

1 Colin F. Campbell, No. 004955
Geoffrey M.T. Sturr, No. 014063
2 Joshua M. Whitaker, No. 032724
Osborn Maledon, P.A.
3 2929 N. Central Avenue, Suite 2100
Phoenix, Arizona 85012-2793
4 (602) 640-9000
ccampbell@omlaw.com
5 gsturr@omlaw.com
jwhitaker@omlaw.com

6 Attorneys for Plaintiff

7
8 IN THE SUPERIOR COURT OF THE STATE OF ARIZONA
9 IN AND FOR THE COUNTY OF MARICOPA

10
11 Peter S. Davis, as Receiver of DenSco
Investment Corporation, an Arizona
12 corporation,

13 Plaintiff,

14 v.

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

19 Defendants.

No. CV2017-013832

**PLAINTIFF'S FOURTH
DISCLOSURE STATEMENT**

20 Pursuant to Rule 26.1(d)(2), Plaintiff Peter S. Davis, as the court-appointed
21 receiver of DenSco Investment Corporation (the "Receiver"), makes the following
22 disclosures. Changes from the Receiver's Third Disclosure Statement are identified
23 below in section **IX** through underlining.

24 **I. FACTUAL BASIS OF CLAIMS**

25 1. Defendant David G. Beauchamp is an attorney who describes himself as
26 practicing primarily in the areas of corporate law, securities, venture capital and private
27 equity transactions.
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

A. Beauchamp's Representation of DenSco While Affiliated with Quarles & Brady

- 2. Beauchamp has testified that he began representing DenSco in 2003.
- 3. In 2003, Beauchamp was a partner of the law firm Quarles & Brady LLP.
- 4. DenSco retained Beauchamp through Denny Chittick, DenSco's sole shareholder, president and director, and only employee.

5. Beauchamp has testified that DenSco retained him "in connection with a securities offering" and that he prepare[d] a private offering memorandum "to be distributed to investors of DenSco in compliance with Arizona and federal security [sic] laws."

6. Beauchamp advised DenSco that it was appropriate for DenSco to raise funds continuously using private offering memoranda that were designed to remain in effect for two years.

7. DenSco followed Beauchamp's advice, and did so throughout Beauchamp's representation of DenSco. As Beauchamp and Clark Hill admit in their initial disclosure statement (at 4), "Over the years, Mr. Chittick showed himself to be a trustworthy and savvy businessman, and a good client. . . . Despite complaining about the cost of legal services, Mr. Chittick appeared to follow Mr. Beauchamp's advice and provided information when asked for it."

8. DenSco issued a private offering memorandum in June 2003 that it used to solicit investments in promissory notes issued by DenSco to investors.

9. Beauchamp periodically reviewed DenSco's website, including the quarterly newsletters DenSco published through the website.

10. Beauchamp knew that DenSco, through Chittick, had informed current and potential investors in a March 2003 newsletter that: (i) Chittick was "working with lawyers on updating DenSco's [private offering] memorandum"; (ii) he believed DenSco was "required to update [the memorandum] every two years with [DenSco's]

1 previous two years activity”; and (iii) he would send the updated memorandum when
2 completed to each current investor and new investors.

3 11. Beauchamp also knew that DenSco, through Chittick, had informed
4 current and potential investors in a June 2003 newsletter that DenSco had completed its
5 2003 private offering memorandum. In that newsletter, Chittick stated that he had
6 “spent more time than I care to remember with the lawyers going page by page through
7 it. Despite all the ‘legal speak’, it does cover in detail the last two years,” and that he
8 planned to “spend a considerable amount of time to try to raise money with this in
9 hand.”

10 **B. Beauchamp’s Representation of DenSco While Affiliated with**
11 **Gammage & Burnham**

12 12. In 2004, Beauchamp joined the law firm Gammage & Burnham, PLLC.

13 13. DenSco became a client of Gammage & Burnham when Beauchamp
14 joined that firm.

15 14. While at Gammage & Burnham, Beauchamp caused a “general corporate”
16 file to be opened.

17 15. DenSco issued a private offering memorandum in June or July 2005 (the
18 “2005 POM”) that it used to solicit investments in promissory notes issued by DenSco
19 to investors.

20 16. The 2005 POM was prepared by Beauchamp and possibly other attorneys
21 at Gammage & Burnham whose names are not currently known to the Receiver.

22 17. Beauchamp has testified that DenSco relied on him to prepare the 2005
23 POM for distribution “to investors of DenSco in compliance with Arizona and federal
24 security [sic] laws.”

25 **1. The 2007 POM**

26 18. DenSco issued a private offering memorandum dated June 1, 2007 (the
27 “2007 POM”) that it used to solicit investments in promissory notes issued by DenSco
28 to investors.

1 19. The 2007 POM was prepared by Beauchamp and possibly other attorneys
2 at Gammage & Burnham whose names are not currently known to the Receiver.

3 20. Beauchamp has testified that DenSco relied on him to prepare the 2007
4 POM for distribution “to investors of DenSco in compliance with Arizona and federal
5 security [sic] laws” and to provide DenSco with “recommendations for amended or
6 additional [private offering memoranda] in keeping with the investments being made or
7 contemplated by DenSco.”

8 21. Beauchamp began working on the 2007 POM in early May 2007, after a
9 May 1, 2007 telephone call and a May 3, 2007 meeting with Chittick.

10 22. Beauchamp completed his work on the 2007 POM in approximately thirty
11 days.

12 23. During his May 3, 2007 meeting with Chittick, Beauchamp learned that
13 DenSco wanted to increase the amount of the planned securities offering to \$50 million
14 from the \$25 million that had been offered through the 2005 POM.

15 24. Beauchamp also learned during that meeting that as of that date, 90% of
16 the promissory notes DenSco had issued to investors were two-year notes.

17 25. On May 7, 2007, Beauchamp sent Chittick a letter to confirm that DenSco
18 had retained Gammage & Burnham to prepare the 2007 POM. It stated, in part,
19 “DenSco will be our client with respect to our assistance to prepare the 2007 Private
20 Offering documents. As we have discussed, Rick Carney of Quarles & Brady will do
21 the necessary Blue Sky work and your accountant will update the Tax Consequences
22 section in the offering documents.”

23 26. On May 9, 2007, Beauchamp sent Chittick by email a draft of the 2007
24 POM, in which he posed questions to Chittick about DenSco’s past and current
25 operations.

26 27. On May 9, 2007, Chittick sent Beauchamp by email a marked-up copy of
27 the draft POM with responses to some of Beauchamp’s questions.

28

1 28. On May 15, 2007, Beauchamp told Chittick by email he would be
2 sending him an “Officer’s and Director’s certificate that we need for the POM. It is a
3 new form (since your last POM) that our malpractice carrier requires for any POM that
4 we have to prepare. It is a standard document that other firms are also using to have the
5 Principals of the issuer verify the information in the POM and agree to hold the law
6 firm harmless if there is a misrepresentation.”

7 29. Chittick stated by email that he had “no problem with such a document.
8 [A]fter working on it like we have, [I] feel quite comfortable that it’s true and correct!”

9 30. On May 16, 2007, Chittick sent Beauchamp an email asking about the
10 status of the memorandum.

11 31. Beauchamp replied the same day by email that he planned to have a
12 revised draft to him by May 17, 2007 and “[t]hen we can finalize the numbers on
13 May 30 so you can be ready to print on June 1.”

14 32. On May 17, 2007, Chittick sent Beauchamp by email comments on the
15 draft 2007 POM he had received from Dave Preston, DenSco’s accountant.

16 33. Through a May 17, 2007 email to Chittick, Beauchamp told him he
17 needed a signed copy of the Officer’s and Director’s Certificate “for our files before we
18 release the final POM.” Chittick responded by email that he had signed the Certificate
19 and sent it to Beauchamp by fax and mail.

20 34. On May 17, 2007, Beauchamp caused a revised draft of the 2007 POM to
21 be sent to Chittick by email.

22 35. On May 21, 2007, Chittick sent Beauchamp by email additional revisions
23 to the draft 2007 POM he had received from Preston.

24 36. On May 25, 2007, Beauchamp asked Chittick to obtain an email from
25 Preston for “our files that he has reviewed and approved the tax section, as currently
26 modified.”

27
28

1 37. Through an email exchange on June 1, 2007, Beauchamp reviewed and
2 approved Chittick's final changes to the 2007 POM, advising Chittick about how
3 DenSco should distribute the document to current and potential investors.

4 38. Beauchamp told Carney by email in June 2007 that Gammage &
5 Burnham had "updated DenSco's POM, subscription documents and investor
6 questionnaires, as well as its loan documents to be used with borrowers. This update
7 was part of our preparation for a new POM for DenSco, because the last one was two
8 years old and needed to be updated with the more recent prior experience information."

9 39. Beauchamp also told Carney by email that "[t]he terms of the offering are
10 the same, but we did increase the maximum offering amount due to the ongoing roll-
11 over of the existing investors every 6 months or so. The intent was merely to do an
12 update to the disclosure so that it stays current like we did a couple of years ago."

13 40. As issued by DenSco, the 2007 POM offered to sell investors promissory
14 notes with the following durations and interest rates: six months at 8%; one year at
15 10%; and two to five years at 12%. The 2007 POM stated that the notes are "paid
16 'interest only' during the terms, with principal payable only at maturity," and investors
17 having the ability to "have interest paid monthly, quarterly, or at maturity."

18 41. As issued by DenSco, the 2007 POM:

19 a. Described DenSco as being "engaged primarily in the
20 business of . . . funding Foreclosure Specialists, who purchase houses through
21 the preforeclosure process, and at foreclosure sales."

22 b. Represented that DenSco's "primary focus is to lend money
23 to qualified borrowers who can fulfill their loan obligations on highly marketable
24 properties with sufficient equity."

25 c. Represented that each loan would "be secured by its
26 underlying real property."

27 d. Represented that DenSco "will attempt to maintain a diverse
28 portfolio of Trust Deeds and loans by seeking a large borrowing base," with its

1 current “base of borrowers exceed[ing] 200 approved and qualified borrowers,”
2 and a plan “that the base of borrowers eventually will exceed 500.”

3 e. Represented that DenSco “intends to maintain general loan-
4 to-value guidelines that currently range from 50 percent to 65 percent, (but it is
5 not intended to exceed 70%), to help protect the Company’s portfolio of loans.
6 Further, all loans are relatively short term.”

7 f. Represented that “[b]ecause of these varying degrees of
8 diversification, the relatively short duration of each of the loans, and
9 management’s knowledge of the Phoenix metropolitan market, [DenSco]
10 anticipates that it will not experience a significant amount of losses.”

11 42. As issued by DenSco, the 2007 POM contained a “Prior Performance”
12 section which made the following representations:

13 a. Since 2001, DenSco had raised \$11,970,000 through the
14 sale of promissory notes to new and existing investors with terms of between six
15 months and five years, and “had never defaulted on either interest or principal
16 for any of such notes.”

17 b. With respect to the real estate loans DenSco makes to
18 Foreclosure Specialists using capital raised from its investors, DenSco “has
19 endeavored to maintain a large and diverse base of borrowers as well as a
20 diverse selection of properties for its loans to the borrowers.”

21 c. “All real estate loans funded by [DenSco] have been and
22 will be secured through first position trust deeds.”

23 d. “The loan to value ratio of [DenSco’s] overall portfolio has
24 averaged less than 70% and [DenSco] intends to maintain a loan to value ratio of
25 50% to 65%.”

26 e. “All secured loans made by the Company have been paid in
27 accordance with their respective terms and it has sustained no losses on its
28 portfolio.”

1 43. As issued by DenSco, the 2007 POM was a “continuous offering” which
2 would remain in effect for two years (or until June 1, 2009) “unless [DenSco] changes
3 its operations . . . in any material respect prior to the expiration of the two year offering
4 period” or terminated the offering before that date. It stated that “[i]n order to continue
5 offering the Notes during this period, [DenSco] will need to update this Memorandum
6 from time to time,” and that “[i]f [DenSco] changes its operations . . . in any material
7 respect, [it] will update the Memorandum as necessary to provide correct information to
8 investors.”

9 44. Between June 2007 and June 2009, DenSco did not update the 2007
10 POM.

11 45. The Receiver is not aware of any facts establishing that between June
12 2007 and April 2009 (when DenSco initiated the process of preparing a new private
13 offering memorandum) Beauchamp advised DenSco to consider whether an update to
14 the 2007 POM was warranted.

15 46. In June 2007, Beauchamp corresponded with Carney by email to ensure
16 that appropriate federal and state securities filings were made.

17 47. Chittick thereafter periodically checked with Carney and Beauchamp by
18 email to ensure DenSco was complying with the securities laws in states in which
19 DenSco solicited investments.

20 **2. Revision of DenSco’s Standard Loan Documentation**

21 48. During their May 3, 2007 meeting, Chittick asked Beauchamp to review
22 and revise the documents DenSco used to make and secure its loans to Foreclosure
23 Specialists.

24 49. Beauchamp asked Gammage & Burnham attorney Kevin Merritt to take
25 the lead in making those revisions but remained involved in reviewing and discussing
26 them with Chittick.

27 50. Chittick told Beauchamp and Merritt that DenSco used a Receipt and
28 Mortgage (signed only by a borrower) to serve as evidence that DenSco had paid

1 directly to a trustee the proceeds of a loan a borrower had obtained from DenSco to buy
2 property from the trustee at a trustee's sale. Chittick told them that because there was
3 often a delay in a trustee recording a trustee's deed after a trustee's sale, DenSco
4 recorded its Receipt and Mortgage immediately after a trustee's sale had been
5 completed to establish its lien rights. Once a trustee's deed was recorded, DenSco
6 would record its Deed of Trust and Assignment of Rents.

7 51. Merritt prepared for DenSco's use revised forms of a Receipt and
8 Mortgage, Note Secured by Deed of Trust, Deed of Trust and Assignment of Rents, and
9 a Continuing Personal Guaranty.

10 52. Beauchamp knew in June 2007 that questions had been raised by the
11 Maricopa County Recorder's Office about the validity of DenSco's Receipt and
12 Mortgage and that Merritt had suggested that DenSco could address those concerns by
13 changing its procedures to require each trustee to sign the Receipt and Mortgage.

14 53. Beauchamp knew that DenSco did not change its procedures.

15 54. Beauchamp, who periodically reviewed and discussed with Chittick
16 DenSco's lending practices, explicitly or implicitly assured Chittick that DenSco's
17 lending practices and loan documents would ensure that DenSco had a first lien position
18 on the real property acquired with its loans.

19 **C. Beauchamp's Representation of DenSco While Affiliated with Bryan**
20 **Cave**

21 55. Beauchamp left Gammage & Burnham in March 2008 to join the law
22 firm Bryan Cave LLP.

23 56. When Beauchamp moved to Bryan Cave, DenSco became a client of that
24 firm.

25 57. DenSco asked that the following DenSco files be transferred from
26 Gammage & Burnham to Bryan Cave after Beauchamp joined Bryan Cave: (i) "2001
27 Private Offering"; (ii) "2003 Private Offering"; (iii) "2005 Private Offering"; (iv) "2007
28 Private Offering"; and (v) "Corporate General."

1 58. During May and June 2008, Beauchamp prepared for DenSco's use a
2 form of demand letter DenSco could use to seek to enforce a continuing personal
3 guaranty.

4 59. In February 2010, Beauchamp established a new "matter" in Bryan
5 Cave's accounting and filing systems to assist DenSco with garnishments. DenSco was
6 identified as Bryan Cave's client.

7 60. In April 2011, Beauchamp responded to a request from Chittick for a
8 referral for a friend in a criminal matter.

9 61. In April 2011, Beauchamp advised DenSco on collection procedures.

10 62. In May and June 2011, Beauchamp discussed with Chittick his or
11 DenSco's possible participation in a to-be-formed title insurance company. Beauchamp
12 established a new matter in Bryan Cave's accounting and filing systems for DenSco,
13 described as "Formation of affiliate entity with partners." DenSco was identified as
14 Bryan Cave's client. Bryan Cave attorney Andrew Gleason provided Chittick with
15 comments on a draft operating agreement in June 2011. Bryan Cave performed no
16 further work on the matter.

17 63. In June 2012, Chittick communicated with Beauchamp regarding his
18 interview by the FBI and response to a related document subpoena.

19 64. In April 2013, Beauchamp represented DenSco in settling a threatened
20 personal injury claim.

21 **1. The 2009 POM**

22 65. DenSco issued a private offering memorandum in July 2009 (the "2009
23 POM") that it used to solicit investments in promissory notes issued by DenSco to
24 investors.

25 66. The 2009 POM was prepared by Beauchamp and Bryan Cave attorneys
26 Ray Burgan, Logan Miller, and Nancy Pohl.

27 67. Beauchamp has testified that DenSco relied on him to prepare the 2009
28 POM for distribution "to investors of DenSco in compliance with Arizona and federal

1 security [sic] laws” and to provide DenSco with “recommendations for amended or
2 additional [private offering memoranda]” in keeping with the investments being made
3 or contemplated by DenSco.”

4 68. Chittick sent Beauchamp an email on April 6, 2009 which initiated the
5 process of the 2009 POM’s preparation. He wrote: “[I] can’t believe it’s time to do an
6 update again. [I]t’s been 2 yrs. [S]hould we do one? [S]till need to? [A]nything major
7 changed?”

8 69. Beauchamp responded the same day by email, saying “[g]iven the
9 economy and real estate collapse, it is pretty important that we do an update.”

10 70. Beauchamp completed his work on the 2009 POM in approximately
11 ninety days.

12 71. Beauchamp and Chittick met on April 9, 2009.

13 72. Beauchamp caused a new matter to be established in Bryan Cave’s
14 accounting and filing systems for the preparation of the 2009 POM, which identified
15 DenSco as Bryan Cave’s client.

16 73. On May 15, 2009, Beauchamp sent Chittick by email a draft of the 2009
17 POM, in which he posed questions to Chittick about DenSco’s past and current
18 operations.

