay a Note when a Noteholder objects to an interest adjustment, we do not require the Company to prepay the Note within a certain time frame. By leaving the interest rate unchanged when there is an objection (demonstrated by requesting prepayment), there is technically no penalty to the Noteholder for making the objection. In reality, the motivation to accept an interest adjustment will not be to avoid a penalty but to avoid an early prepayment that would end the investment opportunity. A court is much more likely to enforce this scenario than a penalty for not accepting a unilateral interest adjustment.

Comment [A48]: All of these figures will decrease.

Comment [A49]: Do you still want to make this representation? Is the statement still accurate today?

Comment [A50]: Note: Is it very questionable whether a Court would enforce a unilateral adjustment like this.

(4) The Company maintains the right to adjust the interest paid in subsequently offered Notes and on the Notes offered hereby with a 30 days' Interest Adjustment Notice. For Notes offered by this Confidential Private Offering Memorandum, the interest paid for the Note will automatically adjust to the amount stated in the Interest Adjustment Notice unless within the 30 day notice period the Noteholder provides a written request to the Company for the Note to be prepaid. If the Noteholder provides such notice within the 30 day notice period, the interest paid on the Note will be unchanged until such time as the Company prepays the Note.

The Company has the right to sell, encumber, mortgage, create a lien on or otherwise dispose of any or all of its property, or in any manner secure an indebtedness so that such indebtedness shall have a claim against the assets of the Company securing such indebtedness, all without the consent of the investors of the outstanding Notes provided no Notes are in default. Any security interest granted in any of the Company's assets to secure indebtedness will be superior in priority to the general claim of a Noteholder.

Default may occur with respect to one Note and not another. The Company shall be in default of a particular Note if any of the following events ("Event of Default") occurs with respect to that Note: (a) default for 30 days in any payment of interest on a Note when due; (b) default for 15 days in any payment of principal on a Note when due after maturity; (c) a filing for protection by the Company under Chapters 11 or 7 of the U.S. Bankruptcy Code or a filing for the Company under the U.S. Bankruptcy Code by creditors of the Company which filing is not dismissed within 90 days of the filing date; or (d) default for 90 days after receiving appropriate notice of a breach of any other covenant applicable to a Note. Notwithstanding the events listed above, Mr. Chittick may defer any payment of interest or principal due to Mr. Chittick or an entity controlled by him on any of the Notes subscribed to personally by Mr. Chittick without creating an Event of Default.

The Company may not consolidate with or merge into any corporation, or transfer substantially all of its assets to any person, unless the successor corporation or transferee assumes the Company's obligations on the Notes. The Company has no present intention of merging with another company or consolidating with another company or transferring its assets.

Comment (AS1): Since giving the Noteholder an option when there is an Interest Adjustment Notice makes the unilateral interest adjustment more enforceable. Also, because it may not always be feasible to prepay a Note when a Noteholder objects to an interest adjustment, we did not obligate the Company to prepay the Note within a certain time frame. By leaving the interest rate unchanged when there is an objection (demonstrated by requesting prepayment), there is technically no penalty to the Noteholder for making the objection. In reality, the Noteholder is subject to interest adjustment will not be to avoid a penalty but to avoid an early prepayment that would end the spread rate opportunity. A court is much more likely to enforce a note penalty than a penalty for not accepting a unilateral interest adjustment.

Comment (AS2): We do not want this comment to the Company's ability to transfer its assets.

#### PLAN OF DISTRIBUTION

The Notes may be purchased directly from the Company without commission. Notes maturing in two through five years also may be purchased with qualified monies (such as IRA, SEP IRA, ROTH IRA and KEOGH plans) through a licensed broker-dealer and with an approved custodian; provided, that such investments meet the investor suitability requirements. Transaction costs for Notes purchased with qualified funds will be paid by the Company up to one percent of the Note's face amount. The principal amount of the Note will be equal to the amount paid by the investor, and interest would be calculated on that amount.

The Notes are not registered with the SEC or any other state or federal regulatory agency. No state or federal agency has made any finding or determination as to the fairness of this offering for investment, the adequacy or accuracy of the disclosures, or any recommendation or endorsement of the Notes.

