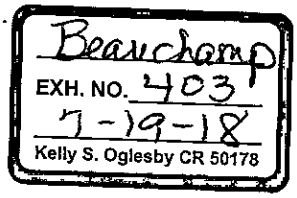
[Note to Amend, Supersede and Replace Existing $1 Million Note]



Additional Loan

SECURED LINE OF CREDIT PROMISSORY NOTE

Phoenix, Arizona
April 16, 2014

$1,000,000.00

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 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"

{Signature Page for $1,000,000.00 Secured Line Of Credit Promissory Note}

Exhibit A

Property	Amount Advanced
10510 East Sunnyside Drive, Scottsdale, Arizona 85259 * As of April 4, 2014	$915,167.89

Beauchamp
EXH. NO. 404
7-19-18
Kelly S. Oglesby CR 50178

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 16th day of April, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, and said Yomotov "Scott" Menaged acknowledged to me that he is named as the Guarantor in the foregoing instrument and that he did execute the foregoing instrument and that he did so as his free act and deed.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

JOSE BURRULL
NOTARY PUBLIC - ARIZONA
Maricopa County
My Commission Expires
January 10, 2018

Notary Public

My Commission Expires:
01-10-2018

EXHIBIT A

LENDER LOANS AND ENCUMBERED PROPERTIES

	Note Holder		Property Address		City, Zip		Amount of Loan		Est. Value	LTV	Note Date	Note Due Date	Int. Due Date	Interest Days	Days	Int. Rate	Interest Amount		Total Owed
3192	Easy Investments, LLC		8122 N 32nd Ave		Phx, 85051	$	85,000.00	$	135,000.00	62.96%	9/17/2008	9/17/2008	12/17/2013	$	42.50	150	$	6,375.00	$	91,375.00
3120	Easy Investments, LLC		822 E Orange Ave		Ftn Hills, 85268	$	115,000.00	$	125,000.00	92.00%	8/21/2010	8/21/2011	12/21/2013	$	57.50	146	$	8,395.00	$	123,395.00
2509	Easy Investments, LLC		196 Future World		Mesa, 85206	$	2,917,000.00	$	3,125,000.00	93.30%	5/31/2013	11/30/2013	12/10/2013	$	58.50	156	$	9,126.00	$	3,126,126.00
3364	Easy Investments, LLC		14894 N 97th Place		Scottsdale, 85260	$	344,702.12	$	375,000.00	91.92%	5/9/2012	11/9/2012	12/9/2013	$	172.35	159	$	27,403.82	$	372,105.94
3610	Easy Investments, LLC		20802 N Greyhawk Dr #1076		Scottsdale, 85255	$	368,474.60	$	375,000.00	97.83%	8/20/2012	2/20/2013	12/20/2013	$	153.24	148	$	27,110.42	$	393,593.72
3736	Michelle Menard		9103 E Chaparral Rd		Scottsdale, 85260	$	400,000.00	$	650,000.00	61.54%	10/22/2012	4/22/2013	12/22/2013	$	200.00	366	$	31,200.00	$	431,200.00
3817	Easy Investments, LLC		7513 N 47th Drive		Glendale, 85301	$	20,000.00	$	50,000.00	40.00%	11/6/2012	5/6/2013	12/6/2013	$	10.00	162	$	1,620.00	$	21,620.00
3828	Easy Investments, LLC		1605 W Winter Dr		Phx, 85021	$	477,552.68	$	550,000.00	86.77%	11/13/2012	5/13/2013	12/13/2013	$	238.68	159	$	36,994.83	$	514,547.51
3829	Easy Investments, LLC		702 W Wilshire Dr		Phx, 85007	$	204,276.99	$	265,000.00	77.09%	11/13/2012	5/13/2013	12/13/2013	$	102.14	155	$	15,831.47	$	220,108.46
3882	Easy Investments, LLC		10721 W Cactus Wood Ln		Avondale, 85323	$	164,920.40	$	190,000.00	86.80%	12/13/2012	6/13/2013	12/13/2013	$	82.46	155	$	12,781.53	$	177,701.93
3883	Easy Investments, LLC		9555 E Raintree Dr., #1004		Scottsdale, 85260	$	152,000.00	$	160,000.00	95.00%	12/13/2012	6/13/2013	12/13/2013	$	76.00	155	$	11,780.00	$	163,780.00
3885	Easy Investments, LLC		9555 E Raintree Dr #1020		Scottsdale, 85260	$	152,000.00	$	160,000.00	95.00%	12/13/2012	6/13/2013	12/13/2013	$	76.00	155	$	11,780.00	$	163,780.00
3913	Easy Investments, LLC		1892 E Ellis Dr		Tempe, 85282	$	210,971.79	$	235,000.00	89.78%	12/28/2012	6/28/2013	12/28/2013	$	105.49	140	$	14,768.03	$	225,739.82
3914	Easy Investments, LLC		3740 E Sexton St		Gilbert, 85297	$	194,051.84	$	265,000.00	73.23%	12/28/2012	6/28/2013	12/28/2013	$	97.03	140	$	13,583.63	$	207,635.47
3926	Easy Investments, LLC		320 S 70th Street #9		Mesa, 85208	$	155,000.00	$	165,000.00	93.94%	1/3/2013	7/3/2013	12/3/2013	$	77.50	365	$	12,787.50	$	167,787.50
3927	Easy Investments, LLC		7204 W Turney Ave		Phx, 85043	$	160,000.00	$	170,000.00	94.12%	1/3/2013	7/3/2013	12/3/2013	$	80.00	365	$	13,200.00	$	173,200.00
3933	Easy Investments, LLC		9451 E Becker Ln #B1057		Scottsdale, 85260	$	136,196.70	$	160,000.00	85.12%	1/4/2013	7/4/2013	12/4/2013	$	68.10	164	$	11,168.13	$	147,364.83
3957	Easy Investments, LLC		1500 N Mercado Dr		Mesa, 85207	$	190,000.00	$	205,000.00	92.68%	1/16/2013	7/16/2013	12/16/2013	$	95.00	152	$	14,440.00	$	204,440.00
3959	Easy Investments, LLC		5420 W Sunnyside Dr		Glendale, 85304	$	130,000.00	$	140,000.00	92.86%	1/16/2013	7/16/2013	12/16/2013	$	65.00	152	$	9,880.00	$	139,880.00
3975	Easy Investments, LLC		1080 E Redwood Dr		Chandler, 85286	$	170,000.00	$	210,000.00	80.95%	7/24/2013	7/24/2013	12/24/2013	$	85.00	144	$	12,240.00	$	182,240.00
3976	Easy Investments, LLC		2402 E Yucca St		Phx, 85028	$	292,084.39	$	325,000.00	89.87%	1/24/2013	7/24/2013	12/24/2013	$	146.04	144	$	21,030.08	$	313,114.47
3977	Easy Investments, LLC		7771 W Morten Ave		Glendale, 85303	$	158,187.98	$	248,000.00	64.28%	7/24/2013	7/24/2013	12/24/2013	$	79.09	144	$	11,391.50	$	169,579.48
3987	Easy Investments, LLC		18356 W Mission Ln		Waddell, 85355	$	190,000.00	$	220,000.00	86.36%	1/28/2013	7/28/2013	12/28/2013	$	95.00	140	$	13,300.00	$	203,300.00
3994	Easy Investments, LLC		9016 S 41st Lane		Laveen, 85339	$	229,213.96	$	265,000.00	86.50%	1/30/2013	7/30/2013	12/30/2013	$	114.61	138	$	15,815.78	$	245,029.74
3997	Easy Investments, LLC		311 N Kenneth Pl		Chandler, 85226	$	289,274.40	$	340,000.00	85.08%	1/31/2013	7/31/2013	12/30/2013	$	144.64	138	$	19,959.93	$	309,234.33
3998	Easy Investments, LLC		2567 E Belleview Dr		Chandler, 85286	$	343,078.00	$	355,000.00	96.64%	1/31/2013	7/31/2013	12/30/2013	$	171.54	138	$	23,672.65	$	366,750.65
3999	Easy Investments, LLC		26733 N 53rd Lane		Phx, 85083	$	130,340.24	$	165,000.00	78.99%	1/31/2013	7/31/2013	12/30/2013	$	65.17	138	$	8,993.48	$	139,333.72
4003	Easy Investments, LLC		4529 E Shiloh Dr		Phx, 85032	$	195,997.87	$	240,000.00	81.67%	2/1/2013	8/1/2013	12/1/2013	$	98.00	167	$	16,366.87	$	212,363.69
4004	Easy Investments, LLC		7575 E Indian Bend Rd #2123		Scottsdale, 85250	$	160,000.00	$	175,000.00	91.43%	2/1/2013	8/1/2013	12/1/2013	$	80.00	167	$	13,360.00	$	173,360.00
4020	Easy Investments, LLC		12802 W Willow Ave		El Mirage, 85335	$	210,000.00	$	230,000.00	91.67%	2/7/2013	8/7/2013	12/7/2013	$	105.00	161	$	16,855.00	$	188,855.00
4027	Easy Investments, LLC		11106 W Dana Lane		Avondale, 85323	$	175,000.00	$	195,000.00	89.74%	2/11/2013	8/11/2013	12/11/2013	$	87.50	157	$	13,737.50	$	188,737.50
4032	Easy Investments, LLC		10510 E Sunnyside Dr		Scottsdale, 85259	$	2,515,167.89	$	3,200,000.00	78.60%	2/14/2013	8/14/2013	12/10/2013	$	1,257.58	154	$	193,667.93	$	2,708,835.82
4033	Easy Investments, LLC		10401 N 52nd Street #10		PV, AZ 85253	$	100,000.00	$	120,000.00	83.33%	2/14/2013	8/14/2013	12/14/2013	$	50.00	154	$	7,700.00	$	107,700.00
4034	Easy Investments, LLC		1257 W Kopi St		Avondale, 85323	$	148,280.94	$	170,000.00	87.22%	2/14/2013	8/14/2013	12/14/2013	$	74.14	154	$	11,417.63	$	159,698.57
4035	Easy Investments, LLC		23949 W Hadley St		Buckeye, 85326	$	130,000.00	$	150,000.00	86.67%	2/14/2013	8/14/2013	12/14/2013	$	65.00	154	$	10,010.00	$	140,010.00
4038	Easy Investments, LLC		3150 E Beardsley Rd #1076		Phx, 85050	$	135,000.00	$	145,000.00	93.10%	2/15/2013	8/15/2013	12/15/2013	$	67.50	153	$	10,327.50	$	145,327.50
4061	Easy Investments, LLC		22261 W Moonlight Path		Buckeye, 85326	$	80,000.00	$	125,000.00	64.00%	2/27/2013	8/27/2013	12/27/2013	$	40.00	141	$	5,640.00	$	85,640.00
4062	Easy Investments, LLC		9333 W Acoma Dr		Phx, 85037	$	140,000.00	$	150,000.00	93.33%	2/28/2013	8/28/2013	12/28/2013	$	70.00	140	$	9,800.00	$	149,800.00
4077	Easy Investments, LLC		5357 S Ranger Trail		Gilbert, 85298	$	313,002.92	$	340,000.00	92.06%	3/1/2013	9/1/2013	12/1/2013	$	156.50	167	$	26,135.69	$	339,138.01
4093	Easy Investments, LLC		2360 E Carmel Ave		Mesa, 85204	$	124,019.14	$	155,000.00	80.01%	3/5/2013	9/5/2013	12/5/2013	$	62.01	163	$	10,106.99	$	134,119.13
4109	Easy Investments, LLC		12827 W Desert Mirage Dr		Peoria, 85383	$	198,254.24	$	210,000.00	94.41%	3/8/2013	9/8/2013	12/8/2013	$	99.13	160	$	15,860.34	$	214,114.58
4116	Easy Investments, LLC		6332 W Sopori St		Phx, 85043	$	100,000.00	$	115,000.00	86.96%	3/11/2013	9/11/2013	12/11/2013	$	50.00	157	$	7,850.00	$	107,850.00
4118	Easy Investments, LLC		2048 E Marilyn Ave		Mesa, 85204	$	184,446.84	$	215,000.00	85.79%	3/12/2013	9/12/2013	12/12/2013	$	92.22	156	$	14,386.85	$	198,833.69
4122	Easy Investments, LLC		3431 E Bald Eagle Pkwy		Gilbert, 85295	$	265,511.16	$	310,000.00	85.65%	3/14/2013	9/14/2013	12/14/2013	$	132.76	154	$	20,290.56	$	285,801.49
4129	Easy Investments, LLC		2210 W Marco Polo Rd		Phx, 85027	$	155,181.92	$	175,000.00	88.68%	3/18/2013	9/18/2013	12/18/2013	$	77.59	150	$	11,638.64	$	166,820.56
4130	Easy Investments, LLC		18650 N 91st Ave #301		Peoria, 85382	$	161,588.22	$	200,000.00	80.79%	3/18/2013	9/18/2013	12/18/2013	$	80.79	150	$	12,119.59	$	173,708.41
4136	Easy Investments, LLC		14556 N 154th Lane		Surprise, 85379	$	160,000.00	$	170,000.00	94.12%	3/19/2013	9/19/2013	12/19/2013	$	80.00	149	$	11,920.00	$	171,920.00
4148	Easy Investments, LLC		4527 E Red Range Way		Cave Creek, 85331	$	336,417.80	$	363,000.00	92.68%	3/22/2013	9/22/2013	12/22/2013	$	168.21	147	$	24,726.71	$	361,144.51
4152	Easy Investments, LLC		18131 W Ruth Ave		Waddell, 85355	$	270,000.00	$	285,000.00	94.74%	3/25/2013	9/25/2013	12/25/2013	$	135.00	143	$	19,305.00	$	289,305.00
4180	Easy Investments, LLC		7089 E Andrew Ln		Peoria, 85345	$	215,669.91	$	250,000.00	86.27%	4/3/2013	10/3/2013	12/17/2013	$	106.83	165	$	17,627.69	$	233,296.60
4185	Easy Investments, LLC		3826 E Palmer St		Gilbert, 85298	$	210,000.00	$	220,000.00	95.45%	4/5/2013	10/5/2013	12/5/2013	$	105.00	163	$	17,115.00	$	227,115.00
4227	Easy Investments, LLC		15677 W Ripple Cir		Goodyear, 85395	$	110,000.00	$	125,000.00	88.00%	4/19/2013	10/19/2013	12/19/2013	$	55.00	149	$	8,195.00	$	118,195.00
4228	Easy Investments, LLC		7389 W Tierra Buena Ln		Peoria, 85382	$	150,000.00	$	160,000.00	93.75%	4/19/2013	10/19/2013	12/19/2013	$	75.00	149	$	11,175.00	$	161,175.00
4229	Easy Investments, LLC		436 N 159th Ave		Goodyear, 85395	$	203,577.78	$	225,000.00	90.48%	4/19/2013	10/19/2013	12/19/2013	$	101.69	149	$	15,151.64	$	218,729.42
4241	Easy Investments, LLC		16832 W Toronto Way		Goodyear, 85395	$	177,861.35	$	185,000.00	96.14%	4/23/2013	10/23/2013	12/23/2013	$	88.93	145	$	12,894.95	$	190,756.30
4253	Easy Investments, LLC		2903 E Coronado Rd #201		Phx, 85016	$	142,960.30	$	165,000.00	86.65%	4/29/2013	10/29/2013	12/29/2013	$	71.48	139	$	9,936.50	$	152,904.60
4280	Easy Investments, LLC		23922 W Desert Bloom St		Buckeye, 85326	$	120,000.00	$	145,000.00	82.76%	5/6/2013	11/6/2013	12/6/2013	$	60.00	162	$	9,720.00	$	129,720.00
4289	Easy Investments, LLC		7703 W Lamar Rd		Glendale, 85303	$	148,225.85	$	159,000.00	93.23%	5/15/2013	11/15/2013	12/15/2013	$	74.11	155	$	11,532.46	$	159,757.61
4307	Easy Investments, LLC		2681 S Palm St		Gilbert, 85295	$	330,000.00	$	350,000.00	94.29%	5/21/2013	11/21/2013	12/21/2013	$	165.00	147	$	24,255.00	$	354,255.00

4308	Easy Investments, LLC	711 E Potter Dr	Phx, 85024	$	160,000.00	$	190,000.00	84.74%	5/21/2013	11/21/2013	12/21/2013	$	90.00	147	$	13,230.00	$	193,230.00
4313	Easy Investments, LLC	19296 W Adams St	Buckeye, 85326	$	150,000.00	$	160,000.00	93.75%	5/23/2013	11/23/2013	12/23/2013	$	75.00	145	$	10,875.00	$	160,875.00
4322	Easy Investments, LLC	8354 W Monona Dr	Phx, 85037	$	93,409.82	$	125,000.00	74.73%	5/29/2013	11/29/2013	12/29/2013	$	48.70	139	$	6,491.77	$	99,898.59
4338	Easy Investments, LLC	2945 E Dunbar Dr	Phx, 85042	$	100,000.00	$	120,000.00	83.33%	6/5/2013	12/5/2013	12/5/2013	$	50.00	163	$	8,150.00	$	108,150.00
4342	Easy Investments, LLC	11744 W Hadley St	Avondale, 85323	$	140,000.00	$	160,000.00	87.50%	6/6/2013	12/6/2013	12/6/2013	$	70.00	162	$	11,340.00	$	151,340.00
4343	Easy Investments, LLC	23827 W Gibson Ln	Buckeye, 85326	$	150,000.00	$	170,000.00	88.24%	6/6/2013	12/6/2013	12/6/2013	$	75.00	162	$	12,150.00	$	162,150.00
4352	Easy Investments, LLC	8154 W Foothill Dr	Phx, 85027	$	128,019.19	$	155,000.00	82.59%	6/10/2013	12/10/2013	12/10/2013	$	69.01	150	$	10,903.52	$	148,922.71
4361	Easy Investments, LLC	614 W Aire Libre	Phx, 85023	$	180,000.00	$	210,000.00	85.71%	6/12/2013	12/12/2013	12/12/2013	$	90.00	156	$	14,040.00	$	194,040.00
4381	Easy Investments, LLC	3237 W Pleasant Dr	Phx, 85041	$	160,000.00	$	225,000.00	71.11%	6/21/2013	12/21/2013	12/21/2013	$	80.00	147	$	11,760.00	$	171,760.00
4383	Easy Investments, LLC	9423 W McRae Way	Peoria, 85382	$	100,000.00	$	135,000.00	74.07%	6/21/2013	12/21/2013	12/21/2013	$	50.00	147	$	7,350.00	$	107,350.00
4384	Easy Investments, LLC	23819 W Hidalgo Ave	Buckeye, 85326	$	145,000.00	$	160,000.00	90.63%	6/21/2013	12/21/2013	12/21/2013	$	72.50	147	$	10,657.50	$	155,657.50
4386	Easy Investments, LLC	2182 E Arabian Dr	Gilbert, 85296	$	170,000.00	$	200,000.00	85.00%	6/24/2013	12/24/2013	12/24/2013	$	85.00	144	$	12,240.00	$	182,240.00
4393	Easy Investments, LLC	25209 S Sossaman Rd	Sun Lakes, 85248	$	100,000.00	$	140,000.00	71.43%	6/26/2013	12/26/2013	12/26/2013	$	50.00	142	$	7,100.00	$	107,100.00
4395	Easy Investments, LLC	3002 N 70th St #144	Scottsdale, 85251	$	69,741.00	$	85,000.00	82.05%	6/26/2013	12/26/2013	12/26/2013	$	34.87	142	$	4,951.61	$	74,692.61
4397	Easy Investments, LLC	2983 E Lynx Way	Gilbert, 85298	$	313,111.62	$	350,000.00	89.46%	6/27/2013	12/27/2013	12/27/2013	$	156.56	141	$	22,074.96	$	335,186.58
4409	Arizona Home Foreclosures, LLC	3826 E Odell Dr	Gilbert, 85297	$	185,000.00	$	215,000.00	86.05%	7/3/2013	1/3/2014	12/3/2013	$	92.50	165	$	15,262.50	$	200,262.50
4410	Arizona Home Foreclosures, LLC	9521 E Posada Ave	Mesa, 85212	$	147,573.65	$	173,000.00	85.30%	7/3/2013	1/3/2014	12/3/2013	$	73.79	165	$	12,174.83	$	159,748.48
4411	Arizona Home Foreclosures, LLC	5335 S Monte Vista St	Chandler, 85249	$	260,000.00	$	400,000.00	65.00%	7/3/2013	1/3/2014	12/3/2013	$	130.00	165	$	21,450.00	$	281,450.00
4417	Arizona Home Foreclosures, LLC	17540 N Estrella Vista Dr	Surprise, 85374	$	170,000.00	$	200,000.00	85.00%	7/9/2013	1/9/2014	12/9/2013	$	85.00	159	$	13,515.00	$	183,515.00
4427	Arizona Home Foreclosures, LLC	Arizona Home Foreclosures LLC	Laveen, 85339	$	100,000.00	$	135,000.00	74.07%	7/10/2013	1/10/2014	12/10/2013	$	50.00	158	$	7,900.00	$	107,900.00
4430	Arizona Home Foreclosures, LLC	5414 S Heather Dr	Tempe, 85283	$	190,000.00	$	225,000.00	84.44%	7/12/2013	1/12/2014	12/12/2013	$	95.00	156	$	14,820.00	$	204,820.00
4434	Arizona Home Foreclosures, LLC	7240 S Reems	Mesa, 85209	$	250,000.00	$	315,000.00	79.37%	7/15/2013	1/15/2014	12/15/2013	$	125.00	153	$	19,125.00	$	269,125.00
4438	Arizona Home Foreclosures, LLC	6346 W Valencia Dr	Laveen, 85339	$	100,000.00	$	140,000.00	71.43%	7/17/2013	1/17/2014	12/17/2013	$	50.00	151	$	7,550.00	$	107,550.00
4444	Arizona Home Foreclosures, LLC	11979 N 154th Drive	Surprise, 85379	$	147,621.19	$	165,000.00	89.44%	7/17/2013	1/17/2014	12/17/2013	$	73.81	150	$	10,636.59	$	158,257.78
4454	Arizona Home Foreclosures, LLC	2733 S Ananea	Mesa, 85209	$	200,000.00	$	240,000.00	83.33%	7/22/2013	1/22/2014	12/22/2013	$	100.00	146	$	14,600.00	$	214,600.00
4455	Arizona Home Foreclosures, LLC	5427 W Windsor Dr	Phx, 85045	$	250,000.00	$	340,000.00	73.53%	7/23/2013	1/23/2014	12/23/2013	$	125.00	145	$	18,125.00	$	268,125.00
4481	Arizona Home Foreclosures, LLC	13512 W Marshall Ave	Litchfield, 85340	$	188,756.07	$	225,000.00	83.89%	7/29/2013	1/29/2014	12/29/2013	$	94.38	139	$	13,118.55	$	201,874.62
4482	Arizona Home Foreclosures, LLC	10440 W Hammond Ln	Tolleson, 85353	$	145,000.00	$	155,000.00	93.55%	7/29/2013	1/29/2014	12/29/2013	$	72.50	139	$	10,077.50	$	155,077.50
4484	Arizona Home Foreclosures, LLC	10020 N 66th Drive	Glendale, 85302	$	109,000.00	$	115,000.00	94.78%	7/29/2013	1/29/2014	12/29/2013	$	54.50	139	$	7,575.50	$	116,575.50
4495	Arizona Home Foreclosures, LLC	16527 W Post Dr	Surprise, 85388	$	122,128.76	$	150,000.00	81.42%	8/1/2013	2/1/2014	12/1/2013	$	61.06	167	$	10,197.75	$	132,326.51
4500	Arizona Home Foreclosures, LLC	10025 W Williams St	Tolleson, 85353	$	90,000.00	$	135,000.00	66.67%	8/2/2013	2/2/2014	12/2/2013	$	45.00	166	$	7,470.00	$	97,470.00
4501	Arizona Home Foreclosures, LLC	2216 W Pike Dr	Mesa, 85202	$	148,065.50	$	180,000.00	82.26%	8/2/2013	2/2/2014	12/2/2013	$	74.03	166	$	12,289.44	$	160,354.94
4504	Arizona Home Foreclosures, LLC	39817 N Messner Way	Anthe, 85086	$	215,000.00	$	230,000.00	93.48%	8/6/2013	2/6/2014	12/6/2013	$	107.50	162	$	17,415.00	$	232,415.00
4508	Arizona Home Foreclosures, LLC	11550 W Flora Dr	El Mirage, 85335	$	90,000.00	$	135,000.00	66.67%	8/7/2013	2/7/2014	12/7/2013	$	45.00	161	$	7,245.00	$	97,245.00
4509	Arizona Home Foreclosures, LLC	1561 E Mia Ln	Gilbert 85298	$	255,000.00	$	300,000.00	85.00%	8/7/2013	2/7/2014	12/7/2013	$	127.50	161	$	20,527.50	$	275,527.50
4512	Arizona Home Foreclosures, LLC	1502 W Wood Dr	Phx, 85029	$	155,000.00	$	180,000.00	86.11%	8/8/2013	2/8/2014	12/8/2013	$	77.50	160	$	12,400.00	$	167,400.00
4513	Arizona Home Foreclosures, LLC	16010 N 170th Lane	Surprise, 85388	$	156,000.00	$	165,000.00	94.55%	8/8/2013	2/8/2014	12/8/2013	$	78.00	160	$	12,480.00	$	168,480.00
4518	Arizona Home Foreclosures, LLC	2895 E Willis Ln	Gilbert, 85234	$	327,000.00	$	345,000.00	94.78%	8/8/2013	2/8/2014	12/8/2013	$	163.50	160	$	26,160.00	$	353,160.00
4519	Arizona Home Foreclosures, LLC	23851 W Wier Ave	Buckeye, 85326	$	164,348.66	$	185,000.00	88.84%	8/12/2013	2/12/2014	12/12/2013	$	82.17	156	$	12,819.20	$	177,167.86
4523	Arizona Home Foreclosures, LLC	10125 E Lobo Ave	Mesa, 85209	$	210,000.00	$	220,000.00	95.45%	8/14/2013	2/14/2014	12/14/2013	$	105.00	154	$	16,170.00	$	226,170.00
4530	Arizona Home Foreclosures, LLC	1750 W Potter Dr	Phx, 85027	$	100,000.00	$	155,000.00	64.52%	8/19/2013	2/19/2014	12/19/2013	$	50.00	149	$	7,450.00	$	107,450.00
4547	Arizona Home Foreclosures, LLC	3043 S Goldfinch Ln	Mesa, 85212	$	150,000.00	$	160,000.00	93.75%	8/21/2013	2/21/2014	12/21/2013	$	75.00	147	$	11,025.00	$	161,025.00
4536	Arizona Home Foreclosures, LLC	18915 N Sunsites Dr	Surprise, 85387	$	195,000.00	$	205,000.00	95.12%	8/22/2013	2/22/2014	12/22/2013	$	97.50	146	$	14,235.00	$	209,235.00
4540	Arizona Home Foreclosures, LLC	839 S Gantzboro	Mesa, 85208	$	120,000.00	$	150,000.00	80.00%	8/23/2013	2/23/2014	12/23/2013	$	60.00	145	$	8,700.00	$	128,700.00
4541	Arizona Home Foreclosures, LLC	31008 W Columbus Ave	Buckeye, 85326	$	80,000.00	$	130,000.00	61.54%	8/23/2013	2/23/2014	12/23/2013	$	40.00	145	$	5,800.00	$	85,800.00
4544	Arizona Home Foreclosures, LLC	17019 S 27th Place	Phx, 85048	$	240,000.00	$	240,000.00	66.67%	8/26/2013	2/26/2014	12/26/2013	$	70.00	142	$	9,940.00	$	119,940.00
4546	Arizona Home Foreclosures, LLC	15550 N Frank Lloyd Wright N1005	Scottsdale, 85260	$	220,000.00	$	315,000.00	69.84%	8/27/2013	2/27/2014	12/27/2013	$	110.00	141	$	15,510.00	$	235,510.00
4556	Arizona Home Foreclosures, LLC	2027 S 101st Dr	Tolleson, 85353	$	125,000.00	$	145,000.00	86.21%	8/30/2013	2/28/2014	12/30/2013	$	62.50	138	$	8,625.00	$	133,625.00
4574	Arizona Home Foreclosures, LLC	25863 W St James Ave	Buckeye, 85326	$	123,500.00	$	130,000.00	95.00%	9/12/2013	3/12/2014	12/12/2013	$	61.75	156	$	9,633.00	$	133,133.00
4578	Arizona Home Foreclosures, LLC	1040 S 220th Lane	Buckeye, 85326	$	120,000.00	$	140,000.00	85.71%	9/16/2013	3/16/2014	12/16/2013	$	60.00	155	$	9,120.00	$	129,120.00
4579	Arizona Home Foreclosures, LLC	977 S Colonial Dr	Gilbert, 85296	$	205,000.00	$	220,000.00	93.18%	9/16/2013	3/16/2014	12/16/2013	$	102.50	152	$	15,580.00	$	220,580.00
4604	Arizona Home Foreclosures, LLC	707 E Potter Dr	Phx, 85024	$	170,000.00	$	300,000.00	56.67%	9/25/2013	3/25/2014	12/25/2013	$	85.00	141	$	12,135.00	$	182,135.00
4611	Arizona Home Foreclosures, LLC	14904 W Port Royale Ln	Surprise, 85379	$	142,500.00	$	150,000.00	95.00%	9/27/2013	3/27/2014	12/27/2013	$	71.25	141	$	10,046.25	$	152,546.25
4616	Arizona Home Foreclosures, LLC	25234 W Darrell Dr	Buckeye, 85326	$	150,000.00	$	175,000.00	85.71%	10/1/2013	4/1/2014	12/1/2013	$	75.00	167	$	12,525.00	$	162,525.00
4618	Arizona Home Foreclosures, LLC	15835 N 47th Street	Phx, 85032	$	220,000.00	$	335,000.00	65.67%	10/2/2013	4/2/2014	12/2/2013	$	110.00	166	$	18,260.00	$	238,260.00
4619	Arizona Home Foreclosures, LLC	5740 W Villa Theresa Dr	Glendale, 85308	$	90,000.00	$	150,000.00	60.00%	10/3/2013	4/3/2014	12/3/2013	$	45.00	165	$	7,425.00	$	97,425.00
4624	Arizona Home Foreclosures, LLC	15143 E Aspen Dr	Fountain Hills, 85268	$	210,000.00	$	300,000.00	70.00%	10/4/2013	4/4/2014	12/4/2013	$	105.00	164	$	17,220.00	$	227,220.00
4625	Arizona Home Foreclosures, LLC	914 E Valley View Dr	Phx, 85042	$	120,000.00	$	189,000.00	63.49%	10/4/2013	4/4/2014	12/4/2013	$	60.00	164	$	9,840.00	$	129,840.00
4627	Arizona Home Foreclosures, LLC	10769 W Runion Dr	Sun City, 85373	$	195,000.00	$	215,000.00	90.70%	10/7/2013	4/7/2014	12/7/2013	$	97.50	161	$	15,697.50	$	210,697.50
4636	Arizona Home Foreclosures, LLC	4705 N Brookview Terrace	Litchfield, 85340	$	160,000.00	$	225,000.00	71.11%	10/11/2013	4/11/2014	12/11/2013	$	80.00	157	$	12,560.00	$	172,560.00

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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
4642	Arizona Home Foreclosures, LLC	4954 W Belmont Dr	Avondale, 85323	$ 100,000.00	$ 145,000.00	68.97%	10/15/2013	4/15/2014	12/14/2013	$ 50.00	154	$ 7,700.00	$ 107,700.00
4643	Arizona Home Foreclosures, LLC	842 E Sheffield Ave	Gilbert, 85296	$ 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
4644	Arizona Home Foreclosures, LLC	4816 W Purdue Ave	Waddell, 85355	$ 125,000.00	$ 150,000.00	83.33%	10/16/2013	4/16/2014	12/16/2013	$ 62.50	152	$ 9,500.00	$ 134,500.00
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	4749 W Valley View Dr	Laveen, 85339	$ 140,000.00	$ 175,000.00	80.00%	10/18/2013	4/18/2014	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%	10/22/2013	4/22/2014	12/22/2013	$ 75.00	146	$ 10,950.00	$ 160,950.00
4659	Arizona Home Foreclosures, LLC	4724 W Carson Rd	Laveen, 85339	$ 180,000.00	$ 190,000.00	94.74%	10/22/2013	4/22/2014	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%	10/23/2013	4/23/2014	12/23/2013	$ 82.50	145	$ 11,962.50	$ 176,962.50
4661	Arizona Home Foreclosures, LLC	978 N 85th Pl	Scottsdale, 85257	$ 270,000.00	$ 285,000.00	94.74%	10/24/2013	4/24/2014	12/24/2013	$ 135.00	144	$ 19,440.00	$ 289,440.00
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
4669	Arizona Home Foreclosures, LLC	12602 N 60th Street	Scottsdale, 85254	$ 349,082.40	$ 375,000.00	93.09%	10/29/2013	4/29/2014	12/29/2013	$ 174.54	139	$ 24,261.23	$ 373,343.63
4670	Arizona Home Foreclosures, LLC	2229 W Steed 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
4674	Arizona Home Foreclosures, LLC	23846 W Gibson Ln	Buckeye, 85326	$ 150,000.00	$ 175,000.00	85.71%	10/30/2013	4/30/2014	12/30/2013	$ 75.00	138	$ 10,350.00	$ 160,350.00
4672	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	138	$ 10,350.00	$ 160,350.00
4684	Arizona Home Foreclosures, LLC	1791 S Gervais St	Chandler, 85225	$ 120,000.00	$ 170,000.00	70.59%	11/1/2013	5/1/2014	12/1/2013	$ 60.00	167	$ 10,020.00	$ 130,020.00
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	163	$ 11,410.00	$ 151,410.00
4689	Arizona Home Foreclosures, LLC	17661 W Marconi Ave	Surprise, 85388	$ 170,000.00	$ 250,000.00	68.00%	11/6/2013	5/6/2014	12/6/2013	$ 85.00	162	$ 13,770.00	$ 183,770.00
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 Whyman 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
4711	Arizona Home Foreclosures, LLC	21697 S 233rd Ln	Buckeye, 85326	$ 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	$ 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
4719	Arizona Home Foreclosures, LLC	523 W Sundance Way	Chandler, 85225	$ 145,000.00	$ 325,000.00	92.00%	11/21/2013	5/21/2014	12/21/2013	$ 67.50	147	$ 9,922.50	$ 154,922.50
4727	Arizona Home Foreclosures, LLC	23805 W Papago St	Buckeye, 85326	$ 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	8743 W Grovers Ave	Peoria, 85382	$ 107,500.00	$ 150,000.00	71.67%	12/4/2013	6/4/2014	1/4/2014	$ 53.75	134	$ 7,167.50	$ 114,667.50
4731	Arizona Home Foreclosures, LLC	28730 N Nobel Rd	Phx, 85085	$ 288,900.00	$ 335,000.00	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 Jacklin Dr	Phx, 85083	$ 329,000.00	$ 415,000.00	79.28%	12/5/2013	6/5/2014	1/5/2014	$ 164.50	133	$ 21,878.50	$ 350,878.50
4737	Arizona Home Foreclosures, LLC	18033 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
4738	Arizona Home Foreclosures, LLC	7732 W Desert Broom St	Goodyear, 85338	$ 175,500.00	$ 335,000.00	60.97%	12/11/2013	6/11/2014	1/11/2014	$ 87.75	127	$ 7,959.25	$ 183,459.25
4740	Arizona Home Foreclosures, LLC	1070 N Robins Way	Chandler, 85225	$ 158,100.00	$ 195,000.00	81.08%	12/12/2013	6/12/2014	1/12/2014	$ 79.05	135	$ 10,671.75	$ 168,771.75
4751	Arizona Home Foreclosures, LLC	4749 N 86th Ave	Phx, 85037	$ 152,500.00	$ 199,000.00	76.63%	12/17/2013	6/17/2014	1/17/2014	$ 76.25	120	$ 9,150.00	$ 161,650.00
4754	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	$ 9,240.00	$ 163,240.00
4755	Arizona Home Foreclosures, LLC	40370 N Hidden Moon Way	Phx, 85086	$ 244,200.00	$ 315,000.00	77.52%	12/18/2013	6/18/2014	1/18/2014	$ 122.10	120	$ 14,652.00	$ 258,852.00
4777	Arizona Home Foreclosures, LLC	1119 E Potter Dr	Phx, 85024	$ 236,100.00	$ 289,000.00	81.70%	12/26/2013	6/26/2014	1/26/2014	$ 118.05	112	$ 13,221.60	$ 249,321.60
4779	Arizona Home Foreclosures, LLC	4073 S Wayne Pl	Chandler, 85249	$ 276,700.00	$ 340,000.00	81.38%	12/27/2013	6/27/2014	1/27/2014	$ 138.35	111	$ 15,356.85	$ 292,056.85
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	$ 7,238.40	$ 146,438.40
4796	Arizona Home Foreclosures, LLC	6532 W Cheltenham Rd	Glendale, 85304	$ 169,000.00	$ 220,000.00	76.82%	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	$ 145,000.00	76.55%	1/10/2014	7/10/2014	2/10/2014	$ 55.50	97	$ 5,383.50	$ 116,383.50
4845	Arizona Home Foreclosures, LLC	10700 N 76th Street #1101	Scottsdale, 85255	$ 274,000.00	$ 325,000.00	84.31%	1/5/2014	7/5/2014	2/5/2014	$ 137.00	71	$ 9,727.00	$ 283,727.00
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
4863	Arizona Home Foreclosures, LLC	1416 E Del Rio Dr	Tempe, 85282	$ 178,000.00	$ 230,000.00	77.39%	2/20/2014	8/20/2014	3/20/2014	$ 89.00	56	$ 4,984.00	$ 182,984.00
4870	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	$ 172,218.45
4884	Arizona Home Foreclosures, LLC	503 W Dixie Dr	Tempe, 85283	$ 89,000.00	$ 115,000.00	77.39%	3/6/2014	9/6/2014	4/6/2014	$ 44.50	42	$ 1,869.00	$ 90,869.00
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
	Arizona Home Foreclosures, LLC	Overage	Phx, 85012	$ 1,780,238.76	$ 5,000,000.00	35.60%	3/6/2014	9/6/2014	4/6/2014	$ 890.12	42	$ 37,385.03	$ 1,817,623.79
4903	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
4913	Arizona Home Foreclosures, LLC	9003 W Encanto Blvd	Phx, 85037	$ 118,500.00	$ 155,000.00	76.45%	3/10/2014	9/10/2014	4/10/2014	$ 59.25	30	$ 1,774.50	$ 120,274.50
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 Trumpet Rd	Phx, 85048	$ 237,407.00	$ 300,000.00	79.14%	3/20/2014	9/20/2014	4/20/2014	$ 118.70	28	$ 3,323.70	$ 240,730.70
4938	Arizona Home Foreclosures, LLC	1426 W Missouri Ave	Phx, 85013	$ 144,101.00	$ 220,000.00	65.50%	3/26/2014	9/26/2014	4/26/2014	$ 72.05	22	$ 1,585.11	$ 145,686.11
4944	Arizona Home Foreclosures, LLC	180 W Juanita Ave	Gilbert, 85233	$ 150,751.00	$ 225,000.00	67.00%	3/28/2014	9/28/2014	4/28/2014	$ 75.38	20	$ 1,507.51	$ 152,258.51
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	2446 W Portobello Ave	Mesa, 85202	$ 175,000.00	$ 225,000.00	77.78%	4/7/2014	10/7/2014	5/2/2014	$ 87.50	15	$ 1,312.50	$ 176,312.50
4955	Arizona Home Foreclosures, LLC	2219 W Bethany Home Rd	Phx, 85015	$ 102,600.00	$ 140,000.00	73.29%	4/3/2014	10/3/2014	5/3/2014	$ 51.30	14	$ 718.20	$ 103,318.20
4962	Arizona Home Foreclosures, LLC	5806 S Alder Dr	Tempe, 85283	$ 192,500.00	$ 250,000.00	77.00%	4/7/2014	10/7/2014	5/7/2014	$ 96.25	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 Cat Balou Dr	Glendale, 85308	$ 128,500.00	$ 155,000.00	82.90%	4/4/2014	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	$ 164,300.00	$ 200,000.00	82.15%	4/9/2014	10/9/2014	5/9/2014	$ 82.15	8	$ 657.20	$ 164,957.20
4967	Arizona Home Foreclosures, LLC	7020 E Hermosa Vista Dr	Mesa, 85207	$ 131,300.00	$ 165,000.00	79.52%	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

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4970	Arizona Home Foreclosures, LLC	4528 E Mockingbird Dr	Gilbert, 85234	$	277,800.00	$	225,000.00	82.70%	4/9/2014	10/9/2014	5/9/2014	$	28.90	8	$	231.20	$	178,519.20
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	4014 W Shaw Butte Rd	Phx, 85023	$	158,800.00	$	195,000.00	81.44%	4/9/2014	10/9/2014	5/9/2014	$	79.40	8	$	635.20	$	159,435.20
4974	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
4975	Arizona Home Foreclosures, LLC	4715 E Red Bird Rd	Queen Creek, 85331	$	253,400.00	$	310,000.00	81.74%	4/10/2014	10/10/2014	5/10/2014	$	126.70	7	$	886.90	$	254,286.90
4976	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	$	59.45	6	$	356.70	$	119,256.70
4977	Arizona Home Foreclosures, LLC	42502 W Mcmicken Dr	Anthem, 85086	$	153,200.00	$	180,000.00	85.11%	4/11/2014	10/11/2014	5/11/2014	$	76.60	6	$	459.60	$	153,659.60
4978	Arizona Home Foreclosures, LLC	12399 W Roberta Ln	Peoria, 85383	$	186,200.00	$	230,000.00	80.96%	4/11/2014	10/11/2014	5/11/2014	$	93.10	6	$	558.60	$	186,758.60
4979	Arizona Home Foreclosures, LLC	2932 N Coral Tomas Ct	Phx, 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
4981	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
4982	Arizona Home Foreclosures, LLC	7352 E Drummond 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
4983	Arizona Home Foreclosures, LLC	8832 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	$	169.50	$	113,169.50
4984	Arizona Home Foreclosures, LLC	3208 S 162nd Lane	Goodyear, 85338	$	295,800.00	$	365,000.00	79.96%	4/14/2014	10/14/2014	5/14/2014	$	57.60	3	$	172.80	$	115,972.80
4985	Arizona Home Foreclosures, LLC	10364 W Atlantis 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
4988	Arizona Home Foreclosures, LLC	14230 E Windsor Dr	Phx, 85048	$	225,400.00	$	275,000.00	81.96%	4/15/2014	10/15/2014	5/15/2014	$	112.70	2	$	225.40	$	225,625.40
4989	Arizona Home Foreclosures, LLC	1149 W Sherri 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	$	2,296,272.81	$	39,752,893.28

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Beauchamp
EXH. NO. 405
7-19-18
Kelly S. Oglesby CR 50178

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

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 16th day of APRIL, 2014, before me appeared Yomotov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he is the manager of FURNITURE KING, LLC, an Arizona limited liability company (the "**Company**"), and said Yomotov "Scott" Menaged acknowledged to me that the Company is named as the Guarantor in the foregoing instrument and that as the manager of the Company, he did execute the foregoing instrument, for and on behalf of the Company, and that he did so as his and the Company's free act and deed.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

JOSE BURRULL
NOTARY PUBLIC - ARIZONA
Maricopa County
My Commission Expires
January 10, 2018

Notary Public

My Commission Expires:

01-10-2018

EXHIBIT A

LENDER LOANS AND ENCUMBERED PROPERTIES

DIC0010786

#	Note Holder	Property Address	City, Zip	Amount of Loan	Est. Value	% LTV	Date	Note Date	1st Int Due	Int per Day	Days	Int Amount	Total Owed
1192	Easy Investments, LLC	8722 N 32nd Ave	Phx 85051	$ 85,000.00	$ 135,000.00	62.96%	9/7/2008	9/7/2008	12/7/2013	$ 42.50	150	$ 6,375.00	$ 91,375.00
2120	Easy Investments, LLC	822 E Orange Ave	Ftn Hills, 85268	$ 115,000.00	$ 125,000.00	92.00%	9/21/2010	3/21/2011	12/21/2013	$ 57.50	146	$ 8,395.00	$ 123,395.00
2509	Easy Investments, LLC	196 La Buena World	Mesa, 85206	$ 107,000.00	$ 125,000.00	85.60%	5/13/2013	11/13/2013	12/13/2013	$ 58.50	136	$ 7,956.00	$ 126,126.00
3364	Easy Investments, LLC	14894 N 97th Place	Scottsdale, 85260	$ 344,702.12	$ 375,000.00	91.92%	8/9/2012	11/9/2012	12/9/2013	$ 172.35	159	$ 27,403.82	$ 372,105.94
3610	Easy Investments, LLC	20802 N Grayhawk Dr #1076	Scottsdale, 85255	$ 366,474.60	$ 375,000.00	97.73%	8/20/2012	2/20/2013	12/20/2013	$ 183.24	108	$ 27,419.92	$ 393,593.92
3736	Easy Investments, LLC Michelle Menagedi	9103 E Chaparral Dr	Scottsdale, 85260	$ 400,000.00	$ 650,000.00	61.54%	10/12/2012	4/12/2013	12/12/2013	$ 200.00	156	$ 31,200.00	$ 431,200.00
3817	Easy Investments, LLC	7513 N 47th Drive	Glendale, 85301	$ 20,000.00	$ 50,000.00	40.00%	11/6/2012	5/6/2013	12/6/2013	$ 10.00	162	$ 1,620.00	$ 21,620.00
3828	Easy Investments, LLC	1605 W Wilfer Dr	Phx, 85027	$ 677,552.68	$ 1,550,000.00	43.71%	5/13/2013	5/13/2013	12/13/2013	$ 338.68	155	$ 38,994.85	$ 514,847.51
3829	Easy Investments, LLC	702 W Wilshire Dr	Phx, 85007	$ 204,276.99	$ 265,000.00	77.09%	11/13/2012	5/13/2013	12/13/2013	$ 102.14	155	$ 15,831.47	$ 220,108.46
3882	Easy Investments, LLC	10728 W Gurleywood Dr	Avondale, 85323	$ 134,920.40	$ 150,000.00	89.95%	12/13/2012	6/13/2013	12/13/2013	$ 82.46	155	$ 12,781.63	$ 147,701.75
3883	Easy Investments, LLC	9555 E Raintree Dr., #1004	Scottsdale, 85260	$ 152,000.00	$ 160,000.00	95.00%	12/13/2012	6/13/2013	12/13/2013	$ 76.00	155	$ 11,780.00	$ 163,780.00
3885	Easy Investments, LLC	9555 E Raintree Dr. #1020	Scottsdale, 85260	$ 157,000.00	$ 160,000.00	98.13%	12/13/2012	6/13/2013	12/13/2013	$ 76.00	155	$ 11,780.00	$ 225,739.82
3913	Easy Investments, LLC	1892 E Ellis Dr	Tempe, 85282	$ 210,971.79	$ 235,000.00	89.78%	12/28/2012	6/28/2013	12/28/2013	$ 105.49	140	$ 14,768.03	$ 207,655.47
3914	Easy Investments, LLC	3740 E Sexton St	Gilbert, 85297	$ 194,051.84	$ 265,000.00	73.23%	12/28/2012	6/28/2013	12/28/2013	$ 97.03	140	$ 13,583.63	$ 207,635.47
3926	Easy Investments, LLC	320 S 70th Street #9	Mesa, 85208	$ 155,000.00	$ 165,000.00	93.94%	1/3/2013	7/3/2013	12/3/2013	$ 77.50	165	$ 12,787.50	$ 167,787.50
3927	Easy Investments, LLC	7704 W Warner St	Phx, 85043	$ 160,000.00	$ 170,000.00	94.12%	1/3/2013	7/3/2013	12/3/2013	$ 80.00	165	$ 13,200.00	$ 173,200.00
3933	Easy Investments, LLC	9451 E Becker Ln #B1057	Scottsdale, 85260	$ 136,196.70	$ 160,000.00	85.12%	1/4/2013	7/4/2013	12/4/2013	$ 68.10	164	$ 11,168.13	$ 147,364.83
3957	Easy Investments, LLC	1500 N Meridian #11	Mesa, 85201	$ 190,000.00	$ 205,000.00	92.68%	1/16/2013	7/16/2013	12/16/2013	$ 95.00	152	$ 14,440.00	$ 204,440.00
3959	Easy Investments, LLC	5420 W Sunnyside Dr	Glendale, 85304	$ 130,000.00	$ 140,000.00	92.86%	1/16/2013	7/16/2013	12/16/2013	$ 65.00	152	$ 9,880.00	$ 139,880.00
3975	Easy Investments, LLC	1080 E Redwood Dr	Chandler, 85286	$ 170,000.00	$ 210,000.00	80.95%	1/24/2013	7/24/2013	12/24/2013	$ 85.00	144	$ 12,240.00	$ 182,240.00
3976	Easy Investments, LLC	2402 E Yucca St	Phx, 85028	$ 292,084.39	$ 325,000.00	89.87%	1/24/2013	7/24/2013	12/24/2013	$ 146.04	144	$ 21,030.08	$ 313,114.47
3977	Easy Investments, LLC	7771 W Marietta Ave	Glendale, 85303	$ 168,867.99	$ 195,000.00	86.60%	1/24/2013	7/24/2013	12/24/2013	$ 83.43	144	$ 12,014.50	$ 176,882.49
3987	Easy Investments, LLC	18356 W Mission Ln	Waddell, 85355	$ 190,000.00	$ 220,000.00	86.36%	1/28/2013	7/28/2013	12/28/2013	$ 95.00	140	$ 13,300.00	$ 203,300.00
3994	Easy Investments, LLC	5016 S 41st Lane	Laveen, 85339	$ 229,213.96	$ 565,000.00	40.56%	1/30/2013	7/30/2013	12/30/2013	$ 114.61	138	$ 15,815.76	$ 245,029.72
3997	Easy Investments, LLC	311 N Kenneth Pl	Chandler, 85226	$ 289,274.40	$ 340,000.00	85.08%	1/31/2013	7/31/2013	12/30/2013	$ 144.64	138	$ 19,959.93	$ 309,234.33
3998	Easy Investments, LLC	2367 E El Siam Dr	Chandler, 85286	$ 343,078.80	$ 355,000.00	96.64%	1/31/2013	7/31/2013	12/30/2013	$ 171.54	138	$ 23,672.44	$ 366,751.24
3999	Easy Investments, LLC	26733 N 53rd Lane	Phx, 85083	$ 130,340.24	$ 165,000.00	78.99%	1/31/2013	7/31/2013	12/30/2013	$ 65.17	138	$ 8,993.48	$ 139,333.72
4003	Easy Investments, LLC	4529 E Sharon Dr	Phx, 85032	$ 195,987.87	$ 240,000.00	81.67%	2/1/2013	8/1/2013	12/1/2013	$ 98.00	167	$ 16,365.92	$ 212,353.65
4004	Easy Investments, LLC	7575 E Indian Bend Rd #2123	Scottsdale, 85250	$ 160,000.00	$ 175,000.00	91.43%	2/1/2013	8/1/2013	12/1/2013	$ 80.00	167	$ 13,360.00	$ 173,360.00
4020	Easy Investments, LLC	12802 W Willow Ave	El Mirage, 85335	$ 110,000.00	$ 120,000.00	91.67%	2/7/2013	8/7/2013	12/7/2013	$ 55.00	161	$ 8,855.00	$ 118,855.00
4027	Easy Investments, LLC	11106 W Dana Lane	Avondale, 85323	$ 175,000.00	$ 195,000.00	89.74%	2/11/2013	8/11/2013	12/11/2013	$ 87.50	157	$ 13,737.50	$ 188,737.50
4032	Easy Investments, LLC	10510 E Sunnyside Dr	Scottsdale, 85259	$ 2,615,167.89	$ 3,200,000.00	81.72%	2/14/2013	8/14/2013	12/14/2013	$ 1,257.51	154	$ 193,667.73	$ 2,808,835.62
4033	Easy Investments, LLC	10401 N 52nd Street #10	PV, AZ 85253	$ 100,000.00	$ 120,000.00	83.33%	2/14/2013	8/14/2013	12/14/2013	$ 50.00	154	$ 7,700.00	$ 107,700.00
4034	Easy Investments, LLC	11571 W Hopi St	Avondale, 85323	$ 148,280.94	$ 170,000.00	87.22%	2/14/2013	8/14/2013	12/14/2013	$ 74.14	154	$ 11,417.63	$ 159,698.57
4035	Easy Investments, LLC	23949 W Hadley St	Buckeye, 85326	$ 130,000.00	$ 150,000.00	86.67%	2/14/2013	8/14/2013	12/14/2013	$ 65.00	154	$ 10,010.00	$ 140,010.00
4038	Easy Investments, LLC	8150 E Beardsley Rd #1076	Elm, 85050	$ 135,000.00	$ 145,000.00	93.10%	2/15/2013	8/15/2013	12/15/2013	$ 67.50	153	$ 10,327.50	$ 145,327.50
4061	Easy Investments, LLC	22261 W Moonlight Path	Buckeye, 85326	$ 80,000.00	$ 125,000.00	64.00%	2/27/2013	8/27/2013	12/27/2013	$ 40.00	141	$ 5,640.00	$ 85,640.00
4066	Easy Investments, LLC	3333 W Apollo Rd	Phx, 85041	$ 140,000.00	$ 150,000.00	93.33%	2/28/2013	8/28/2013	12/28/2013	$ 70.00	140	$ 9,800.00	$ 149,800.00
4077	Easy Investments, LLC	5357 S Ranger Trail	Gilbert, 85298	$ 313,002.32	$ 340,000.00	92.06%	3/1/2013	9/1/2013	12/1/2013	$ 156.50	167	$ 26,135.69	$ 339,138.01
4093	Easy Investments, LLC	2360 E Gemini Ave	Mesa, 85204	$ 124,012.14	$ 155,000.00	80.01%	3/5/2013	9/5/2013	12/5/2013	$ 62.01	163	$ 10,106.99	$ 134,119.13
4109	Easy Investments, LLC	12827 W Desert Mirage Dr	Peoria, 85383	$ 198,254.24	$ 210,000.00	94.41%	3/8/2013	9/8/2013	12/8/2013	$ 99.13	160	$ 15,860.34	$ 214,114.58
4116	Easy Investments, LLC	6337 W Sonora St	Phx, 85043	$ 100,000.00	$ 115,000.00	86.96%	3/11/2013	9/11/2013	12/11/2013	$ 50.00	157	$ 7,850.00	$ 107,850.00
4118	Easy Investments, LLC	2048 E Marilyn Ave	Mesa, 85204	$ 184,446.84	$ 215,000.00	85.79%	3/12/2013	9/12/2013	12/12/2013	$ 92.22	156	$ 14,386.85	$ 198,833.69
4122	Easy Investments, LLC	1431 E Bob Lopont Pkwy	Gilbert, 85295	$ 263,511.91	$ 310,000.00	85.00%	3/14/2013	9/14/2013	12/14/2013	$ 131.76	154	$ 20,290.96	$ 283,801.49
4129	Easy Investments, LLC	2210 W Marco Polo Rd	Phx, 85027	$ 155,181.92	$ 175,000.00	88.68%	3/18/2013	9/18/2013	12/18/2013	$ 77.59	150	$ 11,638.64	$ 166,820.56
4130	Easy Investments, LLC	11650 N 91st Ave #3301	Peoria, 85382	$ 611,539.22	$ 760,000.00	80.47%	3/19/2013	9/19/2013	12/19/2013	$ 305.77	150	$ 45,865.19	$ 657,404.41
4136	Easy Investments, LLC	14556 N 154th Lane	Surprise, 85379	$ 160,000.00	$ 170,000.00	94.12%	3/19/2013	9/19/2013	12/19/2013	$ 80.00	149	$ 11,920.00	$ 171,920.00
4146	Easy Investments, LLC	4627 E Red Range Way	Cave Creek, 85331	$ 436,417.60	$ 565,000.00	77.24%	3/21/2013	9/21/2013	12/21/2013	$ 218.21	147	$ 32,076.87	$ 468,494.47
4152	Easy Investments, LLC	18131 W Ruth Ave	Waddell, 85355	$ 270,000.00	$ 285,000.00	94.74%	3/25/2013	9/25/2013	12/25/2013	$ 135.00	143	$ 19,305.00	$ 289,305.00
4160	Easy Investments, LLC	7089 E Andrew Ln	Peoria, 85383	$ 213,638.91	$ 250,000.00	85.47%	4/3/2013	10/3/2013	12/3/2013	$ 106.82	165	$ 17,627.69	$ 231,266.60
4185	Easy Investments, LLC	3826 E Palmer St	Gilbert, 85298	$ 210,000.00	$ 220,000.00	95.45%	4/5/2013	10/5/2013	12/5/2013	$ 105.00	163	$ 17,115.00	$ 227,115.00
4227	Easy Investments, LLC	15677 W Apple Cir	Goodyear, 85395	$ 311,000.00	$ 325,000.00	88.00%	4/19/2013	10/19/2013	12/19/2013	$ 53.00	149	$ 8,195.00	$ 319,195.00
4228	Easy Investments, LLC	7389 W Tierra Buena Ln	Peoria, 85382	$ 150,000.00	$ 160,000.00	93.75%	4/19/2013	10/19/2013	12/19/2013	$ 75.00	149	$ 11,175.00	$ 161,175.00
4229	Easy Investments, LLC	436 N 159th Ave	Goodyear, 85395	$ 203,377.73	$ 225,000.00	90.39%	4/19/2013	10/19/2013	12/19/2013	$ 101.69	149	$ 15,151.64	$ 218,529.37
4241	Easy Investments, LLC	16832 W Toronto Way	Goodyear, 85395	$ 177,861.35	$ 185,000.00	96.14%	4/23/2013	10/23/2013	12/23/2013	$ 88.93	145	$ 12,894.95	$ 190,756.30
4253	Easy Investments, LLC	4903 E Cactus Rd. #201	Phx, 85032	$ 442,966.80	$ 665,000.00	66.65%	4/29/2013	10/29/2013	12/29/2013	$ 221.48	139	$ 30,786.92	$ 473,753.72
4280	Easy Investments, LLC	23922 W Desert Bloom St	Buckeye, 85326	$ 120,000.00	$ 145,000.00	82.76%	5/6/2013	11/6/2013	12/6/2013	$ 60.00	162	$ 9,720.00	$ 129,720.00
4289	Easy Investments, LLC	7703 W Lamar Rd	Glendale, 85303	$ 146,625.83	$ 156,000.00	93.99%	5/13/2013	11/13/2013	12/13/2013	$ 73.31	155	$ 11,362.46	$ 157,557.81
4307	Easy Investments, LLC	2581 S Palm St	Gilbert, 85295	$ 330,000.00	$ 350,000.00	94.29%	5/21/2013	11/21/2013	12/21/2013	$ 165.00	147	$ 24,255.00	$ 354,255.00

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4308	Easy Investments, LLC	7111 E Potter Dr	Phx, 85024	$	180,000.00	$	190,000.00	94.74%	5/24/2013	11/24/2013	12/24/2013	$	90.00	147	$	13,230.00	$	193,230.00
4313	Easy Investments, LLC	19296 W Adams St	Buckeye, 85326	$	150,000.00	$	160,000.00	93.75%	5/23/2013	11/23/2013	12/23/2013	$	75.00	145	$	10,875.00	$	160,875.00
4322	Easy Investments, LLC	8554 W Moreno Dr	Phx, 85037	$	93,406.92	$	125,000.00	74.73%	5/29/2013	11/29/2013	12/29/2013	$	86.70	138	$	6,491.77	$	99,898.59
4338	Easy Investments, LLC	2945 E Dunbar Dr	Phx, 85042	$	100,000.00	$	120,000.00	83.33%	6/5/2013	12/5/2013	12/5/2013	$	50.00	163	$	8,150.00	$	108,150.00
4342	Easy Investments, LLC	331744 W Hadley St	Avondale, 85323	$	140,000.00	$	160,000.00	87.50%	6/6/2013	12/6/2013	12/6/2013	$	70.00	161	$	11,340.00	$	151,340.00
4343	Easy Investments, LLC	23827 W Gibson Ln	Buckeye, 85326	$	150,000.00	$	170,000.00	88.24%	6/6/2013	12/6/2013	12/6/2013	$	75.00	162	$	12,150.00	$	162,150.00
4357	Easy Investments, LLC	9154 W Foothill Dr	Phx, 85027	$	133,019.19	$	155,000.00	89.04%	6/10/2013	12/10/2013	12/10/2013	$	69.01	158	$	10,903.52	$	148,922.71
4361	Easy Investments, LLC	614 W Aire Libre	Phx, 85023	$	180,000.00	$	210,000.00	85.71%	6/12/2013	12/12/2013	12/12/2013	$	90.00	156	$	14,040.00	$	194,040.00
4381	Easy Investments, LLC	9237 W Pleasant Ln	Phx, 85041	$	160,000.00	$	225,000.00	71.11%	6/21/2013	12/21/2013	12/21/2013	$	80.00	147	$	11,760.00	$	171,760.00
4383	Easy Investments, LLC	9423 W McRae Way	Peoria, 85382	$	100,000.00	$	135,000.00	74.07%	6/21/2013	12/21/2013	12/21/2013	$	50.00	147	$	7,350.00	$	107,350.00
4384	Easy Investments, LLC	23819 W Hilton Ave	Buckeye, 85326	$	145,000.00	$	160,000.00	90.63%	6/21/2013	12/21/2013	12/21/2013	$	72.50	147	$	10,657.50	$	155,657.50
4386	Easy Investments, LLC	2182 E Arabian Dr	Gilbert, 85296	$	170,000.00	$	200,000.00	85.00%	6/24/2013	12/24/2013	12/24/2013	$	85.00	144	$	12,240.00	$	182,240.00
4391	Easy Investments, LLC	25209 S Saddletree Dr	Sun Lakes, 85248	$	100,000.00	$	140,000.00	71.43%	6/26/2013	12/26/2013	12/26/2013	$	50.00	144	$	7,200.00	$	107,200.00
4395	Easy Investments, LLC	8002 N 70th St #144	Scottsdale, 85251	$	69,741.00	$	85,000.00	82.05%	6/26/2013	12/26/2013	12/26/2013	$	34.87	142	$	4,951.61	$	74,692.61
4397	Easy Investments, LLC	2966 E Lynx Way	Gilbert, 85298	$	315,118.62	$	350,000.00	89.46%	6/27/2013	12/27/2013	12/27/2013	$	156.56	141	$	22,074.83	$	337,193.44
4409	Arizona Home Foreclosures, LLC	3326 E Oriole Dr	Gilbert, 85297	$	185,000.00	$	215,000.00	86.05%	7/3/2013	1/3/2014	12/3/2013	$	92.50	155	$	15,262.50	$	200,262.50
4410	Arizona Home Foreclosures, LLC	9521 E Posada Ave	Mesa, 85212	$	147,573.65	$	173,000.00	85.30%	7/3/2013	1/3/2014	12/3/2013	$	73.79	165	$	12,174.83	$	159,748.48
4411	Arizona Home Foreclosures, LLC	5335 S Monte Vista St	Chandler, 85249	$	260,000.00	$	400,000.00	65.00%	7/3/2013	1/3/2014	12/3/2013	$	130.00	163	$	21,190.00	$	281,190.00
4417	Arizona Home Foreclosures, LLC	17540 N Estrella Vista Dr	Surprise, 85374	$	170,000.00	$	200,000.00	85.00%	7/9/2013	1/9/2014	12/9/2013	$	85.00	159	$	13,515.00	$	183,515.00
4422	Arizona Home Foreclosures, LLC	Arizona Home Foreclosures, LLC	Laveen, 85339	$	100,000.00	$	135,000.00	74.07%	7/10/2013	1/10/2014	12/10/2013	$	50.00	158	$	7,900.00	$	107,900.00
4430	Arizona Home Foreclosures, LLC	5414 S Heather Dr	Tempe, 85283	$	190,000.00	$	225,000.00	84.44%	7/12/2013	1/12/2014	12/12/2013	$	95.00	156	$	14,820.00	$	204,820.00
4434	Arizona Home Foreclosures, LLC	2410 S Keene	Mesa, 85209	$	250,000.00	$	315,000.00	79.37%	7/15/2013	1/15/2014	12/15/2013	$	125.00	158	$	19,425.00	$	269,425.00
4438	Arizona Home Foreclosures, LLC	6346 W Valencia Dr	Laveen, 85339	$	100,000.00	$	140,000.00	71.43%	7/17/2013	1/17/2014	12/17/2013	$	50.00	151	$	7,550.00	$	107,550.00
4444	Arizona Home Foreclosures, LLC	21979 N 154th Drive	Surprise, 85379	$	237,674.19	$	265,000.00	89.69%	7/18/2013	1/18/2014	12/18/2013	$	73.51	150	$	10,696.59	$	253,317.76
4454	Arizona Home Foreclosures, LLC	2733 S Ananea	Mesa, 85209	$	200,000.00	$	240,000.00	83.33%	7/22/2013	1/22/2014	12/22/2013	$	100.00	146	$	14,600.00	$	214,600.00
4459	Arizona Home Foreclosures, LLC	3427 W Windsor Dr	Phx, 85041	$	250,000.00	$	340,000.00	73.53%	7/25/2013	1/25/2014	12/25/2013	$	125.00	145	$	18,125.00	$	268,125.00
4481	Arizona Home Foreclosures, LLC	13512 W Marshall Ave	Litchfield, 85340	$	188,756.07	$	225,000.00	83.89%	7/29/2013	1/29/2014	12/29/2013	$	94.38	139	$	13,118.55	$	201,874.62
4482	Arizona Home Foreclosures, LLC	10440 W Hammond Ln	Tolleson, 85353	$	145,000.00	$	155,000.00	93.55%	7/29/2013	1/29/2014	12/29/2013	$	72.50	139	$	10,077.50	$	155,077.50
4484	Arizona Home Foreclosures, LLC	10020 N 66th Drive	Glendale, 85302	$	109,000.00	$	115,000.00	94.78%	7/29/2013	1/29/2014	12/29/2013	$	54.50	139	$	7,575.50	$	116,575.50
4495	Arizona Home Foreclosures, LLC	16527 W Post Dr	Surprise, 85388	$	222,420.76	$	150,000.00	91.42%	8/1/2013	2/1/2014	12/1/2013	$	61.08	167	$	10,197.78	$	232,618.54
4500	Arizona Home Foreclosures, LLC	10025 W Williams St	Tolleson, 85353	$	90,000.00	$	135,000.00	66.67%	8/2/2013	2/2/2014	12/2/2013	$	45.00	166	$	7,470.00	$	97,470.00
4501	Arizona Home Foreclosures, LLC	2216 W Pista Dr	Mesa, 85202	$	148,085.50	$	180,000.00	82.26%	8/2/2013	2/2/2014	12/2/2013	$	74.04	166	$	12,289.44	$	160,374.94
4504	Arizona Home Foreclosures, LLC	39817 N Messner Way	Anthe, 85086	$	215,000.00	$	230,000.00	93.48%	8/6/2013	2/6/2014	12/6/2013	$	107.50	162	$	17,415.00	$	232,415.00
4505	Arizona Home Foreclosures, LLC	31550 W Rancho Dr	El Mirage, 85335	$	190,000.00	$	135,000.00	66.67%	8/7/2013	2/7/2014	12/7/2013	$	45.00	161	$	7,245.00	$	97,245.00
4509	Arizona Home Foreclosures, LLC	1561 E Mia Ln	Gilbert 85298	$	255,000.00	$	300,000.00	85.00%	8/7/2013	2/7/2014	12/7/2013	$	127.50	161	$	20,527.50	$	275,527.50
4512	Arizona Home Foreclosures, LLC	1502 W Wood Dr	Phx, 85027	$	155,000.00	$	180,000.00	86.11%	8/8/2013	2/8/2014	12/8/2013	$	77.50	160	$	12,400.00	$	167,400.00
4513	Arizona Home Foreclosures, LLC	16010 N 170th Lane	Surprise, 85388	$	156,000.00	$	165,000.00	94.55%	8/8/2013	2/8/2014	12/8/2013	$	78.00	160	$	12,480.00	$	168,480.00
4514	Arizona Home Foreclosures, LLC	2899 E Millbrae Ln	Gilbert, 85234	$	227,000.00	$	245,000.00	94.78%	8/8/2013	2/8/2014	12/8/2013	$	163.50	160	$	26,160.00	$	253,160.00
4519	Arizona Home Foreclosures, LLC	23851 W Wier Ave	Buckeye, 85326	$	164,348.66	$	185,000.00	88.84%	8/12/2013	2/12/2014	12/12/2013	$	82.17	156	$	12,819.20	$	177,167.86
4523	Arizona Home Foreclosures, LLC	10125 E Lobo Ave	Mesa, 85209	$	210,000.00	$	220,000.00	95.45%	8/16/2013	2/16/2014	12/16/2013	$	105.00	154	$	16,170.00	$	226,170.00
4530	Arizona Home Foreclosures, LLC	1750 W Potter Dr	Phx, 85027	$	100,000.00	$	155,000.00	64.52%	8/19/2013	2/19/2014	12/19/2013	$	50.00	149	$	7,450.00	$	107,450.00
4534	Arizona Home Foreclosures, LLC	1043 S Gordon Dr	Mesa, 85212	$	150,000.00	$	160,000.00	93.75%	8/21/2013	2/21/2014	12/21/2013	$	75.00	147	$	11,025.00	$	161,025.00
4536	Arizona Home Foreclosures, LLC	18915 N Sunsites Dr	Surprise, 85387	$	195,000.00	$	205,000.00	95.12%	8/22/2013	2/22/2014	12/22/2013	$	97.50	146	$	14,235.00	$	209,235.00
4540	Arizona Home Foreclosures, LLC	1835 S Chadwarth	Mesa, 85208	$	120,000.00	$	150,000.00	80.00%	8/23/2013	2/23/2014	12/23/2013	$	60.00	145	$	8,700.00	$	128,700.00
4541	Arizona Home Foreclosures, LLC	31008 W Columbus Ave	Buckeye, 85326	$	80,000.00	$	130,000.00	61.54%	8/23/2013	2/23/2014	12/23/2013	$	40.00	145	$	5,800.00	$	85,800.00
4544	Arizona Home Foreclosures, LLC	17016 S 27th Place	Phx, 85048	$	140,000.00	$	210,000.00	66.67%	8/26/2013	2/26/2014	12/26/2013	$	70.00	142	$	9,940.00	$	149,940.00
4546	Arizona Home Foreclosures, LLC	15550 N Frank Lloyd Wright #1005	Scottsdale, 85260	$	220,000.00	$	315,000.00	69.84%	8/27/2013	2/27/2014	12/27/2013	$	110.00	141	$	15,510.00	$	235,510.00
4550	Arizona Home Foreclosures, LLC	20275 S 101st Dr	Tolleson, 85353	$	125,000.00	$	145,000.00	86.21%	8/30/2013	2/28/2014	12/30/2013	$	62.50	149	$	9,625.00	$	133,625.00
4574	Arizona Home Foreclosures, LLC	25863 W St James Ave	Buckeye, 85326	$	123,500.00	$	130,000.00	95.00%	9/12/2013	3/12/2014	12/12/2013	$	61.75	156	$	9,633.00	$	133,133.00
4578	Arizona Home Foreclosures, LLC	1040 S 220th Lane	Buckeye, 85326	$	120,000.00	$	140,000.00	85.71%	9/16/2013	3/16/2014	12/16/2013	$	60.00	152	$	9,120.00	$	129,120.00
4579	Arizona Home Foreclosures, LLC	977 S Colonial Dr	Gilbert, 85296	$	205,000.00	$	220,000.00	93.18%	9/16/2013	3/16/2014	12/16/2013	$	102.50	152	$	15,580.00	$	220,580.00
4604	Arizona Home Foreclosures, LLC	707 E Potter Dr	Phx, 85024	$	170,000.00	$	300,000.00	56.67%	9/25/2013	3/25/2014	12/25/2013	$	85.00	143	$	12,155.00	$	182,155.00
4611	Arizona Home Foreclosures, LLC	14904 W Port Royale Ln	Surprise, 85379	$	142,500.00	$	150,000.00	95.00%	9/27/2013	3/27/2014	12/27/2013	$	71.25	141	$	10,046.25	$	152,546.25
4616	Arizona Home Foreclosures, LLC	25234 W Durrell Dr	Buckeye, 85326	$	150,000.00	$	175,000.00	85.71%	10/1/2013	4/1/2014	12/1/2013	$	75.00	147	$	10,525.00	$	160,525.00
4618	Arizona Home Foreclosures, LLC	15835 N 47th Street	Phx, 85032	$	220,000.00	$	335,000.00	65.67%	10/2/2013	4/2/2014	12/2/2013	$	110.00	166	$	18,260.00	$	238,260.00
4619	Arizona Home Foreclosures, LLC	8740 W Villa Theresa Dr	Glendale, 85308	$	190,000.00	$	150,000.00	60.00%	10/3/2013	4/3/2014	12/3/2013	$	45.00	165	$	7,425.00	$	97,425.00
4624	Arizona Home Foreclosures, LLC	15143 E Aspen Dr	Fountain Hills, 85268	$	210,000.00	$	300,000.00	70.00%	10/4/2013	4/4/2014	12/4/2013	$	105.00	164	$	17,220.00	$	227,220.00
4625	Arizona Home Foreclosures, LLC	3141 E Villa View Dr	Phx, 85042	$	170,000.00	$	189,000.00	63.49%	10/4/2013	4/4/2014	12/4/2013	$	60.00	164	$	9,840.00	$	129,840.00
4627	Arizona Home Foreclosures, LLC	10769 W Runion Dr	Sun City, 85373	$	195,000.00	$	215,000.00	90.70%	10/7/2013	4/7/2014	12/7/2013	$	97.50	161	$	15,697.50	$	210,697.50
4636	Arizona Home Foreclosures, LLC	4705 N Brookview Terrace	Litchfield, 85340	$	160,000.00	$	225,000.00	71.11%	10/11/2013	4/11/2014	12/11/2013	$	80.00	157	$	12,560.00	$	172,560.00

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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
4642	Arizona Home Foreclosures, LLC	11954 W Belmont Dr	Avondale, 85323	$	100,000.00	$	145,000.00	68.92%	10/15/2013	4/15/2014	12/15/2013	$	50.00	154	$	7,700.00	$	107,700.00
4643	Arizona Home Foreclosures, LLC	842 E Sheffield Ave	Gilbert, 85296	$	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
4644	Arizona Home Foreclosures, LLC	31846 W Pueblo Ave	Waddell, 85355	$	125,000.00	$	150,000.00	83.33%	10/16/2013	4/16/2014	12/16/2013	$	62.50	152	$	9,500.00	$	134,500.00
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	4419 W Valley View Dr	Laveen, 85339	$	140,000.00	$	175,000.00	80.00%	10/18/2013	4/18/2014	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%	10/22/2013	4/22/2014	12/22/2013	$	75.00	146	$	10,950.00	$	160,950.00
4659	Arizona Home Foreclosures, LLC	4728 W Carson Rd	Laveen, 85339	$	160,000.00	$	180,000.00	88.89%	10/22/2013	4/22/2014	12/22/2013	$	80.00	146	$	11,680.00	$	171,680.00
4662	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	$	11,962.50	$	176,962.50
4663	Arizona Home Foreclosures, LLC	9778 N 85th Place	Scottsdale, 85257	$	270,000.00	$	285,000.00	94.74%	10/24/2013	4/24/2014	12/24/2013	$	135.00	144	$	19,440.00	$	289,440.00
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
4666	Arizona Home Foreclosures, LLC	9602 N 90th Street	Scottsdale, 85258	$	349,083.40	$	375,000.00	93.09%	10/29/2013	4/29/2014	12/29/2013	$	174.54	139	$	24,261.93	$	373,345.33
4670	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
4671	Arizona Home Foreclosures, LLC	23846 W Gibson Ln	Buckeye, 85326	$	150,000.00	$	175,000.00	85.71%	10/30/2013	4/30/2014	12/30/2013	$	75.00	138	$	10,350.00	$	160,350.00
4672	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	138	$	10,350.00	$	160,350.00
4684	Arizona Home Foreclosures, LLC	1791 E Gary Dr	Chandler, 85225	$	120,000.00	$	170,000.00	70.59%	11/1/2013	5/1/2014	12/1/2013	$	60.00	167	$	10,020.00	$	130,020.00
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	163	$	11,410.00	$	151,410.00
4689	Arizona Home Foreclosures, LLC	17661 W Marconi Ave	Surprise, 85388	$	270,000.00	$	350,000.00	68.00%	11/5/2013	5/5/2014	12/5/2013	$	135.00	162	$	21,870.00	$	291,870.00
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 Whyman 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
4711	Arizona Home Foreclosures, LLC	1197 S 238th Lane	Buckeye, 85326	$	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	$	135,000.00	$	143,500.00	94.08%	11/21/2013	5/21/2014	12/21/2013	$	67.50	147	$	8,922.50	$	143,922.50
4719	Arizona Home Foreclosures, LLC	1621 W Sandpiper Way	Chandler, 85225	$	115,000.00	$	125,000.00	92.00%	11/22/2013	5/22/2014	12/22/2013	$	57.50	147	$	8,452.50	$	123,452.50
4727	Arizona Home Foreclosures, LLC	28805 W Papago St	Buckeye, 85326	$	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	8742 W Gravel Ave	Peoria, 85382	$	117,500.00	$	150,000.00	78.33%	12/4/2013	6/4/2014	1/4/2014	$	58.75	154	$	7,872.50	$	125,372.50
4731	Arizona Home Foreclosures, LLC	28730 N Nobel Rd	Phx, 85085	$	288,900.00	$	335,000.00	86.24%	12/5/2013	6/5/2014	1/5/2014	$	144.45	153	$	19,211.85	$	308,111.85
4732	Arizona Home Foreclosures, LLC	8916 W Redbird Trl	Phx, 85085	$	329,000.00	$	415,000.00	79.28%	12/5/2013	6/5/2014	1/5/2014	$	164.50	153	$	21,878.50	$	350,878.50
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	$	7,937.50	$	132,937.50
4738	Arizona Home Foreclosures, LLC	17832 W Desert Bloom St	Goodyear, 85338	$	125,500.00	$	155,000.00	80.97%	12/11/2013	6/11/2014	1/11/2014	$	62.75	127	$	7,969.25	$	133,469.25
4740	Arizona Home Foreclosures, LLC	1070 N Robins Way	Chandler, 85225	$	158,100.00	$	195,000.00	81.08%	12/12/2013	6/12/2014	1/12/2014	$	79.05	135	$	10,671.75	$	168,771.75
4753	Arizona Home Foreclosures, LLC	4749 N 108th Ave	Phx, 85037	$	152,500.00	$	199,000.00	76.63%	12/16/2013	6/16/2014	1/16/2014	$	76.25	130	$	9,750.00	$	161,650.00
4754	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	$	9,240.00	$	163,240.00
4755	Arizona Home Foreclosures, LLC	24020 N High Noon Way	Phx, 85086	$	244,200.00	$	315,000.00	77.52%	12/18/2013	6/18/2014	1/18/2014	$	122.10	120	$	14,652.00	$	258,852.00
4777	Arizona Home Foreclosures, LLC	1119 E Potter Dr	Phx, 85024	$	236,100.00	$	289,000.00	81.70%	12/26/2013	6/26/2014	1/26/2014	$	118.05	112	$	13,221.60	$	249,321.60
4779	Arizona Home Foreclosures, LLC	24078 S Wayne Dr	Chandler, 85249	$	276,700.00	$	340,000.00	81.38%	12/27/2013	6/27/2014	1/27/2014	$	138.35	111	$	15,356.85	$	292,056.85
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	$	7,238.40	$	146,438.40
4796	Arizona Home Foreclosures, LLC	6152 W Glenrosa Ave	Glendale, 85304	$	168,000.00	$	220,000.00	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	$	145,000.00	76.55%	1/10/2014	7/10/2014	2/10/2014	$	55.50	97	$	5,383.50	$	116,383.50
4845	Arizona Home Foreclosures, LLC	14700 N 76th Street #1001	Scottsdale, 85260	$	274,000.00	$	325,000.00	84.31%	1/5/2014	7/5/2014	2/5/2014	$	137.00	74	$	9,727.00	$	283,727.00
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
4863	Arizona Home Foreclosures, LLC	1416 E Del Rio Dr	Tempe, 85282	$	178,000.00	$	230,000.00	77.39%	2/20/2014	8/20/2014	3/20/2014	$	89.00	56	$	4,984.00	$	182,984.00
4870	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	$	172,218.45
4884	Arizona Home Foreclosures, LLC	1503 W Duke Dr	Tempe, 85283	$	89,000.00	$	115,000.00	77.39%	3/6/2014	9/6/2014	4/6/2014	$	44.50	42	$	1,869.00	$	90,869.00
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
4886	Arizona Home Foreclosures, LLC	4700 E Overfield Rd	Gilbert, 85297	$	170,000.00	$	199,000.00	85.43%	3/6/2014	9/6/2014	4/6/2014	$	85.00	42	$	3,570.00	$	173,570.00
4903	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
4913	Arizona Home Foreclosures, LLC	9003 W Encanto Blvd	Phx, 85037	$	168,600.00	$	185,000.00	91.14%	3/18/2014	9/18/2014	4/18/2014	$	59.13	30	$	1,774.50	$	170,074.50
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	9416 E Desert Trumpet Rd	Phx, 85044	$	237,407.00	$	300,000.00	79.14%	3/20/2014	9/20/2014	4/20/2014	$	118.70	21	$	2,492.70	$	240,070.70
4938	Arizona Home Foreclosures, LLC	1426 W Missouri Ave	Phx, 85013	$	144,101.00	$	220,000.00	65.50%	3/26/2014	9/26/2014	4/26/2014	$	72.05	22	$	1,585.11	$	145,686.11
4944	Arizona Home Foreclosures, LLC	160 W Juanita Ave	Gilbert, 85233	$	150,750.00	$	225,000.00	67.00%	3/28/2014	9/28/2014	4/28/2014	$	75.38	20	$	1,507.51	$	152,258.51
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	2446 W Fordham Ave	Mesa, 85202	$	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	$	102,600.00	$	140,000.00	73.29%	4/3/2014	10/3/2014	5/3/2014	$	51.30	14	$	718.20	$	103,318.20
4967	Arizona Home Foreclosures, LLC	3580 S Alder Dr	Tempe, 85282	$	192,500.00	$	250,000.00	77.00%	4/7/2014	10/7/2014	5/7/2014	$	96.25	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	6709 W Glenrosa Dr	Glendale, 85304	$	328,500.00	$	400,000.00	82.13%	4/8/2014	10/8/2014	5/8/2014	$	164.25	8	$	1,314.00	$	329,814.00
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
4967	Arizona Home Foreclosures, LLC	7020 E Hampton Via Dr	Mesa, 85207	$	161,300.00	$	165,000.00	78.53%	4/9/2014	10/9/2014	5/9/2014	$	65.65	8	$	525.20	$	161,825.20
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

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4970	Arizona Home Foreclosures, LLC	4528 E Mockingbird Dr	Gilbert, 85234	$	277,800.00	$	345,000.00	80.52%	4/9/2014	10/9/2014	5/9/2014	$	138.90	5	$	694.50	$	277,105.50
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	4014 W Shaw Butte Rd	Phx, 85029	$	158,800.00	$	195,000.00	81.44%	4/9/2014	10/9/2014	5/9/2014	$	79.40	8	$	635.20	$	159,435.20
4974	Arizona Home Foreclosures, LLC	21551 N Cave 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
4975	Arizona Home Foreclosures, LLC	4715 E Red Bird Rd	Cave Creek, 85331	$	253,400.00	$	310,000.00	81.74%	4/10/2014	10/10/2014	5/10/2014	$	126.70	7	$	886.90	$	254,286.90
4976	Arizona Home Foreclosures, LLC	5704 E Aire Libre Ave #104B	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
4977	Arizona Home Foreclosures, LLC	2502 W Memorial Dr	Anthem, 85086	$	153,200.00	$	180,000.00	85.11%	4/11/2014	10/11/2014	5/11/2014	$	76.60	6	$	459.60	$	153,659.60
4978	Arizona Home Foreclosures, LLC	12359 W Roberta Ln	Peoria, 85383	$	186,200.00	$	230,000.00	80.96%	4/11/2014	10/11/2014	5/11/2014	$	93.10	6	$	558.60	$	186,758.60
4979	Arizona Home Foreclosures, LLC	2932 N Cave Tomas Cir	Phx, 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
4981	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
4982	Arizona Home Foreclosures, LLC	7352 E Drummond 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
4983	Arizona Home Foreclosures, LLC	8832 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	$	169.50	$	113,169.50
4984	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	$	57.90	3	$	173.70	$	115,973.70
4985	Arizona Home Foreclosures, LLC	10364 W Atlantis 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
4988	Arizona Home Foreclosures, LLC	4230 E Windrose Dr	Phx, 85032	$	215,400.00	$	275,000.00	81.96%	4/15/2014	10/15/2014	5/15/2014	$	112.70	2	$	225.40	$	215,625.40
4989	Arizona Home Foreclosures, LLC	1149 W Sherri 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	$	2,296,272.81	$	39,752,893.28

DIC0010790

Beauchamp
EXH. NO. 406
7-19-18
Kelly S. Oglesby CR 50178

DenSco / Workout

TCW Danny Chittick (4/24/14) 602-369-4001

— close of business on April 16

— 1,780,239.76 principal $5M Note

— 35,639,880.71 principal — Total Loans

— 915,167.89 principal $1M Note

186 Loans when started — double-encumbered

PAM Update

— down to 94 loans ($12.3M principal)
  — Dan's group out — pd off
  — 34 loans in escrow — to close by end of May
  — 6 in negotiation

→ workout balance is at $2M
  — Scott is buying $600,000 to $1,000,000 in houses but he is then wholesaling them out

— was at approx $25M

Beauchamp
EXH. NO. 407
7-19-18
Kelly S. Oglesby CR 50178

Confidential Private Offering Memorandum

DenSco Investment Corporation

May ___, 2014

No: _____ Name of Payee: _____

Confidential Private Offering Memorandum

DenSco Investment Corporation

General Obligations Notes

Minimum Purchase $50,000

The General Obligation Notes (the "Notes") are general obligations of DenSco Investment Corporation, an Arizona corporation (the "Company"). The Notes, together with all other outstanding notes and all other advances or liabilities owed by the Company to any holder of an outstanding note will be secured by a general pledge of all assets owned by or later acquired by the Company. The Company's largest assets will be the Trust Deeds, as defined herein, acquired by the Company and the Notes will be superior in priority and liquidation preference to Notes subscribed for by officers and shareholders of the Company. Interest will be paid monthly, quarterly or at maturity. The Notes are not insured or guaranteed by any state or federal government entity or any insurance company, and the Company will not establish a sinking fund for the Notes. The Company generally may transfer, sell or substitute collateral for the Notes. The Company may modify the interest rate to be paid on subsequently issued Notes. The Company may adjust the interest paid on subsequently offered Notes and on the Notes offered hereby with 30 days' written notice ("Interest Adjustment Notice"). For Notes offered by this Confidential Private Offering Memorandum, the interest paid for the Note will automatically adjust to the amount stated in the Interest Adjustment Notice unless within the 30 day notice period the Noteholder provides a written request to the Company for the Note to be prepaid. If the Noteholder provides such notice within the 30 day notice period, the interest paid on the Note will be unchanged until such time as the Company prepays the Note. The Company will use good faith efforts to prepay Notes upon receipt of written request, but the Company will not be obligated to do so. The Notes may be redeemed by the Company prior to maturity upon notice at a price equal to the principal amount of the Notes plus accrued interest to the date of redemption. See "Description of Securities – Note Terms." Default may occur with respect to

Comment [A1]: Can DenSco adjust the interest on the Notes?