19 74. On May 17, 2009, Chittick sent Beauchamp by email a marked-up copy
20 of the draft POM with responses to some of Beauchamp’s questions.

21 75. On May 18, 2009, Beauchamp directed Burgan to review DenSco’s
22 newsletters to “see if anything in [them] flags an issue that we should discuss.”

23 76. On June 30, 2009, Beauchamp and Chittick discussed by email finalizing
24 the 2009 POM in July so that information regarding DenSco’s loans through the end of
25 June could be included.

26 77. On July 6, 2009, Beauchamp sent a revised draft of the 2009 POM to
27 Chittick by email.

28

1 78. On July 6, 2009, Beauchamp sent Chittick by email revisions to an
2 associated subscription agreement and purchaser questionnaire.

3 79. After receiving Chittick's revisions, Beauchamp caused a revised draft of
4 the 2009 POM to be sent to Chittick by email on July 8 and 9, 2009.

5 80. The document was finalized on July 10, 2009.

6 81. As issued by DenSco, the 2009 POM offered to sell investors promissory
7 notes with the following durations and interest rates: six months at 8%; one year at
8 10%; and two to five years at 12%. The 2009 POM stated that the notes are "paid
9 'interest only' during the terms, with principal payable only at maturity," and investors
10 having the ability to "have interest paid monthly, quarterly, or at maturity."

11 82. As issued by DenSco, the 2009 POM:

12 a. Described DenSco as being "engaged primarily in the
13 business of . . . funding Foreclosure Specialists, who purchase houses through
14 the preforeclosure process and at foreclosure sales."

15 b. Represented that DenSco's "primary focus is to lend money
16 to qualified borrowers who can fulfill their loan obligations on highly marketable
17 properties with sufficient equity."

18 c. Represented that each loan would "be secured by its
19 underlying real property."

20 d. Represented that DenSco "will attempt to maintain a diverse
21 portfolio of Trust Deeds and loans by seeking a large borrowing base," with its
22 current "base of borrowers exceed[ing] 200 approved and qualified borrowers,"
23 and a plan "that the base of borrowers eventually will exceed 500."

24 e. Represented that DenSco "intends to maintain general loan-
25 to-value guidelines that currently range from 50 percent to 65 percent, (but it is
26 not intended to exceed 70%), to help protect the Company's portfolio of loans.
27 Further, all loans are relatively short term."
28

1 f. Represented that “[b]ecause of these varying degrees of
2 diversification, the relatively short duration of each of the loans, and
3 management’s knowledge of the Phoenix metropolitan market, [DenSco]
4 anticipates that it will not experience a significant amount of losses.”

5 83. As issued by DenSco, the 2009 POM contained a “Prior Performance”
6 section which made the following representations:

7 a. Since 2001, DenSco had raised \$17,100,000 through the
8 sale of promissory notes to new and existing investors with terms of between six
9 months and five years, and “had never defaulted on either interest or principal
10 for any of such notes.”

11 b. With respect to the real estate loans DenSco makes to
12 Foreclosure Specialists using capital raised from investors, DenSco “has
13 endeavored to maintain a large and diverse base of borrowers as well as a
14 diverse selection of properties for its loans to the borrowers.”

15 c. “However, in response to the more recent challenging
16 conditions in the real estate market, [DenSco] has focused on maintaining
17 relationships with borrowers that have a proven track record with a good
18 payment history and performance.”

19 d. Despite that focus, DenSco “continues to strive to achieve a
20 diverse borrower base by attempting to ensure that one borrower will not
21 comprise more than ten percent (10%) of the total portfolio.”

22 e. “All real estate loans funded by [DenSco] have been and are
23 intended to be secured through first position trust deeds.”

24 f. “The loan to value ratio of [DenSco’s] overall portfolio has
25 averaged less than 70% and [DenSco] intends to maintain a loan to value ratio of
26 50% to 65%.”

27
28

1 g. “Despite any losses incurred by the Company from its
2 borrowers, no Noteholder has sustained any diminished return or loss on their
3 investment in a Note from [DenSco].”

4 84. The “Prior Performance” section also described the circumstances relating
5 to and resulting losses for loans made in 2006, 2007, 2008 and the first six months of
6 2009.

7 85. As issued by DenSco, the 2009 POM was a “continuous offering” which
8 would remain in effect for two years (or until July 1, 2011) “unless [DenSco] changes
9 its operations . . . in any material respect prior to the expiration of the two year offering
10 period” or terminated the offering before that date. It stated that “[i]n order to continue
11 offering the Notes during this period, [DenSco] will need to update this Memorandum
12 from time to time,” and that “[i]f [DenSco] changes its operations . . . in any material
13 respect, [it] will update the Memorandum as necessary to provide correct information to
14 investors.”

15 86. Between July 2009 and July 2011, DenSco did not update the 2009 POM.

16 87. The Receiver is not aware of any facts establishing that between July
17 2009 and April 2011 (when DenSco initiated the process of preparing a new private
18 offering memorandum) Beauchamp advised DenSco to consider whether an update to
19 the 2009 POM was warranted.

20 88. In July, September and December 2009, Beauchamp corresponded with
21 Carney by email to ensure that appropriate federal and state securities filings were
22 made.

23 89. During 2010, Bryan Cave opened a “Blue Sky Issues” matter to be
24 established in Bryan Cave’s accounting and filing systems for work the firm performed
25 to assist DenSco in making appropriate federal and state securities filings. DenSco was
26 identified as Bryan Cave’s client.

27
28

1 90. During 2010, Chittick continued to periodically check with Beauchamp
2 and Carney by email to ensure DenSco was complying with the securities laws in states
3 and countries in which DenSco solicited investments.

4 91. During 2009 and 2010, Beauchamp provided DenSco with other
5 securities law advice.

6 **2. Advice re State Licensing in 2009 and 2010**

7 92. During April 2009, Beauchamp and Burgan reviewed DenSco's lending
8 procedures and advised DenSco on whether DenSco was subject to the supervision of
9 the Arizona Department of Financial Institutions and required to be licensed.

10 93. Beauchamp and Burgan advised Chittick by email that "DenSco's
11 operations as we understand them can be shown to exclude DenSco and you from being
12 subject to the Department's current licensing requirements."

13 94. Chittick accepted their advice and followed it.

14 95. In May 2010, Beauchamp reviewed and analyzed proposed new licensing
15 regulations and conferred with Chittick about them.

16 96. In June 2010, Beauchamp, Miller and Bryan Cave attorney Michael
17 Dvoren analyzed proposed new licensing regulations.

18 97. Chittick stated by email that he was prepared to have DenSco and himself
19 subject to regulation by the Arizona Department of Financial Institutions.

20 98. At Beauchamp's direction, Dvoren presented arguments to a
21 representative of the Arizona Department of Financial Institutions as to why DenSco
22 was not subject to the Department's regulation and oversight. Those arguments were
23 memorialized in emails that Dvoren sent to the Arizona Department of Financial
24 Institutions and a representative of the Arizona Attorney General's Office.

25 99. Relying on Beauchamp's advice, Chittick did not seek to have DenSco
26 become subject to regulation by the Arizona Department of Financial Institutions.

27
28

1 **3. The 2011 POM**

2 100. DenSco issued a private offering memorandum in July 2011 (the “2011
3 POM”) that it used to solicit investments in promissory notes issued by DenSco to
4 investors.

5 101. The 2011 POM was prepared by Beauchamp and Bryan Cave attorneys
6 Gus Schneider and Jonathan E. Stern.

7 102. Beauchamp has testified that DenSco relied on him to prepare the 2011
8 POM for distribution “to investors of DenSco in compliance with Arizona and federal
9 security [sic] laws” and to provide DenSco with “recommendations for amended or
10 additional [private offering memoranda]” in keeping with the investments being made
11 or contemplated by DenSco.”

12 103. Chittick sent Beauchamp emails on March 11, 2011 and April 1, 2011
13 which initiated the process of the 2011 POM’s preparation.

14 104. Beauchamp completed his work on the 2011 POM in approximately
15 ninety days.

16 105. Beauchamp and Chittick met on April 13, 2011. During that meeting,
17 Chittick told Beauchamp that Warren Bush, an investor, was willing to review the draft
18 2011 POM before it was finalized.

19 106. Beauchamp caused a new matter to be established in Bryan Cave’s
20 accounting and filing systems for the preparation of the 2011 POM which identified
21 DenSco as Bryan Cave’s client.

22 107. On May 3, 2011, Schneider sent Chittick an email at Beauchamp’s
23 request reporting on Bryan Cave’s conclusion that if the funds DenSco received from
24 investors exceeded \$25 million, DenSco would not be subject to additional regulation,
25 but could be subject to rules then being developed under the Dodd-Frank Wall Street
26 Reform and Consumer Act.

27 108. Chittick responded by email saying that DenSco “just went over 25
28 million in [February], now approaching 30.”

1 109. On May 25, 2011, Beauchamp directed Schneider to send a preliminary
2 draft of the 2011 POM to Chittick by email in which questions were posed about
3 DenSco's past and current operations, but noted that Beauchamp was still making
4 revisions to the draft.

5 110. Chittick responded by email saying he wanted to wait for Beauchamp's
6 draft.

7 111. On June 6, 2011, Chittick sent Beauchamp an email asking when he
8 would receive a draft.

9 112. On June 11, 2011, Beauchamp sent Chittick a draft of the 2011 POM.
10 His transmittal email stated, in part, that the draft had "notes in brackets of additional
11 information or support we need in our file. Pursuant to our internal compliance
12 procedures to comply with the new regulations and requirements, we needed to set up a
13 due diligence file for the offering. This file is to support each of the statements in the
14 POM. Unfortunately, it took longer to review the POM and to identify what we had
15 and what is still needed."

16 113. Chittick sent Beauchamp an email later that day with his "changes or
17 inputs on comments where you were seeking feedback." He also noted that he sent the
18 draft to Bush.

19 114. On June 12, 2011, Chittick sent Beauchamp by email Bush's comments
20 and his responses to those comments.

21 115. Beauchamp, Chittick and Bush exchanged subsequent emails.

22 116. On June 15, 2011, Schneider sent Chittick by email a revised draft of the
23 2011 POM which incorporated Chittick's changes.

24 117. On June 30, 2011, Beauchamp received by email DenSco's most recent
25 newsletter in which Chittick wrote: "We hit \$25 million and then blew through 26 and
26 arrived at \$26.9 for the quarter. I'm soon reaching the point where I believe I will stop
27 soliciting new investors. I'll always accept additional investment from my current
28

1 investors. I need to be able to manage the business on my terms and time and I'm
2 reaching the point where I'll need to put a cap on things."

3 118. On June 30, 2011, Beauchamp sent Chittick an email asking for
4 information Bryan Cave wanted for its due diligence file, including "prior
5 performance" information. He also noted he needed to "prepare and send you the
6 Officer's Certificate confirming that all of the information in the POM is true and
7 correct to the best of your ability and belief."

8 119. On July 11, 2011, Chittick sent Beauchamp a revised draft of the 2011
9 POM in which he supplied information requested by Beauchamp. His transmittal email
10 stated, in part: "Ok [I]'m done. [I] don't want to look at this thing for another 2 years!"

11 120. Beauchamp responded by email that day, saying he would not be able to
12 review the draft until July 13, 2011 and answering a question from Chittick about how
13 DenSco could distribute the POM to potential investors.

14 121. On July 18, 2011, Beauchamp sent Chittick an email saying he had not
15 yet had time to review the draft 2011 POM but would do so by the end of the day or the
16 following morning.

17 122. Beauchamp then sent an email to his secretary, asking her to prepare a
18 blackline comparing Chittick's revisions to the draft he had been sent, noting that "[w]e
19 have to give final approval and I want to double-check what has been changed."

20 123. On July 19, 2011, Beauchamp sent Chittick revisions to the 2011 POM
21 and gave further instruction to Chittick about how DenSco could distribute the POM to
22 potential investors.

23 124. The 2011 POM was finalized on July 19, 2011.

24 125. As issued by DenSco, the 2011 POM offered to sell investors promissory
25 notes with the following durations and interest rates: six months at 8%; one year at
26 10%; and two to five years at 12%. It stated that the notes are "paid 'interest only'
27 during the terms, with principal payable only at maturity," and investors having the
28 ability to "have interest paid monthly, quarterly, or at maturity."

1 126. As issued by DenSco, the 2011 POM:

2 a. Described DenSco as being “engaged primarily in the
3 business of funding Foreclosure Specialists, who purchase houses through the
4 preforeclosure process, and at foreclosure sales.”

5 b. Represented that DenSco’s “primary focus is to lend money
6 to qualified borrowers who can fulfill their loan obligations on highly marketable
7 properties with sufficient equity.”

8 c. Represented that each loan would “be secured by its
9 underlying real property.”

10 d. Represented that DenSco “will attempt to maintain a diverse
11 portfolio of Trust Deeds and loans by seeking a large borrowing base, with its
12 current “base of borrowers exceed[ing] 150 approved and qualified borrowers,”
13 and a plan “that the base of borrowers will exceed 250.”

14 e. Represented that DenSco “intends to maintain general loan-
15 to-value guidelines that currently range from 50 percent to 65 percent, (but it is
16 not intended to exceed 70%), to help protect the Company’s portfolio of loans.
17 Further, all loans are relatively short term.”

18 f. Represented that “[b]ecause of these varying degrees of
19 diversification, the relatively short duration of each of the loans, and
20 management’s knowledge of the Phoenix metropolitan market, [DenSco’s]
21 management anticipates that it will not experience a significant amount of
22 losses.”

23 127. As issued by DenSco, the 2011 POM contained a “Prior Performance”
24 section which made the following representations:

25 a. Since 2001, DenSco had raised \$25,900,000 through the
26 sale of promissory notes to new and existing investors with terms of between six
27 months and five years, and “has never defaulted on either interest or principal for
28 any of such notes.”

1 b. With respect to the real estate loans DenSco makes to
2 foreclosure specialists using capital raised from investors, DenSco “has
3 endeavored to maintain a large and diverse base of borrowers as well as a
4 diverse selection of properties for its loans to the borrowers.”

5 c. “However, in response to the more recent challenging
6 conditions in the real estate market, [DenSco] has focused on maintaining
7 relationships with borrowers that have a proven track record with a good
8 payment history and performance.”

9 d. Despite that focus, DenSco “continues to strive to achieve a
10 diverse borrower base by attempting to ensure that one borrower will not
11 comprise more than 10 to 15 percent of the total portfolio.”

12 e. “All real estate loans funded by [DenSco] have been and are
13 intended to be secured through first position trust deeds.”

14 f. “The loan to value ratio of [DenSco’s] overall portfolio has
15 averaged less than 70% and [DenSco] intends to maintain a loan to value ratio of
16 50% to 65%.”

17 g. “Despite any losses incurred by the Company from its
18 borrowers, no Noteholder has sustained any diminished return or loss on their
19 investment in a Note from [DenSco].”

20 128. The “Prior Performance” section also described the circumstances relating
21 to and resulting losses for loans made during the years 2006 through 2010 and the first
22 six months of 2011.

23 129. As issued by DenSco, the 2011 POM was a “continuous offering” which
24 would remain in effect for two years (or until July 1, 2013) “unless [DenSco] changes
25 its operations . . . in any material respect prior to the expiration of the two year offering
26 period” or terminated the offering before that date. It stated that “[i]n order to continue
27 offering the Notes during this period, [DenSco] will need to update this Memorandum
28 from time to time,” and that “[i]f [DenSco] changes its operations . . . in any material

1 respect, [it] will update the Memorandum as necessary to provide correct information to
2 investors.”

3 130. Between July 2011 and July 2013, DenSco did not update the 2011 POM.

4 131. The Receiver is not aware of any facts establishing that between July
5 2011 and May 2013 (when DenSco initiated, but never completed, the process of
6 preparing a new private offering memorandum) Beauchamp advised DenSco to
7 consider whether an update to the 2011 POM was warranted.

8 132. Chittick distributed the 2011 POM to DenSco’s investors through a
9 July 19, 2011 email (copied to Beauchamp) which stated, in part: “Yes in time for your
10 summer reading! Did you ever finish the last one I sent you? I update this
11 memorandum every two years. I work with David Beauchamp (securities attorney) to
12 review all the statues [sic] and laws in Arizona as it pertains to my business and all the
13 states that I have investors in. This is to ensure that I’m filing all the forms and
14 following all the rules”

15 133. After the 2011 POM was issued, Chittick continued to periodically check
16 with Beauchamp and Carney by email to ensure DenSco was complying with the
17 securities laws in states in which DenSco solicited investments.

18 134. During 2011, Beauchamp provided DenSco with other securities law
19 advice.

20 **4. Response to 2011 ADFI Complaint Investigation**

21 135. On August 12, 2011, Chittick sent Beauchamp a letter DenSco had
22 received from the Arizona Department of Financial Institutions regarding an
23 investigation by the Department as to whether DenSco was subject to mortgage broker
24 regulations and required to be licensed and supervised by the Department.

25 136. Beauchamp caused a new matter in Bryan Cave’s accounting and filing
26 systems to be opened captioned AZ Practice Review which identified DenSco as the
27 firm’s client.

28

1 137. On August 22, 2011, Beauchamp sent a letter to the Department which
2 asserted that DenSco was not subject to regulation by the Department.

3 138. In September 2011, Beauchamp told Chittick and Dennis Dahlberg by
4 email that “the applicable rules for DenSco are very fact driven” and it was necessary to
5 “explicitly follow the rules, including the reasons behind the rules.” Dahlberg was then
6 one of DenSco’s borrowers who had contacted Beauchamp for legal advice about how
7 to establish a hard money lending business similar to DenSco.

8 **5. Preliminary Steps to Prepare a 2013 POM**

9 139. On March 17, 2013, Chittick sent Beauchamp an email proposing to meet
10 in April to begin working on an updated private offering memorandum.