The offering and sale of the Notes is intended to be exempt from registration under the Act by virtue of one or more of the following exemptions provided by: (i) Section 4(2) of the Act, and (ii) Regulation D promulgated under the Act. See "Investor Suitability." In accordance therewith, substantial restrictions are placed on the offering and purchase of the Notes, including, but not limited to, the following:

- (1) The transaction may not include any public offering. The offer to sell Notes must be directly communicated to the investor by an officer of the Company and at no time may the Company advertise or solicit by means of any leaflet, public promotional meeting, newspaper or magazine article, radio or television advertisement or any other form of general advertising or general promotion.
- (2) The Notes may be purchased only for the investor's own account, for investment purposes only and not with a view to distribution, assignment, hypothecation, resale or to fractionalization in whole or in part.
- (3) An investor must meet certain suitability requirements, which are set forth under "Investor Suitability."

- (4) The Company must have furnished and made available for inspection all documents and information that the investor has reasonably requested relating to an investment in the Company, including its Articles of Incorporation, stock records and financial account records.

#### DETERMINATION OF OFFERING PRICE

The rate of return for the Notes offered hereby will be set from time to time by management of the Company to approximate a rate of return competitive with similar securities of other companies engaged in the finance industry. The Company has been in operation since April 2001. There is no market for the Company's securities and none is expected to develop. Accordingly, the rate of return on any Note bears no relation to the results of the Company, to any market price for the Company's securities, to the level of risk involved, or to any recognized measure of valuation or return on investment.

## **CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS**

The following is a general discussion of certain U.S. federal tax considerations and consequences that may be relevant to a decision to acquire, own and dispose of Notes by an initial holder thereof. This summary only applies to Notes held as capital assets (generally, property held for investment) within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"). Except as set forth below, this summary does not address all of the tax consequences that may be relevant to a particular Noteholder and it is not intended to be applicable to Noteholders that are subject to special tax rules, such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, U.S. expatriates, partnerships or other pass-through entities, tax-exempt organizations or dealers or traders in securities or currencies, or to Noteholders that will hold Notes as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes or that have a functional currency other than the U.S. dollar. Moreover, except as set forth below, this summary does not address the U.S. federal estate and gift tax law, the tax laws of any state, local or foreign government or alternative minimum tax consequences of the acquisition, ownership or other disposition of Notes and does not address the U.S. federal income tax treatment of Noteholders that do not acquire Notes as part of the initial distribution at their initial issue price. Each prospective investor should consult its tax advisor, attorney and accountant with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, holding and disposing of Notes.

This summary is based on current provisions of the Code, as amended, existing and proposed U.S. Treasury Regulations, current administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein. No advance tax ruling has been sought or obtained from the Internal Revenue Service regarding the tax consequences of the transactions described herein. This discussion does not address tax considerations arising under the laws of any particular state, local or foreign jurisdiction.

**PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR TAX ADVISORS, ATTORNEYS AND ACCOUNTANTS REGARDING THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE NOTES IN LIGHT OF THEIR PARTICULAR SITUATIONS, AS WELL AS ANY TAX CONSEQUENCES THAT MAY ARISE UNDER THE LAWS OF ANY FOREIGN, STATE, LOCAL OR OTHER TAXING JURISDICTION.**

For purposes of this summary, a "U.S. Holder" is a beneficial owner of Notes who for U.S. federal income tax purposes is (i) a citizen or resident (or is treated as a resident for U.S. federal income tax purposes) of the United States; (ii) a corporation created or organized in or under the laws of the United States or any State or political subdivision thereof; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (1) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes or (2) (a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control. A "Non-U.S. Holder" is a beneficial owner of Notes who for U.S. federal income tax purposes is (i) a non-resident alien individual; (ii) a foreign corporation; or (iii) a foreign estate or trust the fiduciary of which is a nonresident alien.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such partner should consult its own tax advisor as to its consequences of holding and disposing of the Notes.



## **U.S. Holders**

### ***Interest***

Except as set forth below, interest paid on a Note generally will be includible in a U.S. Holder's gross income as ordinary interest income at the time it is paid or accrued in accordance with the U.S. Holder's usual method of tax accounting for U.S. federal income tax purposes.