Comment [A2]: Note giving the Noteholder an option when there is an Interest Adjustment Notice makes the unilateral interest adjustment more enforceable, also, because it may not always be feasible to prepay a Note when a Noteholder objects to the interest adjustment, we did not include the Company's ability to prepay the Note in this clause. By saying the interest rate is changed with there is an objection (demonstrated by requesting prepayment), there is actually no penalty to the Noteholder for making the objection. Actually, the motivation to accept an interest adjustment will be to avoid a penalty but to avoid an early prepayment that would end the investment opportunity. A court is much more likely to enforce this scenario than a penalty for not accepting a unilateral interest adjustment.

Comment [A3]: This part will continue?

one Note and not another. The Notes may be purchased directly from the Company without commission. The Company intends to offer the Notes on a continuous basis until the earlier of (a) the sale of the maximum offering, or (b) two years from the date of this memorandum; provided, however, the Company reserves the right to amend, modify and/or terminate this offering if the Company changes its operations or method of offering in any material respect. See "Description of Securities" and "Plan of Distribution."

Comment [A1]: DGR: What is the maximum duration we can use here?

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

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

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

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

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

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

Comment [AS1]: Is this all correct?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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MEMORANDUM SUMMARY

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

The Company

DenSco Investment Corporation, an Arizona corporation (the "Company"), is an Arizona corporation, which has been in operation since April, 2001. In the thirteen years of operation from April, 2001 through April, 2014, the Company has engaged in [redacted] loan transactions. The Company has been and will continue to be engaged primarily in the business of making high-interest loans with defined loan-to-value ratios to residential property remodelers ("Foreclosure Specialists") who purchase houses through pre-foreclosure process and foreclosure sales, all of which are secured by real estate deeds of trust ("Trust Deeds") recorded against Arizona residential properties, but the Company will not limit its efforts to this niche. In connection with its business, the Company will seek to maintain a diversity of builders, loan size, back-office commercial properties, medical offices, strip commercial centers, high-end specialty and custom residential properties and construction locations. The Company does not intend to exceed a maximum loan size of $1,000,000.00. The Company intends to maintain a loan-to-value ratio below 70% in the aggregate for all loans in the loan portfolio.

Comment [A6]: How many loans in 13 year period. According to July 2011 PDM, the Company did 2622 loans from April 2001 to June 2011.

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

The Offering

Securities: As of May _____, 2014, the Company has offered and secured the first $____ _____ __ in principal amount of Notes. Of these Notes, $_____ of principal has been prepaid. The Company is offering the balance of $_____ in principal amount of Notes on a "best efforts" basis. The interest rates of the Notes will vary and will depend on the

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

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

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

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

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

BUSINESS

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

Target Markets and Potential Future Markets

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

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

Comment [AZ1]: Is this still accurate?

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

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

Comment [A8]: Is this accurate?

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

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

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

Comment [A91: ?, this still accurate?

Cash Flow

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

Limited Due Diligence

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

Comment [A10]: ? Does Denise/Jeanne inspect foreclosure auction homes? If so, at what stage (after purchase, during reh, after reh)?

Funding and Purchase of Loans

The Company reserves the right to approve or decline the funding of each direct loan or the purchase of each Trust Deed submitted for purchase. The Company intends to follow certain practices and procedures when it funds or purchases a Trust Deed, including without limitation,

Comment [A11]: Please provide a summary of the Company's procedures regarding how it funds (i.e., who the funds are issued to and in what amounts), and how it perfects its liens (i.e., preparation of Trust Deed, execution of Trust Deed and recording of Trust Deed).

Collections

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

Comment [A12]: This will accrue?

Regulation

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

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

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

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

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

The Company's management believes that it is not required to register or be licensed as an investment adviser with the State of Arizona or with the U.S. Securities Exchange Commission ("SEC") pursuant to the Investment Advisers Act of 1940 (the "Advisers Act"), as amended. The Advisers Act and the analogous Arizona law generally require all persons that are engaged in the business of providing investment advice for compensation to register with the SEC or Arizona provided that such adviser is not exempt from registration. The Company's management believes that it is not engaged in the business of providing investment advice for compensation, and as such, is not required to register as an "investment adviser" with either the SEC and/or the State of Arizona. In addition, even if the Company were deemed to be engaged in the business of providing investment advice for compensation, the Company anticipates that it would be exempt from registration under the Adviser Act due to the "private fund adviser exemption" (*See* 17 C.F.R. § 275.203(m)-1) as the Company manages less than $150 million in assets and would likely be deemed a "qualifying private fund"[1] because it has fewer than the threshold number of clients that would trigger registration with the SEC and/or the State of Arizona.

[1] *See* Exemptions for Advisers to Venture Capital Funds, Private Fund Advisers with Less Than $150 Million in Assets Under Management, and Foreign Private Advisers, Advisers Act Rel. No. 3222, 76-80 (June 22, 2011), available at http://www.sec.gov/rules/final/2011/ia-3222.pdf (clarification provided regarding how real estate funds may meet the definition of "qualifying private fund").

Diversity of Risk

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

Comment [A13]: [illegible]

Comment [A14]: [illegible]

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 [A15]: ? Do you want to update the # of loans and the length of years? In 2013, 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 foreclosure, # Trustee's sale and the # that settled prior to the auction?

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

Executive Offices

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

RISK FACTORS

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

Operating History

In the Company's thirteen year operating history through April, 2014, the Company has completed in excess of ___ loan transactions. However, even with these number of loans over thirteen years, the evaluation of prior company performance set forth in Prior Performance is limited in time. Accordingly, there can be no assurance that the Company will be able to continue to operate and achieve these results on a going-forward basis, which could limit the Company's ability to repay the Notes as planned.

Comment [A17]: How many loans has the Company completed through April, 2014? As of June 2011, the Company had completed 2622.

Competition

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

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

Ability to Generate Sufficient Cash Flow to Service the Outstanding Notes

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

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

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

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

Expansion of Real Estate Loan Base

After giving effect to this offering and the application of the net proceeds, the Company will have significant outstanding indebtedness. The Company's ability to make scheduled principal and interest payments on the Notes will depend upon the Company's ability to generate adequate revenues from its real estate lending operations. The Company has historically received approximately 10% 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 [A5]: Is this accurate?

Demand for Real Estate Loans

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

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

Management of Rapid Growth

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

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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 his 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 (a 5 days). If the Company were to require additional conventional financing, the lender will probably secure its loan through Mr. Chittick to the Company by requiring a lien on the Company's Assets, including the Trust Deeds. The lender's lien would have priority to any claims of any of the investors in the Notes, which puts these investors at risk. There can be no assurance the Company would be able to receive sufficient proceeds from the sale of the loans or Trust Deeds to repay any additional financing, if applicable, and to repay all of the outstanding Notes. See "Use of Proceeds," "Business" and "Description of Securities."

Comment [A5]: Is this accurate?

Regulation

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

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

FHA Regulations

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

No Assurance of Successful Placement of the Notes

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

Absence of Public Market/ Non-Transferability of Notes

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

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

Impact of Change in Economic Conditions

An unforeseen change of general economic conditions, and particularly in Arizona and the southwestern United States, may adversely impact the Company's business and its ability to generate sufficient operating income to satisfy its debt obligations, including its obligations under the Notes as they become due. The Company maintains the right to adjust the interest paid in subsequently offered Notes and on the Notes offered hereby, with a 30 days' Interest Adjustment Notice. For Notes offered by this Confidential Private Offering Memorandum, the interest paid for the Note will automatically adjust to the amount stated in the Interest Adjustment Notice, unless within the 30 day notice period the Noteholder provides a written request to the Company for the Note to be prepaid. If the Noteholder provides such notice within the 30 day notice period, the interest paid on the Note will be unchanged until such time as the Company prepays the Note. In the past, Arizona's real estate market has been cyclical and has experienced severe fluctuations. Investors should anticipate that these real estate markets might experience cyclical fluctuations in the future. The Company would adjust its operations in response to changing conditions, but there can be no assurance that the Company will be able to operate as planned during periods of such fluctuation or adjust its operations to avoid the impact of such changed conditions. See "Business-Target Markets and Potential Future Markets."

Comment [A20]: Does so can adjust the interest of the Notes?

Comment [A21]: Note: Giving the Noteholder an option when there is an Interest Adjustment Notice makes the collateral interest adjustment quite defensible. A key because it only applies if the Noteholder is unable 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 no objection (demonstrated by requesting prepayment), there is technically no penalty to the Noteholder for making the objection. In reality, the prohibition 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 collateral interest adjustment.

Dependence on Key Personnel

The Company is dependent on the continued services of Mr. Chittick. The Company's ability to continue its lending operations would be significantly and adversely affected by the loss of Mr. Chittick if a qualified replacement could not be found without undue delay.

Although Mr. Chittick occasionally uses the services of outside consultants who have assisted Mr. Chittick in limited absences, it is unlikely that an outside consultant would be able to perform Mr. Chittick's duties as successfully as Mr. Chittick has done. If Mr. Chittick is disabled or unavailable for a long period of time, Mr. Chittick has developed a contingency plan for a consultant to wind down the Company's business, but there can be no assurance that such plan will be successful. See "Management-Contingency Plan in the Event of the Death or Disability of Mr. Chittick."

Management's Outside Interests and Conflicts of Interest

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

No Protections From Investment Company Act Registration

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

instruments for longer than a one-year period. The Company intends to take all reasonable steps to avoid such classification. See "Business."

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

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

Control by and Benefits to Insiders

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

Difficulties and Costs of Continuous Offering

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

Comment [A22]: 2 years?

Certain Charter Provisions

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

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

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

Notes Are Unsecured General Obligations

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

Changes in Investment and Financing Polices Without Noteholder Approval

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

Issuance of Additional Debt and Equity Securities

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

Concentration of Loans in Arizona

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

Possible Inadequacy of Allowances for Loan Losses

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

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

Broad Management Discretion as to Use of Proceeds

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

Company Is Exposed to Risks of Being a Lender

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

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

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

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

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

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

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

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

Delays in Liquidation Due to State and Local Laws

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

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

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

There Can Be no Assurance of Confidentiality

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

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

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

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

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

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

Federal Income Tax Risks

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

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

FORWARD-LOOKING STATEMENTS

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

USE OF PROCEEDS

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

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

Comment [A24]: Is this still accurate?

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

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

Comment [A25]: Are these numbers still accurate?

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

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

Comment [A26]: In an all scenarios, if not, why does the above estimate state 0% for Cash Reserve?

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

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

PRIOR PERFORMANCE

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

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

Comment [A27]: Are these details still accurate? Any update 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 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? What % of the portfolio is from Scott's values?

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 still accurate?

Year	Loans Funded	Loan Value	Value of Loans	Loans Repaid	Loans Repaid Value	Value of Homes Repaid
2001	37	$3,378,000.00	$6,393,000.00	15	$1452,000.00	$2351,000.00
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	$50,187,300.00	232	$31,001,949.00	$45,111,500.00
2006	215	$34,468,100.00	$52,784,000.00	212	$35,301,250.00	$53,057,200.00
2007	272	$42,579,534.00	$65,931,500.00	257	$41,324,815.00	$65,482,600.00
2008	304	$38,864,660.00	$63,671,300.00	257	$34,578,755.00	$56,369,400.00
2009	312	$41,114,707.00	$67,078,020.00	249	$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	978	$36,187,999.00	$62,240,600.00	300	$29,889,992.00	$51,004,900.00
		$306,786,895.00	$470,414,170.00		$276,416,977.00	$453,340,370.00
	2622			2319		

*Through June 30, 2011

Comment [A31]: We need final 2011 figures, together with actuals 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 again will be made.

Comment [A32]: How many homes owned by the Company are currently in escrow? Are loss of gains expected?

The Company presently has three condominiums, 12 houses and a 12-plex that are all being rented. A professional management company has been retained to manage these properties. All of these properties are listed to be sold. The rent received is also slightly negative to the cost of

Comment [A33]: Does the Company currently have any rentals? If so, how many are there and what type of properties are they?

capital for the Company. It was Management's decision to retain these properties rather than sell them and take a loss. Now that the market has shown some signs of strengthening, it is believed that these properties can be sold for minimal loss to the Company.

Comment [A34]: What is the current situation? Is it a professional management company listed? Are the rentals listed to be sold?

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

Comment [A35]: Current situation?

In April 2014, the Company agreed to a forbearance agreement (the "Work-Out") with two Foreclosure Specialists (the "Forbearance Debtors") regarding the terms of certain loans (collectively, the "Work-Out Loans"), which in aggregate totaled $_____ in outstanding loans to the Foreclosure Debtors. At the time of the Work-Out, $_____ in interest from the Work-Out Loans was due but unpaid. The Company and the Foreclosure Debtors agreed that the Work-Out Loans were in default under their terms as the properties that were used to secure the Work-Out Loans (each a "Forbearance Property," collectively, the "Forbearance Properties") were also used to secure approximately $_____ in loans from third parties (each an "Outside Loan," and collectively, the "Outside Loans"). According to the Foreclosure Debtors, an agent of the Foreclosure Debtors had secured the Outside Loans without the Foreclosure Debtors' knowledge. In the opinion of the Company, the liens for both the Work-Out Loans and the Outside Loans resulted in many of the Forbearance Properties having an aggregate loan-to-value ratio in excess of 100%. The Company also opined that if it foreclosed on the Forbearance Properties, a dispute would arise between the Company and the lenders of the Outside Loans regarding which lender had the first lien position over the Forbearance Properties. To mitigate its risks regarding the Outside Loans, the Company initially loaned the Forbearance Debtors approximately $5 million (the "Initial Loan") to satisfy and secure a release of the liens for some of the Outside Loans. In the Company's opinion, there still remained a risk of a dispute regarding the liens for the remaining Outside Loans. In light of these facts, the Company believed that the Work-Out provided the most feasible alternative to reach a satisfaction of the Work-Out Loans. Amongst other things, the terms of the Work-Out requires the Foreclosure Debtors to: (a) liquidate assets (expected to generate approximately $4 to $5 million); (b) apply all of its net proceeds from its operations (*i.e.*, the rental and disposition of real estate) to resolve

Comment [A36]: Is this secured? Do you have a copy of the Forbearance Agreement?

the lien disputes regarding the Forbearance Properties; (c) arrange for $5.2 million in private outside financing; (d) agree to keep the Outside Loans current and in compliance with their respective terms; and (e) use these and other best efforts to satisfy and payoff the Outside Loans by no later than January 2015. To protect the interest of the Company, the terms of the Work-Out also requires the Foreclosure Debtors to: (s) ratify and agree to the increases to certain Work-Out Loans as a result of the Initial Loan; (t) cause appropriate title policies to be issued to insure that the Work-Out Loans constitute a valid and enforceable first and prior lien over the subject Forbearance Properties; (u) secure and maintain a life insurance policy in the amount of $10 million, insuring the life of the principal of the Forbearance Debtors, with the Company named as the sole beneficiary; (v) provide the Company with a ratification of previous personal guarantees regarding the Work-Out Loans, together with a personal guarantee of the principal of the Forbearance Debtor regarding the terms of the Work-Out; (w) provide a new corporate guarantee (with a security agreement and retail inventory to serve as collateral) for the obligations of the Work-Out Loans and the terms of the Work-Out; (x) provide the Company details regarding the terms of the Outside Loans; (y) provide additional collateral in the event that any obligation of the Work-Out Loans are breached, and (z) reimburse the Company for $80,000 in costs incurred as a result of the Work-Out. In consideration of these obligations of the Forbearance Debtors, the Company agreed, amongst other things, to defer (but not waive) collection of interest on the Work-Out Loans while the Outside Loans are being satisfied, and with the condition that the additional loans from the Company are used to satisfy Outside Loans, the Company agreed to increase (up to 120%) the maximum allowable loan-to-value ratio for certain Forbearance Properties and to provide up to $6 million in additional loans (collectively, the "Additional Loans").

As a result of the Work-Out, including the Initial Loan and the Additional Loans, the loan to value ratio of the Company's overall portfolio averaged __ _%, as of _____, 2014. Additionally, as of ___ , 2014, _____% of all of the Company's outstanding loans are concentrated with one of the Forbearance Debtors and __ _% is concentrated with the Forbearance Debtor. Both of these Forbearance Debtors have the same principal.

Since inception through April 30, 2014, the Company has participated in [redacted] loans, with an average loan amount of $_____, with the highest single loan being $_____ and lowest being $_____. The aggregate amount of loans funded is $506,786,895 with property values totaling $470,491,170. The total amount of loans that have funded and closed is $274,436,977 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 principle due to that Noteholder in accordance with the respective terms of the Noteholder's Notes. Despite any losses incurred by the Company from the borrowers, no Noteholder has sustained any diminished return or loss on their investment in a Note from the Company.

[redacted]

[redacted]

MANAGEMENT

Directors and Executive Officers

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

Comment [A39]: What is your title?

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 R.S. Capital, Inc. to provide or arrange for any necessary services for the Company. Mr. Koehler has fifteen (15) years of experience supporting real estate loan portfolios similar to the portfolio of the Company. Mr. Koehler holds a real estate license in Arizona and has worked as a loan officer in the residential and commercial transactions and has conducted due diligence effort for thousands of private purchase of notes and trust deeds. Mr. Koehler is respected as a member of the Arizona real estate investment community by investors, borrowers, mortgage brokers, escrow officers and real estate agents. As part of this contingency plan, Mr. Koehler is a signatory on the Company's bank account. On a weekly basis, Mr. Koehler receives an updated spreadsheet of all properties currently being used as collateral for a loan. On a monthly basis, Mr. Koehler receives a spreadsheet of all the investors and what is owed to each of them, and receives the monthly statements for all investors. Pursuant to the agreement with Mr. Koehler, upon Mr. Koehler's receipt of instructions from Mr. Chittick, or from other designated individuals, or upon medical confirmation that Mr. Chittick is unable to continue to perform his duties as President of the Company for an extended period of time, Mr. Koehler will act to close down the Company's business by collecting all of the monies due on the Trust Deeds and Mr. Koehler will return all of the principal and interest owed to the investors pursuant to the Notes.

Comment [A40]: [illegible]

Comment [A41]: Arrives at all [illegible]

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 $1.0 million to $3.0 million.) See "Description of Securities." The Company intends to pay to Mr. Chittick all retained earnings in excess of any reserves deemed necessary or desirable by Mr. Chittick to meet the Company's obligations.

Comment [A42]: Are these figures still accurate?

PRINCIPAL SHAREHOLDER

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

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

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

Comment [A43]: Are these details still accurate? Are any shares held by a trust?

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Ownership

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

Competing Businesses

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

DESCRIPTION OF SECURITIES

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

Comment [A44]:

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]:

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

Comment [A46]:

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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.

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

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

The Company maintains the right to adjust the interest paid in subsequently offered Notes and on the Notes offered hereby with a 30 days' Interest Adjustment Notice. For Notes offered by this Confidential Private Offering Memorandum, the interest paid for the Note will automatically adjust to the amount stated in the Interest Adjustment Notice unless within the 30 day notice period the Noteholder provides a written request to the Company for the Note to be prepaid. If the Noteholder provides such notice within the 30 day notice period, the interest paid on the Note will be unchanged until such time as the Company prepays the Note. Any such modification of the interest rate or term will not affect Notes then issued and outstanding.

Comment [A47]: Not allowing 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 (accompanied by a request for prepayment), there is technically no penalty to the Noteholder for making the objection. In reality, the motivation to accept an interest adjustment will not be to avoid a penalty but to avoid an early prepayment that would end the investment opportunity. A court is much more likely to enforce this scenario than a penalty for not accepting a unilateral interest adjustment.

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

Note Terms (2) (3)

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

Comment [A48]: Are these rates still accurate?

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

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

Comment [A49]: Do you still want to make this representation? Is the statement still accurate today?

Comment [A50]: Not sure if this is enforceable. Whether a Court would enforce an interest adjustment like this.

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

(4) The Company maintains the right to adjust the interest paid in subsequently offered Notes and on the Notes offered hereby with a 30 days' Interest Adjustment Notice. For Notes offered by this Confidential Private Offering Memorandum, the interest paid for the Note will automatically adjust to the amount stated in the Interest Adjustment Notice unless within the 30 day notice period the Noteholder provides a written request to the Company for the Note to be prepaid. If the Noteholder provides such notice within the 30 day notice period, the interest paid on the Note will be unchanged until such time as the Company prepays the Note;

Comment [A51]: Note: Giving the Noteholder an option when there is an Interest Adjustment Notice makes the unilateral interest adjustment more enforceable. Also, because it may not always be feasible to prepay a Note when a Noteholder objects to an interest adjustment, we did not obligate the Company to prepay the Note within a certain time frame, thereby leaving the interest rate unchanged when there is no objection (demonstrated by requesting prepayment); there is theoretically no penalty to the Noteholder for making the objection. In reality, the motivation to accept an interest adjustment will not be to avoid a penalty but to avoid an early prepayment that would end the investment opportunity. A court is much more likely to enforce this scenario than a penalty for not accepting a unilateral interest adjustment.

Comment [A52]: DGH, do we still want this condition to the Company's ability to transfer its assets?

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

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

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

PLAN OF DISTRIBUTION

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

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

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

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

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

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

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(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% [Comment [AS3]: Is this % still accurate today?] 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.

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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.

Beauchamp
EXH. NO. 408
7-19-18
Kelly S. Oglesby CR 50178

Confidential Private Offering Memorandum

DenSco Investment Corporation

May ___, 2014

No: _____ Name of Payee: _____

Confidential Private Offering Memorandum

DenSco Investment Corporation

General Obligations Notes

Minimum Purchase $50,000

The General Obligation Notes (the "Notes") are general obligations of DenSco Investment Corporation, an Arizona corporation (the "Company"). The Notes, together with all other outstanding notes and all other advances or liabilities owed by the Company to any holder of an outstanding note will be secured by a general pledge of all assets owned by or later acquired by the Company. The Company's largest assets will be the Trust Deeds, as defined herein, acquired by the Company and the Notes will be superior in priority and liquidation preference to Notes subscribed for by officers and shareholders of the Company. Interest will be paid monthly, quarterly or at maturity. The Notes are not insured or guaranteed by any state or federal government entity or any insurance company, and the Company will not establish a sinking fund for the Notes. The Company generally may transfer, sell or substitute collateral for the Notes. The Company may modify the interest rate to be paid on subsequently issued Notes. The Company 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."

Comment [A1]: [illegible]

Comment [A2]: Does [illegible]

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

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

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

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

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

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

Comment [A3]: [illegible]

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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MEMORANDUM SUMMARY

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

The Company

DenSco Investment Corporation, an Arizona corporation (the "Company"), is an Arizona corporation, which has been in operation since April, 2001. In the thirteen years of operation from April, 2001 through April, 2014, the Company has engaged in [redacted] loan transactions. The Company has been and will continue to be engaged primarily in the business of making high-interest loans with defined loan-to-value ratios to residential property remodelers ("Foreclosure Specialists") who purchase houses through pre-foreclosure process and foreclosure sales, all of which are secured by real estate deeds of trust ("Trust Deeds") recorded against Arizona residential properties, but the Company will not limit its efforts to this niche. In connection with its business, the Company will seek to maintain a diversity of builders, loan size, back-office commercial properties, medical offices, strip commercial centers, high-end specialty and custom residential properties and construction locations. The Company does not intend to exceed a maximum loan size of $1,000,000.00. The Company intends to maintain a loan-to-value ratio below 70% percent in the aggregate for all loans in the loan portfolio.

Comment [44]: How many loans in 13-year period. According to July 2011 EOM, the Company did 622 loans from April 2001 to June 2011.

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

The Offering

Securities: As of May _____, 2014, the Company has offered and secured the first $_____ in principal amount of Notes. The Company is offering the balance of $ _____ in principal amount of Notes on a "best efforts" basis. The interest rates of the Notes will vary and will depend on the denomination of the Note and the term selected by the

of these notes, # _____ of principal has been prepaid

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

? 4/11 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.

? still?

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 markets without first attempting to contact the significant Note holders and discussing this market with them.

Comment [A5]: Jan's suggestion

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 [A6]: Does Denise intend to make? Should we include this?

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 is to contact the customer within three to five days and watch the account closely until the payment or satisfactory arrangement has been made. At the discretion of the Company, the Company's normal documents provide that a late charge of ten percent of the interest amount due is to be assessed on a delinquent payment that is not cured within five days. If payment on a Trust Deed is thirty (30) days delinquent, an accelerated default rate goes into effect and foreclosure proceedings may begin under the Deed of Trust; provided, however, the Company may elect not to begin foreclosure proceedings if the property secured by the loan is under contract for sale or is in the process of being refinanced. The goal of the Company is to recover the principal of a loan and any interest and or any late fees assessed. If the borrower is unable in a timely manner to sell or refinance the subject property, the Company may request that the borrower execute a Deed in Lieu of Foreclosure (a "Deed in Lieu") to the Company so that the Company will gain immediate control of the subject property rather then going through the ninety (90) day process and expense associated with a Trustee's Sale. Upon the Company gaining control of the property through a Deed in Lieu or a Trustee's Sale, the Company will decide either to market the subject property at retail, which may require additional monies to improve the property to retail ready condition, or to wholesale the subject property "as is." The Company may also decide to rent the subject property as an investment property. If applicable, the management of the rental properties will be maintained by a professional management company chosen by the Company.

Comment [A7]: Is this all adequate?

Any changes/ new procedures.

fund ? / recordable liens.

Regulation

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

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

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

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

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

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

Comment [A8]: Is this still accurate?

Comment [A9]: Is this still accurate?

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

estate over the last fourteen (14) years. As of the date of this Memorandum, Mr. Chittick and the Company have collectively experienced 48 loan defaults that required initiating a Trustee 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 [A10]: Do you want to update the # of loans and the length of years? I (2014 - you first 2800 over the last 14 years. I'm 2014 you likely have much more.)

Comment [A11]: 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 [A12]: How many loans has the Company completed through April, 2014? As of June, 2013, the Company had completed 2622

Competition

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

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

Ability to Generate Sufficient Cash Flow to Service the Outstanding Notes

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

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

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

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

Expansion of Real Estate Loan Base

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

Comment [A13]:

Demand for Real Estate Loans

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

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

Management of Rapid Growth

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

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

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

Terms of Notes

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

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

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

Variable Rates and Maturities of Notes

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

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

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

Value of Company's Assets

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

Collections and Foreclosures

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

No Assurance of Conventional Financing for the Company's Operations

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

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

Comment [A151]: Is that still true?

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."

Comment [A15]: Please can adjust the interest of the Notes?

Dependence on Key Personnel

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

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

Management's Outside Interests and Conflicts of Interest

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

No Protections From Investment Company Act Registration

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

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

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

Control by and Benefits to Insiders

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

Difficulties and Costs of Continuous Offering

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

Comment [A16]: Art

Certain Charter Provisions

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

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

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

Notes Are Unsecured General Obligations

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

Changes in Investment and Financing Polices Without Noteholder Approval

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

Issuance of Additional Debt and Equity Securities

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

Concentration of Loans in Arizona

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

Possible Inadequacy of Allowances for Loan Losses

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

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

Comment [A17]: Is this 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 5% 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 [A16]: 7.1% is not realistic

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

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

Comment [A19]: Are these numbers right? 2%?

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

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

Comment [AZ0]: Is this all accurate? If so, then why does the above estimate state 0% for Cash Reserve?

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

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

PRIOR PERFORMANCE

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

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

Comment [A21]: Are we dating it all [illegible]?

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 [A22]: [illegible]

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[A23]: [illegible]?

what % do
scott's 2 cubbies

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[A24]: Are we still [illegible]?

Year	Loans Funded	Loan Value	Value of Loans	Loans Repaid	Loans Repaid Value	Value of Homes Repaid
2001	137	$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	$9,563,500.00	$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	$50,487,500.00	237	$31,901,940.00	$45,131,500.00
2006	215	$34,468,100.00	$52,784,000.00	212	$35,301,250.00	$53,057,200.00
2007	272	$42,579,624.00	$65,931,500.00	257	$41,424,815.00	$65,782,800.00
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	$67,745,100.00
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	360	$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

2012
2013
2014

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

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

In 2007, one condominium loan, two house loans, and one land loan were foreclosed. While the condominium and houses were sold with minimal principal loss, much of the interest

was collected on all four loans. One land loan was written off. The loss was absorbed by the Company.

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

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

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

In 2011, three homes were sold for a loss. The losses were absorbed by the Company. There were three homes that were sold for a gain and all interest was paid in full. One loan was foreclosed on, sold at the auction, all principle, interest, late fees and foreclosure fees associated with the sale were collected.

In 2012, _____.

In 2013, _____ _____.

In 2014, _____. _____houses are presently in escrow which will close in _____ to which a gain will be made.

Comment [A25]: How many homes owned by the Company are currently in escrow? Are losses or gains expected?

The Company presently has three condominiums, 12 houses and a 12-plex that are all being rented. A professional management company has been retained to manage these properties. All of these properties are listed to be sold. The rent received is at or slight negative to the cost of

Comment [A26]: 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 [A27]: What is the current situation? Is a professional management company in use? Are the rentals listed to be sold? Etc.

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

Comment [A28]: Current situation?

Since inception through April 30, 2014, the Company has participated in [redacted] loans, with an average loan amount of $_ ____ _, with the highest single loan being $____ ___ and lowest being $_____ . The aggregate amount of loans funded is $306,786,893 with property values totaling $470411,370. The total amount of loans that have funded and closed is $274,416,977 with home values equaling $453,30X40. These loans have borne interest rate 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 of their investment in a Note from the Company.

Comment [A29]: in July 2013 the # was 4622

Comment [A30]: We need updated figures. Are other representations regarding interest rates, payments to Noteholders, etc.?

MANAGEMENT

Directors and Executive Officers

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

Comment [A31]: What's your compliance?

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 R.E.S. 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 his contingency plan, Mr. Koehler is a signatory on the Company's bank account. On a weekly basis, Mr. Koehler receives an updated spreadsheet of all properties currently being used as collateral for a loan. On a monthly basis, Mr. Koehler receives a spreadsheet of all the investors and what is owed to each of them and receives the monthly statements for all investors. Pursuant to the agreement with Mr. Koehler, upon Mr. Koehler's receipt of instructions from Mr. Chittick or from other designated individuals, or upon medical confirmation that Mr. Chittick is unable to continue to perform his duties as President of the Company for an extended period of time, Mr. Koehler will act to close down the Company's business by collecting all of the monies due on the Trust Deeds and Mr. Koehler will return all of the principal and interest owed to the investors pursuant to the Notes.

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 $0 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 [A34]: Are we sure of this?

PRINCIPAL SHAREHOLDER

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

Name and Address	Number of Shares	Percent
Denny J. Chittick	500,000	100%
6182 W. Victoria Place		
Chandler, AZ 85226		

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

Comment [A35]: Are there any additional certificates? Are any shares held by 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 [A36]: 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 [A37]: Is this statement still accurate?

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

Comment [A38]: Can the investor elect what the Note is credited or does the selection need to be made and detailed in the Note?

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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.

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.

Comment [A39]: Please clarify this stating that the Company can't agree to raise interest rates in the future or that it can't unilaterally change the rates of existing Notes. The next sentence states that the Company can't change existing Notes.

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

Note Terms (2) (3)

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

Comment [A40]: Are these rates still accurate?

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

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

Comment [A41]: Do you still want to make this representation? Is that statement still correct today?

(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.

Comment [A42]: Please clarify stating that giving the Company a right to unilaterally change the interest rate that was agreed to in a 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.

Comment [A43]: Does he still want the condition to the Company's ability to transfer its assets?

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

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

PLAN OF DISTRIBUTION

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

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

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

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

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

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

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

DETERMINATION OF OFFERING PRICE

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

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

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

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

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

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

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

U.S. Holders

Interest

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

Market Discount

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

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

Sale, Exchange or Disposition of Notes

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

Non-U.S. Holders

Interest

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

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

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

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

Sale, Exchange or Other Disposition of Notes

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

U.S. Federal Estate Taxes

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

U.S. Backup Withholding and Information Reporting

U.S. Holders

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

Non-U.S. Holders

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

Comment [A31]: 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;

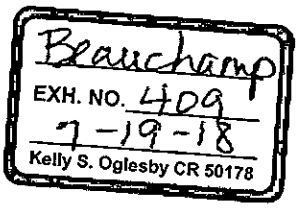
(5) Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of such person's purchase of the Notes exceeds $1,000,000 (excluding the value of such person's primary residence);

(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.



Confidential Private Offering Memorandum

DenSco Investment Corporation

~~**July 1, 2011**~~
May ___, 2014

No: _____ Name of Payee: _____

Confidential Private Offering Memorandum

DenSco Investment Corporation

General Obligations Notes

Minimum Purchase $50,000

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ENCLOSED DOCUMENTS TO THE COMPANY IF THE HOLDER DOES NOT UNDERTAKE TO PURCHASE ANY OF THE NOTES OFFERED HEREBY.

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

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

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

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

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

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

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MEMORANDUM SUMMARY

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

The Company

DenSco Investment Corporation, an Arizona corporation (the "Company"), is an Arizona corporation, which has been in operation since April, 2001. In the ~~ten~~thirteen years of operation from April, 2001 through ~~June~~April, ~~2011,~~2014, the Company has engaged in ~~2622~~____ loan transactions. The Company has been and will continue to be engaged primarily in the business of making high-interest loans with defined loan-to-value ratios to residential property remodelers ("Foreclosure Specialists") who purchase houses through pre-foreclosure process and foreclosure sales, all of which are secured by real estate deeds of trust ("Trust Deeds") recorded against Arizona residential properties, but the Company will not limit its efforts to this niche. In connection with its business, the Company will seek to maintain a diversity of builders, loan size, back-office commercial properties, medical offices, strip commercial centers, high-end specialty and custom residential properties and construction locations. The Company does not intend to cxcccd a maximum loan size of $1,000,000.00. The Company intends to maintain a loan-to-value ratio below 70% percent in the aggregate for all loans in the loan portfolio.

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

The Offering

Securities: As of May _____, 2014, the Company has offered and secured the first $_____ in principal amount of Notes. Of these Notes, $_____ of principal has been prepaid. The Company is offering the ~~first $500,000~~balance of $_____ in principal amount of Notes on ~~an~~a "~~all-or-none,~~ best efforts" basis~~ and on a "best efforts" basis with respect~~

~~to the remaining $49.5 million in principal amount of Notes. In addition to the Company's President's (Denny Chittick) initial capital contribution to the Company, Mr. Chittick maintains a $1 million investment in the Company at all times. This investment takes the form of Notes. Therefore, depending on the maturity of the Notes currently held by Mr. Chittick, the minimum offering may be met with his investment only.~~ The interest rates of the Notes will vary and will depend on the denomination of the Note and the term selected by the investor. The Notes are offered in denominations ranging from $50,000 to $1,000,000.00, increasing in additional increments with a minimum of $10,000. The Notes are paid "interest only" during their terms, with principal payable only at maturity. Investors may elect to have interest paid monthly, quarterly or at maturity. If interest is paid other than monthly, interest will compound monthly. The Notes are not transferable without obtaining the prior written consent of the Company. The Notes are general obligations of the Company and are not directly secured by any specific asset of the Company. At any particular point in time, the assets of the Company will consist primarily of Trust Deeds in an aggregate principal amount approximately equal to the amount of the outstanding Notes. See "Use of Proceeds" and "Description of Securities."

Restricted Nature of Securities:

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

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

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

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

BUSINESS

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

Target Markets and Potential Future Markets

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

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

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

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

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

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

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

Cash Flow

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

Limited Due Diligence

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

Funding and Purchase of Loans

The Company reserves the right to approve or decline the funding of each direct loan or the purchase of each Trust Deed submitted for purchase. The Company intends to follow certain practices and procedures when it funds or purchases a Trust Deed, including without limitation,

Collections

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

Regulation

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

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

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

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

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

The Company's management believes that it is not required to register or be licensed as an investment adviser with the State of Arizona or with the U.S. Securities Exchange Commission ("SEC") pursuant to the Investment Advisers Act of 1940 (the "Advisers Act"), as amended. The Advisers Act and the analogous Arizona law generally require all persons that are engaged in the business of providing investment advice for compensation to register with the SEC or Arizona provided that such adviser is not exempt from registration. The Company's management believes that it is not engaged in the business of providing investment advice for compensation, and as such, is not required to register as an "investment adviser" with either the SEC and/or the State of Arizona. In addition, even if the Company were deemed to be engaged in the business of providing investment advice for compensation, the Company anticipates that it would be exempt from registration ~~as a "private investment adviser" under rules and regulations of the SEC and/or the State of Arizona given that the Company~~under the Adviser Act due to the "private fund adviser exemption" (*See* 17 C.F.R. § 275.203(m)-1) as the Company manages less than $150 million in assets and would likely be deemed a "qualifying private fund"[1] because it

[1] *See* Exemptions for Advisers to Venture Capital Funds, Private Fund Advisers with Less Than $150 Million in Assets Under Management, and Foreign Private Advisers, Advisers Act Rel. No. 3222, 76-80 (June 22, 2011), available at http://www.sec.gov/rules/final/2011/ia-3222.pdf (clarification provided regarding how real estate funds may meet the definition of "qualifying private fund").

has fewer than the threshold number of clients that would trigger registration with the SEC and/or the State of Arizona.

~~Under the Dodd Frank Wall Street Reform and Consumer Protection Act ("Dodd Frank Act"), the "private investment adviser" exemption was eliminated and replaced by a number of other specific exemptions. As directed by the Dodd Frank Act, the SEC is currently preparing the final rules (the "Rules") that will provide guidance as to the applicability of the additional specific exemptions that replace the "private investment adviser" exemption. The Company expects that the SEC will issue the Rules during this offering; however, until this occurs, the Company cannot determine whether it will be required to register as a result of the Dodd Frank Act and the Rules promulgated thereunder. Should the Rules require the Company to register as an investment adviser, the Company intends to take the necessary steps to register as an investment adviser with the State of Arizona and/or the SEC within the time frame outlined in such Rules.~~

Diversity of Risk

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

Because of these varying degrees of diversification, the relatively short duration of each of the loans, and management's knowledge of the Phoenix metropolitan area market, the Company's management anticipates that it will not experience a significant amount of losses; however, there can be no assurance that the Company will not experience such losses. Mr. Chittick, individually, has made or participated in approximately 2800 loans secured by real estate over the last fourteen (14) years. As of the date of this Memorandum, Mr. Chittick and the Company have collectively experienced 44 loan defaults that required initiating a Trustee's sale process, with seven of such loans being settled prior to the Trustee Sale auction. Various borrowers have conveyed seven properties to the Company pursuant to a Deed in Lieu. To the extent the Company deems necessary, the Company intends to use the services of outside real estate lending consultants to assist in evaluating any loan or the security for the loan to reduce the risk of a loss of principal due to the default of a real estate loan by a borrower and the resulting foreclosure upon the security for the loan.

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

Executive Offices

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

RISK FACTORS

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

Operating History

In the Company's ~~ten~~thirteen year operating history through ~~June~~April, ~~2011~~2014, the Company has completed in excess of ~~2622~~____ loan transactions. However, even with these number of loans over ~~ten~~thirteen years, the evaluation of prior company performance set forth in Prior Performance is limited in time. Accordingly, there can be no assurance that the Company will be able to continue to operate and achieve these results on a going-forward basis, which could limit the Company's ability to repay the Notes as planned.

Competition

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

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

Ability to Generate Sufficient Cash Flow to Service the Outstanding Notes

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

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

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

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

Expansion of Real Estate Loan Base

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

Demand for Real Estate Loans

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

Management of Rapid Growth

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

so could materially and adversely affect the Company's business and financial performance. See "Business," and "Management."

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

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

Terms of Notes

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

called for redemption from receiving the anticipated return on such Notes. See "Description of Securities."

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

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

Variable Rates and Maturities of Notes

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

Management anticipates that the interest rate on each Note will be determined and agreed upon on the date of issuance, in significant part, by the demand for funds and the competitive environment in the foreseeable future by the Company. Since the interest rate the Company may charge for its loans to its customers is limited by competitive and other factors, the Company

may not be able to increase the interest rates charged on its loans to compensate for increases in its funding rate to investors. Similarly, the Company may not be able to decrease the funding rate to its investors to compensate for decreases in the interest rates charged on its loans to its customers. Also, market forces could eliminate the interest rate difference between the interest rate paid to Investors and the interest rate charged to the Company's customers. See "Description of Securities."

Value of Company's Assets

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

Collections and Foreclosures

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

No Assurance of Conventional Financing for the Company's Operations

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

Regulation

Because it will not make loans for personal, family or household purposes, the Company believes it has structured its operations to be exempt from various federal and state regulations, and particularly from regulations affecting lending and financial institutions. If it is determined that the Company has not structured its operations so that it is exempt from regulation, the Company could become subject to extensive regulation, including the Truth in Lending Act, the Homeownership and Equity Protection Act of 1994, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Real Estate Settlement Procedures Act and the Home Mortgage

Disclosure Act, as well as various state laws and regulations. Failure to comply with any of these requirements or any similar state law requirement, may result in, among other results, demands for indemnification or repurchase, rescission rights, lawsuits, administrative enforcement actions and civil and criminal liability. In addition, there can be no assurance that existing regulations will not be revised to govern the activities of the Company as currently structured. Compliance with existing or future regulation could be costly and could materially and adversely affect the operations of the Company. See "Business – Regulation," including the predatory mortgage lending discussion contained therein.

FHA Regulations

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

No Assurance of Successful Placement of the Notes

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

Absence of Public Market/ Non-Transferability of Notes

The Notes have not been registered under the Act or any state securities law and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a

transaction not subject to, the registration requirements of the Act and applicable state securities laws. The Company does not intend to register the Notes under the Act or any state securities law. In addition, the Notes are non-transferable without the prior written consent of the Company, which consent may be withheld in the Company's sole discretion. Accordingly, there is no public or private trading market for the Notes, and it is highly unlikely that a trading market will develop. The Company has no obligation to make any effort to cause a trading market to develop and does not intend to take any actions to cause a trading market to develop. Accordingly, and because the restricted nature of the security prohibits the purchase of the Notes for any purpose other than holding to maturity, an investor in the Notes must anticipate holding the Notes to maturity. See "Description of Securities."

Impact of Change in Economic Conditions

An unforeseen change of general economic conditions, and particularly in Arizona and the southwestern United States, may adversely impact the Company's business and its ability to generate sufficient operating income to satisfy its debt obligations, including its obligations under the Notes as they become due. The Company maintains the right to adjust the interest paid in subsequently offered Notes and on the Notes offered hereby with 30 days' written notice ("Interest Adjustment Notice"). For Notes offered by this Confidential Private Offering Memorandum, the interest paid for the Note will automatically adjust to the amount stated in the Interest Adjustment Notice unless within the 30 day notice period the Noteholder provides a written request to the Company for the Note to be prepaid. If the Noteholder provides such notice within the 30 day notice period, the interest paid on the Note will be unchanged until such time as the Company prepays the Note. In the past, Arizona's real estate market has been cyclical and has experienced severe fluctuations. Investors should anticipate that these real estate markets might experience cyclical fluctuations in the future. The Company would adjust its operations in response to changing conditions, but there can be no assurance that the Company will be able to operate as planned during periods of such fluctuation or adjust its operations to avoid the impact of such changed conditions. See "Business-Target Markets and Potential Future Markets."

Dependence on Key Personnel

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

Management's Outside Interests and Conflicts of Interest

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

No Protections From Investment Company Act Registration

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

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

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

Control by and Benefits to Insiders

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

Difficulties and Costs of Continuous Offering

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

Certain Charter Provisions

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

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

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

Notes Are Unsecured General Obligations

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

Changes in Investment and Financing Polices Without Noteholder Approval

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

Issuance of Additional Debt and Equity Securities

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

Concentration of Loans in Arizona

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

Possible Inadequacy of Allowances for Loan Losses

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

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

Broad Management Discretion as to Use of Proceeds

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

Company Is Exposed to Risks of Being a Lender

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

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

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

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

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

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

Violations of certain federal, state or local laws and regulations relating to the protection of consumers, unfair and deceptive practices and debt collection practices may subject the Company to damages and administrative enforcement. In the event that a real estate loan issued

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

Delays in Liquidation Due to State and Local Laws

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

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

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

There Can Be no Assurance of Confidentiality

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

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

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

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

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

Federal Income Tax Risks

The discussion entitled "Certain United States Federal Income Tax Considerations" includes a discussion of certain U.S. income tax risks involved in an investment in the Notes. The section does not discuss all aspects of U.S. federal income taxation that may be relevant to any particular investor and cannot address any investor's specific investment circumstances. In addition, the section does not include a discussion of state, local or foreign tax laws. Each investor should consult its own tax advisor with respect to these and other tax consequences of an investment in the Notes.

FORWARD-LOOKING STATEMENTS

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

USE OF PROCEEDS

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

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

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

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

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

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

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

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

PRIOR PERFORMANCE

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

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

The money raised by the Company from investors has historically been divided into a large portfolio of loans secured by marketable properties with varying values and locations in the Phoenix metro area. The Company is currently lending in approximately 20 cities in the Phoenix metro area, which includes Maricopa and Pinal Counties. The Company will have loans secured

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

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

Year	Loans Funded	Loan Value	Value of Loans	Loans Repaid	Loans Repaid Value	Value of Homes Repaid
2001	37	$3,378,000.00	$6,393,000.00	15	$1,452,000.00	$2,431,000.00
2002	69	$5,685,000.00	$878,000.00	66	$5,267,000.00	$9,076,300.00
2003	124	$11,673,000.00	$1,753,500.00	106	$963,500.00	$14,438,500.00
2004	185	$19,907,000.00	$30,422,600.00	170	$17,951,700.00	$26,939,500.00
2005	236	$34,955,700.00	$50,487,300.00	232	$31,001,940.00	$45,111,500.00
2006	215	$34,468,100.00	$52,784,000.00	212	$35,301,250.00	$53,057,200.00
2007	272	$42,579,654.00	$65,933,500.00	257	$41,424,815.00	$65,482,800.00
2008	304	$38,864,660.00	$63,671,300.00	257	$34,578,755.00	$56,369,400.00
2009	412	$41,114,707.00	$72,078,020.00	349	$39,416,824.00	$67,713,100.00
2010	390	$37,973,097.00	$63,771,350.00	355	$37,175,201.00	$61,666,170.00
*2011	378	$36,187,995.00	$62,240,600.00	300	$29,883,992.00	$51,004,900.00
		$306,786,893.00	$470,411,170.00		$274,416,977.00	$453,340,370.00
	2622			2319		

*Through June 30, 2011

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

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

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

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

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

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

In 2011, three homes were sold for a loss. The losses were absorbed by the Company. There were three homes that were sold for a gain and all interest was paid in full. One loan was foreclosed on, sold at the auction, all principle, interest, late fees and foreclosure fees associated with the sale were collected. ~~One house is~~

In 2012, _____.

In 2013, _____.

In 2014, _____ houses are presently in escrow, which will close in ~~July~~ ____, to which a gain will be made.

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

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

Since inception through ~~June~~April 30, ~~2011,~~2014, the Company has participated in ~~2622~~_____ loans, with an average loan amount of ~~$116,000,~~_____, with the highest single loan being ~~$800,000~~_____ and lowest being ~~$12,000.~~_____. The aggregate amount of loans funded is $306,786,893 with property values totaling $470,411,170. The total amount of loans that have funded and closed is $274,416,977 with home values equaling $453,340,340. These loans have borne interest rates of 18% per annum. The interest rate paid to noteholders has ranged from 8% to 12% per annum through such date. Each and every Noteholder has been paid the interest and principle due to that Noteholder in accordance with the respective terms of the Noteholder's Notes. Despite any losses incurred by the Company from its borrowers, no Noteholder has sustained any diminished return or loss on their investment in a Note from the Company.

MANAGEMENT

Directors and Executive Officers

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

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

Real Estate Consultant

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

Employees

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

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

In the event that Mr. Chittick is unable to perform his duties to continue the operation of the Company in any capacity, Mr. Chittick has a written agreement with Robert Koehler, an owner of RLS Capital, Inc. to provide or arrange for any necessary services for the Company. ~~Robert~~Mr. Koehler has ~~twelve~~fifteen (~~12~~15) years of experience supporting real estate loan portfolios similar to the portfolio of the Company. ~~Robert~~Mr. Koehler holds a real estate license in Arizona and has worked as a loan officer in the residential and commercial transactions and has conducted due diligence effort for thousands of private purchase of notes and trust deeds. ~~Robert~~Mr. Koehler is respected as a member of the Arizona real estate investment community by investors, borrowers, mortgage brokers, escrow officers and real estate agents. As part of this contingency plan, ~~Robert~~Mr. Koehler is a signatory on the Company's bank account. On a weekly basis, ~~Robert~~Mr. Koehler receives an updated spreadsheet of all properties currently being used as collateral for a loan. On a monthly basis, ~~Robert~~Mr. Koehler receives a spreadsheet of all the investors and what is owed to each of them, and receives the monthly statements for all investors. Pursuant to the agreement with ~~Robert~~Mr. Koehler, upon ~~Robert~~Mr. Koehler's receipt of instructions from ~~Denny~~Mr. Chittick, or from other designated individuals, or upon medical confirmation that Mr. Chittick is unable to continue to perform his duties as President of the Company for an extended period of time, ~~Robert~~Mr. Koehler will act to close down the Company's business by collecting all of the monies due on the Trust Deeds and ~~Robert~~Mr. Koehler will return all of the principal and interest owed to the investors pursuant to the Notes.

Management Compensation

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

Compensation." As the Company expands its lending operations and increases the workload of Mr. Chittick, he reserves the right to receive an increased salary so long as there is no current default under the Notes.

Ownership Compensation

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

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

PRINCIPAL SHAREHOLDER

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

Name and Address	Number of Shares	Percent
Denny J. Chittick	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~~ Mr. Chittick maintains the exclusive ability to elect directors, appoint officers and manage the operations of the Company.

Competing Businesses

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

DESCRIPTION OF SECURITIES

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

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

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

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

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

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

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

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

The Company ~~may, in its discretion, modify~~maintains the right to adjust the interest ~~rate~~ paid ~~on~~in subsequently ~~issued Notes or the term of such Notes~~offered Notes and on the Notes offered hereby with a 30 days' Interest Adjustment Notice. For Notes offered by this Confidential Private Offering Memorandum, the interest paid for the Note will automatically adjust to the amount stated in the Interest Adjustment Notice unless within the 30 day notice period the Noteholder provides a written request to the Company for the Note to be prepaid. If the Noteholder provides such notice within the 30 day notice period, the interest paid on the Note will be unchanged until such time as the Company prepays the Note. Any such modification of the interest rate or term will not affect Notes then issued and outstanding.

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

Note Terms (2) (3)

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

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

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

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

(4) The Company ~~also reserves~~maintains the right~~, in its sole discretion,~~ to adjust the interest paid ~~on outstanding Notes on 30 days written notice to Noteholders.~~ in subsequently offered Notes and on the Notes offered hereby with a 30 days' Interest Adjustment Notice. For Notes offered by this Confidential Private Offering Memorandum, the interest paid for the Note will automatically adjust to the amount stated in the Interest Adjustment Notice unless, within the 30 day notice period the Noteholder provides a written request to the Company for the Note to be prepaid. If the Noteholder provides such notice within the 30 day notice period, the interest paid on the Note will be unchanged until such time as the Company prepays the Note.

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

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

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

PLAN OF DISTRIBUTION

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

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

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

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

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

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

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

DETERMINATION OF OFFERING PRICE

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

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

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

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

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

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

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

U.S. Holders

Interest

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

Market Discount

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

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

Sale, Exchange or Disposition of Notes

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

Non-U.S. Holders

Interest

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

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

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

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

Sale, Exchange or Other Disposition of Notes

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

U.S. Federal Estate Taxes

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

U.S. Backup Withholding and Information Reporting

U.S. Holders

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

Non-U.S. Holders

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

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

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

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

INVESTOR SUITABILITY

General

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

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

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

Suitability Requirements

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

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

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

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

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

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

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

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

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

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

Document comparison by Workshare Compare on Wednesday, May 14, 2014 7:50:47 PM

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Padding cell	

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Format changed	0
Total changes	170

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EXH. NO. 410
7-19-18
Kelly S. Oglesby CR 50178

AUTHORIZATION TO UPDATE FORBEARANCE DOCUMENTS

This Authorization to Update Forbearance Documents (the "**Authorization**") is entered into on the dates set forth below and to be effective the 16th day of April, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company ("**AHF**"), Easy Investments, LLC, an Arizona limited liability company ("**EI**"), Furniture King, LLC, an Arizona limited liability Company ("**FK**"), Yomtov "Scott" Menaged ("**Scott**"), Francine Menaged ("**Francine**"), and DenSco Investment Corporation, an Arizona corporation ("**DenSco**").

Recitals

A. WHEREAS AHF, EI, FK, Scott, and DenSco are the parties to a certain Forbearance Agreement, executed on April 16, 2014 (the "**Forbearance Agreement**"), together with other documents executed in connection with the Forbearance Agreement (collectively, the "**Forbearance Documents**").

B. WHEREAS having recognized that "April 14, 2014" was stated in various pages of the Forbearance Documents where they should have stated "April 16, 2014" and certain other inconsistencies with respect to the amounts due under the financings, the parties desire to make the necessary corrections.

C. WHEREAS Clark Hill, PLC ("**Clark Hill**") has been previously authorized by each of the parties to make the necessary corrections to the Forbearance Documents and as referenced on the attached **Exhibit A**. The replacement pages were previously circulated and approved by all parties.

D. WHEREAS the parties now wish to authorize and direct Clark Hill to insert the replacement pages as set forth below.

NOW THEREFORE, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. **Recitals**. The Recitals set forth above and Exhibit A attached hereto are incorporated into this Agreement.

2. **Forbearance Agreement**. Recognizing that "April 14, 2014" was stated in one (1) page of the Forbearance Agreement where it should have stated "April 16, 2014", AHF, EI, FK, Scott and DenSco desire to make the necessary correction. The corrected version of page 1 of the Forbearance Agreement ("**FA-1**") with "April 16, 2014" stated in the first paragraph as the execution date of the Forbearance Agreement has been circulated and approved. The corrected version of page 3 of the Forbearance Agreement ("**FA-3**") with a new first sentence in Section 1 which includes an updated figure of $35,639,880.71 as the principal sum now due and payable under the Loans, as of close of business on April 16, 2014, has been circulated and approved. AHF, EI, FK, Scott and DenSco each hereby authorize and approve of the following:

   a. Clark Hill is instructed to substitute FA-1 and FA-3 into the corresponding pages of the executed original of the Forbearance Agreement; and

b. The Forbearance Agreement with the inclusion of FA-1 and FA-3 will be deemed the original.

3. **Scott Guaranty**. Scott is a party to a certain Guaranty Agreement, executed on April 16, 2014 (the "**Scott Guaranty**"), in favor of DenSco. Recognizing that "April 14, 2014" was stated in one (1) page of the Scott Guaranty where it should have stated "April 16, 2014", Scott desire to make the necessary correction. The corrected version of page 1 of the Scott Guaranty ("**SG-1**") with "April 16, 2014" stated in the first paragraph as the execution date of the Scott Guaranty has been circulated and approved. Scott hereby authorizes and approves of the following:

a. Clark Hill is instructed to substitute SG-1 into the corresponding page of the executed original of the Scott Guaranty; and

b. The Scott Guaranty with the inclusion of SG-1 will be deemed the original.

4. **Furniture King Guaranty**. FK is a party to a certain Guaranty Agreement, executed on April 16, 2014 (the "**Furniture King Guaranty**"), in favor of DenSco. Recognizing that "April 14, 2014" was stated in one (1) page of the Furniture King Guaranty where it should have stated "April 16, 2014", FK desire to make the necessary correction. The corrected version of page 1 of the Furniture King Guaranty ("**FKG-1**") with "April 16, 2014" stated in the first paragraph as the execution date of the Furniture King Guaranty has been circulated and approved. FK hereby authorizes and approves of the following:

a. Clark Hill is instructed to substitute FKG-1 into the corresponding page of the executed original of the Furniture King Guaranty; and

b. The Furniture King Guaranty with the inclusion of FKG-1 will be deemed the original.

5. **Additional Loan**. AHF, EI, and Scott are the parties (as the "Borrowers") to a certain Secured Line of Credit Promissory Note, executed on April 16, 2014, with a Principal Amount of $1,000,000.00, payable to DenSco (the "**Additional Loan Note**"). Recognizing that "April 14, 2014" was stated in three (3) pages of the Additional Loan Note where it should have stated "April 16, 2014", AHF, EI, and Scott desire to make the necessary corrections. The corrected version of page 1 of the Additional Loan Note ("**ALN-1**") with "April 16, 2014" stated in the top right as the date of the Additional Loan Note has been circulated and approved. The corrected version of page 2 of the Additional Loan Note ("**ALN-2**") with "April 16, 2014" stated in the "Forbearance Agreement" section as the date of the Forbearance Agreement has been circulated and approved. The corrected version of page 3 of the Additional Loan Note ("**ALN-3**") with "Nine Hundred Fifteen Thousand One Hundred Sixty-Seven AND 89/100 DOLLARS ($915,167.87)" stated in Section 2 as the amount of funds previously advanced to Borrowers, pursuant to the terms of the Additional Loan Note, as of close of business on April 16, 2014, has been circulated and approved. In addition, the corrected version of page 5 of the Additional Loan Note ("**ALN-5**") with "April 16, 2014" stated in Section 8 as the date of both the Furniture

King Guaranty and the Security Agreement (defined herein) has been circulated and approved. AHF, EI, Scott and DenSco each hereby authorize and approve of the following:

a. Clark Hill is instructed to substitute ALN-1, ALN-2, ALN-3, and ALN-5 into the corresponding pages of the executed original of the Additional Loan Note; and

b. The Additional Loan Note with the inclusion of ALN-1, ALN-2, ALN-3, and ALN-5 will be deemed the original.

6. **Additional Funds Loan**. AHF, EI, FK, and Scott are the parties (as the "Borrowers") to a certain Secured Line of Credit Promissory Note, executed on April 16, 2014, with a Principal Amount of $5,000,000.00, payable to DenSco (the "**Additional Funds Loan Note**"). Recognizing that "April 14, 2014" was stated in three (3) pages of the Additional Funds Loan Note where it should have stated "April 16, 2014", AHF, EI, FK, and Scott desire to make the necessary corrections. The corrected version of page 1 of the Additional Funds Loan Note ("**AFLN-1**") with "April 16, 2014" stated in the top right as the date of the Additional Funds Loan Note has been circulated and approved. The corrected version of page 2 of the Additional Funds Loan Note ("**AFLN-2**") with (i) "April 16, 2014" stated in the "Forbearance Agreement" section as the date of the Forbearance Agreement, and (ii) with "One Million Seven Hundred Eighty Thousand Two Hundred Thirty-Nine AND 76/100 DOLLARS ($1,780,239.76)" stated in Section 2 as the amount of funds previously advanced to Borrowers, pursuant to the terms of the Additional Funds Loan Note, as of close of business on April 16, 2014 has been circulated and approved. In addition, the corrected version of page 4 of the Additional Funds Loan Note ("**AFLN-4**") with "April 16, 2014" stated in Section 8 as the date of the Security Agreement has been circulated and approved. AHF, EI, FK, Scott and DenSco each hereby authorize and approve of the following:

a. Clark Hill is instructed to substitute AFLN-1, AFLN-2, and AFLN-4 into the corresponding pages of the executed original of the Additional Funds Loan Note; and

b. The Additional Funds Loan Note with the inclusion of AFLN-1, AFLN-2, and AFLN-4 will be deemed the original.

7. **Security Agreement**. FK is the "Debtor" in that certain Security Agreement, executed on April 16, 2014, in favor of DenSco as the "Secured Party" (the "**Security Agreement**"). Recognizing that "April 14, 2014" was stated in two (2) pages of the Security Agreement where it should have stated "April 16, 2014", FK desires to make the necessary corrections. The corrected version of page 1 of the Security Agreement ("**SA-1**") with "April 16, 2014" stated at the top of the page as the date of the Security Agreement and in the "Obligations Secured" section as the date of the Forbearance Agreement has been circulated and approved. In addition, the corrected version of page 2 of the Security Agreement ("**SA-2**") with "April 16, 2014" stated in the "Obligations Secured" section as the date of both the Additional Funds Loan Note and the Additional Loan Note has been circulated and approved. FK and DenSco each hereby authorize and approve of the following:

a. Clark Hill is instructed to substitute SA-1 and SA-2 into the corresponding pages of the executed original of the Security Agreement; and

b. The Security Agreement with the inclusion of SA-1 and SA-2 will be deemed the original.

8. **Representation and Disclaimer Agreement**. Scott and Francine are the parties to a certain Representation and Disclaimer Agreement, in favor of DenSco (the "**Disclaimer**"), executed on April 16, 2014. Recognizing that the "April 14, 2014" was stated in one (1) page of the Disclaimer where it should have stated "April 16, 2014", Scott and Francine desire to make the necessary correction. The corrected version of page 1 of the Disclaimer ("**D-1**") with "April 16, 2014" stated in the first paragraph as the execution date of the Disclaimer has been circulated and approved. Scott and Francine each hereby authorize and approve of the following:

a. Clark Hill is instructed to substitute D-1 into the corresponding page of the executed original of the Disclaimer; and

b. The Disclaimer with the inclusion of D-1 will be deemed the original.

9. **Consent**. Each of the parties hereto agree to and consent to all of the changes to the Forbearance Documents, as detailed in this Authorization, and acknowledge and agree that such changes do not constitute, either individually or in the aggregate, the basis to challenge the enforcement of any of the Forbearance Documents.

10. **Counterparts**. This Authorization may be executed in several counterparts, each of which counterpart shall be deemed an original instrument and all of which together shall constitute a single Authorization. The failure of any party hereto to execute this Authorization, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder.

[signatures on following page]

IN WITNESS WHEREOF, the undersigned parties have executed this Authorization on the dates set forth below and to be effective April 16, 2014.

AHF:

ARIZONA HOME FORECLOSURES, LLC

By: _____
Yomtov "Scott" Menaged
Its: Member
Dated: 6-18-14

EI:

EASY INVESTMENTS, LLC

By: _____
Yomtov "Scott" Menaged
Its: Member
Dated: 6-18-14

FK:

FURNITURE KING, LLC

By: _____
Yomotov "Scott" Menaged
Its: Manager
Dated: 6-18-14

Scott:

_____
Yomtov "Scott" Menaged
Dated: 6-18-14

Francine:

_____
Francine Menaged
Dated: 6-18-14

DenSco:

DENSCO INVESTMENT CORPORATION

By: _____
Denny Chittick
Its: President
Dated: 6-16-14

{Signature Page of Authorization to Update Forbearance Documents}

EXHIBIT A

Errata Sheet

Forbearance Agreement

Page 1-changed reference to April 14, 2014 to April 16, 2014 in the first paragraph.
Page 3-replace first sentence in Section 1 to include updated figure of $35,639,880.71 as the principal sum now due and payable under the Loans, as of close of business on April 16, 2014

Guaranty Agreement (Scott Menaged)

Page 1-changed reference to April 14, 2014 to April 16, 2014 in the first paragraph

Guaranty Agreement (Furniture King, LLC)

Page 1-changed reference to April 14, 2014 to April 16, 2014 in the first paragraph

Secured Line of Credit Promissory Note $1M

Page 1-changed date at the top right of the page from April 14, 2014 to April 16, 2014
Page 2-changed reference to April 14, 2014 to April 16, 2014 under the "Forbearance Agreement" paragraph
Page 3- replaced the last sentence in Section 2 to include updated figure of $915,167.89 as the amount of funds previously advanced to Borrowers, pursuant to the terms of the Additional Loan Note, as of close of business on April 16, 2014
Page 5-changed reference to date April 14, 2014 to April 16, 2014 in the first paragraph

Secured Line of Credit Promissory Note $5M

Page 1-changed reference to date at the top right of the page from April 14, 2014 to April 16, 2014
Page 2- changed reference to April 14, 2014 to April 16, 2014 under the "Forbearance Agreement" paragraph
- replaced the last sentence in Section 2 to include updated figure of $1,780,239.76 as the amount of funds previously advanced to Borrowers, pursuant to the terms of the Additional Funds Loan Note, as of close of business on April 16, 2014
Page 4-changed April 14, 2014 to April 16, 2014 under Section 8. Security and Guaranty

Security Agreement

Page 1 -changed date from April 14, 2014 to April 16, 2014
-changed reference to April 14, 2014 to April 16, 2014 in the "Obligations Secured" section
Page 2-changed both references to April 14, 2014 to April 16, 2014 in the first paragraph

Representation and Disclaimer Agreement

Page 1-changed reference to April 14, 2014 to April 16, 2014 in the first paragraph

Beauchamp
EXH. NO. 411
7-19-18
Kelly S. Oglesby CR 50178

From: Denny
To: Beauchamp, David G.
Subject: Re: How are You?
Date: Friday, March 13, 2015 7:58:31 PM

Sure, give me some options on when to meet

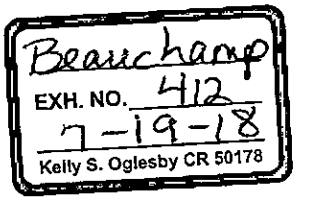
Sent from my iPad

On Mar 13, 2015, at 7:53 PM, Beauchamp, David G. <DBeauchamp@ClarkHill.com> wrote:

> Denny:
>
> I would like to meet for coffee or lunch (at no charge to you) so we can sit down and talk about how things have progressed for you since last year. I also would like to listen to you about your concerns, and frustrations with how the forbearance settlement and the documentation process was handled. I have thought back to it a lot and I have second guessed myself concerning several steps in the overall process, but I wanted to protect you as much as I could. When I felt that your frustration had reached a very high level, I stopped calling you about how things were going so that you did not feel I was just trying to add more attorneys fees. I planned to call you after about 30 days, but then I let it slip all of last year because I kept putting it off. I even have tried to write you several different emails. but I kept erasing them before I could send them.
>
> I acknowledge that you were justifiably frustrated and upset with the expense and the how the other lenders (and Scott at times) seemed to go against you as you were trying to get things resolved last year for Scott. I have tried to let time pass so that we can discuss if you are willing to move beyond everything that happened and still work with me. If not, I would like you to know that I still respect you, what you have done and I would like to still consider you a friend. You stood up for Scott when he needed it and I truly believe it was more than just a business decision on your part.
>
> Hopefully, you will respond to this email and we can try to talk and catch up.
>
> All the best, David
>
> **David G. Beauchamp**
>
> CLARK HILL PLC
> 14850 N Scottsdale Rd | Suite 500 | Scottsdale, Arizona 85254
> 480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
> dbeauchamp@clarkhill.com | www.clarkhill.com
>
> This electronic mail message contains information which is (a) LEGALLY PRIVILEGED, PROPRIETARY IN NATURE OR OTHERWISE PROTECTED BY LAW FROM DISCLOSURE, and (b) intended only for the use of the addressee named herein. If you are not the addresses, or the person responsible for delivering this to the addressee, you are hereby notified that reading, copying, or distributing this message is prohibited. If you

have received this message in error, 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.



From: Denny
To: Scott Menaged
Subject: Re: How are You?
Date: Friday, March 13, 2015 8:08:51 PM

I figure it's a miracle he left me alone this long!

Sent from my iPad

On Mar 13, 2015, at 8:07 PM, Scott Menaged <smena98754@aol.com> wrote:

> Schedule coffee in 18 months when our balance is close to nothing! Haha
>
> Sent from my iPhone
>
> On Mar 13, 2015, at 7:58 PM, Denny <dcmoney@yahoo.com> wrote:
>
> > Surprise surprise
> >
> > Sent from my iPad
> >
> > Begin forwarded message:
> >
> > **From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
> > **Date:** March 13, 2015 at 7:53:58 PM MST
> > **To:** "Denny J. Chittick (dcmoney@yahoo.com)" <dcmoney@yahoo.com>
> > **Subject: How are You?**
> >
> > Denny:
> >
> > I would like to meet for coffee or lunch (at no charge to you) so we can sit down and talk about how things have progressed for you since last year. I also would like to listen to you about your concerns, and frustrations with how the forbearance settlement and the documentation process was handled. I have thought back to it a lot and I have second guessed myself concerning several steps in the overall process, but I wanted to protect you as much as I could. When I felt that your frustration had reached a very high level, I stopped calling you about how things were going so that you did not feel I was just trying to add more attorneys fees. I planned to call you after about 30 days, but then I let it slip all of last year because I kept putting it off. I even have

tried to write you several different emails. but I kept erasing them before I could send them.

I acknowledge that you were justifiably frustrated and upset with the expense and the how the other lenders (and Scott at times) seemed to go against you as you were trying to get things resolved last year for Scott. I have tried to let time pass so that we can discuss if you are willing to move beyond everything that happened and still work with me. If not, I would like you to know that I still respect you, what you have done and I would like to still consider you a friend. You stood up for Scott when he needed it and I truly believe it was more than just a business decision on your part.

Hopefully, you will respond to this email and we can try to talk and catch up.