11 140. Beauchamp has testified that DenSco relied on him to provide DenSco
12 with “recommendations for amended or additional [private offering memoranda] in
13 keeping with the investments being made or contemplated by DenSco.”

14 141. On May 1, 2013, Chittick sent another email to Beauchamp which stated:
15 “it’s the year we have to do the update on the memorandum, when do you want to
16 start?”

17 142. Beauchamp responded by email that day and scheduled a meeting for
18 May 9, 2013.

19 143. Although Bryan Cave’s file reflects that it was Chittick who initiated the
20 process of preparing a new POM in 2013, Beauchamp and Clark Hill claim in their
21 initial disclosure statement (at 5) that it was Mr. Beauchamp who “advised DenSco that
22 it needed to update its 2011 POM given the passage of time and changes in the scope of
23 DenSco’s fund raising.”

24 144. Before the May 9 meeting, Beauchamp prepared or caused to be prepared
25 a draft private offering memorandum dated “May __, 2013” (the “draft 2013 POM”).

26 145. The draft 2013 POM was, with the exception of the title page, a duplicate
27 of the draft of the 2011 POM Schneider had sent to Chittick on June 15, 2011.
28

1 146. During the May 9 meeting, Beauchamp took a few notes and apparently
2 underlined or circled a few passages in the draft 2013 POM.

3 147. Beauchamp's notes reflect that he learned during the meeting that DenSco
4 had as of that date raised over \$50 million from 75 to 80 investors who collectively held
5 114 accounts.

6 148. Beauchamp caused a new matter to be established in Bryan Cave's
7 accounting and filing systems for the preparation of a 2013 POM which identified
8 DenSco as Bryan Cave's client.

9 149. When the matter was opened, Bryan Cave established a "due diligence"
10 file for a 2013 POM.

11 150. According to Bryan Cave's billing statement, the only work Beauchamp
12 performed during May 2013 on the draft 2013 POM was for less than thirty minutes of
13 "[w]ork on issues and follow-up" on May 10 and less than thirty minutes of "[w]ork on
14 issues and information for Private Offering Memorandum" on May 31, 2013.

15 151. Information the Receiver has received in response to a subpoena served
16 on Bryan Cave suggests that on or shortly after June 4, 2013, Beauchamp was informed
17 by Bryan Cave's management committee that the firm wanted to end its relationship
18 with him and that he would need to find a new law firm where he could practice law.

19 152. On June 10, 2013, Beauchamp sent an email to Ken Henderson, an
20 attorney in Bryan Cave's New York City office, copied to William Seabaugh, an
21 attorney in Bryan Cave's St. Louis office.

22 153. Beauchamp's email stated, in part: DenSco "is a client which makes high
23 interest loans (18% with no other fees) secured by first lien position against real estate.
24 . . . DenSco has previously had aggregate investor loans outstanding at approximately
25 \$16 to \$18 million from its investors. We are starting the process to update and renew
26 DenSco's private offering memo (renew it every two years) and we have now been
27 advised that DenSco now has almost \$47 million in aggregate investor loans
28 outstanding."

1 154. Beauchamp said he was seeking “guidance or direction” as to whether
2 DenSco, with close to \$50 million of investor funds, was subject to certain federal
3 securities acts and regulations.

4 155. Henderson suggested by email that Beauchamp confer with Robert
5 Pedersen, an attorney in Bryan Cave’s New York City office, and Elizabeth Sipes, an
6 attorney in Bryan Cave’s Denver office.

7 156. Beauchamp sent an email to Pedersen on June 10, 2013 that restated the
8 information and questions he had included in his email to Henderson.

9 157. On June 10, 2013, Beauchamp sent an email to Mark Weakley, an
10 attorney in Bryan Cave’s Boulder, Colorado office, which restated the information and
11 questions he had included in his email to Henderson. Weakley responded by email that
12 day, saying he could help on issues relating to the Investment Company Act and
13 Investment Advisers Act.

14 158. On June 11, 2013, Beauchamp sent an email to Chittick which stated:
15 “How many investors hold notes from DenSco? We are trying to determine what
16 exclusions DenSco could qualify for with respect to the other applicable federal
17 statutes. I do not have that number in my notes.”

18 159. Chittick responded by email that day, telling Beauchamp DenSco had 114
19 individual accounts, held by approximately 80 families.

20 160. While awaiting a response to his email to Pedersen, Beauchamp received
21 an email from Chittick on June 14, 2013.

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

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

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

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

7 165. The complaint, filed in Maricopa County Superior Court, was filed by
8 Freo Arizona LLC against DenSco, Easy Investments, LLC, Active Funding Group,
9 LLC and other defendants.

10 166. According to the excerpt of the complaint that Beauchamp received, Freo
11 had acquired a foreclosed home at a trustee's sale and filed its lawsuit to establish that it
12 owned the property free and clear of liens asserted by Active Funding Group and
13 DenSco.

14 167. The complaint put Beauchamp on notice that DenSco was alleged not to
15 be in first position on at least one of its loans.

16 168. The complaint expressly alleged that Menaged, through Easy
17 Investments, had "attempted to encumber the property with deeds of trust to Active
18 [Funding Group] and DenSco."

19 169. Beauchamp knew from this allegation that Menaged, whom Chittick had
20 described as one of DenSco's major borrowers, was accused of obtaining loans from
21 both DenSco and Active Funding Group, each intended to be secured by the same
22 property.

23 170. The complaint and other documents Beauchamp received identified by
24 street address and legal description the home at issue; they also identified the names of
25 the former owners.

26 171. After reviewing these documents, Beauchamp sent an email to Chittick
27 which said "We will need to disclose this in POM."
28

1 172. Bryan Cave’s billing records reflect that Beauchamp billed DenSco for 30
2 minutes of time on June 14, 2013 devoted to “[e]mail to D. Chittick regarding need to
3 disclose pending litigation in Private Offering Memorandum; review email from D.
4 Chittick; review requirements.”

5 173. Although Bryan Cave’s file reflects that Beauchamp did nothing more to
6 investigate the facts disclosed in the *Freo* complaint and whether they were indicative
7 of a broader breakdown in DenSco’s underwriting practices leading to
8 misrepresentations to its investors, in answering the Complaint, Beauchamp and Clark
9 Hill claimed he in fact did so.

10 174. If Beauchamp had sought to review records available through the
11 Maricopa County Recorder’s website relating to the property described in the *Freo*
12 lawsuit, he would have found within minutes: (i) a Deed of Trust and Security
13 Agreement With Assignment of Rents given by Easy Investments in favor of Active
14 Funding Group, that Menaged had signed on March 25, 2013; and (ii) a Deed of Trust
15 and Assignment of Rents given by Easy Investments in favor of DenSco, that Menaged
16 had signed on April 2, 2013. Both signatures were witnessed by a notary public.

17 175. No such documents were found in Bryan Cave’s “due diligence” file.

18 176. The documents that Beauchamp could have easily obtained from the
19 Maricopa County Recorder’s website confirmed the allegation in the *Freo* complaint
20 that DenSco was not in first position on a loan it had made to Easy Investments.

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

25 178. Beauchamp and Clark Hill claim in their initial disclosure statement (at 6-
26 7), that after reviewing the *Freo* complaint, “Beauchamp . . . advised Mr. Chittick, as he
27 had done previously, that Mr. Chittick needed to fund DenSco’s loans directly to the
28 trustee or escrow company conducting the sale, rather than provide loan funds directly

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

5 179. The Receiver's counsel has not found any records in Bryan Cave's files
6 reflecting that Beauchamp gave such advice to Chittick before June 2013.

7 180. The Receiver's counsel has not found any records in Bryan Cave's files
8 reflecting that Beauchamp gave such advice to Chittick in June 2013.

9 181. On June 17, 2013, Beauchamp received an email from Pedersen.
10 Pedersen noted that he had reviewed DenSco's website, and had asked Randy Wang, an
11 attorney in Bryan Cave's St. Louis office, whether DenSco was in compliance with the
12 Securities Act of 1933. Pedersen wrote: "Randy questioned whether in the DenSco
13 Investment Corp. case, the existence of, and/or statements made on, the DenSco
14 [website] which I had brought to his attention, made the transaction exemption
15 unavailable to DenSco. In any event you may wish to discuss further with Randy."

16 182. Beauchamp then printed information from DenSco's website, which
17 included a section captioned "Investor Requirements" that purported to provide an
18 "abbreviated description" of "legal definitions" found in the 2011 POM and related
19 subscription agreement, including a definition of accredited investor.

20 183. The information Beauchamp downloaded on June 17, 2013 also included
21 DenSco's "Lending Guidelines," the second line of which was "First Position ONLY!"

22 184. Beauchamp knew or should have known from the *Freo* lawsuit he had
23 reviewed three days beforehand that the representation that DenSco's loans were in
24 "First Position ONLY!" was untrue.

25 185. Beauchamp wrote an email to Wang on June 17, 2013, which stated:
26 "With respect to the client's statements on its website, I was not aware that the client
27 had added his personal description of what is an eligible 'accredited investor' to the
28 DenSco website. I will have him take it down. I also have a call into him to ask when

1 he added that language. Previously, his website was just for potential borrowers and for
2 existing investors. It included his view of the real estate lending market and explained
3 the status of the properties that DenSco had commenced or might have to commence a
4 Trustee Sale to take ownership of the security for a loan. Given his ‘layman’s
5 description of an accredited investor’ on the website, does that constitute general
6 solicitation, which will cause the offering to no longer qualify under Regulation D? If
7 so, can we discuss what we need to tell him that he needs to do to resolve the loss of his
8 exempt security status?”

9 186. Beauchamp’s notes reflect that he spoke to Wang on June 17, 2013.

10 187. Beauchamp’s notes also reflect that he spoke to Chittick on June 17,
11 2013.

12 188. After talking to Chittick, Beauchamp sent an email to Wang on June 17,
13 2013, which stated, in part: “I talked to Denny Chittick, the owner of DenSco. Denny
14 has already had the website modified. Denny also reviewed the list of his investors
15 (there are only 114 individual investors from approx 80 families). All of his investors
16 were either family or friends (or verified referrals from family or friends). . . .
17 According to his note schedule, Denny has approximately 60 investor notes that are
18 scheduled to expire in the next six months, so he would prefer to not be shut down and
19 have to return all of that investment money to his investors until he could commence
20 operations again.”

21 189. Beauchamp received an email from Chittick late in the day on June 17,
22 2013, through which Chittick forwarded his email exchange with a vendor confirming
23 that information regarding interest rates offered for promissory notes and the entire
24 “Investor Requirements” section had been removed from DenSco’s website.

25 190. Beauchamp spoke to Wang on June 18, 2013. His notes reflect that Wang
26 “does not have a clean path for the private placement” and that he and Beauchamp
27 discussed a number of “judgment calls” which were described in Beauchamp’s notes as
28 follows: (i) “whether website constitutes ‘General Solicitation’ – probably yes”; (ii)

1 “would a waiver of Right of Rescission be helpful – probably not → that just resolves
2 the individual claim + not the offering itself”; (iii) “would starting a new company be
3 helpful – probably not – still would be integrated offering.” Beauchamp’s notes
4 concluded by stating “Randy does not have a solution” and a list of the names of other
5 Bryan Cave attorneys Beauchamp should contact.

6 191. On June 20, 2013, Beauchamp sent an email to Bryan Cave attorneys
7 Henderson, Wang, Robert Endicott in the firm’s St. Louis office, and Garth Jensen in
8 the firm’s Denver office.

9 192. Beauchamp’s email stated, in part: DenSco “is a client which makes high
10 interest loans (18% with no other fees) secured by first lien position against Arizona
11 real estate. . . . As part of our due diligence for this offering, we reviewed the client’s
12 website. On its website, the client lists several pieces of information concerning
13 Arizona real estate, but the client has also added Denny Chittick’s personal description
14 of who or what is an eligible ‘accredited investor.’ In addition, the website also
15 referenced the interest rate paid by DenSco to its investors. After we advised the client
16 that this could be deemed to be “general solicitation” in violation of Regulation D, the
17 client immediately took down these references from its website. . . . Randy and I are
18 concerned that if this information on the website is deemed to constitute ‘general
19 solicitation’ then the offering will no longer qualify under Regulation D. . . . According
20 to his note schedule, Denny has approximately 60 investor notes that are scheduled to
21 expire in the next 6 months (and to probably be rolled over into new notes), so he
22 would prefer to not be shut down and to have to return all of that investment money to
23 his investors until he could commence operations again. Issue: Does anyone have any
24 suggestion or thoughts that we can advise the client (short of closing down its business
25 for six months) that he needs to do to resolve the loss of his exempt security status?”

26 193. Henderson and Wang responded to Beauchamp’s email on June 20, 2013,
27 discussing when the “‘JOBS Act’ requirement that the SEC eliminate the general
28

1 solicitation requirement for all accredited investors offerings [would] become
2 effective[.]”

3 194. On June 25, 2013, Beauchamp sent an email to Sipes which stated, in
4 part: “Attached is the previous POM for the client which has only had the date
5 changed. We stopped the updating when we were told that the investments from the
6 investors had jumped to approximately \$47.5 million. Given that significant increase, I
7 have been asking for help to determine what other federal or state laws might be
8 applicable. Bob Pederson of NY has said that the Trust Indenture Act will not be
9 applicable so long as the client is under the Regulation D, Rule 506 exemption. The
10 other big issues [that] have waited for your help to discern [is] if we need to comply
11 with the Investment Advisors Act of 1940 and the Registered Investment Advisors
12 requirements.”

13 195. Beauchamp spoke to Sipes on June 27, 2013. Beauchamp’s notes reflect
14 that Sipes told him the 2011 POM had incorrectly referenced an exemption under the
15 Investment Company Act, that she was considering other issues, and that she would
16 follow up by email.

17 196. Beauchamp spoke to Chittick on June 27, 2013. Beauchamp’s notes
18 reflect that he shared with Chittick the information he had received from Sipes.

19 197. Chittick sent Beauchamp an email on June 27, 2013 to again confirm that
20 the requested changes to the website had been completed. He added, “Oh ya I just took
21 in another 1.1 million yesterday.”

22 198. By its terms, the 2011 POM expired on July 1, 2013. Although Bryan
23 Cave’s file reflects that Beauchamp had not, as of that date, prepared a draft of a new
24 private offering memorandum, in answering the Complaint, Beauchamp and Clark Hill
25 claimed he in fact did so.

26 199. Although Beauchamp knew Chittick was continuing to solicit investments
27 based on the 2011 POM, and knew that between July 1, 2013 and December 31, 2013
28 approximately 60 DenSco investors were expected to “roll over” their investments by

1 receiving new promissory notes from DenSco, Beauchamp did not, on or before July 1,
2 2013, advise DenSco to stop soliciting investments or issuing promissory notes until a
3 new private offering memorandum had been prepared and issued by DenSco, nor did he
4 issue such an instruction after July 1, 2013.

5 200. On July 1, 2013, Beauchamp received an email from Sipes which stated,
6 in part, that she didn't believe DenSco would be considered an investment advisor
7 under the Investment Company Act or the Investment Advisers Act and did not believe
8 DenSco needed to limit the number of accredited investors to whom it offered
9 promissory notes.

10 201. On July 10, 2013, Beauchamp forwarded to Chittick a news report that
11 the SEC had just decided to end the ban on general solicitation.

12 202. Bryan Cave's billing statements reflect that between July 12, 2013 and
13 July 31, 2013, Beauchamp recorded time to "revise disclosure in Private Offering
14 Memorandum" and "[w]ork on and revise Private Offering Memorandum" and had
15 additional time entries to "[w]ork on revisions to Private Offering Memorandum" or
16 "[w]ork on issues for Private Offering Memorandum."

17 203. But the only document in Bryan Cave's file that reflects any revisions
18 Beauchamp made to the draft of the 2013 POM is a draft containing several of his
19 handwritten edits. They included a note on the cover of the draft to "revise to new
20 version for B/L purposes," but no blacklined draft of the 2013 POM was found in
21 Bryan Cave's file.

22 204. In their initial disclosure statement (at 5), Beauchamp and Clark Hill
23 claim that Beauchamp "began drafting revisions to the 2011 POM" but "was never able
24 to finalize the 2013 POM" because of Chittick. They allege that "[a]lthough Mr.
25 Beauchamp asked for updated investment, loan and financial information regarding
26 DenSco, Mr. Chittick stalled on providing the information, preferring to wait until after
27 he scaled down the amount outstanding to investors."

28

1 205. The Receiver’s counsel has not found any records in Bryan Cave’s files
2 reflecting such requests or “stalling” tactics by Chittick.

3 206. The corporate journal Chittick maintained for 2013 (the “2013 Corporate
4 Journal”) does not reflect any entries by Chittick about requests from Beauchamp for
5 information or his declination to provide that information.

6 207. The only reference in the 2013 Corporate Journal to the preparation of the
7 2013 POM is a June 17, 2013 entry which stated: “I am going back and forth with
8 David about how to circumvent this 50 million issue on size.” That entry is consistent
9 with Beauchamp’s communications of the same date as to whether DenSco had
10 engaged in general solicitation, an issue which, as noted above, was resolved on
11 July 10, 2013.

12 208. Beauchamp and Clark Hill also claim in their initial disclosure statement
13 (at 5) that with respect to the unfinished draft 2013 POM “Beauchamp repeatedly
14 advised DenSco that an update was necessary irrespective of DenSco’s plans regarding
15 the outstanding amount of its offerings, but Mr. Chittick continued to delay.”

16 209. The Receiver’s counsel has not found any documents in Bryan Cave’s
17 files to support this claim.

18 210. The 2013 Corporate Journal does not reflect any entries by Chittick
19 reflecting that Beauchamp gave such advice.

20 211. Bryan Cave’s billing records reflect that the only work Beauchamp
21 performed on the draft 2013 POM during August 2013 was to exchange emails on
22 August 6, 2013 with Jensen asking for a form subscription agreement to comply with
23 changes to Rule 506.