### ***Market Discount***

A holder of Notes may in very limited circumstances, transfer their Notes to third parties. If the Company authorizes such a transfer, Notes sold on a secondary market after their original issue for a price lower than their stated redemption price at maturity are generally said to be acquired at market discount. Code Section 1278 defines "market discount" as the excess, if any, of the stated redemption price at maturity of the Note, over the purchaser's initial adjusted basis in the Note. If, however, the market discount with respect to a Note is less than 1/4th of one percent (.0025) of the stated redemption price at maturity of the Note multiplied by the number of complete years to maturity from the date the subsequent purchaser has acquired the Note, then the market discount is considered to be zero. Notes acquired by holders at original issue and Notes maturing not more than one year from the date of issue are not subject to the market discount rules.

Gain on the sale, redemption or other disposition of a Note, including full or partial redemption thereof, having "market discount" will be treated as interest income to the extent the gain does not exceed the accrued market discount on the Note at the time of the disposition. A holder may elect to include market discount in taxable income for the taxable years to which it is attributable. The amount included is treated as interest income. If this election is made, the rule requiring interest income treatment of all or a portion of the gain upon disposition is inapplicable. Once the election is made to include market discount in income currently, it cannot be revoked without the consent of the IRS. The election applies to all market discount notes acquired by the holder on or after the first day of the first taxable year to which such election applies.

#### *Sale, Exchange or Disposition of Notes*

A U.S. Holder's adjusted tax basis in a Note generally will equal the cost of the Note to such U.S. Holder, increased by any original issue discount ("OID") or market discount previously included by the holder in income with respect to the Note. Upon the sale, exchange or other disposition of a Note, a U.S. Holder will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other disposition (less an amount equal to the accrued but unpaid interest which will be taxable as ordinary income) and such U.S. Holder's adjusted tax basis in the Note. Any such gain or loss generally will be capital gain or loss. In the case of a noncorporate U.S. Holder, capital gains derived in respect of a Note that is held as a capital asset and that is held for more than one year are eligible for reduced income tax rates and may be deemed a long-term capital gain. The deductibility of capital losses is subject to limitations.

#### **Non-U.S. Holders**

##### *Interest*

Subject to the discussion below under the heading "U.S. Backup Withholding and Information Reporting," payments of principal of, and interest on (including any OID), a Note to (i) a controlled foreign corporation, as such term is defined in Section 957 of the Code, which is related to the Company, directly or indirectly, through stock ownership, (ii) a person owning, actually or constructively, securities representing at least more than 50% of the total combined outstanding voting power of all classes of the Company's voting stock and (iii) banks which acquire such Note in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. withholding tax provided that the beneficial owner of the Note provides certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "U.S. Backup Withholding and Information Reporting," or an exemption is otherwise established.

If a Non-U.S. Holder cannot satisfy the requirements above, payments of interest made to a Non-U.S. Holder will be subject to a U.S. withholding tax equal to 30% of the gross payments

made to the Non-U.S. Holder unless the Non-U.S. Holder provides the Company or the Company's paying agent, as the case may be, with a properly executed (1) IRS Form W-8BEN claiming an exemption from or reduction in withholding under the benefit of an applicable income tax treaty or (2) IRS Form W-8ECI stating that interest paid on the note is not subject to withholding tax because it is effectively connected with the beneficial owner's conduct of a trade or business in the United States. Alternative documentation may be applicable in certain situations.

If a Non-U.S. Holder is engaged in a trade or business in the United States and interest on a note is effectively connected with the conduct of such trade or business, the Non-U.S. Holder, although exempt from withholding as discussed above (provided the certification requirements described above are satisfied), will be subject to U.S. federal income tax on such interest (including OID) on a net income basis in the same manner as if the Non-U.S. Holder were a U.S. Holder. In addition, if such Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or lesser rate under an applicable income tax treaty) of such amount, subject to adjustments.

#### *Sale, Exchange or Other Disposition of Notes*

Subject to the discussion below under the heading "U.S. Backup Withholding and Information Reporting," any gain realized by a Non-U.S. Holder upon the sale, exchange or other disposition of a Note generally will not be subject to U.S. federal income tax or withholding tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of such sale, exchange or disposition and certain other conditions are met. Special rules may apply upon the sale, exchange or disposition of a Note to certain Non-U.S. Holders, such as "controlled foreign corporations," "passive foreign investment companies," "foreign personal holding companies" and certain expatriates, that are subject to special treatment under the Code. Such entities and individuals should consult their own tax advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them.