All the best, David

David G. Beauchamp

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

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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
EXH. NO. 413
7-19-18
Kelly S. Oglesby CR 50178

DenSco

Investors:

I owe you an explanation as well as a lot of money. This is going to get blown up and the truth will be hard to find. This is what happened. Please don't contact or create notification that would reach my x-wife. She needs to get my boys off to school. You have had all give me unwavering support of confidence; I accepted that confidence with pride, appreciation and humility, knowing I could perform to your expectations. I started the business in 2001. Not a great year to start one. I learned the business and it grew and grew. It was working perfectly until 2008. We had the great recession and phoenix was the epicenter of the housing crash. I was always impressed and surprised that nearly everyone stuck with me through it. I didn't come out of it unscathed, but I survived it which is more than I can say for many other lenders. I took millions of dollars in losses over a few years. I remained profitable every year. I was able to talk to a few of you to help me make decisions on what I should do. Should I sell these house I was getting back and take huge losses or keep them, rent them hope the market comes back? Gladly after consultations from several of you, you agreed with my strategy, it was smarter to rent them at cash flow neutral my interest costs and wait it out. I ended up with a 12 plex and 15-20 homes at one point. Slowly over the years, 2011, 2012, 2013, I sold them. Instead of selling them for 80% loss (which would have been worst case at the point I took some of them back), sometimes as little as 10% on loss of principle at the time of sale in 11-13'. Again because the rest of the business was thriving, the capital I had in the business, these losses had no impact on your interest earnings and even though it severely dented my profitability, but I was profitable every year. For over a dozen years, I ran this business as good as you could. Everything reconciled to the penny, the business was extremely profitable, sometimes annoyingly so. In 2012 I was saying that I would quit accepting money soon and figured the portfolio would start shrinking. Going in to 2013 I was starting to get larger idle cash positions on a regular basis. Scott Menaged, (480-261-7385 10510 E Sunnyside Dr., PV, 85259), a long time borrower, he was probably one of my largest borrowers by dollars over the years. He was also ran a bidding company and sent me many borrowers over the years. He at the time had a few million of loans with me on his rentals and was still doing flips on a regular basis. Scott contacted me and asked if would be interested in funding a bank of rentals to which a hedge fund friend of his out of New York would buy once it reached 7-10 million. He would put down 15-20%, fix them up and rent them and then when he acquired the total dollar amount he would sell out to this guy. That amount of money would take me over me 10-15% threshold to any one borrower. Again I talked to a few of you investors and got a positive response, based on his track record, the down payments etc, the comfort level was there. I agreed. He would buy anywhere between one and three properties a week at auction. Now when I have someone buy at auction, funds have to produce the next day in a cashier's check to the trustee. A majority of the time my repeat borrowers are buying through bidding companies that I have relationships with. For efficiency sake, I would normally wire the funds I'm lending to, the bidding company they would get the check and give it to the trustee. Send me receipts. Sometimes I would even wire the full amount and my borrower would bring me their down payment check and bidding fee because they lived here in the East valley versus running across town. I've operated this way ever since I was given the ability to wire on line in 2003. Many of you knew this and I told you this is how I operated. Some of you that were also borrowers and

investors have experienced this way of doing business and know it's common. As Scott was buying these properties he would email me the info on the address the buy price and what he wanted to borrow, net of his down payment. I would do my due diligence and would wire the funds. He would sign all my docs and then I would record the Mortgage receipt and then once I saw the trustee's deed was recorded, which sometimes took a few weeks, I would then record my deed of trust. This was to cloud title until the trustee's deed was recorded. Some lenders record a Deed of Trust the day the property is paid for and re-record the Deed of Trust. Again this is the way the auction process works. It's the way I have operated from the beginning and many have copied my process. I've spoken with attorneys, title officers and trustees and it's been agreed upon that it's a good process. I felt comfortable lending him more money, I was keeping money at work and I had started to discuss with many of you telling you that by the end of the year I would probably start returning some of my larger investors some of their money. Everyone I spoke to was willing to accept some money back. I had also stated that I might force everyone to take their interest that way it would eat up my build up in cash that I was forecasting to have once this portfolio paid off at the end of the year. Mid way through the year, Scott contacted me asking if we could raise the bar even higher. He already had a few million of his own rentals and was still doing a few flips. Now he wanted to add to the hedge fund portfolio. I was concerned because of the concentration with him; the portfolio was around $50 million. It was only going to be for a few more months and he had been spotless with payments of interest and I checked all the values of the properties, visited some of them, everything seemed to be in order. I agreed to the increase. We talked again in the fall and he was telling me I would be cashed out of these by year end. I again spoke with a few of you saying that I might be returning some funds. The plan was all working out fine, the rest of the business was doing fantastic and I wasn't concerned. Then in November something came up that made it look like I was in second position one of the properties I had a loan with Scott. I called him; he didn't know anything about it and said he would get back to me. The day before thanksgiving he came to my office and explained that his wife had come down with cancer and he was dealing with her most of the year and wasn't watching his business as closely as he normally does. He had turned over the day to day operations to his cousin that had been working with him for awhile. His cousin took advantage of the relationship that we had and he would request funds from other lenders on properties and Scott not knowing this would then request funds from me for the same property. Because I wired directly to him he would receive the funds, his cousin would have the other lenders pay for the property to the trustee. I believed I was in first position when in fact I was in second, not all the time but majority of the time based on recording first. Where all this extra money went is a great question. I know a lot of it was spent on fixing up the homes and down payments. The cousin lost some in Vegas, he sent some out of the country, surely spent it. I never got an accounting of it all. His cousin left the country. Scott contacted the other borrowers involved and the plan was to suspend interest and start selling the properties and work through the issues. Scott was going to sell other assets and bring in more money to help right the upside down position we were in. his hedge fund friend had no interest in getting the middle of this, so Scott had to sell each property individually. It's extremely difficult to do this with a tenant was in place. The goal was to get full or close to retail price which would maximize the money out of the property. We couldn't just kick out all these people because of the lease agreements. Once the properties became vacant

or they were a day late, evictions were started and then rehab and sell the property. A typical situation would be, he bought it for 84k, it was worth 110k, and I would lend 70k. The problem was another lender would lend the same amount. The total debt on the property is 140k now the value of the property is 120k. Now the issue on who's in first isn't simple as the recording time stamp of our docs. When I went through the whole portfolio I was in second by recording in a majority of them. The other lenders took the stance that they had actually issued and check directly to the trustee and it didn't matter when the recording was done. They too were doing double recording at the time they paid and when the trustee's deed was recorded. You would have four recordings on one property with two different lenders. Do you go by the first recording when it was paid for, or do you go by who was first after the trustee's deed was recorded, or is it who paid the trustee? I bounced this off several title agents and I got several difference answers. When asked directly about this whole issue Greg from AFG said he didn't know it was going on the whole year. Scott believes he was in on it with the cousin. But we had no proof. The other lenders involved as far as I know had no knowledge of what the cousin was doing. Now the first thing is how do we figure out who is in first, I know the rules, but when you have two docs and one check to a trustee, it's in dispute. In January, a group of five of the other lenders met me in my office. They had loans on about 60 of the houses. They said unless they were paid off in full, they would take this to court. They had a different set of investors behind them and they were willing to fight this is court even if it took a year. They were confident in their position. I couldn't afford to have that many loans and dollars be in suspense for who knows how long, 6 months a year? We all get lawyers and it would take forever to get a ruling. Yes, by this time I'm talking with my lawyer David Beauchamp 480-684-1100. He's aware of all that I know. He agreed it would be the worst situation to sue each other and try to figure it out. With some negotiating with the other lenders, they agreed not to sue if their positions were paid off despite if houses were sold. Scott and I put a plan in place to which I would start paying off their debts as my cash flow allowed and have lien in first position, all done through title one after another. Even though I would be upside down in loan to value. My position was I rather have 140k lien on a house worth 120k, than 70k in second position. Greg in AFG said as long as he received his interest from Scott he wouldn't do anything and allow for the houses to be sold off as they became vacant. Scott and I worked for months on an agreement that was pounded out between our lawyers. It was a work out agreement with outline of what we were doing and how it was to happen. Why I didn't let all of you know what was going on at any point? It was pure fear. I had seen what one of my investors had done to a bidding company when they had a deal gone wrong. I have 100 investors, I had no idea what everyone would do or want to do or how many would just sue, justifiably. I also feared that there would be a classic run on the bank. Even though I had done nothing wrong. Everyone would be scared and start requesting their money back, I wouldn't be able to meet redemptions and then I would be in violation of my covenants and then I couldn't pay off the loans of the other lenders and they would sue, my investors would sue and the whole thing would implode. I truly believe we had a plan that would allow me to continue to operate, my investor would receive their interest and redemptions as a normal course of business, and the rest of my portfolio was performing. Dave blessed this course of action. We signed this workout agreement and began executing it. It took several months to get all the loans paid off by the disgruntle lenders group. We were also starting to sell the houses at a pretty good clip. In April the last of the disgruntled lenders deals

were paid off. Now we just had the AFG properties that I was in second position. Every time we sold a property there was a shortfall owed to me. Instead of taking this as a loss, I booked it as an A/R and Scott was paying down on it and reducing the A/R. It was of course going up faster than he was able to pay it down. Going back to December of 2013, when we were still trying to work all this that I just explained, Scott knew he had to make money to help cover the deficit to which would be created by the double encumbered properties and shortage that would be created at the time of disposition. He wanted time to still fund him buying properties at the auction and flipping them, wholesaling them etc. I talked to Dave about this January and he was in agreement with it as long as I received copies of checks and receipts showing that I was the one paying the trustee. I have copies of these in scan files. Robert has access to all of this. We agreed to the operation and allowed him to still buy things. He was buying again one to three a week; he would pay me back with interest on these most times within 10 -15 days, sometimes longer. He would wholesale it to one of his investors, put it on his website or sell it directly retail. Once again, I would do my recordings. However, he would nearly always sell it before the trustee's deed was getting recorded, so I was getting paid back before I ever recorded the deed of trust. A few of them he would keep and flip, but an overwhelming majority of these were wholesaled. Now I know that you would think, why the hell would I lend more money to guy that just put me in this situation? Scott came to me and said he was going to do everything he could to make this right. He could have at anytime just throw up his hands and walked away, filed BK and left me with a massive mess. He didn't. He helped negotiate with the other lenders. He sat with his attorney and mine and signed a very one sided agreement in my favor to work this out. I had UCC's on his furniture business and a life insurance policy. In fact his attorney advised him not to sign it. No one else was going to lend him money and I needed him to make money so that I could be paid back. Because of what and how we were operating, Dave blessed it, I felt comfortable and everything he said he was going to do, he was doing. We got the disgruntled lenders taken care of, he signed the workout agreement, and was selling the homes, he was making payments to me and sometimes when a close happened he would wire in the money to cover the difference when he was able to do it. We were making headway on the whole problem slowly but surely. Now in to the middle of year, the amount of money he was borrowing for wholesaling was rising. He would buy more than he was paying off. I would get calls asking me why I had a recording on a property that didn't go to auction. I would check with Scott and he said it was rescinded sale. This happens on a fairly regular basis. I started to check on other properties that I had been paid off and found things weren't adding up. I confronted Scott. Besides buying at auction, he admitted that he had an agreement with Auction.com to send in offers on properties that were postponed, cxled etc and try to get the trustee's to agree on the short sale and give him the property. Auction.com would take the property and sell it and give Scott a cut on it. This whole agreement bothered me and wasn't sure it was right. Over time I was getting more and more uncomfortable with this arrangement and kept asking more questions. I told him that I wasn't comfortable with this arrangement, and I wanted it stopped and he need to return the funds to me and I would no longer fund any more deals. He said Auction.com was threatening if I cut him off they wouldn't return the checks to him that he had sent and I would be stuck with no money coming back in to me. We are now in the late 2014. I was adamant that I wanted to stop this transaction. I wasn't sure what the truth was as far as arrangement how or who was getting paid etc. they were using

leverage against him saying he had an agreement with them and he had no way of complaining to anyone. His position was, they were putting pressure on him to continue, they both were making money, and I was getting paid down. If I stopped he had no viable way to pay down the debt that had accrued from selling all the double encumbered properties and he would just file BK and I would be back to the same situation was I was before with a huge problem, no way to solve it, poised to go to the investors, the redemptions would come in and down spiral would occur. Now compounded with the knowledge that all along I had been an unwittingly accomplice in some kind of fraud in my estimation. I felt like I was between a rock and hard place, with no out. In December I said no more. We have to stop this. I can put the money back to work with other borrowers, return it to my investors whatever was best. I would run the business profitably for years, making the up the deficit by the profits of the company and eliminate the negative capital position I was in. In January we agreed to a plan through the first quarter and scale down by 2nd quarter by him finding someone to replace I and auction.com had a guy out of Las Vegas that would do the same Scott was doing. I agreed because he was still paying me the interest and principle, we were selling the homes off we were down to the last 30-40 homes that were double encumbered and now that all the leases, some were two years were now coming to an end, that by June all the 2nd positions loans would be paid off. Typing this and looking back at it, it sounds insane and stupid, I'll admit it. The business was still operating, I was profitable, this huge issue of second positions was almost gone and we had a plan to end this wholesale program and I would be able to do continue running the business profitably and slowly regain a positive capital position. Scott also decided to start a used car lot in 2015 to help make more money and pay down the outstanding debt. He opened it Easter Sunday. It started slow and grew and became profitable and doing really well by the fall. I had no affiliation with this at all. In the summer, he had surgery; he put his wife on his bank accounts allow her to get cashier's checks and other transactions to help operate his many business when he was home recovering. He also owns Furniture King. Scott by this time had a plan and agreement with auction.com to allow this guy from Las Vegas start taking over for him by fall. The balance hadn't gone up and I was looking forward to being done with this. In mid October his wife, whom I learned was bi polar, decided to divorce Scott. She went to the bank and cleared out all the money out of all his accounts personal and business. This destroyed his used car business because he was unable to operate without the capital and his flooring companies cut off his credit, he had to sell the cars at auction for losses and close the place by the end of the year. With the divorce going through its phases of discovery and motions etc, this put a stop to all the transactions that he could do through his entities and bank accounts. The way we were operating had to stop. He couldn't send me money and I couldn't send him money. His wife was acting irrational and ended up in a mental health hospital at one point. The problem that his caused put a huge strain on auction.com relationship with Scott and the plans to end the relationship and return the money were all put on hold. Now the money going back and forth one daily basis was sometimes over a million to 1.5 a day. The bank didn't like this back in the spring, so instead we would wire the difference to each other and just do the reconciling. If he purchased (at this point they were all offers to purchase) a million worth of properties for 6 different addresses, he would pay me off on 1.05 million. So he would wire me 50k. Some days I would wire him some days he would wire me. In October we had to stop this because of the divorce and instead we would just do reconciliation each day of who owed who

how much. All the second positions houses have been sold by now. I just had a handful of loans with him which was all first position left over from his original group of loans he had me. The real issue was his inability to pay down the debt he owed me for the loss I had taken on the 2nd position houses and this wholesale deal was supposed to come to an end. Here we are at the end of the year and the divorce issues brought it all to a stop. Coming in to 2016, he finally got the divorce canceled and then she filed again. Then several months later is canceled again. His landlord from the car company was suing him. At one point in February under all the stress he decided he would file BK thinking he could get a filing number, which would put him in a barging position with his landlord and fighting the divorce. This of course was the stupidest thing for him to do. He didn't realize the laws and procedures in doing this. I didn't find out about it until May when I was contacted by a trustee asking for a payoff amount for a home. He then explained it to me what his thinking was and why he did it. By now auction.com had enough of this nightmare. By June it all stopped. However because of the BK they won't return the money to Scott or me that is owed. Scott's wife at point had gone in to their office and threatened to bring in her lawyers because she saw all the ins/outs in the bank accounts and wanted to know if he was hiding money from her. Auction.com said they wouldn't return the money to me until she signed an agreement with them and then Scott and I had to sign something between us, I've never seen this agreement. I'm not even sure what they would say or the intent of them would be. I never had contact with auction.com; they wanted to pretend I wasn't even involved. When that's all done they would return the money to him then to me or just to me. The whole BK filing stopped anything from happening. Here I am in July. I've got a small lending base the rest of the money is on the A/R that he owes me and 28.1 million plus interest (500k) sitting at auction.com. Plus 3 million in the reconciliation part that they owed me when they were paying me off on more than they were borrowing each day. There were profits made on these transactions. Scott and auction.com were splitting the profits, not sure how or where the funds came and went to, his portion he used to pay down on the workout agreement. However, none has been paid to me since October. The amount is insignificant in the big picture because I believe they were ill-gotten gains. Plus the 1.7 mil Scott's wife took out of his account. You can see that the 14 million (that's principle and interest from the 2nd's positions workout agreement) owed to DenSco by Scott would be about 9 million. I could make another 2 million this year. The net difference is getting smaller and it would be attainable to make all the investors whole at that point in another couple of years of business. That's why I kept working towards doing what I was doing. Scott is now knee deep into his BK procedure and you can imagine when they are looking at all of this they are having issue with it and my fear and belief is that it's criminal and auction.com has propagated a fraud, Scott was someone knowledgeable or conspiring in it, and because I was the money behind it I'm guilty by association. Now typing this it sounds like some obscene twilight show. It's embarrassing and humiliating reading this thinking how could I have made such wrong decisions got wrapped up in to this. But the only answer I can tell you is, in the beginning I was defrauded by Scott's cousin, I didn't realize what Scott was doing with auction.com. From all aspects it was legit, I get copies of checks, receipts, I would be paid back, etc. and I believed it was the best way to return your money to you. That was always my goal. I know I accepted some funds from some of you over the last three years. I believed that I was going to get this all fixed. I returned many more millions to some of you and turn down even more millions from others. I wasn't trying to

keep myself afloat by taking more money and investors and making things worse. I put all non-retirement personal available funds in to DenSco over the last few years trying to help solve this. I was doing everything I could and believed to fix this issue. No I wasn't forthright to you. I had convinced myself no matter what relationship I had with anyone of you individually, I couldn't go to just one or two of you without telling all of you and at no point throughout this nightmare did I believe that you would be accepting and trusting to allow me to notify you and would still trust me, assist me on how to work through this without starting massive withdrawals and lawsuits. That would be the natural reaction for a few, some or most of you? I didn't know. The loss that would have happened day one when I was first made aware of the fraud, might be smaller than today. However, with all the lawsuits and lawyers involved I know that it would have exasperated the loss. I know I made wrong decisions. I did consult my lawyer for the first year on each step of the way. He's unaware of the situation I'm in today and the information I now know regarding the relationship between auction.com and Scott's arrangement with them. I'm not privy to the details of it. The guilt, embarrassment, and humility any other adjective you can add in there is over whelming. I can't face my parents, which yes, they are going to be severely hurt, more than all of you by this, going through the legal process is unbearably thought. I have no idea where that would lead, jail? Possibly. Years spent in courts and lawyers trying to settle this all out. Mean while having to face all of you. I can't do it. I love my family and my boys as much as any of you do your families. I can't put them through this face to face. I've decided to be my own judge and jury and I decided the death penalty. I am never going to see my amazing boys grow up. My divorce which I spent more effort than anyone would believe to mitigate the negative effect on my boys, is now in vain because my death is going to be overwhelming to them. As I'm sitting her typing this I'm crying because of the thought of the sadness, angry, confusion, I am going to bring to their lives. As bad as it is, I feel it's a better option than me living, having them see what you and courts would do to me, justifiably too. I'm sorry for everything that I've done. I believe that you can recover a substantial amount of your principle. I believe with me dead there is no change in the chance of that happening. I don't know how to end this other than I'm not asking for forgiveness I'm just sorry I wasn't forthcoming in the beginning maybe it would have had a better ending or process than I feared would happen. I know this all sounds nearly incoherent but my mind isn't exactly clear.

Beauchamp
EXH. NO. 414
7-19-18
Kelly S. Oglesby CR 50178

Investors:

I owe you an explanation as well as a lot of money. This is going to get blown up and the truth will be hard to find. This is what happened. Please don't contact or create notification that would reach my x-wife. She needs to get my boys off to school. You have had all give me unwavering support of confidence; I accepted that confidence with pride, appreciation and humility, knowing I could perform to your expectations. I started the business in 2001. Not a great year to start one. I learned the business and it grew and grew. It was working perfectly until 2008. We had the great recession and phoenix was the epicenter of the housing crash. I was always impressed and surprised that nearly everyone stuck with me through it. I didn't come out of it unscathed, but I survived it which is more than I can say for many other lenders. I took millions of dollars in losses over a few years. I remained profitable every year. I was able to talk to a few of you to help me make decisions on what I should do. Should I sell these house I was getting back and take huge losses or keep them, rent them hope the market comes back? Gladly after consultations from several of you, you agreed with my strategy, it was smarter to rent them at cash flow neutral my interest costs and wait it out. I ended up with a 12 plex and 15-20 homes at one point. Slowly over the years, 2011, 2012, 2013, I sold them. Instead of selling them for 80% loss (which would have been worst case at the point I took some of them back), sometimes as little as 10% on loss of principle at the time of sale in 11-13'. Again because the rest of the business was thriving, the capital I had in the business, these losses had no impact on your interest earnings and even though it severely dented my profitability, but I was profitable every year. For over a dozen years, I ran this business as good as you could. Everything reconciled to the penny, the business was extremely profitable, sometimes annoyingly so. In 2012 I was saying that I would quit accepting money soon and figured the portfolio would start shrinking. Going in to 2013 I was starting to get larger idle cash positions on a regular basis. Scott Menaged, (480-261-7385 10510 E Sunnyside Dr., PV, 85259), a long time borrower, he was probably one of my largest borrowers by dollars over the years. He was also ran a bidding company and sent me many borrowers over the years. He at the time had a few million of loans with me on his rentals and was still doing flips on a regular basis. Scott contacted me and asked if would be interested in funding a bank of rentals to which a hedge fund friend of his out of New York would buy once it reached 7-10 million. He would put down 15-20%, fix them up and rent them and then when he acquired the total dollar amount he would sell out to this guy. That amount of money would take me over me 10-15% threshold to any one borrower. Again I talked to a few of you investors and got a positive response, based on his track record, the down payments etc, the comfort level was there. I agreed. He would buy anywhere between one and three properties a week at auction. Now when I have someone buy at auction, funds have to produce the next day in a cashier's check to the trustee. A majority of the time my repeat borrowers are buying through bidding companies that I have relationships with. For efficiency sake, I would normally wire the funds I'm lending to, the bidding company they would get the check and give it to the trustee. Send me receipts. Sometimes I would even wire the full amount and my borrower would bring me their down payment check and bidding fee because they lived here in the East valley versus running across town. I've operated this way ever since I was given the ability to wire on line in 2003. Many of you knew this and I told you this is how I operated. Some of you that were also borrowers and

investors have experienced this way of doing business and know it's common. As Scott was buying these properties he would email me the info on the address the buy price and what he wanted to borrow, net of his down payment. I would do my due diligence and would wire the funds. He would sign all my docs and then I would record the Mortgage receipt and then once I saw the trustee's deed was recorded, which sometimes took a few weeks, I would then record my deed of trust. This was to cloud title until the trustee's deed was recorded. Some lenders record a Deed of Trust the day the property is paid for and re-record the Deed of Trust. Again this is the way the auction process works. It's the way I have operated from the beginning and many have copied my process. I've spoken with attorneys, title officers and trustees and it's been agreed upon that it's a good process. I felt comfortable lending him more money, I was keeping money at work and I had started to discuss with many of you telling you that by the end of the year I would probably start returning some of my larger investors some of their money. Everyone I spoke to was willing to accept some money back. I had also stated that I might force everyone to take their interest that way it would eat up my build up in cash that I was forecasting to have once this portfolio paid off at the end of the year. Mid way through the year, Scott contacted me asking if we could raise the bar even higher. He already had a few million of his own rentals and was still doing a few flips. Now he wanted to add to the hedge fund portfolio. I was concerned because of the concentration with him; the portfolio was around $50 million. It was only going to be for a few more months and he had been spotless with payments of interest and I checked all the values of the properties, visited some of them, everything seemed to be in order. I agreed to the increase. We talked again in the fall and he was telling me I would be cashed out of these by year end. I again spoke with a few of you saying that I might be returning some funds. The plan was all working out fine, the rest of the business was doing fantastic and I wasn't concerned. Then in November something came up that made it look like I was in second position one of the properties I had a loan with Scott. I called him; he didn't know anything about it and said he would get back to me. The day before thanksgiving he came to my office and explained that his wife had come down with cancer and he was dealing with her most of the year and wasn't watching his business as closely as he normally does. He had turned over the day to day operations to his cousin that had been working with him for awhile. His cousin took advantage of the relationship that we had and he would request funds from other lenders on properties and Scott not knowing this would then request funds from me for the same property. Because I wired directly to him he would receive the funds, his cousin would have the other lenders pay for the property to the trustee. I believed I was in first position when in fact I was in second, not all the time but majority of the time based on recording first. Where all this extra money went is a great question. I know a lot of it was spent on fixing up the homes and down payments. The cousin lost some in Vegas, he sent some out of the country, surely spent it. I never got an accounting of it all. His cousin left the country. Scott contacted the other borrowers involved and the plan was to suspend interest and start selling the properties and work through the issues. Scott was going to sell other assets and bring in more money to help right the upside down position we were in. his hedge fund friend had no interest in getting the middle of this, so Scott had to sell each property individually. It's extremely difficult to do this with a tenant was in place. The goal was to get full or close to retail price which would maximize the money out of the property. We couldn't just kick out all these people because of the lease agreements. Once the properties became vacant

or they were a day late, evictions were started and then rehab and sell the property. A typical situation would be, he bought it for 84k, it was worth 110k, and I would lend 70k. The problem was another lender would lend the same amount. The total debt on the property is 140k now the value of the property is 120k. Now the issue on who's in first isn't simple as the recording time stamp of our docs. When I went through the whole portfolio I was in second by recording in a majority of them. The other lenders took the stance that they had actually issued and check directly to the trustee and it didn't matter when the recording was done. They too were doing double recording at the time they paid and when the trustee's deed was recorded. You would have four recordings on one property with two different lenders. Do you go by the first recording when it was paid for, or do you go by who was first after the trustee's deed was recorded, or is it who paid the trustee? I bounced this off several title agents and I got several difference answers. When asked directly about this whole issue Greg from AFG said he didn't know it was going on the whole year. Scott believes he was in on it with the cousin. But we had no proof. The other lenders involved as far as I know had no knowledge of what the cousin was doing. Now the first thing is how do we figure out who is in first, I know the rules, but when you have two docs and one check to a trustee, it's in dispute. In January, a group of five of the other lenders met me in my office. They had loans on about 60 of the houses. They said unless they were paid off in full, they would take this to court. They had a different set of investors behind them and they were willing to fight this is court even if it took a year. They were confident in their position. I couldn't afford to have that many loans and dollars be in suspense for who knows how long, 6 months a year? We all get lawyers and it would take forever to get a ruling. Yes, by this time I'm talking with my lawyer David Beauchamp 480-684-1100. He's aware of all that I know. He agreed it would be the worst situation to sue each other and try to figure it out. With some negotiating with the other lenders, they agreed not to sue if their positions were paid off despite if houses were sold. Scott and I put a plan in place to which I would start paying off their debts as my cash flow allowed and have lien in first position, all done through title one after another. Even though I would be upside down in loan to value. My position was I rather have 140k lien on a house worth 120k, than 70k in second position. Greg in AFG said as long as he received his interest from Scott he wouldn't do anything and allow for the houses to be sold off as they became vacant. Scott and I worked for months on an agreement that was pounded out between our lawyers. It was a work out agreement with outline of what we were doing and how it was to happen. Why I didn't let all of you know what was going on at any point? It was pure fear. I had seen what one of my investors had done to a bidding company when they had a deal gone wrong. I have 100 investors, I had no idea what everyone would do or want to do or how many would just sue, justifiably. I also feared that there would be a classic run on the bank. Even though I had done nothing wrong. Everyone would be scared and start requesting their money back, I wouldn't be able to meet redemptions and then I would be in violation of my covenants and then I couldn't pay off the loans of the other lenders and they would sue, my investors would sue and the whole thing would implode. I truly believe we had a plan that would allow me to continue to operate, my investor would receive their interest and redemptions as a normal course of business, and the rest of my portfolio was performing. Dave blessed this course of action. We signed this workout agreement and began executing it. It took several months to get all the loans paid off by the disgruntle lenders group. We were also starting to sell the houses at a pretty good clip. In April the last of the disgruntled lenders deals

were paid off. Now we just had the AFG properties that I was in second position. Every time we sold a property there was a shortfall owed to me. Instead of taking this as a loss, I booked it as an A/R and Scott was paying down on it and reducing the A/R. It was of course going up faster than he was able to pay it down. Going back to December of 2013, when we were still trying to work all this that I just explained, Scott knew he had to make money to help cover the deficit to which would be created by the double encumbered properties and shortage that would be created at the time of disposition. He wanted time to still fund him buying properties at the auction and flipping them, wholesaling them etc. I talked to Dave about this January and he was in agreement with it as long as I received copies of checks and receipts showing that I was the one paying the trustee. I have copies of these in scan files. Robert has access to all of this. We agreed to the operation and allowed him to still buy things. He was buying again one to three a week; he would pay me back with interest on these most times within 10 -15 days, sometimes longer. He would wholesale it to one of his investors, put it on his website or sell it directly retail. Once again, I would do my recordings. However, he would nearly always sell it before the trustee's deed was getting recorded, so I was getting paid back before I ever recorded the deed of trust. A few of them he would keep and flip, but an overwhelming majority of these were wholesaled. Now I know that you would think, why the hell would I lend more money to guy that just put me in this situation? Scott came to me and said he was going to do everything he could to make this right. He could have at anytime just throw up his hands and walked away, filed BK and left me with a massive mess. He didn't. He helped negotiate with the other lenders. He sat with his attorney and mine and signed a very one sided agreement in my favor to work this out. I had UCC's on his furniture business and a life insurance policy. In fact his attorney advised him not to sign it. No one else was going to lend him money and I needed him to make money so that I could be paid back. Because of what and how we were operating, Dave blessed it, I felt comfortable and everything he said he was going to do, he was doing. We got the disgruntled lenders taken care of, he signed the workout agreement, and was selling the homes, he was making payments to me and sometimes when a close happened he would wire in the money to cover the difference when he was able to do it. We were making headway on the whole problem slowly but surely. Now in to the middle of year, the amount of money he was borrowing for wholesaling was rising. He would buy more than he was paying off. I would get calls asking me why I had a recording on a property that didn't go to auction. I would check with Scott and he said it was rescinded sale. This happens on a fairly regular basis. I started to check on other properties that I had been paid off and found things weren't adding up. I confronted Scott. Besides buying at auction, he admitted that he had an agreement with Auction.com to send in offers on properties that were postponed, cxled etc and try to get the trustee's to agree on the short sale and give him the property. Auction.com would take the property and sell it and give Scott a cut on it. This whole agreement bothered me and wasn't sure it was right. Over time I was getting more and more uncomfortable with this arrangement and kept asking more questions. I told him that I wasn't comfortable with this arrangement, and I wanted it stopped and he need to return the funds to me and I would no longer fund any more deals. He said Auction.com was threatening if I cut him off they wouldn't return the checks to him that he had sent and I would be stuck with no money coming back in to me. We are now in the late 2014. I was adamant that I wanted to stop this transaction. I wasn't sure what the truth was as far as arrangement how or who was getting paid etc. they were using

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Oct 2015

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how much. All the second positions houses have been sold by now. I just had a handful of loans with him which was all first position left over from his original group of loans he had me. The real issue was his inability to pay down the debt he owed me for the loss I had taken on the 2nd position houses and this wholesale deal was supposed to come to an end. Here we are at the end of the year and the divorce issues brought it all to a stop. Coming in to 2016, he finally got the divorce canceled and then she filed again. Then several months later is canceled again. His landlord from the car company was suing him. At one point in February under all the stress he decided he would file BK thinking he could get a filing number, which would put him in a barging position with his landlord and fighting the divorce. This of course was the stupidest thing for him to do. He didn't realize the laws and procedures in doing this. I didn't find out about it until May when I was contacted by a trustee asking for a payoff amount for a home. He then explained it to me what his thinking was and why he did it. By now auction.com had enough of this nightmare. By June it all stopped. However because of the BK they won't return the money to Scott or me that is owed. Scott's wife at point had gone in to their office and threatened to bring in her lawyers because she saw all the ins/outs in the bank accounts and wanted to know if he was hiding money from her. Auction.com said they wouldn't return the money to me until she signed an agreement with them and then Scott and I had to sign something between us, I've never seen this agreement. I'm not even sure what they would say or the intent of them would be. I never had contact with auction.com; they wanted to pretend I wasn't even involved. When that's all done they would return the money to him then to me or just to me. The whole BK filing stopped anything from happening. Here I am in July. I've got a small lending base the rest of the money is on the A/R that he owes me and 28.1 million plus interest (500k) sitting at auction.com. Plus 3 million in the reconciliation part that they owed me when they were paying me off on more than they were borrowing each day. There were profits made on these transactions. Scott and auction.com were splitting the profits, not sure how or where the funds came and went to, his portion he used to pay down on the workout agreement. However, none has been paid to me since October. The amount is insignificant in the big picture because I believe they were ill-gotten gains. Plus the 1.7 mil Scott's wife took out of his account. You can see that the 14 million (that's principle and interest from the 2nd's positions workout agreement) owed to DenSco by Scott would be about 9 million. I could make another 2 million this year. The net difference is getting smaller and it would be attainable to make all the investors whole at that point in another couple of years of business. That's why I kept working towards doing what I was doing. Scott is now knee deep into his BK procedure and you can imagine when they are looking at all of this they are having issue with it and my fear and belief is that it's criminal and auction.com has propagated a fraud, Scott was someone knowledgeable or conspiring in it, and because I was the money behind it I'm guilty by association. Now typing this it sounds like some obscene twilight show. It's embarrassing and humiliating reading this thinking how could I have made such wrong decisions got wrapped up in to this. But the only answer I can tell you is, in the beginning I was defrauded by Scott's cousin, I didn't realize what Scott was doing with auction.com. From all aspects it was legit, I get copies of checks, receipts, I would be paid back, etc. and I believed it was the best way to return your money to you. That was always my goal. I know I accepted some funds from some of you over the last three years. I believed that I was going to get this all fixed. I returned many more millions to some of you and turn down even more millions from others. I wasn't trying to

late 2015

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Feb 2016 Scott - BK

July 2016

No pay since Oct 2015

keep myself afloat by taking more money and investors and making things worse. I put all non-retirement personal available funds in to DenSco over the last few years trying to help solve this. I was doing everything I could and believed to fix this issue. No I wasn't forthright to you. I had convinced myself no matter what relationship I had with anyone of you individually, I couldn't go to just one or two of you without telling all of you and at no point throughout this nightmare did I believe that you would be accepting and trusting to allow me to notify you and would still trust me, assist me on how to work through this without starting massive withdrawals and lawsuits. That would be the natural reaction for a few, some or most of you? I didn't know. The loss that would have happened day one when I was first made aware of the fraud, might be smaller than today. However, with all the lawsuits and lawyers involved I know that it would have exasperated the loss. I know I made wrong decisions. I did consult my lawyer for the first year on each step of the way. He's unaware of the situation I'm in today and the information I now know regarding the relationship between auction.com and Scott's arrangement with them. I'm not privy to the details of it. The guilt, embarrassment, and humility any other adjective you can add in there is over whelming. I can't face my parents, which yes, they are going to be severely hurt, more than all of you by this, going through the legal process is unbearably thought. I have no idea where that would lead, jail? Possibly. Years spent in courts and lawyers trying to settle this all out. Mean while having to face all of you. I can't do it. I love my family and my boys as much as any of you do your families. I can't put them through this face to face. I've decided to be my own judge and jury and I decided the death penalty. I am never going to see my amazing boys grow up. My divorce which I spent more effort than anyone would believe to mitigate the negative effect on my boys, is now in vain because my death is going to be overwhelming to them. As I'm sitting her typing this I'm crying because of the thought of the sadness, angry, confusion, I am going to bring to their lives. As bad as it is, I feel it's a better option than me living, having them see what you and courts would do to me, justifiably too. I'm sorry for everything that I've done. I believe that you can recover a substantial amount of your principle. I believe with me dead there is no change in the chance of that happening. I don't know how to end this other than I'm not asking for forgiveness I'm just sorry I wasn't forthcoming in the beginning maybe it would have had a better ending or process than I feared would happen. I know this all sounds nearly incoherent but my mind isn't exactly clear.

Beauchamp
EXH. NO. 415
7-19-18
Kelly S. Oglesby CR 50178

NEWEST

READ WHOLE THING, I'TS NOT VERY WELL LAID OUT, YOU'LL NEED TO KNOW SOMETHINGS RIGHT NOW AND WORRY ABOUT OTHERS LATER.

Iggy List:

I'm sure I'm going to forget a few things because I'm not in the best state of minds. It's going to be as I think of them and not in any order. This wasn't typed top to bottom. I jumped and edited it all around for the last several days and nights. I decided not to ship you my computer and Ipad. I don't want it to look like I'm shipping you something. Please take them home with you, both computers. You'll receive ups over night envelope with more stuff in it that I felt you needed day one no matter what. I'm sorry I didn't' call you before this but I know if I heard your voice, the parents voice, blonde or squits, I couldn't keep it together. I'm having enough trouble facing my boys this week. I know this is incredibly mean and awful 100 things you could describe, much worse too, hate me I understand. But I had to do this retain some money so my boys and the parents would have something. I drained everything I had but their college funds and my retirement to fix this problem. If I stay alive and go through the whole process of defending myself it will cost 500k or more and there is absolutely no guarantee I won't end up in jail for 25 years. I know I did nothing intentionally illegal. However, the lawyers will find plenty of things I didn't do right and I will be given no mercy, poster child of fraud and off I'll go. What use is that? It's a waste. I won't do it and I won't put my family through it. I've brought enough shame to the family for not catching the fraud and fixing it and now I have to suffer the consequences. You might sit there and think five other alternatives but I can assure I've thought of a 100. They all end the same. Please don't allow for a funeral or anything. Just give my body to science they don't want it fine, cremate it and dump the ashes in Hayden Lake or something. Whatever you want. Maybe the boys will have some issue with it I don't know.

Dave

I decided not to send the investor letter out, but I sent it to my attorney and you, I think I gave a copy to Nasha too. I had to ensure the facts are made clear as to I know them. I just didn't want them published. I fear that I email it out to everyone; someone will send it to the press. I don't think that is a good idea. Please don't scan it, email it fax it or anything. Don't share it with anyone. Let Dave Beauchamp – 480-684-1100, handle it (keep this name and number you may need it later. The legal consequences are going to be huge. The press is going to have field day with me. I can't stop any of that. But I don't think that letter is good to become public domain. If Dave doesn't do something with it, you have it so that you can do something. I have no idea what or who to share it with but I think the facts have to be known. Once again I'm burdening you with some shit that isn't your doing and I hope it won't affect you. Course my mind is racing and I just typed this paragraph last, so I don't know what I'll think in another hour or two. I'm just going nuts right now and I'm so concerned I've screwed up so many things that my plan to at least protect some assets and pass to the boys and mom and dad are in vain. The money that is in my IRA is from insight. The other one that bought recently was my 401k I had in DenSco. So there's the tie to the ill-gotten gains. Same as that cd at the bank. That's was my defined benefit from DenSco. I moved it out after I knew of the fraud the dates will show that. But I hadn't done anything wrong in 2013. I was just made aware of what Scott's cousin had done. I had to move it because they weren't allowing me to keep it in DenSco. They, being the Defined

Pension Strategies, they are the ones I report everything to for my 401k and DB plan. I believe that the money put in to that except the last year of 2013, was all pre- any issues. The last 800k or so that was moved in to it in 2013 was after scot told me what happening, but I was trying to minimize taxes. I figured it I needed the money I rather have it then pay tax on it. 1 million of it purely predates everything went sideways. Go in to Accounts and display showing the hidden or closed accounts you'll see it. I'll put the QuickBooks file in there for you so you have it too. So I don't know if they will be able to come back after those two things. The 401k it's the last two 2 years, 2013 and 2014 that would be in question, that's about 75k I moved in there during those years, they want back. The first IRA I am sure they can't touch. It's from Insight. I hadn't moved money into vanguard from DenSco. I only moved it from vanguard to DenSco when I sold my mutual and bond funds. You see I'm spending all my time trying to see if I should do something else. But I'm out of time.

1. I've enclosed my password list to everything you'll need to get in to all my accounts.
2. Best you plan to fly down and drive back with the highlander. I know it's not 4 wheel drive, but you can sell it and get one that is. Have enclosed the notarized title with it so you can change it in to your name. I looked it up, you and I have to be that the DMV. I'm not sure how to handle this. Since I'm getting this notarized before I die, I bet you have submit a death certificate and then you'll be ok to do the transfer, u are the executor of my will so I think it will be ok. It might be pain but that's the best I can do. Make sure you unplug it before you drive away! It's got a trickle on it to keep the battery charged. I'm not sure how to handle the tesla. I owe a little on it, so I don't have title. I guess I should have paid it off and got the damn title. I'm sorry I didn't think. I'm sure there is a process for this situation. It's worth probably 40k so that's going to help you. Damn I fucked this up too. You never thought I could be so damn incompetent I'm sure. Maybe they will try to take it too since I've been making payments on it all this time. That was stupid. But the interest rate was so low it didn't make sense to do anything else. I can't fix it now along with 1000 other problems!
3. I put a couple k in the guest's bathroom underneath the books and toilet paper. I don't know what access you'll have to the house or if someone will follow you around so I figure with some privacy in the bathroom you'll be ok. That will pay for some expenses while you are here. I would pay for everything on your credit card, and then use the cash to buy gas food etc for months to make it equal. I don't want to put your of any money. Don't deposits cash either.
4. I pre-signed all of Sagers checks for his college fund. I figured that was easiest
5. Make sure you get down here before mom and dad. Stay at their condo. The neighbor has the key if not; here at my house I have the key and garage door opener. It should be on my desk or maybe Nasha took it. There are two extra keys hidden. Just in case there are issues with this I wanted to make sure you could get in. number 32 explains where one key is. Another one is in the work bench back right corner. The garage code is 1962 enter, it's a bitch you have to do it a few times or hit enter firmly.
6. In my desk drawer on the right side, bottom there are files, one file unmarked is everything out of my safe, personal stuff paperwork etc, and the boy's docs on their college funds. I don't think you'll need it but it's there.

still there ok✓

7. You'll have to send something to American Airlines to get them to move all my miles to the boys account.
8. I gave all the medical records for the boys to Nasha. She'll get health insurance for them; you may have to provide some money to her for this.
9. I gave her a check for August, let it go through don't fight it. That will give you a month to figure out some things and her a month of having some money.
10. The money you provide for the boys expenses, just make her give you a receipt for everything or better yet you can pay it yourself, like soccer camps and fees at school or whatever you are asked to help pay for then reimburse yourself from the trust you'll need to create. You can look to my will for guidance on how I want to use the money in the long term.
11. I sent you a long time ago a packet of info about what she did while we were married. The reason I did this was I wasn't sure then what was going to happen and I wanted to make sure someone knew the truth. I knew she wouldn't tell it. At some point in the boys older lives they'll want to know and I want you to tell them. I'll leave it up to your discretion on what and how much you tell them and when. Maybe she will woman up and tell them, I wonder how close to the truth it will be. I'm betting she'll give some type of vanilla explanation maybe that will be enough. You'll know they'll ask you. They always blamed me, not that I'm wanting to shift the blame was much answer their questions truthfully.
12. You've got the vanguard info, the boy's college funds, SEP IRA's are there along with my IRA's. I don't believe they'll be able to take those so those should go to the boys trust. They boys SEP's might be gone after since it was last year I did them. I have a trading account with some long time holdings, some good some bad. I really quit paying attention to it. I had an index bond and stock fund; I sold both moved the dollars to DenSco to try to save DenSco.
13. I've got 1.8 million deferred retirement fund in a CD at first bank account number ending in 1963, a health savings account ending in 1425, personal checking 6377, course my business ending 5264. Contact Jennifer delory, Jennifer.delory@efirstbank.com, 602-952-4003. You can login under efirstbankl.com dcmoney10, password thing1thing2. I'm not sure if they will go after that CD or not. I hope that can be moved to the boys trust.

First bank

14. Taxes, I'm not sure how it works. I know that you and everyone have paid taxes on interest you never received, I'm sure there is way to take losses or refunds on those taxes. As for my own taxes you would say, why the hell would I pay such large taxes. I had too. if I walked in and showed Dave, who's an investor and referred lots of people to me, here is a massive loss or no income or whatever , he would freak and I would be in the same position of notifying my investors. As I received payoffs in I showed them as interest income just normal course of business. When this was all happening, I was receiving a lot of them and that made my business look very profitable. However I had this ever growing large A/R of losses that Scott was accumulating while he was selling off the over encumbered houses. Yes he was making payments down on it, but it was going up faster than down because there were so many houses and the losses were large. Because if I had a lot of interest due. I would give my payoff to title as such. Then they would say, uh Scott you sold this house for 150k, the debt on it is 210k, you need

60k so we can close. I would wire in the 60k, put it on my books as A/R for the workout with Scott. Then they would wire me the 210k, with 15k of interest income the rest would to payoff the principle of the two notes (first being the one I had on there initially, the 2nd note was the one I added to the property if I paid off another lender). See I would bring in interest income to the p/l, payoff an old debt but the new workout agreement A/R would rise. I did this over and over again for tons of homes. Or the other scenario, is that there were two liens on it, AFG was one and I was one, when it was payoff time, I would wire in the difference, add it to my a/r on the work out and I would get back my principle and interest on my first loan. In some ways this exaggerated the A/R because it was including the interest, and it was overstating my interest income I guess, but I did collect it. That's why my p/l looked so good. But my A/R was getting larger and larger. I had to keep working with Scott so he could make money to pay it back. He paid millions down on that a/r. but once the divorce, the bk he couldn't anymore.

15. The house should be sold for about what is owed, BofA account 6817-1012-989999. I didn't make the payment due in august. They will start foreclosure in 90 days. Then it will go to auction in 90 days. I had maxed out the credit line to try to save DenSco too.
16. The cars, I'm not sure what to do with them. The highlander I own for cash, the tesla I owe maybe 10k on its BofA too. 650-100-314-04147, the login to the account is on my password list. Costco owes me some tire stems or something. They might call depends on when they get them in and you get this letter. I had to get new tires because they were bald. I would cxl the auto payment it's usually close to the first. Just login to BofA from my password list and you'll see the two accts there my house line and car line. Acct login 110214515 password is thing1thing2
17. My credit cards on the password list too, I didn't cxl them in case there was reason for you to allow charges to go through or to pay bills. Again I'm not sure how it works as executor vs. using a dead person's credit card.
18. Carol's life insurance nightmare, I asked her to pick up the payment with help from her kids and then forward you the money once Mr. P passes. She owes me more than the policy is worth. But she's got 800-900k worth of houses she is planning to sell so she should pay you the balance from there. Just add it to the boy's trust fund.
19. Angie Nazario owes me $4000 more I lent her to keep her brother out of jail. She gets about 9k a month in child support; the problem is she spends 9,500. Be tough on her, she can pay you back 310-709-6402, yoangie22@hotmail.com
20. Thad Pike owes me 10k, I doubt you'll ever get that back. That was to get him out of jail too. I have no idea how to contact him and last I talked to nurse Nancy she didn't either.
21. Brian gittings owes me $42,540 602-315-2961, he's basically not worked in years, he's old now, I doubt he will and he won't pay you back unless he's got a life insurance policy and add me to it or something.
22. You have my quicken. The balance in the DenSco is of course isn't right. Everything else is accurate to the penny. I've not updated some interest and dividends I'm sure. But you have access to bank and vanguard. Password is 10Million
23. Robert should take care of QuickBooks his number is 602-330-4624 if you need to contact him. I put all my DenSco files in to his drop box acct, along with a backup of

QuickBooks, he should be good. All the physical files are in my office. He's getting a long instruction list too. I gave you QuickBooks too incase you need it. password is "20million"

24. The boys skiing passes are paid for they are in my email under "orders" folder. But I think you can just show up and give them their name.
25. Yes I have journals on my computer. Read them at your peril. It might help to read the DenSco ones, but the personal ones I can assure you will be harder to read than what you can learn from them are limited. Honestly don't read my journals. I guess I could delete them off everything but just don't read them. They are too honest.
26. I tried to empty out of the house as much crap as I could without raising suspicions. I hope that limits the burden to the person that has to finish it.
27. Money. I'm sorry. I was going to leave you some to help things between you and mom and dad, but I can't figure out how to get that much cash to you in a short amount of time. It's impossible. I know that they will look for places I hid things but I didn't. I used u all my money trying to fix it. The money in the kids trust use to help mom and dad out. The college funds are critical. They will be there. I can't believe mom and dad will spend through what is will be in the boy's trust fund. I'm sure this will be sore subject. I'm sorry to put this one you. If you can keep my IRA's, trading acct. money market acct, CD, HSA fund, carols returns you the insurance proceeds. I think everyone will be ok. It's better than me spending all that money to defend myself.
28. I sent letters to all that I thought deserved one. If someone didn't get one you thought should, look in my computer under dcmoney/dropbox/my documents/misc/TODO. Maybe they got lost in the mail. Everything is in drop box first then go to the folders. If you don't go to that first, it's all the old files before I converted to using drop box. The accts file is my dropbox/mydocuments/misc/everything else, password to that word file is "chichis", its misc then you'll see "accts". I printed with the stuff I am sending you with all my paperwork.
29. One my citi m/c there is a $2000 or so cash back available. You can go on line and request the money. It's the accumulating of the 2% refund since I've had the card, or you can pay a bill with it or something. That would be better I think.
30. All my bills are set up auto pay through my personal bank account. The one that hasn't happened yet, depending on when you are reading this is the new Costco visa card; 4100-3904-5829-6536 12/09 233 the only charge I've made was at black sheep for that tube. As I'm typing this I've not received the statement yet. It should go through. There is nothing reoccurring on this card. Citi bank m/c 5424-1812-2221-6892 11/18 101

Citi

Cancel

31. I'll put my last quicken back up in our shared folder, so you can see it there. That's probably easiest. Then I'll add you to all my folders on drop box so you have access to anything you think you may need.
32. To get in to my house there is a in the back patio. Under the grill there is an access panel, in there is a blue plastic box. Alarm code is 1986. Just type that in to arm and disarm it. The mailbox key its number 7 right hand side of boxes, I sent you the key. I'm sure you'll have to forward the mail or something that would be easier, but until then you have the key. Robert has a key now too. He can get the checks and any applicable DenSco mail. The garage code is 1962 enter. Sometimes you have to press hard and do

it twice. Robert will need access to the mail box so I gave him same instructions. He'll have checks and docs coming for weeks if not months.

33. Mom and dad's Condo garage door opener is right inside my office closet on the right side. It's the only garage door opener in there.
34. I know you and others may scorn me for taking those last three vacations. I had paid for the house 9 or 10 months ago. I bought all the tickets 6 months ago I'm guessing. In June I knew I was in serious trouble. However, I figured it's bought and paid for and it will be a wonderful last vacation for them to experience. This might be really selfish. But if I canceled the trip that would have looked odd, no good reason and I would have lost the money on the house. The snowboarding vacations were booked way ahead of their dates. Yes I paid for the hotel, but I still believed I could save this and I knew how much it meant to the boys.
35. I have an AA m/c for buying airline tickets 5466-3884-2927-1773 through Barclays its login info is on that list. Just cxl, nothing on it.
36. Don't let anyone ever have access to my computer. Windows password is "focus", Ipad password is 1997. Maybe I'm paranoid, but before you get a subpoena or something destroy it, as in pieces. There is nothing on there that illegal or anything like that, but it just bothers me. All the files are on drop box anyway. The old one is xp and has nothing on it that the current one doesn't have, other than genealogy. I never got the update program for windows 7 or 10 so it sits on the XP machine. All the photos on the older computer I moved in to drop box, so you login to drop box under my account from a browsers, you'll see all the photos from old laptop and current laptop. Newest are on Ipad. The old one it takes 30 mins to boot and sounds like hell because I dropped it once and the cooling fan broke.
37. If you call Cox to cxl, my four digit pin is 1337; login on line is on my accounts list.
38. How much to give her? I was paying her $3814 a month. The 3k was what is in our prenup. It ends after 5 years, or one of us is dead or she re-marries, she had one year left. The $814 is what the state said I had to give for child support until Dillon turns 18 or graduates from high school, whatever comes last. Then it's ½ that amount until Ty does the same. She was supposed to start college funds I'm sure she never did. She makes about 4k gross a month. Yes, she pissed through around 200k of her IRA and investment account after she moved out. No I don't know on what. She doesn't live high on the hog. She lives in patio home she leases and has a 4 yr old car. How much to give her is really hard to say. Just stick to specifics. I think that if you gave her money for the boy's health care, covered all their expenses, school, camps, sports, some clothes, maybe food. You can do this all remotely by paying on a credit card and paying the balance with the trust money. I don't know. I know that my IRA's will be there. Which you would transfer in to the trusts. They shouldn't be able to take that. Their college funds are untouchable. I hope you can keep the other assets like the rest of vanguard accounts and that 1.8 mil retirement cd at the bank. I owe 1mill on the house and it's worth around 1.2, but it I will sell for what's owed I'm guessing. Hopefully it will sell quickly and at not a discount and there will be some there too. I'm so sorry to put you in the middle of this. I know you hate her and don't want to deal wither and now you have to. You can hate me. I just know you'll do what's right and fair and you'll have my boys in the best plans for them.

39. My Ipad code is 1997, same as my phone. Phone is on my desk, take it with you. If you get any vmails for payoff needs just email Robert the info. I'm sorry you'll get all the other phone calls; texts, etc. just ignore them. Easily said I know.
40. You'll get emails about DenSco stuff. Just forward them to Robert Koehler – rzkoehler@~~yahoo.com~~ gmail.com
41. When you log in to my vanguard it will send you a text, so keep my Ipad handy. Probably best to turn that feature off at one point.
42. The pool is paid for through I think Oct for cleaning, matt 480-343-3833
43. The lawn can be taken care of for probably $100 every other week from Carlos – 602-718-7322. I always did it but he came to trim trees and does projects. I don't know if you want to have him do this, maybe dad will come over and mow the lawn etc.
44. I'd keep the utilities on at least for awhile. I don't know what will happen with the house and process. I'm debating on making the payment by the end of month. It will be three months before they can foreclose and sell it. So you can sell it before then. Wade kawahara can sell it, tell him to do it for free he owe's me 623-326-7316
45. Or you say screw it, just let the bank take it.
46. Best you plan to fly down and probably drive back with my car.
47. I put my most personal things in your possessions, my finances, my boy's livelihoods, my journals. I think you should delete those. Maybe I should I don't know what the hell I'll do. You won't want to read them they will be too painful; I'm too honest when I type them.
48. In your drop box directory there is a file called Dropvox, it has a voice recording, 2 ½ hours mostly of scot talking. I checked, I recorded it and its legal, should be permissible if need be. But it gives the account of where the money is how they were working. I'll leave this in your hands. Maybe it will be necessary to use maybe it won't. My letter explains everything to my investors that I was aware of. But if he is trying to get out of it this will be nail in coffin. If you listen to it, he's just putting together an explanation of how he thinks he can talk his way out of it with the bk trustee. He takes all the blame. This is true! I wasn't aware of what they were doing 6 or 7 months. When I confronted him on it, he made up a story sort of telling me kind of what he's doing. I was now guilty even if they were swindling me too, but if they stopped, Scott's like I have no way of paying you back, I owe you millions you are fucked. So either you let us continue and try to pay you back through this agreement I have with auction.com or you'll be back to being owed by him to me for the duplicate lenders, and you'll be screwed, so either let us keep going or you'll be screwed. He was paying me back the principle payments and interest 100k a week, 75k a week. The workout was getting paid down, the houses were getting sold, and my books were looking better and better, except this 'wholesale process was getting out of hand. He kept saying a little longer, I'll get paid back and he'll quit wholesaling. It's just a mess I know. A slow train wreck I was trying to save the whole time. Dave my attorney even allowed us to do the wholesaling. Now at the time, he nor I didn't understand what Scott and auction.com were doing, I still don't! But he let me get the workout signed not tell the investors and try to fix the problem. That was a huge mistake. This would have blown up in 2014 with the investors. Who knows where it would be today if I had gone that route initially. I know one thing, law suits,

requests for money back, the disgruntled lenders that I was fighting with would sue, hell they sent me a lawsuit several times threatening here you go we are filing! I couldn't have run the business, pay the disgruntle lenders off on their duplicate loans, pay all the investors back that started to requests their money back, if I can't return it they sue. This is exactly where I am today. The difference between now and then is that Dave did a work out agreement with Scott, we were executing it and making headway, yet Dave never made me tell the investors. Then Scott started this screwy deal with auction.com vs. when he told me that he was buying properties at the auction. It wasn't true. Which I was receiving the copies of all the checks, and receipts (look in DenSco/MyScan/Easy/you'll see two files Checks and Receipts) for everyone one of them. I'm sure this is making no sense. I'm sorry. I've had 2 hours sleep in 2 days and I can barely thing straight let alone explain things coherently.

49. You'll probably be staying at mom and dad's when you come down. Their friends have keys. In my closet in my office are the keys to their house and garage door opener.
50. In my desk, there are files for the cars, didn't think I needed to send them to you. You can throw them in the cars when someone buys them.
51. Make sure she updates her will that says you get the boys. The last will I have of hers from 07' says this and I highly doubt she's ever made a new one. I asked her to do this, but I'm guessing she won't do it timely. I don't think she'll have a problem with that. I hope it never comes to that. But I have to know they are in a safe place. Again I am sorry to burden you with that if it comes to pass.
52. There should be some death benefits for social security that boys could get too. I paid a shit load of FICA.
53. If you have problems with anything with her about the boys, all of our divorce docs are in Dropbox\My Documents\Misc\Everything Else you'll see them
54. I've been typing on and off this for days. I really hate to think how much time and nightmare this is for you. I'm so sorry.
55. Cancel my car insurance; I just paid them a few months ago, so they'll send refunds to you. I would leave the house insurance in place until the house is foreclosed on. I don't know how it will work if you try to sell it in the next 90 days. Because it will sell for about a million, this is what my next door neighbor bought his for a few months ago. Don't want to spend a ton of money on it. Maybe just let it go to the bank and let them deal with it. If they get a dime over their costs, they have to send it to you. Don't cancel until foreclosure goes through at auction. So it won't be for six months from now. All insurance is with George Day Insurance – Kristine Long is the contact – Kristine.long.1141@statefarm.com, 480-998-9477 w , 480-998-0206 f
56. I have a 5 mill umbrella insurance that's with Duane Taylor 480-345-2331 dtyalor7@farmsagent.com I'm not sure of the refund on that. Don't cxl this one, it might be helpful if I get sued or the estate gets sued etc. I'm not sure how this work. An attorney will know. I think Jim vanvalin or something is an estate attorney, friend of dad's, but you choose who you want. Sorry your nightmare.
57. My mind is going wild thinking about the what if's on how to protect the remaining assets. I don't know if they can go after everything I have saying that I took investors money to fund my ira or pay for carol's insurance thus they have access to all that.

Maybe you have carol change the beneficiary to the trust or to herself and then she send it to you afterwards. You may have to get a legal opinion on that on how to protect that. I'm thinking they could try to attach it since I took money out of DenSco to my personal and then sent to her. I'm really stressing now and mind going crazy. I'm sorry for this is going to be a nightmare. Jesus what a fucking mess. I think the best thing to do is as quickly as possible create the boys trust move all the assets you can as they release them or allow you too and then at the point I guess wait and see what the legal ramifications are. I don't even know who they are or what will go on. That will take months and months if not a year to get anyone to look at that. They can see from my QuickBooks that I moved money in to DenSco. If I took a salary, I kept some out to pay bills and transferred it back in. I sold mutual funds and transferred it back in. if I'm dead they can't find me guilty of anything and can't fine me for millions of dollars. That's why I'm better dead than alive! This isn't a financial decision. I'm looking at it as a well being decision, what is best for my boy's long term and to help mom and dad. Plus I would have to face all these people my family, my best friends, neighbors, I can't even imagine those discussions. It's not a financial decision based on me it's for the boys. I can't leave them nothing and depend on their mom. I just can't. Will they survive yes, but I can't leave them in such a bad position it's my entire fault. I rather sacrifice myself for them to allow them to go to college and start a life. Be able to have an upbringing that isn't charity and handouts or whatever may become of how she would raise them. I know everyone would help out. Should I be sitting in jail, or let's say I go to jail they just fine me for millions. I can't provide for them again. Its' my only choice. I rather not have my boys say I'm in jail. Or that I'm a bum and can't provide for them. I'm desperate to do the right thing and I'm sure I'm doing it. As much emotional pain as its going to bring to everyone. I know I'm a coward, I'm selfish or anything else you want to say I know this is the best for my boys and mom and dad. I have to do what is best for the four of them. I'm' so sorry for the shame and embarrassment mom and dad are going to experience. They don't deserve this, how do I make it up them? I put them in financial straits. I've ruined lifelong friendships, I've done all of this. None of it intentional or purposeful but I'm responsible. I know they are proud of me, brag about me they are parents. I've absolutely ruined them. No I'm not man enough to live with that. To face them, Uncle Arden, their friends, my neighbors. What do I do point the finger and say Scott screwed me he defrauded me, yes it's true. But shame on me. I'm responsible. I'm the one that was supposed to ensure that didn't happen. Despite my best efforts and years of experience I missed it. When I tried to fix it, I didn't do the right thing and come forward. Now I've compounded the issue and its worse. I'm responsible. That how I see it and that's how the court will see it. I can say I didn't intend, they might even agree, but there are fiduciary and morally responsible things to do and I didn't do them, fear, drove most of those decisions. I talked Dave my attorney in to allowing me to continue without notifying my investors. Shame on him. He shouldn't have allowed me. He even told me once I was doing the right thing. You might ask how can I look you and mom and dad in the eye and be ok with it all this time. I must not have a soul or a conscience. Just the opposite. I had such remorse and guilt that drove me to work day and night and put more money in to it to try to save it and fix it. I've not been able to sleep. I know my

mood is foul. Hell I had a physical because I was feeling so poor, I took a blood test and some numbers were so bad they thought my kidneys were failing. I read on it and if it's not that, it's stress. They just called me the other day because they want me to retake the test. For the longest time when this first was made aware of it. Things were improving for months and months. I was hopeful I could fix it. my balances and spreadsheet were looking good, we were selling home, we were getting rid of disgruntled other lenders who were threatening to sue Scott and probably me (which is stupid, because I didn't do anything wrong), go to the local paper, every third day they would threaten me, well not me but Scott and me and everyone, thinking that we had conspired or something. Yes, I wanted to be in second position on all these loans. How insane is that thought? But the threat was enough to ensure that we couldn't let it happen. Because if I didn't pay them back they sued, I wasn't at fault at all! When I say this they are going to sue Scott. Because I had a lien on the properties too, the properties would be locked up until it was settled. However, going through the courts and lawsuits would take months if not a year. We couldn't sell the properties, my cash flow would be slowed to a trickle, then my investors would get nervous and request money back, I wouldn't be able to meet all my withdrawal notifications and I would be in violation of my covenants then they would sue, it would all spiral in to hell. That's why I agreed to pay off these guys and take control of all the home loans even though I was in an upside down position. But the numbers were so big and the losses were growing, Scott for months was paying me down but not as fast as the balance was going up. I should have come forward then. It would have been a downward spiral and I wouldn't be facing any criminal charges, just civil and maybe huge fines. However, even that wouldn't have been applicable. The fraud was done against me; I had no knowledge what so ever! I could have come forward to my investors, they would sue me, the other lenders would sue, everyone would sue and it would implode. I absolutely knew that. See if an investor requests their money back, I say that I'll do my best to return it to them based on their request date. But legally I don't have to redeem it until it's due. That's what all the paperwork says that we sign. However, I have 100's of individual investments from a 100 people. Every other day a note matures, so as they request them to be redeemed I wouldn't be able to redeem them because the money isn't coming back in because all the lenders are suing each other to see who's in first position and that would take months if not a year. So our plan was let's get rid of the disgruntled lenders, take control of the properties, sell them off, keep operating the business, keep paying the investors their interest, redeem money when requested and over time Scott would pay back the loss accumulating from the deficit of the 2nd positions. Do you see why that was a better alternative? Dave my lawyer, negotiated the work out agreement, and endorsed the plan. Then when Scott said hey, let me buy some foreclosures, flip them, wholesale them, etc so I can make money. All the other lenders wouldn't lend to him. I needed him to make money now more than ever before, we went to Dave, and he gave some constraints on how we were to operate. I followed them. I have all the documentation. I received copies of checks made out to trustees, receipts from the trustee's. I had all my docs signed, I recorded my mortgage, I had evidence of insurance, and I did everything. Once he paid me back I received back my principle and interest. He

was making money and paying down the workout balance that was accumulating. The houses were being sold, which of course would drive up the balance, but we were making progress. That's how I was able to look at everyone in the eye, that's how I was able to sleep at night; I was doing the right thing to get things back in the balance.

58. Then I find out he's got some "arrangement with auction.com" which I've never been full made aware of, I believe is a scam. I've been providing the funding for and now I'm guilty. What am I going to get anyone to believe I could lend this man this much money and not be aware? No one would believe me. Even though I was getting all the security that I would normally get if it was legit. I'm not making sense I know. I'm running on no sleep and I can't even make sense of what I'm saying.
59. I know I'm missing or forgetting to do a dozen things. I really tried to cover everything I could to make it as simple as I could. I know your emotions are running high. You are mad, angry, in disbelief, my boys are a mess, the family is a mess, the investors are all the same, I hurt them financially and broke their trust. I checked out. It seems unfair cowardly, stupid, selfish all those things. The difference is that by me doing this it shields my personal assets so that I can provide something for mom and dad and the boys. I can't leave that burden on you girls. That is the reason I'm doing this. I know the boys can't understand and I've scared them for life. The guilt is so overwhelming that I've hurt my boys I can't even think about it because I go crazy, yelling, crying and then I say I'm not going to do it, then I think now what, I know what will happen to me. How is that better? It's not. This is better. I know I had no intention of doing anything illegal. But I know that the law says about fiduciary responsibility and there has been money lost. This means there are penalties both legal and financial. That would be devastating in both counts and I would put my boys and mom and dad in worse shape.
You are the closest person to me in the world and I just shit all over you. I cannot make it up to you I can't fix it, I tried, and honestly I did everything I could. It will only get worse from here. I have to stop it and try to minimize the negative affect financially on family despite the emotional damage I'm doing. I feel like in time that can diminish. The Financial problem only would get worse if I don't shield what I left to help out now. I I've been reading for hours. My estate will go to probate. The only ways creditors get paid are secured. You'll pay those. The unsecured will have to get a judgement. You can't get a judgement without a conviction. You can't get a conviction on a dead person. The only way I think I can protect my remaining assets are to die before any criminal or civil cases come against me. I could have avoided the probate court if I would have got my shit together more quickly, but I just didn't have time. I apologize. Now that I've read all this stuff I am convinced now is a better time than later. If they open up a case against me or convict then it's more likely they will have the ability to come back and take some assets. This way I think I'm protecting them. This all could happen in a matter of weeks. I could somehow get myself to the end of august maybe. Here is the thing. I have a small portion of the portfolio actually working like's it supposed too. But I have to pay out 250k a month and quarter end 500k to pay investors interest. Plus I have redemption requests all the time. Thus I'm running down my cash to nothing. I can only do a few loans a month based on what loans pay off to me. But it's getting smaller and smaller as the months go by. I'm not going to raise any money. This is the downward

spiral I'm in and I can't get out. Is this week or next week or three weeks, two months? It's all got the same ending. But I can't continue like this. It's eating at my core. Timing will never be perfect. There is never a good time for this. If I pushed it out two weeks or two months. I would be in the same situation.

Beauchamp
EXH. NO. 416
7-19-18
Kelly S. Oglesby CR 50178

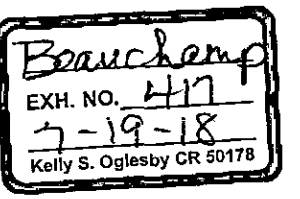
Den Sec /

Tcw Robert Kochler (7/30/14)

- talked to Denny Chittich's sister — 208-
- Denny has sent a letter to DCB — did not get it yet.
- Denny committed suicide on
- happened Thursday

- Denny said he sent a letter to DCB with instructions
- also sent a detailed letter to Robert
- need to get both letters & discuss how to deal w/ this
- this will be first time investors will not receive interest payments
- Shawna's Denny's sister

Beauchamp, David G.



From: Beauchamp, David G.
Sent: Sunday, July 31, 2016 7:52 PM
To: Robert Koehler
Subject: Fwd: Densco - email

1of 2

Sent from my iPhone. Please excuse any typos.

Begin forwarded message:

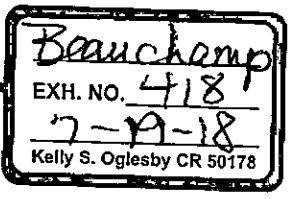
> **From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
> **Date:** July 31, 2016 at 7:41:37 PM MST
> **To:** Shawna Heuer <2chittickboys2@gmail.com>
> **Subject: Re: Densco - email**
>
> Shawna:
>
> Unfortunately, I do not know what information Denny put in his letter to Robert. Did the letter give any reason for concern as to what
>
> Sent from my iPhone. Please excuse any typos.
>
> On Jul 31, 2016, at 6:56 PM, Shawna Heuer <2chittickboys2@gmail.com> wrote:
>
> > Hi David, I might be putting the cart before the horse, but have had phone calls of concern and I feel like we should communicate to calm some nerves. What do you think if this is sent to his investors tonight? I have sent this to Robert in hopes he will agree and send from his densco email account he set up. Or should I do it from Denny's email address?
> >
> > **Dear Densco Investors,**
> >
> > **With the absence of your July month end statements, and/or payments, and the concern you must have, it is with broken heart we share the passing of Denny J. Chittick on Thursday July 28th. His family has gathered and plans have not yet been finalized.**
> >
> > **A meeting with Denny's attorney is planned for Monday, August 1st, to form a course of action. Further information will be transmitted within 48 hours of that meeting.**
> >
> > **Thank you for your patience and understanding in this matter and your kind condolences to the family.**
> >
> > What do you think?

Thank you,

Shawna Chittick Heuer

DIC0011902

Beauchamp, David G.



From: Beauchamp, David G.
Sent: Sunday, July 31, 2016 7:53 PM
To: Robert Koehler.
Subject: Fwd: Densco - email

2of2

Sent from my iPhone. Please excuse any typos.

Begin forwarded message:

> **From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
> **Date:** July 31, 2016 at 7:48:51 PM MST
> **To:** Shawna Heuer <2chittickboys2@gmail.com>
> **Subject: Re: Densco - email**
>
> Sorry my phone slipped and the email was sent before I intended.
>
> Do we know if there is any reason to worry the investors? If not, we should inform the investors that Denny has passed suddenly. Pursuant to Denny's back- up plan, Robert has been notified and he will begin the process to review all accounts and to provide information as soon as possible as to when the investors should receive their interest payments. Soon thereafter. Robert will also share the plans for the liquidation of DenSco's assets and the repayment of the investors investments.
>
> Until we know what the situation is, we should not worry any of the investors.
>
> We can discuss this if necessary.
>
> Regards, David
>
> Sent from my iPhone. Please excuse any typos.
>
> On Jul 31, 2016, at 7:41 PM, Beauchamp, David G. <DBeauchamp@ClarkHill.com> wrote:
>
> > Shawna:
> >
> > Unfortunately, I do not know what information Denny put in his letter to Robert. Did the letter give any reason for concern as to what
> >
> > Sent from my iPhone. Please excuse any typos.
> >
> > On Jul 31, 2016, at 6:56 PM, Shawna Heuer <2chittickboys2@gmail.com> wrote:
> >
> > > Hi David, I might be putting the cart before the horse, but have had phone calls of concern and I feel like we should communicate to

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Dear Densco Investors,

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A meeting with Denny's attorney is planned for Monday, August 1st, to form a course of action. Further information will be transmitted within 48 hours of that meeting.

Thank you for your patience and understanding in this matter and your kind condolences to the family.

What do you think?

Thank you,

Shawna Chittick Heuer

Beauchamp
EXH. NO. 419
7-19-18
Kelly S. Oglesby CR 50178

Beauchamp, David G.

From: Shawna Heuer <2chittickboys2@gmail.com>
Sent: Sunday, July 31, 2016 9:07 PM
To: Beauchamp, David G.
Subject: Re: Densco - email

Yes, there is concern, fear, speculation that has been voiced from multiple investors. Some know it was suicide, some do not.

I think your comments above will be perfect to send out after we meet tomorrow and provide contact info for Robert's position.

I want to send this email from denny's yahoo dcmoney@yahoo.com account as the last communication from this address. Then we can move forward.

Because there are so many friends and family and some are not aware of his death, I feel this is necessary.

Robert agreed this is a good idea.

On Sun, Jul 31, 2016 at 7:48 PM, Beauchamp, David G. <DBeauchamp@clarkhill.com> wrote:
Sorry my phone slipped and the email was sent before I intended.

Do we know if there is any reason to worry the investors? If not, we should inform the investors that Denny has passed suddenly. Pursuant to Denny's back- up plan, Robert has been notified and he will begin the process to review all accounts and to provide information as soon as possible as to when the investors should receive their interest payments. Soon thereafter. Robert will also share the plans for the liquidation of DenSco's assets and the repayment of the investors investments.

Until we know what the situation is, we should not worry any of the investors.

We can discuss this if necessary.

Regards, David

Sent from my iPhone. Please excuse any typos.

On Jul 31, 2016, at 7:41 PM, Beauchamp, David G. <DBeauchamp@ClarkHill.com> wrote:

> Shawna:
>
> Unfortunately, I do not know what information Denny put in his letter to Robert. Did the letter give any reason for concern as to what
>
> Sent from my iPhone. Please excuse any typos.
>
> On Jul 31, 2016, at 6:56 PM, Shawna Heuer <2chittickboys2@gmail.com> wrote:

Hi David, I might be putting the cart before the horse, but have had phone calls of concern and I feel like we should communicate to calm some nerves. What do you think if this is sent to his investors tonight? I have sent this to Robert in hopes he will agree and send from his densco email account he set up. Or should I do it from Denny's email address?

Dear Densco Investors,

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Thank you for your patience and understanding in this matter and your kind condolences to the family.

What do you think?

Thank you,

Shawna Chittick Heuer

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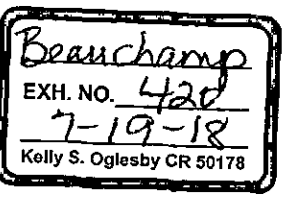

Beauchamp, David G.

From: Beauchamp, David G.
Sent: Sunday, July 31, 2016 10:49 PM
To: Denny Chittick
Subject: Re: Denny

Shawna:

Thank you for sending me a copy.

Best regards, David

Sent from my iPhone. Please excuse any typos.

On Jul 31, 2016, at 10:38 PM, Denny Chittick <dcmoney@yahoo.com> wrote:

> This is what I sent tonight. It took longer then anticipated.
> Thank you for your help,
> Shawna

> ----- Forwarded Message -----
> **From:** Denny Chittick <dcmoney@yahoo.com>
> **To:** Denny Chittick <dcmoney@yahoo.com>
> **Sent:** Sunday, July 31, 2016 10:23 PM
> **Subject:** Denny
>
> Dear DenSco Investors,
>
> With the absence of your July month end statements, and/or payments, and the concern you must have, it is with broken heart we share the passing of Denny J. Chittick on Thursday July 28th. His family has gathered and plans have not yet been finalized.

A meeting with Denny's attorney is planned for Monday, August 1st, to form a course of action. Further information will be transmitted within 48 hours of the meeting.

Thank you for your patience, understanding and kind condolences.

The Chittick Family

DIC0011894

Beauchamp
EXH. NO. 421
7-19-18
Kelly S. Oglesby CR 50178

DenSco / Wind Down

Atty Notes (7/21/16)

— Does Robert have full access to Denny's computer? yes
  — all systems w investors, amounts, etc.
  — all borrowers, loans, etc.
  — email account → was letter to DGB sent by email but somehow lost?

Beauchamp
EXH. NO. 422
7-19-18
Kelly S. Oglesby CR 50178

John E. DeWulf (006850)
Marvin C. Ruth (024220)
Vidula U. Patki (030742)
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F: (602) 224-0620
jdewulf@cblawyers.com
mruth@cblawyers.com
vpatki@cblawyers.com

Attorneys for Defendants

SUPERIOR COURT OF ARIZONA

COUNTY OF MARICOPA

Peter S. Davis, as Receiver of DenSco Investment Corporation, an Arizona corporation, Plaintiff, v. Clark Hill PLC, a Michigan limited liability company; David G. Beauchamp and Jane Doe Beauchamp, husband and wife, Defendants.	No. CV2017-013832 **DEFENDANT DAVID BEAUCHAMP'S RESPONSES TO PLAINTIFF'S FIRST SET OF NON-UNIFORM INTERROGATORIES**

Defendant David G. Beauchamp responds as follows to Plaintiff's First Set of Non-Uniform Interrogatories dated May 15, 2018.

GENERAL OBJECTIONS

Each of Mr. Beauchamp's responses, in addition to any specifically stated objections, are subject to and incorporate the following General Objections. The assertion of these or similar objections, additional objections, or a partial response to an individual Interrogatory does not waive any of Mr. Beauchamp's General Objections.

1. Mr. Beauchamp objects to these Interrogatories to the extent the Plaintiff seeks information that is protected from disclosure by the attorney client privilege,

the work product doctrine, or any other applicable privilege or protection. To the extent that Mr. Beauchamp produces, provides or discloses exempt or protected information or documents, such production or disclosure shall not be construed as a waiver by Mr. Beauchamp or his attorneys of such privilege or protection. *See* Ariz. R. Civ. P. 26(b)(6)(B).

2. In response to Plaintiff's Interrogatories, Mr. Beauchamp does not concede that any of the responses or information contained therein are relevant or admissible. Mr. Beauchamp reserves the right to object, on the grounds of competency, privilege, relevance, materiality, or otherwise, to the use of this information for any purposes, in whole or in part, in this action or in any action.

3. Mr. Beauchamp objects to Instruction No. 1 on the ground that it imposes obligations broader than or inconsistent with the Arizona Rules of Civil Procedure. Mr. Beauchamp additionally objects to Instruction No. 1 on the ground that it requires information to be divulged in the possession of Mr. Beauchamp's attorneys which may be subject to the attorney-client privilege and/or work product doctrine.