24 212. Beauchamp’s notes reflect that he left a voicemail message for Chittick
25 on August 26, 2013 regarding “need to work on the latest version of POM that Denny
26 has w/ the prior experience charts. Need to discuss timing and update.”

27 213. Beauchamp’s notes reflect that he spoke to Chittick on August 26, 2013
28 and that he “explained delay w/ POM,” discussed the “need to get copy of Denny’s

1 latest POM & make changes to it,” and discussed that “BC will be sending a letter to
2 Denny & letting Denny decide if he wants files kept at BC or moved to CH.”

3 214. In their initial disclosure statement (at 7) Beauchamp and Clark Hill claim
4 that “[p]rior to his departure [from Bryan Cave], Mr. Beauchamp had repeatedly made
5 clear to DenSco and Mr. Chittick that they needed to update DenSco’s POM.”

6 215. The Receiver’s counsel has not found any documents in Bryan Cave’s
7 files to support this claim.

8 216. The 2013 Corporate Journal does not have any entries by Chittick
9 reflecting that he received such advice from Beauchamp.

10 217. On August 30, 2013, Beauchamp sent Chittick by email a letter that he
11 and Bryan Cave attorney Jay Zweig had signed, informing DenSco that Beauchamp
12 would be leaving Bryan Cave effective August 31, 2013, and that Beauchamp would be
13 joining Defendant Clark Hill PLC. The letter contained a form by which DenSco could
14 instruct Bryan Cave to retain or transfer to Clark Hill the files it had maintained for
15 DenSco.

16 218. When Beauchamp left Bryan Cave in August 2013, the “due diligence”
17 file for the draft 2013 POM contained only three documents: (1) a June 18, 2013 article
18 captioned “Determining whether a company is an investment company”; (2) a printout
19 from DenSco’s website dated June 17, 2013; and (3) a July 28, 2010 article captioned
20 “Private Fund Investors Advisors Registration Act of 2010: New Law Changes
21 Regulatory Framework for Alternative Investment Advisors.”

22 **D. Beauchamp’s Representation of DenSco While Affiliated with**
23 **Clark Hill**

24 219. On September 11 and 12, 2013, Beauchamp exchanged emails with
25 Chittick about taking steps to have certain DenSco files transferred from Bryan Cave to
26 Clark Hill: “AZ Practice Review”; “Blue Sky Issues”; “Garnishments”; “General
27 Corporate”; and “2011 and 2013 Private Offering.”
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

1. DenSco Retained Clark Hill in September 2013

220. On September 12, 2013, Beauchamp sent Chittick an engagement letter, which Chittick signed and returned that day.

221. The letter, which was captioned “Representation of DenSco Investment Corporation,” stated that it would “serve[] to record the terms of [Clark Hill’s] engagement to represent DenSco Investment Corporation (the ‘Client’), with regard to the legal matters transferred to Clark Hill PLC from Bryan Cave LLP.”

222. Clark Hill’s engagement letter made clear that Clark Hill viewed DenSco as its client, and had not agreed to also represent Chittick. The letter stated that it was “supplemented by our Standard Terms of Engagement for Legal Services, attached, which are incorporated in this letter and apply to this matter and the other matter(s) for which you engage us.”

223. The “Standard Terms of Engagement for Legal Services” included a section called “Whom We Represent.” That section stated: “The . . . entity whom we represent is the . . . entity identified in our engagement letter and does not include any . . . employees, officers, directors, shareholders of a corporation . . . unless our engagement letter expressly provides otherwise.”

224. Despite the plain wording of the engagement letter, which limited Clark Hill’s representation to DenSco and disclaimed any separate representation of Chittick, Beauchamp and Clark Hill claim in their initial disclosure statement (at 3) that “Chittick understood that Mr. Beauchamp, as an incident to Mr. Beauchamp’s representation of DenSco, was also representing Mr. Chittick in his capacity as president of DenSco.”

225. The Receiver’s counsel has not found any documents in Clark Hill’s file amending its engagement letter to extend the firm’s representation of DenSco to Mr. Chittick in his capacity as president of DenSco.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

2. Beauchamp Opened a Matter to Finish the Draft 2013 POM in September 2013 But Failed to Take Any Steps to Complete the Draft Before the End of 2013.

226. On September 13, 2013, Beauchamp took steps to open a new matter for DenSco in Clark Hill’s accounting and filing systems that was mis-identified as “2003 Private Offering Memorandum.” Beauchamp’s notes stated that the file was being opened to “[f]inish 2013 POM for client. Started POM update at Bryan Cave.”

227. Clark Hill’s billing records do not reflect that Beauchamp performed any work to finish the draft 2013 POM during September, October, or November 2013, or that he attempted to contact Chittick about finishing the POM.

228. In their initial disclosure statement (at 7), Beauchamp and Clark Hill blame Chittick, saying that after Chittick signed Clark Hill’s engagement letter and directed Bryan Cave to transfer certain files to Clark Hill in September 2013, “Mr. Beauchamp never heard from Mr. Chittick regarding the unfinished 2013 POM, or any other matter, until December 2013.”

229. The only time entry in Clark Hill’s billing records for the month of December 2013 relating to finishing the draft 2013 POM is a twelve-minute entry by Beauchamp on December 18, 2013 to “review email; telephone conversation with D. Chittick; review POM.”

230. Chittick’s December 18, 2013 email to Beauchamp stated, in part, “since you’ve moved, we’ve never finished the update on the memorandum. Warren is asking where it is.” The Receiver assumes Chittick was referring to Warren Bush, an investor who had reviewed and commented on a draft of the 2011 POM.

231. The December 18, 2013 email went on to state: “[I]’ve got two of my best borrowers moving to F[L][.] [T]hey are begging me to look at lending in FL. [I] don’t know anything about the market there, but [I] trust these guys. [I]’ve done 20 million with them over the past 5 yrs. [I]s it easy to find out the challenges, issues, etc with me lending there?”

1 232. Beauchamp did not send Chittick a response to that email. He did,
2 however, forward the e-mail to Clark Hill attorney Daniel Schenck, asking “[w]ill you
3 have time to do the research for Florida or should I find someone else?”

4 233. Beauchamp also made an 18-minute time entry on December 18, 2013 to
5 “[r]eview email and outline Florida research.”

6 234. The Receiver has not found any notes in Clark Hill’s files made by
7 Beauchamp that summarized his December 18, 2013 call with Chittick.

8 235. Beauchamp apparently asked Chittick during their call to send him a copy
9 of the 2011 POM, since Chittick emailed Beauchamp an electronic copy of the final
10 2011 POM on December 18, 2013.

11 236. In a responsive email sent on December 18, 2013, Beauchamp thanked
12 him, but said nothing about steps he would take to complete the work he began at Bryan
13 Cave to prepare a 2013 POM.

14 237. Between December 20, 2013 and December 23, 2013, both Beauchamp
15 and Schenck recorded time to conducting research and analysis on “Florida broker
16 issues,” “hard money regulatory lender requirements in Florida,” and “Florida lending
17 licenses.”

18 238. On December 23, 2018, Beauchamp recorded 42 minutes of time to
19 “[r]eview Florida research from D. Schenck; discuss research and follow up with D.
20 Schenck; email to D. Chittick.”

21 239. On December 24, 2018, Beauchamp sent Chittick an email which stated:
22 “Happy Holidays! Quick Status: Based on a review of the Florida statutes, you would
23 be considered a ‘Mortgage Lender’ which requires a license in Florida. The Florida
24 government office that regulates ‘Mortgage Lender’ [sic] has been difficult to reach, but
25 we will try again on Thursday. I want to confirm if you might be able to qualify for a
26 limited license to operate in Florida and check a few other questions.”

27 240. On December 26 and 30, 2013, Beauchamp and Schenck recorded time to
28 obtaining information from the Florida Office of Financial Regulation and other

1 information relevant to Chittick's December 18, 2013 inquiry about expanding
2 DenSco's lending operations to Florida.

3 241. In their initial disclosure statement (at 7), Beauchamp and Clark Hill
4 describe a December 2013 telephone conversation between Beauchamp and Chittick
5 that is at odds with Clark Hill's file, including its billing statement. They claim that

6 In December 2013, Mr. Chittick contacted Mr. Beauchamp for the first time in
7 months. He told Mr. Beauchamp over the phone that he had run into an issue
8 with some of his loans with Menaged, and specifically, that properties securing a
9 few DenSco loans were each subject to a second deed of trust competing for
10 priority with DenSco's deed of trust. Mr. Beauchamp reminded Mr. Chittick
11 that he still needed to update DenSco's private offering memorandum. After
12 briefly discussing the allegedly limited double lien issue, Mr. Chittick
13 emphasized to Mr. Beauchamp that Mr. Chittick wanted to avoid litigation with
14 other lenders. Mr. Chittick, however, did not request any advice or help.

15 Accordingly, Mr. Beauchamp suggested that Mr. Chittick develop and document
16 a plan to resolve the double liens, and nothing more came of the conversation.

17 242. The Receiver's counsel has not found any documents in Bryan Cave's
18 files to support this claim.

19 243. The 2013 Corporate Journal does not have any entries by Chittick
20 reflecting that he had such a conversation with Beauchamp.

21 244. The Receiver's claims are based on what Clark Hill's files reveal about
22 Beauchamp's conduct during the last six months of 2013.

23 245. In December 2013, Beauchamp knew that the 2011 POM had expired by
24 its own terms more than four months earlier, on July 1, 2013.

25 246. Beauchamp knew that as of December 18, 2013, neither he nor DenSco
26 had taken any meaningful steps to prepare a draft of a new private offering
27 memorandum.

28

1 247. Beauchamp knew that between July 1, 2013 and December 31, 2013
2 approximately 60 DenSco investors had likely “rolled over” their investments by
3 receiving new promissory notes from DenSco based on the 2011 POM.

4 248. Beauchamp did not instruct DenSco to stop soliciting investments or
5 issuing promissory notes until a new private offering memorandum had been prepared
6 and issued by DenSco.

7 249. Beauchamp knew that he had failed to properly represent DenSco by,
8 among other things: (i) ensuring that DenSco complied with its obligations to maintain
9 continuously updated disclosures while it was offering securities; (ii) ensuring that the
10 company issued a private offering memorandum on or before July 1, 2013, as it had
11 represented it would do; (iii) establishing and following a process to conduct
12 appropriate due diligence in connection with each POM; (iv) establishing and following
13 a process to update due diligence and disclosures continuously as long as the POM was
14 in use; and/or (v) instructing DenSco to stop taking investments after July 2013 until
15 appropriate updated disclosures were made.

16 250. The consequences of Beauchamp’s negligence became abundantly clear
17 to him during the first week of January 2014.

18 **3. Events During the Week of January 5, 2014.**

19 251. On Sunday, January 5, 2014, Beauchamp received an email from Chittick
20 asking if he had time to meet with him during the coming week.

21 **a. The January 6, 2014 Demand Letter**

22 252. On Monday, January 6, 2014, Beauchamp received an email from
23 Chittick which stated: “read the first two pages, then give me a call.” Attached to the
24 email was a three-page demand letter from Bryan Cave attorney Robert J. Miller;
25 Exhibit A, a list of 52 properties; and two subordination agreements.

26 253. The letter was written on behalf of Azben Limited, LLC; Geared Equity,
27 LLC; and 50780, LLC (the “Lienholders”). It asserted that Geared Equity, 50780, and
28 Sell Wholesale Funding, LLC (the “Lenders”) had each loaned money to Arizona

1 Home Foreclosures, LLC and Easy Investments, LLC, and that the loans Sell
2 Wholesale Funding had made were subsequently assigned to Azben.

3 254. Exhibit A to the letter identified, with reference to specific loan numbers
4 and street addresses, 52 loans that the Lenders had made to Easy Investments and
5 Arizona Home Foreclosures to acquire foreclosed homes at trustee sales.

6 255. The letter asserted that the Lenders' loans had been made by "certified
7 funds delivered directly to the trustee" and secured by "promptly recorded deeds of
8 trust confirming a senior lien position on each of the Properties."

9 256. The letter went on to assert that DenSco had "engaged in a practice of
10 recording a 'mortgage' on each of the [52 properties] on around the same time as the
11 Lenders were recording their senior deeds of trust" and that each such mortgage falsely
12 stated that DenSco had "provided purchase money funding" and that its "loans are
13 'evidenced by a check payable' to the trustee for each of the Properties."

14 257. The letter asserted that DenSco could not claim to be in a senior lien
15 position on those properties "since in each and every instance, only the Lenders
16 provided the applicable trustee with certified funds supporting the Borrower's purchase
17 money acquisition for each of the Properties."

18 258. The letter demanded that DenSco sign subordination agreements
19 acknowledging that it did not have a first position lien on any of the 52 properties, and
20 said that if DenSco refused to do so, the Lienholders would assert claims against
21 DenSco for fraud and conspiracy to defraud; negligent misrepresentation; and wrongful
22 recordation pursuant to A.R.S. § 33-420.

23 259. The letter included "two forms of subordination agreement – one form
24 document applies to the Azben loans and the other form applies to the loans of Geared
25 Equity, LLC and 50780, LLC." A footnote stated that "[p]roperty addresses and other
26 'form' information will need to be included in each subordination agreement. My firm
27 will only commence preparing a subordination agreement for each loan when written
28

1 confirmation is provided that DenSco has unconditionally agreed to execute each
2 subordination agreement in the form enclosed herein.”

3 260. Beauchamp spoke to Chittick by telephone on January 6, 2014.
4 Beauchamp’s notes from that call state that Chittick told him DenSco’s “largest
5 borrower” – who Beauchamp knew or should have known from the *Freo* lawsuit he had
6 received in June 2013 was Menaged – “had a guy working in his office and was getting
7 2 loans on each property,” and that Chittick and Menaged “had already fixed about 6
8 loans.” The notes reflect that Beauchamp planned to meet with Chittick on Thursday,
9 January 9, 2014.

10 261. Clark Hill’s billing records reflect that Beauchamp billed 2.4 hours on
11 January 6, 2014 to “[r]eview, work on and respond to several emails; review statutory
12 references; telephone conversation with office of D. Chittick; telephone conversation
13 with D. Chittick regarding demand letter, issues, background information and
14 requirements; review notes and statute requirements; review documents.”

15 262. Clark Hill’s billing records do not reflect that Beauchamp conferred with
16 any other attorneys at Clark Hill on January 6, 2014 about the demand letter.

17 263. Beauchamp recognized, or should have recognized, that the claims made
18 in the demand letter affected a material portion of DenSco’s loan portfolio. He knew
19 from the 2011 POM that DenSco’s average loan amount was \$116,000, so that
20 DenSco’s potential exposure for the unsecured or under-secured loans DenSco had
21 made to Menaged’s entities to acquire the 52 properties in the demand letter was likely
22 to be approximately \$6 million or more, or approximately 13% of the \$47 million that
23 Beauchamp understood DenSco had raised from investors as of June 2013.

24 264. Beauchamp recognized, or should have recognized, in light of the
25 allegations in the *Freo* lawsuit he had received the previous June and the claims made
26 in the demand letter, that Easy Investments and Arizona Home Foreclosures had
27 purposefully obtained, for each of the 52 properties, a loan from one of the Lenders,
28

1 and had then obtained a second loan from DenSco that was supposed to be secured by
2 the same property.

3 **b. Chittick's January 7, 2014 Email**

4 265. On Tuesday, January 7, 2014, Beauchamp received an email from
5 Chittick, copied to Menaged, which contained information relevant to the demand letter
6 and said that Chittick was bringing Menaged to the planned January 9, 2014 meeting.

7 266. Chittick's email said that DenSco had, since 2007, loaned \$50 million to
8 "a few different LLC's" controlled by Menaged. Beauchamp knew or should have
9 known that those companies included Easy Investments (a defendant in the June 2013
10 *Freo* lawsuit) and Arizona Home Foreclosures.

11 267. Chittick's email said that "[b]ecause of our long term relationship, when
12 [Menaged] needed money, [I] would wire the money to his account and he would pay
13 the trustee," Menaged would sign a Mortgage that referenced the payment to the
14 trustee, and Chittick would cause the Mortgage to be recorded.

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

19 269. Chittick's statement put Beauchamp on notice that Chittick had allowed
20 the fraud committed by Easy Investments and Arizona Home Foreclosures to occur,
21 because he had not paid loan proceeds directly to each trustee, and had instead wired
22 funds directly to Menaged, trusting him to use those funds to pay the trustees.

23 270. Beauchamp and Clark Hill claim in their initial disclosure statement (at 6-
24 7) that Beauchamp had advised Chittick, before June 2013 and again in June 2013 after
25 Beauchamp reviewed the *Freo* lawsuit, that "Mr. Chittick needed to fund DenSco's
26 loans directly to the trustee or escrow company conducting the sale, rather than provide
27 loan funds directly to the borrower, to ensure that DenSco's deed of trust was
28 protected."

1 271. As noted above, the Receiver's counsel has not identified any documents
2 in Bryan Cave's files that support their claim.

3 272. And the Receiver's counsel has not found any documents in Clark Hill's
4 files which reflect that Beauchamp, after reviewing Chittick's January 7, 2014 email,
5 advised Chittick that DenSco should have funded its loans directly to a trustee or
6 escrow company, and not provided funds directly to Menaged or any other borrower.

7 273. Chittick's January 7, 2014 statement also put Beauchamp on notice that
8 DenSco's investment disclosures were materially false and misleading and that
9 DenSco's ongoing reliance on the false and misleading disclosures to raise funds from
10 investors exposed DenSco and Chittick to civil and criminal liability.

11 274. Chittick's email went on to say that Menaged had told him in November
12 2013 that DenSco had been defrauded by Menaged's "cousin," who allegedly worked
13 with Menaged in managing Easy Investments and Arizona Home Foreclosures.
14 Menaged claimed that his "cousin" had "receiv[ed] the funds from [DenSco], then
15 request[ed] them from . . . other lenders [who] cut a cashiers check for the agreed upon
16 loan amount . . . [took] it to the trustee and . . . then record[ed] a [deed of trust]
17 immediately."