#### **U.S. Federal Estate Taxes**

A Note that is held by an individual who at the time of death is not a citizen or resident (as specially defined for United States federal estate tax purposes) of the United States will not generally be subject to U.S. federal estate tax as a result of such individual's death, provided that such individual is not a shareholder owning actually or constructively more than 10% of the total combined voting power of all classes of our stock entitled to vote and, at the time of such individual's death, payments of interest with respect to such note would not have been effectively connected with the conduct by such individual of a trade or business in the United States.

#### **U.S. Backup Withholding and Information Reporting**

##### ***U.S. Holders***

Information reporting requirements will apply to certain payments of principal and interest and the accrual of OID, if any, on an obligation and to proceeds of the sale, exchange or other disposition of an obligation, to certain U.S. Holders. This obligation, however, does not apply with respect to certain U.S. Holders including, corporations, tax-exempt organizations, qualified pension and profit sharing trusts and individual retirement accounts. In general, the Company is required to file with the IRS each year a Form 1099 information return reporting the amount of interest that was paid or that is considered earned by a U.S. Holder with respect to the Notes held during each calendar year, and a U.S. Holder is required to report such amount as income on its federal income tax return for that year. A U.S. backup withholding tax currently at a rate of 28% will apply to such payments if a U.S. Holder fails to provide a correct taxpayer identification number or certification of other tax-exempt status or fails to report in full dividend and interest income. Any amount withheld under the backup withholding rules is allowable as a credit against the taxpayer's U.S. federal income tax liability, provided that the required information is furnished to the IRS.

### *Non-U.S. Holders*

Information reporting will generally apply to payments of interest on a Note to a Non-U.S. Holder and the amount of tax, if any, withheld with respect to such payments. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under the provisions of an applicable income tax treaty. Payments of principal and interest on any Notes to Non-U.S. Holders will not be subject to any U.S. backup withholding tax if the beneficial owner of the Note (or a financial institution holding the note on behalf of the beneficial owner in the ordinary course of its trade or business) provides an appropriate certification to the payor and the payor does not have actual knowledge or reason to know, that the certification is incorrect. Payments of principal and interest on Notes not excluded from U.S. backup withholding tax discussed above generally will be subject to United States withholding tax at a rate of 28% except where an applicable United States income tax treaty provides for the reduction or elimination of such withholding tax.

Comment [A53]: Is this still accurate today?

In addition, information reporting and, depending on the circumstances, backup withholding, will apply to the proceeds of the sale of a Note within the United States or conducted through United States-related financial intermediaries unless the beneficial owner provides the payor with an appropriate certification as to its non-U.S. status and the payor does not have actual knowledge or reason to know that the certification is incorrect.

Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against a Non-U.S. Holder's U.S. federal income tax liability provided the required information is furnished to the Internal Revenue Service.

THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE ACQUISITION, OWNERSHIP, DISPOSITION OR RETIREMENT OF THE NOTES. PROSPECTIVE INVESTORS OF NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS, ATTORNEYS AND ACCOUNTANTS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.

## INVESTOR SUITABILITY

### General

An investment in the Notes involves significant risks and is suitable only for persons of adequate financial means who have no need for liquidity with respect to this investment and who can bear the economic risk of a complete loss of their investment. This private placement is made in reliance on exemptions from the registration requirements of the Act and applicable state securities laws and regulations.

The suitability standards discussed below represent minimum suitability standards for prospective investors. The satisfaction of such standards by a prospective investor does not necessarily mean that the Notes are a suitable investment for such prospective investor. Prospective investors are encouraged to consult their personal financial advisors to determine whether an investment in the Notes is appropriate. The Company may reject subscriptions, in whole or in part, in its absolute discretion.

The Company will require each investor to represent in writing, among other things, that (i) by reason of the investor's business or financial experience, or that of the investor's professional advisor, the investor is capable of evaluating the merits and risks of an investment in the Notes and of protecting its own interest in connection with the transaction, (ii) the investor is acquiring the Notes for its own account for investment only and not with a view toward the resale or distribution thereof, (iii) the investor is aware that the Notes have not been registered under the Act or any state securities laws and that there is no market for the Notes, (iv) such investor meets the suitability requirements set forth below and (v) they have read and taken full cognizance of the Risk Factors and other information set forth in this Confidential Private Offering Memorandum.