4. Mr. Beauchamp objects to Instruction Nos. 3 and 4 on the ground that they are a Request for Production of Documents and therefore beyond the scope of Rule 33.

5. Mr. Beauchamp objects to Instruction No. 4 on the ground that it is unduly burdensome. The Instruction requires Mr. Beauchamp to not only "list and identify" a document without a Bates number, but also "describe each such responsive document, give the location of the document, and provide the name, address and telephone number of the individual with custody or control over the document." The Arizona Rules of Civil Procedure impose no such obligations on parties responding to interrogatories. It is Plaintiff's duty to

locate and review documents identified by Mr. Beauchamp in response to an interrogatory, not Mr. Beauchamp's duty to replicate the contents of such documents. Mr. Beauchamp will disregard that portion of Instruction No. 4 that imposes obligations on Mr. Beauchamp that go beyond the scope of Rule 33.

INTERROGATORY NO. 1:

Defendants' Initial Disclosure Statement states, on page 5, lines 21-23, that "Mr. Beauchamp repeatedly advised DenSco that an update was necessary irrespective of DenSco's plans regarding the outstanding amount of its offerings, but Mr. Chittick continued to delay."

Are you aware of any document that contains such advice or reflects that it was given?

RESPONSE:

Yes. Mr. Beauchamp not only repeatedly advised DenSco that an update to the Private Offering Memoranda ("POMs") and related investor documents was necessary, but he worked diligently to update such documents throughout his relationship with DenSco. Mr. Beauchamp drafted DenSco's first POM in 2001 and updated it approximately every two years between 2001 and 2011 to reflect changes in the economy and DenSco's business. For example, the 2007 POM was issued in June of that year. Less than two years later, in April 2009, Mr. Beauchamp began updating the POM to reflect changes in "the economy and real estate collapse" and the updated POM was issued in June once again. Less than a year after the 2009 POM had been prepared, Mr. Beauchamp began work on the 2011 POM.

It is therefore unremarkable that on May 1, 2013, Mr. Beauchamp again began the process of updating the POM to reflect material changes with respect to DenSco, including the size of its portfolio. An invoice sent by Mr. Beauchamp to Mr. Chittick in June 2013, while Mr. Beauchamp was at Bryan Cave, confirms that Mr. Beauchamp worked on the 2013 POM throughout May of that year and that Mr. Beauchamp met with Mr. Chittick for several

hours on May 9, 2013 "to update private offering memorandum and to verify current information." Additionally, without conceding the admissibility of Mr. Chittick's business journals in this litigation, his May 9, 2013 entry corroborates that he met with Mr. Beauchamp for nearly two hours regarding updates to the 2013 POM. Work on updating the 2013 POM continued through June, July and August.

When Mr. Beauchamp left Bryan Cave and joined Clark Hill in September 2013, he had DenSco's files relating to the 2013 POM transferred to Clark Hill, and he promptly opened a New Matter Form to "[f]inish the private offering memorandum." Mr. Chittick, however, instructed Mr. Beauchamp to cease updating it and failed to provide the updated investment, loan, and financial information Mr. Beauchamp required. Efforts to complete the 2013 POM were further waylaid by Mr. Chittick's revelation in December 2013 that an unspecified number of loans made to Mr. Menaged were secured by two deeds of trust competing for priority, which did not comport with the representations in the investor documents. Further complicating the issue was the fact that several of the lenders who had provided loans that competed for first position with DenSco's loans threatened suit against DenSco in January 2014 regarding the double liened properties. Mr. Chittick assured Mr. Beauchamp that notwithstanding the threatened lawsuit, he had developed and implemented a plan with Mr. Menaged to rectify the situation.

Mr. Beauchamp advised Mr. Chittick that he should document this plan with Mr. Menaged in a Forbearance Agreement, which would then also need to be disclosed to investors. Though negotiating the terms of the Forbearance Agreement proved difficult, spanning nearly four months, Mr. Beauchamp consistently advised Mr. Chittick of his disclosure and update obligations to his investors during this time and reminded him that the terms of the Forbearance Agreement would have to be memorialized in the updated POM. Once the Forbearance Agreement was finally executed in April 2014, Mr. Beauchamp immediately turned to revising the POM again. These revisions included an explanation of

the double liening issue and the Forbearance Agreement, as well as updates to investors on DenSco's finances. When Mr. Beauchamp presented Mr. Chittick with a draft of the updated POM, however, Mr. Chittick balked at disclosing the information regarding the double liens or the Forbearance Agreement and refused to proceed with the updated POM. At that point, Mr. Beauchamp terminated the attorney-client relationship.

INTERROGATORY NO. 2:

If you answered "yes" to Interrogatory No. 1, please list and identify each such document.

RESPONSE:

Mr. Beauchamp objects to this Interrogatory on the ground that is it overly broad and unduly burdensome. *See, e.g., Steil v. Humana Kansas City, Inc.*, 197 F.R.D. 445 (D. Kan. 2000) (contention interrogatories which seek "every fact and document" to support a contention are overly broad and unduly burdensome). Without waiving the foregoing objection, relevant information regarding the contention identified in Interrogatory No. 1 can be found in the following documents, in addition to others: DIC0000965, DIC0006068, DIC0006528, DIC0006625, DIC0006656, DIC0006703, DIC0006707, DIC0006738, DIC0006803, DIC0006904, DIC0008660, DIC0008802, DIC0008874, BC_000003, BC_000756, BC_000296, BC_001614, BC_002005, BC_002027, BC_002082, BC_002982, BC_003087, BC_003091, RECEIVER_000016, RECEIVER_000049, RECEIVER_000054. Defendants reserve the right to supplement this response as discovery progresses.

INTERROGATORY NO. 3:

Defendants' Initial Disclosure Statement states, on page 6, lines 23-26, that "Mr. Beauchamp advised Mr. Chittick, as he had done previously, that Mr. Chittick needed to fund DenSco's loans directly to the trustee or escrow company conducting the sale, rather

than provide loan funds directly to the borrower, to ensure that DenSco's deed of trust was protected."

Are you aware of any document that contains such advice or reflects that it was given?

RESPONSE:

Yes. Mr. Beauchamp prepared all of DenSco's offering documents including the POMs and investor notes, and also reviewed and commented on the promissory notes from borrowers, deeds of trust, mortgages and guaranties, all of which disclosed to DenSco's investors the processes and procedures that DenSco used to protect the investments made in the company. Mr. Chittick did not grant Mr. Beauchamp the authority to draft any of the promissory notes from borrowers, deeds of trust, mortgages and guaranties.

For example, the 2007, 2009 and 2011 POMs describe that DenSco "intends to directly . . . or indirectly . . . perform due diligence to verify certain information in connection with funding a Trust Deed." The POMs explain that "[p]rior to purchasing a Trust Deed or funding a direct loan, the Company intends to have an officer, employee or an authorized representative conduct a due diligence review by interviewing its owner, verifying the documentation and performing limited credit investigations as are deemed appropriate by the Company and visiting the subject property in a timely manner." Further, every mortgage evidencing a property purchase made with a DenSco loan stated that the check purchasing the property was made to the Trustee.

Not only did Mr. Beauchamp set out the proper method and procedures for funding a loan in the offering documents, but he also expressly told Mr. Chittick that he could not fund loans directly to Mr. Menaged. Mr. Chittick vaguely suggested by email to Mr. Beauchamp that he could "wire Scott the money, he could produce a cashiers check that says remitter is DenSco and it would have the exact same affect as if I got cashiers check that said I'm the remitter" [sic]. Mr. Beauchamp responded that this procedure was "quick and dirty," and that it "[did] not work." Mr. Beauchamp informed Mr. Chittick that the DenSco money to fund

DenSco loans to borrowers had to be sent to the Trustee or Title Company, as applicable, in order to both comply with Mr. Chittick's fiduciary duty to DenSco investors and protect DenSco's recording position. That advice obviously went unheeded.

INTERROGATORY NO. 4:

If you answered "yes" to Interrogatory No. 3, please list and identify each such document.

RESPONSE:

Mr. Beauchamp objects to this Interrogatory on the ground that is it overly broad and unduly burdensome. *See, e.g., Steil v. Humana Kansas City, Inc.*, 197 F.R.D. 445 (D. Kan. 2000) (contention interrogatories which seek "every fact and document" to support a contention are overly broad and unduly burdensome). Without waiving the foregoing objection, relevant information regarding the contention identified in Interrogatory No. 3 can be found in the following documents, in addition to others: DIC0000965, DIC0002508, DIC0004474-75, DIC0007125-26, BC_000296, CH_001511, RECEIVER_000190. Defendants reserve the right to supplement this response as discovery progresses.

INTERROGATORY NO. 5:

Defendants' Initial Disclosure Statement states, on page 7, lines 17-26: "In December 2013, Mr. Chittick contacted Mr. Beauchamp for the first time in months. He told Mr. Beauchamp over the phone that he had run into an issue with some of his loans to Menaged, and specifically, that properties securing a few DenSco loans were each subject to a second deed of trust competing for priority with DenSco's deed of trust. Mr. Beauchamp reminded Mr. Chittick that he still needed to update DenSco's private offering memorandum. After briefly discussing the allegedly limited double lien issue, Mr. Chittick emphasized to Mr. Beauchamp that Mr. Chittick wanted to avoid litigation with other lenders. Mr. Chittick,

however, did not request any advice or help. Accordingly, Mr. Beauchamp suggested that Mr. Chittick develop and document a plan to resolve the double liens, and nothing more came of the conversation."

Are you aware of any document that contains your notes from that conversation or reflects that it occurred?

RESPONSE:

Yes. On December 18, 2013, Mr. Chittick reached out to Mr. Beauchamp to finish the 2013 POM at the behest of an investor named Warren Bush who was demanding to see it. That same day, the invoices from Clark Hill reflect that Mr. Beauchamp and Mr. Chittick spoke by phone regarding the email and updates to the POM. It was during that brief phone call, spurred by discussing the revisions to the POM, that Mr. Chittick first noted that he was having an issue with a couple of the loans he had made to Mr. Menaged. After Mr. Chittick clarified that he didn't want to litigate the matter and that he didn't want Mr. Beauchamp's help, Mr. Beauchamp checked to see how the information he had been told conflicted with the representations in the POM and he advised Mr. Chittick to devise a plan to resolve the issue without litigation if he could.

It was not until January 7th, however, after receiving a letter from attorney Bob Miller threatening suit, that Mr. Chittick first divulged some of the details and scope of the alleged problem. He also notified Mr. Beauchamp that he and Mr. Menaged had developed a proposed plan to deal with the issue, that the plan had already been implemented, and that he had "cleared up 10% of the total $'s in question."

INTERROGATORY NO. 6:

If you answered "yes" to Interrogatory No. 5, please list and identify each such document.

RESPONSE:

Mr. Beauchamp objects to this Interrogatory on the ground that is it overly broad and unduly burdensome. *See, e.g., Steil v. Humana Kansas City, Inc.*, 197 F.R.D. 445 (D. Kan. 2000) (contention interrogatories which seek "every fact and document" to support a contention are overly broad and unduly burdensome). Without waiving the foregoing objection, relevant information regarding the contention identified in Interrogatory No. 5 can be found in the following documents, in addition to others: DIC0007135 – DIC0007143, CH_0000637, CH_0000708, CH_0009800 - CH_0009809. Defendants reserve the right to supplement this response as discovery progresses.

INTERROGATORY NO. 7:

Defendants' Initial Disclosure Statement states, on page 10, lines 13-20: "Mr. Beauchamp's advice to Mr. Chittick regarding disclosures Mr. Chittick had to make to investors was immediate, clear, practical, consistent with his practice and experience, and consistent with the standard of care: (a) DenSco was not permitted to take new money without full disclosure to the investor lending the money; (b) DenSco was not permitted to roll over existing investments without full disclosure to the investor rolling over the money; and (c) DenSco needed to update its POM and make full disclosure to all investors. Mr. Beauchamp provided this advice to DenSco starting with his January 9, 2014 meeting with Mr. Chittick, and repeated it routinely over the next few months."

Are you aware of any document that contains the advice you say was given on January 9, 2014 or reflects that it was given?

RESPONSE:

Yes. Throughout 2014, when Mr. Beauchamp was preparing the Forbearance Agreement and later the updated POM that would apprise investors of the double liening issue and Mr. Chittick's plan to resolve it, Mr. Beauchamp consistently reminded Mr. Chittick of

his fiduciary obligations to his investors, his obligation to provide full disclosure to his investors (including his obligation to inform investors as to what had occurred prior to taking new investor money or rolling over investor money), as well as his obligation to update the 2013 POM as soon as possible.

This is evidenced first by the fact that Mr. Beauchamp diligently worked to update the 2013 POM between May and August of 2013, until he was ordered to stop by Mr. Chittick. Once Mr. Chittick reinitiated contact with Mr. Beauchamp in mid-December 2013 and informed him of the allegedly limited double liening issue, Mr. Beauchamp immediately advised Mr. Chittick of his general obligation to disclose the problem and his specific obligation to disclose the problem to any investors from whom he was receiving additional money (whether in the form of a new investment or rollover of an existing investment). Mr. Chittick appears to have informed Mr. Beauchamp that he had done so, telling him in a January 12, 2014 email, shortly after the initial January 9, 2014 meeting where Mr. Beauchamp first instructed Mr. Chittick that disclosures were required prior to accepting additional funds, that "I've spent the day contacting every investor that has told me they want to give me more money." The clear implication was that Mr. Chittick was contacting those investors to make adequate disclosures.

In the following months, as Mr. Beauchamp worked with Mr. Chittick, Mr. Menaged, and Mr. Menaged's counsel to finalize the Forbearance Agreement and POM, Mr. Beauchamp continually reminded Mr. Chittick of his fiduciary obligations with respect to executing the Forbearance Agreement and updating the POM, as well as his obligations to keep his investors apprised of the double liening issue. For example, on January 21, 2014, as Mr. Chittick continued to work out the loan issues with the other hard money lenders who had threatened suit earlier in the month, Mr. Beauchamp reminded Mr. Chittick that the Forbearance Agreement needed to be finalized and that he was "very concerned about the payoffs getting so far ahead of the documentation. I have authorized the preparation of the

Forbearance Agreement and the related documents. Under normal circumstances, this should be finalized and signed before you advance all of this additional money."

Then, as negotiations regarding the language of the Forbearance Agreement stretched on between February and April 2014, Mr. Beauchamp consistently rejected changes to the Forbearance Agreement proposed by Mr. Chittick and Mr. Menaged in favor of Mr. Menaged that did not comport with Mr. Chittick's fiduciary obligations. On February 4, 2014, for instance, Mr. Beauchamp rejected proposed changes to the Forbearance Agreement by Mr. Menaged's counsel, Mr. Goulder. Mr. Beauchamp explained that those changes "transfer[red] significant risk to [Mr. Chittick] and [his] investors" and that if even a portion of the changes proposed were allowed to remain, the Forbearance Agreement would no longer have a description of the double liening issue "that you HAVE to provide to your investors." That same day, Mr. Beauchamp reminded Mr. Chittick that he needed to be clear about what he could and could not do with regards to the Forbearance Agreement "without going back to all of [his] investors for approval." Mr. Beauchamp acknowledged that while DenSco had helped Mr. Menaged in the past on the double liened properties, Mr. Chittick could not "OBLIGATE DenSco to further help Scott, because that would breach your fiduciary duty to your investors."

On February 7, 2014, Mr. Beauchamp again rejected changes proposed by Mr. Goulder explaining that "the agreement needs to comply with Denny's fiduciary obligations to his investors." Mr. Beauchamp clarified that though the parties "had intended to make the document as balanced as possible," the Forbearance Agreement needed "to set forth the necessary facts for Denny to satisfy his securities obligations to his investors." Two days later, Mr. Beauchamp again reminded Mr. Chittick that his ability to force DenSco to assume risk or liability related to the double liened properties in the Forbearance Agreement was limited by his fiduciary duty to his investors.

On February 14th, Mr. Beauchamp reminded Mr. Chittick yet again that the Forbearance Agreement had to comply with Mr. Chittick's fiduciary obligations to his investors. He warned Mr. Chittick explicitly that Mr. Menaged was trying to get him to accept a "watered down agreement" where DenSco "give[s] up substantial rights that [DenSco] should not have to give up," but that he could not do so because "it is not your money. It is your investors' money. So you have a fiduciary duty." Mr. Beauchamp further admonished Mr. Chittick and reminded him that his "duty and obligation [was] not to be fair to Scott, but to completely protect the rights of your investors. I am sorry if Scott is hurt through this, but Scott's hurt will give Scott the necessary incentive to go after his cousin. Your job is to protect the money that your investors have loaned to DenSco."

In late February 2014, while still negotiating the Forbearance Agreement, Mr. Beauchamp learned that the double liening issue was much bigger than Mr. Chittick had suggested initially. As noted in Mr. Chittick's corporate journal (the admissibility of which is not conceded), "I told david the dollars today, he about shit a brick." Mr. Beauchamp once again advised Mr. Chittick to disclose the issue to his investors. As documented in Mr. Chittick's journal, Mr. Chittick recognized that "I have to tell [my investors] and hope they stick with me." On February 21st, Mr. Beauchamp advised Mr. Chittick to inform his investors of what he knew regarding the double liening issue at DenSco's upcoming annual investors meeting on March 8th. Mr. Beauchamp encouraged Mr. Chittick to explain the issue in person at the meeting, as well as provide a summary of the issue in the notice that was sent to the investors before the meeting. Whether Mr. Chittick followed Mr. Beauchamp's advice is unknown, as Mr. Beauchamp was expressly uninvited from the meeting that year, but Mr. Beauchamp again discussed with Mr. Chittick on February 27th what Mr. Chittick should include in the notice to the investors.

Throughout March, Mr. Beauchamp continued to be clear in his advice that Mr. Chittick needed to keep his investors in the loop about the double liening issue and get to

work on the POM. For example, in mid-March, Mr. Beauchamp warned Mr. Chittick that he was "very late in providing information to your investors about this problem and the resulting material changes from your business plan. We cannot give Scott and his attorney any time to cause further delay in getting this Forbearance Agreement finished and the necessary disclosure prepared and circulated." Similarly on March 11th, Mr. Beauchamp discussed with Mr. Chittick a cover email to the POM that would explain the double liening issue. Finally, after the Forbearance Agreement was executed, Mr. Beauchamp moved swiftly to include in the revised 2013 POM a detailed description of what had occurred. In the prior performance section of the POM, Mr. Beauchamp explained the work out agreement, the total amount of outstanding loans, and why a work out was the most beneficial approach for the investors. Mr. Chittick chose to never complete the POM and Mr. Beauchamp promptly terminated the attorney-client relationship.

INTERROGATORY NO. 8:

If you answered "yes" to Interrogatory No. 7, please list and identify each such document.

RESPONSE:

Mr. Beauchamp objects to this Interrogatory on the ground that is it overly broad and unduly burdensome. *See, e.g., Steil v. Humana Kansas City, Inc.*, 197 F.R.D. 445 (D. Kan. 2000) (contention interrogatories which seek "every fact and document" to support a contention are overly broad and unduly burdensome). Without waiving the foregoing objection, relevant information regarding the contention identified in Interrogatory No. 7 can be found in the following documents, in addition to others: DIC0005439, DIC0005442, DIC0006068, DIC0006528, DIC0006625, DIC0006656, DIC0006703, DIC0006673, DIC0006803, DIC0006904, DIC0007085, DIC0008874, RECEIVER_000051. Defendants reserve the right to supplement this response as discovery progresses.

INTERROGATORY NO. 9:

Defendants' Initial Disclosure Statement states, on page 10, lines 13-20: "Mr. Beauchamp's advice to Mr. Chittick regarding disclosures Mr. Chittick had to make to investors was immediate, clear, practical, consistent with this practice and experience, and consistent with the standard of care: (a) DenSco was not permitted to take new money without full disclosure to the investor lending the money; (b) DenSco was not permitted to roll over existing investments without full disclosure to the investor rolling over the money; and (c) DenSco needed to update its POM and make full disclosure to all investors. Mr. Beauchamp provided this advice to DenSco starting with his January 9, 2014 meeting with Mr. Chittick, and repeated it routinely over the next few months."

Are you aware of any document that contains the advice you say was given on January 9, 2014 or reflects that it was given?

RESPONSE:

Yes. Throughout 2014, when Mr. Beauchamp was preparing the Forbearance Agreement and later the updated POM that would apprise investors of the double liening issue and Mr. Chittick's plan to resolve it, Mr. Beauchamp consistently reminded Mr. Chittick of his fiduciary obligations to his investors, his obligation to provide full disclosure to his investors (including his obligation to inform investors as to what had occurred prior to taking new investor money or rolling over investor money), as well as his obligation to update the 2013 POM as soon as possible.

This is evidenced first by the fact that Mr. Beauchamp diligently worked to update the 2013 POM between May and August of 2013, until he was ordered to stop by Mr. Chittick. Once Mr. Chittick reinitiated contact with Mr. Beauchamp in mid-December 2013 and informed him of the allegedly limited double liening issue, Mr. Beauchamp immediately advised Mr. Chittick of his general obligation to disclose the problem and his specific obligation to disclose the problem to any investors from whom he was receiving additional

money (whether in the form of a new investment or rollover of an existing investment). Mr. Chittick appears to have informed Mr. Beauchamp that he had done so, telling him in a January 12, 2014 email, shortly after the initial January 9, 2014 meeting where Mr. Beauchamp first instructed Mr. Chittick that disclosures were required prior to accepting additional funds, that "I've spent the day contacting every investor that has told me they want to give me more money." The clear implication was that Mr. Chittick was contacting those investors to make adequate disclosures.

In the following months, as Mr. Beauchamp worked with Mr. Chittick, Mr. Menaged, and Mr. Menaged's counsel to finalize the Forbearance Agreement and POM, Mr. Beauchamp continually reminded Mr. Chittick of his fiduciary obligations with respect to executing the Forbearance Agreement and updating the POM, as well as his obligations to keep his investors apprised of the double liening issue. For example, on January 21, 2014, as Mr. Chittick continued to work out the loan issues with the other hard money lenders who had threatened suit earlier in the month, Mr. Beauchamp reminded Mr. Chittick that the Forbearance Agreement needed to be finalized and that he was "very concerned about the payoffs getting so far ahead of the documentation. I have authorized the preparation of the Forbearance Agreement and the related documents. Under normal circumstances, this should be finalized and signed before you advance all of this additional money."

Then, as negotiations regarding the language of the Forbearance Agreement stretched on between February and April 2014, Mr. Beauchamp consistently rejected changes to the Forbearance Agreement proposed by Mr. Chittick and Mr. Menaged in favor of Mr. Menaged that did not comport with Mr. Chittick's fiduciary obligations. On February 4, 2014, for instance, Mr. Beauchamp rejected proposed changes to the Forbearance Agreement by Mr. Menaged's counsel, Mr. Goulder. Mr. Beauchamp explained that those changes "transfer[red] significant risk to [Mr. Chittick] and [his] investors" and that if even a portion of the changes proposed were allowed to remain, the Forbearance Agreement would no longer

have a description of the double liening issue "that you HAVE to provide to your investors." That same day, Mr. Beauchamp reminded Mr. Chittick that he needed to be clear about what he could and could not do with regards to the Forbearance Agreement "without going back to all of [his] investors for approval." Mr. Beauchamp acknowledged that while DenSco had helped Mr. Menaged in the past on the double liened properties, Mr. Chittick could not "OBLIGATE DenSco to further help Scott, because that would breach your fiduciary duty to your investors."

On February 7, 2014, Mr. Beauchamp again rejected changes proposed by Mr. Goulder explaining that "the agreement needs to comply with Denny's fiduciary obligations to his investors." Mr. Beauchamp clarified that though the parties "had intended to make the document as balanced as possible," the Forbearance Agreement needed "to set forth the necessary facts for Denny to satisfy his securities obligations to his investors." Two days later, Mr. Beauchamp again reminded Mr. Chittick that his ability to force DenSco to assume risk or liability related to the double liened properties in the Forbearance Agreement was limited by his fiduciary duty to his investors.

On February 14th, Mr. Beauchamp reminded Mr. Chittick yet again that the Forbearance Agreement had to comply with Mr. Chittick's fiduciary obligations to his investors. He warned Mr. Chittick explicitly that Mr. Menaged was trying to get him to accept a "watered down agreement" where DenSco "give[s] up substantial rights that [DenSco] should not have to give up," but that he could not do so because "it is not your money. It is your investors' money. So you have a fiduciary duty." Mr. Beauchamp further admonished Mr. Chittick and reminded him that his "duty and obligation [was] not to be fair to Scott, but to completely protect the rights of your investors. I am sorry if Scott is hurt through this, but Scott's hurt will give Scott the necessary incentive to go after his cousin. Your job is to protect the money that your investors have loaned to DenSco."

In late February 2014, while still negotiating the Forbearance Agreement, Mr. Beauchamp learned that the double liening issue was much bigger than Mr. Chittick had suggested initially. As noted in Mr. Chittick's corporate journal (the admissibility of which is not conceded), "I told david the dollars today, he about shit a brick." Mr. Beauchamp once again advised Mr. Chittick to disclose the issue to his investors. As documented in Mr. Chittick's journal, Mr. Chittick recognized that "I have to tell [my investors] and hope they stick with me." On February 21st, Mr. Beauchamp advised Mr. Chittick to inform his investors of what he knew regarding the double liening issue at DenSco's upcoming annual investors meeting on March 8th. Mr. Beauchamp encouraged Mr. Chittick to explain the issue in person at the meeting, as well as provide a summary of the issue in the notice that was sent to the investors before the meeting. Whether Mr. Chittick followed Mr. Beauchamp's advice is unknown, as Mr. Beauchamp was expressly uninvited from the meeting that year, but Mr. Beauchamp again discussed with Mr. Chittick on February 27th what Mr. Chittick should include in the notice to the investors.

Throughout March, Mr. Beauchamp continued to be clear in his advice that Mr. Chittick needed to keep his investors in the loop about the double liening issue and get to work on the POM. For example, in mid-March, Mr. Beauchamp warned Mr. Chittick that he was "very late in providing information to your investors about this problem and the resulting material changes from your business plan. We cannot give Scott and his attorney any time to cause further delay in getting this Forbearance Agreement finished and the necessary disclosure prepared and circulated." Similarly on March 11th, Mr. Beauchamp discussed with Mr. Chittick a cover email to the POM that would explain the double liening issue. Finally, after the Forbearance Agreement was executed, Mr. Beauchamp moved swiftly to include in the revised 2013 POM a detailed description of what had occurred. In the prior performance section of the POM, Mr. Beauchamp explained the work out agreement, the total amount of outstanding loans, and why a work out was the most beneficial approach for the investors.

Mr. Chittick chose to never complete the POM and Mr. Beauchamp promptly terminated the attorney-client relationship.

INTERROGATORY NO. 10:

If you answered "yes" to Interrogatory No. 9, please list and identify each such document.

RESPONSE:

Mr. Beauchamp objects to this Interrogatory on the ground that is it overly broad and unduly burdensome. *See, e.g., Steil v. Humana Kansas City, Inc.*, 197 F.R.D. 445 (D. Kan. 2000) (contention interrogatories which seek "every fact and document" to support a contention are overly broad and unduly burdensome). Without waiving the foregoing objection, relevant information regarding the contention identified in Interrogatory No. 9 can be found in the following documents, in addition to others: DIC0005439, DIC0005442, DIC0006068, DIC0006528, DIC0006625, DIC0006656, DIC0006703, DIC0006673, DIC0006803, DIC0006904, DIC0007085, DIC0008874, RECEIVER_000051. Defendants reserve the right to supplement this response as discovery progresses.

INTERROGATORY NO. 11:

Defendants' Initial Disclosure Statement states, on page 11, lines 14-15, "Mr. Chittick told Mr. Beauchamp that he was seeking such advice from what Mr. Chittick described as an 'advisory council.'"

Are you aware of any document that contains your notes from that conversation or reflects that it occurred?

RESPONSE:

Yes. The majority of DenSco's investors were family, friends and acquaintances of Mr. Chittick. He accordingly sought guidance from a subset of these investors throughout

DenSco's operations. Though the admissibility of Mr. Chittick's suicide letter to his investors is not conceded, it documents the many times Mr. Chittick approached this group of investors for advice on DenSco's operations. For example, the letter notes that DenSco weathered the 2008 housing crash by "talk[ing] to a few of you to help me make decisions on what I should do. . . . Gladly after consultations from several of you, you agreed with my strategy . . ."

With respect to Mr. Menaged specifically, Mr. Chittick requested permission in 2012 from a select group of investors that he be allowed to waive the 10-15% loan cap to any one borrower for Mr. Menaged. Mr. Chittick explained that after he "talked to a few of you investors and got a positive response," and based on Mr. Menaged's "track record, the down payments etc, the comfort level was there." Mr. Chittick's also noted that "many" of the investors were aware of how DenSco was making loans directly to Mr. Menaged rather than to a trustee. The letter recites that "for efficiency [sic] sake," Mr. Chittick would fund loans directly to borrowers like Mr. Menaged and that "[m]any of you [investors] knew this and I told you this is how I operated. Some of you that were also borrowers and investors have experienced this way of doing business and know it's common." Mr. Chittick also informed his investors that he may have to return some of their investments in DenSco because DenSco's portfolio was reaching the $50 million limit due to the loans made to Mr. Menaged.

Mr. Chittick even sought advice from individual investors regarding updates to his investor offering documents. In 2011, for example, Mr. Chittick updated the POM with the advice and consent of one of his investors named Warren Bush. Mr. Chittick would send to Mr. Bush the revisions that Mr. Beauchamp had made and solicit Mr. Bush's opinion on those changes. It was ultimately Mr. Bush that approved of the revisions to the POM, directing Mr. Chittick "time to wrap it up."

In addition to seeking explicit advice from his investors for various company actions, Mr. Chittick also kept his investors apprised of DenSco's processes and the issues with Mr. Menaged specifically. Generally, Mr. Chittick met with DenSco's investors periodically to

keep them apprised of DenSco's business. He also sent investors quarterly updates on DenSco's operations.

INTERROGATORY NO. 12:

If you answered "yes" to Interrogatory No. 11, please list and identify each such document.

RESPONSE:

Mr. Beauchamp objects to this Interrogatory on the ground that is it overly broad and unduly burdensome. *See, e.g., Steil v. Humana Kansas City, Inc.*, 197 F.R.D. 445 (D. Kan. 2000) (contention interrogatories which seek "every fact and document" to support a contention are overly broad and unduly burdensome). Without waiving the foregoing objection, relevant information regarding the contention identified in Interrogatory No. 11 can be found in the following documents, in addition to others: BC_000750, BC_000753, BC_000767, BC_001174, BC_001198, BC_001273-74, BC_001828, DIC0000459, DIC0000487-89, DIC0000609, DIC0000493-95, DIC0002044, DIC0002465, DIC0004056-59, DIC0009462, DIC0011987, CH_0013624-13946. In addition, please see all of the DenSco quarterly newsletters, DenSco invitations to attend investor meetings in Arizona, Idaho, and other locations, and the correspondence between DenSco and individual investors. Defendants reserve the right to supplement this response as discovery progresses.

INTERROGATORY NO. 13:

Defendants' Initial Disclosure Statement states, on page 15, lines 16-20, "Mr. Beauchamp informed Mr. Chittick that Beauchamp and Clark Hill could not and would not represent DenSco any longer."

Please list and identify any document through which you conveyed that information to Mr. Chittick.

RESPONSE:

After Mr. Chittick made clear in May 2014 that he would not issue a revised POM, Mr. Beauchamp terminated the attorney-client relationship and no further securities work was done on behalf of DenSco other than cleaning up the documents related to the Forbearance Agreement that had been executed in April 2014. The Clark Hill invoices make clear that Mr. Beauchamp did not take on any new work on behalf of DenSco after May 20, 2014. Once a clean up of the Forbearance Agreement documents was complete in July 2014, the invoices show that no further work was done for DenSco until March 2016 when the Arizona Department of Financial Institutions ("ADFI") informed Mr. Chittick that DenSco was being investigated and Mr. Chittick reached back out to Mr. Beauchamp.

The communications between the parties corroborate that the attorney-client relationship was terminated. The parties did not exchange any written communications between July 2014 and March 2016, save for a few emails in March 2015, and a single email exchange in September 2015 that related to spam being sent to Mr. Beauchamp from Mr. Chittick's email address. After a single meeting in March 2015, the parties did not speak for nearly a year until Mr. Chittick approached Mr. Beauchamp about the ADFI investigation. Though the admissibility of Mr. Chittick's business journal is not conceded, it confirms these facts.

INTERROGATORY NO. 14:

Please list and identify any document through which you conveyed to persons within Clark Hill that you had "informed Mr. Chittick that Beauchamp and Clark Hill could not and would not represent DenSco any longer?

RESPONSE:

Mr. Beauchamp objects to this Interrogatory on the ground that is it overly broad and unduly burdensome. *See, e.g., Steil v. Humana Kansas City, Inc.*, 197 F.R.D. 445 (D. Kan.

2000) (contention interrogatories which seek "every fact and document" to support a contention are overly broad and unduly burdensome). Without waiving the foregoing objection, relevant information regarding the contention identified in Interrogatory No. 13 can be found in the following documents, in addition to others: CH_0009825 – CH_0009845, CH_0006602 – CH_0006605, RECEIVER_000063 – RECEIVER_000146. Defendants reserve the right to supplement this response as discovery progresses.

DATED this 21st day of June, 2018.

COPPERSMITH BROCKELMAN PLC

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

ORIGINAL mailed and emailed this 21st day of June, 2018 to:

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

_____

VERIFICATION

STATE OF ARIZONA)
) ss.
COUNTY OF Maricopa)

David G. Beauchamp, being first duly sworn upon his oath, deposes and says:

I, David G. Beauchamp, am a Defendant in the matter *Peter S. Davis, as Receiver for DenSco Investment Corp. v. Clark Hill PLC; David G. Beauchamp and Jane Doe Beauchamp, Maricopa County Superior Court Case No. CV2017-013832.* I have read the foregoing Defendant David Beauchamp's Responses to Plaintiff's First Set of Non-Uniform Interrogatories and know its contents. The matters stated in the foregoing Responses are true and correct to the best of my knowledge except as to those matters that are stated upon information and belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury under the laws of the State of Arizona that the foregoing is true and correct.

DATED this 21st day of June, 2018.

David G. Beauchamp

David G. Beauchamp

VERIFICATION

STATE OF ARIZONA)
) ss.
COUNTY OF Maricopa)

David G. Beauchamp, being first duly sworn upon his oath, deposes and says:

I, David G. Beauchamp, am a Defendant in the matter *Peter S. Davis, as Receiver for DenSco Investment Corp. v. Clark Hill PLC; David G. Beauchamp and Jane Doe Beauchamp, Maricopa County Superior Court Case No. CV2017-013832.* I have read the foregoing Defendant David Beauchamp's Responses to Plaintiff's First Set of Non-Uniform Interrogatories and know its contents. The matters stated in the foregoing Responses are true and correct to the best of my knowledge except as to those matters that are stated upon information and belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury under the laws of the State of Arizona that the foregoing is true and correct.

DATED this 21st day of June, 2018.

David G. Beauchamp

David G. Beauchamp

Beauchamp
EXH. NO. 423
7-19-18
Kelly S. Oglesby CR 50178

DECLARATION OF MARK T. HIRAIDE

I, Mark T. Hiraide, hereby declare as follows:

1. I have been retained by the law firm Osborn Maledon, P.A., the attorneys for Plaintiff Peter S. Davis, as Receiver of DenSco Investment Corporation, an Arizona corporation ("DenSco"), in an action the Plaintiff has brought against Defendants Clark Hill PLC, a Michigan limited liability company; David G. Beauchamp and Jane Doe Beauchamp, husband and wife, in the Superior Court of the State of Arizona, Maricopa County, Case No. CV 2017-013832, to give an opinion about the conduct of Defendant Clark Hill PLC ("Clark Hill") and Defendant David G. Beauchamp ("Beauchamp") (Clark Hill and Beauchamp, hereinafter, collectively, the "Attorney Defendants").

2. This affidavit sets forth my preliminary opinions. I understand that it will be disclosed in accordance with A.R.S. § 12-2602(B).

3. My qualifications to give opinions as to the standard of care of the Attorney Defendants include the following:

a. I have practiced corporate and securities law, with an emphasis on securities laws, in private practice for 26 years and as an attorney for the Securities and Exchange Commission for an additional 8 years. I am presently a partner of the law firm of Mitchell Silberberg & Knupp LLP.

b. I have taught securities laws in various continuing education courses for the Los Angeles County Bar Association and Beverly Hills Bar Association and have testified on securities law issues before the Securities Subcommittee of the United States Senate Committee on Banking, Housing, and Urban Affairs, the California Assembly Judiciary Committee, and the California Assembly Banking and Finance Committee.

c. I am a co-author of the legal treatise, Representing Start-Up Companies (Thomson Reuters (current)); the author of Crowdfunding: Commentary and Analysis (Thomson Reuters) (2016); a primary contributing author to Corporations Committee 2005 Opinions Report: Legal Opinions in Business Transactions (State Bar of California) (2007); a member of the Editorial Committee, Guide to California Securities Law Practice (State Bar of California) (2006); a contributing author, Handbook for Incorporating a Business in California (State Bar of California) (2006).

d. I have previously testified as an expert witness on the standard of care of securities attorneys and on securities law related matters.

e. I have studied and applied federal securities statutes, and understand that Arizona's securities statutes contain analogous provisions. I have studied and applied the Model Rules of Professional Conduct, and understand that Arizona's Rules of Professional Conduct are substantially similar. I have studied and applied the Restatement (Third) of the Law Governing Lawyers and understand that Arizona follows the Restatement in the absence of contrary statutory or case authority.

4. I understand, from my review of the file maintained by Osborn Maledon, P.A. relating to its representation of Plaintiff and other records, that the claims against the Attorney Defendants arise from the following facts:

a. Denny J. Chittick was DenSco's sole director, officer and employee.

b. DenSco engaged Attorney Beauchamp and the law firms with which he was associated to provide legal advice relating to DenSco's securities offerings, including preparing DenSco private offering memoranda, dated June 1, 2007, July 1, 2009, July 1, 2011 and a draft dated May _, 2014 (collectively, "POM").

c. At various times during July 2001 to July 2016, DenSco offered and sold securities, in the form of unsecured promissory notes ("Notes"), to investors by disseminating to investors various documents, including the POM. DenSco offered the Notes on a continuous basis until the earlier of (a) the sale of the maximum offering, which was $50 million, or (b) two years from the date of the POM.

d. Each of the 2007, 2009, and 2011 POM, which were substantially the same, made the following representations:

i. Beginning in April 2001, DenSco was in the business of making high-interest loans to residential property remodelers who purchased homes in foreclosure; the loans were to be secured by real estate deeds of trust on the properties, and the loan-to-value ratio was not intended to exceed 70% in the aggregate for all loans in the loan portfolio;

ii. The maximum loan size was $1 million, with most trust deeds between $50,000 to $500,000, according to the 2007 and 2009 POM, and between $25,000 to $500,000, according to the 2011 POM.

iii. In a separately captioned section of the POM entitled, "Diversity of Risk," the POM explained how DenSco intended to mitigate loan concentration risk, disclosing the number of current borrowers in its borrowing base and the number it expected to have. The 2007 and 2009 POM represented that the current base of qualified and approved borrowers exceeded 200, with an expected borrower base of over 500. The 2011 POM represented that the current borrowing base was 150, with an expected base of over 250.

iv. The POM included a "Prior Performance" section listing, among other information, the number of loans funded, loan value, value loans, loans

repaid, loans repaid value, and value of home repaid for each prior year. The 2009 and 2011 POM represented that in response to recent challenging market conditions, DenSco focused on maintaining relationships with borrowers with a good payment and performance history, but that it continued to ensure that one borrower will not comprise more than 10% of the total portfolio, according to the 2009 POM, and 10 to 15% of the total portfolio, according to the 2011 POM.

v. The POM represented that in order to continuously offer the Notes, DenSco would update the POM from time to time in order to keep the information contained therein current.

e. While practicing with the law firm of Bryan Cave, Attorney Beauchamp was familiar with the firm's internal compliance procedures for securities offerings, which included establishing a due diligence file that contains support for each of the statements included in the POM.

f. Attorney Beauchamp was aware since as early as July 2011 that Chittick represented to investors that DenSco relied on Attorney Beauchamp to provide counsel in connection with updating the POM every two years.

g. In June, 2013, Attorney Beauchamp knew that approximately 60 of the investor notes were scheduled to expire in the next six months, and Chittick expressed his intention to resolicit those investors to reinvest in new Notes.

h. On June 14, 2013, Attorney Beauchamp received from Chittick a copy of a Summons and Complaint against DenSco and one of DenSco's major borrowers in an action seeking declaratory relief to quiet title by the buyer of property in a trustee's sale ("Freo Lawsuit"). Chittick informed Attorney Beauchamp that the co-defendant borrower, Easy Investments, Inc. ("Easy Investments"), was a borrower "to which i've

done a ton of business with, million in loans and hundreds of loans for several years..." Chittick stated further that Easy Investments bought the property at auction with funds loaned by DenSco but that the trustee had already sold the property to Plaintiff Freo.

i. Attorney Beauchamp immediately informed Chittick that disclosure would be required in the POM, to which Chittick replied, "ok 1 sentence should suffice!."

j. On June 27, 2013, in an email regarding changes to DenSco's website, Chittick informed Attorney Beauchamp, "All changes u requested r done Oh ya I just took in another 1.1 million yesterday"

k. On September 12, 2013, following Attorney Beauchamp's association with a new law firm, Clark Hill, DenSco entered into an engagement letter with Clark Hill. The Clark Hill New Client/Matter Form states that the nature of the engagement is "Finish Private Offering Memorandum."

l. On January 6, 2014, Chittick forwarded to the Attorney Defendants a demand letter addressed to DenSco by the attorneys for lenders who made purchase money loans to Easy Investments to purchase 52 properties, all identified by street address in an attachment to the letter ("Demand Letter"). The Demand Letter stated that the lenders delivered certified funds delivered directly to the trustee and promptly thereafter recorded deeds of trust on each of the properties, but that it recently learned that DenSco recorded a "mortgage" on the same properties on or around the same time as the lenders.

m. Accompanying the Demand Letter were forms of subordination agreements for each of the properties. Each subordination agreement included the date, time and instrument number of the document recorded in the Records of Maricopa

County by the lender. The Demand Letter threatened to commence litigation, if DenSco failed to sign the subordination agreements.

n. In the week following Attorney Beauchamp's receipt of the Demand Letter, in a meeting with Chittick and email correspondence between the two, Chittick admitted the following to the Attorney Defendants:

i. that he had loaned to Easy Investments and another affiliate owned by Scott Menaged over $50 million;

ii. that he wired money directly to Menaged's bank account, rather than making payments directly to a trustee, as required by the form of Mortgage prepared by Attorney Beauchamp;

iii. that, according to Menaged, Menaged's cousin stole loan proceeds advanced by DenSco to Menaged by requesting loans from other lenders that were also secured by the homes that Menaged or his cousin had simultaneously used a security for loans from DenSco (the "Fraud");

iv. that DenSco had not always recorded its mortgage before another lender's deed of trust was recorded (the "Subject Properties"); and

v. that the number of loans on the Subject Properties, which were under-secured or unsecured and for which the first lien position was at issue, was between 100 and 125.

o. The Attorney Defendants also learned at this time that Chittick and Menaged had a plan to address the fraud ("Remediation Plan"), which entailed continuing DenSco's operations while the DenSco and Menaged's entities sold the

Subject Properties and repaid the other lenders' loans in full with interest. At this time, the Attorney Defendants learned the following about the Remediation Plan:

i. Many of the Subject Properties were purchased in the first half of the previous year, and were "upside down." As a result, the plan's viability depended on both Chittick and Menaged "injecting" additional capital;

ii. That the viability of the plan depended on Menaged contributing $4-5 million over the next 120 days by liquidating assets, as well "getting some money back that the cousin stole"

iii. That the plan depended on revenue generated by Menaged in flipping homes; and

iv. That DenSco would commit yet more investor funds to provide the loans to Menaged to allow him to purchase the additional homes.

p. The Attorney Defendants also learned at this time that Chittick and Menaged had engaged in this Remediation Plan since November 2013 and that Chittick intended to use several millions of dollars of liquid investor funds in his possession. The Attorney Defendants also learned at this time that Chittick had been speaking to investors who "want to give me more money."

q. On January 14, 2014, the Attorney Defendants opened a new matter in connection with a "loan work-out.

r. At least as early as February 20, 2014, the Attorney Defendants knew that DenSco had loaned over $8 million more than the estimated aggregate collateral value.

s. Through April 2014, the Attorney Defendants negotiated a Forbearance Agreement with Menaged, executed on April 16, 2014. The Forbearance Agreement

related to and identified the loans DenSco made to Menaged's affiliated borrowers. The agreement stated that the total principal and sum due and payable by Menaged was in the aggregate $35,639,880, representing over 50% of the aggregate funds DenSco owed to its investors. The Forbearance Agreement also provided that the loan-to-value of certain of the properties was up to 120%, that DenSco had loaned Menaged an additional $1 million, and intended to advance up to an addition $5 million to Menaged to pay off the other lenders.

t. In May 2014, the Attorney Defendants undertook to prepare a draft revised POM but did not complete the draft.

5. The Attorney Defendants owed a duty of care to DenSco that arose from their attorney-client relationship. A private offering memorandum is a disclosure document customarily used by an issuer of securities (in this case, DenSco) to solicit investors and to ensure compliance with disclosure requirements under federal and state securities laws. In preparing the POM in connection with DenSco's securities offerings, the Attorney Defendants undertook to advise DenSco about compliance with various federal and Arizona securities laws, including the following:

a. Rule 10b-5(b) (17 CFR 240.10b-5) promulgated under the Securities Exchange Act of 1934, as amended ("1934 Act") (15 U.S.C. § 78j), and Section 44-1991 of the Arizona Securities Act (A.R.S. § § 44-1801, *et seq.*) provide that in connection with the offer or sale of securities, it shall be unlawful for any person to make any untrue statement of a material fact, or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading. A misrepresentation or omission is "material" if there is a substantial likelihood that a reasonable investor would consider it important in determining whether

to invest in the securities. *See T.S.C. Indus., Inc. v. Northway, Inc.*, 426 U.S. 438, 449 (1976); *see also Basic Inc. v. Levinson*, 485 U.S. 224, 231 (1988).

b. Federal and Arizona state securities law provide civil remedies to investors for rescission and damages for violations of federal and state securities laws, respectively. An investor has a private right of action for a violation of Rule 10b-5. *Herman & MacLean v. Huddleston*, 459 U.S. 375, 380 (1983) To prevail on a claim for violations of Rule 10b-5, a plaintiff must prove six elements: (1) a material misrepresentation or omission by the defendant; (2) scienter; (3) a connection between the misrepresentation or omission and the purchase or sale of a security; (4) reliance upon the misrepresentation or omission; (5) economic loss; and (6) loss causation. Stoneridge Inv. Partners, LLC v. Scientific-Atlanta, Inc., 552 U.S. 148, 157 (2008). In the Ninth Circuit, a plaintiff is not required to prove knowledge to establish scienter; *recklessness* may satisfy the element of scienter. *Hollinger v. Titan Capital Corp.*, 914 F.2d 1564, 1568–69 (9th Cir. 1990) (en banc).

c. Similarly, Section 44-2002 under the Arizona Securities Act provides a civil remedy to recover the amount of seller's damages, with interest, taxable court costs and reasonable attorney fees; provided, however, a person shall not be liable under this section if the person sustains the burden of proof that the person did not know and in the exercise of reasonable care could not have known of the untrue statement or misleading omission. Section 44-2002(B).

d. Section 24 of the Securities Act of 1933, as amended ("1933 Act") (15 U.S.C. 77x) and Section 32(a) of the 1934 Act (15 U.S.C. 78ff(a)) provide for criminal penalties for willful violations of the 1933 and 1934 Acts. Similarly, there are criminal penalties for violating Section 44-1991 under the Arizona Securities Act..

e. In undertaking to prepare the POM, the Attorney Defendants were responsible for (i) gathering sufficient information from DenSco to advise DenSco of the material disclosures required to be made in the POM and (ii) assisting DenSco to conduct a "due diligence" investigation to support a "due diligence" defense and to rebut any claim that it was reckless or did not exercise reasonable care in failing to disclose all material information or in making a material misrepresentation in the POM.

6. The applicable standard of care is based, in part, on relevant provisions of the Arizona Rules of Professional Conduct. *See Stanley v. McCarver*, 208 Ariz. 209, 223 n. 6, ¶ 17, 92 P.3d 849, 853 n.5 (2004) (Arizona Rules of Professional Conduct "may provide evidence of how a professional would act") (citing Ariz. R. Sup. Ct. 42, R. Prof. Resp., Preamble, Scope ¶ 20). As noted above, I understand that the Arizona Rules of Professional Conduct are substantially similar to the Model Rules of Professional Conduct. The standard of care is also reflected in the Restatement (Third) of the Law Governing Lawyers. Courts in Arizona also look to the Restatement in the absence of statutory and case authority. *See, e.g., Jesik v. Maricopa County Com. College Dist.*, 125 Ariz. 543, 546, 611 P.2d 547, 550 (1980).

a. Arizona Ethical Rule 1.13 (which is analogous to Section 96 of the Restatement (Third) of the Law Governing Lawyers) provides in subsection (a) that a lawyer employed or retained by an organization represents the organization acting through its duly authorized constituents.

b. Arizona Ethical Rule 1.13(b) provides that if a lawyer for an organization knows that an officer, employee or other person associated with the organization is engaged in action, intends to act or refuses to act in a matter related to the representation that is a violation of a legal obligation to the organization, or a violation of law that reasonably might be imputed to the organization, and that is likely to result in substantial injury to the organization, the lawyer shall proceed as is reasonably necessary in the best

interest of the organization. Unless the lawyer reasonably believes that it is not necessary in the best interest of the organization to do so, the lawyer shall refer the matter to higher authority in the organization, including, if warranted by the circumstances, to the highest authority that can act on behalf of the organization as determined by applicable law.

c. Arizona Ethical Rule 1.13(f) provides that in dealing with an organization's directors, officers, employees, members, shareholders or other constituents, a lawyer shall explain the identity of the client when the lawyer knows or reasonably should know that the organization's interests are adverse to those of the constituents with whom the lawyer is dealing.

Comment 11 to ER 1.13 provides that there are times when the organization's interests may be or become adverse to those of one or more of its constituents. In such circumstances the lawyer should advise any constituent, whose interest the lawyer finds adverse to that of the organization of the conflict or potential conflict of interest, that the lawyer cannot represent such constituent, and that such person may wish to obtain independent representation. Care must be taken to assure that the individual understands that, when there is such adversity of interest, the lawyer for the organization cannot provide legal representation for that constituent individual, and that discussions between the lawyer for the organization and the individual may not be privileged.

d. Arizona Ethical Rule 1.2(d) (which is analogous to Restatement § 94) provides that a lawyer shall not counsel a client to engage, or assist a client, in conduct that the lawyer knows is criminal or fraudulent, but a lawyer may discuss the legal consequences of any proposed course of conduct with a client and may counsel or assist a client to make a good faith effort to determine the validity, scope, meaning or application of the law.

e. Arizona Ethical Rule 1.16 (which is analogous to Restatement § 32) provides that a lawyer shall withdraw from the representation of a client if the representation will result in violation of the Rules of Professional Conduct or other law.

f. Arizona Ethical Rule 2.3 (which is analogous to Restatement § 95) provides that a lawyer may provide an evaluation of a matter affecting a client for the use of someone other than the client if the lawyer reasonably believes that making the evaluation is compatible with other aspects of the lawyer's relationship with the client.

g. Arizona Ethical Rule 4.1 (which is analogous to Restatement § 98) provides that in the course of representing a client a lawyer shall not (a) knowingly make a false statement of material fact or law to a third person; or (b) fail to disclose a material fact when disclosure is necessary to avoid assisting a criminal or fraudulent act by a client, unless disclosure is prohibited by Ethical Rule 1.6.

h. Arizona Ethical Rule 8.4(d) prohibits a lawyer engaging in conduct involving dishonesty, fraud, deceit or misrepresentation.

i. An attorney may not continue to provide services to corporate clients when the attorney knows the client is engaged in a course of conduct designed to deceive others, and where it is obvious that the attorney's compliant legal services may be a substantial factor in permitting the deceit to continue. *In re American Continental Corporation/Lincoln Sav. And Loan Securities Litigation,* 794 F.Supp. 1424, 1452, (D. Ariz. 1992) (*citing Rudolph v Arthur Anderson & Co.*, 800 F.2d 1040 (11th Cir. 1986), *cert denied,* 480 U.S. 946, 107 S.Ct. 1604, 94 L.Ed 2d 790 (1987).

7. In light of the circumstances described above, the Attorney Defendants failed to meet the applicable standard of care in at least the following respects:

a. By failing to advise DenSco in January 2014 that it must cease its Notes offering and must hold in trust investor funds in its possession until the Attorney Defendants were able to determine the scope and magnitude of the Fraud in order to determine what was in the best interests of DenSco and to determine what disclosures were required to be made in connection with a continued offering of new Notes. In January 2014, the Attorney Defendants learned that at least as of January 2014, and possibly as early as June of the previous year when DenSco learned of the Freo Lawsuit, the 2011 POM was materially misleading and omitted to disclose material facts relating to loans DenSco made to Menaged and Easy Investments.

b. By failing to advise DenSco that prior to entering into any agreement with Menaged and prior to continuing to offer and sell securities, it was necessary for it to ascertain the scope and magnitude of the fraud for several reasons, including the following:

i. to evaluate the propriety of the Remediation Plan, to determine whether its dependence on Menaged was reasonable, and to recommend a course of action in the best interests of DenSco;

ii. to ascertain the extent to which Chittick and Menaged's Remediation Plan depended on DenSco using existing investors liquid funds in DenSco's possession and/or continuing sales of securities, in the form of reinvestment by investors whose previous investments were in maturing Notes; and

iii. if DenSco were to resume offering securities, to quantify and disclose to investors potential contingent liabilities, including possible rescission liability to previous investors, incurred by DenSco that could impact DenSco's ability to repay the Notes and the solvency of DenSco.

c. By failing to affirmatively investigate the fraud and Chittick's role, if any, in the fraud, and the circumstances surrounding DenSco's lending procedure that led up to the fraud and resulted in an impairment of DenSco's security interests, including failing to review the conflicting trust deeds and other documents readily available online at the Maricopa County Recorder's Office.

d. By failing to determine whether in continuing to assist Chittick, the Attorney Defendants were assisting DenSco in false or misleading statements to investors in violation of federal and state securities laws.

e. By failing to act in the best interests of DenSco by advising Chittick that they represented only DenSco, that DenSco's interests may be or had become adverse to his interests, and that he may wish to obtain independent representation, and withdrawing from representing DenSco if necessary.

8. The Attorney Defendants failure to comply with the applicable standard of care caused damages to DenSco in at least the following respects:

a. it exposed DenSco to civil claims of rescission and damages for violations of federal and Arizona securities laws by investors who purchased Notes after January 2014 and potential criminal liability;

b. it exposed DenSco to claims of breach of fiduciary duty by investors who purchased Notes before January 2014; and

c. it exposed DenSco to losses that might result from its continued lending relationship with Menaged.

9. The statements and opinions set forth above are true and correct to the best of my knowledge, information and belief. I reserve the right to modify them by addition or deletion, or

to offer revised opinions, after reviewing additional material, including those developed in discovery, or because of changes in the legal theories asserted by the parties in this matter.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on March 8, 2018

Mark T. Hiraide

Beauchamp
EXH. NO. 424
7-19-18
Kelly S. Oglesby CR 50178

DenSco / Messaged

TCW Denny Chittick (1/10/14) 602-469-3001

(0.5)

Denny talked to Scott!
Denny explained what DGB was going to discuss w/ Bob

— Scott asked about the timeframe → Denny

— Scott's wife is in Hospice right now

→ deal w/ Bob Miller's 3 guys
— then Greg feels he is in first & supposedly he is OK

DenSco / Managed

Message from Denny Chittick (1/10/14) 602-469-3001

- What is status

TCW Denny Chittick (1/10/14) 602-469-3001

- Denny talked to Greg 2x today
  - Greg said that Denny has to sign the Subordination Agmt or that Dan + others

- Trustee's Sale — so do not get title ins

- Need to get back-up plan in place
  - Denny does not want to talk to his investors until he is ready — will not take long
  - Denny will talk to Scott to get his $ ready

- Denny will also talk to Dan + explain

DIC0005401

Den Sco / Merged

TCO Bob Miller (1/10/14)

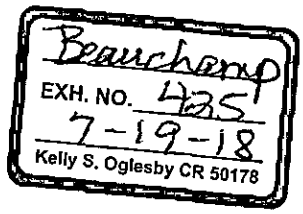
- left message

TCO Bob Miller (1/10/14) 602-550-8380

(OV)

- Greg Reichman — Active Funding —
- tried to find other
  Cardon
  Dan Deton —
- Bob talked to Dan earlier today
- Bob said that his clients gave the $ to the Trustees + can prove that
- Bob → Denny needs to take
- Bob will report this to his client
- Conflict of Interest.

DIC0005402



CLARK HILL

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June 22, 2017

Delivered via Certified Mail, return receipt requested, and First Class Mail

Peter S. Davis
DenSco Receiver
Simon Consulting, LLC
3200 N. Central Avenue, Ste. 2460
Phoenix, AZ 85012

Re: *Arizona Corporation Commission v. DenSco Investment Corporation,* Maricopa County Superior Court Case No. CV2016-014142

Mr. Davis:

Enclosed are two proofs of claims filed with your office as permitted by the court's order granting petition no. 19 in the above-reference litigation in which you are appointed receiver. We have sent these proofs of claims to you by certified mail, return receipt and first class mail. On the assumption that you receive both of those mailings, please mail us back the copies sent via first class mail bearing a file-stamp of some kind for your office. We are including a SASE for that purpose.

Very Truly Yours,

Ryan Lorenz

RJL:slo
Encl.

PROOF OF CLAIM

DenSco Investment Corporation Receivership
Case No. CV 2016-014142
Peter S. Davis, Receiver

This claim is being solicited pursuant to Petition No 19, A claimant is a person entitled to assert a right of payment or claim against DenSco Investment Corporation or against any Receivership Asset. For additional information, please access the Receiver's website at denscoreceiver1.godaddysites.com or denscoinvestment.com, or contact the Receiver in writing at the address below.

Check here if this Claim: ☐ Replaces ☐ Amends ☐ Supplements — A previously filed claim dated: _____

Claimant Information:

Name: CLARK HILL PLC
Address: c/o Ryan Lorenz
~~14850 N. Scottsdale Rd. Ste. 500~~
Scottsdale, AZ 85254
Email: RLorenz@Clark-Hill.com
Telephone: 480-684-1107

*** URGENT MATTER ***
CLAIM FORM MUST BE PROVIDED TO THE RECEIVER ON OR BEFORE JUNE 30, 2017

NON-INVESTOR CLAIM

A Non-Investor Claim is a claim that does NOT arise from the placement or loan of the Claimant's own funds with DenSco Investment Corporation pursuant to Confidential Private Offering Memoranda.

Basis for Your Claim:

- ☐ **Administrative Claim** related to costs or expenses incurred on or after August 18, 2016 on behalf of the Receiver or DenSco Investment Corporation (other than Administrative Claims of the Receiver or the Receiver's agents)
- ☐ **Goods Purchased**
- ☒ **Services Performed**
- ☐ **Money Loaned**
- ☐ **Wages, Salaries, and Compensation**
- ☐ **Other Form of Contract**
- ☐ **Other Type of Claim**

Details of Your Claim:

Relevant Dates: From: June 1, 2016 To: August 17, 2016

Is Your Claim Secured? A Secured Claim is secured by a property perfected lien on Receivership Assets. An Unsecured Claim is a Claim against DenSco Investment Corporation or a Receivership Asset other than an Investor Claim.

- ☐ **I have a Secured Claim** (Attach Evidence of Security). **Secured Claim Amount:** $ _____
- ☒ **I have an Unsecured Claim.** **Unsecured Claim Amount:** $ 53,820.00

Description: Please provide below all relevant details regarding the basis for your claim, such as the type of goods purchased or services performed, the purpose of the loan, the nature of the contract, etc.:

Clark Hill provided legal services to DensCo Investment Corp. in June, July, August, September 2016. The work performed is documented by the firm's invoices. These are attached to this proof of claim with an affidavit of Ryan Lorenz. The services provided to DensCo Investment Corp. on and after August 18, 2016, are a separate administrative claim.

Documentation of Your Claim:

Please attach copies of all documents in support of this claim, such as invoices, statements, contracts, notes, guarantees, judgments, evidence of security, or any other documents establishing the indebtedness of DenSco Investment Corporation or the Receivership Estate to you. Do not file original documents with your Claim. If a supporting document is not available, you must attach an explanation as to why the document is not available.

CLAIMANT OATH

I have personal knowledge of the facts set forth above and I declare, under the penalty of perjury, that the above information is true and correct.

Name (Print): Ryan J. Lorenz Signature: _____ Date: June 21, 2017

Name (Print): _____ Signature: _____ Date: _____

Provide your completed and signed Proof of Claim and copies of all documents supporting your claim to the Receiver on or before June 30, 2017.

PLEASE MAIL TO: DenSco Receiver
Simon Consulting, LLC
3200 North Central Avenue, Suite 2460
Phoenix, Arizona 85012

Affidavit of Ryan Lorenz

STATE OF ARIZONA)
) ss.
Maricopa County)

Ryan Lorenz, first duly sworn, upon his oath, deposes and states as follows:

1. I am over the age of nineteen years, am competent to give sworn testimony, and have personal knowledge of all matters set forth in this affidavit.

2. I am a 1999 graduate of Creighton University School of Law and was admitted to practice before courts of the state of Arizona in 1999.

3. In 2002, I was admitted to practice before the courts of the state of Nevada. I have also been admitted to practice before the United States District Court for the Districts of Arizona, Nevada and Colorado; the United States Court of Appeals for the Ninth Circuit; the United States Supreme Court; and a dozen tribal courts in Arizona.

4. I have never had my privilege to practice suspended or terminated. I have never been subject to discipline by any court.

5. I am familiar with the requirement of reasonableness of attorneys' fees as provided by ER 1.5, Rule 42, Arizona Rules of the Supreme Court. I am also familiar with hourly rates, billing practices, and the requirement to document and communicate accurately and completely the amount an attorney is billing and justification for such billing.

6. I am a member in the firm of Clark Hill PLC ("Firm") and have been with the Firm since 2009. David Beauchamp is a member of the Firm in its corporate practice group and has been with the firm since 2013. Mr. Beauchamp has been admitted to practice in Arizona since 1981.

7. In 2016 and earlier, the Firm represented DenSco Investment Corporation ("DenSco"). The subject matter of the Firm's work for DenSco was general business advice and representation.

8. The Firm accrued unpaid attorneys' fees for work performed by Mr. Beauchamp. These fees were documented by invoices attached to this affidavit and reflect the time and effort expended by Mr. Beauchamp. The Firm is owed $2,300 for 5.0 hours of attorney time at $460/hour, for its invoices reflecting services in June and July 2016.

9. After the death of DenSco's principal, Denny Chittick, in July 2016, the Firm transitioned the subject matter of its work to advice and guidance to DenSco to assist it in winding down its business. Through August 17, 2016, Mr. Beauchamp expended 112.0 hours on intensive daily work to support and advise DenSco. At $460/hour, the Firm accrued $51,520 in billing. Prior to August 18, 2016, the total of unpaid fees remaining owing is **$53,820.**

10. On and after August 18, 2016, the Firm continued to provide services to DenSco, but at a reduced level of intensity, due to the appointment of a receiver to manage its affairs, and the retention by the receiver of separate counsel. During the remainder of August 2016, Mr. Beauchamp expended 48.8 hours at $460/hour for a total of $22,448 in fees.

11. In September 2016, Mr. Beauchamp expended 3.1 hours in further assisting and advising DenSco. However, Mr. Beauchamp marked 1.8 hours as "no charge", thereby reducing the amount of fees incurred to 1.3 hours at $460/hour, for a total of $598. Between August 18 and September 30, 2016, the Firm accrued **$23,046.**

12. Between pre-August 18, 2016, and post-August 17, 2016 fees, the Firm's outstanding balance for work performed by Mr. Beauchamp is $76,866.

13. For purposes of asserting a claim against DenSco's receivership estate, the Firm has bifurcated these amounts into $53,820 for pre-August 18, 2016 and $23,046 for post-August 17, 2016 fees. The Firm claims that the latter fees were incurred on behalf of DenSco and are, therefore, administrative in nature.

14. Based upon my review of the time entries documented and discussed above, it is my opinion, based upon my knowledge, experience and interaction with other attorneys of similar or greater experience that the time quantities and hourly rate are reasonable. It is my further opinion that the fee amounts discussed above are reasonable and incurred for DenSco's pre- and post-receivership benefit.

Further affiant sayeth naught.

Dated this 21 day of June 2017.

CLARK HILL PLC

Ryan Lorenz
Its Member

SUBSCRIBED AND SWORN TO before me this 21 day of June 2017, by Ryan Lorenz, as a member of Clark Hill PLC.

Notary Public

SHONDA LEE ORDONEZ
Notary Public - Arizona
Maricopa County
Expires 08/04/2018

CLARK HILL
PLC

ATTORNEYS AT LAW

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

INVOICE

Invoice # 663658

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

July 22, 2016
Client: 43820
Matter: 170145

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RE: Business Matters

FOR SERVICES RENDERED through June 30, 2016

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

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PAYABLE UPON RECEIPT IN U S DOLLARS

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
PLC

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

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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

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PAYABLE UPON RECEIPT IN U.S DOLLARS

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

CLARK HILL
PLC

ATTORNEYS AT LAW

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

INVOICE

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

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

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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

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

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

		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

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

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

08/01/2016 - 08/17/2016

Subtotal:

112.0 hrs @ $460/hr =

$51,520

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

08/18/2016 - 08/31/2016

Subtotal:

48.8 hrs @ $460/hr =

$22,448

		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

		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

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

CLARK HILL
PLC

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

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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

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 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

09/15/16	DGB	Review files information and work on transfer of files (3.2 no charge).	.10
09/16/16	DGB	Review emails and correspondence; telephone 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).	.10
09/23/16	DGB	Review and respond to several emails concerning procedure for Attorney-Client review of files (1.2 no charge).	1.20

$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

PROOF OF CLAIM

DenSco Investment Corporation Receivership
Case No. CV 2016-014142
Peter S. Davis, Receiver

This claim is being solicited pursuant to Petition No 19. A claimant is a person entitled to assert a right of payment or claim against DenSco Investment Corporation or against any Receivership Asset. For additional information, please access the Receiver's website at denscoreceiver1.godaddysites.com or denscoinvestment.com, or contact the Receiver in writing at the address below.

Check here if this Claim: ☐ Replaces ☐ Amends ☐ Supplements

A previously filed claim dated: _____

Claimant Information:

Name: CLARK HILL PLC
Address: c/o Ryan Lorenz
~~14850 N. Scottsdale Rd. Ste. 500~~
Scottsdale, AZ 85254
Email: RLorenz@ClarkHill.com
Telephone: 480-684-1107

*** URGENT MATTER ***
CLAIM FORM MUST BE PROVIDED TO THE RECEIVER ON OR BEFORE JUNE 30, 2017

NON-INVESTOR CLAIM

A Non-Investor Claim is a claim that does NOT arise from the placement or loan of the Claimant's own funds with DenSco Investment Corporation pursuant to Confidential Private Offering Memoranda.

Basis for Your Claim:

☒ **Administrative Claim** related to costs or expenses incurred on or after August 18, 2016 on behalf of the Receiver or DenSco Investment Corporation (other than Administrative Claims of the Receiver or the Receiver's agents)

☐ **Goods Purchased**
☒ **Services Performed**
☐ **Money Loaned**
☐ **Wages, Salaries, and Compensation**
☐ **Other Form of Contract**
☐ **Other Type of Claim**

Details of Your Claim:

Relevant Dates: From: August 18, 2016 To: September 30, 2016

Is Your Claim Secured? A Secured Claim is secured by a property perfected lien on Receivership Assets. An Unsecured Claim is a Claim against DenSco Investment Corporation or a Receivership Asset other than an Investor Claim.

☐ **I have a Secured Claim** (Attach Evidence of Security). **Secured Claim Amount:** $ _____
☒ **I have an Unsecured Claim.** **Unsecured Claim Amount:** $ 23,046.00

Description: Please provide below all relevant details regarding the basis for your claim, such as the type of goods purchased or services performed, the purpose of the loan, the nature of the contract, etc.:

Clark Hill provided legal services to DensCo Investment Corp. in June, July, August, September 2016. The work performed is documented by the firm's invoices. These are attached to this proof of claim with an affidavit of Ryan Lorenz. The services provided to DensCo Investment Corp. on and before August 18, 2016, are a separate unsecured claim.

Documentation of Your Claim:

Please attach copies of all documents in support of this claim, such as invoices, statements, contracts, notes, guarantees, judgments, evidence of security, or any other documents establishing the indebtedness of DenSco Investment Corporation or the Receivership Estate to you. Do not file original documents with your Claim. If a supporting document is not available, you must attach an explanation as to why the document is not available.

CLAIMANT OATH

I have personal knowledge of the facts set forth above and I declare, under the penalty of perjury, that the above information is true and correct.

Name (Print): Ryan J. Lorenz Signature: R J. Lorenz Date: June 21, 2017

Name (Print): _____ Signature: _____ Date: _____

Provide your completed and signed Proof of Claim and copies of all documents supporting your claim to the Receiver on or before June 30, 2017.

PLEASE MAIL TO: DenSco Receiver
Simon Consulting, LLC
3200 North Central Avenue, Suite 2460
Phoenix, Arizona 85012

Affidavit of Ryan Lorenz

STATE OF ARIZONA)
) ss.
Maricopa County)

Ryan Lorenz, first duly sworn, upon his oath, deposes and states as follows:

1. I am over the age of nineteen years, am competent to give sworn testimony, and have personal knowledge of all matters set forth in this affidavit.

2. I am a 1999 graduate of Creighton University School of Law and was admitted to practice before courts of the state of Arizona in 1999.

3. In 2002, I was admitted to practice before the courts of the state of Nevada. I have also been admitted to practice before the United States District Court for the Districts of Arizona, Nevada and Colorado; the United States Court of Appeals for the Ninth Circuit; the United States Supreme Court; and a dozen tribal courts in Arizona.

4. I have never had my privilege to practice suspended or terminated. I have never been subject to discipline by any court.

5. I am familiar with the requirement of reasonableness of attorneys' fees as provided by ER 1.5, Rule 42, Arizona Rules of the Supreme Court. I am also familiar with hourly rates, billing practices, and the requirement to document and communicate accurately and completely the amount an attorney is billing and justification for such billing.

6. I am a member in the firm of Clark Hill PLC ("Firm") and have been with the Firm since 2009. David Beauchamp is a member of the Firm in its corporate practice group and has been with the firm since 2013. Mr. Beauchamp has been admitted to practice in Arizona since 1981.

7. In 2016 and earlier, the Firm represented DenSco Investment Corporation ("DenSco"). The subject matter of the Firm's work for DenSco was general business advice and representation.

8. The Firm accrued unpaid attorneys' fees for work performed by Mr. Beauchamp. These fees were documented by invoices attached to this affidavit and reflect the time and effort expended by Mr. Beauchamp. The Firm is owed $2,300 for 5.0 hours of attorney time at $460/hour, for its invoices reflecting services in June and July 2016.

9. After the death of DenSco's principal, Denny Chittick, in July 2016, the Firm transitioned the subject matter of its work to advice and guidance to DenSco to assist it in winding down its business. Through August 17, 2016, Mr. Beauchamp expended 112.0 hours on intensive daily work to support and advise DenSco. At $460/hour, the Firm accrued $51,520 in billing. Prior to August 18, 2016, the total of unpaid fees remaining owing is **$53,820.**

10. On and after August 18, 2016, the Firm continued to provide services to DenSco, but at a reduced level of intensity, due to the appointment of a receiver to manage its affairs, and the retention by the receiver of separate counsel. During the remainder of August 2016, Mr. Beauchamp expended 48.8 hours at $460/hour for a total of $22,448 in fees.

11. In September 2016, Mr. Beauchamp expended 3.1 hours in further assisting and advising DenSco. However, Mr. Beauchamp marked 1.8 hours as "no charge", thereby reducing the amount of fees incurred to 1.3 hours at $460/hour, for a total of $598. Between August 18 and September 30, 2016, the Firm accrued **$23,046.**

12. Between pre-August 18, 2016, and post-August 17, 2016 fees, the Firm's outstanding balance for work performed by Mr. Beauchamp is $76,866.

13. For purposes of asserting a claim against DenSco's receivership estate, the Firm has bifurcated these amounts into $53,820 for pre-August 18, 2016 and $23,046 for post-August 17, 2016 fees. The Firm claims that the latter fees were incurred on behalf of DenSco and are, therefore, administrative in nature.

14. Based upon my review of the time entries documented and discussed above, it is my opinion, based upon my knowledge, experience and interaction with other attorneys of similar or greater experience that the time quantities and hourly rate are reasonable. It is my further opinion that the fee amounts discussed above are reasonable and incurred for DenSco's pre- and post-receivership benefit.

Further affiant sayeth naught.

Dated this 21 day of June 2017.

CLARK HILL PLC

Ryan Lorenz
Its Member

SUBSCRIBED AND SWORN TO before me this 21 day of June 2017, by Ryan Lorenz, as a member of Clark Hill PLC.

SHONDA LEE ORDONEZ
Notary Public - Arizona
Maricopa County
Expires 08/04/2018

Notary Public

CLARK HILL
PLC

ATTORNEYS AT LAW

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

INVOICE

Invoice # 663658

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

July 22, 2016
Client: 43820
Matter: 170145

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RE: Business Matters

FOR SERVICES RENDERED through June 30, 2016

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

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PAYABLE UPON RECEIPT IN U S DOLLARS

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
PLC

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

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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

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PAYABLE UPON RECEIPT IN U.S DOLLARS

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

CLARK HILL
PLC

ATTORNEYS AT LAW

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

INVOICE

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

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

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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

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

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

		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

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

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

08/01/2016 - 08/17/2016

Subtotal:

112.0 hrs @ $460/hr =

$51,520

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

08/18/2016 - 08/31/2016

Subtotal:

48.8 hrs @ $460/hr =

$22,448

		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

		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

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

CLARK HILL
PLC

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

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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

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 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

09/15/16	DGB	Review files information and work on transfer of files (3.2 no charge).	.10
09/16/16	DGB	Review emails and correspondence; telephone 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).	.10
09/23/16	DGB	Review and respond to several emails concerning procedure for Attorney-Client review of files (1.2 no charge).	1.20

$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

STATE BAR OF ARIZONA

Beauchamp
EXH. NO. 426
7-19-18
Kelly S. Oglesby CR 50178

Rules of Professional Conduct

ER 1.13. Organization as Client

(a) A lawyer employed or retained by an organization represents the organization acting through its duly authorized constituents.

(b) If a lawyer for an organization knows that an officer, employee or other person associated with the organization is engaged in action, intends to act or refuses to act in a matter related to the representation that is a violation of a legal obligation to the organization, or a violation of law that reasonably might be imputed to the organization, and that is likely to result in substantial injury to the organization, the lawyer shall proceed as is reasonably necessary in the best interest of the organization. Unless the lawyer reasonably believes that it is not necessary in the best interest of the organization to do so, the lawyer shall refer the matter to higher authority in the organization, including, if warranted by the circumstances, to the highest authority that can act on behalf of the organization as determined by applicable law.

(c) Except as provided in paragraph (d), if

> (1) despite the lawyer's efforts in accordance with paragraph (b) the highest authority that can act on behalf of the organization insists upon or fails to address in a timely and appropriate manner an action or refusal to act, that is clearly a violation of law, and
>
> (2) the lawyer reasonably believes that the violation is reasonably certain to result in substantial injury to the organization, then the lawyer may reveal information relating to the representation whether or not Rule 1.6 permits such disclosure, but only if and to the extent the lawyer reasonably believes necessary to prevent substantial injury to the organization.

(d) Paragraph (c) shall not apply with respect to information relating to a lawyer's representation of an organization to investigate an alleged violation of law, or to defend the organization or an officer, employee or other constituent associated with the organization against a claim arising out of an alleged violation of law.

(e) A lawyer who reasonably believes that he or she has been discharged because of the lawyer's actions taken pursuant to paragraphs (b) or (c), or who withdraws under circumstances that require or permit the lawyer to take action under either of those paragraphs, shall proceed as the lawyer

reasonably believes necessary to assure that the organization's highest authority is informed of the lawyer's discharge or withdrawal.

(f) In dealing with an organization's directors, officers, employees, members, shareholders or other constituents, a lawyer shall explain the identity of the client when the lawyer knows or reasonably should know that the organization's interests are adverse to those of the constituents with whom the lawyer is dealing.

(g) A lawyer representing an organization may also represent any of its directors, officers, employees, members, shareholders or other constituents, subject to the provisions of ER 1.7. If the organization's consent to the dual representation is required by ER 1.7, the consent shall be given by an appropriate official of the organization other than the individual who is to be represented, or by the shareholders.

Comment

The Entity as the Client

[1] An organizational client is a legal entity, but it cannot act except through its officers, directors, employees, shareholders and other constituents. Officers, directors, employees and shareholders are the constituents of the corporate organizational client. The duties defined in this Comment apply equally to unincorporated associations. "Other constituents" as used in this Comment means the positions equivalent to officers, directors, employees and shareholders held by persons acting for organizational clients that are not corporations.

[2] When one of the constituents of an organizational client communicates with the organization's lawyer in that person's organizational capacity, the communication is protected by ER 1.6. Thus, by way of example, if an organizational client requests its lawyer to investigate allegations of wrongdoing, interviews made in the course of that investigation between the lawyer and the client's employees or other constituents are covered by ER 1.6. This does not mean, however, that constituents of an organizational client are the clients of the lawyer. The lawyer may not disclose to such constituents information relating to the representation except for disclosures explicitly or impliedly authorized by the organizational client in order to carry out the representation or as otherwise permitted by ER 1.6.