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

20 276. According to Chittick, "[t]he cousin absconded with the funds.
21 [Menaged] figured this out in mid November. He came to me and told me what was
22 happening. He said he talked to the other lenders and they agreed that this was a mess,
23 and as long as they got their interest and were being paid off they wouldn't foreclose,
24 sue or anything else."

25 277. Chittick went on to describe the "plan" that he and Menaged had been
26 executing since November: to "sell off the properties and pay off both liens with
27 interest and make everyone whole." He acknowledged that there were "short falls" on
28 each property, representing the difference between the value of the property and the

1 combined amount of the two loans, and that “[c]oming up with the short fall on all these
2 houses is a challenge, but we believe it is doable. Our plan is a combination of
3 injecting capital and extending cheaper money.”

4 278. Chittick described the basic terms of the agreement with the “other
5 lenders” as including the following: (1) “all lenders will be paid their interest, except
6 [DenSco], I’m allowing [its] interest to accrue”; and (2) DenSco is “extending
7 [Menedged] a million dollars against a home at 3%.”

8 279. Chittick claimed that he and Menedged had “already cleared up about 10%
9 of the total \$’s in question” with the “other lenders.”

10 280. As for the “gentleman who handed me the paperwork” – a reference to a
11 person affiliated with one of the three entities identified in the demand letter – Chittick
12 wrote that he “believes because he physically paid the trustee that he is in first position,
13 but agrees it’s messy. [H]e wants me to subordinate to him, no matter who recorded
14 first. [W]e have paid off one of his loans, you’ll see on this list Pratt – paid in full, I’ve
15 attached the hud-1 and you can see that it shows me in first position versus his belief.
16 [N]ow that’s one title agent[’]s opinion, [I] understand that’s not settling [a] legal
17 dispute on who’s in first or second.”

18 281. Chittick went on to state: “I know that [I] can’t sign the subordination
19 [agreement] because that goes against everything that [I] tell [DenSco’s] investors.”

20 282. He also wrote that “there are several other lenders waiting to see what [I]
21 do[.] [I]f I sign with this group, they want to have me sign for them too.”

22 283. Chittick concluded his email by stating “[w]hat we need is an agreement
23 that as long as the other lenders are being paid their interest and payoffs continue to
24 come . . . that no one initiates foreclosure for obvious reasons, which will give us time
25 to execute our plan.”

26
27
28

1 290. After reviewing Chittick’s email, Beauchamp recognized, or should have
2 recognized, that Chittick had breached his fiduciary duties to DenSco by utilizing lax
3 and completely inadequate lending practices and lending such a substantial portion of
4 DenSco’s funds to a single borrower.

5 291. In the course of “reviewing documents” and “review[ing] lien dispute
6 information,” Beauchamp recognized, or should have recognized, that Menaged’s story
7 about his “cousin” having perpetrated the fraud was untrue.

8 292. The first of the subordination agreements attached to the demand letter
9 identified, by reference to the instrument number assigned by the Maricopa County
10 Recorder (2013-0832534), the Mortgage DenSco had recorded on September 16, 2013
11 on the property at issue. The subordination agreement also identified, by reference to a
12 recorded instrument number (2013-0833010), the deed of trust that Sell Wholesale
13 Funding, LLC had recorded on September 16, 2013 for the same property.

14 293. In January 2014, the Maricopa County Recorder’s Office had a free
15 “Recorded Document Search” function. The same tool is available today.

16 294. If Beauchamp had used that tool, or otherwise performed customary due
17 diligence, two brief searches would have shown that the DenSco Mortgage (2013-
18 0832534) was signed by Menaged before a notary on September 16, 2013, and that
19 Menaged also signed the Sell Wholesale Funding deed of trust (2013-0833010) before a
20 notary on September 16, 2013. Those searches would also have identified the property
21 in question as 977 S. Colonial Drive in Gilbert, Arizona.

22 295. Those two documents show that Menaged, not his “cousin,” had secured
23 both loans.

24 296. The second of the subordination agreements attached to the demand letter
25 identified, by reference to a recorded instrument number (2013-0717135), the Mortgage
26 DenSco had recorded on August 6, 2013 on the property at issue. The subordination
27 agreement also identified, by reference to a recorded instrument number (2013-
28

1 0721399), the deed of trust that Geared Equity, LLC had recorded on August 7, 2013
2 for the same property.

3 297. If Beauchamp had used the Recorded Document Search tool or otherwise
4 performed customary due diligence, two brief searches would have shown that the
5 DenSco Mortgage (2013-0717135) was signed by Menaged before a notary on
6 August 6, 2013, and that Menaged also signed the Sell Wholesale Funding deed of trust
7 (2013-0721399) before a notary on August 6, 2013. Those searches would have
8 identified the property in question as 39817 Messner Way in Anthem, Arizona.

9 298. Those two documents show that Menaged, not his “cousin,” had secured
10 both loans.

11 299. If Beauchamp had used the information in the settlement statement
12 attached to Chittick’s email to investigate Chittick’s claim that DenSco was in first
13 position with respect to the “Pratt” property, he could have used the Recorded
14 Document Search tool, or otherwise performed customary due diligence, to see if
15 Chittick was correct.

16 300. A few brief searches would have confirmed Chittick’s claim that DenSco
17 was the first to record: DenSco’s Mortgage was recorded on September 18, 2013 as
18 instrument number 2013-0837513, while Geared Equity’s deed of trust was recorded on
19 September 19, 2013 as instrument number 2013-0842640.

20 301. But those two documents would also have shown that Menaged signed
21 each document before a notary on September 17, 2013, making clear that Menaged, not
22 his “cousin,” had secured both loans.

23 302. As for the remaining 49 properties on Exhibit A to the demand letter,
24 Beauchamp could have, either by himself, or through a paralegal, quickly discovered
25 that in each case, Menaged, and not his “cousin,” had signed the documents at issue.

26 303. This could have been done by using a free search function on the
27 Maricopa County Assessor’s Office website that allows anyone to search for property
28 records using a street address (such as those given in Exhibit A to the demand letter), or

1 other means of customary due diligence. The Assessor's website provides a link to a
2 recorded instrument on the Maricopa County Recorder's Office website for each
3 property, and that information could have in turn been used to quickly locate both the
4 deed of trust recorded by the Lenders and DenSco's competing Mortgage by using the
5 Recorded Document Search tool.

6 304. Such a search, which would take less than five minutes for each property,
7 would produce records showing that for each of the 49 properties, Menaged had signed
8 both a DenSco Mortgage and another lender's deed of trust before a notary, providing
9 further evidence that Menaged, not his "cousin," had secured all of the loans in
10 question, and had purposefully defrauded DenSco.

11 **d. Beauchamp's January 9, 2014 Meeting With Chittick**
12 **and Menaged**

13 305. Clark Hill's billing records reflect that Beauchamp billed 4.3 hours on
14 January 9, 2014 to "[p]repare for and meeting with D. Chittick and S. Menages [sic];
15 review and work on notes from meeting and outline follow-up; review and respond to
16 several emails; review documents and information."

17 306. Beauchamp's notes from the January 9, 2014 meeting reflect that Chittick
18 and Menaged confirmed that DenSco faced exposure from both the Lienholders
19 identified in the January 6, 2014 demand letter and other lenders, including Active
20 Funding Group.

21 307. According to Beauchamp's notes, the number of loans made by DenSco
22 that were not in first position and were either unsecured or under-secured was between
23 100 and 125. Based on that information and the 2011 POM's average loan amount of
24 \$116,000, Beauchamp knew or should have known that DenSco's loans to Menaged
25 represented a potential loss of between \$11.6 and \$14.5 million, or between 25% and
26 30% of the \$47 million that Beauchamp understood DenSco had raised as of June 2013.

27 308. Beauchamp's notes from the January 9, 2014 meeting also reflect that no
28 one knew exactly what happened to the massive amount of money that DenSco had

1 loaned Menaged. The notes state: “What happened to the money? -- Will pursue
2 something or his cousin → but trying to determine where the money has gone.”

3 309. Beauchamp’s notes from the January 9, 2014 meeting also reflect that,
4 although the money DenSco previously loaned Menaged was missing, Beauchamp,
5 Chittick, and Menaged discussed how to implement Chittick’s and Menaged’s plan to
6 jointly raise additional funds to pay off the senior lenders on the double-encumbered
7 properties within a ninety-day period.

8 310. Menaged has testified that during the January 9, 2014 meeting, Chittick
9 stated that he did not intend to disclose the situation to investors, and Beauchamp
10 deferred to Chittick on the issue.

11 311. The Receiver is not aware of any written evidence that between January 6
12 and January 9, 2014, Beauchamp advised Chittick that:

13 a. DenSco’s sale of new promissory notes to investors after July 2013
14 exposed DenSco and Chittick to civil and criminal liability;

15 b. DenSco should not have issued those notes without first issuing an
16 appropriate disclosure document;

17 c. DenSco should immediately cease selling new securities to
18 investors until complete disclosures could be made;

19 d. DenSco’s use of the proceeds from such securities to implement
20 Chittick’s “plan” with Menaged would be a fraud on the investors in such
21 securities;

22 e. DenSco should immediately cease doing business with Menaged
23 based on the implausibility of the “cousin” story and the readily available public
24 records discussed above;

25 f. At a minimum, DenSco should not have any further business
26 dealings with Menaged until it had investigated the true facts of the alleged fraud
27 by Menaged’s “cousin”;

28

1 g. After discovering the true facts about Menaged’s dealings with
2 DenSco (whether through a review of public records or some other
3 investigation), DenSco should rescind all lending agreements it had made with
4 Menaged since November 2013 on the grounds of fraud in the inducement, and
5 seek to enforce its remedies for all other loans that Menaged had obtained
6 through fraud; and

7 h. DenSco had to assess the impact of the fraud on DenSco’s
8 financial position, and if that assessment resulted in a finding that DenSco was
9 insolvent or in the zone of insolvency, DenSco had to consider duties owed to its
10 investors and other creditors in making all business decisions.

11 312. DenSco was indisputably insolvent in January 2014, as Chittick’s
12 statements to Beauchamp at the time made clear and as the Receiver was able to
13 determine after reviewing DenSco’s QuickBooks records.

14 313. Evidence of Chittick’s long professional relationship with Beauchamp
15 and numerous instances of Chittick following Beauchamp’s legal advice establish that
16 if Beauchamp had properly advised DenSco during the first week of January 2014,
17 Chittick would have caused DenSco to: (i) terminate its relationship with Menaged and
18 his companies; (ii) cease raising investor funds based on false and misleading
19 disclosures; (iii) cease misdirecting investor funds to implement Chittick’s and
20 Menaged’s “plan”; (iv) pursue its remedies against Menaged and his companies; and
21 (v) explore whether DenSco could survive as a going concern or would have to
22 liquidate.

23 314. In their initial disclosure statement (at 4 and 11), Beauchamp and Clark
24 Hill admit that Chittick was a “trustworthy client” who followed Beauchamp’s advice.

25 315. Beauchamp and Clark Hill also claim in their initial disclosure statement
26 (at 10-11) that Beauchamp allegedly advised Chittick “during his January 9, 2014
27 meeting with Mr. Chittick” and repeatedly thereafter that:
28

1 (a) DenSco was not permitted to take new money without full disclosure to the
2 investor lending the money; (b) DenSco was not permitted to roll over existing
3 investments without full disclosure to the investor rolling over the money; and
4 (c) DenSco needed to update its POM and make full disclosure to all its
5 investors.
6

7 316. But the Receiver's counsel has not found any document in Clark Hill's
8 files reflecting that Beauchamp gave this advice to Chittick on January 9, 2014 or that
9 he gave it after that date, other than belated statements that DenSco needed to update its
10 POM and make certain disclosures to investors.

11 317. Chittick's entry for January 9, 2014 in a corporate journal he maintained
12 during 2014 (the "2014 Corporate Journal") does not reflect that Beauchamp gave
13 Chittick the advice he and Clark Hill now claim was given on that date. The entry
14 states, in part: "Scott and I met with David. He never read my email. We spent two
15 hours. . . . He's going to contact the lawyer tomorrow and let us know."

16 318. Beauchamp and Clark Hill also claim in their initial disclosure statement
17 (at 11) that "Mr. Chittick assured Mr. Beauchamp repeatedly that he was making the
18 requisite disclosures to investors on an as needed basis, and that he had informed a
19 select group of investors as to the double lien issue and the proposed workout."

20 319. The Receiver's counsel has not found any document in Clark Hill's files
21 supporting that claim.

22 320. No entries in the 2014 Corporate Journal support that claim.

23 **e. Beauchamp and Clark Hill's January 10, 2014 Decision**
24 **to Help Chittick Breach his Fiduciary Duties.**

25 321. Beauchamp and Clark Hill failed to properly advise DenSco and instead
26 breached fiduciary duties they owed DenSco by aiding and abetting Chittick in
27 committing further breaches of duties he owed DenSco and its investors.
28

1 322. Beauchamp knew from the January 9, 2014 meeting that Chittick
2 intended to breach fiduciary duties owed DenSco and its investors by: (i) accepting
3 without questioning Menaged’s explanation that his “cousin” was responsible for the
4 fraud committed by Easy Investments and Arizona Home Foreclosures; (ii) failing to
5 investigate the true facts of the fraud; (iii) failing to assess the impact of the fraud on
6 DenSco’s financial position; (iv) failing to consider DenSco’s obligations to its
7 investors and other creditors; (v) committing DenSco to loan millions more to Menaged
8 and his companies without conducting such an investigation and assessment;
9 (vi) accepting and soliciting funds from investors based on false and misleading
10 disclosures; and (vii) effectively misappropriating investor funds by spending them to
11 implement his “plan” with Menaged, rather than in accordance with the use of proceeds
12 promised to investors in the POMs.

13 323. Despite that knowledge, on January 10, 2014, Beauchamp opened a “new
14 matter” in Clark Hill’s accounting and filing systems captioned “work-out of lien issue”
15 to enable and implement the “plan” Chittick and Menaged had developed.

16 324. On January 14, 2014, Beauchamp opened a “new matter” in Clark Hill’s
17 accounting and file systems captioned “business matters.”

18 325. In opening the “work-out of lien” matter, and in taking the actions
19 described below, Beauchamp failed to recognize that DenSco, not Chittick, was Clark
20 Hill’s client, and that in light of Chittick’s past and planned breaches of fiduciary duty,
21 Beauchamp could not simultaneously represent DenSco and Chittick.

22 326. Beauchamp never addressed that conflict, nor did he recognize his duty to
23 inform Chittick that he owed duties to DenSco and could not also represent Chittick’s
24 interests. Indeed, as late as August 2016, Beauchamp testified that “[d]uring my
25 involvement with Mr. Chittick and DenSco, I understand that Mr. Chittick considered
26 that I was his counsel as well as counsel for DenSco, even though all billings were
27 tendered to and paid by DenSco.”

28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

4. On and After January 10, 2014, Beauchamp Advised Chittick That DenSCO Could Solicit, Accept and Use Investor Funds to Fund the Workout Plan

327. Beauchamp’s handwritten notes from a call with Chittick on Friday, January 10, 2014 state, in part, “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.”

328. Chittick’s entry for that date in a corporate journal he maintained during 2014 (the “2014 Corporate Journal”) states, in part, “at 5pm Dave called, said they would give us time to clean it up. I talked to Scott; he is going to try to bring in money. I can raise money according to Dave.”

329. On Sunday, January 12, 2014, Chittick sent Beauchamp an email which stated, in part, “I’ve spent the day contacting every investor that has told me they want to give me more money. I don’t have an answer on specifically how much I can raise; I’ll know that in a day or two.” He went on to say that between new money, current cash on hand, and pending real estate closings, he would have between \$5 and \$10 million in the next ten days. His email summarized the outline of the plan he and Menaged had discussed the previous Friday, which included, for the group of lenders represented by Bryan Cave: (i) identifying all properties in which another party claimed an interest; (ii) providing that information to an escrow agent; (iii) buying out the other parties as cash was put into escrow; and (iv) memorializing the arrangement through a term sheet and a written contract. “[I]f both Scott and I can raise enough money, we should be able to have this all done in 30 days easy, less than three weeks would be my goal.” As for the other lenders, Chittick stated that the plan was to pay them off as Menaged was able to raise additional capital. Chittick concluded the email by stating, “that’s my plan, shoot holes in it.”

330. Beauchamp responded in an email sent later that day which stated, in part, “[y]ou should feel very honored that you could raise that amount of money that quickly. I will outline a few thoughts tomorrow and get back to you.”

1 331. Relying on Beauchamp’s advice, between January 9, 2014 and June 30,
2 2016, Chittick caused DenSco to solicit and accept investor funds. DenSco did so by:
3 (i) issuing promissory notes to nine new investors who paid DenSco \$4,365,110; (ii)
4 issuing promissory notes to 26 existing investors who paid DenSco \$9,421,106; and
5 (iii) issuing promissory notes to three new investors for the transfer of \$2,550,000 from
6 existing investors; (iv) issuing a promissory note to one existing investor for the transfer
7 of \$300,000 of previously invested funds; and (v) issuing new promissory notes to as
8 many as 82 existing investors to “roll over” expiring promissory notes they had
9 previously purchased. The Receiver’s preliminary analysis of those investments is
10 summarized in the chart (numbered RECEIVER_001328-001331) attached as

11 **Appendix B.**

12 332. DenSco’s active solicitation and receipt of investor funds after January 9,
13 2014 is documented in DenSco’s investor files and entries Chittick made in the 2014
14 Corporate Journal.

15 333. For example, Chittick’s January 14, 2014 entry in the 2014 Corporate
16 Journal states, in part: “I deposited . . . \$150k from Jolene Page, 40k from Carol
17 Wellman. I talked to Marv[;] he’s going to do 400k.”