#### Suitability Requirements

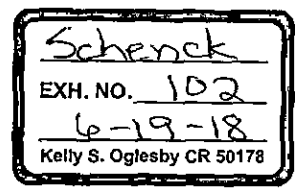
Except as set forth below, each investor must represent in writing that it: (a) is "sophisticated" in so far as it is sufficiently knowledgeable and experienced in financial and business matters to be able to evaluate the merits and risks of an investment in the Notes either alone or with a purchaser representative; (b) is able to bear the economic risk of an investment in the Notes, including a loss of the entire investment; and (c) qualifies as an "accredited investor," as such term is defined in Rule 501(a) of Regulation D under the Act and must demonstrate the basis for such qualification. To be an accredited investor, an investor must fall within any of the following categories at the time of sale of Notes to that investor:

- (1) A bank as defined in Section 3(a)(2) of the Act or a savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary capacity; a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; an insurance company as defined in Section 2(13) of the Act; an investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; a Small Business Investment Company licensed by the United States Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000; an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;
- (2) A private business development company as defined in Section 202(a) (22) of the Investment Advisers Act of 1940;
- (3) An organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust or partnership, not formed for the specific purpose of acquiring the Notes, with total assets in excess of \$5,000,000;

- (4) Any director, executive officer, or general partner of the Company, or any director, executive officer, or general partner of a general partner of the Company;
- (5) Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of such person's purchase of the Notes exceeds \$1,000,000 (excluding the value of such person's primary residence) (Explanation: when calculating net worth, a person may include his or her equity in personal property and real estate (except a residence), cash, short-term investments, stock and securities. Any inclusion of equity in personal property or real estate should be based on the fair market value of such property less debt secured by such property. The asset side of the calculation may not include the value of the person's residence; the liability side of the calculation may not include the debt secured by the residence, unless the amount of the debt exceeds the value of the residence, in which case that excess portion must be counted as a liability in calculating net worth);
- (6) Any natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;
- (7) Any trust with total assets in excess of \$5,000,000 not formed for the specific purpose of acquiring the Notes, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) of Regulation D; and
- (8) An entity in which all of the equity owners are accredited investors (as defined above).

As used in this Memorandum, the term "net worth" means the excess of total assets over total liabilities. In determining income an investor should add to the investor's adjusted gross income any amounts attributable to tax exempt income received, losses claimed as limited partner in any limited partnership, deductions claimed for depletion, contributions to an IRA, KEOGH, SEP IRA or ROTH IRA retirement plan, alimony payments, and any amount by which income from long-term capital gains has been reduced in arriving at adjusted gross income.





DenSCO /

**Beauchamp, David G.**

---

**From:** Schenck, Daniel A.  
**Sent:** Friday, June 13, 2014 6:22 PM  
**To:** Beauchamp, David G.  
**Subject:** Re: Friday, June 20th

Yes, it went out.

**Daniel A. Schenck**  
*Sent from my iPhone*  
**CLARK HILL PLC**  
480.684.1118 (direct) | 480.684.1179 (fax)  
[dschenck@clarkhill.com](mailto:dschenck@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)

On Jun 13, 2014, at 6:12 PM, "Beauchamp, David G." <[DBeauchamp@ClarkHill.com](mailto:DBeauchamp@ClarkHill.com)> wrote:

OK. I am gone from the next Friday (6/27) through (7/7).

Did DenSCO get out today?

Thanks, David

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**From:** Schenck, Daniel A.  
**Sent:** Friday, June 13, 2014 06:09 PM  
**To:** Beauchamp, David G.  
**Subject:** Friday, June 20th

David,

I meant to talk with you about this earlier today but forgot. I am planning on taking next Friday off. My kids want to go see their grandparents in Utah.

Thanks.

**Daniel A. Schenck**  
*Sent from my iPhone*  
**CLARK HILL PLC**  
480.684.1118 (direct) | 480.684.1179 (fax)  
[dschenck@clarkhill.com](mailto:dschenck@clarkhill.com) | [www.clarkhill.com](http://www.clarkhill.com)