[3] When constituents of the organization make decisions for it, the decisions ordinarily must be accepted by the lawyer even if their utility or prudence is doubtful. Decisions concerning policy and operations, including ones entailing serious risk, are not as such in the lawyer's province. Paragraph (b) makes clear, however, that when the lawyer knows that the organization is likely to be substantially injured by action of an officer or other constituent that violates a legal obligation to the organization or is in violation of law that might be imputed to the organization, the lawyer must proceed as is reasonable necessary in the best interest of the organization. As defined in Rule 1.0(f), knowledge can be inferred from circumstances, and a lawyer cannot ignore the obvious.

[4] In determining how to proceed under paragraph (b), the lawyer should give due consideration to the seriousness of the violation and its consequences, the responsibility in the organization and the apparent motivation of the person involved, the policies of the organization concerning such matters, and any other relevant considerations. Ordinarily, referral to a higher authority would be necessary. In some circumstances, however, it may be appropriate for the lawyer to ask the constituent to reconsider the matter; for example, if the circumstances involve a constituent's innocent misunderstanding of law and subsequent acceptance of the lawyer's advice, the lawyer may reasonably conclude that the best interest of the organization does not require that the matter be referred to higher authority. If a constituent persists in conduct contrary to the lawyer's advice, it will be necessary for the lawyer to take steps to have the matter reviewed by a higher authority in the organization. If the matter is of sufficient seriousness and importance or urgency to the organization, referral to higher authority in the organization may be necessary even if the lawyer has not communicated with the constituent. Any measures taken should, to the extent practicable, minimize the risk of revealing information relating to the representation outside the organization. Even in circumstances where a lawyer is not obligated by Rule 1.13 to proceed, a lawyer may bring to the attention of an organizational client, including its highest authority, matters that the lawyer reasonably believes to be of sufficient importance to warrant doing so in the best interests of the organization.

[5] Paragraph (b) also makes clear that when it is reasonably necessary to enable the organization to address the matter in a timely and appropriate manner, the lawyer must refer the matter to higher authority, including, if warranted by the circumstances, the highest authority that can act on behalf of the organization under applicable law. The organization's highest authority to whom a matter may be referred ordinarily will be the board of directors or similar governing body. However, applicable law may prescribe that under certain conditions the highest authority reposes elsewhere, for example, in the independent directors of a corporation.

Relation to Other Rules

[6] The authority and responsibility provided in this Rule are concurrent with the authority and responsibility provided in other Rules. In particular, this Rule does not limit or expand the lawyer's responsibility under ERs 1.8, 1.16, 3.3 or 4.1. Paragraph (c) of this Rule supplements Rule 1.6(d) by providing an additional basis upon which the lawyer may reveal information relating to the representation, but does not modify, restrict, or limit the provisions of Rule 1.6(d)(1)-(5). Under paragraph (c) the lawyer may reveal such information only when the organization's highest authority insists upon or fails to address threatened or ongoing action that is clearly a violation of law, and then only to the extent the lawyer reasonably believes necessary to prevent reasonably certain substantial injury to the organization. It is not necessary that the lawyer's services be used in furtherance of the violation, but it is required that the matter be related to the lawyer's representation of the organization. If the lawyer's services are being used by an organization to further a crime or fraud by the organization. Rules 1.6(d)(1) and 1.6(d)(2) may permit the lawyer to disclose confidential information. In such circumstances Rule 1.2(d) may also be applicable, in which event, withdrawal from the representation under Rule 1.16(a)(1) may be required.

[7] Paragraph (d) makes clear that the authority of a lawyer to disclose information relating to a representation in circumstances described in paragraph (c) does not apply with respect to information relating to a lawyer's engagement by an organization to investigate an alleged violation of law or to defend the organization or an officer, employee or other person associated with the organization against a claim arising out of an alleged violation of law. This is necessary in order to enable organizational clients to enjoy the full benefits of legal counsel in conducting an investigation or defending against a claim.

[8] A lawyer who reasonably believes that he or she has been discharged because of the lawyer's actions taken pursuant to paragraph (b) or (c), or who withdraws in circumstances that require or permit the lawyer to take action under either of these paragraphs, must proceed as the lawyer reasonably believes necessary to assure that the organization's highest authority is informed of the lawyer's discharge or withdrawal.

Government Agency

[9] The duty defined in this Rule applies to governmental organizations. Defining precisely the identity of the client and prescribing the resulting obligations of lawyers may be more difficult in the government context. See Scope [18]. Although in some circumstances the client may be a specific agency, it may also be a branch of government, such as the executive branch, or the government as a whole. For example, if the action or failure to act involves the head of a bureau, either the department of which the bureau is a part or the relevant branch of government may be the client for purposes of this Rule. Moreover, in a matter involving the conduct of government officials, a government lawyer may have authority to question such conduct more extensively than that of a lawyer for a private organization in similar circumstances. Thus, when the client is a governmental organization, a different balance may be appropriate between maintaining confidentiality and assuring that the wrongful act is prevented or rectified, for public business is involved. In addition, duties of lawyers employed by the government or lawyers in military service may be defined by statutes and regulation. This Rule does not limit that authority. See Scope. Government lawyers also may have authority to represent the "public interest" in circumstances where a private lawyer would not be authorized to do so.

[10] A government lawyer may have an obligation to render advice to a government entity and constituents of a government entity.Normally, the government entity, rather than an individual constituent, is the client. Some government lawyers may also be elected officials or the employees of elected officials who have statutory obligations to take formal action against individual constituents under certain circumstances. The government lawyer, therefore, must clearly identify the client and disclose to the individual constituents any limitations that are imposed on the lawyer's other legal obligations. See ER 1.2(c) and related comments. Further, where a conflict arises between a constituent and the government entity the lawyer represents or between constituents of the same government entity, the lawyer must make the identity of the client clear to the constituents and determine which constituent has authority to act for the government entity in each instance.

Clarifying the Lawyer's Role

[11] There are times when the organization's interests may be or become adverse to those of one or more of its constituents. In such circumstances the lawyer should advise any constituent, whose interest the lawyer finds adverse to that of the organization of the conflict or potential conflict of interest, that the lawyer cannot represent such constituent, and that such person may wish to obtain independent representation. Care must be taken to assure that the individual understands that, when there is such adversity of interest, the lawyer for the organization cannot provide legal representation for that constituent individual, and that discussions between the lawyer for the organization and the individual may not be privileged.

[12] Whether such a warning should be given by the lawyer for the organization to any constituent individual may turn on the facts of each case.

Dual Representation

[13] Paragraph (e) recognizes that a lawyer for an organization may also represent a principal officer or major shareholder.

Derivative Actions

[14] Under generally prevailing law, the shareholders or members of a corporation may bring suit to compel the directors to perform their legal obligations in the supervision of the organization. Members of unincorporated associations have essentially the same right. Such an action may be brought nominally by the organization, but usually is, in fact, a legal controversy over management of the organization.

[15] The question can arise whether counsel for the organization may defend such an action. The proposition that the organization is the lawyer's client does not alone resolve the issue. Most derivative actions are a normal incident or an organization's affairs, to be defended by the organization's lawyer like any other suit. However, if the claim involves serious charges of wrongdoing by those in control of the organization, a conflict may arise between the lawyer's duty to the organization and the lawyer's relationship with the board. In those circumstances, ER 1.7 governs who should represent the directors and the organization.

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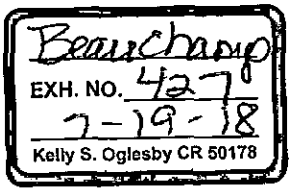

Rules of Professional Conduct

1. Client-Lawyer Relationship | Related Opinions

ER 1.2. Scope of Representation and Allocation of Authority between Client and Lawyer

(a) Subject to paragraphs (c) and (d), a lawyer shall abide by a client's decisions concerning the objectives of representation and, as required by ER 1.4, shall consult with the client as to the means by which they are to be pursued. A lawyer may take such action on behalf of the client as is impliedly authorized to carry out the representation. A lawyer shall abide by a client's decision whether to settle a matter. In a criminal case, the lawyer shall abide by the client's decision, after consultation with the lawyer, as to a plea to be entered, whether to waive jury trial and whether the client will testify.

(b) A lawyer's representation of a client, including representation by appointment, does not constitute an endorsement of the client's political, economic, social or moral views or activities.

(c) A lawyer may limit the scope of the representation if the limitation is reasonable under the circumstances and the client gives informed consent.

(d) A lawyer shall not counsel a client to engage, or assist a client, in conduct that the lawyer knows is criminal or fraudulent, but a lawyer may discuss the legal consequences of any proposed course of conduct with a client and may counsel or assist a client to make a good faith effort to determine the validity, scope, meaning or application of the law.

Comment

Allocation of Authority between Client and Lawyer

[1] Paragraph (a) confers upon the client the ultimate authority to determine the purposes to be served by legal representation, within the limits imposed by law and the lawyer's professional obligations. At the same time, a lawyer is not required to pursue objectives or employ means simply because a client may wish that the lawyer do so. The decisions specified in paragraph (a), such as whether to settle a civil matter, must also be made by the client. See ER 1.4(a)(1) for the lawyer's duty to communicate with the client about such decisions. With respect to the means by which the client's objectives are to be pursued, the lawyer shall consult with the client as required by ER 1.4(a)(2) and may take such action as is impliedly authorized to carry out the representation.

[2] On occasion, however, a lawyer and a client may disagree about the means to be used to accomplish the client's objectives. Clients normally defer to the special knowledge and skill of their lawyer with respect to the means to be used to accomplish their objectives, particularly with respect to technical, legal and tactical matters. Conversely, lawyers usually defer to the client regarding such questions as the expense to be incurred and concern for third persons who might be adversely affected. Because of the varied nature of the matters about which a lawyer and client might disagree and because the actions in question may implicate the interests of a tribunal or other persons, this Rule does not prescribe how such disagreements are to be resolved. Other law, however, may be applicable and should be consulted by the lawyer. The lawyer should also consult with the client and seek a mutually acceptable resolution of the disagreement. If such efforts are unavailing and the lawyer has a fundamental disagreement with the client, the lawyer may withdraw from the representation. See ER 1.16(b)(4). Conversely, the client may resolve the disagreement by discharging the lawyer. See ER 1.16(a)(3).

[3] At the outset of a representation, the client may authorize the lawyer to take specific action on the client's behalf without further consultation. Absent a material change in circumstances and subject to ER 1.4, a lawyer may rely on such an advance authorization. The client may, however, revoke such authority at any time.

[4] In a case in which the client appears to have diminished capacity, the lawyer's duty to abide by the client's decisions is to be guided by reference to ER 1.14.

Independence from Client's Views or Activities

[5] Legal representation should not be denied to people who are unable to afford legal services, or whose cause is controversial or the subject of popular disapproval. By the same token, representing a
client does not constitute approval of the client's views or activities.

Agreements Limiting Scope of Representation

[6] The scope of services to be provided by a lawyer may be limited by agreement with the client or by the terms under which the lawyer's services are made available to the client. Representation provided through a legal aid agency may be subject to limitations on the types of cases the agency handles. When a lawyer has been retained by an insurer to represent an insured, for example, the representation may be limited to matters related to the insurance coverage. A limited representation may be appropriate because the client has limited objectives for the representation. In addition, the terms upon which representation is undertaken may exclude specific means that might otherwise be used to accomplish the client's objectives. Such limitations may exclude actions that the client thinks are too costly or that the lawyer regards as repugnant or imprudent.

[7] Although this Rule affords the lawyer and client substantial latitude to limit the representation, the limitation must be reasonable under the circumstances. If, for example, a client's objective is limited to securing general information about the law the client needs in order to handle a common and typically uncomplicated legal problem, the lawyer and client may agree that the lawyer's services will be limited to a brief telephone consultation. Such a limitation, however, would not be reasonable if

the time allotted was not sufficient to yield advice upon which the client could rely. Although an agreement for a limited representation does not exempt a lawyer from the duty to provide competent representation, the limitation is a factor to be considered when determining the legal knowledge, skill, thoroughness and preparation reasonably necessary for the representation. See ER 1.1.

[8] Although paragraph (c) does not require that the client's informed consent to a limited representation be in writing, a specification of the scope of representation will normally be a necessary part of the lawyer's written communication of the rate or basis of the lawyer's fee as required by ER 1.5(b). See ER 1.0(e) for the definition of "informed consent".

[9] All agreements concerning a lawyer's representation of a client must accord with the Rules of Professional Conduct and other law. See, e.g., ERs 1.1, 1.8 and 5.6.

Criminal, Fraudulent and Prohibited Transactions

[10] Paragraph (d) prohibits a lawyer from knowingly counseling or assisting a client to commit a crime or fraud. This prohibition, however, does not preclude the lawyer from giving an honest opinion about the actual consequences that appear likely to result from a client's conduct. Nor does the fact that a client uses advice in a course of action that is criminal or fraudulent of itself make a lawyer a party to the course of action. There is a critical distinction between presenting an analysis of legal aspects of questionable conduct and recommending the means by which a crime or fraud might be committed with impunity.

[11] When the client's course of action has already begun and is continuing, the lawyer's responsibility is especially delicate. The lawyer is required to avoid assisting the client, for example, by drafting or delivering documents that the lawyer knows are fraudulent or by suggesting how the wrongdoing might be concealed. A lawyer may not continue assisting a client in conduct that the lawyer originally supposed was legally proper but then discovers is criminal or fraudulent. The lawyer must, therefore, withdraw from the representation of the client in the matter. See ER 1.16(a). In some cases, withdrawal alone might be insufficient. It may be necessary for the lawyer to give notice of the fact of withdrawal and to disaffirm any opinion, document, affirmation or the like. In extreme cases, a lawyer may be required to disclose information relating to the representation to avoid being deemed to have assisted the client's crime or fraud. See ER 4.1.

[12] Where the client is a fiduciary, the lawyer may be charged with special obligations in dealings with a beneficiary.

[13] Paragraph (d) applies whether or not the defrauded party is a party to the transaction. Hence, a lawyer must not participate in a sham transaction; for example, a transaction to effectuate criminal or fraudulent escape of tax liability. Paragraph (d) does not preclude undertaking a criminal defense incident to a general retainer for legal services to a lawful enterprise. The last clause of paragraph (d) recognizes that determining the validity or interpretation of a statute or regulation may require a course of action involving disobedience of the statute or regulation or of the interpretation placed upon it by governmental authorities.

[14] If a lawyer comes to know or reasonably should know that a client expects assistance not permitted by the Rules of Professional Conduct or other law or if the lawyer intends to act contrary to the client's instructions, the lawyer must consult with the client regarding the limitations on the lawyer's conduct. See ER 1.4(a)(5).

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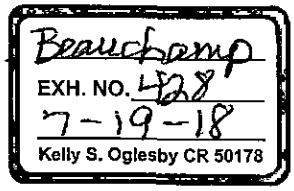
IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA



ARIZONA CORPORATION COMMISSION, Plaintiff, vs. DENSCO INVESTMENT CORPORATION, Defendant.	)	NO. CV2016-014142

REPORTER'S TRANSCRIPT OF DIGITAL RECORDING

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JUDGE BUSTAMANTE: Thanks. This is CV 2016-014142 Arizona Corporation Commission versus DenSco Investment Corporation.

May I have appearances, please.

MS. COY: Wendy Coy for the Arizona Corporation Commission.

MR. POLESE: And James Polese and Chris Hering on behalf of the Estate of Denny Chittick, who was the sole shareholder of the entity, who is recently deceased.

JUDGE BUSTAMANTE: Okay. Thank you.

MR. WILK: Your Honor, Lawrence C. Wilk of Jaburg & Wilk, here on behalf of James C. Sell. I want to thank you for your indulgence in allowing him to appear telephonically, and I am hoping he is on the phone.

JUDGE BUSTAMANTE: Okay.

MR. WILK: He is one of the people that's up for appointment as receiver in this case.

JUDGE BUSTAMANTE: Okay. Thank you.

And I know he is -- as soon as he calls in, she is going to -- Bernadette will let me know. So hopefully that will be soon.

MR. POLESE: We have a paper, Your Honor, we would like to hand up to the Court --

JUDGE BUSTAMANTE: Perfect.

MR. POLESE: -- on the issue of both who the

receiver should be, as well as some attorney/client privileged matter that we think needs to be addressed (inaudible).

JUDGE BUSTAMANTE: Oh, goodness. Okay. Give me just a moment to review this.

Have you had an opportunity to review it, Ms. Coy?

MS. COY: Not really. I just got it when I sat down. If I could approach, I don't have it in a PDF format, but I have the resumés of two candidates that the Commission believes are appropriate for this.

JUDGE BUSTAMANTE: Okay. Sure.

MR. POLESE: (Inaudible).

MS. COY: Yes. I have emailed them, but --

JUDGE BUSTAMANTE: And Mr. Polese, do you want -- do you want to give me a summary here --

MR. POLESE: Oh, sure.

JUDGE BUSTAMANTE: -- of your position?

MR. POLESE: In short, Your Honor, we have been talking with the Estate about who was the appropriate individual, and we hoped that we would have a stipulation to the Court. Unfortunately, we are not able to do that.

There are two issues. One is who the receiver should be. My discussions with Ms. Coy had been whether Mr. Sell, who the State is very adamant in wanting, is the

appropriate individual, or our candidate, for want of a better term, who is Mr. Giallanza, who is also in the courtroom today, who we think is a much better fit both in terms of experience and cost for this particular receivership.

In addition, there is an issue -- I'm sorry. In addition, there is an issue with respect to attorney/client privilege with respect to communications with Mr. David Beecham -- Beauchamp of Clark Hill, who was counsel for both the company and Mr. Chittick, and the issue has been raised as to who has the right to waive the attorney/client privilege. We have addressed that issue.

We think that receiver order, whoever the receiver is, should be instructed that he or she cannot waive any attorney/client privilege with respect to the company, unless the Estate also agrees. Otherwise, they will have to get a court order before they do that, the presumption being that any communications would apply to both the Estate and the corporation. That's the (inaudible).

JUDGE BUSTAMANTE: Okay. So at this point you are not objecting -- as the Estate, you are not objecting -- objecting to the appointment of a receiver; it's just a matter of who that receiver is?

MR. POLESE: That's correct. In fact, we think

the receiver needs to be appointed as soon as possible. So if the Court can hear testimony today, that would be great, because there are payoffs that are coming due early next week.

Everybody knows that we need to get somebody in place to protect the good notes that are out there that are -- that are going to be collected. And then once those are all -- a handle is gotten as to those, then we can sit back and see where there -- where there are other avenues to go.

Our view is this is not a forensic accounting case, because I think the company's records are going to be determined to be in very good order. What -- this is a situation, I think, at this time is that DenSco got scammed by one of its borrowers, but will -- the Court can hear more of that if it wants to hear testimony on these issues.

JUDGE BUSTAMANTE: Okay. Ms. Coy, how do you want to proceed today?

MS. COY: Your Honor, we agree with a number of things that Mr. Polese indicated. We, too, agree and believe that a receiver needs to be immediately appointed.

This is a situation in which it came to my attention approximately two weeks ago, if not a little less than that, and we were told that DenSco raised money,

approximately $50 million, from investors, and that he recently killed himself. He was the sole owner, sole shareholder, sole officer and director of DenSco. There is assets out there that need to be preserved for the protection of the investors.

We started following up and started speaking with Mr. Beauchamp, who was at that time or had been corporate counsel. We met with corporate counsel and the personal representative of Mr. Chittick's estate and discussed the possibility of doing a joint stipulation to appoint to receiver.

When they asked who we had in mind, we had indicated there were two individuals -- I gave you both their resumés -- Mr. Peter Davis and Mr. Jim Sell. Both are forensic accountants.

Based on information provided by the company's estate, it documented there is approximately 138 loans outstanding. Approximately 50 of those loans appear to do what they said they were going to do. There is first deeds of trust in place secured to DenSco Corporation, and those were funded by investors. Those are paying and those are working.

They told us there were five of the loans that appeared to be secured with first position deeds of trust, but would require foreclosure and collection.

The remaining ones, approximately 83 of the loans, which total $28 million, were given to one borrower and were unsecured and they were funded at approximately 100 percent loan-to-value, which is contrary to the way the offering documents indicated.

In addition, that same borrower received a loan of over $14 million that's also unsecured. So based on the company's records that were provided to us at the time, and this was about the end of the first week, there was close to $42 million unsecured and outstanding.

The Securities Division position is that we need a forensic accountant. Whether the accounting records are in good shape or not is great. The forensic accountant can trace the funds and find out where they went.

This action is based on the Arizona Securities Act, and it deals with the offer and sale of securities. And we made allegations that those -- that DenSco committed fraud, when they offered and sold these securities, for not disclosing problems with the 83 loans, problems in providing an unsecured note. That individual is currently in bankruptcy that has the approximately $42 million.

There are 341 meetings that need to be attended to. There is a 2004 Exam that's coming up that needs to be attended to. All of that involves accounting review

information, basically following the train of -- the flow of the money.

Mr. Giallanza, who is being promoted by Mr. Polese and the Estate, has a deep background in real estate. Mr. Sell has a deep background in real estate. Two of the receiverships that I worked with him on involved liquidating assets of real estate. So he has got both that need to be done, and if the majority of the -- well, the 50 loans that are paid, it's a matter of collecting on that.

At this point I think the biggest disagreement between the defendant's estate and the Commission is the perspective they are looking at the case. We are looking at it, this is based on our action, it's a forensic accounting case that has -- was based in real estate, but only about a tenth of the money that was raised is really in real estate at this point. The rest has gone; we don't know where.

They are looking at it that it's a real estate case. The problem is, the majority of the loans have been unsecured, and we need somebody, from the State's perspective and for the best protection of the investors, to go in, track the money, and get the money back from the individual who borrowed it. So that's why our position is it's a forensic accounting case, not necessarily just a

real estate case.

And yes, people can -- you know, Mr. Sell or Mr. Davis can hire somebody to do the real estate. In Mr. Sell's case, if you look at his resumé, he has got extensive experience liquidating real estate. You get a two for one there, versus Mr. Giallanza who would have to hire the forensic accountant, and he could handle the real estate transactions.

So basically we are asking you to select either Mr. Sell or Mr. Davis. Both of them have had experience with our office. We know how they work. They understand the securities laws.

Unfortunately, I have spoken -- or fortunately, I have spoken to Mr. Giallanza. He has got good experience in mortgages. He doesn't have experience in securities. The Landmarc case that he has done did not allege fraud in any of their pleadings. And yes, he recovered money, but so did Mr. Davis in his receiverships, and so has Mr. Sell.

Last night I got an email from Mr. Giallanza that -- and I believe they are attached to the pleading he filed and I haven't looked through them yet. They are pleadings from a federal case that Mr. Sell was involved in as a receiver. He started as a receiver in a State case in approximately 2004. The criminal case was

prosecuted in approximately 2013.

I handled the receivership for the State from two -- getting him appointed through the criminal case. I was also appointed as a Special Assistant U.S. Attorney and assisted in the prosecution.

A lot of the information that was provided in these pleadings, they are taken out of context, and the issues were resolved. And in fact Mr. Sell's work product was upheld by the federal court, and the person, the documents and the pleadings that are attached to Mr. Polese's pleading, was the defendant in the case and is now serving seven to nine years in federal pen, based on the Ponzi scheme where they overvalued all the assets, and were upset that Mr. Sell did not find those overvaluations valid.

Basically, again, the State believes that we need a forensic accountant in place and to liquidate the asset and trace the funds.

As to the attorney/client privileged information, we understand that issue. It's come up in a number of real estate -- I'm sorry -- a number of receiverships that I have dealt with. And the way I personally know it was handled is when the attorney/client privilege waiver comes up and whether it's necessary or not, we make a motion to the Court, or the receiver made a

motion to the Court and let the judge decide.

And in this case I understand the sensitivity between having a corporate counsel and a personal lawyer, basically the same individual. I understand the issues that come up. I think the best way to handle it is the receiver should not -- we shouldn't put anything in the order ordering the receivership, but I think what needs to be done is it needs to come in front of the Court, especially with the sensitivity of the personal aspect and the professional aspect being dealt with.

Under normal circumstances, the company has corporate counsel, and the personal aspect isn't there. I recognize the sensitivity there, and I think the best bet would let the judge make the decision as to whether or not that attorney/client privilege should be waived, and I don't think it needs to be addressed in the order appointing the receiver.

And again, I would just like to say in this case the State brought the case, and technically the company is the defendant here, and the defendant is basically pushing to have their person put into place. I'm not sure that's appropriate in this point. From enforcing the Securities Act, we need a forensic accountant as a receiver, and we defer to the Court on the attorney/client privilege waiver, and I think a motion should be filed on a regular

basis or whenever that issue arises.

I think that it.

JUDGE BUSTAMANTE: Okay. Do -- so do you want to take testimony of your two proposed receivers, and we will take testimony of the defendant's proposed receivers, or do you just want me to review the resumés?

MS. COY: I don't know that it's entirely necessary to put on an evidentiary hearing. I think based on the recommendations from the parties and I believe based on the review of their resumés, it's strong enough.

If you have questions after the review of the resumés, I have got people, I have got both the Commission's candidates here and I think they can take the stand if you have questions of them, but I think based on their resumé, you can go forward with just that, but we are here if you want testimony.

JUDGE BUSTAMANTE: Okay. Mr. Polese, what's your proposal in terms of selecting a receiver?

MR. POLESE: My proposal is, Your Honor, that since Mr. Giallanza is here and since the State remains adamant that he somehow is not qualified, that he take the stand, go through briefly his -- his resumé and address these, what we think to be pretty irrelevant arguments as to why he is not qualified.

I do want to point out one thing that the Court

needs to focus on. Nobody is suggesting that the missing, quote, $42 million, is going to be found in DenSco or the Estate's hands. Where it's going to be found is, if ever, is in the estate of a bankrupt. Okay?

And I'm not sure how, as a practical matter, the receiver of this company gets its hands on records of a bankrupt's -- of a bankrupt, when there is a trustee in bankruptcy appointed. And more importantly, if we -- if we spend hundreds of thousands of dollars tracing where $42 million went, that simply adds to that bankrupt's estate. DenSco does not profit handsomely by doing that trustee's work.

I mean, I -- I don't know who all the creditors of this Mr. Scott Menaged, who is the individual at this point everybody is pointing the finger to, who seemed to have scammed DenSco into making inappropriate loans, what turned out to be totally inappropriate loans.

How that actually came about, I'm not here and competent to tell you, but it does seem, from what I know in our one-week representation of this estate is, that money is gone. It went to him. He then crawled into bankruptcy and filed a no-asset bankruptcy. Whether he shoved it up his nose, gambled it away to Vegas, or gave it to his girlfriend, we don't know.

But if -- if what the State is saying is we have

to have a correct forensic accounting to track that money down, first of all, I would ask the State, how are you going to get his records? When he is in bankruptcy, you have no right to do that. And second of all, if you do recover money, all you are doing is adding to that estate, and we are just one of a number. DenSco is just one of a number of creditors. So we are going to do all the work and pay all the bills so we can increase the estate of a bankrupt, with a lot of the money going to somebody else. That, to me, doesn't seem smart.

On the issue of the forensic accountant versus real estate, Mr. Sell would be appointed the receiver. He would then hire his accounting firm to do forensic accounting. Peter Davis would be hired as the receiver. He would then hire his own accounting firm to do the forensic accounting.

The notion that the receiver is going to also be doing the accounting work is, quite frankly, a skip and a shorthand that's inappropriate. Mr. Giallanza is not going to do any forensic accounting. He will hiring an accounting firm, just like Mr. Sell will do, and just like Mr. Davis will do, except they will hire their own captive accounting firms, and I don't think that's appropriate.

And while the State somehow thinks it's inappropriate for the Estate to recommend, quote, our

person, as I put in the footnote number 1, I don't know Mr. Giallanza. Never met him until this morning. Never spoke with him. Nobody in my firm has ever had any relationship whatsoever with Mr. Giallanza. We have no skin in the game. We are looking for the best person that we think is available.

On the other hand, Ms. Coy seemed absolutely wedded to Mr. Sell with whom, quote, she has a good working relationship. Well, our position is the State ought not to be able to dictate who the receiver is to have a sycophant. It should -- the receiver should be working for the Court, not for the Division.

But Mr. Giallanza is here. I would like to put him on the stand. I would like to go through these objections, have the Court, whatever -- answer whatever questions you have, and if other individuals you want on the stand, that's fine.

JUDGE BUSTAMANTE: Okay. I'm feeling at a disadvantage here, because I haven't had an opportunity to review your memo.

MR. POLESE: I know.

JUDGE BUSTAMANTE: I haven't had an opportunity to review either one of the resumés.

Do you have a copy of the resumé of --

MR. POLESE: It's attached to our papers, Your

Honor.

MS. COY: It's attached to your papers.

Okay. I'm going to take a break and review everything, and then we may have some testimony.

So all of the proposed receivers are here. Is that accurate, or we have one on the line and then -- okay. And so we will have him call back in; I can't imagine it's going to take me too long, but maybe ten minutes, and then we will resume. Okay?

MR. POLESE: Okay.

JUDGE BUSTAMANTE: Do any of you have a proposed order regarding the appointment of a receiver?

MS. COY: Yes, we do.

JUDGE BUSTAMANTE: Okay. If I could review that as well.

MR. POLESE: And we have no objection to that order, as -- as the language that's in it. Our objection is it needs additional language.

JUDGE BUSTAMANTE: Okay.

MR. POLESE: And that's about the attorney/client privilege.

JUDGE BUSTAMANTE: The attorney/client privilege language. Okay.

MS. COY: Excuse me. If I can approach.

JUDGE BUSTAMANTE: Yes.

MS. COY: Here is the order for preliminary injunction, and here is the order appointing the receiver.

Do you have yours with you?

MR. POLESE: Oh, yeah. It's the --

MS. COY: Do you have the preliminary injunction?

MR. POLESE: Yeah.

JUDGE BUSTAMANTE: And do you have any proposed language in regards to the attorney/client privilege?

MR. POLESE: No, Your Honor --

JUDGE BUSTAMANTE: Okay.

MR. POLESE: -- but we can certainly submit it to the Court.

JUDGE BUSTAMANTE: Okay.

MS. COY: You have both of them.

JUDGE BUSTAMANTE: I have what you need. Okay.

All right. I'm guessing about ten minutes and I will be back.

MS. COY: Thank you.

JUDGE BUSTAMANTE: Thank you.

(A recess was taken.)

JUDGE BUSTAMANTE: Okay. We have Mr. Sell on the line, so I am just going to let him participate here. Maybe.

It's not coming up. Is it coming up on that

screen?

BERNADETTE: (Inaudible).

JUDGE BUSTAMANTE: Yeah.

MR. WILK: It's not going through?

JUDGE BUSTAMANTE: It's not. Ask Bernadette to have him call directly into the courtroom.

MS. COY: Okay.

JUDGE BUSTAMANTE: We will see if that line works. We have been having issues with our new system.

(Inaudible).

JUDGE BUSTAMANTE: Wow.

MR. SELL: Yes.

JUDGE BUSTAMANTE: Hello?

BERNADETTE: Oh, can you hear me, Judge?

JUDGE BUSTAMANTE: I can.

BERNADETTE: Mr. Sell, are you there?

JUDGE BUSTAMANTE: Mr. Sell?

(Inaudible).

RECORDING: Thanks for holding. We will be right with you.

JUDGE BUSTAMANTE: I don't know if that's even on it. Does that sound familiar? I don't usually call us, so I don't know if that's ours or if that's Mr. Sell.

(Inaudible).

JUDGE BUSTAMANTE: Maybe have Bernadette

disconnect whatever she has going on?

MR. POLESE: Did he put the Court on hold?

JUDGE BUSTAMANTE: Hello? No.

Yay. Mr. Sell?

MR. SELL: Hello?

JUDGE BUSTAMANTE: Hello. Good morning. Yay.

Okay. I am just -- we will let you know if we need to hear from you. So you can just hopefully hear everything that's going on in the courtroom.

MR. SELL: All right. Yes.

JUDGE BUSTAMANTE: Okay. We are back on the record in CV 2016-014142. And we took a break so that I could review the recent pleading that was submitted, as well as everybody's resumé.

I have -- I have also reviewed the Order for Preliminary Injunction. I have signed the Order for Preliminary Injunction. And I have also reviewed the Order Appointing Receiver, and I will include the language that it is further ordered the receiver may not waive the attorney/client privilege as to Chittick's communications with Beauchamp without the Estate's consent. The receiver must obtain Court approval before waiving the privilege as to DenSco if the Estate does not consent to the waiver.

So the only issue left to be determined is who the receiver will be, and I will hear brief testimony from

each proposed receiver. If we can keep it about ten minutes per receiver, that would be great.

So Ms. Coy, we will begin with your proposed receivers.

MS. COY: Okay. We will go ahead, since Jim is on the phone first, or Mr. Sell is on the first phone, we can go ahead with him.

Do we need to swear him in?

JUDGE BUSTAMANTE: Yes, you do.

Mr. Sell, if you could please stand up and raise your right hand so that you may be sworn in.

MR. SELL: Okay.

JAMES C. SELL,

called as a witness herein, having been first duly sworn, was examined and testified as follows:

JUDGE BUSTAMANTE: Proceed.

DIRECT EXAMINATION

Q. (BY MS. COY) Mr. Sell, can you give us, do you have any certifications?

A. Yes. I am a certified public accounting -- accountant in the State of Arizona, I am a certified fraud

examiner, and I am certified in internal controls.

Q. Okay. Have you done receiverships in the past?

A. Receiverships at the, oh, late 1980s.

Q. Okay. And have any of your past receiverships involved servicing of mortgages?

A. Yes --

Q. Can you --

A. -- I have. Actually, several of them have, residential mortgages and commercial mortgages.

Q. Are those entities or are those receiverships listed on your resumé?

A. Yes, they are.

Q. Can you give us the names of those that had real estate related?

A. Avanti Mortgage, Alert Mortgage, CFC Financial Services, American National Mortgage Partners, Mathon.

Q. Okay. On --

A. There are some other ones that involve divorce cases where I was the receiver, and they did involve real estate.

Q. Any -- on the CFC Financial Services, did you have to service mortgages?

A. Yes. We had about 40 files in active collection accounts. CFC Financial Services was an escrow company. It was the old TransAmerica Title escrow company that

became Chase Service Company, then Continental Service Company, and then CFC Financial Services.

Q. Did you also have to deal with any foreclosure issues on the servicing of those mortgages?

A. Yes.

Q. And have you had occasion to liquidate real property through any of your receiverships?

A. Yes. Most of my receiverships, I would have had real estate to liquidate, and those properties would have been all over the United States.

Q. And can you give us a general idea of what you would do to liquidate the real estate?

A. Depending on the nature of it -- well, first, if it was a loan that was defaulted and a foreclosing on the property, and then list the property for sale. And I would list the property for sale through a realty agent in the area where the property is located.

Q. How would you determine the value of the various real estate properties?

A. Typically I would have those properties appraised by an independent appraiser.

Q. Okay. Have you handled matters involving allegations of securities fraud?

A. Yes. Over many years and in many different cases --

Q. And do you --

A. -- and in many different capacities.

Q. Do you have -- through your forensic accounting experience, have you reviewed the records and determined whether fraud has taken place?

A. Yes, on numerous occasions.

Q. Have you had occasions to review books and records and determined that no fraud has taken place?

A. Yes, I have.

Q. And if you were -- if you were appointed to DenSco receivership, how would you handle the real estate aspects?

A. I -- I am not sure exactly what you mean as how I would handle the real estate aspect. It depends on what was needed for the real estate.

Q. Okay.

A. I mean, some of my receiverships, I had unfinished houses that I had to complete construction on. So it depends on, you know, the condition of the property, and I actually hold title to the property or I have to foreclose on it or I have to clear title to be able to sell the property.

Q. And in -- if you are appointed to the -- to -- as a receiver in this matter, who would you report to?

A. I report to the Court.

MS. COY: Hold on just a minute.

All right. I have no further questions for Mr. Sell.

JUDGE BUSTAMANTE: Mr. Polese.

CROSS EXAMINATION

Q. (BY MR. POLESE) Mr. Sell, did I hear your testimony that the receivership experience you have is principally back in the '80s?

A. Yes, that's when I -- the first receivership that I actually served on was in 1980. '86. About '86, '87, somewhere in that timeframe.

Q. And --

A. In Avanti Mortgage.

Q. Okay. Now, am I correct, sir, that if you are retained as the receiver, you would be retained personally as the receiver? You personally, not your company?

A. That's correct.

Q. Okay. And if forensic accounting work would be needed, you would retain your company to do that work, correct?

A. Yes, specific people within that company or myself.

Q. Okay.

A. Depending on what was needed and when it was needed.

Q. Okay.

A. It would be cost effective to use somebody that is experienced, that bills at a lower rate, to do a lot of the detail work.

Q. But you would not normally seek the services of an outside other forensic accounting firm, correct?

A. Correct. Typically -- no. I typically in the past have used members of my own staff. The one member that I would use, the company where I am, and that is Susan Rutledge. And she is a QuickBook expert and I have worked with her or she has worked for me for about the last ten years.

Q. And I --

A. (Inaudible).

Q. I'm sorry. I didn't mean to cut you off, sir.

A. I said probably longer than ten years. It's been quite a while.

Q. Okay. Now, I understand that you -- that your billing rate is $250 an hour, and you have got staff that's roughly about $160 an hour, and as low as -- some as low as $60 an hour, is that correct?

A. That's correct.

Q. Okay. And I assume -- and that staff would be

the ones that would be principally employed in connection with any forensic accounting work?

A. It depends on the nature of the work that needed to be done. And I don't know if the -- the company, the subject company of this action, has employees or not, but to the extent that they did, I would probably employ them.

Q. Okay. I can tell you, sir, this was a one-man show.

A. Okay.

Q. But there, again, Mr. Sell, my understanding is, and no one has corrected me, that the records are supposed to be in pretty good shape, that -- that the company president was somewhat anal about his records.

But just to answer the question is, you -- you would either do the forensic accounting work or supervise the forensic accounting work?

A. That's correct.

Q. Okay. Now --

A. That would all be, you know, the day-to-day collections work that would need to be done on the performing loans --

Q. Right.

A. -- which is more a ministerial type job which doesn't require (inaudible).

Q. Is that accounting services or is that in your

role as receiver, or both?

A. That would be both. That would be part of the accounting services that the receiver would be required to perform. And it's cost effective to have somebody on the staff that bills at a much lower rate, a bookkeeper, for those types of services, than somebody that is a forensic accountant.

Q. Okay. But again, that would be services that would be performed for the receivership by your accounting firm as an accounting firm?

A. Yes.

Q. Okay. You mentioned that you have been involved in securities fraud investigations.

Do you understand that the purchase and sale of secured mortgage loans as to being a security?

A. It depends on the circumstances. If -- if you are matching an individual investor with an individual borrower, it may be an exempt transaction, but if you are raising money for a pool to be loaned out to individuals, then yes, I believe it absolutely is in a security.

Q. Okay. Are you familiar with the Landmarc Capital receivership?

A. Somewhat. I do know that that was a hard-money lender that was put into receivership years ago.

Q. And you understood that that --

A. (Inaudible).

Q. I'm sorry. Again, I didn't -- I didn't mean to cut you off.

A. Okay. Other than in general terms, no.

Q. Okay. But we would both agree that if you are raising capital for investors to invest in as a hard-money lender in first deeds of trust, et cetera, that basically you are offering securities out there to investors?

A. Correct. And that's what occurred in -- in Mathon and American National Mortgage Partners. They were all mortgage, you know, they were all pools of investors' funds that were used to make loans.

The only difference is whether it was made on residential properties or on commercial property. If it's pooled funds and it was raised that way, it's still a security, but the type of real estate and the type of collateral may differ.

Q. Right.

And -- and that's your understanding was what is involved in the Landmarc Capital matter as well, correct?

A. I am not that familiar with what occurred in Landmarc Capital, but from the general knowledge I have is -- was that it was a hard-money lender and that there were investors involved.

Now, I don't know if -- you know, I don't know

beyond just the overall general. I don't know the back end of it, but individual borrowers or if it was pooled funds. I just was not involved in that investigation at all.

Q. Okay. Let me ask you, have you ever had situations where your billing practices as a receiver have been questioned by either the court or the interested parties?

A. My billing practices?

Q. Yeah, your bills.

A. My bills. You know, it's not uncommon, particularly in a receivership, for everything a receiver does to be challenged by the people whose entity has been placed into receivership.

Q. Okay. Did you ever receive criticism from a court?

A. I don't recall receiving criticism from a court.

Q. Okay. Do you remember receiving any criticism from the U.S. Department of Justice in connection with any matter that you were retained?

A. I had a -- to a degree, to who was to pay for the maintenance of a database that I was working on as receiver.

Q. So the answer to the question is at least you -- you -- there was some criticism, although you think the

criticism was unjustified?

A. Correct. I believe that the -- that communication wasn't clear as to when the termination of the request that I maintain the database and when the -- actually, I believe it was either the IRS or FBI maintained the database on their own after a certain point.

Q. Okay. Am I correct that in the United States versus Shade matter, where you were serving as conservator, that the total fees that you received in that was $7.5 million?

A. What -- what case was that?

Q. Shade, Duane Hamblin Shade.

A. Oh. Oh, Slade. Slade. That was the one -- that was the Mathon case. And those fees related to everything, the staff that existed that I took over when I took over the company as receiver, attorney's fees, rents, everything.

And so yes, that was a $175 million case, and that may well have been the total amount that was paid out for various lawsuits and foreclosures, real estate appraisals, everything, employees. But as far as my fees, no, it wasn't 7.5 million.

Q. Well, looking on a schedule that I have attached to papers that unfortunately are not in front of you and I

can't show you, but it shows on real estate investments, that the receiver fees were $1.8 million, and litigation of receiver and the bankruptcy of the receiver fees were $1,085,000, and in the receivership there were $1.9 million.

And this is a schedule that I believe you prepared and filed with the Court in connection with a response to an order from the Court for documents and information.

A. Okay.

MR. POLESE: Your Honor, it's attached as Exhibit 4 to our papers.

JUDGE BUSTAMANTE: I'm looking at it. Thank you.

Q. (BY MR. POLESE) Do you have any reason to believe that the document is inaccurate or is not the way you tendered it to the Court?

A. I believe that the -- all those fees were paid out by the receiver for various services. It wasn't just for receiver services. It wasn't just my fee, you know. It was -- it was for everything.

Q. Well, I -- with respect to real estate and investments, it says there is a column for settlements paid, legal fees, professional fees, overhead costs, other expenses, and receiver fees, and the receiver fees are

$1.8 million.

A. Okay. And within those receiver fees, there would be more than just my fee.

Q. Well, who else -- who else was the receiver, other than you?

A. I was the receiver, but under the receiver, I had the staff of the company that I had taken over, Mathon. And like I say, that was $175 million receivership. That's what was raised from the public.

Q. Well, Mr. Sell, I don't want to argue with you over a document you don't have in front of you, but I will note for the Court that there is clearly a column for overhead costs in each of these, and presumably overhead costs would include staff and other for the entity in question, would it not?

A. I don't know without looking at it, but I -- I -- there may have been some overhead that was separated out, but I'm telling you that that fee wasn't all just my --

Q. Let me ask you one final question.

A. (Inaudible).

Q. I'm sorry. Again, I didn't mean to cut you off.

A. Okay.

Q. Are you finished with your response?

A. Well, all I am saying is it didn't include -- it

did include what I was paid, or it included what I was paid, as well as what other people were paid during the course of the receivership.

And there were some categories that were broken out, depending on whether they were independent counsel that worked on a specific project or a specific piece of property. For example, there were attorneys in Connecticut. There were attorneys in Maryland. There -- it was necessary to defend legal all over the country or to bring various jurisdictions. And depending on the nature of the action, it would either -- it came under the general umbrella of receivership fees, or it would vet out separately where I had the data readily available to set them out separately.

Q. Well, again, I would point out to the Court that there is a separate listing for legal fees in each of these categories, and that amount is quite substantial as well.

One last question to you. Do you know Mr. Giallanza?

A. No, I do not.

Q. Okay.

A. I don't believe I have ever met him.

Q. Okay.

A. If I did, I just don't recall.

Q. All right. You have no -- no opinion one way or the other as to whether or not he is competent to serve as the receiver in this matter?

A. No, I do not.

MR. POLESE: All right. Thank you, Mr. Sell.

JUDGE BUSTAMANTE: Redirect?

MS. COY: Yes. Just a couple questions.

REDIRECT EXAMINATION

Q. (BY MS. COY) Mr. Sell, how long -- when were you initially appointed on the Mathon matter?

A. Oh, my. It's been at least -- I have to go back and look at the date of the receivership order, but that is the case that has gone on for over ten years at this point.

Q. So the fees that you were paid that Mr. Polese raised, that would have been for the entire scope of your work?

A. Yes, for -- to that point in time, because the report, you know, filed is probably a couple years old.

Q. Okay. And I think there is some clarification.

You have been doing receivership since 1980, correct?

A. Yes, since nine -- since mid to late 1980s was

when I did my first.

Q. And you have done receiverships throughout that time until the present, correct?

A. Correct.

Q. Have you ever -- in the Mathon case that was race raised, were your fees approves in that case by the court?

A. Yes, they were.

Q. And were your figures and calculations related to restitution to the investors, was that approved by the court?

A. Yes. Once you submitted any of the paperwork related to your fees and expenses related with Mathon or any of your other receiverships, were you always -- well, let me rephrase that. I'm sorry.

Your fees that -- and costs related to your most recent receiverships, have those ever had the fees denied?

A. No.

Q. And have you -- you -- your resumé lists out quite a number of issues or actual testimony.

Have you testified in your receivership matters?

A. Yes, many times.

MS. COY: Okay. I have no further questions.

MR. POLESE: Your Honor, I just have a couple questions.

MR. WILK: Your Honor, can I indulge the Court --

JUDGE BUSTAMANTE: Yes.

MR. WILK: -- to just clarify two things that Mr. Coy brought out about Mr. Sell?

JUDGE BUSTAMANTE: Yes.

MR. WILK: Again, this is Lawrence C. Wilk on behalf of Mr. Sell.

EXAMINATION

Q. (BY MR. WILK) Jim, in --

A. Yeah.

Q. -- in Mathon specifically, was there a mechanism set up so that the investors would have say in everything that was going on in the case?

A. Yes, there was. And that's the typical receivership, particularly a large one, there has always been an investor committee that's involved that reviewed and to a large extent participate in the decisions that are made.

Q. And especially in light of billing, was the -- was that committee advised of what the bills were and continually given information as to what was being expected in the case?

A. Yes. They were actively involved and well aware of everything that was going on in that case and in other cases they would have been a receiver on.

Q. And specifically in Mathon, those were pretty sophisticated investors that were involved in that process, correct?

A. Yes. They were mostly wealthy sophisticated investors.

Q. And they did not object to the fees that are being the subject of the questions that this request is asking?

A. That's correct.

MR. WILK: No further questions.

JUDGE BUSTAMANTE: Okay. Mr. Polese, go ahead.

RECROSS EXAMINATION

Q. (BY MR. POLESE) Just to -- Mr. Sell, did I understand you to say that at no time were your fees in any of the matters where you were retained, whether as a conservator or trustee or receiver, have been challenged?

A. I -- I don't believe they have. We have had discussions about them and there have been issues on fees from time to time. And that's the whole point of the process, to have the fee applications submitted to the

Court. I doubt that there isn't ever an attorney bill that isn't objected to --

Q. My question is, did you --

A. -- by someone in a case.

Q. Did you have to --

A. (Inaudible). Pardon me?

Q. I'm sorry. Did you have to modify your fee request, in light of objections, to get it approved by the Court?

A. I don't believe that's ever occurred.

Q. Okay.

A. I don't believe there has ever been a modification of a fee application.

Q. And with respect to your liquidation of properties, when it came to real estate matters, if you didn't have the expertise, you simply turned to an outside company, right, such as an appraiser or a real estate broker to sell properties?

A. Yes, in most instances. And then some receiverships, there was already an agreement of who the real estate agent would be. I have had divorce receiverships where when I entered into the receivership, there was already somebody in place that was agreed by the parties to sell any real estate that there was.

The only thing that -- provision other than that

that would have been in there, was if I objected to the sale of a piece of property at a price I didn't think was reasonable, then it would go before the court for a hearing and the judge's ultimate approval.

Q. If you need to hire an outside expert, whether it's an appraiser or a realtor or whatever expertise, did you find that process to be cumbersome, time consuming, and expensive?

A. Not really. It's fairly easy to find out who is qualified.

MR. POLESE: Okay. I have nothing further.

JUDGE BUSTAMANTE: Any redirect based on those questions?

MS. COY: No, thank you.

JUDGE BUSTAMANTE: Okay. Mr. Sell, it's up to you whether you want to stay on the line or not.

MR. SELL: Okay.

JUDGE BUSTAMANTE: Do you want to go ahead and stay on the line or do you want me to disconnect?

MR. WILK: No. I will stay on.

JUDGE BUSTAMANTE: Okay. Ms. Coy.

MS. COY: Mr. Davis, would you like to testify --

MR. DAVIS: Sure.

MS. COY: -- be questioned?

MR. DAVIS: Would love to.

JUDGE BUSTAMANTE: Go ahead and come on up, Mr. Davis, and you can just go ahead and come on around here. I know it's a little awkward there.

MS. COY: New courtroom.

JUDGE BUSTAMANTE: Yes.

And then you can have a seat right here in front of this monitor, but before you have a seat, I'm going to ask you to raise your right hand so you may be sworn in.

BERNADETTE: What's your full name?

THE WITNESS: Peter Davis.

PETER DAVIS,

called as a witness herein, having been first duly sworn, was examined and testified as follows:

JUDGE BUSTAMANTE: Okay. Go ahead and have a seat.

Ms. Coy.

DIRECT EXAMINATION

Q. (BY MS. COY) Mr. Davis, can you state your name.

A. Peter Davis.

Q. Can you give us -- or have you had certification, review of business certifications?

A. Yes, I did.

Q. Can you tell us what those are?

A. Yes. I am a CPA. I am a certified fraud examiner, I am a certified insolvency and restructuring advisor, I am a certified turnaround professional, and I am accredited in business valuation, and I am certified in financial forensics.

Q. Thank you.

Have you done any receiverships involving the offer and sale of securities?

A. Yes.

Q. Have you done any receiverships that involve securities fraud?

A. Yes.

Q. Have you done any receiverships that have involved real estate transactions?

A. Yes.

Q. Servicing those transactions or collecting on real estate transactions?

A. Yes, I have.

Q. And since we got into it earlier, have you had any fee statements or has there been any subject or questions on your fee statements by the Court at any point

on any of your cases?

A. There have been questions about my fees from time to time. They have all been resolved and my fees have always been approved.

Q. And you have testimony experience?

A. Yes. I have testified as an expert probably over 100 times at this point.

Q. And with respect to the receiverships that you have done that have related to real estate transactions, can you tell me what types of things you have done with those receiverships?

A. Well, yes. I have liquidated property. I have analyzed the loans, looked at the secured proper -- secured nature of the loans and have come up with equitable ways to distribute funds that I have back to the victims or the underlying investors. I have also looked at where the money went, because there is often shortfalls.

Q. Have you had occasion to, in any of your receiverships, to find securities fraud violations that had occurred?

A. Well, yes.

Q. And have you had any occasion in your receiverships to find that fraud has never occurred or hadn't occurred in a receivership?

A. Yes, those have occurred as well.

Q. And how long have you been acting as a receiver?

A. For more than ten years.

Q. And on the cases where you have had investors, have you been able to get a return back to the -- not a return -- have you been able to get money back to the investors on their investments?

A. Oh, yes. In most cases, that happens. Some cases, there just aren't assets available.

Q. And do you also, on any of your receiverships, work with the investors in any type of investor agreement to keep them informed of what's happening in the receiverships?

A. Yes. I have set up investor committees and similar groups like that to keep investors regularly informed. We set up websites. We will have conference calls or town halls.

Q. Do they -- do those investors or the investor committees meet with you and talk about the direction of your receivership and why you want to go different ways, and your fee structures?

A. Yes, particularly about litigation and forensic accounting projects, so the big pieces of work that can happen when engaged can be expensive, whether we go contingent or hourly. And then on forensic accounting,

our budgets are often set forth, approved, and then we move forward.

Q. And have you handled matters that have gone disputing bankruptcy issues that involved your receiverships?

A. Well, yes. So state court receivership or federal receivership where there is entities in bankruptcy that are related or the interplay there, yes, I have been part of those cases. The Titan Capital Holdings case right now, there is -- the largest investment we have is in bankruptcy. It's a hard-money lender, and so there is an interplay between us and the bankruptcy court.

Q. And approximately how many receiverships have you done?

A. I think almost 100. I haven't counted them, but I have been a receiver a lot.

Q. And those are put in your resumé?

A. Yes. My curriculum vitae I call it, sorry, but yes.

Q. CV is easier to pronounce.

MS. COY: Okay. At this point I have no further questions.

JUDGE BUSTAMANTE: Mr. Polese.

CROSS EXAMINATION

Q. (BY MR. POLESE) Peter, we know each other, correct?

A. We do.

Q. One of the receiverships that you did was Gates-04 back in 2006, I believe?

A. That's correct.

Q. And that's where we had interaction?

A. Yes.

Q. In that case, what was the recovery to the investors as a percentage of their investments?

A. Well, for those investors who stayed in the bankruptcy plan, it was established there were no recoveries.

Q. So there was no recovery in that.

And what -- do you recall the amount of fees that were -- that were charged in that particular case?

A. I don't recall, but there were fees. There were in fact the administrative fees, the professional fees weren't paid in full.

Q. Administrative fees were quite -- quite extensive in that case?

A. They were, yes. There was a lot of litigation in that case.

Q. There is -- there is a contingent in this case, as I understand from the State, that it may be that there was a defalcation, but it was defalcation by a guy who is now in bankruptcy, as opposed to DenSco itself, and the recovery might be from that bankruptcy estate. I want you to assume that for purposes of this particular line of questioning.

Would you agree with me that there would be very little incentive for DenSco to spend a lot of money trying to trace money in the bankrupt's estate unless he was the primary creditor of that estate?

A. Well, I wouldn't necessarily agree, because I don't know all the facts and circumstances surrounding the Chapter 7.

Q. Unfortunately, neither -- none of us here in this room know.

A. Okay. But I have experience in cases where there is a Chapter 7 bankruptcy, which is a liquidating bankruptcy, where a large creditor, like we would be here, $42 million is a lot of money, where the trustee may agree, and I have had this happen, to allow us to pursue litigation separately and apart and have a preferred arrangement for payment.

So, you know, there may be some money that goes back to the estate, the Chapter 7 bankruptcy estate, but

then there would be an appropriate amount that would come back to the receivership for pursuing that action, and taking into account the risk that's undertaken and the legal costs and out-of-pocket costs that would happen.

And sometimes, in the cases I have had, that's the only way to motivate the trustee to pursue a certain action. Because if it's a no-asset estate, the trust -- the trustee I think is Jill Ford in this case, may not have an incentive to -- to -- may not have monies and resources to pursue an action, so it's left to the creditors to pursue it. And this -- this happens frequently, like banks and others, where there has been an underlying bankruptcy fraud.

I mean, $42 million is a lot of money, and I heard what you said. He may have snorted it or spent it on women or whatever. We don't know that. That's a lot of money to burn through. And so oftentimes there is something there, it's a fraudulent transfer, alter ego, friends and family, offshore assets, and that's where it gets interesting.

And if -- if the estate has been really, you know, dried completely to zero, then it may be us as the last man standing, depending on the other creditors and their willingness. Now, they may want to co-fund something, but we have to see who is willing to put money

forward and really chase this down. And what is it? We have to understand what it is.

But I -- I believe that in a case like this, the forensic piece shouldn't be that costly, and the reason I say that is because there is two parts. The first is trying to get intel as to where the money may be, so starting kind of at the end where that money may have ended up. And the second part is then tracing from here down, you know, from where it would have started, from DenSco down to the estate of the person in Chapter 7. I don't want to butcher his name, so I don't want to say it, but there.

So there is two directions you can go in, but if we can get intel about where it is, then that shortens that pathway. You need the forensic accounting for the lit -- to support it in litigation to develop the opinions of fraudulent transfer and alter ego, you know, or substantive consolidation or whatever the cause of action may be.

So that's -- that's generally how I do it and why I think there is a -- there is a shortcut path potentially. And again, you know, we don't know the details, and this may be just wishful thinking from me, but I would look at it that way.

In fact, in Titan, there was almost no money in

that estate in the beginning. And so there is -- there is no ability to do a forensic accounting, and a decision was made early on we can't.

But we have identified where the big pots are, we are going to try to chase those down and get what we can back in, and already one of those is a dead end. So we have to be very careful about how we spend money.

Q. And you would acknowledge -- you would acknowledge that the ability to go first, you would find out where the money went, whether or not it's even recoverable, that you would have to coordinate with the trustee in bankruptcy, because it's the trustee in bankruptcy's claim, not DenSco's claim?

A. Correct. There -- there may be separate DenSco claims that are not the trustee's, but that is absolutely correct, that for a transfer that happened from that bankruptcy estate when it was pre-bankruptcy, those would be owned by the trustee and it would be a negotiation, and it may be the best interest of DenSco to let the trustee pursue them. And that may be. We have done that in some cases, but I don't -- I don't know that.

And I have done it in a number of cases, where we are pursuing it or the secured lender who has retained me as an expert is paying the bill to pursue it, because there is some fraud in the bankruptcy.

Q. And Peter, I just want to confirm that your arrangement would be the same as that as Mr. Sell with his company, and that is that you personally would be the receiver, and you would retain Simon Consulting to do the accounting piece if there was further accounting work?

A. I think that's basically accurate. The way we typically word it, and I'm not sure I would have the ability to say this in this case, but it's Peter S. Davis of Simon Consulting is the named receiver, and then I do submit a separate application to employ my firm to assist me, correct.

Q. But typically you would not seek competitive biddings to do any forensic accounting piece?

A. No, there wouldn't be.

Q. Do you know Mr. Giallanza?

A. Yes.

Q. Okay. And can you tell the Court what you think of Mr. Giallanza, both from his character and standing in the community, as well as his competency to serve as a receiver?

A. Well, I serve on two committees or slash boards with Mr. Giallanza, and he has an excellent reputation. Personally, he is a very good man. He gives a lot of time to the community, to the State Bar, legal -- State Bar Foundation for legal aid. And then also the St. Thomas

More Society. So I have known him for a number of years through those organizations.

And on the large Landmarc case that he worked on, I had some interaction with him and it went very well. I know the recoveries went very well, and the reputation of what happened in Landmarc contrasted with Mortgages Limited, which I was familiar with, that Landmarc was a much more efficient case that was done.

So I am aware of that, and I did work a little bit on -- I can't remember the role that I had, but I had some connection to Landmarc. I may have been opposed to Mr. Giallanza. I don't remember. But I do recall that reputationally, that it was very positive in terms of the outcome of that case.

Q. So the investors got a substantial recovery in Landmarc?

A. Yes, and the professional fees were well managed.

Q. And one final point is, I just want to confirm that your -- your billing rate for you personally 250 an hour?

A. Correct.

Q. And -- and your staff is anywhere from $90 on up?

A. Well, under 250, correct.

Q. Well, so as low as 90, but up to -- up to 250?

A. That's correct.

MR. POLESE: Thank you, Your Honor. We have no further questions.

JUDGE BUSTAMANTE: Ms. Coy?

REDIRECT EXAMINATION

Q. (BY MS. COY) Mr. Davis, just a couple questions.

Chapter 7's are usually a personal bankruptcy, correct?

A. Yes. Generally, yes.

Q. And if that individual operated numerous businesses but he filed personal bankruptcy, would you, as the receiver, look to those business assets?

A. Absolutely, and they are not in bankruptcy.

Q. And they are not in bankruptcy?

A. Correct. Absolutely.

Q. Okay. Each case that you do would have -- you know, you can't guarantee that you will get 100 percent recovery, and you can't tell people there is going to be zero, correct?

A. Yes. Correct.

Q. You actually have to go in, review the records,

and make determinations and recommendations as to what would be best, correct?

A. Yes.

Q. And I forgot to ask this earlier.

Who would you report to if you were appointed receiver in this case?

A. The Court.

MS. COY: Thank you.

EXAMINATION

Q. (BY JUDGE BUSTAMANTE) Mr. Davis, I just have a question for you in regards to a document that I had reviewed earlier about you have a sophisticated and efficient scanning software system.

A. Thank you for asking that.

Q. Can you expand on that?

A. Well, we invested a lot of money and have the license to --

MR. POLESE: Your Honor, could we ask you to speak up?

THE WITNESS: I'm sorry, Mr. Polese. I'm sorry. Is that better?

MR. POLESE: Yeah, that's good.

THE WITNESS: I think when I turn sideways to

look at the judge, the microphone --

JUDGE BUSTAMANTE: I will try to turn it up a little bit.

THE WITNESS: We have a software program, that we control and own the license to, that allows us to automatically import all of the data from bank statements and credit card statements. And so when we are doing a forensic accounting, that's the big part of it. So it's allowed us to increase the speed and vastly reduce the costs of doing a forensic accounting.

It's almost like we can take -- recently we did a million pages of bank statements, scanned them all in; and this would have taken six months and cost over $100,000, and we were able to complete it for, like, under $20,000 in two or three weeks. And so the fee reduction is astounding at the efficiency we have been able to reach by using this software.

It basically scans all the bank statements. It uses an algorithm, so it knows how to pick up the data and run the balances. Scans them all in, dumps it into Excel, and then we go through the Excel and just proof it, but it proofs itself, and then we put in the canceled checks. That's the only thing you have to input, are the canceled checks.

So you put the memo section and who the payee

is. And then it's done. Because the amount and the date of the canceled check is already in there from the -- from the data scan. So the speed at which these things can be done is extremely fast.

JUDGE BUSTAMANTE: Any follow-up questions?

MR. POLESE: Follow-up, please?

JUDGE BUSTAMANTE: Sure.

RECROSS EXAMINATION

Q. (BY MR. POLESE) Peter, if the books and records of DenSco are as good as everyone seems to think they are, would you think that forensic accounting, extensive forensic accounting work would be even needed in DenSco? It might be needed with respect to these other entities that are bankrupt, but with respect to DenSco, would you think that that would be needed?

A. I don't think it would be. And what we would need to do is just get comfortable. And I have done this, where these accounting systems, QuickBooks is easy to manipulate, but if the individual behind DenSco was a one-man shop and he did it all and he kept meticulous records, and some people do, then we should be able to proof it fairly quickly. In other words, do some sanity checks. Make sure the data is believable, make sure it's

trustworthy, and it could save an incredible cost by doing it that way. But that's absolutely correct.

Q. Okay. One last question.

If the Court decides that Mr. Giallanza is the perfect person to serve as receiver, would Simon Consulting consider requesting the opportunity to bid on doing any forensic accounting work that the receiver might need?

A. Well, if Mr. Giallanza was determined he needed someone, we do that work. I have worked for other receivers and trustees, bankruptcy trustees, so --

Q. And I think you said you have worked with Mr. Giallanza on the Landmarc matter?

A. Yeah. I couldn't remember whether if it was either I worked with him or I had a case opposed to him, but there was some connection on Landmarc. But I wouldn't have any opposition, you know, to assisting another fiduciary in a case.

Q. So -- so Simon could clearly do any forensic accounting work?

A. Yes, absent conflicts, and I don't have a conflict, so --

MR. POLESE: Okay. Thank you, Your Honor.

JUDGE BUSTAMANTE: Ms. Coy, do you have any follow-up questions in regards to the issue I asked?

MS. COY: No, Your Honor.

JUDGE BUSTAMANTE: Okay. Thank you, Mr. Davis. You can go ahead and step down.

MR. POLESE: Your Honor, I know this is odd, but could I ask Mr. Sell the same question I just asked Mr. Davis? And that is, if Mr. Giallanza were appointed, would -- would Mr. Sell consider having his accounting firm bid for any forensic accounting that might be needed?

JUDGE BUSTAMANTE: Sure.

Mr. Sell, did you hear that question?

MR. SELL: Yes, I did. And certainly. You know, the type of software that Peter was talking about -- and I know Peter and we have worked on different aspects of different cases together, and, you know, I use similar software to the one he uses.

JUDGE BUSTAMANTE: I -- I think the question was in regards to whether your company would be willing to do the forensic accounting if ultimately Mr. Defresco --

MR. POLESE: Giallanza.

JUDGE BUSTAMANTE: -- Giallanza was appointed.

THE WITNESS: Yes. And the answer is yes. And I don't have any conflict with him, so there would be no problem.

JUDGE BUSTAMANTE: Okay. Anybody else? Ms. Coy?

MS. COY: No, Your Honor.

JUDGE BUSTAMANTE: Okay. Mr. Polese?

MR. POLESE: Mr. Giallanza, please.

MR. WILK: Your Honor, could I be excused from the courtroom for about five minutes?

JUDGE BUSTAMANTE: Yes. No problem.

Mr. Giallanza, if you can please -- Giallanza?

MR. GIALLANZA: Yes.

JUDGE BUSTAMANTE: Okay. If you could please raise your right hand so you may be sworn in.

BERNADETTE: Would you spell your name?

THE WITNESS: Yes. It's G-i-a-l-l-a-n-z-a.

TOM GIALLANZA,

called as a witness herein, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

Q. (BY MR. POLESE) Mr. Giallanza, you are presently the receiver for the Landmarc Capital case?

A. I am presently the deputy receiver --

Q. Okay.

A. -- for Landmarc Capital Investment, and have been so since the inception of the case.

Q. And how many years has that been?

A. The case began on June 24th, 2009.

Q. And would you just briefly explain to the Court what your role as the deputy receiver is --

A. Yes, I --

Q. -- and has been?

A. It has been my role to essentially operate Landmarc Capital, which operates solely under the authority of the Court. The State, the State's Office and Corporation Commission have dissolved it, but by virtue of the Court orders, we operate Landmarc.

The purpose of that is to allow for recovery of as many dollars as possible from what had been 380-plus loans that had been made by Landmarc. Landmarc was what we have heard in the courtroom as a hard-money lender. They were licensed by the Arizona Department of Financial Institutions, and they -- they made a portfolio of loans, and in the process they, they skirted many of the regulations and the laws that other companies seemed to be able to follow.

Ultimately, when a couple of complainants had arrived at the Department complaining about their treatment by Landmarc, the Department decided to investigate, and at the end of the investigation they presented to the Court facts to establish that Landmarc

was indeed insolvent. And what we asked the Court to do at that time was to allow us to operate the company to see if we could recover assets and somehow get back funds to many of the claimants that had been injured in the process.

So in a nutshell, I have -- I have operated Landmarc to this day with that objective in mind. We -- we had -- we had filed with the Court, over the course of seven years, actually, we filed just under 100 petitions seeking the Court's authority to consummate contracts or implement agreements that had been arrived at by virtue of the negotiations I mostly conducted, so that we could then reach a specific objective in the receivership.

And most all of those petitions, all the Court orders, all the reports, when we took away the company, we also took away the website and took off all the information that said that they were the best thing since sliced bread. I put instead on that website, that's there for anybody to look at, download, review, all the petitions, all the Court orders, all the reports, everything chronologically that's happened in the case from the beginning to our most recent August 2nd certified order from the Court.

So it became a very quick way for all of the many people that have been injured or participated in the

receivership to obtain answers and download the documentation if they chose, but it's -- it's still there for everybody to review.

Q. And what -- what is the fee that you have been charging in the Landmarc case? What is your --

A. Well, in the Landmarc case, I -- I -- I had two, two lives, so to speak. When the Landmarc case began, I was the assistant superintendent for the Department of Financial Institutions. I became the deputy superintendent when the superintendent departed, and I ultimately terminated my relationship when the State realized that, you know, we had -- we were spending way more than the income would allow in the State, and we had to scale back staff, you know, from 51 employees to under 30.

I put myself on that list, but I asked for the Court's permission to continue as the deputy receiver. I believe it's petition 22. I filed that, by agreement with the new super -- the then superintendent, where what I did was I capped my hourly billing, which the rate I agreed to was $125 an hour. I capped my hourly billing on that, so that it -- I would never gross more than what I had been paid as a gross salary as a State employee. It's never changed, other than it's gone down.

I agreed voluntarily, when the State legislature

has not funded any additional funds for the -- this -- excuse me -- this receivership, so I agreed to voluntarily, as of July of this year, reduce my fees by a cap, a cap I reduced 50 percent. So that way we would have less need for external funding from the State.

So $125 an hour, but, you know, I don't make that because it's capped.

Q. And I will ask you briefly, if you were hired in this case, your hourly rate would be higher than $125 an hour, right?

A. I would like to -- I would hope to receive $185 an hour.

Q. What percentage of recovery -- tell the Court basically what the recovery has been in the Landmarc case?

A. Well, so far we have -- we have -- we have been able to achieve a recovery that works out to be slightly over 40 percent of what the original investors had either subscribed to and/or paid in for their investment in a specific loan.

And, you know, that -- that -- that doesn't sound like a great number to somebody that's lost the other percent, but we have been able to do it with -- in a down market, for practical purposes, until the last few years.

Q. Now, prior to working for the State Department

of Financial Institutions, your background was deeply in real estate, correct?

A. Yes. For the most part, yes.

Q. And you are not -- you do not have an accounting background?

A. No, I do not.

Q. Okay. Does the lack of an accounting background in anyway inhibit you in conducting your receivership in the Landmarc Capital case?

A. No, I don't believe it has. And I -- I -- I -- I employ experts where needed. And in the accounting area, we did have to follow the money in Landmarc extensively.

Q. Who did the forensic accounting there?

A. At that time we brought in Larry Field, who was, you know, certified as a forensic, forensics expert and also CPA, and had had a substantial experience in the forensic accounting field.

So he -- he was -- he was a tremendous assistance early on, and I simply would have to review his work product and make certain that we were getting, the receivership was getting the input needed from that expert, and it worked very well.

There were multiple, multiple sets of books maintained by Landmarc, and part of the difficulty was we

had to try as best we could to reconcile everything and understand where all the money flowed to, so that we can -- we would be able to present the Court with evidence of the equitable value of the investments that had been made.

Q. Did you find retaining outside forensic accountants to be expensive, time consuming, inefficient?

A. No, not at all.

Q. With respect to -- you understand the State has resisted having you appointed as the -- as the receiver in this case?

A. I do now, yes.

Q. And one of the objections that has been raised, I believe, is that you don't have a receiver bond?

A. Oh, no.

Q. I am asserting today you don't have a bond to serve as a receiver in this receivership?

A. Oh, no. You know, it's not customary to walk around with a bond.

Q. How -- how difficult would it be for you to get a receivership bond?

A. I don't believe very difficult. I mean, by way of example, when the issue was raised in a brief discussion I had with Ms. Coy yesterday, I applied and it's in process. But again, there is nothing to suggest

that I would have the right to ask for a bond, because I have not been appointed, so --

Q. Now, there has been some suggestion that you don't have a lot of experience testifying in court in receivership matters.

Do you understand that's one of the criticisms raised by the Securities Division?

A. I do. But I -- if I may --

Q. Yeah.

A. -- I --

Q. Can you respond to that criticism?

A. In -- yes. Maybe it would be best to say that in the course of almost 100 petitions to the Court, I view it as a -- something to be proud of that I did not have to testify, because in fact if -- if a lot of the work is done prior to bringing the issue to the court, if testimony is needed, there are many places and people to go to for that testimony and evidence, but I did not believe it's my role to be sitting in court providing testimony, if there was a way to avoid that. So in all of those petitions, I have never testified. I have been in court, I have answered the Court's questions, but not to provide testimony or for evidence.

Q. Another criticism raised by the Division is that you don't have a backup accounting firm at the ready to do

forensic accounting.

What's your response to that criticism?

A. Well, I have -- I think I have heard, sitting in this courtroom, that I probably have at least two sources I can go to immediately if it were needed. And that's -- that's ordinarily how -- how things operate. You try to find, by the process of evaluation, the best expert, you try to obtain the best price possible for that service, and then you present that to the Court for its authorization. It's not that cumbersome.

Q. Do you maintain a separate business office or you operate out of your house?

A. I -- I maintained, up until about a year and a half ago, a separate business office, but a year and a half ago, discussions with the then receiver, the then superintendent of the Department, I pointed out that since we were very close to the end of the receivership, I wanted to mentor some of the people within the Department that would inherit the files, the data, the information that we had gathered, so that after I was gone and after the receivership was buttoned up, the calls that inevitably would come in, wouldn't end up being on the -- there would be somebody to answer, deal with, provide the input necessary.

So I have been allowed to essentially rent space

from the Department. I am physically located inside my old department, and the mentoring process is going on.

Q. So is it fair to say that your overhead is extremely small as a receiver in the Landmarc case?

A. It is, yes.

Q. Now, there has been some contention that you never raised any fraud issues in the Landmarc case, and we are going to have fraud issues here so you are just not competent to do that.

What would your response, to the Court, to that criticism be?

A. Well, I share -- I share with Ms. Coy the fact that early on in the receivership, we realized that there was a million-dollar E&O policy that might be available to handle what we at that time thought was a substantial matter of improper behavior on the part of the CPA that represented the owner of the company.

However, we were also aware that to the extent that you -- you allege and provide all sorts of evidence that there may have been or there are allegations of fraud, it severely hampers your ability to ultimately achieve a recovery from an E&O carrier. And we were operating with no reserve fund, because the State had swept it. So the objective to attempt to recover as much of that million-dollar E&O policy was very important.

So when you go back and look at the original documentation, and then all the documentation thereafter, you won't find allegations of fraud, but I assure you, I know what it looks like, and I authorized cases when I was at the Department to deal with fraud. I served on a joint committee where 44 individuals were indicted for mortgage fraud. I served as a mortgage expert for the federal government in all of those indictments, and 40 of the 44 people, and two of the cases I testified in as the mortgage expert, they were found guilty of that fraud.

Q. So is it fair to say that you downplayed the existence of fraud in Landmarc in order to get your hands on the E&O policy?

A. Yes, it is, but we recovered over $978,000.

Q. Have you ever, during your time as the receiver in Landmarc, had your fees challenged by the Court or not paid?

A. No.

Q. I don't think we have anything -- oh, on the tax papers filed today, there was a two-page CV, and I just want you to confirm that these two pages are in fact your CV that -- that have already been (inaudible).

A. I (inaudible).

MR. POLESE: Ms. Coy may have some questions.

MS. COY: Oh, yeah.

CROSS EXAMINATION

Q. (BY MS. COY) Mr. Giallanza, how many receiverships have you done that had securities violations involved?

A. Just one.

Q. And that's Landmarc?

A. Yes.

Q. And what's your experience with matters -- are you familiar with the Arizona Securities Act?

A. Somewhat, yes.

Q. Okay. Have you dealt with any appointment in being a receiver under the Arizona Securities Act?

A. No.

Q. The banking department, or DFI, has a specific receivership statute, correct?

A. Correct.

Q. And it's -- to your knowledge, is it different than the Arizona Securities Act --

A. Yes.

Q. -- receivership?

A. Yes. I understood the question.

Q. And you indicated that, when we spoke, that you had testified on a number of, or at least two, federal trials, but as a mortgage expert, correct?

A. Yes.

Q. But that didn't involve any type of financial analysis, is that correct?

A. No. My -- my -- I was not called upon to give any input or testimony on financial aspects.

Q. And have you submitted any type of reports -- I understand you submitted a number of them in the Landmarc case to the Court related to mortgages and the hard-money lending.

Have you personally submitted any documents to the Court outlining the financial aspects, financial analysis that a CPA would do?

A. There -- there have been -- there have been reports made available to the Court. I -- I -- I believe the answer is yes to that.

Q. Okay. But they -- that weren't your analysis?

A. Oh, no, no. They were not mine. They were -- they were reports that I was tendering, but they were -- the work was done by one of the entities that I had hired.

Q. In this particular case, I think you have heard information that there were a large number of loans; however, the majority of the loans, approximately $42 million, has essentially disappeared and were unsecured, but a small percentage, maybe one-tenth, related to the mortgages that needed to be collected.

What would you do with respect to the 42 million in tracing those accounts?

A. Well, again, I think that's where you bring in people that have the expertise to track those accounts. And as I suggested, there is a couple of names I have been given right here in this courtroom today, but I do not -- I don't undertake that myself. I just make certain I quarterback those that do.

Q. Now, you indicated that you believed there was fraud in the Landmarc case, but yet you didn't file documents with the Court to indicate that. Is that correct?

A. That's correct. The -- the -- the statute, again, you referenced is very specific. In order to get the Court to give you that injunction, and the right to be the receiver, insolvency is the critical factor.

And so there seemed to be no immediate benefit from that, but sometimes it's done. But we found no basis to put in the allegations of fraud, because at that point we would be giving up access, perhaps, to the E&O policy.

Q. Have any of the -- but you did find fraud in Landmarc, correct?

A. Yes.

Q. The principals of Landmarc committed fraud?

A. Yes.

Q. Have they been prosecuted for that?

A. No.

Q. Has anybody done jail time for that type of fraud?

A. No.

Q. And I think we confirmed that you have no accounting background, correct?

A. That's correct.

Q. And are you going to continue to have an office at DFI if you are appointed receiver in this case?

A. I -- I -- I -- if I were to be appointed receiver, I would immediately discuss that with the current superintendent and suggest that I separate. I would stop in, I would give my reports, but I would no longer office there.

Q. Back on the criminal aspects for the fraud that you found in Landmarc, did you refer that to any type of criminal prosecutorial agency?

A. The Corporation Commission was fully aware of the Landmarc matter, and I -- I will leave it there.

Q. Okay. But is the Corporation Commission a criminal prosecutorial agency?

A. Well, we are approaching this, from your perspective, on securities, and if there had been securities fraud, that's where I would think there would

have been involvement.

But yes, I shared the information with the Justice Department, and they are -- they were fully aware of what we were doing and how we intended to handle the Landmarc receivership.

Q. One of the discussions -- let me step back.

As a receiver, have you had -- have you had reason to pursue matters in bankruptcy court?

A. Yes.

Q. What type of matters have you pursued in bankruptcy court?

A. Most that we have had to deal with in bankruptcy court were instances where if we were pursuing an asset that we had -- we had a borrower that perhaps was not current or meeting its obligations, we would initiate foreclosure. And very often what would -- what would occur is that that borrower would then file bankruptcy simply as a method of delaying what ultimately would have to occur. And that's probably most of the instances.

There were other instances. In one, the receivership owned 50 percent of a very large asset, a 197-acre asset in Flagstaff, and the other 50 percent was owned by an entity that decided to rid itself of the -- the burden of the receivership and actually went into court, filed bankruptcy, and suggested to the bankruptcy

court that the 50 percent owner should be able to swallow the other 50 percent owner and force a plan on everybody.