18 334. Chittick’s January 15, 2014 entry in the 2014 Corporate Journal reads, in
19 part: “I’ve got 300k in from the Miller’s.”

20 335. Chittick’s January 21, 2014 entry in the 2014 Corporate Journal reads, in
21 part: “I raise[d] a million more from Bungler. I might get a few hundred k from Kirk.”

22 336. Chittick’s January 22, 2014 entry in the 2014 Corporate Journal reads, in
23 part: “Steve wired in \$500k more.”

24 337. Chittick’s January 27, 2014 entry in the 2014 Corporate Journal reads, in
25 part: “I’m trying to raise some more money so that I can payoff more of these damn
26 loans from [the Lienholders identified in the January 6, 2014 demand letter].”

27
28

1 338. Chittick's January 28, 2014 entry in the 2014 Corporate Journal reads, in
2 part: "I'm taking in 750k from an old borrower out of Utah, then John Schreiber called
3 and wants to get me \$400k or so."

4 339. Chittick's January 29, 2014 entry in the 2014 Corporate Journal reads, in
5 part: "Kirk sent me \$600k more too. I'll be getting \$400k in from the guys in UT."

6 340. Chittick's January 31, 2014 entry in the 2014 Corporate Journal reads, in
7 part: "I had 400k come in from Ryan in UT. I've got funds to knock off some more
8 [double-encumbered loans] next week."

9 **5. Beauchamp and Clark Hill Negotiated and Drafted a**
10 **Nondisclosure Agreement and Term Sheet During the**
11 **Week of January 12, 2014**

12 341. During the week of January 12, 2014, Beauchamp prepared a
13 nondisclosure agreement and a term sheet. Beauchamp negotiated with Menaged's
14 attorney, Jeff Goulder, over the term sheet.

15 342. Beauchamp also communicated with Miller, who withdrew from
16 representing his clients on January 16, 2014 because of a conflict issue raised by
17 Beauchamp and the scope of the consent DenSco would give Bryan Cave, with
18 Beauchamp insisting that it would be limited to "non-litigation" conflicts.

19 343. Chittick (for DenSco) and Menaged signed the nondisclosure agreement
20 and term sheet on Friday, January 17, 2014. The term sheet contemplated that DenSco
21 would advance additional funds to Menaged, some of which would be used to pay off
22 (by February 28, 2014) the loans held by the lenders represented by Bryan Cave. The
23 term sheet also outlined the elements of a Forbearance Agreement and a process to
24 resolve the claims of the other competing lenders.

25 **6. During January 2014, Beauchamp and Clark Hill Reviewed**
26 **DenSco's Lending Practices and Negligently Advised DenSco**
27 **About How It Should Document Additional Loans to Menaged**

28 344. Beauchamp and Clark Hill also advised Chittick on practices DenSco
should follow in lending additional funds to Menaged.

1 345. Chittick first asked for Beauchamp’s advice through an email sent on the
2 evening of January 9, 2014, after he, Beauchamp and Menaged had met.

3 346. Chittick wrote: “If [I] [obtain] a cashier’s check and take it to the trustee
4 myself, [I] don[’t] get a receipt that DenSco [p]aid for it. [I] get a receipt saying that X
5 property was paid for, for X \$’s vested in borrower’s name. [DenSco’s] name doesn’t
6 appear on it. [O]ther than having a cashier’s check receipt saying [DenSco] made a
7 check out for it, there isn’t anything from the trustee saying that it was [DenSco’s]
8 check. [I] could wire [Menaged] the money, he could produce a cashier’s check that
9 says remitter is DenSco and it would have the exact same [e]ffect as if [I] got [a]
10 cashier’s check that said [DenSco’s] the remitter. . . . [P]ut aside the logistics for a
11 second, what proof or what guarantee is there by me cutting the check and handing it to
12 [S]uzy at the trustee[’]s office rather than my borrowers? [I] know [I] must be missing
13 something.”

14 347. Beauchamp responded by email the same day: “Let me see what the
15 other lenders got from the Trustee and we can make a better decision. There is either
16 another way to do it or someone described a procedure that does not work.”

17 348. Approximately a week later, on January 17, 2014, as the term sheet was
18 being finalized, Beauchamp sent an email to Clark Hill attorney Daniel Schenck which
19 stated, in part: “We also need to talk to [Clark Hill attorney] Bob Anderson about the
20 procedures used by DenSco to refute research from Bob Miller or to change DenSco’s
21 procedures.”

22 349. Later that day, Beauchamp sent Anderson an email in which he forwarded
23 “the demand letter from Bryan Cave asserting the claim from the other lenders. If this
24 claim has any merit, we need to advise DenSco to change its internal procedures.”

25 350. Beauchamp’s statements about “refut[ing]” the allegations in the demand
26 letter and questioning whether “this claim has any merit” demonstrate that he had not,
27 as of January 17, 2014, taken any steps to investigate the veracity of Menaged’s
28

1 “cousin” story or Chittick’s claim that DenSco was in first position on some of the
2 properties at issue.

3 351. No documents in Clark Hill’s file suggest that Beauchamp, Schenck,
4 Anderson or any other attorney at Clark Hill attempted to conduct such a basic,
5 essential investigation, including taking the simple steps described above to utilize the
6 Recorded Document Search tool or otherwise exercising customary due diligence.

7 352. Beauchamp and Clark Hill eventually advised DenSco that in making
8 additional loans to Menaged it could rely on a photograph of a cashier’s check and a
9 receipt (furnished by Menaged) that had purportedly been signed by the trustee.

10 353. Although Beauchamp and Clark Hill claim in their initial disclosure
11 statement (at 16) that Beauchamp “repeatedly reminded Mr. Chittick that he needed to
12 fund loans directly to a trustee or escrow company, rather than to a borrower,” the
13 Receiver’s counsel has not identified any documents in Clark Hill’s file to support that
14 claim. To the contrary, the file reflects that Beauchamp and Clark Hill advised DenSco
15 to continue providing Menaged with loan proceeds.

16 354. Those procedures were deficient, however. As Menaged has testified, the
17 uniform practice of other “hard money” lenders who loaned to Foreclosure Specialists
18 was to pay the trustee directly, and then to receive directly from the trustee the
19 documents proving the trustee’s sale had been concluded.

20 355. Those deficient procedures allowed Menaged to perpetrate a second fraud
21 on DenSco.

22 7. Beauchamp Failed to Investigate the Lobo Property Fraud

23 356. While Beauchamp was negotiating the Term Sheet and he, Schenck and
24 Anderson were evaluating DenSco’s lending procedures, Beauchamp failed to pursue
25 information presented to him about another instance of a fraud Menaged had
26 perpetrated against DenSco.

27
28

1 357. On January 13, 2014, Beauchamp had a telephone call with Miller about
2 the demand letter that Miller had sent on behalf of Azben Limited, Geared Equity, and
3 50780, LLC.

4 358. Beauchamp's notes from that call state, in part: "Lobo Property (Cardon
5 Loan) → rescission \$100,000 was given back to someone and is gone."

6 359. The reference to the "Lobo Property" was to one of the properties listed in
7 Exhibit A to the demand letter as a loan that Sell Wholesale Funding had made to
8 Arizona Home Foreclosures to acquire property at 10125 E. Lobo Avenue in Mesa,
9 Arizona, the rights to which had been assigned to Azben Limited.

10 360. The reference to "Cardon Loan" was a reference to Craig Cardon, whom
11 Beauchamp knew to be one of the managers of Azben Limited.

12 361. On January 16, 2014, after Miller had told Beauchamp he was
13 withdrawing from representing Azben Limited, Geared Equity and 50780, LLC,
14 Chittick sent an email to Cardon; Daniel Diethelm, a manager of Geared Equity; and
15 Lynn Hoebing, a manager of 50780, LLC.

16 362. Chittick referenced Miller's withdrawal, forwarded a signed copy of the
17 Nondisclosure Agreement, stated that he and Menaged were close to finalizing the
18 Term Sheet, noted that four payoffs had been made that day, and that more were
19 planned for the following week. He stated that his "whole goal is to get you paid your
20 principle [sic] and interest on these loans."

21 363. Chittick forwarded the email to Beauchamp, who responded with an
22 email that stated "good email."

23 364. On the following day, January 17, 2014, Chittick sent Beauchamp a draft
24 email he planned to send to Cardon, Diethelm and Hoebing, asking Beauchamp "can I
25 send this email?" The draft email reported that the Term Sheet with Menaged had been
26 finalized, but that Chittick was not sure what effect Miller's withdrawal would have on
27 his ongoing discussions with Cardon, Diethelm and Hoebing. The email noted
28

1 additional planned closings and reaffirmed Chittick's "commitment in getting you paid
2 off as quickly as possible."

3 365. Beauchamp responded by email that day saying that "[a] litigation
4 attorney would tell you not to send it, because certain parts might be construed to work
5 against you. However, I agree with every word you said and I think it is merely
6 following up what you agreed to do. So, send it."

7 366. Chittick followed Beauchamp's advice and sent the email.

8 367. Diethelm responded to Chittick's email that day, stating in a responsive
9 email: "We did not ask for a plan, we asked for subordination. Please see our demand
10 letter. . . To the extent your actions force us to retain new counsel, we shall
11 communicate with your counsel once new representation is engaged."

12 368. Chittick forwarded the email to Beauchamp by email that day, asking
13 "can [I] respond or no?"

14 369. Beauchamp responded by email that day: "Try: 'Your counsel advised
15 our counsel that if a subordination was not possible, that you wanted to see how this
16 could be resolved in the next 45 days. We have worked diligently toward that despite
17 [Menaged's] limited availability. If you are to be paid off before you could get a
18 hearing in court with respect to any litigation, why not explore that first.'"

19 370. Chittick followed Beauchamp's advice, sending Beauchamp an email that
20 day which said: "Ok[.] [I] sent that."

21 371. Cardon responded to Chittick by email that day: "As we discussed in our
22 meeting, Lobo is in default as there is no collateral due to rescission. It needs to be paid
23 off immediately. Please advise."

24 372. Chittick responded to Cardon by email that day: "Yes [I] remember you
25 mentioning that property and the issue[.] [T]hat is one we will work getting resolved
26 quickly." He wrote a second email which said "[I] will have that property paid off by
27 the end of next week."
28

1 373. Cardon responded to Chittick by email that day: “Having Lobo continue
2 to be delayed does not work for us. Our loans are all cross defaulted. Causing all your
3 remaining loans to be in default appears to be our only recourse for ensuring Lobo’s
4 repayment. In fact, each time we receive repayment of a loan other than Lobo, we step
5 closer to that eventuality.”

6 374. Chittick forward this email exchange to Beauchamp that day and he and
7 Beauchamp exchanged emails that day about Cardon’s reference to a cross default.
8 Beauchamp wrote: “I have read his comments to be based on the Lobo (?) property and
9 supposedly not having a valid lien, because the borrower does not own it.”

10 375. Nothing in Clark Hill’s file reflects that Beauchamp ever asked Chittick
11 for information or documents that would shed light on Cardon’s statement that “there is
12 no collateral due to rescission.”

13 376. Nothing in Clark Hill’s file reflects that Beauchamp ever sought to
14 independently determine whether DenSco held a valid lien on the Lobo property and/or
15 whether it had been lost through a rescission.

16 377. Had Beauchamp conducted minimal research, using the Recorded
17 Document Search tool on the Maricopa County Recorder’s website or otherwise
18 conducting customary due diligence, he would have learned that on August 14, 2013,
19 Menaged signed a DenSco Mortgage (Instrument No. 2013-0743366) for Arizona
20 Home Foreclosures for a \$160,000 loan that was allegedly used to acquire the Lobo
21 property at a trustee’s sale on August 13, 2013.

22 378. Beauchamp would have also learned that on August 14, 2013, Menaged
23 signed a Sell Wholesale Funding deed of trust (Instrument No. 2013-0753967) to secure
24 a \$160,560 loan that was allegedly used to acquire the Lobo property at the same
25 August 13, 2013 trustee’s sale.

26 379. Beauchamp would have also learned that although a Trustee’s deed was
27 recorded on August 27, 2013 (Instrument No. 2013-0778625) in favor of Arizona
28 Home Foreclosures, it was rescinded three days later, on August 30, 2013 (Instrument

1 No. 2013-0792791), leaving both DenSco and Sell Wholesale Funding without any
2 collateral to secure their respective loans of \$160,000 and \$160,560 to Arizona Home
3 Foreclosures.

4 380. Had Beauchamp conducted basic due diligence, he would have learned
5 that by acceding to demands that DenSco pay in full monies owed to Azben Limited for
6 the Lobo loan, Chittick was causing DenSco to pay off a loan another lender (Sell
7 Wholesale Funding) had made to Arizona Home Foreclosures, after suffering a
8 complete loss on the loan DenSco had made to Arizona Home Foreclosures for the
9 same property.

10 **8. In Negotiating the Forbearance Agreement, Beauchamp**
11 **Sought to Advance Chittick's Interests to the Detriment of**
12 **DenSco and its Investors**

13 381. During the first week of February, Beauchamp negotiated with Goulder
14 over the terms of a Forbearance Agreement.

15 382. Beauchamp's communications with Chittick and Goulder suggest that
16 Beauchamp anticipated DenSco would, eventually, disclose the Forbearance Agreement
17 to its investors.

18 383. They also confirm that Chittick followed Beauchamp's advice when
19 given.

20 384. They also reflect that Beauchamp was looking out for Chittick's interests,
21 even though Chittick's interests were in conflict with the interests of DenSco and its
22 investors.

23 385. For example, in a February 4, 2014 email to Chittick, Beauchamp wrote:
24 "[Goulder] has you waiving many, many rights that are standard in a forbearance
25 agreement. . . . BOTTOM LINE: [HIS] CHANGES ARE . . . SUBSTANTIVE
26 CHANGES THAT CLEARLY TRANSFER RISK TO YOU AND YOUR
27 INVESTORS. . . . [I]f even a portion of these changes are allowed to remain, we can no
28 longer describe this as an industry standard 'forbearance' agreement in the description
that you HAVE to provide to your investors."

1 386. But later that day, Beauchamp wrote to Chittick: “Before we all get into a
2 room, you and I need to make sure we have a clear understanding of what you can do
3 and what you cannot do without going to all of your investors for approval. We have a
4 deal that works for you and your investors and is fair to [Menaged]. Now [Goulder] is
5 trying to better the deal for [Menaged]. But you already have been more than generous
6 trying to help [Menaged] out of [Menaged’s] problem. Again, this goes back to
7 [Goulder] not acknowledging that this is [Menaged’s] problem and instead insisting that
8 this is your problem because you did not make sure that [Menaged] handled the loans
9 properly and that you did not take the necessary actions so that DenSco had a first lien
10 on each property. . . . [Goulder] is trying to have you think that you have significant
11 responsibility for creating this problem as opposed to this being created by [Menaged’s]
12 cousin working for [Menaged]. . . . [Goulder] is trying to make you feel that you are
13 guilty so you have to assume a significant responsibility in the agreement to share
14 [Menaged’s] problem, but nobody stole the money from you. You can help and have
15 helped [Menaged], but you cannot OBLIGATE DenSco to further help [Menaged],
16 because that would breach your fiduciary duty to your investors.”

17 387. And in an email Beauchamp sent to Goulder on Friday, February 7, 2014
18 Beauchamp wrote: “Based on your previous changes, the Forbearance Agreement
19 would be prima facia evidence that Denny Chittick had committed securities fraud
20 because the loan documents he had [Menaged] sign did not comply with DenSco’s
21 representations to DenSco’s investors in its securities offering documents.
22 Unfortunately, this agreement needs to not only protect [Menaged] from having this
23 agreement used as evidence of fraud against him in litigation, the agreement needs to
24 comply with Denny’s fiduciary obligation to his investors as well as not become
25 evidence to be used against Denny for securities fraud. . . . We wanted the document to
26 set forth the necessary facts for Denny to satisfy his securities obligations to his
27 investors (including that the original loans had to have been written and secured by a
28 first lien on real property and that the workout agreed to by Denny complied with his

1 workout authorization) without having [Menaged] admit to facts that could cause
2 trouble to him. . . .To try to balance the respective interests, I have inserted sections
3 from the loan documents into the Forbearance Agreement. Referencing the language of
4 the Loan Documents is needed to satisfy Denny’s fiduciary obligations, but I have also
5 modified the other provisions so that the Borrower is not admitting that it was required
6 to provide first lien position in connection with the loans.”

7 388. Chittick’s February 7, 2014 entry in the 2014 Corporate Journal states, in
8 part, “I was on the phone with David and [Menaged] off and on trying to find middle
9 ground in this crap to make this agreement final. Now [D]avid is telling me I have to
10 tell my investors.”

11 389. In an email exchange on Sunday, February 9, 2014 Beauchamp told
12 Chittick “[p]lease understand that you are limited in what risk or liability you can
13 assume. Your fiduciary duty to your investors makes this a difficult balancing act.”

14 390. Chittick’s response was that he “trusts that we are in balance and I have
15 even more confidence that [Menaged] and I can solve this problem without issue and
16 we never have to use the document that we’ve worked so long on getting completed.”

17 391. Beauchamp responded: “Your point is understood. If possible, please
18 recognize and understand that you will ‘use’ the document even if you and [Menaged]
19 never refer to it again. It has to have the necessary and essential terms to protect you
20 from potential litigation from investors and third parties.”

21 392. Beauchamp’s improper efforts to protect Chittick’s interests, and worse,
22 to help Chittick deceive investors and thereby breach his fiduciary duties to DenSco,
23 continued into the following week.

24 393. In his notes from a February 11, 2014 call with Chittick, which touched
25 on the status of Chittick’s and Menaged’s plan to pay off loans on the double-escrowed
26 properties, Beauchamp wrote “‘Material Disclosure’ – exceeds 10% of the overall
27 portfolio.” But in his discussions with Chittick about requests from Goulder for further
28 concessions, including an agreement not to pursue civil claims for fraud, Beauchamp’s

1 focus was on protecting Chittick's interests, including protecting him from a potential
2 investor claim.