So we -- you know, I objected to that. And after about a year and a half of back and forth, we were successful in getting the Court to rule that an action would have to take place.

In that process, the other owner suggested that the property was only worth $1.9 million, and the public auction finally fetched 5.7 million.

Q. With your background and experience, do you -- how do you -- are you the one that values the real estate that you are looking at, for instance, in Landmarc?

A. No. You know, in Landmarc, the 387 assets were, you know, some vacant land, some commercial properties, some individual family residences. And what I tended to do, given that the entity was out of money, is I would utilize appraisers only on the large commercial properties.

Where I felt that I needed to save dollars on the residential and on the vacant land, I would generally get a minimum of three competent brokers that work in that specialty, and so land brokers versus just the regular everyday real estate broker, and then I would get them to give opinions of value in writing. And I would take those and I would, after questioning those individuals, I would

have a fair assessment of the range that that property could be valued at, but it was done in a least expensive way as opposed to full appraisals.

MS. COY: At this time I have no further questions.

MR. POLESE: Nothing further, Your Honor.

JUDGE BUSTAMANTE: Okay. Thank you. You can go ahead and step down.

I am going to review all the resumés, again, in light of the testimony that I just heard, and I will issue a decision in regards to receivership as soon as possible. I understand the urgency of the situation, so I assure you it will be soon.

Thank you all. You all have a good day.

MR. POLESE: Thank you, Your Honor.

JUDGE BUSTAMANTE: Thank you, Mr. Sell. I am going to go ahead and disconnect you.

* * *

C E R T I F I C A T E

I, KELLY SUE OGLESBY, Arizona Certified Reporter No. 50178, do hereby certify that the foregoing printed pages constitute a full, true, and accurate record of the proceedings had in the foregoing matter, all to the best of my skill and ability.

I further certify that I am in no way related to any of the parties hereto, nor am I in any way interested in the outcome thereof.

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

Kelly Sue Oglesby 7/27/2017

Kelly Sue Oglesby
Arizona Certified Reporter No. 50178

Date

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

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7-19-18
Kelly S. Oglesby CR 50178

IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF ARIZONA

In Re:	)	
	)	Case No.
Yomtov Scott Menaged,	)	2:16:bk:04268-PS
	)	
Debtor.	)	Chapter 7
	)	

RULE 2004 EXAMINATION OF SCOTT MENAGED

Phoenix, Arizona
October 20, 2016

By: Jody L. Lenschow, RMR, CRR
Certified Court Reporter
Certification No. 50192

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RULE 2004 EXAMINATION OF SCOTT MENAGED

was taken on October 20, 2016, commencing at 10:03 a.m., at the offices of GUTTILLA MURPHY ANDERSON, 5415 E. High Street, Suite 200, Phoenix, Arizona, before Jody L. Lenschow, RMR, CRR, Certified Reporter No. 50192 for the State of Arizona.

* * *

APPEARANCES:

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ALSO PRESENT: Ms. Jill H. Ford, Chapter 7 Trustee
Mr. Peter S. Davis, Receiver

SCOTT MENAGED,

called as a witness herein, having been first duly sworn by the Certified Court Reporter to speak the truth and nothing but the truth, was examined and testified as follows:

EXAMINATION

BY MR. ANDERSON:

Q. Can you please state your name and spell your last name for the record?

A. Scott Menaged, M-E-N-A-G-E-D.

Q. Mr. Menaged, have you given sworn testimony before?

A. Yes.

Q. Okay. So you understand that we have a court reporter here today. She's taking down everything that we say, and so we have to do our best to not talk over each other and also do our best to give answers that are yes, no, or some sort of audible answer, rather than the standard uh-huhs and huh-uhs that sometimes we use in conversation.

Do you understand that?

A. I do.

Q. Are you under the influence of any medication or substances that would enable you to not testify

honestly here today?

A. No.

Q. You understand that you're under oath; is that right?

10:04:03 A. I do.

Q. And that you're supposed to be telling the truth today just like you were testifying in court?

A. I do.

Q. You said you've testified before. Other than

10:04:14 your 341 meeting of creditors, when have you given sworn testimony before?

A. It was approximately ten years ago.

Q. And what kind of matter was it?

A. I'm pretty sure it was regarding a trustee's

10:04:38 deed that the trustee screwed up on and didn't record, and they wanted verification of the sale or something like that. It was a very long time ago.

Q. Was it here in Arizona?

A. It was.

10:04:51 Q. Are you married?

A. I am.

Q. And what is your wife's name?

A. Francine Menaged.

Q. And where does she reside?

10:04:58 A. In my home.

Q. And what's the address?
A. 10510 East Sunnyside Drive, Scottsdale, 85259.
Q. Do you have any children?
A. I do.
10:05:12 Q. And what are their names?
A. Stevie and Brandon.
Q. And how old are they?
A. Stevie is going to be 2 on Sunday and Brandon is 13.
10:05:21 Q. And do they reside with you and your wife?
A. They do.
Q. At the Sunnyslope property?
A. Sunnyside, correct.
Q. Sunnyside property.
10:05:31 Are you a citizen of the United States?
A. I am.
Q. Are you a citizen of any other country?
A. I am not.
Q. Do you have a passport?
10:05:39 A. I do.
Q. When did you first move or reside in Arizona?
A. I first moved here in 1993.
Q. And have you been here consecutively since 1993?
10:05:56 A. I have not.

Q. Can you give me some idea of your -- when you sort of moved here permanently?
A. You mean this last time?
Q. Sure.
10:06:07 A. Would have been two thousand -- anywhere between 2005 and 2006.
Q. So you've been here since 2006?
A. I have.
Q. Okay. So between '93 and 2006, can you give me
10:06:24 some understanding of where you were residing?
A. I was going back and forth between New York and Arizona.
Q. And did you maintain a residence in New York at that time?
10:06:37 A. I did.
Q. Okay, and where; what city was that in?
A. Warwick.
Q. How do you spell that?
A. W-A-R-W-I-C-K.
10:06:48 Q. And were you residing in a residence or were you renting an apartment?
A. It was a residence.
Q. Did you own the residence?
A. I did.
10:06:56 Q. And what happened to that house?

A. It was sold.
Q. What year?
A. Approximately 2006.
Q. Do you have a college education?
10:07:20 A. I do not.
Q. What is your highest education level?
A. 11th grade.
Q. So you did not graduate high school?
A. I did not.
10:07:29 Q. Did you get a GED or --
A. I did not.
Q. -- equivalency? No?
Are you currently employed?
A. I am.
10:07:36 Q. And who is your employer?
A. American Furniture.
Q. What is American Furniture?
A. It's primarily a furniture store.
Q. Where is the furniture store located?
10:07:51 A. 4245 West Thomas Road, Phoenix, Arizona. If I'm not mistaken, I believe it is 85019.
Q. Are you the sole owner of American Furniture?
A. I am.
Q. Is it a limited liability company?
10:08:07 A. It is.

Q. Are you the sole member of the limited liability company?

A. I am.

Q. Other than the bankruptcy case, are there any other pending legal proceedings that you're involved in right now?

A. My divorce.

Q. So you have a pending divorce in Maricopa County Superior Court; is that right?

A. That is correct.

Q. Who filed the divorce proceedings?

A. I did.

Q. And when did you file?

A. Approximately a month ago.

Q. You filed after the bankruptcy was filed; is that right?

A. I also had one I filed prior to the bankruptcy, and then we tried to reconcile, and it wasn't working out very well and so I refiled.

Q. So there was a divorce proceeding that is what we call prepetition or before the bankruptcy, and that was dismissed?

A. We both dismissed it.

Q. Okay. And then you've recently filed for divorce again; is that right?

A. That is correct.
Q. And that one is still pending?
A. That is correct.
Q. Are you represented by counsel in the divorce matter?
10:09:17
A. I am not.
Q. Is your wife represented by counsel?
A. She is not.
Q. Was your wife represented by counsel in her previous divorce or the prepetition divorce?
10:09:23
A. She was.
Q. Who was her counsel?
A. I don't recall the name.
Q. Did you have counsel in that previous divorce proceeding?
10:09:37
A. I did.
Q. And who was your counsel?
A. Judith Morse.
Q. So just to be clear, your wife did have an attorney. You just don't know his or her name; is that right?
10:09:50
A. That is correct.
Q. And how long -- well, I guess we'll start with do you have an idea when you filed that prepetition divorce; month, year?
10:10:02

A. Sometime in 2015.

Q. And when did it terminate? When did you cancel it?

A. November or December of 2015.

10:10:39 Q. So it wasn't pending for very long; is that a fair statement?

A. That's a fair statement.

Q. In the prepetition divorce, how did you -- were you able to resolve issues of custody?

10:10:56 A. We didn't really get that far.

Q. Okay. So, I mean, since it looks like it's only pending a few months, did you get anything sort of formally resolved by the judge?

A. We never saw a judge.

10:11:07 Q. Okay, never saw a judge.

Were there any orders entered in the case?

A. There was one order to have us appear for temporary orders, and we canceled the divorce prior to that or just at that time, approximately.

10:11:27 Q. Okay. So you canceled it even before you would even appear for the entry of these temporary orders; is that right?

A. That's correct.

Q. Other than the divorce that was prepetition and

10:11:43 now the current divorce that is now pending

postpetition, are there any other legal proceedings, other than the bankruptcy case, of course, that you're involved in?

A. No.

10:11:51 Q. And so that would be true in any other jurisdiction?

A. Correct.

Q. Well, you're here at a 2004 exam in your bankruptcy case; is that right?

10:12:03 A. Yes.

Q. And you're aware that my client is the court-appointed receiver for DenSco Investment Corporation? You understand that, right?

A. I am.

10:12:11 Q. And that we obtained an order to have you come today and testify, and in that order we asked you to produce certain documents to DenSco. Do you understand that?

A. No. Can you repeat that?

10:12:24 Q. Sure. The Court ordered that in advance of this examination, you were going to produce certain documents to DenSco. Were you aware of that?

A. Yes, I am.

Q. You haven't produced those documents to DenSco,

10:12:41 have you?

A. No.

Q. So, for example, we asked you to provide us with copies of two years preceding the bankruptcy for any bank accounts held by you and your wife.

10:12:54 You've not produced those documents to the trustee; is that right? When I say "the trustee," that's wrong. You have not produced those documents to DenSco; is that right?

A. I believe there was a conversation between my

10:13:09 attorney and your law firm agreeing on what should be provided and what shouldn't. I really don't know. I do believe that they did turn over some information to your law firm.

Q. Sure, and I'll get into that; but there are

10:13:24 certain --

A. Okay.

Q. The documents I specifically asked about, your personal bank statements for two years before the bankruptcy, were not those documents that were turned

10:13:35 over; is that right?

A. I don't recall.

Q. You know that not everything was turned over. You just don't know which ones were turned over; is that a fair statement?

10:13:46 A. Correct. I don't know what was turned over and

what wasn't.

Q. Okay. Well, you did turn over documents that related to Furniture King, Scott's Fine Furniture, Furniture & Electronic King. Are you aware of that?

10:14:05 MR. JESS: I believe he testified that he's not familiar with the particularity of the agreements between counsel and the documents that were turned over.

MR. ANDERSON: I understand. I'm just trying to see if he understands we did get certain documents related to the furniture business.

10:14:13

THE WITNESS: I do know you have received certain documents. What documents those are, I'm not sure. I leave it up to my counsel to take care of that with you.

10:14:25

BY MR. ANDERSON:

Q. Okay. You're aware that we've asked for, in this document production, for electronic communications, e-mails and text messages specifically, between you and DenSco. Do you understand that?

10:14:38

A. I do.

Q. And you know that we have mutually arranged for a computer person to, you know, copy or obtain a copy of certain electronic devices of yours in order for you to comply with this document request. Do you understand

10:14:55

that?

A. I do.

Q. And, in fact, you've, I think -- I don't know for sure, but I think this is already in process; that this person has already met with you and maybe even imaged some of your devices; is that right?

A. That is correct.

Q. Okay. Do you know what has been done so far?

A. No.

Q. Do you know what devices you've made available to be imaged?

A. I do.

Q. Okay. And what; what were they?

A. My home computer, my work computer and my cell phone.

Q. Okay. Is that the universe of electronic devices that would enable you to be -- to produce the information we've asked for here at the 2004 exam?

A. Probably not.

Q. Okay. So what other devices would need to be utilized or imaged to be able to make you produce the documents?

A. Every couple years or year and a half or so I upgrade my phone; no longer have the old ones. Either turned it in to Apple, sell it on eBay, throw it out,

whatever. So during the years I would communicate that way.

I have definitely not had the same computer for the last 15 or 20 years. Every couple years they typically start going bad, this problem, that problem. It's worth it for me to spend three or $400 to get a new one and be done with it than start fixing it.

But everything that I have in my possession that could be imaged has been turned over.

10:16:40 Q. Okay. So when we ask for stuff -- we asked for essentially all these electronic documents for the last 5 years, not the last 15 or 20. But the last 5 years you have gone through new devices in the five-year period, right?

10:16:54 A. God, yeah.

Q. And so the information that you're going to be able to turn over is just going to be on the stuff that -- the devices that you currently have in your possession?

10:17:02 A. Correct.

Q. Right. Because the iPhone 5, perhaps, that you were using four years ago is no longer in your possession; is that right?

A. That is correct.

10:17:12 Q. Okay. One of the documents that we asked for

was an accounting of the loans and financial transactions between your entities and DenSco. You haven't produced that accounting; is that right?

A. Correct.

10:17:38 Q. Okay. Does such an accounting exist?

A. It does not.

Q. Okay.

A. I'm sorry. It does not to the best of my recollection. I believe that DenSco did his accounting

10:17:51 or had some accounting, but I don't have any accounting on that.

Q. Okay. So if it exists -- so your testimony is, if it exist, it exists on DenSco's side, not your side?

A. Correct.

10:18:04 Q. Okay. So, essentially, you did not keep a running accounting of your loans with DenSco; is that right?

A. I did not. Any accounting that I have in regards to DenSco would have been e-mailed over from

10:18:19 DenSco on a spreadsheet periodically, whenever that would be, and that would be retrieved.

Q. And the financial transactions between your companies and DenSco number in the hundreds of thousands, perhaps?

10:18:35 A. I'm sorry?

Q. The number of financial transactions, wire transfers --

A. Oh.

Q. -- I'm trying to get an idea of the globalness of what we're dealing with, the size. The number of financial transactions between your entities and DenSco historically likely number in maybe the hundreds of thousands?

MR. JESS: Objection, form.

BY MR. ANDERSON:

Q. You can still answer the question.

A. Possible.

Q. Okay. Well, it's fair to say you were doing business with DenSco for nearly ten years; is that a fair statement?

A. That's a fair statement, approximately.

Q. And there were days where you would send multiple wire transfers back and forth to DenSco on single -- on individual days; is that right?

MR. JESS: Objection, foundation.

THE WITNESS: That would be correct.

BY MR. ANDERSON:

Q. And even -- there were also, likely, evidence of daily transactions; is that right?

MR. JESS: Objection, form.

THE WITNESS: That would be correct.

BY MR. ANDERSON:

Q. So we're talking about a lot of information that would be necessary to be accounted for; is that right?

10:19:43

A. That would be correct.

Q. We asked for copies of, like, written correspondence between you and DenSco in the last five years. What were the forms of written communication between you and DenSco?

10:20:00

A. Written communication would primarily be e-mail.

Q. All right. Did you -- so there are no formal letters between you and DenSco?

10:20:14

A. Formal letters?

Q. Like a letter with, you know, letterhead and signed and dated.

A. No.

Q. Text messages?

10:20:23

A. Maybe a few. We didn't communicate very often by text message.

Q. So most -- the majority of the communication is via e-mail; is that right?

A. No, majority of the communication would be via phone.

10:20:36

Q. Okay. So most of the discussions were over the phone; is that right?

A. Lots of discussions were over the phone or in person.

10:20:52 Q. Did your spouse have any direct communication with Mr. Chittick?

A. Never.

Q. Did your spouse have any direct communication with DenSco?

10:20:59 A. No.

Q. Now, another thing we asked for were all the agreements between DenSco and your entities relating to your lending activities.

Would it be fair to say that there is not one 10:21:28 large global contract that establishes the lending relationship between your entities and DenSco?

MR. JESS: Objection, form.

THE WITNESS: That would be fair to say.

BY MR. ANDERSON:

10:21:40 Q. Okay. The written agreements are in the form of mortgage notes and deeds of trust on individual properties; is that right?

A. Yes, it would be deed of trusts, offers to purchase and notes.

10:22:07 Q. What is Easy Investments, LLC?

A. An Arizona LLC.
Q. And what business is it in?
A. Buying and selling foreclosures.
Q. Are you the sole member of Easy Investments?
10:22:20 A. I am.
Q. Have there ever been any other members?
A. No.
Q. And so would you consider yourself, also, the sole owner of Easy Investments?
10:22:28 A. Yes, I would.
Q. All right. What is Arizona Home Foreclosures?
A. The same exact as Easy Investments.
Q. And meaning it's in the business of purchasing properties at foreclosure sales?
10:22:41 A. That is correct.
Q. And are you the sole owner of that entity?
A. I am.
Q. And have there ever been any other owners of Arizona Home Foreclosures, LLC?
10:22:51 A. No.
Q. You described the business that these two entities were in were essentially acquiring real estate at foreclosure sales. How long were these two entities conducting that business?
10:23:17 A. I'm unsure of the dates.

Q. So did one entity start before the other?

A. Easy Investments started first and then went to Arizona Home Foreclosures.

Q. Did you utilize both entities at the same time?

10:23:44 A. Could there have been some transactions that were closing out of Easy and as I was winding down Easy, at the same time of me doing business as Arizona Home Foreclosures? That's possible. I can't give you a for-sure answer.

10:24:00 Q. Is there a reason that Easy Investments stopped operating?

A. There was.

Q. And what was that reason?

A. Easy Investments had a ton of HOA judgments,

10:24:11 which was preventing us from closing transactions.

Q. And the solution to enable to close transactions was to begin another -- form another entity; is that right?

A. That is correct.

10:24:25 Q. So since Easy Investments was the first entity that you used, can I assume it was the first entity that was conducting business with DenSco?

A. Yes, that would be correct.

Q. And Arizona Home Foreclosures also conducted

10:24:45 business with DenSco; is that right?

A. Yes, that is correct.

Q. So can you explain sort of the general nature of the business relationship between Easy Investments and DenSco?

10:24:58 A. Easy Investments would purchase a property. DenSco would loan on it as a hard money lender.

Q. Okay. So let's start with this: When did the lending relationship start?

A. Approximately, between 2007 and 2008.

10:25:20 Q. And so there will be no -- I mean, so you certainly weren't in this business before the formation of Easy Investments; is that right?

A. That is not --

MR. JESS: Objection, form.

10:25:30 THE WITNESS: -- correct.

Oh, I'm sorry.

BY MR. ANDERSON:

Q. Okay, so what was the -- how were you buying and selling foreclosures before the formation of Easy

10:25:39 Investments?

A. There was a company when I first, first started, and I want to say I believe it was called Brandon Scott Investments, and I cannot give you a specific time frame, but I can tell you it was probably

10:26:06 early 2000s.

Q. Well, clearly, I'm only interested in sort of the DenSco part of it. The DenSco lending relationship was only with Easy Investments and Arizona Home Foreclosures; is that right?

10:26:23 A. Correct. I do not -- yes, that is correct. I never borrowed from DenSco under any other company, I don't believe.

Q. And DenSco was a hard money lender; is that right?

10:26:34 A. That is correct.

Q. And you, through your companies, entered into hundreds of loan transactions with DenSco; is that right?

A. Probably thousands.

10:26:44 Q. Okay, thousands.

Have you entered into hard money loan transactions with hard money lenders that were not DenSco?

A. I did.

10:26:55 Q. And just rough number, how many can you -- do you know, roughly, how many other hard money transactions were with other lenders than DenSco?

A. Five or fewer.

Q. Okay. So you've entered into only five hard

10:27:12 money loans that were not DenSco?

A. No. I'm sorry.
Q. Okay.
A. I meant five other companies.
Q. Okay, five other companies. Great. That makes more sense.
A. Yeah. I'm not sure. I couldn't give you an answer to that, how many other loans I've done with other companies.
Q. How about is it more than a hundred?
A. Yes.
Q. Okay. So you have some experience with the business practices of at least six hard money lenders in Phoenix; is that a fair statement?
MR. JESS: Objection, form.
THE WITNESS: Up to six, yes.
BY MR. ANDERSON:
Q. Okay. So, well, you've told us that you borrowed money from other hard money lenders in the Phoenix market; is that true?
A. Yes.
Q. And you've done probably over a thousand loans with DenSco, you said, right?
A. Correct.
Q. And maybe even another thousand loans with the other hard money lenders; is that right?

A. Possible.

Q. Okay. So in those 2,000 transactions, have you come to have some understanding of business practices of the hard money lenders that you've dealt with?

10:28:19 MR. JESS: Objection, form.

THE WITNESS: All I know about a hard money lender is that they lend money at 18 percent.

BY MR. ANDERSON:

Q. And is that really all you know about business

10:28:32 practices of a hard money lender?

Isn't it true that certain hard money lenders require and have different business practices?

MR. JESS: Objection, form.

THE WITNESS: Are you talking about

10:28:44 policies of different --

BY MR. ANDERSON:

Q. Sure.

A. Then, yes.

Q. Okay. What are some of the policies of other

10:28:49 hard money lenders that are not DenSco?

A. I don't understand.

Q. Okay. Well, let me start this.

A. Okay.

Q. You've told us that you have done -- well,

10:29:05 let's just start here: How would you borrow money from

DenSco?

A. I would either call him or e-mail him.

Q. Okay. And what would you -- and what information would you communicate in the call or e-mail?

10:29:18 A. Property address, the amount I paid, and the amount I want him to loan.

Q. Okay. And so you would only communicate with DenSco after you had completed the bidding on a property at a foreclosure auction; is that true?

10:29:37 A. Yes.

Q. Okay. So let's -- before we even talk about communicating with DenSco, there's got to be a step that happens before; is that right? And that step before is, you've got to be at a trustee's sale bidding on a

10:29:49 property; is that right?

A. Are we talking prior to the offers to purchase or after? Because there's a big difference.

Q. Well, I haven't even gotten into the before and after part, but I'm trying to just understand generally

10:30:02 DenSco's lending practices.

A. Okay.

Q. So why don't you --

A. Yeah.

Q. I mean, you know, if there's an offer to

10:30:08 purchase and there's a different lending practice, we

can get into that. I would like to sort of know what was happening before that happened.

A. Okay. The policy of DenSco was, I would go down to a trustee's sale. I would place a bid on a property. If I was the successful bidder, I would contact DenSco. I would let him know the purchase price and the loan amount of how much I'm looking for.

He would then wire funds to me. I would get a cashier's check. I would pay for the property. Ten days after, we would have a trustee's deed come, usually to my office. We would record the trustee's deed. DenSco would record a deed of trust on the property. And that would conclude that business arrangement.

Once the property was sold, DenSco would be -- would receive some kind of communication asking for a payoff. He would send that payoff to whoever it is. He would receive the money. He would release the lien.

Q. So there's a couple parts of that business practice that I want to get into, and we're clearly talking about something you talked earlier about being before the offers to purchase.

Is that explanation you just gave me the pre-offers to purchase business practices of DenSco?

A. Yes.

Q. Okay. So you said that first you're going to a

foreclosure sale and you're making bids on properties; is that right?

A. Correct.

Q. Are you physically at the auction making the bids, or you have someone there doing it for you?

A. Sometimes I'm the person; sometimes I have someone there.

Q. Okay. And how do you know that DenSco is going to lend you the amount of money you need to purchase the property you've just made the bid on at auction?

A. My relationship with him.

Q. So can you explain, though? It had to be more than just a relationship. Did you have an idea of what parameters you were able to borrow on?

A. If I needed more, he gave more. If I needed less, he gave less. There was no real parameters. I know what his -- you know, his business practices were, which I believe were 15 percent down payment. And sometimes I would do that. Sometimes I would give him 5 percent down payment. Sometimes I would give him 20 percent down payment. And sometimes I would give him no down payment.

Q. So was there any part of this business practice that you're talking about, other than down payments, that had to do with what the value of the property was?

A. I don't know how he looked at it.

Q. Okay. How did you come up with the amount to bid on these properties?

A. Based on value.

10:32:50 Q. Okay. And how would you determine that value?

A. We would work with realtors, who would provide me CMA reports, which is a report that is showing basically the comps in the area. We would look at tax records, and we would make a determination. Obviously

10:33:08 we're not appraisers, but we would make our own internal evaluation of what we believe 123 Main Street is worth.

MR. JESS: Scott, just to be clear, when you say "we," you're not referring to you and Mr. Chittick; is that correct?

10:33:25 THE WITNESS: That is correct. I'm referring to me and my realtor or realtors or whoever I was dealing with.

BY MR. ANDERSON:

Q. When you've done that internal calculation

10:33:34 yourself with your team, do you communicate that information to DenSco? Do you say, "We believe this house is worth X. We bought it for Y"?

A. Maybe in the very beginning of my relationship with him; but that didn't last long, because he would do

10:34:00 his own evaluation, I believe, of what the property was

worth.

Q. So you would send him an address and an amount, I assume?

A. I would send him an address. I would send him the amount that I've paid. And usually the communication that would come back is, "How much do you need?"

I would tell him, and that would be the end of that.

10:34:27 Q. Okay. There is timelines that are pretty strict that need to be followed when you're buying at auction; is that right?

A. That is correct.

Q. Do you know what those timelines, those 10:34:38 deadlines are?

A. Yes.

Q. And what are they?

A. You do need to pay for the property in full within 24 hours. It needs to be by 5:00 p.m. the next 10:34:45 business day.

Q. Okay. So when you're a successful bidder, but you require a hard money loan to close the transaction, you need to get working pretty quickly; is that right, to get the loan funded?

10:34:57 A. Yes.

Q. Yeah. I mean you have, basically, 24 hours to come up with the money to pay the trustee; is that right?

A. Correct.

10:35:05 Q. And when you're borrowing the money from a DenSco or another hard money lender, you've got to get those monies from the hard money lender; is that right?

A. That is correct.

Q. Business practices of hard money lenders that

10:35:24 were not DenSco, can we talk about that for a second?

A. Absolutely.

Q. Okay. When you had made a successful bid at a trustee's sale and you wanted to get a hard money loan from a non-DenSco hard money lender, first, what

10:35:43 information would you have to provide, generally, that hard money lender?

A. Pretty much -- well, a little bit more information. They would want to know my value on what I believed the property's worth, what I paid for it. They

10:36:02 would want an APN or parcel number, property address, sometimes a recording number of the notice of sale that was going to sell. I don't believe anything else.

Q. Okay. And so some of that information you just talked about, like a recording number and what your

10:36:22 evaluation is, that may not have been the same

information that DenSco always wanted; is that right?

A. Correct.

Q. When it came to funding that hard money loan -- remember, we're talking now about a non-DenSco hard money loan. -- were there differences in the procedures between a non-hard money lender and DenSco in the funding of these loans?

MR. JESS: I think you meant a non-DenSco hard money lender.

BY MR. ANDERSON:

Q. Right. A non-DenSco hard money lender and DenSco, is there a difference in the funding?

A. Big difference.

Q. Okay. And please explain to me the big difference.

A. A non-DenSco hard money company would pay the trustee directly for the property. So to give you -- do you want an example?

Q. Yes. Yeah.

A. So an example would be, I go out and I purchase or bid on 123 Main Street and I pay $100,000 for the property. And so I call another hard money company, not DenSco, and I say, "I would like a loan on this property," and I give them all the information that I told you that I would give them.

And then they would come back and they would tell me, "We are going to lend X amount of money on this property. We are going to pay the trustee for this property."

10:37:38 And so at a trustee's sale you have to put $10,000 down at the sale and then you have until 5:00 p.m. the next business day to complete the sale.

If we're using 123 Main Street as an example and we're using my successful bid of $100,000 as an

10:37:58 example, most hard money companies would require 20 percent down. I've already put 10 percent down, $10,000, at the sale. Therefore, I would have to come in with an additional $10,000, and the hard money lender would loan $80,000.

10:38:17 So what would happen is, I would send that $10,000 over to the hard money lender via check, courier, wire, however it was at the time. And the hard money lender then would pay the trustee $80,000, would get the receipt from the trustee, and then that receipt

10:38:41 would be e-mailed over to me.

Q. Okay. So the only -- so some of the differences -- well, some of these practices that we just talked about, you said that, first, if you had to put more down payment down, you would deliver the

10:38:52 additional down payment to the hard money lender; is

that right?

A. That is correct.

Q. And the hard money lender would include your additional down payment with its portion of the loan to deliver that to the trustee; is that fair?

Well, in your example, you said you borrowed -- you bought it for -- 123 Main for $100,000?

A. Correct.

Q. You put $10,000 down?

A. Uh-huh.

Q. The hard money loan that you need is actually $80,000, but there's still a $10,000 delta; is that right?

A. Correct.

Q. The $10,000 you're delivering to the hard money lender; is that right?

A. Made payable to the hard money lender.

Q. Right.

A. Yes.

Q. So the hard money lender, though, has to deliver the $90,000 to the trustee to complete the $100,000 sale; is that right?

A. That is correct.

Q. Okay. That $90,000 is delivered by the hard money lender to the trustee directly; is that correct?

A. That is correct.

Q. So if you said that they paid $80,000, you really meant $90,000?

A. That is correct, yes.

10:39:46 Q. Okay. I just want to clear that up.

A. Yes.

Q. And then you talked about the trustee delivering the final documents proving that the sale is concluded and you're the owner directly to the hard

10:40:03 money lender; is that right?

A. Correct.

Q. And then the hard money lender would send those documents to you?

A. Sometimes.

10:40:09 Q. Okay, sometimes.

In the course of all of this, you've probably executed a deed of trust and a promissory note that secures the hard money loan that you've just made; is that right?

10:40:20 A. Yes, that's correct.

Q. Okay.

A. Along with other documents.

Q. Sure. Who is generating those documents for a non-DenSco hard money lender; who is creating those

10:40:35 deeds of trust?

A. Always the hard money lender.
Q. And the hard money lender is then delivering that package of documents to you to sign, I assume?
A. That would be correct.
10:40:45 Q. And to notarize, I assume?
A. Correct.
Q. And you've got to deliver those back to the hard money lender?
A. Via courier.
10:40:51 Q. Via courier. And somebody, probably the hard money lender, is going to record that?
A. That is exactly correct.
Q. There's a lot of moving pieces here in this 24-hour period to fund this loan; is that a fair
10:41:03 statement?
A. Yes.
Q. Okay. So we've talked a little bit about non-DenSco hard money lenders. Is it a fair -- you've given us this sort of hypothetical example, but is it
10:41:14 fair to say that those lending practices were fairly uniform among non-DenSco hard money lenders?
A. Very uniform.
Q. So what you just described is really how every -- all other hard money lenders that you have had
10:41:29 experience with in the Phoenix marketplace operate; is

that right?

A. The only difference is that there are a couple of lenders that when I deliver my check to the hard money lender, let's say for the additional 10,000, I would actually make that check payable to the trustee. And so the hard money lender would deliver his check and my check to equal that $90,000.

Q. Okay. All right. So that's one difference.

A. Uh-huh.

Q. So now let's describe DenSco's practices, because you said there's a big difference.

A. Uh-huh.

Q. What is -- you know, from your vantage point as the borrower, what are some of the big differences?

MR. JESS: Ryan, would it help if he used the same example?

BY MR. ANDERSON:

Q. Yeah, yeah, use the same -- yeah, use 123 Main. I mean, you know, we're --

MR. JESS: 123 Main, okay.

THE WITNESS: So we'll use the same example of 123 Main Street and I'm still the successful bidder of $100,000. I get to basically tell DenSco how much to loan or request. And I'm pretty positive in ten years he's never said, "No, I can't loan that amount."

DenSco would wire me the funds for the transaction, and I would get the cashier's check to pay the trustee. DenSco did not require me to have a courier deliver the documents that I've signed and had notarized to him. I would, instead -- well, when I say that, I mean the originals. I would e-mail to him the signed documents.

I guess in general terms, it was just a very laxed hard money lending practice, very, very laxed.

BY MR. ANDERSON:

Q. Okay. So let's sort of break down --

A. Oh, excuse me. Sorry.

Q. Go ahead.

A. One of the things that -- and I didn't mention this before, and I forgot, so sorry about that. One of the things that a hard money lender, a non-DenSco hard money lender versus a DenSco hard money lender, would do is, a non-hard money lender would contact the title company and have them run title to confirm that I'm bidding on a first deed of trust and not a second, that there is no crazy lien out there that will not be wiped away with a trustee's sale. DenSco did not check title on any of them.

Q. How do you know they didn't check title?

A. From knowing his business, you know, from my dealings with him, he has never ever said to me there is something wrong with title.

And I've heard that -- I've heard that from other title companies, because -- I mean from other hard money lenders, because there is always something. I mean out of ten properties, I'm going to say three of them have something wrong with title. And it may just be someone that didn't record a release or someone -- it's a simple screwup that someone like me can overlook and say, well, that -- I'm not concerned about that because of whatever reasons I put in my mind that I'm not concerned about that, because, oh, this was a different owner 12 years ago that there's still an open deed of trust.

I'm gambling now that that deed of trust is paid off, because it has transferred to another lender. I'm going to use Bank of America as an example. Bank of America has loaned full amount on it. There is no way, knowing Bank of America's practices, that they would loan knowing that there's an additional $200,000 in front of it.

So a lot of times a non-hard money lender of -- a non-company, not DenSco, would say, "Hey, you do know that there's an open, whatever, on the property?"

Doesn't mean that when I explain to them my reasoning, that they won't lend on it; but they kind of make you aware of it, just to say, "No, we do agree with your analogy. We do believe that that should have been released. But there was -- we're just letting you know that there is something there."

10:45:54

Q. Right.

A. Or very big in the trustee business is an IRS tax lien. The law is that the IRS -- so, again, we'll just keep using 123 Main Street. 123 Main Street is owned by Mr. and Mrs. Gonzalez and Mr. and Mrs. Gonzalez has a tax lien against them. And so the first deed of trust bank or lender will foreclose on the property. The IRS has 100 days to go in and basically unwind the sale and say, no, there's way too much equity in this property. We want the property back, and return the funds back to, let's say, Scott.

10:46:11

10:46:37

That is a concern of a hard money lender, because -- or a borrower, because you are really gambling that you're going to be paying three months of interest at 18 percent. Let's say that's the number. Only to have the IRS come back and say, no, we want the property.

10:46:57

Reality is, in doing this for a very long time, I've only had one -- out of hundreds and hundreds of IRS

10:47:13

liens, I've only had one time where the IRS stepped in.

Q. Okay. But non-DenSco hard money lenders are bringing these issues to your attention, as the borrower, which indicates to you that they are taking

10:47:36 actually, a look at the title; is that correct?

A. They absolutely are.

Q. Well, you don't know absolutely sure, but they're certainly raising issues to you that would indicate to you that they probably are?

10:47:46 A. I could say that they are pretty confidently, because a lot of the hard money lenders would say, "Hey, in Chicago Title running this title report, do you know there's an IRS tax lien?"

Q. All right. Now switching to DenSco.

10:47:59 A. Okay.

Q. Did you ever get the sort of title concerns from Mr. Chittick?

A. No.

Q. And DenSco is Mr. Chittick; is that right?

10:48:12 A. Correct.

Q. I mean did you ever deal or communicate with anybody at DenSco -- and I put that in air quotes -- that wasn't Mr. Chittick?

A. No.

10:48:23 Q. And so, you know, there were -- you never dealt

with a secretary or another vice president or anybody else? It was just Denny or Mr. Chittick; is that right?

A. Correct.

Q. Okay. And so when Mr. Chittick, in your lending relationship, doesn't give you title problems or raises title concerns, you believe he's not taking a look at the title to the properties that he's lending on; is that right?

A. My belief, yes.

Q. Okay. All right. You talked about the differences between the two, DenSco and non-DenSco, and one of the bigger differences was that the money that was the subject of your loan was delivered to you, rather than delivered to the trustee; is that right?

A. Correct.

Q. Would this -- have you ever seen any other hard money lender operate in a way where the money that is the subject of the loan is paid to the borrower and not the trustee?

A. Never.

Q. Okay. So this is the only time you saw this?

A. That is correct.

Q. Did Mr. Chittick ever explain to you why that was his practice?

A. Convenience; didn't want to have to deal with

going to the bank every day.

Q. So he told you that that's why?

A. Uh-huh. That is correct.

Q. All right. So he told you, "The reason I'm just wiring the money to you is that I don't want to deal with getting the money to the trustee," is that --

10:49:55

A. To me and a lot of other borrowers. It wasn't just a policy with me. It was a policy with most of his borrowers, as my understanding at least.

Q. Okay. And so you said that he was lax in his lending decisions, meaning -- does that mean that when you asked for $100,000 on 123 Main, he usually gave you the $100,000?

10:50:14

A. Absolutely.

Q. Okay. So is it your experience with non-DenSco hard money lenders that the amount you asked for wasn't always the amount you were able to procure?

10:50:32

A. All the time.

Q. Okay. So --

A. And the reasoning is -- I'm trying to streamline this for you, just so you -- the reasoning is, is that if a non-hard money lender -- a non-DenSco hard money lender -- I'm thinking of one in particular in my mind. Their lending practices are they will not lend more than 65 percent of value on a property.

10:50:41

10:51:00

And so if my evaluation -- I'm not an appraiser. If my evaluation is I believe this property is worth $200,000, that's subject to opinion. When they look at it, they could say, well, we believe that the property is worth $190,000. So, therefore, you know, the loan amount is going to be a little bit less than what you asked for.

Q. Sure. And you've made a bid for an amount that is, in your estimation, what the value is going to be, right?

A. Absolutely.

Q. And so you're committed to acquire the property at that price in a 24-hour period; is that right?

A. That is right.

Q. In fact, you've put down a sum of money to do that, sometimes $10,000?

A. That is correct.

Q. Okay. If you're not able to get the hard money lender to lend you the amount of money necessary for you to finalize the property, what happens?

A. I've never had that situation.

Q. Okay. But what would theoretically happen if you couldn't get the hard money loan?

A. You would lose your bid deposit.

Q. And in all of your transactions, you've never

lost your bid deposit?

A. Not because I couldn't receive funding.

Q. Okay. All right. So the convenience of wiring the money to you was, you said, that he didn't have to go to the bank?

10:52:23

A. Correct.

Q. Wouldn't it also be true that part of the convenience would be that he didn't have to deliver monies to all these trustees that you're buying property from?

10:52:34

A. Oh, absolutely. Sorry. I should have expanded on that. Yes, he didn't have to go to the bank. He didn't have to go downtown or wherever the trustee happened to be, because there are many trustees, to go deliver funds. Some of the trustees are kind of difficult to work with. Some of them are remote, they're out of California or they're out of Texas, and they don't even have an office here. So it's like, hey, meet me at Starbucks at 3:00 to drop off the check. And, well, that's what you kind of have to do because they are holding your money. You do need to kind of comply with them.

10:52:44

10:52:58

And so I would -- Denny or DenSco, knowing this, I don't think he wanted to be involved with that whole thing.

10:53:13

Q. Okay. So to break that down a little bit, some of the trustees are located at different locations across the valley or even the state?

A. Across the valley.

10:53:29 Q. And so a non-DenSco hard money lender in this 24-hour period is doing its analysis of this loan to determine if it's going to make the loan; is that right?

A. That is correct.

Q. It's requesting funds from you to increase your

10:53:44 down payment on the property, correct?

A. Correct.

Q. You have to deliver those funds to the hard money lender?

A. Correct.

10:53:49 Q. You have to execute the documents the hard money lender wants you to execute?

A. Correct.

Q. You have to courier that information to the hard money lender for them to be willing to go forward

10:54:01 with the fund -- their side of the transaction?

A. Correct.

Q. Then when they fund, they -- "they" being the hard money lender -- have to courier this money to wherever this trustee is to finalize the transaction?

10:54:13 A. Correct.

Q. All by 5:00 p.m. the next business day?
A. That is correct.
Q. And your experience with DenSco was that they did not -- he did not want to do those things; is that a
10:54:34 fair statement?
A. That's my understanding.
Q. Okay. Did he ever tell you, "I don't want to deal with trustees. I don't want to go courier these things"? Did he ever say that to you?
10:54:47 A. Did we ever have a conversation about it? I don't know that we've had a conversation about it. I do believe that -- I do remember having a conversation about the bank, him not wanting to have to go to the bank every day. I do remember having a conversation
10:55:10 with that.
Q. Well, in a DenSco hard money loan situation, if Mr. Chittick isn't couriering the money to the trustee, who is doing that?
A. The borrower.
10:55:24 Q. So that's you?
A. Correct.
Q. So you have a lot more work to do on a DenSco loan versus a non-DenSco hard money loan?
A. Oh, God, yeah.
10:55:34 Q. Okay. And so some of those things --

A. Yes.

Q. -- are you need to deliver this money that's been given to you to that trustee to finalize the sale within the period of time?

10:55:48 A. That is correct.

Q. Okay. And how would you do that? Would you use couriers?

A. No. I would use -- sometimes I would have my bidder, whoever I had bidding that day. It all depend

10:56:03 on what was happening. So it all depend on where the -- it all depend on what I needed to pay for the next day.

So if it was a property at 123 Main Street and it was a specific trustee, well, that specific trustee will take payments downtown. So when my bidder is going

10:56:20 to go downtown to bid the next day, say, "Hey, stop at my office, pick up the check, and when you're downtown, please pay for this property."

Q. Okay. So a DenSco loan requires a lot of extra work for you?

10:56:33 A. Correct.

Q. Okay. Did the benefits of the relaxed lending practices for DenSco -- was that better for you, or was it more difficult, versus a more -- a non-DenSco loan?

MR. JESS: Objection, form.

10:56:55 THE WITNESS: Better for me in what

regard?

BY MR. ANDERSON:

Q. Well, I mean if you had to pick, you have 123 Main, you bought it and you get to pick, you've got to go a loan through DenSco or a loan through a non-DenSco hard money lender, which one are you going to pick?

A. DenSco.

Q. Okay, and why?

A. It's easy. It's just an easy process.

Q. Okay.

A. "Hey, Denny, I need $100,000 for this property." You have your documents e-mailed over within 20 minutes, 30 minutes. There's not a discussion of value. There's not a discussion of title. There's not a discussion of anything. The documents are there.

One of the -- a convenience of it was that he didn't require the documents to come back to him as originals. So I didn't have to pay, where in a non-DenSco situation I would have to pay for a courier to deliver the documents back.

Some lenders have their own people that are employed by them that will just pick up the documents for you as a courtesy, but a lot of them require you to get it to him. So if the lender is out in Scottsdale or

out in, you know, Chandler somewhere, I really don't want to drive from Central Phoenix all the way down to Chandler to do that.

So with DenSco it was a little bit easier because it's scan, e-mail, done.

Q. Right. Did it ever -- so I mean the presumption is, if you're signing the original deed of trust and the original note and the original mortgage and you're just e-mailing copies to DenSco, that you are holding those originals; is that right?

A. I'm not holding the originals.

Q. Well, I understand you're not holding them, but you're never transmitting the original to DenSco?

A. No.

Q. Right. So they never have the original?

A. Never.

Q. What happens to the original?

A. I throw it out.

Q. Okay.

A. Keep it on my desk.

Q. Right. Did it ever -- so in many instances DenSco's recording copies; is that a fair statement? They have to be, because that's all they have.

A. Always.

Q. So they're always recording copies?

A. Always recording copies.

Q. Did it concern you, as the borrower, that the encumbrances on these properties that you're owning were copies instead of being originals?

10:59:00 A. Why would I care?

Q. I just asking if it bothered you?

A. Never.

Q. Did you think it would in any way affect the sort of validity of the lien that's against the

10:59:09 property?

A. Never has.

MR. JESS: You doing okay? We've been going for about an hour. Do you want to take a break, or are you okay?

10:59:17 THE WITNESS: Yeah, we can go like another 10, 15 minutes and then I can use the restroom and stuff, if that's okay.

MR. JESS: Okay. Yep.

BY MR. ANDERSON:

10:59:24 Q. That's fine.

Was there a process by which you were advised that your loan requests were approved? I mean did you get an e-mail back saying "Approved" or -- I mean how did it work?

10:59:45 MR. JESS: But who, which?

BY MR. ANDERSON:

Q. From DenSco. Yeah, I'm sorry. Yeah, I've made this sort of fictional DenSco/non-DenSco, so I have to keep that going, but I mean that's just the way.

10:59:53 So in the DenSco transactions, did you get back from Denny "Approved" and then, you know, "Here are all your deeds of trust"?

I'm just trying to figure out how -- what the communication was.

11:00:04 A. No. There was never anything not approved.

Q. Understood. Okay.

A. The next communication I would have with DenSco after giving him that information of the bid price and all that stuff would be an e-mail that says "Docs," and

11:00:19 attached to the e-mail would be the docs that he's created for me to sign.

Q. Okay. And then how do you know that the money is going to be there for you to purchase the property?

A. It always is.

11:00:35 Q. I understand. So I mean he doesn't say to you, though, "I'm wiring X"?

A. Sometimes he would e-mail you or send you an e-mail that says "Wired" or "Sent 338,000," sometimes; but most of the time I would just get a text on my phone

11:00:55 from the bank saying, hey, you just received a wire.

Q. Okay. And so --

A. I've never had a situation where he sent me docs and did not send me a wire.

Q. Okay.

11:01:06 MR. JESS: Walk Ryan through 123 Main Street, how it would work with Denny in terms of the funding and the documents.

THE WITNESS: Okay. So we already went through how I communicate with him and I tell him I've 11:01:21 purchased 123 Main Street. I tell him, let's just say, "I will need $100,000," and let's just say I purchased it for $100,000 or whatever.

The next communication would be an e-mail that says "Docs." His docs would be there. He would 11:01:38 wire -- he normally wired very, very early in the morning. Usually before I even left the house in the morning, by 7:00 in the morning, the money would be in my account already, which was convenient, because then I got to go to the bank before even getting to the office, 11:01:56 so I didn't have to go and come back and forth.

And then I would at some point during that day sign the documents after I've received the money, which is another difference that no other hard money lender would ever do; but I would sign the documents, 11:02:13 usually that same day, unless something was going on and

I wasn't by a computer. Then I would sign them that night or the next day, whatever it is. And then I would e-mail it back to him, and that would be our transaction done.

11:02:25 BY MR. ANDERSON:

Q. Okay.

A. Once in a while -- now, remember how I said that you get a trustee's deed ten days later. So there were many instances where -- the laws changed about five 11:02:41 years ago, approximately. And so one of the differences was, prior to five years ago the trustee would mail you an unrecorded trustee's deed, and it would be up to me to record the trustee's deed. And then in the last five years they've changed that, where you're going to pay 11:03:03 10 or $12 and they're going to record the deeds for you.

Well, prior to that there were a lot of times that the deed just never showed up. The trustees were very laxed in getting you deeds. They know the laws. Sometimes you had to really yell and scream that you 11:03:19 were going to call an attorney because, hey, your ten days are way completely up. And then that's usually the only time that they would really start moving around to actually do something, and they would get you a deed. But there were times that DenSco, Denny, would e-mail 11:03:34 and say, "Hey, it's been 17 days and this thing is not

recorded." And now he's waiting, because he wants to record his deed of trust. And so then I would tell him, "Okay, let me call the trustee and find out." And, you know, typically, a week later or less I would have a
11:03:52 trustee's deed recorded, and that would be the end of that.

Q. Okay. In terms of -- you talked about a big difference being that you're getting the money before you've actually executed the documents purporting to be
11:04:10 the loan secured against the property; is that right?

A. 99.9 percent of the time.

Q. And that in your experience with non-DenSco hard money lenders, that did not happen, right?

A. No, that would never happen.

11:04:24 Q. So it would never happen with a non-DenSco lender that you would get the money before you've agreed to the loan?

A. No, non-DenSco lenders are -- they have policies. They have procedures. They -- it's you do
11:04:36 this or you don't do it. And there is no real gray area there. It's follow one, two, three, four, and one, two, three, four will happen back for you. If you don't follow one, two, three, four -- another example. A non-DenSco hard money lender requires you to have
11:04:56 insurance on a property. Very important. If a property

burns down the following business day, the borrower really could just walk away and say, all right, it is the hard money lender's problem.

They always require you, every one I've ever dealt with, required you within that 24-hour period to get them proof of insurance before they deliver the money to the trustee. With Denny it wasn't that case, or DenSco. It was not that case.

Q. What were DenSco's insurance requirements?

A. He wanted insurance on the properties, whether it be that day, the next day, three days later. Whenever it happened to be, whenever I got around to it, then it would happen.

Q. Well, it sounds like, from your testimony, that DenSco's -- you said lax. That it's really relaxed; that the relationship with you at least was such that there was a lot of trust, would that be a fair statement?

A. I don't -- yeah, with all his borrowers.

Q. Well, you say "with all his borrowers." How do you know that his lending practices were uniform amongst all of his borrowers?

A. Okay, when I say "all of his borrowers," I can't say that accurately. I can say a number of borrowers that I'm friends with, I know that he wires to

them and has the same exact procedures.

Q. So in the sort of world that you operate of buying trustee's deeds, that it was known that DenSco's lending practices were just different than the rest of them?

11:06:28

A. Yes. I mean I've officed -- it's a small world. It's a very small, little community of people that buy at trustee's sales. You do have the occasional person that comes in and then disappears for six years and then comes back a day and then never see them again; but it's really the same people every single day, and so you get to know these people.

11:06:43

And at one point in my career I -- again, 2006, '7, '8, around that vicinity, I officed with a couple people that were doing the same exact thing, and we all kind of shared the rent and we all worked with DenSco. We also all worked with other hard money lenders. And I remember specifically -- I mean not that I have had conversations with them about it, but I remember specifically hearing, "Oh, Denny just wired 600,000 to my account. I need to go get cashier checks to pay for these properties," the same procedure.

11:06:59

11:07:14

MR. JESS: Do you want to take a break?

THE WITNESS: Yeah.

MR. JESS: Can we take a break?

11:07:28

MR. ANDERSON: Sure. We can go off the record at 11:07.

(A recess was taken.)

BY MR. ANDERSON:

11:18:16 Q. We'll go back on the record.

Mr. Menaged, you're still under oath. Do you understand that?

A. Yes.

I would like to go back to one thing, of a 11:18:26 question that you asked me. You asked me if I ever had a conversation with Denny or DenSco in regards to why he did -- he was wiring to the borrowers. And the one thing I do remember was, when I first -- my first transaction ever with DenSco, he did e-mail me and ask 11:18:49 me for my banking information. And I was confused, because no one would ever ask me for my banking information. There would be no reason for it.

And I sent it to him, and he wired me the money for that first transaction. And then I remember asking 11:19:08 him -- I don't remember if I asked him or said to him, "You made a mistake. Why do, like, I have this money?"

And he said, "This is how I do it. I will wire to the borrower, and it's your transaction. You go and take care of it." I do remember that. I mean that was 11:19:26 ten years ago, but I do remember having that

conversation.

Q. Okay. So from your understanding of this, that this was his business practice from as soon as you started doing work with him?

11:19:37 A. Yes. He never knew me from before that.

Q. Right.

All right. So changing gears a bit, in addition to Arizona Home Foreclosure and Easy Investments, you've disclosed some other businesses in

11:19:48 your bankruptcy petition. I've just got some basic questions about them.

What is Auto King, LLC?

A. An auto dealership.

Q. Is it still in business?

11:19:57 A. It is not.

Q. When did you stop operating that business?

A. Approximately a year ago.

Q. So sometime in 2015?

A. I would say that's accurate.

11:20:10 Q. Okay. And why? Why did you stop operating Auto King?

A. I hated the business. It was a very bad business for me.

Q. And the business was what?

11:20:20 A. Selling used cars to people with

credit-challenged situations.

Q. You have a company called Beneficial Finance, LLC; is that right?

A. Yes.

11:20:33 Q. And what is that company?

A. It was designed to loan money to people who were credit-challenged to buy furniture. However, I never did it.

Q. Meaning you never lent anybody any money?

11:20:50 A. Correct.

Q. And is that company still operating?

A. No.

Q. Were you the sole owner of Beneficial Finance?

A. I was.

11:20:58 Q. Okay. And the same for Auto King?

A. Correct.

Q. We've got Furniture & Electronic King, LLC. And, in fact, I know a little bit about those because, as you know, those entities are now in the receivership.

11:21:12 So I guess let's just talk about Furniture King, Scott's Fine Furniture, and Furniture & Electronic King sort of as Furniture King. Is that a fair statement to say?

A. Yes.

11:21:22 Q. Those three businesses are also out of

business; is that right?

A. That is correct.

Q. They're no longer selling furniture?

A. Correct.

11:21:31 Q. How did you get into the furniture business?

A. My dad was in the furniture business in New York, and so growing up, growing up probably since I was 13 or so, on the weekends I would go to work with him. Summer breaks I would be always at work. And I really

11:21:50 enjoyed business in general.

Q. When did you start these -- well, when did you get into the furniture business in Arizona?

A. My dad had a company in late '90s, mid '90s, when I first moved out here, called with Buckeye

11:22:30 Furniture, and I started working with him there.

Q. So the furniture businesses predate the foreclosure/trustee deed business, right?

A. Yes.

Q. Okay. Were you in the furniture business, you

11:22:49 know, the whole time that you've been in the trustee deed business?

A. No.

Q. Okay. So when did you sort of restart furniture? I mean you can give me approximate dates.

11:23:11 A. 2008, 2009, approximately.

Q. Okay. And was the first entity you started, was that Furniture King?

A. Correct, and operated on Thomas Road.

Q. And eventually the Furniture King enterprises expand to multiple stores and multiple entities; is that right?

11:23:25

A. That is correct.

Q. However, upon the filing of the bankruptcy, you've ceased business operations for Furniture King, Scott's Fine Furniture, and Furniture & Electronic King; is that right?

11:23:38

A. Correct.

MR. JESS: Just to clarify, Scott, I believe that you ceased operating those businesses during the bankruptcy, not when you filed, correct?

11:23:50

THE WITNESS: During, correct.

BY MR. ANDERSON:

Q. Are there any remaining assets of Auto King, LLC?

11:24:06

A. Yes.

Q. Are those remaining assets the equipment that is in your garage at home?

A. Yes.

Q. Okay. And I believe that equipment is currently going to be sold by the trustee and the

11:24:14

creditor; is that true?

A. That's correct.

Q. Are there any assets of Beneficial Finance?

A. No.

11:24:23 Q. The assets of Furniture King, which includes Furniture & Electronic King and Scott's Fine Furniture, those assets include furniture inventory; is that right?

A. Correct.

Q. Other than the furniture inventory that we're

11:24:39 intimately familiar with now, are there any other assets?

A. No.

Q. So no bank accounts, right?

A. There are bank accounts.

11:24:48 Q. Well, is there any money in the bank accounts?

A. No.

Q. Do these entities -- have they ever owned any real property?

A. No.

11:24:58 Q. Do these entities -- ever owned any vehicles?

A. No.

I'm sorry. Yes.

Q. Okay. Were those vehicles leased or were they owned?

11:25:14 A. There was one vehicle that we owned under

Furniture King. It was sold years and years ago. And that was it.

Q. Well, you initially filed bankruptcy sometime in May, I believe; is that right, May of 2016?

11:25:34 A. I believe it was earlier than that.

Q. Was it April?

A. It might have been.

Q. It was a filing that you did by yourself; is that right?

11:25:42 A. That's correct.

Q. You were not represented by counsel at the time?

A. No.

Q. Let's just start with sort of the question why

11:25:50 did you file this bankruptcy?

A. I had a marker out in Las Vegas with the Wynn Hotel, and they sent that to -- they sent that marker to a collection agency that ultimately ended up at the District Attorney's Office. And so they demanded

11:26:10 payment within ten days, and I did consult with an attorney out in Vegas, and they told me that, you know --

MR. JESS: Don't say anything that your attorney told you.

11:26:19 THE WITNESS: Oh, okay.

I then filed for bankruptcy for that reason.

BY MR. ANDERSON:

Q. Okay. To address this debt to a casino; is that right?

A. That is correct.

Q. And do you generally know how much that amount of the debt is?

A. 150,000.

Q. And how did you incur that debt?

A. Gambling.

Q. And is it at a certain casino?

A. The Wynn.

Q. The Wynn in Las Vegas?

A. That is correct.

Q. And over what period of time did you incur this gambling obligation?

A. A couple months.

Q. Was it a couple months in 2015?

A. Yes.

Q. Okay. So you filed the bankruptcy in, I think it's April --

A. Uh-huh.

Q. -- of 2015?

A. '16.

Q. 2016.

You incurred the debt to Wynn back in 2015; is that right?

A. Correct.

11:27:23 Q. Is there any dispute on your side to the validity of the debt?

A. No.

Q. So you used credit from the casino to gamble?

A. Correct.

11:27:34 Q. And you were unable to pay them back?

A. Correct.

Q. What type of gambling did you do at the Wynn?

A. I believe it was blackjack.

Q. Electronic or with cards?

11:27:45 A. No, cards.

Q. Did you gamble at any other casinos?

A. In my lifetime?

Q. Well, how about we'll just do 2015.

A. Possibly.

11:28:04 Q. Did you take out any lines of credit at any other casinos in 2015?

A. I don't believe so.

Q. Okay. And when I say "line of credit," I do mean a marker. Did you have markers at any other

11:28:17 casinos in 2015?

A. I don't believe so.
Q. Did you have any -- did you gamble in any casinos in Arizona?
A. I did.
11:28:26 Q. Which ones?
A. Casino Arizona and Talking Stick Resort and Wild Horse Pass.
Q. Did you have enough gambling winnings to be issued a tax form from any casino in 2015 indicating
11:28:52 what your winnings were?
A. No. There's statements, but I mean from the casinos you can always, you know, get what --
Q. Okay, but you could get a statement, I guess, from a casino --
11:29:06 A. Yes.
Q. -- that shows how much you gamble; but I'm asking if you got sort of a tax form that says here's your gambling winnings?
A. Only on slot machine wins and on specific wins.
11:29:18 Q. Did you get any of those sort of tax forms in 2015 from slot machine wins?
A. I don't believe so.
Q. When you gamble, do you generally win or do you generally lose?
11:29:39 A. Well, in my mind I was a winner.

Q. Well, what about in your pocketbook?
A. No, that would be a loser.
Q. So you filed the bankruptcy because of the problems with the Wynn marker; that's the only reason you filed?
A. Plus I had other debts.
Q. Okay. And were there any other creditors that were putting pressure on you at that point?
A. No.
Q. Your first filing that you filed by yourself failed to mention or include DenSco in any way.
A. Correct.
Q. Why?
A. I didn't want to upset him. In some deluded way in my mind, I was hoping to get his debt taken care of somehow, maybe hit a really big jackpot or a couple of them or furniture or whatever. I mean I would have done anything to get him taken care of. I never wanted to put him in that position.
Q. Okay. You amended your schedules in August of 2016; is that right?
A. Correct.
Q. And your amendments were with the assistance of a legal counsel; is that right?
A. Correct.

Q. The amended schedules, do those reflect all your assets and all your liabilities?

A. Yes.

Q. So do you own any property outside the jurisdiction of Arizona?

11:31:28

A. No.

Q. Do you have any interest in any companies that may own property outside of Arizona?

A. No.

11:31:37

Q. Are you a member of any partnerships that may own property outside of Arizona?

A. No.

Q. Why didn't you file a joint bankruptcy with your wife?

11:31:45

A. My wife -- well, number one, my wife doesn't have any assets. She doesn't have any money. She's not on the house. You know, she's not on the cars. There was really no reason. I mean there was nothing there for her.

11:32:08

Q. Does the divorce that you talked about earlier, the prepetition divorce, did that have any calculation on this bankruptcy filing?

A. No.

Q. So you didn't file the first bankruptcy in order to ensure that the Divorce Court didn't resolve

11:32:23

any community property issues?

A. No, not at all.

Q. Okay. I'm going to show you what's marked as Exhibit No. 1.

11:32:51 (Deposition Exhibit 1 was marked for identification.)

BY MR. ANDERSON:

Q. This is the forbearance agreement. And this is not the entire forbearance agreement. As you know, I 11:33:10 gave you a copy at the 341 meeting. The entire agreement is like a hundred-plus pages. This is just part that I think we should just be able to look at and talk about. So this is not the full agreement.

A. Okay.

11:33:25 Q. On November 27th of 2013, you meet with Mr. Chittick and you tell him that something's gone wrong in your business operations; is that a fair statement?

A. Yes.

11:33:40 Q. You explain to him that DenSco's loans that DenSco believed were in first position were, in fact, second position deeds of trust; is that right?

A. Correct.

Q. And that those second deeds of trust were 11:33:58 spread across at least 100 real properties, right?

A. Correct.
Q. Do you recall that meeting?
A. I do.
Q. Okay. Where did that meeting take place?
11:34:08 A. At his house or home office.
Q. And what did you tell Mr. Chittick?
A. I told him that he was in second position on a lot of loans. The thinking behind it was, you know, property values were on the rise. He asked me what
11:34:31 involvement -- he asked me what involvement because -- like what involvement I knew of all of this. I told him that it was a -- I told him that I -- I told him that one of my family members or family member employees was doing it without my knowledge. And I said that because
11:34:55 I didn't want to -- I didn't want to upset him. I mean I didn't want to tell him I knew what was happening and what the thought process was.
Q. Okay. Well, what was the problem?
A. What was the problem with what?
11:35:14 Q. Well, I mean you're meeting with him to explain that he's in a second position. Why? Why was that a problem?
A. He said it was a problem because in an agreement that he has with his investors, he's not
11:35:28 supposed to be in second position.

And when he looked at the numbers and he looked at the properties at the time, he saw that the risk was not as high as most hard money lenders would think it would be, because he saw the idea of this property was worth 50,000 and now it's worth 70,000, and three to six months from now it probably will be worth 90,000. He wasn't that concerned about the value as more he was concerned about the position because of his agreements with his investors.

11:36:02 Q. Okay. Well, wasn't his agreement with you, when you were taking the loans on these properties, that he would be in first position?

A. Yes.

Q. Okay. And so he didn't know that he was actually in second position on these loans, when he thought he was in first, right?

A. We met prior to November, I want to say sometime earlier that year, and I said to him -- he said to me, "I got a call from a hard money lender." Someone called him. I don't remember who, but someone called him and said, "Hey, you know, you're in second position on this thing. Is your loan still valid," or something like that.

And he said to me, "Am I in second on this?"

11:36:53 And I said, "I don't know." I said, "Maybe.

I'll check when I get back to the office."

He's like, "Okay. If I am, just get me out of second."

And it was really no big deal. And, you know, I at that point explained to him and said to him, "Yeah," I said, "I'm really not that concerned about it," I said, "because of what the loan amounts are and what the values are of the properties and how they're going up."

11:37:13 And he never mentioned his investors at the time. He just said, "No, I get it. I understand." And that was the end of it. And so I really didn't think that -- because he was so laxed in everything else, I didn't really think it really mattered to him.

11:37:30 Q. Okay. So how did DenSco get into this situation? I mean walk me through 123 Main where DenSco ends up in a second position on it.

A. The only way that DenSco ended up in this position is because he wired the money to the borrower, me, and did not pay the trustee directly.

11:37:46 Q. Okay. So the lax business practices of DenSco, where it would be wiring money to you on a property that you have made a bid on, enabled you to get another loan in first position, right?

11:38:08 A. That's correct.

Q. Okay. So, and Denny, when he was delivering these funds to you and delivering these documents to you, did not know he was going to be in second position, correct?

11:38:22 A. Correct.

Q. Okay. So you're going to an auction and you're making a bid on 123 Main, right, and you make a bid for $100,000?

A. Correct.

11:38:33 Q. You then go -- isn't it -- I assume you've gone -- you go to a non-DenSco hard money lender to get money to acquire the property; is that what happens?

A. Correct.

Q. And you go through the non-DenSco hard money

11:38:48 lender's practices and procedures in order to acquire title to the property, right?

A. Correct.

Q. Are you doing the exact same thing with DenSco at the same time?

11:39:00 A. Correct.

Q. So you are making -- you are telling DenSco, I need to borrow X against the same property which you've now already got a hard money loan against; is that right?

11:39:12 A. Correct.

Q. The non-DenSco hard money lender goes through its policy, practices and procedures and wires the money or delivers the money to the trustee, and they end up in, most of the time, first position, right?

11:39:29 A. Most of the time, yes.

Q. And then DenSco wires its money to you, you sign the documents evidencing the loan, send them back to DenSco, and eventually DenSco records its deed of trust, right?

11:39:49 A. Correct.

Q. And in the majority of the instances DenSco ends up in second position, and the non-DenSco hard money lender is in first position, right?

A. Sometimes.

11:40:00 Q. Well, how many times of these two loans on a property was DenSco in first versus DenSco in second, just -- do you know?

A. Estimated?

Q. Yeah.

11:40:08 A. Half, 50 percent.

Q. Okay. Of the 50 percent when DenSco's in second position, at no time did DenSco believe, when it was lending the money to your entities, that it was going to be in second position, right?

11:40:23 MR. JESS: Objection, form. Go ahead.

THE WITNESS: I don't know what he believed.

I don't have to answer?

MR. JESS: Yeah, go -- no, go ahead. No.

11:40:29 THE WITNESS: I don't know what he believed. I just know the conversation I had with him earlier that year where second position, first position, it was really no big deal. It didn't matter.

The only time it became an issue for

11:40:42 DenSco or Denny was when a hard money lender contacted him and where his big concern was, was, "Oh, my God, my investors invest in that hard money company as well, and that can't get out."

It wasn't an, "Oh, my God, I'm in second

11:41:05 position on all these loans." It was more of "My investors can't figure this out or understand it." And, you know, now that there's a hard money lender involved, where these investors have invested into this other company, it just takes a phone call to one -- again,

11:41:24 this is a very small business. So once one investor knows, they all know. And so that was his main concern with me, which is where the forbearance agreement came up.

BY MR. ANDERSON:

11:41:36 Q. Okay. Well, the reality, though, with

123 Main, where you've gotten two loans on the property, you've only needed to use one of your hard money loans to actually acquire title to the property; is that right?

11:41:49 A. That is correct.

Q. So you have the money from the other loan --

A. Correct.

Q. -- in your possession?

A. That is correct.

11:41:53 Q. What happens with that money that is not used to acquire the property?

A. In -- I can't say every time or every dollar, but in the big picture, most of the money would go back to DenSco, and it would go back to DenSco on a previous

11:42:16 loan that we've had that, you know, the market was completely upside down, and let's just say that he loaned me $170,000 on a condo that today is only worth 40 grand.

Instead of me telling him, "Hey, like your

11:42:35 other borrowers, I'm walking away from this property," which I had every legal right to do at the time, instead, I took this money and I put it into that so I could get those loans paid off, off the books, and sold.

Q. So you were using DenSco's money from current

11:42:55 transactions to pay historical transactions?

A. Correct.

Q. Okay. Is that what you told Mr. Chittick at the time?

A. At the time?

11:43:04 Q. Right. In November of 2013, is that what you told him?

A. He never asked me at that time what I was doing with the additional funds.

Q. So he never asked you where all the money went

11:43.14 that he lent you?

A. Was it in this conversation?

Well, no, he did -- when we talked about where the additional funds were, I told him it was taken by a family member that was running my company. That's what

11:43:43 I told him. I never told him that the money went back to him to pay off the first hundred loans when the market went upside down.

See, he was in a place of -- he was -- he was a lonely man, loved to reach out, loved to talk. And when

11:44:02 the market started changing and he had all -- I'm going to -- tons and tons of borrowers who were walking away from him, and he's now went from the lending business to the landlord business; meaning he foreclosed on the property, he took the property back or the borrower

11:44:26 signed the deed of lieu and gave him back the property.

And so what was he going to do with the property? So he rented it out, you know, collected something on the property. Better than collecting nothing or the property being vandalized.

11:44:39 And for a good amount of time it was a very, very big -- very, very big stress on him. And I didn't know him personally, like I didn't know -- I didn't know his ins and outs of what he does or his head, mindset or anything like that; but I had around that time started 11:45:00 to figure out, okay, this man cannot take pressure, because the smallest little things would send him over the deep end. And he would constantly complain about how, you know, he had borrowers that would just walk away and, you know, leave him with a $200,000 loan on a 11:45:19 property that's worth 40 grand and, you know, how appreciative he is of, you know, that I haven't done that with him. Because at the time I had a -- who knows how many loans, I mean tons and tons of loans. And had I done that at the time, I don't think that -- I don't 11:45:38 believe DenSco would have survived.

So here's this man that's telling me constantly, over and over again, about how he can't sleep at night because these borrowers have screwed him over and have turned over these properties, and he's 11:45:53 taking pills to sleep at night, and, you know, thank you

so much for taking care of your loans and blah, blah, blah, blah, blah.

And I didn't have the heart -- I wish I did, but I didn't have the heart to say to him, "Hey, I'm sorry, here's a hundred properties or 150 properties. I'm done. You know, this thing is -- this portfolio is completely upside down." I just couldn't do it. I wish I did, but I couldn't. I felt sorry for him.

Q. Okay. Did you tell him that your wife had cancer and that's why you had turned over control of the business to this cousin?

A. I did. I told him that my wife was sick.

Q. Was that true?

A. She is sick, uh-huh.

Q. No, did she have cancer?

A. No.

Q. So if you told him that she had cancer, that was a lie?

A. Yes. I didn't want to tell him what she really had.

Q. You've talked about this cousin. The cousin doesn't exist, right?

A. That is correct.

Q. Did you tell Mr. Chittick that the cousin had taken DenSco's money and spent it in Las Vegas?

A. I did.
Q. Was that true?
A. No. There is no cousin.
Q. Okay. I understand there's no cousin. But had you taken any of the money and spent it in Las Vegas?
A. No.
Q. Okay. The cousin allegedly, you know, absconded to Israel, I believe; isn't that what you told him?
A. That's what I told him.
Q. And took with him money?
A. Correct.
Q. That obviously wasn't true, because the cousin doesn't exist, right?
A. Correct.
Q. Did you take any of the money and put it in Israel?
A. I did not.
Q. Your testimony is, is that the money that you borrowed from DenSco was only used to repay DenSco loans that were not going to -- not going to perform; is that right?
MR. JESS: Objection, form.
BY MR. ANDERSON:
Q. You can still answer the question.

A. The majority of the money, yes.
Q. Okay. Did any of the money that you acquired from DenSco under these second loans -- was it used in any other way?
11:48:17 A. Yes.
Q. Okay. And what are those other ways?
A. Living expenses, investing into the furniture companies, gambling.
Q. Okay. So in addition to paying DenSco back on
11:48:35 loans that were not going to be performing, you used the money that you had acquired from DenSco to pay for your living expenses?
A. Correct.
Q. To go gambling in Las Vegas?
11:48:49 A. Correct.
Q. Did you use that money to repay any of your other loans?
A. Business loans?
Q. Any loans.
11:49:00 A. Living expenses, my father's loan to the company.
Q. To which company?
A. Arizona Home Foreclosures, the same one that Denny lent --
11:49:09 Q. You used some of DenSco's money that you

acquired through these second mortgages to pay down your dad's obligations?

A. Yes. They both lent money to the same company.

Q. How much did you pay your dad back?

11:49:27 A. I would have to get that accounting.

Q. How would you get that accounting?

A. I could ask him to get his accountant to get it.

Q. It's true you took advantage of DenSco's

11:49:48 relaxed lending practices, right?

MR. JESS: Objection, form.

THE WITNESS: I didn't take advantage of his laxed -- in my opinion, I didn't take advantage of his laxed lending practices.

11:50.02 In my conversation with him sometime earlier that year and he mentioned, "Hey, there's a property or two properties that I think I'm in second position on," and we kind of talked about it, and I'm like, "Yeah, I have to look at the books and figure out

11:50:18 if you are in second position," he was like, "All right. You know, no big deal. Just take care of it."

It was not a conversation I would have had with another lender in that situation, and so I didn't realize at the time that he had a ton of investors. I

11:50:33 didn't know he had any investors, actually. I didn't

realize that he wasn't allowed to be in second position.

And I believed that what I was doing was really the best for him, because I was getting rid of all these bad loans. And, yes, we are -- we now have X

11:51:00 amount of liens on these new loans at the bottom of the market, when they're going up, and then as soon -- the idea was when they got up to a certain level, they'll get sold and problem solved.

BY MR. ANDERSON:

11:51:12 Q. But you don't disagree that you were lying to Denny about the loan that you were going to -- that you were asking for?

MR. JESS: Objection, form.

THE WITNESS: No, I didn't -- I lied to

11:51:25 him. He's lied to me. We've had a ten-year relationship.

BY MR. ANDERSON:

Q. Well, you're asking -- when you're already working on getting a loan on 123 Main from another hard

11:51:35 money lender and you ask for the same money from DenSco at the same time, you understand that you are misrepresenting to one or both of the lenders what's happening, right?

A. Yes.

11:51:46 Q. And you're borrowing money under those false

pretenses, right?

A. Correct.

MR. JESS: Objection, form.

BY MR. ANDERSON:

11:51:53 Q. While you have explained that after it became exposed to Denny that he was in second position, he wasn't too upset about it, are you telling us that you think if you had told Denny at the beginning that you were going to ask for him to loan money on properties

11:52:14 that you already had a first position lien on, that he would still lend?

A. Absolutely.

Q. Okay. So you think that if you would have come and been honest with him about the position he would be

11:52:25 in on these certain properties, he would have still lent the money to you?

A. Yes.

Q. Okay. And what leads you to believe that?

A. There have been many times, like, for instance,

11:52:36 on my personal house, where I needed a few hundred thousand dollars, and he would know that I have a million dollar loan or $2 million loan on my personal house, and he would put himself in second position.

There wasn't -- in conversations I have had

11:52:55 with him, I mean, I think it's because the whole laxed

environment and the way that me and him would speak, and I don't see why he -- other than his commitments to his investors, why there would be a problem with that.

Q. Okay. Well, you said that the first time you figured out there were investors was when this came to light; is that right?

11:53:22

A. That's correct.

Q. And what happened was that the other hard money lenders that were either in first or potentially second position raised concerns about these individual properties to DenSco and probably to you, right?

11:53:33

A. Correct.

Q. And so in the throws of this disclosure that DenSco is in second position, you learn for the first time that Denny has investors, right?

11:53:50

A. It was approximately that time, yes.

Q. And you also learned at the same time that DenSco has made representations to its investors about the types of loans it's able to make to people like you, right?

11:54:05

A. I've learned that from his attorney, yes.

Q. But you learned it in this process, in this unwinding of these second positions, right?

A. Correct.

Q. And before that time you didn't -- you weren't

11:54:14

aware of that DenSco had investors, right?

A. If I knew that he had investors, I mean maybe it was a couple. I don't really remember. I don't remember having a conversation with him about it.

11:54:34 Q. Okay. You certainly know for a certainty during the forbearance agreement negotiations that there are a bunch of investors?

A. Yes.

Q. Just so I'm clear, while you believe that due 11:54:57 to Denny's relaxed lending practices and some of his lending practices with you on an individual basis, that he may have loaned on properties where he would be in second position, you did not specifically tell him that he was going to be in second position on these loans, 11:55:16 right?

MR. JESS: Objection, form.

THE WITNESS: I did not have a conversation with him and say, "I'm putting you in second position on these loans," no.

11:55:24 BY MR. ANDERSON:

Q. Okay. And did you ever tell him that you used the money from these second positions to pay for your living expenses?

A. No.

11:55:34 Q. Did you ever tell him that you used the money

to -- you know, for your other businesses?

A. No. I never even told him that he got the money back.

Q. Right. You never even told him that you were using the money to repay -- 11:55:45

A. Right.

Q. -- other loans?

So he knew -- all he knew was this lie about the cousin, right?

MR. JESS: Objection, form. 11:55:55

THE WITNESS: I believe that's what he knew, yes.

BY MR. ANDERSON:

Q. Okay. And you never told him the truth about it, did you? 11:56:02

A. I'm pretty sure he knew the truth.

Q. How do you know that?

A. It's my feeling.

Q. Well, did you ever tell him the truth?

A. No. But there was a conversation one time where he said to me, "Look, honestly, I don't really care how we got to this position and I don't really care --" I mean specifically said to me, "I don't even care if the cousin story was a lie," which kind of threw me off. "We just clean -- we'll just get everything all 11:56:11 11:56:30

cleaned up."

Q. Okay. So let's talk a little bit about the cleaning it up. This is the forbearance agreement you've got in front of you. It's Exhibit No. 1.

11:56:46 You alert Mr. Chittick to this problem in November, on November 27th, 2013. However, it takes until April 16th, 2014 to get the forbearance agreement finalized; is that right?

MR. JESS: Just to be clear, I think,

11:56:59 Ryan, you had said earlier that the other hard money lenders alerted DenSco to this problem.

THE WITNESS: And they did.

BY MR. ANDERSON:

Q. Okay. You're right, I did say that. There is

11:57:11 a section in this agreement that specifically references -- Section G is Page 2, talks about that date, November 27th, where it says that guarantor, which is you, met with Denny Chittick to inform lender that certain properties had also been used, though guarantor

11:57:33 acknowledged no fault, as security for one or more loans from one or more other lenders.

Do you see that?

A. I see it, yes.

Q. Okay. And so you don't dispute that's what

11:57:45 happened, right?

A. Well, I do dispute. I mean I didn't -- I'm not the one that brought it to his attention.

Q. I understand that.

A. But, yes, I did meet with him on that day.

11:57:54 Q. You did meet with him on that day --

A. Correct.

Q. -- to tell him what had happened?

A. Correct.

Q. And the problem that DenSco was facing was that

11:58:09 the value of the properties in which DenSco was in second position, the fair market value, was not sufficient to be able to -- there was no equity in the property?

A. Correct.

11:58:28 Q. That was the problem.

Was it -- you know, when you learn or when you tell him that he's in second position, how does this forbearance agreement come to light? How does this get negotiated and drafted and prepared?

11:58:47 A. He said to me that he was going to contact his attorney and have an agreement drawn up to protect him. That's how it came to light.

Q. Okay. And who was this attorney? Do you know?

A. Yes.

11:59:06 Q. Who is it?

A. David Beauchamp.
Q. Did you ever meet with Mr. Beauchamp?
A. I did.
Q. On how many occasions?
11:59:12 A. Two.
Q. And where were those meetings?
A. David Beauchamp's office.
Q. Okay. And can you describe the first meeting?
A. Yes.
11:59:23 Q. What happened?
A. I got there earlier than Denny. Denny walked into the reception area and I was sitting there, and the receptionist put us into a conference room. About ten minutes later David Beauchamp walked in with a whole -- 11:59:46 I don't know. A whole bunch of papers, stack of folders, put it down on the desk really hard, sat down, was sweating. It was kind of gross. And looked at Denny and he said, "Can you please tell me what the fuck is going on here," in those exact words.
12:00:13 And Denny said to him, "I've explained to you over the phone where we're at, and I need you to draw up an agreement."
And he said, "No, what you explained to me is a very, very 30,000 feet high explanation of how this 12:00:31 happened. So now I need to know how it happened. How

did this whole thing occur?"

And so -- and so David said to me -- no, then Denny said, "Do you want to explain it? Do you want me to explain it?"

12:00:49 And so I said, "I'll explain it." I said, "I had a cousin in the business who screwed me over for some money. Denny's in second position."

And that's when he stopped me. We didn't get into too much detail about it because his main thing was

12:01:06 how could that happen, was his big thing; how is it possible that this could happen to begin with.

And so I said to him, "Well, when Denny would wire me the money," and that's kind of when he went nuts, and he said, "Why would Denny be wiring you

12:01:32 money?"

And Denny said, "Well, I wired to him so he can go pay the trustee."

And that's when he stood up and he said, "Are you a fucking idiot? Did we not draw up the documents

12:01:48 for your borrowers to specifically reflect exactly what you're supposed to be doing?"

And so the lawyer pulled out from his folder a sample of the documents; not documents that I signed, but a sample of, I guess, what was prepared for DenSco

12:02:06 to give to his borrowers. And he referenced in the

mortgage clause where it says, I, DenSco, am providing a loan on 123 Main Street, as an example, and I am making a check payable to this trustee for this recording number for this, for this, for this, and for that.

12:02:33 And so what he said to Denny was, "So you're telling me that you did not follow what is in this agreement?"

And Denny said, "I have never --" no, Denny said, "I very rarely cut checks to trustees."

12:02:53 And David said, "So you want to tell me that all of your borrowers, you wire to the borrower?"

And he said, "Most of them, yes."

And then he was very angry. He left the room with Denny. He asked to talk to him in private. They

12:03:12 left the room for about 15 minutes, 20 minutes. He came back in. He asked me if I had counsel. I said, "No." I said, "Do I need counsel?"

And he said, "I guess I can represent you too."

And I said, "Okay."

12:03:32 He said, "You need to understand that we have to have an agreement drawn up to protect Denny and DenSco from the situation."

I said, "Okay." But at that point I was starting to feel a little uncomfortable because I felt

12:03:53 like I didn't know what the conversation was that they

had in private, and I felt like Beauchamp was looking to just maybe protect Denny and DenSco and not me. And so I started thinking, well, maybe I should have an attorney for this thing.

12:04:16 And so I did tell him that -- you know, I said, "Well, when will you have this agreement drawn up?"

And he said, "It will take me a couple of weeks. I will work day and night, over the weekend. I'll get it done."

12:04:33 And I said, "Okay."

And then he told me that -- I said, "Are we -- are we talking like a few pages?"

"Oh, no, no, no, no; like this."

And I remember that. And I looked at Denny and

12:04:46 I said, "Hey, I didn't bargain for this. I don't know what I'm doing here then. Because I'm not signing anything like this unless I have an attorney."

And so Beauchamp said to me, "If you want to get an attorney, you could, or, you know, Denny has

12:05:01 agreed to pay this initial attorney fees, and we can all just do it together."

And so I started to feel like I was getting pushed into not having an attorney. It was a feeling. It wasn't told to me. It was just a feeling that I was

12:05:18 getting from the attorney of he didn't want another

attorney involved. And so that kind of made a really big red flag in my head of, okay, well, what are you going to be putting in this agreement that's going to hurt me.

12:05:32 So he then left the room. I remember he said he needed to -- or I remember he said he needed to go downstairs and get fresh air and clean up, and which he did, because he was a mess. His shirt was all wet, and it really was disgusting.

12:05:55 And then he came back up, came back upstairs. He said, "Okay, I have had some time to relax and think about the situation," he said, "and here's what we're going to do: We are going to draw up an agreement to protect you and Denny from the situation."

12:06:14 And so at that point I said to him, "I don't understand. Like I'm not -- I'm not getting it."

And so he said to Denny, he said to Denny, "You do realize that you are just as much or equally responsible, if not more, for this problem, because the

12:06:35 documents that you have been providing Scott have not been true and correct. You have not been paying the trustee. So, therefore, this can be challenged in court very easily and probably could be won."

And Denny said, "Okay. I wasn't aware of that.

12:06:53 We can change the documents going forward."

And that's when Beauchamp just went off the deep end, and he's like, "You are fucking stupid. What do you mean, change the documents? You want to continue to wire to the borrowers; is that what you're telling me?"

12:07:08

"Well, yes."

"Well, no," and that's what he told him, "Well, no, that's not going to happen. You're not going to continue wiring to the borrowers."

12:07:18

And so he said, "Okay, well, we'll have this conversation at a different time." He said, "What information do you need from me?"

I believe he provided him a spreadsheet of the properties at the time, and then at that point, after I

12:07:34

left that first initial meeting, I hired counsel.

Q. Okay.

A. Sorry if that was way too much in detail.

Q. No, that's fine. Just circle back on a couple of points.

12:07:47

Did Mr. Beauchamp at any time while you're sitting there discuss the disclosure of this situation and problem with the DenSco investors?

A. Yes.

Q. And what do you recall was said about the

12:08:03

disclosure of this problem with the DenSco investors?

A. He said that he was in major violation of his memorandum, I believe. I believe that's what he said, the memorandum with his investors. And he said that we needed to -- not we. He needed, the attorney, he needed to draft the agreement in a way that will protect Denny from any kind of liability with the investors.

12:08:27

Q. Did Mr. Beauchamp say anything when you were in the room about Denny's obligation to disclose that this problem had occurred in his lending practices?

12:08:50

A. He did. He said to him, "We need to draft a letter to the investors to advise them of the situation."

And Denny said, "That's not happening."

And he said, "Why is that?"

12:09:04

And he said, "Because there will be a run on the bank and then at that point I can't pay off all these loans, and so I'm going to take care of the problem myself."

And Beauchamp said, his attorney said, "Okay. I don't want to know about it then, if that's what you're doing. I think that you should advise the investors."

12:09:20

And then Denny continued to tell him, "Look, you have to understand the position. The position is, that if I advise the investors and they all come back to

12:09:35

me and ask for their money back, then I'm going to be in a bad position where I'm not going to be able to pay these other loans, and then I'm not going to have full control of the properties."

12:09:47 And then at that point Beauchamp said, "Well, okay, if that's what we're going to do, then we definitely need to work very closely on this forbearance agreement to protect you from fraud," at this point talking to Denny, "protect you from fraud, protect you 12:10:02 from the Arizona Corporate Commission, protect you from the AG's office." He said, "That's what needs to happen."

And so Denny said to him, "Okay. Well, I pay you enough legal fees for you to do that, so do it."

12:10:22 And Beauchamp said, "I will start working on it immediately. I'll be working over the weekend. It will take some time." And that was it.

Q. Did Mr. Beauchamp ever say to Denny, while you were in the room or present, that he, Mr. Beauchamp, had 12:10:36 an obligation to alert Denny's investors of what happened?

A. He did.

Q. And do you recall what he said?

A. Yes. He said, "You do understand that you're 12:10:44 putting me in a very awkward and bad position, because I

do have an obligation to advise the investors."

And Denny said, "I didn't under -- I didn't know that, but I would appreciate it if you did not advise anybody and just prepare this agreement so we can move on from this."

12:11:04

And at that point I knew that he was not advising the investors, because Beauchamp said, "Okay, Denny, I will do what you want."

Q. Okay. And so the situation that we have with the forbearance agreement is that your other hard money lender, the one who was generally in first position, but sometimes in second position, had -- one of them had actually sold off their loans to another private investor, right?

12:11:17

A. I'm not aware of that.

12:11:37

Q. You're not aware of that?

A. No.

Q. You're not aware of a group that was generally known as Ron's Group that was --

A. Ron's Group?

12:11:44

Q. Yeah, or Dan's Group, a group of investors that had bought loans from other hard money lenders as investments, and they found themselves with DenSco sitting down here in a second position?

A. No, that's not true.

12:11:56

Q. You're not aware of any of that?
A. That's not true.
Q. Well, what's the truth?
A. Well, that's not -- if Dan did a loan, then Dan
12:12:04 was the lender from the beginning.
Q. Well, are you aware of any of the hard money lenders, with respect to these loans that were first position, with DenSco in second, that had sold their loans to other people?
12:12:15 A. No.
Q. No, okay.
Were you aware of any hard money lenders that
12:12:26 when they discovered that DenSco's in the second position and that you had essentially misled both lenders of this situation, to end up with two loans, that they wanted to foreclose and wipe out Denny's loan?
MR. JESS: Objection, form.
THE WITNESS: No.
BY MR. ANDERSON:
12:12:38 Q. So --
A. Well --
Q. Okay. No or yeah? I mean there were obviously, Scott, other hard money lenders that were complaining about the situation, right?
12:12:50 A. That was the issue, yes.

Q. Okay. And what were they complaining about? If they're in first position, why would they care?

A. Because of the timing of the recordings.

Q. Right, because they were so near in time that it --

12:13:00

A. It could have been challenged.

Q. It could have been challenged, right? Could have been challenged by DenSco, right?

A. It could have been challenged by DenSco.

12:13:08

Q. Right. DenSco could have said, "Wait a second, I was led to believe I was in first position," right?

A. The issue here is that most of the time that wouldn't be accurate, because most of the time DenSco would record at least 24 hours after the other lender,

12:13:30

probably going back to the laxed environment.

Q. But in some instances, didn't DenSco record its mortgage, then the other note and deed of trust got recorded, then DenSco came in with its deed of trust? You've got sort of this weird sort of line of deeds?

12:13:46

A. Yes.

Q. Okay. So you've got an argument that Denny clouded title before the other deed of trust came and got recorded, right?

MR. JESS: Objection, form.

12:13:54

THE WITNESS: Correct.

BY MR. ANDERSON:

Q. Well, at least that argument, you've heard that argument in this big dispute, right?

A. Yes.

12:14:01 Q. I mean you heard both sides of the argument; you heard DenSco's side, and I'm sure you heard the other hard money lender's side, right?

A. There wasn't really a DenSco side.

Q. Well, okay, you heard that position then from

12:14:11 the other hard money lenders that you had made loans with?

A. Yes.

Q. Who were those other hard money lenders; what are the names of those entities?

12:14:20 A. Sell Wholesale Funding.

Q. Okay.

A. And Active Finance Group.

Q. Is Active the one Gregg?

A. Yes.

12:14:30 Q. Okay. And did Sell and Active take a different posture in how to deal with these loans?

A. What do you mean?

Q. Well, did Gregg at Arizona -- what is it called?

12:14:47 A. American -- or Active Funding.

Q. Active Funding.

Did Active Funding agree to not raise issues with these second positions and allow you time to work it out with DenSco?

12:15.08 A. Yes.

Q. So Active Funding allowed, essentially, the longer workout to play out, right?

A. Yes.

Q. They weren't going to be aggressive?

12:15:17 A. Correct.

Q. And the Gregg is somebody you had worked with in the past?

A. Correct.

Q. In fact, were you almost a business partner of

12:15:22 him in the long, distant past?

A. We officed together.

Q. Sell Wholesale, did they take a different posture?

A. Yes.

12:15:30 Q. Did they hire a lawyer at Bryan Cave named Bob Miller?

A. They did hire a lawyer. I don't know who.

Q. Okay. And what did that lawyer -- what do you understand that lawyer was arguing?

12:15:42 MR. JESS: Don't speculate, Scott.

THE WITNESS: I don't know.

BY MR. ANDERSON:

Q. Okay. Did you get any --

MR. JESS: Can we go off the record?

12:15:53 MR. ANDERSON: No, I don't want to go off the record here.

BY MR. ANDERSON:

Q. Did you get any communications from these hard money lenders during this dispute? Did they send you

12:16:01 any demand letters, any sort of communications?

A. I believe I got a statement.

Q. What's a statement?

A. You don't know what a statement is?

Q. I'm asking you. What kind of statement?

12:16:14 A. It's a piece of paper that says the property address and loan amount, and I believe it was requested from DenSco.

Q. So the other hard money lenders, Active Funding and Sell Wholesale, didn't make any demands on you?

12:16:33 A. Not that I remember. I believe -- well, I believe that they wanted their loans paid off. That's all I remember.

Q. What was the -- putting aside the forbearance agreement, which is sort of the solution between you and

12:16:52 DenSco, what was the real-world solution that DenSco and

Active Funding and Sell Wholesale agreed to and you agreed to? What was the reality of how the workout worked?

A. Of actually how it happened?

12:17:07 Q. Yeah, actually how it happened.

A. Denny, DenSco, went and paid off all the other loans.

Q. So DenSco came out of its bank accounts and basically paid off all the loans? Where it was in

12:17:22 second position, it paid off the first; is that right?

A. Or if he was -- or vice versa.

Q. Or if he was in first, he paid off the second?

A. Yeah.

Q. So DenSco comes out of pocket to essentially

12:17:31 clean all of this up so that DenSco is the only hard money lender on the property, right?

A. Correct.

Q. And so Active Funding and Sell Wholesale end up made whole on their loan, whether they're in first or

12:17:46 second position?

A. Correct.

Q. You didn't sign a forbearance agreement or any sort of arrangement with either one of these hard money lenders that were also involved, right?

12:17:55 A. Correct.

Q. Your only resolution of how to fix the problem is with DenSco?

A. Yeah. It wasn't even my resolution. It was DenSco's resolution.

12:18:04 Q. Okay. But there is no -- you did not sort of have to pay money yourself to these other hard money lenders in resolution of this problem, right?

A. No.

Q. Okay. And the solution with DenSco was that 12:18:19 you were going to be obligated to repay the money that DenSco had to advance to fix this problem, right?

A. Correct.

MR. JESS: Objection, form.

BY MR. ANDERSON:

12:18:27 Q. I mean that's essentially what the forbearance agreement is, is your amount that you would owe DenSco, plus an arrangement in how you're going to repay DenSco for these loans that were done improperly, right?

A. Correct.

12:18:50 Q. Did you ever have, in your mind, an attorney-client relationship with Mr. David Beauchamp?

A. No.

Q. Did he ever send you an engagement letter or anything like that?

12:19:03 A. No.

Q. You mentioned earlier that DenSco was motivated to resolve these double-liened properties because it didn't want it to be known publicly that DenSco had gotten itself into this situation, right?

12:19:34 A. Correct.

Q. That was the motivation of DenSco?

A. Yes.

Q. Okay. At the time that these double-liened properties were discovered, was the real estate market

12:19:51 in a position where property values were increasing?

A. Yes.

Q. Did you argue to DenSco to take a different course of action with respect to how to resolve these properties?

12:20:03 A. Absolutely.

Q. And what was that course of action that you recommended?

A. Wait six to twelve months and this problem is gone.

12:20:09 Q. And why would the problem have been gone in six to twelve months?

A. Because in six to twelve months, in my estimation, which turned out to be true, the prices were rising so quickly from the bottom that both lien

12:20:24 positions would have been paid off. Would not even have

a need for a forbearance agreement.

Q. So if Denny could have held on for a year, there wouldn't have been this forbearance agreement loan balance, right?

12:20:41 A. It's not that if he could have held on. He could have held on, because keep in mind, he advanced, you know, 20-something million dollars to pay off the other lenders. So it wasn't a financial issue.

The issue that he had was that he wanted to get 12:20:59 something in writing to protect himself from the investors, and Beauchamp said to him that that was the only way to protect himself, was with the forbearance agreement, because at one point we discussed not even doing the forbearance agreement after we met with 12:21:14 Beauchamp. And he said that he had a conversation with Beauchamp, and Beauchamp highly recommended it to protect the situation.

Q. Okay. Well, the forbearance agreement has this balance amount, this loan balance, 35 thousand 12:21:31 639,880.71.

A. 35 million?

Q. 35 million, yeah.

How does that number get affixed? Do you know?

A. I don't.

12:21:40 Q. Okay.

A. I didn't even read the agreement, to be honest with you. I mean I hate to say that, but I didn't read it, not this version, and I didn't read the hundred-page version.

12:21:51 Q. But you signed it, right?

A. I signed it, yes.

Q. And you obviously -- well, I mean you had a lawyer?

A. Not -- that was very short-lived. I did not --

12:22:02 I had a lawyer for a very short period of time.

Q. Well, that lawyer was working on your side of the forbearance agreement, right?

A. He made a couple of changes, I believe, to the forbearance agreement, yes.

12:22:22 (Deposition Exhibit 2 was marked for identification.)

BY MR. ANDERSON:

Q. Let me show you what's marked as Exhibit No. 2. Do you recognize Exhibit No. 2?

12:22:34 MR. JESS: Can I get one of those, Ryan?

MR. ANDERSON: I'm sorry.

MR. JESS: Thank you.

MR. ANDERSON: I know you've got that

12:22:38 document.

BY MR. ANDERSON:

Q. Do you recognize Exhibit No. 2?

A. I do.

Q. And what is it?

12:22:43 A. An e-mail.

Q. Who is it an e-mail from, and how did you come to get it?

A. From David Beauchamp to my attorney and copied Denny on it, and then it was forwarded to me.

12:23:08 Q. Okay. So the e-mail at the first page, it says Saturday, February 8th, 2014, Jeff Goulder. Who is that?

A. That is the attorney that I hired.

Q. Okay. And this e-mail is about the forbearance

12:23:24 agreement negotiations, right?

A. Yes.

Q. You had a meeting with DenSco in November of 2013 about this problem. Why are you still in February 2014 trying to work out the forbearance agreement?

12:23:41 A. There were quite a few versions of the forbearance agreement prior to February, and I know that it kept going back and forth between Denny and his attorney, and I think it was where -- well, I don't want to speculate.

12:23:58 Q. Okay. Well, this document that you're looking

at you actually gave to the receiver in the last couple weeks; is that right?

A. I believe so.

Q. How were you able to deliver this document to your lawyer, who then eventually gave it to us? How did you get your hands on it?

A. I found it on my e-mails.

Q. Okay. And where do you have your e-mails?

A. On America Online.

Q. Okay. On your web-based e-mail program, you have e-mails that go all the way back to 2014?

A. No. There were -- anything to do with the forbearance agreement or things that are really important, not even involving this situation or any situation, I save.

Q. Okay.

A. So I hit save, and then it goes into another folder on America Online.

Q. Okay. And what's the title of that folder?

A. Saved Mail.

Q. Okay. And do you still have that Saved Mail folder in AOL?

A. Oh, yeah.

Q. And so how were you able to sort of locate this specific e-mail?

A. I just went on my saved mail and started looking down the row, and I found it. I don't save many things, so, you know, if it was something that was really, really important that I feel like I need to
12:25:16 save, I save.

Q. Okay. And how did you deliver this document to your attorney?

A. I believe I forwarded it to him by e-mail.

Q. Okay. The first paragraph of the e-mail
12:25:29 starting on Page 2, this is the e-mail from Mr. Beauchamp to your lawyer, Mr. Goulder; is that right?

A. Yes.

Q. Is this the first time you've heard or you
12:25:42 heard about securities fraud?

A. Well, yeah.

Q. That was the first time you heard that?

A. Yes.

Q. Okay. The e-mail references on the third
12:25:56 paragraph that the workout -- it says, well, I mean, in the second sentence, "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 [be] written and [securitized]
12:26:13 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 would cause trouble to him."

What facts were you not wanting to admit?

12:26:32 MR. JESS: Objection, form.

THE WITNESS: I have no clue. The e-mail wasn't to me.

BY MR. ANDERSON:

Q. All right. Okay. It was to your lawyer, though?

12:26:38 A. It was to my lawyer, yeah.

Q. Was there anytime during the discussions of the forbearance agreement that you didn't want certain facts to come out?

12:26:47 A. No.

Q. Okay. The next sentence reads, "I had been informed that since, quote, Dan's litigious group had agreed to get paid off, Scott was not concerned with stating facts and legal conclusions in this document."

12:27:01 Do you know who Dan's litigious group is?

A. Dan's group is Sell Whole -- or a part of Sell Wholesale Funding.

Q. Okay. Do you know why they would be called Dan's litigious group?

12:27:18 A. I have no clue.

Q. The final paragraph reads, "Bottom line: Borrower does not admit that the existing loans were to be secured in first position, nor that the modified loans will be in first position." [Quoted as read.]

12:27:37 Do you have any idea what that means?

A. No.

Q. There's some concept that you're -- or that the borrower will obtain a title insurance policy on all of these properties; do you see that?

12:27:51 A. I see it, yes.

Q. Did that happen?

A. No.

Q. Okay.

A. Well, maybe it did. I can't remember. When

12:28:16 Denny was paying off these loans, it's possible he got title insurance at the time.

Q. Did you get title insurance on all these properties or --

A. No. I mean it would have been one policy. It

12:28:29 would have been -- he may have gotten title insurance.

Q. Back to Exhibit No. 1, the forbearance agreement. Well, you've said you haven't read it. I guess I need to sort of read some things to you.

A. Yes, please.

12:28:45 Q. Under Paragraph 6 there are things that you, as

the borrower, are supposed to do. This is on the fourth page, ACC000238. It says under 6(A) that you agree to use your good faith efforts to liquidate other assets, expected to generate approximately 4 to 5 million in U.S. dollars.

12:29:08

A. Uh-huh.

Q. Did you do that?

A. When we looked at the market, me and Denny, and we looked at the remaining properties that I had, they weren't coming to 4 or $5 million; but whatever assets I did have I did give him a lien position on.

12:29:17

Q. Okay. But --

A. That's why it said the best effort, because Beauchamp wasn't sure and nobody -- they were just pulling that number out of the air.

12:29:33

Q. Okay. Subsection (B), you agreed to provide and maintain a $10 million life insurance policy?

A. Uh-huh.

Q. Did that happen?

A. It did.

12:29:45

Q. Okay. Is that still maintained?

A. No.

Q. When did that stop?

A. Six months, eight months, nine months ago, ten months ago.

12:30:03

Q. Okay. And why did you stop?
A. I just didn't want to keep paying the premium.
Q. Okay. No. (C), you agree to provide a --
A. And I did talk to Denny about it.
12:30:13 Q. Okay.
A. And he was okay with that.
Q. You agree at some point -- well, you also agreed to provide a separate personal guaranty repaying the money; is that right?
12:30:22 A. That's what it says, yeah.
Q. Okay. Do you remember signing those, all those personal guaranties, in the big hundred-page stack?
A. I remember a whole big stack of papers that I signed, yes.
12:30:32 Q. Would it surprise you that in there there are a bunch of personal guaranties?
A. It would not surprise me.
Q. You agree to provide a separate corporate guaranty from some of the new entities that were going
12:30:41 to be added, which are your furniture entities. Did you do that?
A. I did.
Q. Okay. And then on (F), it says you arranged for private outside financing to be provided in the
12:31:00 prospective schedule, a million dollars on March 20th,

2014.

A. Correct.

Q. Do you see that?

A. Yeah.

12:31:06 Q. And then a million dollars on May 26, 2014?

A. Correct.

Q. And then another million dollars on July 15th, 2014?

A. Correct.

12:31:13 Q. And then another 1.2 on September of 2014?

A. Correct.

Q. Did that happen?

A. No. That was Beauchamp.

Q. What do you mean, that was Beauchamp?

12:31:22 A. That was Beauchamp saying that we needed to juice up the forbearance agreement to show that more money, other than the properties that I was giving Denny lien position on, was coming from me.

Q. And did -- so at the time, when you signed 12:31:40 this, did you believe that this was never going to happen?

A. I said that I would make my best effort to do so, and in front of Beauchamp and DenSco I did explain to him -- what they both told me, both of them told me 12:32:00 was, "Hey, this is all really best efforts. You do your

best, but we're going into this forbearance agreement. It's protecting everyone. End of story." That's all I really know about this forbearance agreement.

Q. Okay. But these funds were not delivered on these dates and times, right?

12:32:12

A. Correct.

Q. And the reason for that was why?

A. Like I said, it was best effort. My best effort couldn't deliver those funds.

Q. Okay. Conceptually through this, there's also an arrangement that you were going to continue to do business with DenSco after the forbearance agreement, right?

12:32:30

A. That's correct.

Q. Okay.

12:32:37

A. Can we take a break, if that's okay?

Q. Give me a couple more minutes and we'll just wrap up the forbearance agreement. I just want to sort of keep it in stages.

Other than the representations in the forbearance agreement about how you were going to do business going forward post-forbearance agreement, did any of the DenSco lending practices change?

12:32:52

A. From what they were prior?

Q. Right.

12:33:12

A. No.

Q. Okay. So the pre-forbearance agreement DenSco lending practices and the post-forbearance agreement DenSco lending practices were the same?

12:33:23 A. Correct.

Q. All right.

MR. ANDERSON: Now we can take a break here for lunch.

THE WITNESS: Okay.

12:33:29 MR. ANDERSON: We'll go off the record at 12:33.

(A recess was taken.)

MR. ANDERSON: Let's go back on the record. Go back on the record at 1:32.

01:32:51 BY MR. ANDERSON:

Q. Scott, you're still under oath. You understand that?

A. I do.

Q. Just a couple of quick follow-up questions.

01:33:04 You talked that there were two meetings that you sat in with Mr. Beauchamp and Mr. Chittick; is that right?

A. Correct.

Q. Okay. I think you talked a lot about the first

01:33:12 meeting. Was that first meeting at Clark Hill's

offices?

A. It was on Scottsdale Road.

Q. And then what was the second meeting; where was that?

01:33:22 A. The second meeting was also at Clark Hill, and the people that attended that one was me, Denny, Beauchamp and Jeff Goulder.

Q. And what was the substance? What was discussed at that meeting?

01:33:34 A. How to -- the purpose of the meeting was -- this was pre-forbearance agreement being written up. So once I left the first meeting, I got in touch with Jeff Goulder, asked him to accompany me in this road.

And so he set up the meeting with Beauchamp, 01:33:58 and we all attended. And we pretty much just sat there, and I remember him and Beauchamp really doing most of the talking, and it was mainly just about how we're going to structure the forbearance agreement, what was going to be in there. There was some things that 01:34:14 Beauchamp wanted in there; Jeff didn't. I don't remember the specifics, but I do remember -- I do remember, again, Beauchamp leaving the room quite a few times by himself because he was getting upset. I don't know what was going on there, but we couldn't -- and 01:34:33 then that's when Jeff was like, hey -- well, I can't say

what Jeff said, right?

MR. JESS: No, you shouldn't.

THE WITNESS: But the premise of the whole thing was, "Is this a real law firm, or where the hell are we? Because this is absurd. I've never sat in with a lawyer or lawyers like this. I don't even know what's going on here."

BY MR. ANDERSON:

Q. Okay. Well, though, would it be fair to say that the timing of both meetings were before the February e-mail, Exhibit 2?

A. I would say I believe yes.

Q. Well, that would be assumable because, one, is the e-mail has a draft at this point --

A. Yes.

Q. -- of the forbearance agreement. So, clearly, the first meeting was before that.

And then --

A. I remember the holidays were right there, and so I think it was right, maybe, after Christmas or beginning of January, possibly, when we had the second meeting.

Q. Okay. All right. I'm going to show you what's marked as Exhibit No. 3.

(Deposition Exhibit 3 was marked for

identification.)

BY MR. ANDERSON:

Q. It's probably one of the few things you haven't seen before today. It is -- essentially, it's a

01:35:36 screen -- it's a copy of what DenSco's loan portfolio is on the day that Mr. Chittick died.

The reason I'm showing it to you is, there's a couple loans on here that I believe relate to your family members, and I sort of want to find out about

01:36:01 them a little bit and then talk about some of the other.

The first question is, have you ever seen this loan portfolio before? Did you ever get sent like an accounting or a spreadsheet like this?

A. No, not like this.

01:36:14 Q. Okay. If you take a look at the first loan at the very top --

A. Yes.

Q. -- Loan 3736 --

A. Yep.

01:36:26 Q. -- it's a loan and the borrower is Michelle Menaged.

A. Yes.

Q. And who is that?

A. My mother.

01:36:34 Q. And it appears to relates to relate to a

property at 9103 East Charter Oak Drive.

A. Correct.

Q. Do you recognize that address?

A. I do.

01:36:40 Q. Okay.

A. I'm sorry. These are open loans?

Q. Right. These are the loans that are open and active as of the day that he passes away.

A. Okay.

01:36:51 Q. If any of these have closed post-receivership, I can't speak to.

A. Right. Okay.

Q. This essentially is a flash point.

And so what do you know about this loan, this

01:37:04 $400,000 loan, if anything?

A. The loan came into Arizona Home Foreclosures. It was a short-term loan. The loan is not open anymore. He was paid back for the loan, and it doesn't exist.

Q. Well, how do you know he was paid back?

01:37:17 A. I paid him back.

Q. Well, how did you pay him back?

A. In cash.

Q. When did you pay him in cash?

A. It was multiple payments between the years

01:37:31 of -- it was multiple payments between the years of '14

and '15. I'm believing the first one was February or March of '14.

Q. And you paid him in actual, like, cash?

A. Yes.

01:37:48 Q. And how did you make that payment?

A. I met him. We met on Scottsdale Road and McDowell at a -- I can't remember what kind of store it was, but it's a single shopping center with just one store in it. The owner actually would remember us

01:38:12 because we went there so often for me to pay him, that the owner came out and started yelling at Denny that he didn't want him in the parking lot anymore and they had some words together.

Q. So you made multiple cash payments to Denny to

01:38:28 pay down or pay off this loan?

A. Correct.

Q. And you say you know it's closed. How do you know that?

A. Well, it's closed because I -- well, when I say

01:38:39 "closed," it's paid off, is what I'm saying.

Q. Did you get a receipt from Denny?

A. I can look. I don't believe I have anything that I haven't turned over, but I'll look through my e-mails, like all that stuff.

01:38:56 Q. And you don't know when the cash payments were

made?

A. Yeah, between '14 and '15.

Q. Well, I mean between '14 --

A. No, it's not that it was one payment. It was 20,000, 40,000, 30,000, 50,000, 20,000, 18,000, 16,000. So it was multiple times.

MR. JESS: Slow down.

THE WITNESS: Sorry.

BY MR. ANDERSON:

Q. So it was smaller payments in cash, and it represented $400,000?

A. Correct.

Q. And you didn't get a receipt for any of this stuff?

A. No, we never did.

Q. Did you have any -- I mean, Denny kept impeccable financial records. Do you know that?

MR. JESS: Objection, form.

THE WITNESS: I don't know how he -- what records he's kept.

BY MR. ANDERSON:

Q. Okay. You never asked for a -- did you ask him to record a release after he had paid it -- you paid it off?

A. I assume that he did record a release.

Q. Did you check?
A. No, I didn't.
Q. Well, there's -- no release has been recorded.
Well, why did you pay off your mom's loan?
01:40:08 A. It wasn't my mom's loan. It was my loan. The money came into Arizona Home Foreclosures and got paid back from Arizona Home Foreclosures.
Q. Well, then why is Michelle Menaged the borrower?
01:40:21 A. Because it was her property that we used as collateral.
Q. Why did you need to use her property for the collateral?
A. I can't remember what was happening at the
01:40:28 time, but for some reason, and I don't remember what it was, I needed that money into the company. I don't know if it was acquiring more property. I don't really remember what the reason was, but it was like four or five years ago.
01:40:53 Q. Does your mom know anything about this loan?
A. No.
Q. Does she know you took the loan?
A. Originally, yes.
Q. You told her that it was -- it's paid off?
01:41:04 A. Yes. It has been paid off.

Q. You're very confident it's been paid off, but there's no evidence in the books and records of DenSco that it's been paid off. So what records do you have it's been paid off?

01:41:19 A. I would have to look through e-mails and see what I could find.

I mean, a lot of these things that I'm looking at right now are not accurate, like --

Q. Well, let's just --

01:41:31 A. Well, okay, go ahead.

Q. -- stay on this one.

A. Okay.

Q. Okay. But you're confident that by -- what time in '15 is it paid off? January of '15?

01:41:46 A. No.

Q. No.

A. I want to say it was the middle of '15.

Q. So in May of '15 it's been paid off?

A. May, June.

01:41:52 Q. May, June.

A. Or July.

Q. How often did you give DenSco cash?

A. Once every -- it all depended. Once every -- sometimes it was once a week, sometimes it was once a

01:42:18 month, sometimes it was once every month and a half.

And the reason he wanted to do it this way was because he wanted to -- what he's told me was that he was going to write off the interest because he made too much money on the books, and he didn't want to pay tax on it.

Q. So he told you he wasn't going to report the cash payments?

A. Correct.

Q. There's another one here, it's No. 4, for Jess Menaged?

A. Yes.

Q. Who is that?

A. My brother.

Q. Is this loan -- it says here he still owes $76,000. Do you know anything about that loan?

A. I do know something about that loan.

Q. What do you know?

A. That it was taken also by Arizona Home Foreclosures. He was in second lien position. He did know he was in second lien position on that.

Q. Has it been paid off?

A. No.

Q. The payoff of Michelle Menaged's loan, did you pay principal plus interest or just principal?

A. Just principal. He waived the interest.

Q. So all you paid was $400,000?

A. I think it was like 406. I don't remember where the six came from, but we had some discussion about something, and the 6,000 payment took place on that.

01:43:47

Q. So you -- with respect to Jess Menaged's loan, that's one that you know has not been paid off?

A. That has not been paid off.

Q. You said there were other problems with this spreadsheet, right?

01:44:10

A. Yes.

Q. And what are they, just looking at it?

A. 707 Potter, number -- two, four -- six.

Q. Yeah.

01:44:23

A. That one the trustee took back, and the money went to -- the money went to pay one of -- pay down on the workout, and then Denny added or was supposed to add this address to the workout, because we don't have anything on this, like there's no -- there was a trustee's deed at one time issued, and then I believe the borrower -- I believe the homeowner filed bankruptcy, and the trustee came back and said, no, no, give us back the trustee's deed. And somewhere along the way that's exactly what happened.

01:44:47

01:45:05

In fact, that's where that lawyer came in.

There is a lawyer that was involved with it, who represented Bank of America. This has been going on for years. Bank of America got involved and said, no, the trustee screwed up. We should have never given you a
01:45:28 trustee's deed. And Bank of America hired counsel. But we don't have title to that property, and, you know, Denny knew that.

Q. Okay. If you turn to Page 2, you see --

A. There's also -- I'm sorry.

01:45:40 Q. Okay.

A. In case you want to know, number -- two, four -- five, Lobo, that's another one that I don't remember what happened, but there was an issue. there was definitely an issue with that property. But I don't
01:45:59 have ownership of it at all, nor do I -- I'm pretty -- I'm almost positive that he moved this over to the workout, or he was supposed to.

Q. Okay. Well, before we leave this document, you're talking about moving it over to the workout. The
01:46:14 last line on this is two at the very bottom and there are no loan numbers. It says N/A. But there's a -- it says "5 million" and then it says "1 million." Do you see that?

A. Uh-huh.

01:46:26 Q. The $5 million now has a balance of

13,336,807.24. Do you see that?

A. Yes.

Q. That is the workout, isn't it? That's the balance of the workout, right?

01:46:37 A. I don't know.

Q. Okay. Well, according to the records that we've been able to recover, it appears that the workout arrangement was just kept in a separate byline, a separate accounting, whereby your ins and outs that were 01:46:53 to go to pay for the workout are kept in a separate ledger. Is that -- you never asked for or were told about how much your workout was?

A. No. I mean he could have mentioned the dollar amount here and there, but it wasn't like I would get 01:47:13 weekly or monthly statements or anything like that.

(Deposition Exhibit 4 was marked for identification.)

BY MR. ANDERSON:

Q. I'll show you Exhibit 4, just so we're all on 01:47:20 the same page.

A. Okay.

Q. This is that exact report I was just discussing. It starts back in February of 2014, and then it just of sort goes over time; ins, outs, 01:47:40 payments, money coming in, but interest accruing at

somewhere in the neighborhood of like $6,600 a day.

A. I haven't seen this. I do know what -- if you look at that same exhibit that you gave me, 4 --

Q. Yeah.

01:48:00 A. -- the first hundred thousand, I don't know why he put "Pay Gregg's interest." That he loaned -- that he loaned to me to buy my car, and then I repaid him like a week later. I think I was waiting for a closing or something like that. But that has nothing -- I

01:48:24 don't -- that has nothing to do with Gregg. And "Gregg" meaning AFG, Active --

Q. My question regarding --

A. Oh, you see, if you look at that agreement -- if you look at the workout, 707 Potter is on there.

01:48:39 Q. Uh-huh, it is.

A. And so I don't know why it's on there and it's on open.

Q. Well, but it has 707 as a money going out. "funds wired directly to Gear," it says. So you would

01:48:56 assume that would be a property with a first and a second, and he was wiring money out to resolve all the issues with respect to the property and then carrying that loan amount here on the workout. But, again --

A. I honestly can't tell you.

01:49:13 Q. It's okay, Scott. I don't really think it's

worth a lot of our time, because we're just going to go through these documents. I just wanted to provide it to you so that you can see what's there on DenSco's ledgers.

01:49:26 There's also a second $1 million loan, back to Exhibit No. 3. It's the last line. It says "Arizona Home Foreclosures $1 million." Do you have any idea what that loan is?

A. No.

01:49:38 Q. Okay. Well, it's styled as the Yomtov Scott Menaged workout 1 million in the QuickBooks reports. And then it has a series of properties with an amount that equals to $1,002,532.55 with a series of properties.

01:50:04 A. I couldn't even begin to tell you what -- I don't know.

Q. Okay. That's fine.

A. I'm sorry.

Q. Let's talk a little bit about sort of your

01:50:17 relationship with DenSco and Denny.

A. Okay.

Q. Is it true that you sort of talked to him about a wide range of issues, I mean not just business dealings? I mean were you friendly, in a way?

01:50:32 A. After dealing with someone for ten years, yeah.

I mean you start to know about people's lives.

Q. Would he call you and talk to you about things that were unrelated to the business?

A. Yeah.

01:50:45 Q. On a --

A. Yes.

Q. -- semi-regular basis?

A. Yeah, he would. He was just lonely.

Q. Why do you say -- how do you know he was lonely?

01:50:58

A. After he got divorced, I remember him -- before he got divorced, when he was married -- which at that point I didn't even know he was married or not. The only way I ever met his wife was at a company Christmas party or something, and I met her.

01:51:19

And then I heard, not from him, but from a gentleman named John Ray, that he was getting divorced. John and him were very close, and John officed in my office. And so I still never reached out to him about it, because I didn't have that kind of relationship with him. But then after some time I mentioned something to him about my wife, and I don't know if I was frustrated or something. I said, "These women," or something like that, you know. And he said, "Oh, you don't have to tell me," and then that's when I kind of heard his life

01:51:42

01:52:00

story, his story of his wife and how she left him and has a boyfriend and all that stuff. And I think that was kind of like the first time that we actually had a personal conversation.

01:52:15 Q. Okay. Well, did he ever tell you anything about -- now, this is post-forbearance agreement. You've now discovered he has these investors. Did he ever provide you with e-mails from his investors about money they wanted to pull out and how it was going to

01:52:32 mess up his financial situation?

A. He did.

(Deposition Exhibit 5 was marked for identification.)

BY MR. ANDERSON:

01:52:39 Q. I'm going to show you what's been marked as Exhibit 5. Do you recognize Exhibit 5?

A. Yes. I think I provided this.

Q. Right. It's an e-mail you provided to us, that's right.

01:52:53 A. Right. Okay.

Q. If you turn to the third page, you see it's actually a series of e-mails, and it looks like are forwarded to you; is that --

A. That's correct.

01:53:05 Q. The first e-mail is one from, it looks like, a

guy named Tom Smith to Mr. Chittick asking for $800,000 out of DenSco?

A. Correct.

Q. Then you see DenSco responding to Mr. Smith, and then at some point the same day, a few minutes later, Mr. Chittick e-mails you?

01:53:19

A. Yes.

Q. And writes "This isn't going to help my situation."

01:53:32

And you write back, I think, "No definitely won't help," right?

A. "No definitely won't help," yes.

Q. Yeah. So do you know what situation he's talking about?

01:53:41

A. He was having a hard time paying his investors, from what he's told me, he told me.

Q. And he's having a hard time paying his investors because they don't know about the forbearance agreement, right?

01:53:53

A. Correct.

Q. And he's got to come out of pocket all this money to sort of fix these firsts and seconds, right?

A. Yes.

Q. And so you are -- he's -- would it be fair to say he's sort of commiserating with you about his

01:54:04

financial problem?

A. Not -- I mean I don't know if we would say commiserating, but he had someone to talk to.

Q. Well, you were that person to talk to about this?

A. I'm sure I was one of those people.

Q. Okay. Well, do you know of anybody else that he would have talked to?

A. Probably his wife, I would assume, because I know they were still close. His sister. I know that, you know, he's had plenty of talks with her about the situation, from what he told me. This is the sister that lives in Idaho.

Q. So you, the sister. You think the sister knew about the forbearance agreement and the issues before that?

A. It's my understanding from him that, yes, she did.

Q. Okay. He told you that?

A. Yes, he did.

Q. He just basically said the only people I -- what did he say?

A. He told me in July of -- when was the forbearance agreement, February?

MR. JESS: April.

THE WITNESS: April of what?

MR. JESS: April of 2014.

THE WITNESS: So then it was July of 2014. He went out to Idaho for the 4th of July with his kids, and when he came back, I met with him. I don't remember why I met with him. But in either case, I did meet with him. And he said to me, he said to me, "Oh, it was a good relief."

I said, "How was your trip?"

01:55:24 And he said, "It was a very good relief. It's nice to be able to, you know, just finally open up and talk to someone."

And I said, "Oh, who was that?"

And he said, "My sister." And I could 01:55:32 swear he said she was an accountant. I can't swear to that, but I think that's what he told me. And she was helping him with the books, and that's what he told me.

BY MR. ANDERSON:

Q. Well --

01:55:47 A. It wasn't a very long conversation.

Q. Do you have a recollection that he told her about the financial problems that were plaguing DenSco at that time?

A. Yes.

01:56:02 It's one of the reasons why -- well, I'll wait

for you to answer the question.

Q. Well, no, you can --

A. I'm sorry.

Q. Please finish.

01:56:09 A. It's one of the reasons why on my mom's loan he was waiving the interest, was because he was bringing -- from what he told me, he was bringing cash up to Idaho when he would go up there, which was once or twice a year.

01:56:26 Q. Okay.

A. And he had a lot of investors in Idaho, I remember him telling me.

Q. Okay. Well, the e-mail that you've provided us, the one we're looking at, which I think is Exhibit, what, 5?

01:56:36 A. 5, yeah.

Q. He writes in the last sentence, "this is a problem." Do you see that?

A. (Witness nodded.)

01:56:43 Q. Why was it a problem?

A. He didn't have that much money. He didn't have that much money. You know, the more investors that come back and say, "Hey, shoot me half a million dollars tomorrow" or do this or do that, it became a problem for him.

01:57:03

Q. When he's communicating to you his problems, his cash problems, is he also telling you that he needs you to give more money to him to go pay down this workout?

01:57:15 A. Yes.

Q. Okay. So is he regularly asking you to pay more?

A. Constantly.

Q. Constantly?

01:57:21 A. It was a constant thing. He was very, very -- he was very stressed out and scared of not being able to pay the investors. He was a huge -- and I had to hear this at least 50 times, with no exaggeration, was that his accountant was an investor. And so whatever he was

01:57:51 doing or whatever -- you know, when the time came at the end of the year and he had to give him his books, he was usually stressed a month before that, because he needed to make it look good because he knew that if he -- if his accountant, who was an investor, knew that there was

01:58:07 an issue, well, again, this is -- this goes like wildfire all over. And so he couldn't have that. He knew that that would be a major problem for him. He definitely knew that would be a major problem.

Q. You're sort of intimating that he may have

01:58:23 provided inaccurate books to his own CPA, right?

A. I'm pretty sure that that's exactly what happened.

Q. Okay. And you're pretty sure because did he tell you, "I'm essentially fixing my books to make it look different"?

01:58:38

A. Yes.

Q. Okay. Did he give you any detail on how he was changing the books?

A. He did tell me that he was -- all he told me

01:58:50 was that he dealt with QuickBooks, and his sister dealt with QuickBooks because she was -- I could swear he said she was an accountant or a bookkeeper. Regardless.

But he did say to me she -- "I'm bringing --

01:59:06 when I go up to Idaho, I bring her -- I bring my laptop with me, and she helps me fix this computer situation, so when I actually do go to my accountant, I have something to give him."

Because, you know, he'd typically go up there

01:59:24 in the beginning of July and he typically stayed for approximately two weeks. And so a few months later, you know, he would be going to his accountant's office with everything. So, so long as he kept his books and records exactly the way his sister showed him and told

01:59:39 him how to do, you know, it would go fine.

And right before his death, I'm going to say approximately a month before his death, he called me and said that one of his investors' son, their son, his son, is a real estate agent and they were selling a property
02:00:03 out in Scottsdale. And he asked me to go and drive the property, look at the condition, see if I had any interest in buying it, and he would loan the money on it fully, a hundred percent of the funds.

And so I did and I met with his son. I met
02:00:21 with his son out at the property, and I did have interest in buying it until I realized, you know, when I actually got back to my office, and Denny said -- and I'm just using round numbers. I could swear he said the property was -- he thought the property was worth like
02:00:34 400,000 and I could buy it for 285.

But when I went out there and I looked at it, I was like, oh, yeah, it's definitely good to go. When I got home and I looked at it myself, I'm like this thing is not worth more than 300,000, because the 400,000s
02:00:49 back a golf course and we back a busy street.

And so I called Denny, and he was all panicked. He was like, "Shit, I committed it to him. I told him that you were going to buy it."

I'm like, "I understand, but I thought that you
02:01:00 knew how to comp a property." I kind of got -- did get

a little snappy with him with it, because I'm like, "You're telling me you're wasting my time to drive out to this property when there's no possible way it's worth 400,000."

02:01:11 And so he said, "All right, I've got to try to -- maybe I'll e-mail this out to my other investors and see who wants it, because I don't want to piss him off or anything, because his father is an investor."

Q. Turning back to the CPA, did he ever -- did 02:01:26 Mr. Chittick ever tell you that he was paying taxes on money or investments that weren't real?

A. Yes, yes.

Q. Okay.

A. It was one of his biggest things that he 02:01:41 kept -- he would make a joke about. He would say, "I don't think the IRS ever saw someone like me that's paying money on loans that don't exist."

He said paying money on -- and then we kind of talked about it for a little bit, and I said, "Well, it 02:02:00 is true. However, there are loans, because you are collecting 18 percent interest."

And so he said, "Well, that's how I'm getting around it." He said, "I am collecting 18 percent interest, and so, therefore, I have to pay taxes on it."

02:02:13 But I do know that this last tax year he didn't

pay nearly as much as he normally paid, from what he told me, just because he was like, "I feel stupid paying it."

Q. Okay. So it's possible that he has paid tax and filed tax returns that aren't accurate?

A. Absolutely. In fact, in fact, he did say to me he was considering getting rid of his accountant and returning the accountant's money so he can find another accountant so he can redo his taxes. And what he told me is he would receive back at least a million and a half dollars from the IRS that he's paid and, you know, probably shouldn't have paid.

Q. So he could get back refunds in that amount?

A. Yes. The only reason why he didn't do it, and what he told me, was because he was just concerned of why he was going to be firing the accountant, what the accountant would actually have to say about that.

Q. Have you ever seen a tax return for DenSco?

A. Never.

Q. All right. Well, we talked about the DenSco lending practices at the very beginning of our deposition, and you made a reference that there were certain lending practices when you were buying property at auction and certain lending practices when he was making offers to purchase.

A. It was pretty much the same lending practice, except -- I mean the process was the same, where he would wire -- well, that's not really true.

Q. But --

02:03:59 A. You ask the question, and I'll answer.

Q. So just to clarify then --

A. Okay.

Q. -- what do you mean when you say "offer to purchase"? What kind of transaction are you talking

02:04:09 about?

A. Offer to purchase is something that I will send out a certified letter to a homeowner saying we've basically comped your property or looked at the comparables. We believe your property is worth X amount

02:04:24 of money. We are willing to offer X amount of money for your property. Please contact us and, you know, we'll move forward. We'll open escrow.

Q. So, basically, it's like a solicitation to do a short sale, potentially?

02:04:38 A. Yes.

Q. Right?

A. Correct.

Q. Not an uncommon business model?

A. No.

02:04:41 Q. Right.

A. That part isn't.

Q. And so how does DenSco fit into that business model of doing offers to purchase?

A. Me and Denny talked about it. Foreclosures were slowing up a lot down at the courthouse, and here we are with this large workout balance. And so I told him I was drowning. I'm like, "You know, I'm paying a ton of money towards this workout agreement. I don't know how I'm going to continue it."

02:05:10 And so he said, "Well, what we need to do is figure out how we're going to acquire -- how you're going to acquire more properties. And I'm very liquid and I have plenty of cash." I could swear at the time he told me he had like $15 million or something like that in his account. And he's like, "You know, you're just going to need to get more creative."

And so I met with him at his office, home office, and we talked about doing short sales. We talked about possibly doing bankruptcy sales, you know, that kind of stuff. And when we talked about the short sales, he was really into it. He said he had a lot of borrowers that were successful at buying short sales.

And so I tried it for a little bit. Wasn't really working out very well. I would make offers, but I would make offers to -- you know, like the normal

course of business. I would make offers on properties that were listed as a short sale to an agent. Typically, the bank never gets back to you or they come back to you with this ridiculous number. And it just
02:06:09 wasn't working out well.

And so -- sorry. Did you want to say something?

Q. No. I just --

A. Okay. And so I met with him again, and I said,
02:06:16 "Well, this isn't -- this process is really wasting time. I'm not really getting anywhere here." I said, "What if we go to --" well, actually, he said, "What if you go directly to the homeowners? You know, back in the day there used to be the door knockers for that kind
02:06:32 of stuff or for excess proceeds, which was a big deal back in the day when there was equity in everybody's property."

And so he kind of explained to me how the excess proceeds thing worked and the door knockers and
02:06:44 all that stuff. And I'm like, "Well, I am not going to be knocking on someone's door that I don't know, especially if they're in financial distress, because you don't know where their mind-set is at." So I said, "Well, I can start sending out letters. I can start
02:06:58 sending out this, that, whatever, to try to get these

things closed."

And so I did do that. And the first deal that we did -- I did that way, there was an issue, because the issue was that the offer to purchase says that I'm
02:07:18 making a cash offer on their property. Well, once you get to title or escrow, the bank -- well, before you get to title and escrow, the bank wants to see proof of funds.

Well, I didn't have proof of funds in the
02:07:31 account for that, and they don't want to hear that it's a hard money lender. They could care less. If it's a lender, then it's financed; and if it's cash, it's cash.

So Denny said, "Well, I can just start wiring you the money for these things if this business model
02:07:46 actually works. You just need to continue to pay me the 18 percent on it. But let's think about it. You know, if you wind up doing --" he did all this math. Like if you did 18 a month and, you know, $20,000 each and this, and then you would only pay me X amount of interest."

02:08:02 And, you know, ultimately it came up where there was going to be a profit of like five, $600,000 a month, and which, you know, I agreed to pay him I want to say it was like half of that. I think that's what we agreed on, 50 percent of whatever the profit was to go
02:08:16 towards the workout, and plus he would get his

18 percent interest. And --

Q. Okay.

A. Uh-huh.

Q. What time? Where are we now when we've moved away from foreclosures at auctions and into this offer to purchase?

02:08:26

A. It was probably -- whenever I signed the forbearance agreement, it would have --

Q. That was in 2014.

02:08:38

A. No, well, it wasn't that time then. Hold on. Let me just think.

Yeah, I'm going to say it was sometime in -- I'm estimating right now, but I'm going to say it was sometime in the beginning of 2015.

02:09:00

Q. Okay. So these -- we aren't going to see these in 2014; we're going to see them in 2015?

A. I believe that to be correct, because in 2014 I was still at the auctions.

Q. Okay. And are you doing auctions at the same time you're doing these, or you just stopped the auctions completely?

02:09:14

A. I was still down at the auctions. I still had people down there. But I mean maybe we would buy two a month, maybe. It really slowed down considerably.

Q. So how -- we talked about how you would

02:09:29

communicate to DenSco when you were going to make a purchase at an auction. That's pretty obvious. You've made a bid. You're now going to get the money and all the rest. We talked about that procedure.

02:09:47 A. Yes.

Q. What is the procedure for an offer to purchase?

A. He made it the same procedure. So the same procedure meaning I would send him an e-mail with the property address and a dollar amount of how much I was

02:10:00 willing to offer and the recording number showing that, you know, at one point recently the property was in foreclosure, so we know that this person is having some kind of financial problem. I would send him that e-mail, and then it was the same process. He would send

02:10:13 me the docs. He would send me the docs and the money.

Q. And you would then offer to the homeowner to buy the property?

A. For the same amount of what I told Denny that I was going to be doing.

02:10:28 Q. Okay. And if you got no response from your certified letter, what did you do?

A. We waited. Denny wanted to wait up to 30 days. He wanted to get at least 30 days of interest on the money, and then if there was no response and there was

02:10:41 nothing going on, then I needed to pay him back his

principal plus 18 percent for the 30 days or 1.5 percent a month.

Q. So you just sent back the money with interest?

A. Correct.

02:10:52 Q. And how many homeowners agreed to do these?

A. Here's the issue: It was about three months of doing this, between three and four months of doing it, where every day you're getting 500, $700,000 into your bank account and every day it starts turning out that 02:11:13 you're sending him back five or $700,000, or whatever the numbers happened to be, to pay off the older 30-day loans.

And so there was one conversation that we had and he said to me, he said to me, "Yeah, I have --" I 02:11:28 don't know what it -- I don't remember the exact number, but I want to say it was like 12 million or 8 million or something like that out in this thing that we're doing with this offer to purchase.

And then when I looked at my papers, I'm like, 02:11:44 well, hold on here. How is that possible? Because I'm negative now at this point almost a million dollars because of the interest that was going back and forth, back and forth. But I wasn't feeling it. You're not going to feel it. Nobody -- nobody's going to feel it. 02:12:01 Common sense would say that there's going to be an

issue, but nobody would feel it because here's a million in, million out, million in, million out.

Q. My question is how many of these actually went all the way through where you became the titled owner because you completed a short sale?

02:12:12

A. Just a couple.

Q. I mean a couple, three, four?

A. Maybe.

Q. And how many e-mails since 2015, how many properties did you try this on? Hundreds?

02:12:22

A. Maybe thousands.

Q. Thousands?

A. Maybe.

Q. And you realize now, sitting here today, I mean you just say it out loud, that you're going to be in the losing end of that transaction, right?

02:12:33

A. I knew that after a few months, correct.

Q. And did you keep doing it?

A. There was a reason.

Q. What was the reason to keep doing it?

02:12:42

A. The reason was, was because Denny was putting -- Denny was putting a lot of pressure on me because of the forbearance agreement, and he didn't really care about anything other than that forbearance agreement and getting his 18 percent interest. And so

02:12:56

when I realized that we were upside down at that point by a couple million dollars, I didn't want to go to him and say, "Hey, Denny, guess what, we're now -- you know, add to the forbearance agreement now a couple million
02:13.11 dollars."

And so what I did is, the money that he would send me and then I would send him back, some money I would send him towards the forbearance agreement to get that lowered. He was happy and calm, even though really
02:13:26 it was the same money. But he would stop -- I couldn't live this way. He just -- he would stop constantly calling me and talking about it. I couldn't -- I can't -- I couldn't talk about it anymore.

Q. So the money that you were obtaining from
02:13:44 DenSco under the pretense of using it to do offers to purchase property in a short sale, some of it you were using to send back to DenSco to lower your forbearance agreement balance?

A. Correct.

02:13:55 Q. Okay.

A. Which is -- which we did have a lunch at some point in 2015, and he asked me, like very specifically, he said, "Okay, tell me the truth. How much money are you actually making in this thing and how much money are
02:14:14 you just funneling back?"

And I said, "Do you really want to know the answer to that?"

And he said, "No. Just get the damn forbearance agreement done, because I need to be done with it."

And I said, "Okay."

He said, "Before it comes out."

Q. Okay. So you're saying -- when was that lunch?

A. That was at -- I want to say it was right before Christmas of 2015.

Q. So you're saying, essentially, that at Christmas of 2015, after you've just been doing this for the year of 2015, that it's a known -- it's known between the two of you that this is an unsustainable business model?

A. It's not a good business model, yes.

Q. Okay. And so you are --

A. But I had different thoughts on it.

Q. Okay.

A. I had -- I definitely had different thoughts on it.

Q. Well, what were your thoughts?

A. My thoughts were, which is exactly pretty much what I did, my thoughts were, okay, I don't really care what we're doing here. I guess I more care about how do

I get this balance done and over with and get this mess behind me.

Q. When you mean the balance, you mean the forbearance balance?

02:15:30 A. The forbearance balance.

Q. The one that's clicking up at $6,000 a day interest?

A. Correct.

And the thought process was, well, I'm going to

02:15:39 throw some money into the furniture companies. I'm going to build that up so more profits would come from it, and then I would turn around and pay it to Denny.

Q. But DenSco didn't know that, right?

A. No.

02:15:50 Q. You didn't tell DenSco that you were going to use the money from the offers of purchase to fund your other unrelated businesses?

A. No. The only thing that he knew that I was using the money on was Auto King. He was with me on

02:16:03 Auto King from day one.

Q. He was with you, meaning he financed it?

A. He went down to the auction with me. He did lend me, I think it was like 400 or $600,000 at the time, knowing, you know, that I was going to be

02:16:27 purchasing vehicles and stuff. And so he did all this

research on collision centers and mechanic shops, and he determined that that was, you know, the best way to do it.

So, you know, he came down to the dealership quite often and, you know, would say, "Okay, well, this is where the --" because ultimately, you know, his goal and, well, my goal too, was, okay, any profits that's going to come from Auto King will also go back to DenSco.

02:16:58 Q. But that business wasn't profitable either, was it?

A. Nothing worked here. I tried everything. I got to the point of even going to play blackjack to make this work. It doesn't work. The numbers are too high. It's six or $7,000 a day. There's no possible way that this works.

Q. The offer to purchase business model, I guess we'll call it, ends up in new documents being used by DenSco; is that right?

02:17:22 A. That's correct.

(Deposition Exhibit 6 was marked for identification.)

BY MR. ANDERSON:

Q. I'm showing you what's been marked as Exhibit 6, another document you gave to us, actually.

A. Yes.

Q. What is this?

A. Okay. So there are three sets of documents here. You have the mortgage, which we will call it a mortgage. On Page 2 we have the note, the promissory note. And then Page 3 through the end is the deed of trust that typically would be recorded.

And from the beginning of the relationship or from my belief from every lender -- I mean from every borrower, he always had these three sets of documents. And so the first thing that he would record is the mortgage, which would cloud title prior to getting a deed. And then once the deed came in, he would go ahead and record the deed of trust. The note never gets recorded.

Q. Okay. And this document is different than his other mortgages, right?

A. That's correct.

Q. Because it does reference in there it's an offer to purchase; is that right?

A. Yes. It changed approximately a year ago because of the problems that he was having.

Q. And the problems he was having was that some of his earlier recordings were being recorded against properties where the offer to purchase was never

accepted, right?

A. Correct.

Q. And so they were clouding title?

A. Correct.

02:18:48 Q. And Denny was basically getting called by title companies saying why are you clouding title on a property that nobody owns?

A. Exactly. And then Denny would explain, "Well, it was an offer to purchase." And then many title

02:18:58 companies would tell him, "Well, this is not the way to do it because it's kind of screwing up our escrow. You need to release it."

And so he willingly and very quickly released them. And then, you know, we did have a conversation

02:19:08 about how he told me, "You know what, to solve this issue, I'm going to change my documents to reflect what we're doing."

Q. Okay. We've talked about this sort of business practices of DenSco, and you said before the break that

02:19:29 the business practices of DenSco pre-forbearance agreement and post forbearance agreement did not change?

A. Correct.

Q. Now, did Mr. Beauchamp direct DenSco to do anything differently after it was uncovered how you had

02:19:44 been able to get two loans on a property because of

DenSco's lending practices?

A. No. What Denny told me -- I only know what Denny told me, because I didn't have any more meetings with Beauchamp. But what Denny told me is that he had lunch with Beauchamp just at the end of 2015, and at that time he did explain to Beauchamp about the offers to purchase and all that stuff and how we're doing things now, and Denny was surprised and he said to me, "Hey, he basically gave the blessing to everything."

02:20:01

02:20:25

Q. Okay. So despite the issues that were in the first round, there were no changes?

A. No.

Q. Okay.

(Deposition Exhibit 7 was marked for identification.)

02:20:49

BY MR. ANDERSON:

Q. I show you what's been marked as Exhibit 7. Page 1 of Exhibit 7 is an e-mail at the very bottom from you to dcmoney@yahoo.com and veronicacastro@live.com. Who are those people?

02:21:08

A. Veronica Castro works in my office. She's a notary.

Q. And dcmoney is Denny Chittick, correct?

A. That's correct.

Q. And this is an e-mail of April 30th, 2014,

02:21:18

correct?

A. Correct.

Q. Okay, so this is just after the forbearance agreement has been entered into it.

What are you communicating in this e-mail?

A. It looks like I'm communicating the property address and how much I paid for it.

Q. Okay. And then the e-mail at the top back to you, from Denny Chittick to you the same day, later that night, says "Attached" and has the address of 11627 West Holly. Do you see that?

A. And that would have been his documents.

Q. Okay. That's his documents, because you can see the attachments are "DOT Easy Investments; Note Easy Investment; RM Easy Investments," right?

A. Correct.

Q. Turn to the second page.

This is a document you've probably never seen. This is an internal accounting QuickBooks for DenSco that Denny made, and it shows that on this day, May 1, that $386,500 are wired to you. Do you see that?

A. Yes.

Q. Okay. The next page is a bank statement from DenSco where it shows the money leaving our account.

A. Okay.

Q. Okay. The same day, 5-1.

The next document is a notice of trustee's sale evidencing that this property's going to be sold at auction on 3-18-14.

02:22:36 A. Okay.

Q. The next document in the stack is the mortgage, the mortgage that you've signed.

A. Uh-huh.

Q. Who's the one who is notarizing it here?

02:22:51 A. Veronica Castro.

Q. Is she notarizing most, if not all, of your mortgages, deeds of trust and notes?

A. Yeah, and as well as other borrowers of Denny's.

02:23:02 Q. Okay. So this note and mortgage is what is used and recorded by DenSco to cloud title, right?

A. Correct.

Q. And so is this your signature here?

A. Yes.

02:23:13 Q. The next page is another document which says "Mortgage" and has a number on it. Have you ever seen this before?

A. No, I never seen this before.

Q. Okay. The page after that is a Note Secured By

02:23:30 Deed of Trust. Do you see that?

A. Yes.
Q. Dated May 1st, '14?
A. I do.
Q. Did you sign this?
02:23:36 A. Yes.
Q. And the next is a Deed of Trust and Assignment of Rents, also on the second page signed by you as well?
A. Yes.
Q. Okay. The next page is a picture. Do you see
02:23:54 that?
A. Yes.
Q. What is that a picture of?
A. A check that I -- that he wired to me, so a check that I made.
02:24:00 Q. Okay, so this is a picture -- who is taking this picture?
A. Me.
Q. Okay, so this is you taking a picture of a check?
02:24:05 A. Yeah, and e-mailing it to him.
Q. A check out of your Arizona Home Foreclosures account, right?
A. Correct.
Q. For the amount of 118,610, right?
02:24:15 A. Correct.

Q. Okay. And then what's the next document?
A. A receipt from the trustee.
Q. Okay. And how did you -- who took this picture?
02:24:22 A. I believe Veronica.
Q. Okay. And what's this document that we've got a picture of?
A. Showing that it was paid for.
Q. Showing the property that is on Holly, West
02:24:35 Holly, was purchased by Arizona Home Foreclosures; is that right?
A. Yes.
Q. Okay. Who is the signature here as your agent? Who is this Lou --
02:24:44 A. Lou Amoroso? He was a bidder of mine.
Q. Okay. So he's somebody who works for you?
A. Used to.
Q. Okay. And you're providing this copy of this check and this picture and this receipt to Mr. Chittick;
02:24:55 is that right?
A. It was provided to him, yes.
Q. It was e-mailed to him?
A. I believe that's how Veronica sent them, e-mails.
02:25:07 Q. Why are you sending him a copy of the check and

the receipt?

A. I was sending him copies of the checks -- I was sending him copies of the checks because I'm pretty sure he requested it.

02:25:33 Q. Okay. So he requested --

A. Oh, that's what Beauchamp told him. That's right. Beauchamp told him that if you were going to continue to wire the borrower, to get a copy of the check, or something like that.

02:25:47 Q. Okay. The last page is a cancellation of the trustee's sale --

A. Okay.

Q. -- on January of 2016.

A. Okay.

02:25:54 Q. I checked the title on this property. You've never owned it.

A. Okay.

Q. So how do you explain that you have a receipt from the trustee, purportedly buying it at auction, when

02:26:10 you never bought it?

A. There are some times that trustee's sales don't go through. I'm going to say probably 25 percent of the time that they don't go through, where you can actually pay for a property and then get the funds back from the

02:26:23 trustee, for a number of reasons.

Q. And what are those reasons?

A. Could be a homeowner filed BK right before the sale, and so that would continue the sale. It could be that -- it could be that it was a bad sale, meaning the loan was paid off and the trustee never knew about it. It could be that the trustee had direction from the bank to go to sale and then the bank turns around and says, "Oh, no, we screwed up. This shouldn't have went to sale." There's a lot of different reasons.

02:26:58 Q. So that happened 25 percent of the time?

A. It's very common.

Q. Okay. How often did it happen to you?

A. I can't guess how many instances it happened to me.

02:27:07 Q. Okay. Well, on this property, is that what must have happened, based on the documents in front of you?

A. I couldn't tell you unless I looked. I would have to look back and figure it out.

02:27:15 Q. Well, I mean, I certainly can subpoena the folks at the trustee company to see what happened.

A. Perfect.

Q. I will tell you that the document attached to it shows that the trustee's sale was canceled, that it

02:27:25 never actually happened.

A. Okay.
Q. So does that give you any indication of what could have happened?
A. No, because it would be canceled anyway.
02:27:34 Q. What do you mean, it would cancel anyway?
A. Well, if it was a bad sale, then it would cancel regardless.
Q. Okay. Well, the cancellation, if you look at it, it's dated almost two years later.
02:27:45 A. Two years later?
Q. Uh-huh.
A. Oh, well, that would make sense.
Q. That would or would not?
A. That would make sense.
02:27:54 Q. Okay. And why?
A. Because if a sale is bad, if there's a bad sale, then what would happen is they would postpone the sale. So they could postpone it 30 days, 60 days, 90 days, and they typically keep postponing it until
02:28:08 something gets resolved with it. There are some -- like if you look up in County records, there are some foreclosures that have been postponed for eight years.
Q. Sure. But what happens to the money that
02:28:16 you've given to the trustee?

A. It gets returned.
Q. Okay. So you would have evidence of these funds going back to you from this trustee, right?
A. Or your original check is returned, which is more --
Q. Well, you've given this check, per this receipt, to this trustee?
A. But if they return the funds to you, they hand you back your check. They don't cut you a check. You get back your original check.
Q. Okay. So if we look at this sale, we're either going to see a -- that you got this specific check handed back to you at some point?
A. Yes, and redeposited into the account.
Q. Okay. Or they've issued you a new check?
A. Correct, and then that money would have went back to DenSco.
Q. Okay. But looking at this today, you don't have any --
A. No.
Q. But looking at the document pattern, you think it was a canceled sale?
A. Yes.
(Deposition Exhibit 8 was marked for identification.)

BY MR. ANDERSON:

Q. I'll show you what's been marked as Exhibit No. 8.

Why don't we take all this out of the way, because she's got to collect this.

A. This chair, I'm stuck over here.

MR. JESS: Do you want a different chair, Scott?

THE WITNESS: No, let me just put myself here, because I'm stuck like this, like I'm sleeping all the time.

BY MR. ANDERSON:

Q. Did the Veronica Castro person work for you?

A. Yes.

Q. Okay. I'm showing you documents again that look very similar to the one you sent before. You sent an e-mail to Mr. Chittick on May 6th of 2014. It's on the first page of Exhibit No. 8.

A. Okay.

Q. Are you communicating the interest to buy this property on that day, or that you've already bid on this property; is that right?

A. I believe so, unless we were doing offers to purchase at that time.

Q. Okay. And then you get documents back, right?

A. Correct.

Q. Well, you know you're not doing offers to purchase if the mortgage is not -- aren't changed, right?

02:30:29 A. No, that's not correct.

Q. Okay. So he was doing the different mortgages for a while?

A. Oh, yeah. That's why the whole thing started, because the title companies would contact him.

02:30:39 Q. Okay. You see there's a notice of trustee's sale, the next page?

A. Yeah.

Q. All right. You see on the same day of your e-mail -- well, sorry, the next day, 5-7, he wires to

02:30:52 you $1,008,700, which includes $278,300 for this property?

A. Right.

Q. That amount, 1,008,700, comes out of the bank account on that day, the next page, and then you sign

02:31:06 the mortgage?

A. Yeah.

Q. And you sign the deed of trust and the note, right?

A. Right.

02:31:14 Q. Is that right?

A. Yes.
Q. And then you send to Mr. Chittick again a picture of a check?
A. Yeah.
02:31:21 Q. For the amount 268,300?
A. Correct.
Q. And then you also send him a picture of a receipt; is that right?
A. Veronica must have sent it to him.
02:31:35 Q. Okay.
A. I never saw the receipts.
Q. You never saw the receipts?
A. No.
Q. How would Veronica send it to him?
02:31:45 A. She would get it from the bidder.
Q. Okay. And he would take a picture of it for her and send it to her?
A. He would take a picture, send it to her.
Q. So Lou Amoroso took this picture and then sent
02:31:59 that picture to Veronica?
A. I think you're asking me to assume something, and I'm not really positive. I can check with Veronica. I'm not really positive.
Q. You said you didn't see the receipts?
02:32:11 A. Correct.

Q. So somehow the receipt makes its way to DenSco. How did that happen?

A. Well, I guess you would have to look at how you received it. I mean --

02:32:24 Q. Well, I'm asking you, because --

A. Well, I didn't send it.

Q. Okay. And you also testified you've never seen it before?

A. Correct.

02:32:32 Q. Okay. So this is the first time you're seeing these receipts?

A. Yes.

Q. Okay. You didn't know they existed?

A. I didn't see -- I haven't seen it.

02:32:41 Q. Well, did you know that DenSco was sent pictures and copies of receipts from these purchases? Did you know that?

A. I knew that I was sending the checks, the copies of the checks.

02:32:53 Q. I didn't ask that question. I asked did you know about the receipts?

A. No.

Q. You didn't know the receipts were being sent?

A. No.

02:32:58 Q. You didn't know that DenSco had copies of

receipts?

A. No.

Q. Okay. You're sure?

A. Yes.

02:33:05 I remember in the beginning of -- after the forbearance agreement and I remember him asking for the checks -- I remember him asking for the checks. Did I send him -- I don't recall sending him receipts. I don't believe that I sent him receipts.

02:33:28 Q. Okay.

A. Maybe -- I mean, you are talking two and a half years ago. So have I sent him some receipts? Maybe. I really don't remember.

Q. Okay. Again, this trustee's sale is actually 02:33:42 canceled, the last page of the document. It's canceled in June of -- June 7th of 2014, about a month after you purportedly buy the property at auction.

A. Okay.

Q. What's your explanation for this one? You 02:33:59 think it's another canceled sale?

A. It could be, or it could have been -- it could have been one of the offers to purchase. It could have -- I have no idea.

Q. Well, how could it be an offer to purchase? 02:34:12 Because you've got a receipt from a trustee.

A. Oh, right. That's true.
Q. So it can't be an offer to purchase.
A. No, it can't be an offer to purchase.
Q. You're buying this at an auction, right?
02:34:20 A. Yes.
Q. So if you never ever get a trustee's deed showing that you had title to this property --
A. Uh-huh.
Q. -- it must be one of those, what, canceled
02:34:28 sales you were talking about, or someone must have filed bankruptcy?
A. I would assume so.
Q. Okay. Because you have no reason to doubt the validity of that receipt, right?
02:34:35 A. No. It's a receipt.
Q. Right. So it's legit; it's not forged, right?
A. It looks like a receipt. I mean I --
Q. Well, but there's no reason to believe it's not real, right?
02:34:45 A. There's no reason for me to believe it's not real, no.

(Deposition Exhibit 9 was marked for identification.)

BY MR. ANDERSON:

02:35:09 Q. Show you what's been marked Exhibit No. 9.

Page 1, again, is an e-mail from May 5th of 2015 from you to Veronica Gutierrez, who -- is that the same as Veronica Castro?

A. Yes.

02:35:36 Q. And to Denny Chittick?

A. Uh-huh.

Q. And you're asking -- well, you're providing addresses of a series of properties, and this time you're giving recording numbers. Do you see that?

02:35:45 A. Yes.

Q. What do those recording numbers relate to?

A. Those are recorded -- those are related to the offers to -- those are related -- well, it could be related to anything. It could be related to either the

02:35:56 notice of trustee's sale or it could have been related to the offers to purchase.

Q. Okay, well, it is related to the notice of trustee's sale. In fact, identically, it's the recording number of the notice of trustee's sale --

02:36:06 A. Okay.

Q. -- that's recorded against this property on January 9th, 2015.

A. Okay.

Q. And the sale was to occur on 4-20-2015.

02:36:18 Take a look at the document from DenSco. It's

an accounting report showing that on that day of May 6th, 1.5 million and change was e-mailed -- is wire-transferred to you. There's actually a wire right there in the bank statements from FirstBank on the 5th
02:36:37 of May in that exact amount.

A. Okay.

Q. There is a mortgage that is on the next page. This is actually a mortgage where it talks about a purpose of making an offer mortgage. This is one of
02:36:53 those mortgages that you referenced was used --

A. The one for the purchase.

Q. -- for the short sales. But it says here on this mortgage -- and you can look at it. It's on page seven.

02:37:10 A. Okay.

Q. If you read the language of the mortgage, it says that DenSco Investment Corporation is lending $271,700 for the purpose of making an offer for, and there's a bunch of blanks, and it says "See Exhibit A,"
02:37:23 which is the property that is purportedly being sold at a trustee's sale on April 20th. Do you see that?

A. I do.

Q. And that document -- this mortgage is recorded by DenSco after you sign it.

02:37:39 A. Okay.

Q. It looks like you also sign on the same day as the note and deed of trust?
A. Yeah.
Q. You also provide to DenSco a copy of the check?
02:37:50 A. Okay.
Q. Is this you taking a picture again?
A. Yes.
Q. Okay. And it's got the name, pay to, Quality Loan Servicing?
02:37:57 A. Okay.
Q. And it says, "Order Of: DenSco Payment," where the address is 7263 East Manzanita?
A. Uh-huh.
Q. And the amount is 261,713?
02:38:07 A. Okay.
Q. The next page is a picture of a receipt for that exact amount, 261,713?
A. Okay.
Q. Signed by your agent, Lou Amoroso. Do you see that?
02:38:18 A. Yes.
Q. So this would indicate that you bought this property at auction, right?
A. Well, yeah, the receipt would.
02:38:30 Q. Okay.

A. But --
Q. The trustee's sale was canceled --
A. Well, the thing is --
Q. -- before you're even --
02:38:39 Hold on. Let me finish.
The trustee's sale was canceled before you even e-mailed Mr. Chittick for the loan. It was canceled on March 12th of 2015. So two months later is when you're purporting to be purchasing at auction.
02:38:55 A. See, that's what I'm thinking. This is an offer to purchase, and I don't know how there's a receipt for it.
Q. Well, I don't know how there is either, so that's why I'm asking you.
02:39:07 A. I couldn't answer you that question. I know how we got the checks.
Q. Do you have any reason to believe that this receipt is forged, is made up, in order to convince Denny that you're actually buying this property at
02:39:23 auction?
A. I would have no reason to believe that.
Q. Okay. Whose signature is this on the receipt? Do you recognize it?
A. On the bottom?
02:39:45 Q. Yeah.

A. It said Lou Amoroso.
Q. Is that his signature?
A. I don't really know what his signature looks like.
02:39:53 Q. Okay. Do you know what the signature is right next to him?
A. No, I have no idea.
Q. Okay. So you don't have an explanation for this one, do you?
02:40:03 A. I don't.
Q. So it certainly looks like, from the documents that were provided to DenSco, that you are funding a purchase of a property that you purchased at a foreclosure sale, right?
02:40:18 MR. JESS: Objection, form.
THE WITNESS: Well, other than the notice saying that it's an offer to purchase for these documents, then yes.
BY MR. ANDERSON:
02:40:25 Q. Which if you're going to make an offer to purchase, you've told us before it's going to be an offer to purchase to a homeowner; it's not going to be with a check and a copy of a receipt from a trustee?
A. No, that's not correct.
02:40:35 Q. Oh, okay. So now there's a way to make an

offer of purchase to a trustee?

A. No. What Denny wanted was copies of -- what Denny wanted was copies of checks on the transactions, so he had it for his file. And so that's what I provided him.

02:40:47

Q. So how do you explain the receipt?

A. I can't.

Q. So when we go to Priority Posting and Publishing, this entity that apparently was serving as the trustee, are they going to have their copy of this receipt?

02:40:59

A. I don't know what they will have.

Q. Are you sure you don't know what they're going to have?

A. I do not know what they're going to have.

02:41:06

(Deposition Exhibit 10 was marked for identification.)

BY MR. ANDERSON:

Q. I'm going to show you what's marked as Exhibit No. 10. The first page of Exhibit 10 is another e-mail, this one from June of 2015, and this has a series of properties on it. Do you see that?

02:41:31

A. I do.

Q. It also has recording numbers, "REC" after it, or before it. Do you see that?

02:41:53

I know, Scott, you want to skip ahead to the other pages, but let's go threw it methodically, okay?