3 394. In a February 14, 2014 email to Chittick, Beauchamp wrote: "[Goulder]
4 clearly thinks he can force you to agree to accept a watered down agreement and give
5 up substantial rights that you should not have to give up. Unfortunately, it is not your
6 money. It is your investors' money. So you have a fiduciary duty. . . . [Menaged] is the
7 one responsible for this and not you. He failed to put out the proper protection systems
8 in place so his cousin could not do what his cousin did. . . . [Menaged's] actions to
9 comply with the terms of this agreement will have a big effect on whether or not you
10 have to deal with a third party lawsuit filed against you in court. In this situation, you
11 can have an action brought against you by any of the other lenders, and/or by any of
12 your investors. . . . In addition, you could also face an action by the SEC or by the
13 Securities Division of the ACC if an investor is able to convince someone in a
14 prosecutor's office that you somehow assisted [Menaged] to cover up this fraud or you
15 were guilty of gross negligence by failing to perform adequate due diligence (on behalf
16 of your investors' money) to determine what was going on. . . . [Y]our duty and
17 obligation is not to be fair to [Menaged], but to completely protect the rights of your
18 investors. I am sorry if [Menaged] is hurt through this, but [Menaged's] hurt will give
19 [Menaged] the necessary incentive to go after his cousin. Your job is to protect the
20 money that your investors have loaned to DenSco."

21 395. Beauchamp advised Chittick not to make any further concessions.
22 Beauchamp then sought input from bankruptcy lawyers within Clark Hill about the
23 risks DenSco faced if Chittick were to agree to the concessions Goulder sought with
24 respect to a potential civil fraud claim.

25 396. Chittick ultimately followed Beauchamp's advice, and the concessions
26 sought by Goulder were not included in the final Forbearance Agreement.

27 397. On February 20, 2014, Beauchamp met with Chittick, Menaged and
28 Goulder to discuss the Forbearance Agreement. As Chittick described the meeting in

1 the DenSco journal, Beauchamp and Goulder “were no better in person then they were
2 in email. David lost his temper more than once. We went back and forth for 3 hours.
3 We broke up and came together, finally we are down to one point about the release.
4 The lawyers are trying to word it to make each other happy.”

5 398. It appears from Chittick’s February 20, 2014 entry in the 2014 Corporate
6 Journal that this meeting was the first time Beauchamp learned of the full extent of
7 DenSco’s exposure to Menaged. Chittick wrote: “I told David the dollars today, he
8 about shit a brick. I explained to him how I got there and how far we have come and
9 how much better we are today then in November. Though I’m not sure he understands
10 that. My balance sheet isn’t looking much better, but it will start to swing in the right
11 direction in the next 30 days. I’m more concerned about telling my investors and their
12 reaction to the problem. I have to tell them and hope they stick with me. If I get a run
13 on the bank I’m in deep shit. I won’t be able to fund new deals, I won’t be able to
14 payoff investors and won’t be able to support [Menaged]. The whole thing crators.”

15 399. Beauchamp’s notes from that day contain a summary of DenSco’s
16 exposure to Menaged. They state: “Approx. \$31 MM outstanding to [Menaged’s]
17 entities – total fund up to \$62-63 MM. Problem loans down to about \$17 MM for 122
18 loans.”

19 400. Beauchamp’s notes also reflect that he discussed with Chittick on
20 February 21, 2014 DenSco’s upcoming annual meeting, which was scheduled for
21 March 8. He wrote: “cannot be ready to tell everything.”

22 401. Beauchamp’s notes went on to reflect his thoughts about what might
23 eventually be disclosed to investors. He wrote: “What to put into notice to the
24 investors. [E]xplain concentration to Scott to help Scott package homes to sell to a
25 Hedge Fund in \$5M groups. [T]he problem was discovered but to resolve the loans with
26 double leverage came up with a plan, but that required DenSco to make higher
27 leveraged loans. DenSco also made advances on new homes purchased.”

28

1 402. Beauchamp's notes also show that he knew the workout plan was
2 increasing the loan-to-value ratios on many of DenSco's loans far above what DenSco
3 had disclosed to investors in any previous POM. For example, he wrote: "30 loans are
4 now at 95% LTV."

5 403. Chittick's February 21, 2014 entry in the 2014 Corporate Journal has a
6 consistent summary of the advice he received from Beauchamp: "I talked to Dave, he
7 found out what we already suspected; there is no way we can give what [Menaged]
8 wants. I'm not sure where this will lead us. We talked about telling my investors; we
9 are going to put that off as long as possible so that we can improve the situation as
10 much as possible. We've got another 15 more that are closing next few weeks. We
11 could be close to under a 100 problem loans within a month. I just have to keep telling
12 myself I'm doing the right thing to fix it, no matter how much anxiety I have over this
13 issue."

14 404. During the last week of February 2014, discussions with Goulder on the
15 Forbearance Agreement ended after Goulder sent Beauchamp a revised draft on
16 February 25, 2014.

17 405. Chittick sent Beauchamp an email that day describing his ongoing
18 discussions with Menaged about taking a different approach to the double encumbrance
19 problem by having DenSco advance additional monies to Menaged so that Menaged
20 could sell homes more quickly: "[H]e's throwing out all sorts of ideas in how this can
21 be done. [I] would be willing to release the UCC if he was able to secure the funds and
22 use them to pay some of these loans. [W]e've got about 3 more ideas, but what both of
23 us are really concerned about is that when [I] tell my investors the situation, they
24 request their money back. [I] want to be able to say, this was the problem, we've
25 eliminated this much of the problem and this is what is left. [I] want to be able to say
26 what is left is as small as possible."

27
28

1 406. Beauchamp responded by saying “[g]ood ideas and probably something
2 we need to work on” in light of the breakdown of discussions on the Forbearance
3 Agreement.

4 407. Chittick sent Beauchamp an email the following day, February 26, 2014
5 describing his continuing discussions with Menaged. He wrote: “[W]hat if [Menaged]
6 just starts selling everything [I] take losses[.] [A]long with the several million that
7 [Menaged’s] going to bring in from outside sources, we wipe the whole thing out in,
8 name a time frame, 90 days. [T]o secure the loss, [Menaged] signs a promissory note
9 with terms of repayment. [W]hat happens? [I] take a huge hit to my books, but [I] get
10 the money back in my hands. [I]’m no longer in violation of anything with my
11 investors. [I]’m in possession of money that now [I] can put to work with new loans
12 that are actually paying me interest versus right now that [I]’m having no interest
13 coming in. [O]r I can return the money to investors if I can’t put it to work. [F]rom a
14 P/L standpoint it looks horrible, but at least [I] have the majority of the money back
15 except maybe 2-4 million. [Menaged] agrees to pay me interest and principle [sic] back
16 every month for whatever I write off[,] which fills in that hole. [I] put the money I get
17 back to work and make money on it, that fills the hole. [I] [would] rather take the loss
18 short term now, and get working on trying to make the money work th[a]n drag this
19 thing out over a year or more. . . . [I] don’t have anything in my docs that say I have to
20 be profitable. [I] see this is a negative year obviously, but [I]’ll be profitable next year;
21 the problem is gone[.] [Menaged] will be paying me back interest and principle [sic]
22 for the loss that I took. [N]ow I know there are 100 legal things here, but now I’m
23 thinking this is the best way to get the problem solved from a fiduciary standpoint. . . .
24 [I] know this may sound crazy, but [I] can’t come up with anything else that will bring
25 an end to this situation quickly. [T]ime is crucial. [L]et me know your thoughts.”

26 408. Beauchamp’s email response was: “Good ideas. Can we talk later today
27 to clarify a few things?” Beauchamp also told Clark Hill attorney Bill Price, who
28 emailed him to say that the release provision in Goulder’s latest draft of the

1 Forbearance Agreement was unacceptable, that “[t]here is another possibility to resolve
2 this,” on which Beauchamp would be focusing his attention.

3 409. Chittick’s DenSco entry in the 2014 Corporate Journal for February 26,
4 2014 contains a consistent summary of his discussions with Menaged and Beauchamp:
5 “We’ve decided it’s better to sell these properties as quickly as possible, take the losses
6 and move on. [Menaged] will sign a promissory note, it frees up from paying interest, I
7 take a big hit, . . . and we move on. It will take me 2 years to get back to profitability
8 I’m guessing. This may allow me not to do what David wants me to do, I don’t know. I
9 never got to talk to him. But what we are doing isn’t going to work fast enough and
10 we’ll have a big hill to climb in the end. I’m just so sick over this I can’t function.”

11 410. Beauchamp’s notes reflect that he discussed the proposed new plan with
12 Chittick the following day, February 27, 2014. They state, in part: “Denny explained
13 procedure and Denny is taking all of the shortfall. [Menaged] wants this resolved.
14 Denny wants this resolved because Denny is losing money to make payments to his
15 investors if DenSco is not getting paid interest from [Menaged]. Denny willing to take
16 loss this year -- so DenSco can return cash to investors and reduce interest obligation.
17 How to write this up for investors -- discussed. Do we still need Forbearance Agmt. -
18 yes but will be less problematic. Will need Forbearance Agmt. to explain procedures
19 and protect Denny for future revisions. Will need multiple advance not (unsecured) so
20 DenSco can advance cash on house w/ double loans to be sold.”

21 411. Chittick’s entry in the 2014 Corporate Journal for that day is consistent
22 with Beauchamp’s notes. It states, in part: “I talked to [Menaged] again, he agreed to
23 everything this morning on how to work this out. I talked to David, he’s thinks its fine.
24 So we are done. . . . [N]ow we just need to get this signed and start working towards
25 selling these houses.”

26 412. Beauchamp had a telephone conversation with Chittick on March 3, 2014.
27 Chittick’s entry in the 2014 Corporate Journal that day says, in part: “David called me
28 telling me of ad lib info to scare me about dealing with [Menaged]. I can’t control what

1 others are saying in the lawyer community. I have to get this done so that I have
2 something in writing and do the best deal that I can do.”

3 413. Chittick sent Beauchamp an email on March 4, 2014 in apparent response
4 to that conversation. It stated, in part: “About what you said, I have no idea of the
5 timing of that person you [mentioned] as to when he spoke to [Goulder] about our
6 situation. I don’t doubt perhaps that he was positioning himself in some way; seems
7 logical for him to think that way. However, now that [Menaged] has agreed to sign the
8 terms sheet that we originally agreed to, allowing you to write it, he says he’s not going
9 to have [Goulder] review because [Goulder] already told him not to sign anything. Plus
10 he’s signing the promissory note which also confirms the situation . . . in not so many
11 words. But the fraud occurred and he’s taking responsibility for it. . . . You probably
12 have the only chance in your career to write an agreement without conflicting counsel.
13 You can write it to our liking and in our best interests. We CYA as broad as the Grand
14 Canyon. I think that is pretty advantageous.”

15 414. Beauchamp’s response was: “Your thoughts make sense, but we still
16 need an agreement that works.”

17 415. Beauchamp sent Chittick a draft of the Forbearance Agreement on
18 March 10, 2014.

19 416. Chittick gave him comments that day, one of which reflected Chittick’s
20 and Menaged’s request to modify the draft’s confidentiality provision. As Chittick
21 described it in an email to Beauchamp: “Only time I can disclose info is if I’m legally
22 required by investors. He wants me to not say a word unless I’m legally required to,
23 because the reputation with his investors and buyers, clients etc. could be harmed.”

24 417. In his email response, Beauchamp wrote: “The confidentiality change is a
25 problem, because who makes the decision if the disclosure is required? I had language
26 that you could disclose if such disclosure is reasonably needed to be disclosed to your
27 investors or if a governmental agency requires such disclosure (after you give
28 [Menaged] notice and an opportunity to get the agency to change its mind). Those are

1 standard confidentiality exceptions. I will look at them again to see if there is anything
2 we can do to make it tighter.”

3 418. Beauchamp’s notes reflect that he had a telephone conference with both
4 Chittick and Menaged on March 11, 2014 to discuss the release and confidentiality
5 provisions of the Forbearance Agreement, as well as the terms of a \$ 1 million
6 “workout loan.”

7 419. While there is nothing in Beauchamp’s notes reflecting a discussion with
8 Chittick on that day about investor disclosures, the entry Chittick made in the 2014
9 Corporate Journal for March 11, 2014 states, in part: “David changed and said now I
10 have to tell my investors. [Menaged] and I are going to try to fix this mess in 30 days
11 and that way it will be a minor issue.”

12 420. Beauchamp’s notes reflect that he had a telephone conference with both
13 Chittick and Menaged on March 12, 2014 to discuss the release and confidentiality
14 provisions of the Forbearance Agreement.

15 421. On March 13, 2014, Beauchamp conferred with Chittick about the
16 security for the loans DenSco would be advancing to Menaged. He also revised the
17 confidentiality section of the Forbearance Agreement, sending the section to Chittick in
18 an email which stated, in part: “I have done a complete re-write of the Confidentiality
19 section. . . . In order to comply with the specific securities disclosure requirements, I
20 left ____ (blank) the amount of time for [Menaged] to be able to review and comment
21 upon the proposed disclosure (suggest 48 hours) and I did not give him the right to
22 disapprove and block what you can or cannot disclose. DenSco and you as the
23 promoter of DenSco’s offering have to make the decisions as to what is to be disclosed
24 or not. With respect to timing, we are already **very late** in providing information to
25 your **investors about this problem and the resulting material changes to your**
26 **business plan. We cannot give [Menaged] and his attorney any time to cause**
27 **further delay in getting this Forbearance Agreement finished and the necessary**
28 **disclosure prepared and circulated.”** (Emphasis in original.)

1 422. Between March 14 and March 20, 2014, Beauchamp communicated with
2 Chittick about revisions to the Forbearance Agreement, relying on Chittick to convey
3 drafts to Menaged and communicating with Menaged through Chittick.

4 423. One of the topics Beauchamp discussed with Chittick was his plans to
5 loan funds to Menaged and the impact of those loans, including loans up to 120% of
6 value. Beauchamp stated that he “completely agree[s] that [the proposed lending plan]
7 makes a lot of sense, but I am concerned about the disclosure to your investors.”

8 424. Chittick’s entry in the 2014 Corporate Journal for March 20, 2014 stated,
9 in part: “[Menaged] finally agreed to [the] agreement. That’s done. I have to do some
10 numbers to fill in the blanks, but otherwise it’s ready to be signed. I have no idea if it
11 will ever be used, but David assured me I’m in a good position.”

12 **9. The Execution of the Forbearance Agreement**

13 425. The Forbearance Agreement was signed by Chittick (for DenSco) and
14 Menaged (for himself and his entities) on April 16, 2014.

15 426. Under the Forbearance Agreement, Menaged agreed to pay off the loans
16 of DenSco and other lenders by, inter alia, (i) liquidating various assets, (ii) renting or
17 selling real estate assets, (iii) attempting to recover the missing funds that his cousin
18 allegedly stole, and (iv) obtaining \$4.2 million in outside financing. In turn, DenSco
19 agreed to, inter alia, (i) increase its loans to Menaged on certain properties up to 120%
20 of the loan-to-value ratio, (ii) loan Menaged up to \$5 million more, at 18% interest,
21 (iii) loan Menaged up to \$1 million more, at 3% interest, and (iv) defer the collection of
22 interest on loans that Menaged had already defaulted on.

23 427. The Forbearance Agreement included a schedule of the loans DenSco had
24 made to Menaged, members of his family, Easy Investments, and Arizona Home
25 Foreclosures, including loans DenSco made between December 2013 and April 15,
26 2014. Those loans totaled \$37,456,620.47, well over half of the aggregate amounts
27 DenSco had raised from investors.

28

1 428. The confidentiality provision in the Forbearance Agreement permitted
2 DenSco to disclose information “as may be necessary for [DenSco] to disclose to
3 [DenSco’s] current or future investors” subject to the following limitations: “[DenSco]
4 agrees to use its good faith efforts to limit such disclosure as much as legally possible
5 pursuant to the applicable SEC Regulation D disclosure rules, which limitation is
6 intended to have [DenSco] only describe: 1. the multiple Loans secured by the same
7 Properties which created the Loans Defaults; 2. the work-out plan pursuant to this
8 Agreement in connection with the steps to be taken to resolve the Loans Defaults;
9 3. the work-out plan shall also include disclosing the previous additional advances that
10 [DenSco] has made and the additional advances that are intended to be made by
11 [DenSco] to Borrower pursuant to this Agreement in connection with increases in the
12 loan amount of certain specific Loans (up to 120% of the LTV of the applicable
13 Property being used as security for that Loan), the additional advances pursuant to both
14 the Additional Loan and the Additional Funds Loan; and 4. the cumulative effect that
15 all of such additional advances to Borrower will have on [DenSco’s] business plan that
16 [DenSco] has previously disclosed to its investors in [DenSco’s] private offering
17 documents and which [DenSco] committed to follow, including the overall LTV loan
18 ratios for all of [DenSco’s] outstanding loans to its borrowers in the aggregate and the
19 concentration of all of [DenSco’s] outstanding loans among all of its borrowers.
20 Further, [DenSco] will use its good faith efforts not to include the names of Borrower,
21 Guarantor, or New Guarantor in [DenSco’s] disclosure material. [DenSco] will also
22 provide Borrower with a copy of the applicable disclosure prior to dissemination to
23 [DenSco’s] investors and allow Borrower to have 48 hours to review and comment
24 upon such disclosure.”

25 429. Errors in the Forbearance Agreement and related documents with respect
26 to certain loan amounts were discovered on April 18, 2014, and an amendment to the
27 Forbearance Agreement and the related documents had to be prepared. Those
28 documents were not signed by Chittick and Menaged until June 18, 2014.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

10. Beauchamp's Limited Work on Preparing a Private Offering Memorandum and Subsequent Events

430. Chittick's entry in the 2014 Corporate Journal for April 16, 2014 reflected the signing of the Forbearance Agreement and concludes: "I'll send it up to David and then he and I can start on the memorandum."