A. Yeah, I'm looking.

Q. Okay. So you made an e-mail to DenSco asking for a loan of $272,800 on a property at 18911 East Canary; is that right?

A. Correct.

Q. And you reference a recording number; is that right?

A. Yeah. At this point these are offers to purchase.

Q. Okay. But you reference a recording number; is that right?

A. Yes.

Q. With a date of 3-26?

A. Correct.

Q. The next page is showing the money that was allotted for the various loan requests on that day, 6-26, and the total amount is 1,593,000. Do you see that?

A. Correct.

Q. And then we see on the next page a copy of DenSco's bank statement showing that he's wire-transferred out to you $1,593,000. Do you see that?

A. Correct.
Q. And you got those funds, right?
A. Well, yeah.
Q. Okay. The next page is the notice of trustee's
02:42:53 sale, which is actually the exact notice of trustee's sale with the recording number that you've referenced in your e-mail to Mr. Chittick.
A. Okay.
Q. The next page is actually a cancellation of
02:43:02 that trustee's sale.
A. Okay.
Q. That cancellation was word recorded on April 2nd, 2015.
A. Okay.
02:43:09 Q. But you are e-mailing DenSco months later, in June, purporting that you had purchased this property at an auction. Isn't that what your e-mail referenced?
A. No.
Q. Okay. Well, you sign all the documents. You
02:43:26 sign the mortgage and the deed of trust; is that right?
A. Yes.
Q. You take a picture of a check --
A. Yeah.
Q. -- the second to last page?
02:43:32 A. Yeah.

Q. You send that to DenSco, right?
A. Yes.
Q. And the check is a payment order to David W. Cowles, trustee. Do you see that on the check?
02:43:40 A. I do.
Q. Okay. So you are indicating that this check is going to be made payable to the trustee; is that right?
A. Yes.
Q. Despite the fact that the sale has been
02:43:49 canceled, isn't going to happen?
A. Correct.
Q. And the next page is a receipt. This receipt indicates that you have delivered to that trustee this check?
02:44:07 A. Correct.
Q. And you purchased the property. It says "Paid in full." Do you see that?
A. Yes, the same as the other few transactions.
Q. Okay. Well, there's some slight differences, I
02:44:18 think.
A. Okay.
Q. But, for example, the receipt that you have on this document --
A. Uh-huh.
02:44:25 Q. -- it for some reason has an identification of

a $10,000 check from U.S. Bank. Was that your check that you gave him on that day?

A. Yes.

Q. Okay. And then the second check is the one from Chase, and then it identifies here that if you have any questions, go to www.auction.com. Do you know what that is?

A. A trustee.

Q. Okay. So you're providing this receipt to DenSco because you have purchased this property at auction, right?

A. I did not provide this receipt, is what I told you.

Q. Okay, well, who provided this receipt to DenSco? How did DenSco get it?

A. I have no idea.

Q. Okay. You don't know any -- you have no idea how DenSco got a receipt? Right, you have no idea?

A. I did not send him this receipt.

Q. Okay. Do you have any idea how Mr. Luigi Amoroso's driver's license number and date of birth gets on this receipt?

A. No.

Q. Okay. Do you believe that's his signature, or do you know?

A. No idea.

Q. So when we go to David over at Tiffany & Bosco and ask him about this trustee's sale, he assumed -- he should have a copy of this receipt, right?

02:45:42 A. I have -- I would assume so.

Q. Okay, but you never get -- take title to the property. You never own the property.

A. Okay.

Q. So you're spending -- you have a receipt, a

02:45:50 check showing that you're paying for it, but you never actually ever own it. So what happened?

You don't know, do you?

A. No. Like I said, I provided copies of the checks to DenSco.

02:46:08 One of the lies that I told DenSco was that the money was secure and being held by trustees. I did tell him that. He believed that or was aware of it or thought of it, or I don't know what he believed, but...

Q. Well, you said one of the lies you told was the

02:46:31 money was being held by trustee. What do you mean?

A. Right, and that money was going towards the workout.

Q. What do you mean? You told him that there was money, DenSco money, being held by a third party?

02:46:43 A. Well, he would wire the money to my account for

proof of funds, and so what I told him is, "Don't worry. The money is secure. It's sitting in these trustee offices. They're just sitting there, and they're just bad sales."

02:46:56 And he's like, "Okay. That's fine."

Q. Okay. So you knew these were bad sales?

A. They weren't bad sales. I mean, what I knew, what I knew was that I needed him to know or feel secure that the money was safe.

02:47:16 Q. But the money wasn't at this trustee, was it?

A. No, the money was not at this trustee.

Q. Right. So despite this -- but you said you don't know -- this money has to be with the trustee. The check is made out to David Cowles. There's a

02:47:30 receipt for him getting it.

A. No. If you look at my bank statements -- and I've explained this before, maybe not to you; but if you look at my bank statements, if I -- let's just say there was six checks in that day totaling $1.6 million. I

02:47:45 would go to the bank. I would make -- I would get the cashier checks. I would make the copies. I would send him the pictures. And then I would redeposit those checks back into the account.

Q. But this receipt says, "Paid in full," Scott.

02:47:56 A. I understand that.

Q. So you're telling me that you know, sitting here today, that this receipt is bogus, right? Because you're telling me that check is back in your account.

A. It has to be.

02:48:07 Q. So the receipt has to be bogus?

A. I don't see how it could -- how it's not. The thing is, I've never seen the receipt, is what I'm saying. So I guess I don't know where the receipt came from.

02:48:20 Q. You've never -- you've never -- have you ever had any discussions with DenSco about these receipts?

A. No.

Q. Okay.

A. I've never seen this receipt. Not this

02:48:28 specific receipt, but --

Q. Well, just receipts in general. You said, "I'm sending you receipts. I'm sending you checks. You know it's secure." Right? I mean that's what's making it secure.

02:48:39 A. No, what's making it secure is -- in his mind is that the money is sitting in a trustee's office.

Q. Well, explain to me -- explain me this. You said it's a lie. So I mean you have to explain the lie to me. Why would he believe that it's sitting in a

02:48:50 trustee account somewhere? Why?

A. Because that's what I told him.

Q. Well, you just say, "It's sitting in a trustee account somewhere; that you should be fine"?

A. I told him that -- at some point during the relationship, and I don't remember when that was, and these offers to purchase weren't working out very well and he continued to put pressure on me for the forbearance and I continued to put money into the workout agreement, I told him that this money was -- it was bad sales. There was sales that were bad. That a trustee knew about it and that they were holding the money and not to worry about it, everything is secure.

And he was okay with it, and that was the end of that.

Q. So you told him that there were a bunch of bad sales and all the trustees were holding all this money in perpetuity? You know, when was it going to be released?

A. Well, within 30 days he would get his money back. So some of the money would go to workout. Some of the money would go back to him. I mean --

Q. But you told him it was being held by these trustees, right?

A. Correct.

Q. And when did you tell him those trustees were

going to release the money?

A. Well, I didn't tell him that -- what do you mean, when? This was an every -- this was a continual thing.

02:50:13 Q. So how much money did you say was being held by trustees? What's the gross amount? You said it was --

A. There was no -- I didn't have a gross amount that I gave him. I mean if he would send me a million dollars every day, it could have been 20 million, 25 million. Could have been whatever it was at the time.

Q. Well, wait. You communicated to Denny that maybe as much as $20 million is being held by trustees?

A. Yes.

02:50:33 Q. And he believed you, first off?

A. Yes. I would assume so.

Q. Okay. And that was not true?

A. Correct.

Q. Okay.

02:50:44 A. And where the money actually was going was back to the workout or back to the old properties that needed to be paid off.

Q. So you're lying to him where the money really is, saying it's with these trustees; but in reality

02:50:58 you're just giving it -- you're paying it back to

DenSco?

A. Yes.

Q. And why are you lying to him saying it's with these trustees?

02:51:06 A. I'm lying to him and telling him that it's with these trustees --

Q. But why? Why are you lying to him?

A. To make him feel secure and safe.

Q. Isn't it true you're lying to him about the

02:51:15 money being safe or being with the trustees so that you can continue to borrow?

MR. JESS: Objection, form.

THE WITNESS: No. I haven't borrowed in almost a year.

02:51:25 MR. ANDERSON: Hold on. What's the form objection?

THE WITNESS: That calls for a legal conclusion.

MR. ANDERSON: No. No, it doesn't.

02:51:31 BY MR. ANDERSON:

Q. You can answer it then.

MR. JESS: Yes. Yes, it did. He can answer it regardless.

MR. ANDERSON: I just need you to say

02:51:37 that. Okay.

THE WITNESS: I forgot the question.

MR. ANDERSON: Can you read it back to him?

(The record was read by the court reporter as follows:

QUESTION: Isn't it true you're lying to him about the money being safe or being with the trustees so that you can continue to borrow?)

02:51:48

02:51:49

MR. JESS: Same objection.

THE WITNESS: Well, that doesn't make any sense to me, because the money was already deployed with the forbearance agreement. Our balance didn't go up much from that. So that doesn't make any sense. The money was already deployed. Prior to what I've told DenSco, the money was deployed already. This was just a recycling of money. He gives me; I give him. But before any of this -- any of the lies or anything, the money was deployed. It was out. It's in the forbearance agreement.

02:52:06

02:52:23

BY MR. ANDERSON:

Q. You called it recycling of money.

A. Pretty much.

Q. Does Denny believe it's being recycled, or does Denny believe it's actually going out for loans?

02:52:32

A. I actually do believe that Denny believes that it was being recycled.

Q. Did you ever tell him that?

A. No.

02:52:39 Q. You actually told him that it's being put to work to do various legitimate business opportunities, right? That's what you told him?

A. Are you telling me what I told him or --

(Deposition Exhibit 11 was marked for

02:52:56 identification.)

BY MR. ANDERSON:

Q. Look at Exhibit 11. The first page, on July 16, 2015 --

MR. JESS: Did you hand me Exhibit 11?

02:53:02 MR. ANDERSON: I think I did. If not, I can pull some more out of here.

MR. NEMECEK: There was an extra one over here. Maybe you didn't get it.

MR. ANDERSON: It's this one.

02:53:15 THE WITNESS: Thank you.

BY MR. ANDERSON:

Q. The first page of this e-mail comes from Ms. Gutierrez to you and to Mr. Chittick. Do you see that?

02:53:21 A. Yes.

Q. This one is a little different, because it's got this arrangement that you talked about earlier in your deposition testimony whereby certain payoffs -- you know, you're requesting a gross amount of 1.3 million, but there are payoffs coming in of 1.3, so there's an offset. Do you see that?

A. Yes.

Q. This is that -- this is exactly what you were talking about, right?

A. Yes.

Q. That at times it got to the point where you wouldn't even deliver these big dollars to each other; you just sort of do the offset amount to each other, right?

A. Correct.

Q. But you're still indicating that you're going to be purchasing these properties; is that right?

A. Making an offer to purchase.

Q. Making an offer to purchase, if you want to call it that?

A. Yes.

Q. And you're going to be using the payoff money, rather than new money from DenSco, right?

A. Correct. That's why I said recycling the money.

Q. Okay. And then the next page we see the wire come out. You'll see a notice of trustee's sale again. We see another mortgage signed by you and then another check. You see a picture of a check.

02:54:33 A. Yeah.

Q. Did you take this picture?

A. I can't tell you if specifically I took this picture.

Q. Well, it's made payable to David Cowles again,

02:54:40 trustee, for a property at 1644 South Los Alamos Circle.

A. Okay.

Q. Do you see that?

The next page, another receipt.

A. Okay.

02:54:48 Q. For the same property, same check amount. But I guess it shouldn't come as any surprise, but the trustee's sale had been canceled two months before you even sent the e-mail to DenSco asking for -- to loan against this property. How do you explain that?

02:55:06 A. It was an offer to purchase. I don't -- I can't explain the receipt, but it was an offer to purchase.

Q. Why would the check be made out to the trustee if it's an offer to purchase?

02:55:14 A. Because that's what I was doing on every

transaction.

Q. No.

A. I would make a copy of the check.

Q. Didn't you -- okay, you made a copy of the check. That's fine. But you were --

A. And send it to him.

Q. -- making an offer of purchase to a homeowner. The check should be made out to a homeowner, not to the trustee.

A. Well, no, you don't make the check out to the homeowner. You're going to make it out to the title company.

However, like I told you, I told him that the money was sitting at a trustee's to make him feel safe and secure. The bottom line is, is that the money was getting eaten up by interest which was being paid back to him and the workout agreement.

Q. Okay. You never take title to this property; is that right?

A. I have no idea without checking tax records.

Q. Well, I can tell you I did check, and you never take title to the property. Do you have any reason to doubt that?

A. That you're a liar? No, of course, not.

(Deposition Exhibit 12 was marked for

identification.)

BY MR. ANDERSON:

Q. Let me show you what's marked as Exhibit 12. This one's a little different, so it will be interesting.

The first page of Exhibit 12 you've got the standard e-mail from you, or this time it's from Veronica to you and to Denny, with some addresses and then the other offset. Do you see that?

A. Yes.

Q. And then DenSco's responding to you with the DOTs and the mortgages for the property at 8581 East Krail?

A. Yes.

Q. The next page is the summary of the money that the Krail property is included on. The next page is a copy of the bank statement that shows the wire going out.

A. Yes.

Q. Again, this mortgage is different than the offer to purchase mortgage. It doesn't have the offer to -- it says a loan had been obtained for the purpose of making an offer. So I guess I'm wrong. That is another offer to purchase mortgage. And then you've got this e-mail from you to Mr. Menaged. It's -- sorry, to

you. It's an e-mail from -- you, Scott, send this e-mail to Denny --

A. Uh-huh.

Q. -- on September 28th, 2015 at 7:15 in the morning. It is forwarding an e-mail that you purportedly obtained from your bank. Do you see that?

A. Yeah.

Q. Okay. Which indicates that -- it looks like a wire is being sent?

A. Right.

Q. Okay. Did you at some time change to wires?

A. No. But I did tell him that we did.

Q. Oh. So you never actually changed to wire transfers?

A. No. I told him that we changed to wire transfers, but we didn't. Again, it's the same thing of telling him the money is secure.

Q. So the next page is -- it says, "We are Going to Wires! Finally allowed!" That's just not true?

A. That's correct.

Q. And so you're showing him a fake wire transfer instructions?

A. I am showing him something saying that I was going to request it. But when you go into Chase and you go and request the money, you have to go in and approve

it on the back end, and so what -- this is not fake. It's a real document. It's just I never went in and approved it.

Q. So you sent this to him under the pretense that
02:58:44 a real wire was going to go out for this amount on the Krail property, but when you did it, you never intended to actually wire the money?

A. Correct.

Q. But you didn't tell that to Mr. DenSco -- or
02:58:57 Mr. Chittick. You send it, him thinking that's where it was going, right?

MR. JESS: Objection, form.

THE WITNESS: He thought the money was secure.

02:59.03 BY MR. ANDERSON:

Q. Okay. The next page is this EFT instructions for something called Auction.com, LLC. Do you see that? Is this also another fraudulent -- another document you've created?

02:59:14 MR. JESS: Objection, form.

THE WITNESS: No. That's a real Auction.com wiring instructions.

BY MR. ANDERSON:

Q. Okay. And is that where you wired the money
02:59:24 for the property?

A. Didn't I just say I didn't wire it?
Q. No, you actually said that you -- the wire information isn't real, but --
A. No.
02:59:30 Q. So you didn't wire it at all; is that your testimony?
MR. JESS: Objection. None of that accurately states Mr. Menaged's testimony.
BY MR. ANDERSON:
02:59:38 Q. Did you wire the money?
A. No, I did not wire the money.
MR. JESS: Ryan, I know you're on a roll, but can you slow down just a little bit, please?
BY MR. ANDERSON:
02:59:45 Q. And then just like the others, this trustee's sale is canceled. Do you see that on the last pages?
So there's no purchase of this property; is that right?
A. I guess not.
03:00:12 Q. Who is Luigi Amoroso?
A. A bidder.
Q. And he's your former employee?
A. Yes.
Q. What's his -- where does he live?
03:00:20 A. Somewhere in Phoenix.

Q. Do you have his phone number?
A. I don't with me.
Q. Is he the same guy who was on the TV show with you?
03:00:28 A. He is.
Q. When's the last time you talked to him?
A. Six months ago.
Q. Did you have a falling out?
A. Yes.
03:00:35 Q. Over what?
A. The death of Denny.
Q. Why?
A. He was upset. He was upset. He never knew Denny, but he was upset over it.
03:00:49 Q. He had a falling out with you because Mr. Chittick committed suicide?
A. He had a falling out with me because he said that he read a suicide letter that me and him were -- first I heard that we were running drugs through Mexico.
03:01:04 Then I heard that I provided a rope for him to kill himself. We just stopped talking.
Q. Have you ever seen that purported note?
A. No.
Q. And how often did he bid for you at foreclosure
03:01:20 auctions?

A. Occasionally.

Q. Did you know he was making these fake receipts to provide to DenSco?

MR. JESS: Objection, form.

03:01:26 THE WITNESS: No. I don't even know that he was.

BY MR. ANDERSON:

Q. Do you have any knowledge about who may have created the false receipts?

03:01:33 A. No.

Q. You don't know who may have done it?

A. I don't want to speculate.

Q. Well, who could have done it? Who would have the ability to do it?

03:01:41 MR. JESS: Objection, form.

THE WITNESS: Veronica Castro could have.

BY MR. ANDERSON:

Q. There's only, really, three people that are involved in all of these transactions; isn't that right?

03:01:54 A. Yes.

Q. It's you?

A. Yes.

Q. Veronica Gutierrez/Castro and Mr. Amoroso; is that right?

03:02:01 A. Correct.

Q. So if somebody created a fake receipt, it was one of the three?

MR. JESS: Objection, asked and answered.

THE WITNESS: Or Denny.

03:02:10 BY MR. ANDERSON:

Q. So you're -- so Denny may have created them?

A. How do I know? I told you I had never seen the receipts.

Q. At some point, did Denny discover what was

03:02:27 going on, these irregularities, and confront you about it?

A. No.

Q. So sometime in 2014, did you tell Mr. Chittick that you had an arrangement with Auction.com that you

03:02:39 would send in offers on properties that were postponed or canceled at trustees' sales and try to get those trustees to agree to a short sale?

A. Yes.

Q. You told him that?

03:02:49 A. Yes.

Q. And that was a lie, correct?

A. Correct.

Q. Did you tell Mr. Chittick at sometime in 2015 that your wife had gotten access to your personal

03:02:58 business bank accounts and withdrew $1.7 million from

the companies and refused to return it?
A. I did.
Q. Did that actually happen?
A. No. But there was no more money to return to
03:03:07 him, so that's what I said.
Q. So you made up a story to him why you couldn't
pay him back?
A. Yes.
Q. And the story was that your wife had
03:03:14 misappropriated the money?
A. Correct.
Q. Okay. Did you tell Mr. Chittick that a court
had actually ordered your wife to put that $1.7 million
into an escrow account?
03:03:25 A. I don't recall.
Q. Well, did that ever happen?
A. No.
Q. So you -- at some point, did you tell
Mr. Chittick that all of this money that was owed to him
03:03:39 and DenSco under the forbearance agreement and the
workout was actually being held by Auction.com?
A. Yes.
Q. In June of 2016, did you meet with Mr. Chittick
and tell him that your wife had gone to Auction.com to
03:03:58 try to expose your business relationship with them?

A. I believe I did.
Q. Was that true?
A. There was no Auction.com. It was not true. I was -- what you're asking me, what you're asking me is because -- the reasons why is because the money went back to DenSco, and I couldn't tell him that he already has his money.
Q. You met Mr. Chittick one final time on July 25th, 2016; is that right?
A. I don't remember the date, but we did meet.
Q. Okay. Well, you met in your warehouse, right?
A. We did meet.
Q. And you met for a long time, right?
A. No, not a long time.
Q. Not a long time? Okay.
And during that meeting, did you tell him that after your bankruptcy was over, you intended to open a bank account overseas and have Auction.com wire $30 million to that account?
A. I did tell him that.
Q. Was that true, that you were going to do that? Is that your intention after this deposition, after the bankruptcy?
A. How could it happen? The money is not sitting

anywhere.

Q. So it's not your intention after this bankruptcy to go recover money from Auction.com?

A. Auction.com doesn't have any money.

03:05:06 Q. Didn't you tell Mr. Chittick that $31.8 million was sitting in an account at Auction.com, in a trust account, for you?

MR. JESS: Objection, form.

THE WITNESS: No, I did not say it was in

03:05:18 a trust account or anything like that.

BY MR. ANDERSON:

Q. Did you tell Mr. Chittick at that meeting that you had altered your bank statements, your personal statements and your business statements, before

03:05:25 submitting them to the Chapter 7 trustee?

A. No.

Q. Isn't it true during that meeting with Mr. Chittick, that you specifically told him that you intended to testify that after the forbearance agreement

03:05:39 was entered into, you and Mr. Chittick agreed to this offer to purchase arrangement, rather than buying traditionally at auctions?

MR. JESS: Objection, form.

THE WITNESS: You need to ask that

03:05:53 question again for me.

BY MR. ANDERSON:

Q. Did you tell -- did you tell Mr. Chittick at that meeting on the 25th of July that you were going to come and testify about a fictional -- or business arrangement that would explain the irregularities in these loans?

MR. JESS: Same objection.

THE WITNESS: I was going to explain that we made offers to purchase.

I don't understand. Sorry.

BY MR. ANDERSON:

Q. Did you tell him, tell Mr. Chittick, at that meeting on July 25th that you would deny the existence of Auction.com if you were ever asked under oath?

A. Yes.

Q. Did you tell Mr. Chittick that if anyone found out about your arrangement with Auction.com, you would be put in a jail cell?

A. Who is -- "you" who?

Q. You. Did you tell that to Mr. Chittick?

A. That I would be put in a jail cell?

Q. Yes.

A. No.

Q. You didn't say that?

A. I don't recall saying that.

Q. Did you tell Mr. Chittick during this conversation on July 25th that the receipts that we've looked at today, some of them, could never be provided by Mr. Chittick to the trustee in bankruptcy or anyone else?

A. No, I don't recall talking to him about any of this.

Q. Okay. So the answer to that question is, no, you never told him that he, Mr. Chittick, cannot produce or release those receipts to anyone?

A. No. I've never had -- I don't remember -- I don't recall having this conversation.

Q. You recall having a conversation with Mr. Chittick, but just don't recall --

A. A conversation, outside my warehouse, 20 minutes at best, and that was the end of it.

Q. Okay, so -- and it was outside your warehouse?

A. It was outside and then we went inside my warehouse, and I went inside to smoke. We sat down for a little bit. We sat down for a little bit.

Hold on.

Q. It's okay. What did you talk about?

A. Well, let me think about this.

We went inside. We went outside. He told me that he was stressed out. He was scared. I tried to

reassure him to the best that I could. I told him I had a meeting with my attorney, which was true, that day.

I'm trying to think back from a year and a half ago.

03:08:35 Q. No, this is a meeting on July 25th.

A. No, no, no, no, no. I'm trying to think back to a year and a half ago if --

Q. It's okay, Scott. I don't even -- it doesn't matter. I'll just keep going.

03:08:49 MR. JESS: Can we take a break here?

MR. ANDERSON: No. I'm almost done, Cody.

MR. JESS: We've been going for an hour --

THE WITNESS: Yeah, I need to use the restroom.

03:08:54 MR. JESS: -- almost an hour and 45 minutes.

MR. ANDERSON: Yeah, but I'm almost done. I've got about 10 minutes left. Why stop? I don't want to stop.

03:08:59 MR. JESS: Because I need to use the restroom, Ryan.

BY MR. ANDERSON:

Q. Isn't it true that you didn't -- you told Mr. Chittick that you didn't want those receipts

03:09:04 produced because not only were they fraudulent, but you

couldn't explain them away? Isn't that true?

A. I don't recall.

Q. You don't have a recollection of that?

A. I don't have a recollection.

03:09:15 MR. ANDERSON: Okay, we can take a break here. We'll come back.

MR. JESS: Thank you.

MR. ANDERSON: Go off the record at 3:09.

(A recess was taken.)

03:22:28 MR. ANDERSON: Okay, we'll go back on the record at 3:22.

BY MR. ANDERSON:

Q. Mr. Menaged, do you realize you're still under oath?

03:22:34 A. I do.

Q. Okay. In your conversation with Mr. Chittick on July 25th, 2016, you still were lying to him about your cousin, who purportedly double-encumbered the properties back in 2012, 2013; is that right?

03:22:55 A. I don't recall.

Q. Do you know -- well, do you think he ever knew the truth about the cousin not being real?

A. I don't know.

Q. You didn't have a conversation with him wherein

03:23:10 you told Mr. Chittick that the cousin had spent the

money in Vegas, had then absconded to Israel, and you couldn't find him?

A. I don't recall.

Q. Isn't it true you told Mr. Chittick that you had destroyed Veronica's computer so that no documents or records could be obtained from it?

A. I don't recall.

Q. Did you destroy her computer?

A. No.

Q. Where is her computer located?

A. I would assume in her house.

Q. Did Veronica Castro-Gutierrez work from home?

A. Sometimes.

Q. When she didn't work from home, where did she work from?

A. The Bell Road location.

Q. That was one of the Furniture King stores?

A. Correct.

Q. Do you have contact information for her?

A. I do. I can get it to you.

Q. Where does she live, do you know, what city?

A. Not offhand, no.

Q. Do you know her phone number?

A. Not offhand. They took my phone this morning.

Q. Do you know what city Mr. Luigi Amoroso lives?

A. I believe Phoenix.

Q. Could you get contact information for him if we wanted it?

A. Yes.

03:24:29 Q. Isn't it true you told Mr. Chittick on July 25th that you had personally destroyed all of your business records, all of your e-mails, and specifically destroyed all of the receipts that you had sent to DenSco?

03:24:39 A. I don't recall.

Q. So it's possible you did say that?

A. I don't recall saying it.

Q. Isn't it true you told Mr. Chittick that you had instructed and schooled Veronica on the cover story

03:24:57 to testify about?

A. I do not recall.

Q. Isn't it true that you told Mr. Chittick that after your bankruptcy was over, you intended to hire an asset protection firm to set up overseas businesses in

03:25:18 order for you to recover the money from Auction.com?

A. I don't recall, but there was no Auction.com, again.

Q. Isn't it true you told Mr. Chittick on July 25th that you would deny, even if asked under oath,

03:25:36 about the existence of any money at Auction.com?

A. I don't recall.
Q. You say you don't recall.
A. Uh-huh.
Q. Does that mean you just don't remember?
03:25:47 A. Correct.
Q. Is it possible that you did say those things?
A. I don't recall saying them.
Q. Well, where are the pictures that we saw today that you acknowledged taking of the various cashier's
03:26:08 checks and then sent to DenSco? Where are those pictures stored?
A. That would have probably been on one of my old phones.
Q. Did you keep those pictures?
03:26:16 A. No.
Q. You just destroyed them after you sent them?
A. No, I would have kept them on my phone until I sold my phone.
Q. The current phone you have, when did you get
03:26:28 that phone?
A. Middle of this year, beginning of this year. I can't recall.
Q. Okay. Is it an iPhone 6?
A. Yes.
03:26:40 Q. So if there were pictures of cashier's checks

that you took at the beginning of this year, they would be on that phone?

MR. JESS: Objection, form.

THE WITNESS: They would be, but there were no cashier checks or receipts or anything. I mean there was no nothing.

BY MR. ANDERSON:

Q. So what did you tell Veronica Castro-Gutierrez to say if she's questioned about her role in these receipts?

A. I did not have a conversation with her.

Q. You didn't have a conversation with her about any of these business transactions and how to explain them?

A. That's correct.

Q. Okay. Did you have any conversations with Mr. Amoroso?

A. No.

Q. Does Veronica Castro still work for you?

A. Yes.

Q. She works out of the current furniture business you have?

A. Yes.

Q. And that current business is called American Furniture, LLC, right?

A. Correct.

Q. It was started by you during the bankruptcy; is that right?

A. That is correct.

03:27:46 Q. And you used a loan from your father to operate that business, right?

A. That is correct.

Q. And is American Furniture buying real estate?

A. It started buying real estate.

03:27:57 Q. It bought some real estate at auction, didn't it?

A. Yes, it started buying real estate.

Q. Well, it started. Does that mean something; that it's now stopped?

03:28:05 A. It stopped.

Q. It stopped why?

A. I was advised not to buy real estate.

Q. Did that -- was that in the form of legal advice or something else?

03:28:16 A. Legal advice.

Q. So you were given legal advice to stop purchasing properties at auction during the bankruptcy case?

A. To focus on what I started American Furniture

03:28:27 for, which was a furniture store.

Q. Well, how were you funding the purchases of this real estate?
A. I got a loan.
Q. Who did you get the loan from?
03:28:39 A. Active Funding Group.
Q. Is it a hard money loan?
A. It is.
Q. Did you get any money from anybody else?
A. For the purchases of the properties?
03:28:48 Q. Yes.
A. No.
Q. You got a loan to start American Furniture from your father, right?
A. Correct.
03:28:54 Q. The same -- but your dad is also one of your creditors in your bankruptcy case; is that right?
A. Correct.
Q. Why would he lend you money to run the American Furniture business?
03:29:04 A. Because he doesn't want to see me fail and fall.
Q. What are the terms of that loan?
A. I believe it was a 12 percent loan.
Q. Is there a promissory note?
03:29:18 A. Uh-huh.

Q. Is there any security for it?
A. There's a UCC-1, yes.
Q. Does that secure the assets of American Furniture, LLC?
03:29:27 A. It does.
Q. Other than the loan that purported to start American Furniture, do you have any other loans with him?
A. I have the loans that he provided to American
03:29:39 Furniture. That's it.
Q. And there's no other loans, unsecured or otherwise, with your dad?
MR. JESS: What time period are we talking about here, Ryan?
03:29:54 THE WITNESS: Yeah, I'm confused.
BY MR. ANDERSON:
Q. I'm just talking about open loans now. I don't care if they're -- you know, currently owe him money. Other than American Furniture, do you owe him any money?
03:30:02 MR. JESS: Yes.
THE WITNESS: Yes.
BY MR. ANDERSON:
Q. Okay. And under what loan agreements? How much do you owe him?
03:30:05 A. There's a balance now of about two -- I think

it's about two and a half million.

Q. And under what agreement?

A. Under a promissory note from 2011 or '12.

Q. Did any of DenSco's money go to pay down your dad's debts, your debt to your dad?

MR. JESS: Objection, form.

THE WITNESS: Yes.

BY MR. ANDERSON:

Q. It did, okay.

Scott, where is the 20-plus million dollars of DenSco's money that you received?

A. It was returned back to DenSco, to the best of my ability.

Q. If it wasn't returned back to DenSco, what happened to it?

A. Would have been invested into the furniture companies to try to bring the profits out to DenSco. Would have went to living expenses, gambling, to try to take that money and give it to DenSco.

Q. How much -- take the interest out of the equation. In your mind, how much do you think you owe DenSco?

A. I have no clue.

MR. ANDERSON: Well, I don't have any further questions at this time, but I'm not going to

conclude the exam, because I don't have any of the documents that we asked for at the beginning. So we'll just continue the exam until we can get a more formal production.

03:31:28 Anybody want to put anything else on the record?

MR. JESS: Just one question for clarification. How much longer do you think you have to continue the exam? I mean this isn't a 341 meeting.

03:31:40 This is an open -- I mean we've been going for half a day.

MR. ANDERSON: Well, once I get the documents, I'll tell you how much more time I need.

MR. JESS: Well, I think under the rules

03:31:49 you don't have a whole lot more time. I mean you got one day, seven hours.

MR. ANDERSON: If you want to file a protective order after I get the document production, go right ahead.

03:31:57 MR. JESS: That wasn't the agreement, Ryan.

MR. ANDERSON: I don't know if we have any agreement, Cody.

MR. JESS: Well, then we should have

03:32:01 pushed off the exam. I mean my take on it is you've got

a couple more hours left.

MR. ANDERSON: Well, okay, I'm not agreeing to that, but it is what it is.

MR. JESS: Well, I'm putting it on the record that there was no agreement to continue this exam today pending disclosure of additional -- or production of additional documents.

MR. ANDERSON: And that's fine, and I certainly will -- if you want to make an issue of it, we'll go to Judge Sala and we'll make it clear how much more time I specifically get. I have no problem with that.

MR. JESS: That's fine.

MR. ANDERSON: Anybody else want to put anything on the record?

MR. JESS: Yeah, I've got some questions. Do you want me to go?

MR. NEMECEK: I was just going to say that the trustee has a Rule 2004 order out to Mr. Menaged. The trustee and their counsel's attendance here today is not to be construed in any way as a waiver of the trustee's intention and a right to take the examination under the trustee's bankruptcy Rule 2004 order at a date to be determined in the future.

MR. ANDERSON: Just for the record,

Mr. Nemecek, do you have a date set for that exam?

MR. NEMECEK: We do not have a date yet for the exam.

MR. ANDERSON: My client and I intend to attend that exam, and if it's going to be a problem, Mr. Jess, that we do, please let me know now, because I will go get an order from the Court, if necessary, to attend this date for the exam that's sometime in the future, but please let me know.

03:33:17 MR. JESS: Yeah, I'll let you know either today or as we get closer to the exam.

MR. ANDERSON: My understanding is there's no date set for your exam.

MR. NEMECEK: There is no date currently set for the exam, that's correct.

MR. ANDERSON: All right.

EXAMINATION

BY MR. JESS:

03:33:29 Q. Scott, earlier you were asked whether you had some sort of a special relationship with Mr. Chittick. Do you recall that conversation?

A. Yes.

Q. Do you believe that if the -- the lending 03:33:44 arrangement that you had with Mr. Chittick was unique

from his lending relationship with other borrowers?

A. It was not unique, no.

Q. Why do you say that?

A. I believe that he lended and had the same policies with all his borrowers.

Q. And do you believe that was out of the norm for other hard money lenders?

A. Yes, it was.

Q. And why do you say that?

A. Because other hard money lenders would do due diligence prior to shipping off $40 million.

Q. Before the forbearance agreement, I think you testified that you either didn't know or didn't remember whether DenSco had investors. Do you recall that statement?

A. Yes.

Q. Did you know prior to the forbearance agreement what the terms of those agreements between DenSco and its investors were?

A. No, not at all.

Q. So before the forbearance agreement or around the time of the forbearance agreement, you were unaware that DenSco had made certain promises to its investors; is that correct?

A. That's correct.

Q. You testified earlier that Jeff Goulder represented you in the drafting of the forbearance agreement, correct?

A. Correct.

03:35:07 Q. Did he represent you during the entire time of the drafting of that agreement?

A. No.

Q. Why not?

A. He said that in dealing with DenSco's attorney, 03:35:23 that he's never seen a deal like this or he's never seen an agreement written this way, and he really didn't think that he needed to be involved with it.

Q. Were you unrepresented when this agreement was signed, the forbearance agreement was signed?

03:35:38 A. Yes.

Q. You had testified earlier that you did not list DenSco or Mr. Chittick as a creditor initially in your bankruptcy, correct?

A. Correct.

03:35:51 Q. Later during your bankruptcy, Mr. Chittick received a notice of your bankruptcy, correct?

A. Correct.

Q. And within 48 hours of receiving that notice of bankruptcy, Mr. Chittick comitted suicide; is that 03:36:10 right?

A. That's correct.

Q. You testified earlier that you didn't tell Mr. Chittick the truth about using the money from the seconds to pay off the other DenSco loans; is that right?

03:36:20

A. Correct.

Q. Is the reason you didn't tell him the truth is because you were concerned about him committing suicide?

A. Absolutely.

03:36:31

Q. Is the same true with respect to the other untruths that you told Mr. Chittick with respect to the safety of the money that he had lent you?

A. Yes. He was not a person that could take pressure, and I was scared of what was going to happen

03:36:46

to him if he realized, and all I was trying to do was clean up this mess. I was trying to clean it up from when the housing market went upside down, and that's all I kept trying to do. And all that kept happening is the balloon got bigger and bigger and bigger and bigger, and

03:37:03

there was nothing I could do to get out of it. That's the reason why I never even included him in my original bankruptcy. I still had intentions, in my mind, of figuring out with him how the hell to get him paid off.

I know it sounds absurd and crazy, because

03:37:18

you're talking $40 million, but I never intended or

wanted to walk away from him. That was not the intention. Look at me. I'm in Chapter 7 bankruptcy. I have no money to me. What did I gain out of this? I didn't gain anything out of this. All I was trying to do was, I really was trying to fix this.

03:37:34

Q. Do you believe that Denny was more concerned about the collateral for the loans that he had lent you or getting his 18 percent interest?

A. Getting his 18 percent interest.

03:37:51

Q. Why do you say that?

A. Because there were properties that I purchased that were completely -- there were properties that I purchased that were way over and beyond what he would normally be comfortable with, as far as dollar amount.

03:38:07

I remember one specific property in Peoria that I paid -- I screwed up. I paid $243,000 for it, and I want to say the property was worth 220. Well, he lent the whole 243.

Q. So is it a fair statement that in your dealings

03:38:28

with Denny, you believe that he was mostly concerned about getting 18 percent?

A. That's exactly what he was concerned about. That's what he always talked about.

Q. Do you recall the conversations earlier about

03:38:40

the receipts for the trustees' sales?

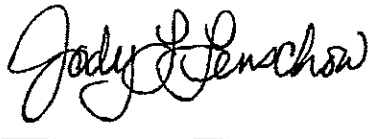
A. Yes.
Q. Did you create those receipts?
A. No.
Q. Did those receipts come from Arizona Home Foreclosures?
03:38:54
A. I believe so.
Q. And those receipts are not legitimate, are they?
A. They wouldn't be.
03:39:07
MR. JESS: I don't have any other questions.
MR. ANDERSON: Okay. Well, then we'll reconvene when we're ready to reconvene. So the continuation will happen in the future. So we're off
03:39:22
the record at what time? 3:39. Thank you.
THE COURT REPORTER: Do you need a copy?
MR. JESS: Yeah.
THE COURT REPORTER: Do you know what you need?
03:39:32
MR. JESS: Just the electronic copy.
THE COURT REPORTER: Like an E-tran?
MR. JESS: Yeah, please.
(TIME NOTED: 3:39 p.m.)

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

BE IT KNOWN that the foregoing Rule 2004 Examination was taken before me, JODY L. LENSCHOW, RMR, CRR, Certified Reporter No. 50192 for the State of Arizona, and by virtue thereof authorized to administer an oath; that the witness before testifying was duly sworn by me; that the questions propounded by counsel and the answers of the witness thereto were taken down by me in shorthand and thereafter transcribed under my direction; that the foregoing pages contain a full, true, and accurate transcript of all proceedings and testimony had, all to the best of my skill and ability.

I FURTHER CERTIFY that I am not related to nor employed by any of the parties hereto and have no interest in the outcome thereof.

DATED at Phoenix, Arizona, this 30th day of October, 2016.



JODY L. LENSCHOW, RMR, CRR
Certified Reporter
Certificate No. 50192

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Beauchamp
EXH. NO. 430
7-19-18
Kelly S. Oglesby CR 50178

Confidential Private Offering Memorandum

DenSco Investment Corporation

June 1, 2007

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 PASSED UPON 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.

	Initial Offering Price (1)	Underwriting Commissions (2)	Proceeds to the Company (3)
Note	$50,000	-0-	$50,000
Total Minimum Offering	$500,000	-0-	$480,000
Offering Maximum	$50,000,000	-0-	$49,980,000

(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) Its 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. ~~We spell it out everywhere else, I thought that we would be consisitant.~~

(3) Organizational expenses and initial offering expenses, estimated at $20,000, will be paid from the funds raised.

DenSco Investment Corporation

6132 W. Victoria Place

Chandler, Arizona 85226

602-469-3001

602-532-7737(f)

DIC0000968

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 STATE SECURITIES LAW; (2) ABLE TO BEAR THE ECONOMIC RISK OF AN INVESTMENT IN THE NOTES; 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.

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.

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 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. Despite only six years of operation, the Company has engaged in 975 loan transactions. The Company has been and will continue to be engaged primarily in funding purchases of houses through preforeclosure process, foreclosure sales and funding and purchasing construction loans, all of which will be secured by real estate deeds of trust ("Trust Deeds") to Arizona builders of new commercial and residential properties with defined loan-to-value ratios. 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 and a maximum loan-to-value ratio of 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, 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: (i) funding Foreclosure Specialists, who purchase houses through the preforeclosure process, and at foreclosure sales and (ii) funding and purchasing construction loans secured by real estate deeds of trust ("Trust Deeds") to Arizona builders of commercial and residential construction projects.

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 $50,000 to $500,000, with the largest loan size not 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 target loan duration is to last between two to four months and any loans longer than six months is structured to require monthly interest payments.

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 $50,000, 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, 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 rates, 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. The Company may diversify its financing operations in the future to include other areas

of finance~~; provided, however, the Company will maintain its assets so that more than ___% of its assets are loans secured by mortgages, deeds of trusts and other liens on and interests in real estate~~. 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. ~~[Insert % above.]~~

~~I would take the sentence out from 'provided, however, ... To and interests in real estate." It doesn't make sense to me and the answer to the percentage is 100%.~~

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 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. When a property is in foreclosure, the Company will reserve against loan losses to the extent the Company deems necessary. The Company believes that the reserves will be sufficient to protect the Company against project losses. However, the Company cannot guarantee that reserve estimates will be adequate, and project losses in excess of reserves would adversely affect the operations of the Company.

Regulation

The financing of construction loans and other types of real estate transactions are regulated by various federal and state government agencies, including the Arizona Department of Financial Institutions. Arizona Revised Statues §§ 6-901 to 910, §§ 6-941 to 948 and 6-971 to 985, and regulations issued thereunder, have specific mortgage broker and mortgage banker licensing and operating requirements. The Company 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 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 believes it will 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.

The U.S. Federal Housing Administration previously implemented nationwide restrictions on the issuance of FHA financing for houses being resold within 90 days of its acquisition, including additional appraisal requirements. After some initial disruption to the home loan market, the interpretation of these restrictions was eased. If new regulations are issued or if a more strict interpretation of these regulations is implemented in the future, these 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 vested.

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, it is likely that some of those provisions will become in effect in Arizona either through law or regulation during this offering. The Company's management believes that the Company's practices will not need to change in order to be in compliance with any of the current proposals that may go into effect. However, there can be no assurance that such will be the case.

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 200 approved and qualified borrowers. It is the Company's plan that the base of borrowers eventually will exceed 500 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 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 1,000 loans secured by real estate over the last ten years. As of the date of this Memorandum, Mr. Chittick has experienced only five default requiring initiating foreclosure, and no loans that resulted in principal losses. 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.

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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 six year operating history, the Company has completed in excess of 975 loan transactions. However, even with these number of loans over six 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 more 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. 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 ~~no interest [for~~ minimal interest] on its cash accounts at its bank. ~~[It~~

~~"minimal interest" correct?] that is correct, I do receive interest on my bank account, it is minimal. I would take out no interest and put in minimal interest.~~ 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 officers and consultants, and on their research and 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 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; Lack of Governmental Insurance

The Notes represent general obligations of the Company and will not be subject to redemption through a sinking 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. 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 Noteholder's ability to gain 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 its customers is limited by competitive and other factors, the Company may not be able to pass on increases in its funding rate to investors. 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 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. Funds advanced in this manner are generally only short term (3-5 days). ~~[These funds have priority to funds invested in the Notes.] [How do these funds have priority? This needs to be explained, because it is different than our statements that the investor Notes have priority.] I read that and wondered why they would. I did't put that in there, I don't believe it's true, they should be considered the same level of priority as investor notes.~~ If the Company were to require additional conventional financing, the lender will

probably secure its loan 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 adversely affect the operations of the Company. See "Business -- Regulation," including the predatory mortgage lending discussion contained therein.

FHA Regulation

In addition, the Federal Housing Administration previously implemented nationwide restrictions on the issuance of FHA financing for houses being resold within 90 days of its acquisition. After some initial disruption to the home loan market, the interpretation of these restrictions were eased. If new regulations are issued or if a more strict interpretation of these regulations is implemented in the future, these 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."

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."

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 affect on the Company's operations.

Certain Charter Provisions

Arizona law provides that Arizona corporations may include provisions in their articles of incorporation or bylaws relieving directors and officers of monetary liability for breach of their fiduciary duty as director or officers, respectively, except for the liability of a director or officer resulting from: (i) any transaction from which the director derives an improper personal benefit; (ii) acts or omissions

involving intentional misconduct or the absence of good faith; (iii) acts or omissions showing reckless disregard for the director's or officer's duty; or (iv) the making of an illegal distribution to shareholders or an illegal loan or guaranty.

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

Notes are Unsecured General Obligations

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

Changes in Investment and Financing Polices without Noteholder Approval

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

Issuance of Additional Debt and Equity Securities

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

Concentration of Loans in Arizona

The Company's portfolio of loans is concentrated in Arizona. Consequently, the Company's operations and financial condition are dependent upon general trends in the Arizona market in which such concentration exists and, more specifically, its respective real estate market. A decline in a market in which the Company has a concentration may adversely affect the values of properties securing the

Company's loans, such that the principal balance of such loans may equal or exceed the value of the underlying properties, making the Company's ability to recover losses in the event of a borrower's default unlikely. In addition, uninsured disasters such as floods, terrorism, and acts of war may adversely impact the borrowers' ability to repay loans, which could have a material adverse effect on the Company's results of operations and financial condition.

Possible Inadequacy of Allowances for Loan Losses

The Company's allowance for losses related to the loans is maintained at a level considered adequate by management to absorb anticipated losses, based upon historical experience and upon management's assessment of the collectibility of loans in the Company's portfolio from time to time. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates that may be beyond the Company's control and such losses may exceed current estimates. Although management believes that the Company's allowance for losses related to the loans is adequate to absorb any losses on existing loans that may become uncollectible, there can be no assurance that the allowance will prove sufficient to cover actual losses related to the loans in the future.

Broad Management Discretion as to Use of Proceeds

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

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.

USE OF PROCEEDS

The Company intends to use the net proceeds received from the sale of the Notes, after deducting organizational and offering expenses not expected to exceed $20,000, 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 .04 percent of the proceeds of the offering will be allocated to general business purposes. The Company is not required to maintain reserves or to deposit any of the proceeds of the offering, into a reserve account, for the purpose of providing liquidity to service interest payments on, and redemption of, the Notes as they mature. The Company does not intend to maintain reserves from the proceeds of the offering in a cash reserve account. The remaining proceeds, net of cash reserves, if any, should be available to fund and purchase Trust Deeds. The Company is not required or obligated to give Noteholders notice of any changes in the Company's intended use of proceeds of the offering. See "Business."

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

	Minimum Amount Raised	*Percent of Offering*	*Target Amount Raised*	*Percent of Offering*
Gross Offering Proceeds	$500,000	100%	$50,000,000	100%
Commissions & Costs (1)	-0-	0%	-0-	0%
Cash Reserve (2)	-0-	0%	-0-	0%
General Business (3)	$20,000	4%	$20,000	.04%
Proceeds Available For Funding/ Purchase of Construction Loans (4)	$480,000	96%	$49,980,000	99.96%

(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. Transaction costs for Notes purchased with qualified funds will be paid by the Company up to one percent (1%) of the principal Note amount.

(2) The 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) The 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 also include the organizational and initial 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.

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. From January 2007 to the end of May 2007, there has been an additional $980,000. ~~{Update this before go to print~~UPDATE THIS BEFORE GO TO PRINT.} 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 12 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 30 cities in the Phoenix metro area, which include 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.

All real estate loans funded by the Company have been and will 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%.

In 2001, the Company funded 37 loans in its first year of operation. The aggregate amount of these loans totaled $3,280,000, with the value of underlying homes totaling $6,246,000. Of those 37 loans, 15 were repaid in 2001. The repaid loans totaled $1,452,000, with the value of the underlying homes equaling $2,431,000. All interest due from all loans was collected.

In 2002, the Company funded 71 loans in its first full year of operation. The aggregate amount of these loans totaled $5,845,000, with the value of the underlying homes totaling $9,027,000. Of the 71 new loans in 2002 and the remaining unpaid loans from late 2001, 66 were repaid in 2002. These repaid loans totaled $5,257,000, with the value of the underlying homes equaling $9,076,300. All interest due from all loans was collected.

In 2003, the Company funded 123 loans. The aggregate amount of these loans totaled $12,058,500, with the value of the underlying homes totaling $17,430,500. Of the 123 new loans in 2003 and the remaining unpaid loans from late 2002, 106 were repaid in 2003. These repaid loans totaled $9,693,500, with the value of the underlying homes equaling $14,488,500. All interest due from all loans was collected.

In 2004, the Company funded 184 loans. The aggregate amount of these loans totaled $20,417,275, with the value of the underlying homes totaling $30,813,800. Of the 184 new loans in 2004 and the remaining unpaid loans from late 2003, 170 were repaid in 2004. These repaid loans totaled $17,950,800, with the value of the underlying homes equaling $26,939,500. All interest due from all loans was collected.

In 2005, the Company funded 232 loans. The aggregate amount of these loans totaled $33,180,129, with the value of the underlying homes totaling $47,324,300. Of the 232 new loans in 2005 and the remaining unpaid loans from late 2004, 232 were repaid in 2005. These repaid loans totaled $31,001,940, with the value of the underlying homes equaling $45,111,500. All interest due from all loans was collected.

In 2006, the Company funded 202 loans. The aggregate amount of these loans totaled $33,779,600, with the value of the underlying homes totaling $52,166,000. Of the 202 new loans in 2006 and the remaining unpaid loans from 2005, 212 were repaid in 2006. These repaid loans totaled $35,301,250, with the value of the underlying homes equaling $53,057,200. 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.

From January 1, through May 31, 2007, the Company has funded __ loans for a total of $_____, with the underlying homes valued at $_____. There have been __ loans repaid in 2007 for a total of $_____, and house values of $_____. All loans that have closed have paid all interest due.

I will finish this when we are complete and ready to print.

Since inception through May 31, 2007, the Company has participated in ___ loans, with an average loan amount of $_____, with the highest single loan being $_____ and lowest being $_____. The aggregate amount of loans funded is $_____ _____ with property values totaling $_____. The total amount of loans that have funded and closed is $_____ with home values equaling $_____. These loans have borne interest rates of __% to __% per annum. The interest

rate paid to noteholders has ranged from 8% to 12% per annum through such date. All secured loans made by the Company have been paid in accordance with their respective terms and it has sustained no loses on its portfolio.

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MANAGEMENT

Directors and Executive Officers

The Director and Executive Officers of the Company are: Denny J. Chittick, 39, 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 ASU.

~~How about: Denny is an overall great guy? This statement is probably not defensible enough to include due to securities law concerns, but it is true. remember, my family reads this too!~~

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 reached an agreement in principle with Robert Koehler, an owner of RLS Capital, Inc. to provide or arrange for any necessary services for the Company. Robert has eight 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 hundreds 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. 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. Pursuant to the agreement with Robert, upon Robert's receipt of instructions from Denny Chittick 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 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 minimal 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. ~~Distributions of sufficient~~ Sufficient year-end profits are distributed to Mr. Chittick ~~[Is this wording accurate? Please ask your Accountant.]~~ in connection with the recognition by Mr. Chittick of the Company's income ~~due~~pursuant to the U.S. Internal Revenue Code rules applicable to Chapter S corporations. [Is this wording accurate? Please ask your Accountant.] 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. ~~OK now it's correct.~~

[Did your accountant approve the wording of second sentence above?]

Ownership Compensation

The Company receives its revenue *primarily* from interest earned 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 intends to retain earnings in the Company up to the 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 $1,200,000 in Notes, but this amount varies from $1 million to $1.8 million.) See "Description of Securities." The Company intends to pay to Mr. Chittick all retained earnings in excess of any reserves deemed necessary or desirable by Mr. Chittick to meet the Company's obligations.

PRINCIPAL SHAREHOLDER

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

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

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

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Ownership

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

Competing Businesses

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

See "Risk Factors – Management's Outside Interests and Conflicts of Interest."

DESCRIPTION OF SECURITIES

The Company is offering up to $50 million in Notes. The minimum denomination is $50,000, and the maximum denomination is $1,000,000 in a single note. An investor may purchase more than $1,000,000 in Notes, but it will be distributed over different Notes. Denominations increase from the minimum to the maximum in additional increments with a minimum 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 on the payment 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.

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.

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 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 ~~review. [Is this accurate?], sure I would do that, however, I would change it to "as of the date of the request". I am not having a review completed.~~request.

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

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

Note Terms (2)(3)

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

(1) Note amounts are issued in varied denominations from $50,000 to $1,000,000, and in additional increments with a minimum of $10,000.

(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 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 an 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. ~~If requested, inserts "see second paragraph under "Description of Securities" and note (2) on preceding page." looks ok to me.~~

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 Securities and Exchange Commission 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, nor 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

~~[NOTE: Please have the Company's Accountant Review, Update and Approve this Section]~~

~~I will call him today and see if he's back from vacation.~~

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 the Code, as amended, existing and proposed U.S. Treasury Regulations, 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, partnership or other entity 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 other than a U.S. Holder.

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. This adjusted tax basis will be increased by any 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 be considered (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 28% (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 ~~51% or more~~ than 50% 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

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 the Noteholder with respect to the Notes held during each calendar year, and the Noteholder is required to report such amount as income on its federal income tax return for that year. A U.S. backup

withholding tax will apply to such payments if a U.S. Holder fails to provide a taxpayer identification number or certification of other tax-exempt status or fails to report in full dividend and interest income.

The Code generally requires reporting and inclusion of interest income to the taxpayer and may, in certain circumstances, require backup withholding at the rate of 28% with respect to any interest paid not only by the Company on the Notes unless the Notehoder (1) is an entity that is exempt from backup withholding and, when required, demonstrates this fact; or (2) (i) provides the Company with a correct taxpayer identification number, (ii) certifies that the taxpayer identification number is correct and that the taxpayer has not been notified by the IRS that the taxpayer is subject to backup withholding due to underreporting interest or dividends, and (iii) the taxpayer otherwise complies with applicable requirements of the backup withholding rules. 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.

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,

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currently 28% (for years 2007 through 2010), 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 holder's U.S. federal income tax liability provided the required information if 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 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 (including the person's 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 ~~[Although the prevailing view is what we discussed concerning where revocable and irrevocable trusts qualify under these classifications, I have not found a definitive reference. I will continue to look.]~~

(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 computing net worth for the purpose of (5) above, the principal residence of the investor must be valued at cost, including cost of improvements, or at recently appraised value by an institutional lender making a secured loan net of encumbrances. In determining income an investor should add to the investor's adjusted gross income any amounts attributable to tax exempt income received, losses claimed as limited partner in any limited partnership, deductions claimed for depletion, contributions to an IRA, KEOGH, SEP IRA or ROTH IRA retirement plan, alimony payments, and any amount by which income from long-term capital gains has been reduced in arriving at adjusted gross income.

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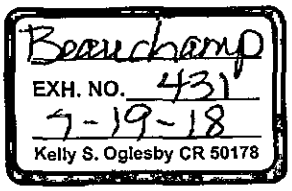

Confidential Private Offering Memorandum

DenSco Investment Corporation

July 1, 2009

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-**	**$480,000**
Offering Maximum	**$50,000,000**	**-0-**	**$49,980,000**

(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) Its 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 $20,000, will be paid from the Company's general operating funds.

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

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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 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 eight years of operation from April, 2001 through June, 2009, the Company has engaged in 1640 loan transactions. The Company has been and will continue to be engaged primarily in funding purchases of houses through preforeclosure process, foreclosure sales and funding and purchasing construction loans, all of which will be secured by real estate deeds of trust ("Trust Deeds") to Arizona builders of new commercial and residential properties with defined loan-to-value ratios. 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 $50,000 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 target loan duration is to last between two to four months and all loans are structured to require monthly interest payments.

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 $50,000, and the maximum loan size will continue to be

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$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, 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 rates, 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 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.

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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 principle of a loan and any interest and or any late fees assessed. If the borrower is unable in a timely manner to sell or refinance the subject property, the Company may request that the borrower execute a Deed in Lieu of Foreclosure (a "Deed in Lieu") to the Company so that the Company will gain immediate control of the subject property rather then going through the ninety (90) day process and expense associated with a Trustee's Sale. Upon the Company gaining control of the property through a Deed in Lieu or a Trustee's Sale, the Company will decide either to market the subject property at retail, which may require additional monies to improve the property to retail ready condition, or to wholesale the subject property "as is." The Company may also decide to rent the subject property as an investment property. If applicable, the management of the rental properties will be maintained by a professional management company chosen by the Company.

Regulation

The financing of construction loans and other types of real estate transactions are regulated by various federal and state government agencies, including the Arizona Department of Financial Institutions. Arizona Revised Statues §§ 6-901 to 910, §§ 6-941 to 948 and 6-971 to 985, and regulations issued thereunder, have specific mortgage broker and mortgage banker licensing and operating requirements. The Company 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 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 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

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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 vested.

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, it is likely that some of those provisions will become in effect in Arizona either through law or regulation during this offering. The Company's management believes that the Company's practices will not need to change in order to be in compliance with any of the current proposals that may go into effect. However, there can be no assurance that such will be the case.

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 200 approved and qualified borrowers. It is the Company's plan that the base of borrowers eventually will exceed 500 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.

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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 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 1800 loans secured by real estate over the last twelve (12) years. As of the date of this Memorandum, Mr. Chittick and the Company have collectively experienced thirty-two (32) loan defaults that required initiating a Trustee's sale process, with five 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 eight year operating history through June 2009, the Company has completed in excess of 1475 loan transactions. However, even with these number of loans over eight 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

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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 force the Company to change how it operates, which is requiring monthly interest payments under its loans rather then allowing the interest to compound. The Company has also shortened the maturity of loans to borrowers in some cases and is only extending the loans to a few borrowers under strict conditions. Accordingly, an investment in the Notes offered hereby involves substantial risk and Notes should not be purchased by anyone who cannot tolerate substantial risk, including the possibility of losing their total investment in the Notes. There can be no assurance that the Company will be able to continue to operate and repay the Notes as planned.

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

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

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

Expansion of Real Estate Loan Base

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

Demand for Real Estate Loans

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

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

Management of Rapid Growth

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

No Sinking Fund Provision; Lack of Governmental Insurance

The Notes represent general obligations of the Company and will not be subject to redemption through a sinking 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. 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

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interest on a Note in these circumstances could be limited to the Noteholder's ability to gain 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

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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 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. Funds advanced in this manner are generally

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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."

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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."

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."

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Difficulties and Costs of Continuous Offering

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

Certain Charter Provisions

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

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

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

Notes Are Unsecured General Obligations

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

Changes in Investment and Financing Polices Without Noteholder Approval

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

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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

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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

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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 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.

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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 .04 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.

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	Minimum Amount Raised	*Percent of Offering*	*Target Amount Raised*	*Percent of Offering*
Gross Offering Proceeds	$500,000	100%	$50,000,000	100%
Commissions & Costs (1)	-0-	0%	-0-	0%
Cash Reserve (2)	-0-	0%	-0-	0%
General Business (3)	$20,000	4%	$20,000	.04%
Proceeds Available For Funding/ Purchase of Construction Loans (4)	$480,000	96%	$49,980,000	99.96%

(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. Transaction costs for Notes purchased with qualified funds will be paid by the Company up to one percent (1%) of the principal Note amount.

(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.

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. From January 2009 to the end of June 2009, there has been an additional $800,000 raised. 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 thirty (30) 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 ten percent (10%) 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%.

In 2001, the Company funded 37 loans in its first year of operation. The aggregate amount of these loans totaled $3,378,000, with the value of underlying homes totaling $6,393,000. Of those 37 loans, 15 were repaid in 2001. The repaid loans totaled $1,452,000, with the value of the underlying homes equaling $2,431,000. All interest due from all loans was collected.

In 2002, the Company funded 69 loans in its first full year of operation. The aggregate amount of these loans totaled $5,685,000, with the value of the underlying homes totaling $8,780,000. Of the 69 new loans in 2002 and the remaining unpaid loans from late 2001, 66 were repaid in 2002. These repaid loans totaled $5,267,000, with the value of the underlying homes equaling $9,076,300. All interest due from all loans was collected.

In 2003, the Company funded 124 loans. The aggregate amount of these loans totaled $11,673,000, with the value of the underlying homes totaling $17,530,500. Of the 124 new loans in 2003 and the remaining unpaid loans from late 2002, 106 were repaid in 2003. These repaid loans totaled $9,693,500, with the value of the underlying homes equaling $14,488,500. All interest due from all loans was collected.

In 2004, the Company funded 185 loans. The aggregate amount of these loans totaled $19,907,000, with the value of the underlying homes totaling $30,422,600. Of the 185 new loans in 2004 and the remaining unpaid loans from late 2003, 170 were repaid in 2004. These repaid loans totaled $17,951,700, with the value of the underlying homes equaling $26,939,500. All interest due from all loans was collected.

In 2005, the Company funded 236 loans. The aggregate amount of these loans totaled $34,955,700, with the value of the underlying homes totaling $50,487,300. Of the 236 new loans in 2005 and the remaining unpaid loans from late 2004, 232 were repaid in 2005. These

repaid loans totaled $31,001,940, with the value of the underlying homes equaling $45,111,500. All interest due from all loans was collected.

In 2006, the Company funded 215 loans. The aggregate amount of these loans totaled $34,468,100, with the value of the underlying homes totaling $52,784,000. Of the 215 new loans in 2006 and the remaining unpaid loans from 2005, 212 were repaid in 2006. These repaid loans totaled $35,301,250, with the value of the underlying homes equaling $53,057,200. 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, the Company funded 271 loans. the aggregate amount of these loans totaled $42,269,767, with the value of the underlying homes totaling $65,574,500. Of the 271 new loans in 2007 and the remaining unpaid loans from 2006, 257 were repaid in 2007. these repaid loans totaled $41,424,815, with the value of the underlying homes equaling $65,482,800. One condominium loan, two house loans, and one land loan were foreclosed. While the condominium and houses were sold with minimal principle loss, much of the interest was collected on all four loans. The loss was absorbed by the Company.

In 2008, the Company funded 364 loans. The aggregate amount of these loans totaled $47,329,758, with the value of the underlying homes totaling $77,616,000. Of the 364 new loans in 2008 and the remaining unpaid loans from 2007, 257 were repaid in 2008. Such repaid loans totaled $34,578,755 with the value of the underlying homes equaling $56,255,500. While one condominium and six homes were sold with minimal principle 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.

From January 1, through June 30, 2009, the Company has funded 182 loans for a total of $17,932,000, with the underlying homes valued at $31,623,000. There have been 153 loans repaid in 2009 for a total of $18,227,000, and house values of $31,178,000. All loans that have closed have paid all interest due. There have been five homes that have been foreclosed on in

2009. All but three homes that have been acquired in 2008 and 2009 have been sold or are in escrow presently. All homes that were acquired and rented will be sold over the next year as investment properties to other parties. There are no loans presently in threat of being foreclosed on or any borrowers requesting a Deed in Lieu.

Since inception through June 30, 2009, the Company has participated in 1629 loans, with an average loan amount of $128,259, with the highest single loan being $800,000 and lowest being $18,000. The aggregate amount of loans funded is $211,024,492 with property values totaling $334,365,490. The total amount of loans that have funded and closed is $193,786,231 with home values equaling $305,340,299. These loans have borne interest rates of 18% to 24% 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, 41, 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 ten (10) 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 hundreds 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 intends to retain earnings in the Company up to the 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 $1,200,000 in Notes, but this amount varies from $1 million to $1.8 million.) See "Description of Securities." The Company intends to pay to Mr. Chittick all retained earnings in excess of any reserves deemed necessary or desirable by Mr. Chittick to meet the Company's obligations.

PRINCIPAL SHAREHOLDER

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

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

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

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Ownership

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

Competing Businesses

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

See "Risk Factors – Management's Outside Interests and Conflicts of Interest."

DESCRIPTION OF SECURITIES

The Company is offering up to $50 million in Notes. The minimum denomination is $50,000, and the maximum denomination is $1,000,000 in a single note. An investor may purchase more than $1,000,000 in Notes, but it will be distributed over different Notes. Denominations increase from the minimum to the maximum in additional increments with a minimum 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 on the payment 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

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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 and all proceeds of the conversion of any of the foregoing into cash or other liquid property. So long as the Company is not in default on the Notes, the Company is permitted to freely transfer, sell or substitute, in the normal course of business, any Trust Deeds it owns, subject to general restrictions concerning transfers of property; provided, however, the Company may transfer, sell or substitute one or more Trust Deeds if such transfer, sale or substitution is done in connection with a plan to cure a default.

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

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

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

Note Terms (2)(3)

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

(1) Note amounts are issued in varied denominations from $50,000 to $1,000,000, and in additional increments with a minimum of $10,000.

(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 an 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.

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 Securities and Exchange Commission 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, nor 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."

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(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.

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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.

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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.

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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 if 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 (including the person's 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 computing net worth for the purpose of (5) above, the principal residence of the investor must be valued at cost, including cost of improvements, or at recently appraised value by an institutional lender making a secured loan net of encumbrances. In determining income an investor should add to the investor's adjusted gross income any amounts attributable to tax exempt income received, losses claimed as limited partner in any limited partnership, deductions claimed for depletion, contributions to an IRA, KEOGH, SEP IRA or ROTH IRA retirement plan, alimony payments, and any amount by which income from long-term capital gains has been reduced in arriving at adjusted gross income.

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Beauchamp
EXH. NO. 432
7-19-18
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

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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.

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Funding and Purchase of Loans

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

Collections

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

Regulation

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

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

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

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

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

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

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

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

Diversity of Risk

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

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

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

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

Executive Offices

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

RISK FACTORS

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

Operating History

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

Competition

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

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

Ability to Generate Sufficient Cash Flow to Service the Outstanding Notes

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

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

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

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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

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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

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

FHA Regulations

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

No Assurance of Successful Placement of the Notes

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

Absence of Public Market/ Non-Transferability of Notes

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

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

Impact of Change in Economic Conditions

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

Dependence on Key Personnel

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

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

Management's Outside Interests and Conflicts of Interest

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

No Protections From Investment Company Act Registration

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

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

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

Control by and Benefits to Insiders

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

Difficulties and Costs of Continuous Offering

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

Certain Charter Provisions

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

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

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

Notes Are Unsecured General Obligations

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

Changes in Investment and Financing Polices Without Noteholder Approval

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

Issuance of Additional Debt and Equity Securities

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

Concentration of Loans in Arizona

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

Possible Inadequacy of Allowances for Loan Losses

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

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

Broad Management Discretion as to Use of Proceeds

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

Company Is Exposed to Risks of Being a Lender

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

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

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

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

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

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

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

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

Delays in Liquidation Due to State and Local Laws

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

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

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

There Can Be no Assurance of Confidentiality

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

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

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

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

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

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

Federal Income Tax Risks

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

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

FORWARD-LOOKING STATEMENTS

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

USE OF PROCEEDS

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

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

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

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

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

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

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

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

PRIOR PERFORMANCE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MANAGEMENT

Directors and Executive Officers

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

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

Real Estate Consultant

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

Employees

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

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

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

Management Compensation

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

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

Ownership Compensation

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

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

PRINCIPAL SHAREHOLDER

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

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

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

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Ownership

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

Competing Businesses

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

DESCRIPTION OF SECURITIES

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

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

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

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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.

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

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

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

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

Note Terms (2) (3)

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

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

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

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

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

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

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

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

PLAN OF DISTRIBUTION

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

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

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

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

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

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

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(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.

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Suitability Requirements

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

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

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

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

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

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

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

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

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

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

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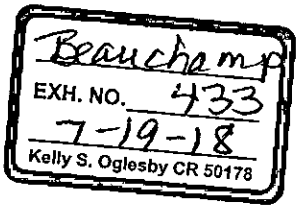
July 18, 2018



VIA HAND DELIVERY

Colin Campbell, Esq.
OSBORN MALEDON, P.A.
2929 North Central Avenue, 21st Floor
Phoenix, Arizona 85012

Re: *Peter Davis, as Receiver for DenSco Investment Corporation v. Clark Hill, PLC*

Dear Colin:

Enclosed are David Beauchamp's original Verifications for Defendants' First through Fourth Supplemental Rule 26.1 Disclosure Statements.

Very truly yours,

John E. DeWulf
For the Firm

JED/vlc
Enclosure

VERIFICATION

STATE OF ARIZONA)
) ss.
COUNTY OF Maricopa)

David G. Beauchamp, being first duly sworn upon his oath, deposes and says:

I, David G. Beauchamp, am a Defendant in the matter *Peter S. Davis, as Receiver for DenSco Investment Corp. v. Clark Hill PLC; David G. Beauchamp and Jane Doe Beauchamp, Maricopa County Superior Court Case No. CV2017-013832.* I have read the foregoing Defendants' First Supplemental Rule 26.1 Disclosure Statement and know its contents. The matters stated in the foregoing First Supplemental 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.

I declare under penalty of perjury under the laws of the State of Arizona that the foregoing is true and correct.

DATED this 13th day of July, 2018.

David G. Beauchamp

David G. Beauchamp

VERIFICATION

STATE OF ARIZONA)
) ss.
COUNTY OF Maricopa)

David G. Beauchamp, being first duly sworn upon his oath, deposes and says:

I, David G. Beauchamp, am a Defendant in the matter *Peter S. Davis, as Receiver for DenSco Investment Corp. v. Clark Hill PLC; David G. Beauchamp and Jane Doe Beauchamp, Maricopa County Superior Court Case No. CV2017-013832.* I have read the foregoing Defendants' Second Supplemental Rule 26.1 Disclosure Statement and know its contents. The matters stated in the foregoing Second Supplemental 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.

I declare under penalty of perjury under the laws of the State of Arizona that the foregoing is true and correct.

DATED this 13th day of July, 2018.

David G. Beauchamp

David G. Beauchamp

VERIFICATION

STATE OF ARIZONA)
) ss.
COUNTY OF Maricopa)

David G. Beauchamp, being first duly sworn upon his oath, deposes and says:

I, David G. Beauchamp, am a Defendant in the matter *Peter S. Davis, as Receiver for DenSco Investment Corp. v. Clark Hill PLC; David G. Beauchamp and Jane Doe Beauchamp, Maricopa County Superior Court Case No. CV2017-013832.* I have read the foregoing Defendants' Third Supplemental Rule 26.1 Disclosure Statement and know its contents. The matters stated in the foregoing Third Supplemental 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.

I declare under penalty of perjury under the laws of the State of Arizona that the foregoing is true and correct.

DATED this 13th day of July, 2018.

David G. Beauchamp

David G. Beauchamp

VERIFICATION

STATE OF ARIZONA)
) ss.
COUNTY OF Maricopa)

David G. Beauchamp, being first duly sworn upon his oath, deposes and says:

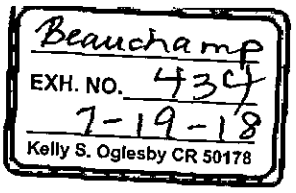
I, David G. Beauchamp, am a Defendant in the matter *Peter S. Davis, as Receiver for DenSco Investment Corp. v. Clark Hill PLC; David G. Beauchamp and Jane Doe Beauchamp, Maricopa County Superior Court Case No. CV2017-013832.* I have read the foregoing Defendants' Fourth Supplemental Rule 26.1 Disclosure Statement and know its contents. The matters stated in the foregoing Fourth Supplemental 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.

I declare under penalty of perjury under the laws of the State of Arizona that the foregoing is true and correct.

DATED this 12 day of July, 2018.

David G. Beauchamp

David G. Beauchamp



CLARK HILL

David Beauchamp
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Clark Hill PLC
14850 N. Scottsdale Road
Suite 500
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T 480.684.1100
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August 10, 2016

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

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

Re: DenSco Investment Corporation /File No. 8604

Dear Ms. Coy:

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

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

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

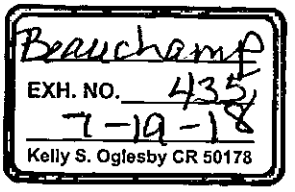
If you disagree with the set forth above or would like to proceed with a different approach to satisfy the items requested in the Subpoena, please contact me.

Very truly yours,

David G. Beauchamp

David G. Beauchamp
CLARK HILL PLC

To: Beauchamp, David G.[DBeauchamp@ClarkHill.com]; Kevin R. Merritt[KMerritt@gblaw.com]
From: James F. Polese
Sent: Wed 8/17/2016 3:30:31 PM
Subject: RE: POM-DenSco
Dec Beauchamp.docx



David

Here is the draft of the declaration. Please review and make whatever changes you think appropriate.

James F. Polese
602.256.4499 Direct | 602.405.3807 Mobile
jpolese@gblaw.com

From: Beauchamp, David G. [mailto:DBeauchamp@ClarkHill.com]
Sent: Wednesday, August 17, 2016 2:27 PM
To: Kevin R. Merritt; James F. Polese
Subject: POM-DenSco

Jim and Kevin:

Attached is the POM from July 2011 for DenSco. Please see the reference on page 30 under the Risk Factor Section, which indicates that Legal Counsel for DenSco represents the President and DenSco, but not the Investors.

Hope this helps.

Best, David

David G. Beauchamp

CLARK HILL PLC
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James F. Polese, Esq. (Bar No. 003451)
Christopher Herring, Esq., (Bar No. 028169)
Gammage & Burnham, PLC
2 North Central Avenue
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jpolese@gblaw.com
cherring@gblaw.com

STATE OF ARIZONA
MARICOPA COUNTY

ARIZON CORPORATION COMMISSION	)	
	)	Case No.: CV2016-1014142
Plaintiff,	)	
	)	
v.	)	Declaration of David Beauchamp
	)	
DenSco Investment Corporation,	)	
an Arizona corporation	))	
Defendant.	)	(Assigned to the Honorable
	)	Lori Bustamonte)

I make the following declaration under penalty of perjury:

1. I am an attorney licensed to practice in the State of Arizona since _____and have continuously practiced law since that time.

2. Beginning in approximately 20__, I was retained by Denny Chittick, the sole shareholder, President and director of DenSco Investment Corporation, an Arizona corporation. ("DenSco") in connection with the preparation of a securities offering for investors. To my knowledge he was the sole employee of DenSco.

3. Over the years, I have prepared, at Mr. Chittick's direction, several Private Offering Memoranda ("POMs") to be distributed to investors of DenSco in compliance with Arizona and federal security laws. In addition, I was retained to undertake the needed securities law filings. My engagement included numerous communications with Mr. Chittick concerning the POMs, the investments made pursuant to the POMs and recommendations for amended or additional POMs in keeping with the investments being made or contemplated by DenSco.

4. The POMs routinely stated that I was acting as counsel for not only DenSco but its president Mr. Chittick and was not the counsel for any investors who were all urged to seek separate legal counsel

5. During my involvement with Mr. Chittick and DenSco, I understood that Mr. Chittick considered that I was his counsel as well as counsel for DenSco.

6. I never had any disagreement with his understanding of my representation of both DenSco and him personally, even though all billings were tendered to and paid by DenSco.

7. In connection with my representation, it would be impossible for me to segregate what advice I tendered or what attorney-client communications were solely corporate only and what were personal to Mr. Chittick as the President of DenSco.

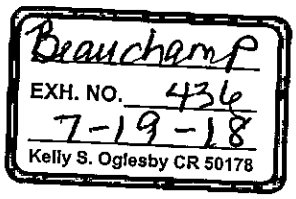
8. In late 2014 or 2015, I terminated my formal relationship with Mr. Chittick and DenSco although earlier in 2016 I was reengaged by Mr. Chittick and DenSco in connection with securities matters and was counsel to him and DenSco at the time of his death on July 28, 2016.

Dated this __ date of August, 2016.

_____

David Beauchamp

To: James F. Polese (jpolese@gblaw.com)[jpolese@gblaw.com]; Kevin R. Merritt (kmerritt@gblaw.com)[kmerritt@gblaw.com]
Cc: Sifferman, Mark S.[MSifferman@ClarkHill.com]
From: Beauchamp, David G.
Sent: Wed 8/17/2016 6:53:43 PM
Subject: FW: Attached Image
1307_001.pdf



Jim and Kevin:

Attached is the revised and signed Declaration.

Best regards, David

David G. Beauchamp

CLARK HILL PLC
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James F. Polese, Esq. (Bar No. 003451)
Christopher Herring, Esq., (Bar No. 028169)
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IN THE SUPERIOR COURT OF THE STATE OF ARIZONA
IN AND FOR THE COUNTY OF MARICOPA

ARIZONA CORPORATION COMMISSION, Plaintiff, v. DENSCO INVESTMENT CORPORATION, an Arizona corporation, Defendant.	No. CV2016-1014142 **DECLARATION OF DAVID G. BEAUCHAMP** (Assigned to the Honorable Lori Bustamonte)

I make the following declaration under penalty of perjury:

1. I am an attorney licensed to practice in the State of Arizona since 1981 and have continuously practiced law since that time.

2. Beginning in approximately 2003, I was retained by Denny Chittick, the sole shareholder, President and director of DenSco Investment Corporation, an Arizona corporation. ("DenSco") in connection with the preparation of a securities offering for investors. To my knowledge he was the sole employee of DenSco.

3. Over the years, I have prepared, at Mr. Chittick's direction, several Private Offering Memoranda ("POMs") to be distributed to investors of DenSco in compliance with Arizona and federal security laws. In addition, I was retained to undertake the

needed securities law filings. My engagement included numerous communications with Mr. Chittick concerning the POMs and recommendations for amended or additional POMs in keeping with the investments being made or contemplated by DenSco.

4. The POMs routinely stated that I was acting as counsel for not only DenSco but its president Mr. Chittick and that I was not the counsel for any investors who were all urged to seek separate legal counsel.

5. During my involvement with Mr. Chittick and DenSco, I understood that Mr. Chittick considered that I was his counsel as well as counsel for DenSco, even though all billings were tendered to and paid by DenSco.

6. In connection with my representation, it would be impossible for me to segregate what advice I tendered or what attorney-client communications were solely corporate only and what were personal to Mr. Chittick as the President of DenSco.

7. In late 2014 or 2015, I ended my formal relationship with Mr. Chittick and DenSco. In late 2015 or early 2016, I was reengaged by Mr. Chittick and DenSco in connection with an audit by the Arizona Department of Financial Institutions which concerned whether Mr. Chittick was required to have a mortgage broker license. I was counsel to him and DenSco in this limited capacity at the time of his death on July 28, 2016.

I declare under penalty of perjury that the foregoing is true and correct.

EXECUTED this 17th day of August 2016 at Scottsdale, Arizona.

David G. Beauchamp

David G. Beauchamp