431. Beauchamp's notes show that he had a call with Chittick on April 24, 2014. Those notes reflect that Beauchamp knew that DenSco's total loans to Menaged were approximately \$36 million in principal, with a \$5 million note (of which approximately \$1.78 million was principal), and a \$1 million note (of which approximately \$915,000 was principal). Under the heading "POM update" he noted that 186 loans were double-encumbered when the workout started, which was down to 94 loans, representing \$12.3 million of principal, as of that date, which was down from a previous balance of approximately \$25 million.

432. That same day, Chittick sent Beauchamp by email another copy of the 2011 private offering memorandum.

433. It appears from the Clark Hill file that Beauchamp gave a printed copy of the memorandum to Schenck with a handwritten note asking him to mark up the memorandum and add "updates/forbearance, etc."

434. Beauchamp's handwritten notes and documents in the file reflect that some research was done on May 13, 2014 on "Dodd Frank and regulation."

435. On May 14, 2014, Schenck sent Beauchamp by email a redline of a draft private offering memorandum and a separate document with comments, some of which were for Beauchamp's attention. Schenck's email concluded by asking Beauchamp to "let me know what changes you prefer before this draft is sent to Denny." His time entry describes the document as a "first draft."

436. The document with comments contained, in the "Prior Performance" section, a discussion of the terms of the Forbearance Agreement, with limited information about the circumstances that gave rise to it and a narrative that accepted, as

1 accurate and reliable, Menaged's "cousin" story: "According to the Foreclosure
2 Debtors, an agent of the Foreclosure Debtors had secured the Outside Loans without the
3 Foreclosure Debtors' knowledge."

4 437. Clark Hill's time records reflect that Beauchamp billed 30 minutes of
5 time to "review revisions to POM and work on same."

6 438. But there is nothing in the Clark Hill file to reflect that Beauchamp
7 actually made any revisions to this first draft.

8 439. Neither the Clark Hill file nor Clark Hill's billing statement reflect that
9 Beauchamp ever sent the draft POM to Chittick or discussed it with him.

10 440. Beauchamp and Clark Hill nevertheless claim in their initial disclosure
11 statement (at 15) that

12 Mr. Chittick . . . refused to provide the necessary information to complete
13 the POM and refused to approve the description of the workout or the
14 double lien issue. . . .

15 In May 2014, Mr. Beauchamp handed Mr. Chittick a physical copy
16 of the draft POM and asked him what Mr. Chittick's specific issues were
17 with the disclosure. Mr. Chittick responded that there was nothing wrong
18 with the disclosure, he was simply not ready to make any kind of
19 disclosures to his investors at this stage. Mr. Beauchamp again explained
20 that Mr. Chittick had no choice in the matter and that he had a fiduciary
21 duty to his investors to make these disclosures. Mr. Chittick would not
22 budge. Faced with an intransigent client who was now acting contrary to
23 the advice Mr. Beauchamp was providing, and with concerns that Mr.
24 Chittick may not have been providing any disclosures to anyone since
25 January 2014, Mr. Beauchamp informed Mr. Chittick that Beauchamp
26 and Clark Hill could not and would not represent DenSco any longer. Mr.
27 Beauchamp also told Chittick that he would need to retain new securities
28 counsel, not only to provide the proper disclosure to DenSco's investors,

1 but to protect DenSco's rights under the forbearance agreement. Mr.
2 Chittick suggested that he has already started that process and was
3 speaking with someone else.

4 441. The Receiver's counsel has not found any document in Clark Hill's files
5 supporting that claim.

6 442. No entries in the 2014 Corporate Journal support that claim.

7 443. In the absence of such written evidence, a reasonable inference for the
8 Receiver (and a jury) to draw is that Beauchamp instead told Chittick he could continue
9 operating DenSco, and take in or roll over investor funds, while delaying the issuance
10 of a private offering memorandum until Chittick had completed his efforts to work
11 through the consequences of Menaged's initial fraud.

12 444. The Clark Hill files do not contain a copy of a letter or email that was sent
13 to DenSco terminating its representation of DenSco in connection with finishing the
14 2013 POM or any other matters for which Clark Hill had agreed to represent DenSco.

15 445. In May, June, July and August 2014, Beauchamp sent Chittick billing
16 statements for work performed for DenSco through transmittal letters that stated:
17 "Thank you again for allowing Clark Hill and me to provide legal services to DenSco
18 Investment Corporation. If you have any question or if we can assist you with any
19 other matter(s), please let me know."

20 446. Chittick's entry in the 2014 Corporate Journal for July 2, 2014 states, in
21 part: "We are making progress, just too damn slow, but I'm sure much quicker than
22 David expected us to do."

23 447. Chittick's entry in the 2014 Corporate Journal for July 25, 2014 states, in
24 part: "My time is running out on updating my private placement memorandum and
25 notifying my investors."

26 448. Chittick's entry in the 2014 Corporate Journal for July 31, 2014 states, in
27 part: "It's all going in the right direction, just not sure if it's going fast enough. As
28 long as David doesn't bug me, I feel like we are doing the right thing."

1 449. On March 13, 2015, Beauchamp sent Chittick an email which stated, in
2 part: “I would like to meet for coffee or lunch (at no charge to you) so we can sit down
3 and talk about how things have progressed for you since last year. I would also like to
4 listen to you about your concerns, and frustration with how the forbearance settlement
5 and the documentation process was handled. I have thought back to it a lot and I have
6 second guessed myself concerning several steps in the overall process, but I wanted to
7 protect you as much as I could. When I felt that your frustration had reached a very
8 high level, I stopped calling you about how things were going so that you did not feel I
9 was just trying to add more attorney’s fees. I planned to call you after about 30 days,
10 but then I let it slip all of last year because I kept putting it off. I even have tried to
11 write you several different emails, but I kept erasing them before I could send them. I
12 acknowledge that you were justifiably frustrated and upset with the expense and how
13 the other lenders (and [Menaged] at times) seemed to go against you as you were trying
14 to get things resolved last year for [Menaged]. I have tried to let time pass so that we
15 can discuss if you are willing to move beyond everything that happened and still work
16 with me. If not, I would like you to know that I still respect you, what you have done
17 and would still like to consider you a friend. You stood up for [Menaged] when he
18 needed it and I truly believe it was more than just a business decision on your part.
19 Hopefully, you will respond to this email and we can try to talk and catch up.”

20 450. Chittick responded “[s]ure, give me some options on when to meet.”

21 451. Chittick forwarded Beauchamp’s email to Menaged, who wrote,
22 “[s]chedule coffee in 18 months when our balance is close to nothing.”

23 452. Chittick responded: “I figure it’s a miracle he left me alone this long!”

24 453. In his entry that day in the corporate journal Chittick maintained for 2015
25 (the “2015 Corporate Journal”), Chittick wrote: “I got an email from Dave my attorney
26 wanting to meet. He gave me a year to straighten stuff out. We’ll see what pressure
27 I’m under to report now.”

28 454. Chittick had lunch with Beauchamp on March 24, 2015.

1 455. Chittick’s entry in the 2015 Corporate Journal for that date states: “I had
2 lunch with Dave Beauchamp. I was nervous he was going to put a lot of pressure on
3 me. However, he was thrilled to know where we were at and I told him by April 15th,
4 we’ll be down to 16 properties with seconds on them, and by the end of June we hope
5 to have all the retail houses sold by then and just doing wholesale. He said he would
6 give me 90 days. I just hope we can sell them all by then and darn near be done with it.
7 I’m going to slow down the whole memorandum process too. Give us as much time as
8 possible to get things in better order.”

9 456. Chittick’s entry in the 2015 Corporate Journal for June 18, 2015 states, in
10 part: “[Menaged] tried to enlarge the wholesale number saying, well I’m paying down
11 the workout, I can use that for the wholesale. I’m not letting him. That number needs to
12 start dropping! I have to get his number falling, or it’s going to be hell with Dave.”

13 **11. Response to 2016 ADFI Investigation**

14 457. In March 2016, Chittick asked Beauchamp to help DenSco respond to
15 another investigation by the Arizona Department of Financial Institutions. Beauchamp
16 worked on the matter during March, April, May and June 2016, billing his time to a
17 “General” matter he had established in January 2013.

18 **12. Chittick’s Suicide**

19 458. Chittick committed suicide on July 28, 2016.

20 459. Shortly before his death, Chittick wrote an “Investor” letter that was never
21 sent to DenSco’s investors but was among the business records obtained by the
22 Receiver. Among the statements in that letter are the following: “Why didn’t I let all of
23 you know what was going on at any point? It was pure fear. . . . I have 100 investors. I
24 had no idea what everyone would do or want to do or how many would just sue,
25 justifiably. I also feared that there would be a classic run on the bank. . . I truly believe
26 we had a plan that would allow me to continue to operate, my investors would receive
27 their interest and redemptions as a normal course of business, and the rest of my
28

1 portfolio was performing. Dave blessed this course of action. We signed this workout
2 agreement and began executing it.”

3 460. The letter also stated: “Going back to December of 2013, . . . [Menaged]
4 knew he had to make money to help cover the deficit [that] would be created by the
5 double encumbered properties and shortage that would be created at the time of
6 disposition. He wanted time to still fund him buying properties at auction and flipping
7 them, wholesaling them, etc. I talked to Dave about this in January [2014] and he was
8 in agreement with it as long as I received copies of checks and receipts showing that I
9 was paying the trustee.”

10 461. The Receiver is unaware of any evidence that Chittick or Beauchamp
11 informed the investors, prior to Chittick’s suicide, of the fraud perpetrated by Menaged
12 in 2013 or the workout plan crafted by Chittick, Menaged, and Beauchamp in 2014.
13 Indeed, in the years following 2014, investors in DenSco continued to sign subscription
14 agreements prepared by DenSco which referred to the 2009 POM but did not refer to
15 any updated disclosures.

16 462. Chittick also wrote a detailed letter to his sister, Shawna Heuer (aka
17 Iggy), shortly before his death. He wrote: “[Beauchamp] let me get the workout
18 signed[,] not tell the investors[,] and try to fix the problem. That was a huge mistake.
19 . . . Dave did a workout agreement with [Menaged], we were executing to it and making
20 headway, yet Dave never made me tell the investors. . . . I talked Dave my attorney into
21 allowing me to continue without notifying my investors. Shame on him. He shouldn’t
22 have allowed me. He even told me once I was doing the right thing.”

23 463. The letter also stated: “Dave, my lawyer, negotiated the work out
24 agreement and endorsed the plan. Then when [Menaged] said hey, let me buy some
25 foreclosures, flip them, wholesale them, etc. so I can make money. All the other
26 lenders wouldn’t lend to him. I needed him to make money now more than ever before.
27 We went to Dave, and he gave some constraints on how we were to operate. I have all
28 the documentation. I received copies of checks made out to trustees, receipts from the

1 trustees. I had all my docs signed. I recorded my mortgages. I had evidence of
2 insurance, and I did everything.”

3 **13. Events After Chittick’s Death**

4 464. After Chittick’s death, Clark Hill undertook the representation of the
5 Chittick Estate, initiating a probate proceeding on August 4, 2016.

6 465. Beauchamp then arranged for his former partners at Gammage &
7 Burnham, James Polese and Kevin Merritt, to represent the Estate. Although Clark Hill
8 withdrew from representing the Estate, Beauchamp remained in close contact with
9 Polese and Merritt, sharing information and discussing strategy.

10 466. After Chittick’s death, Beauchamp, in coordination with Heuer, Polese
11 and Merritt, managed the day-to-day operations of DenSco.

12 467. Beauchamp opened a “Business Wind Down” file to which he charged his
13 time.

14 468. After Chittick’s death, Beauchamp communicated with investors,
15 representatives of the the Securities Division of the Arizona Corporation Commission
16 (the “ACC”), and the Receiver.

17 469. Beauchamp, who had received and reviewed Chittick’s pre-suicide
18 writings and the allegations Chittick made in them about Beauchamp’s conduct,
19 purposefully withheld information about his role, misrepresented facts, and sought to
20 steer the ongoing investigation into DenSco’s demise away from an examination of his
21 negligence and role in assisting Chittick to breach his fiduciary duties.

22 470. For example, in the first email Beauchamp sent to DenSco investors on
23 August 3, 2016, Beauchamp wrote: “[T]he problem with DenSco’s Troubled Loans
24 developed over time and it will take some time to understand those Troubled Loans
25 [and] how those loans came into existence. . . . If whoever is in charge of DenSco does
26 not work with the Investors, then DenSco will either be put into bankruptcy or have a
27 Receiver appointed, which will incur costs on behalf of the Investors and that will
28 significantly reduce what will be available to return to the Investors. For example, one

1 of the recent reports concerning liquidation of companies owing money to investors
2 indicated that the costs associated with a bankruptcy or a Receiver can reduce the
3 amount to be paid to investors by almost half or even a much more significant
4 reduction. . . . [W]e would like to keep DenSco out of a protracted bankruptcy or a
5 contentious Receivership proceeding. As indicated above, various studies have shown
6 that the third party costs and legal and other professional fees and costs and the inherent
7 delays in bankruptcy and/or Receivership proceedings can consume more than 35% of
8 the available money that should or would otherwise be available to be returned to
9 Investors.”

10 471. On August 17, 2016, the ACC filed an action in Maricopa County
11 Superior Court seeking, among other things, the appointment of a receiver for DenSco
12 (the “Receivership Court”).

13 472. The Receiver was appointed on August 18, 2016.

14 473. Beauchamp communicated with Polese and Merritt about the selection of
15 a receiver who would be unlikely to pursue litigation against individuals and entities
16 who had contributed to DenSco’s losses, such as the claims now being pursued against
17 Beauchamp and Clark Hill in this action.

18 474. Beauchamp did not disclose to the ACC or the Receiver information in
19 his possession about Chittick’s lax lending practices that allowed the first Menaged
20 fraud to occur, the circumstances leading to the Forbearance Agreement, the changes to
21 DenSco’s lending practices DenSco had adopted in January 2014 based on Clark Hill’s
22 advice, and related matters.

23 475. Beauchamp sent other reports to investors which highlighted Menaged’s
24 role in defrauding DenSco but did not disclose information in Beauchamp’s possession
25 about Chittick’s lax lending practices that allowed the first Menaged fraud to occur, the
26 circumstances leading to the Forbearance Agreement, the changes to DenSco’s lending
27 practices DenSco had adopted in January 2014 based on Clark Hill’s advice, and related
28 matters.

1 476. Beauchamp sought to prevent information relating to his conduct from
2 being discovered by supporting the Estate’s position that a “joint privilege” existed
3 which allegedly arose from Beauchamp’s representation of both DenSco and Chittick.

4 477. Beauchamp made certain written statements about his representation of
5 DenSco after Chittick died which are inconsistent with the facts described above or
6 which are unsupported by any documents in Bryan Cave’s or Clark Hill’s files.

7 478. For example, on August 15, 2016, ACC investigator Gary Clapper sent
8 Beauchamp an email which stated, in part: “Can you please get a copy of the
9 forbearance agreement. Since the offering document is updated every two years can
10 you please get copies of all of them.”

11 479. Beauchamp responded: “I only have access to some of DenSco’s files.
12 Despite my requests, Denny Chittick did not request for all of DenSco’s previous files
13 to be transferred to me. In addition, Denny stopped our efforts to do an updated
14 offering memorandum in 2013, so the initial work on that was never finished. Denny
15 also did not engage us to prepare an amendment to the offering document or to prepare
16 a new disclosure document despite several conversations about that issue.”

17 480. In an August 17, 2016 declaration he gave at the request of Gammage &
18 Burnham in the receivership action, Beauchamp stated that “[i]n late 2014 or 2015, I
19 ended my formal relationship with Mr. Chittick and DenSco.”

20 481. In an August 21, 2016 email to investor Rob Brinkman, Beauchamp first
21 wrote that “my law firm started preparing the 2013 POM, but we were put on hold.
22 After the Forbearance Agreement was signed by Scott Menaged, we started to amend
23 the 2013 draft POM, but we stopped and withdrew as securities counsel for DenSco.
24 Denny was supposed to get other counsel and finish the POM in 2014, but I do not
25 know if that did happen.” In a follow-up email to Brinkman, he wrote that “[t]he 2013
26 POM was never finalized due to attorney client protected issues that I have been
27 instructed not to discuss.”

28

1 482. In a February 8, 2017 email to the Receiver’s counsel, Beauchamp made
2 the following unsolicited statement: “Please note that my previous reference to
3 ‘securities work’ was for work done PRIOR to when my firm terminated doing any
4 securities or other legal work for DenSco when Denny Chittick refused to send the
5 amended Private Offering Memorandum to his investors. The amended Private
6 Offering Memorandum that we wanted to be sent described the Forbearance Agreement
7 and the changes to the lending criteria and security ratios that DenSco was to follow
8 when making its loans to Borrowers. I believe that we terminated our representation in
9 approximately July 2014.”

10 **14. Actions Taken by the Receiver**

11 483. After his appointment, the Receiver took possession of and analyzed
12 DenSco’s books and records, issuing a preliminary report on September 19, 2016.

13 484. On December 9, 2016, the Receiver filed a notice of claim in the probate
14 court against the Estate of Denny Chittick, asserting, inter alia, claims that Chittick had
15 breached fiduciary duties owed DenSco.

16 485. The Estate issued a notice of disallowance of the claim on February 3,
17 2017.

18 486. On December 23, 2016, the Receiver issued a status report. That report
19 contains, among other things, the Receiver’s conclusion that DenSco was insolvent in
20 January 2014.

21 487. The Receiver monitored and took part in a bankruptcy proceeding that
22 Menaged initiated. Among other things, the Receiver’s counsel conducted an
23 examination of Menaged, and the Receiver filed an adversary complaint and a
24 complaint to determine nondischargeability.

25 488. On March 17, 2017, the Receiver filed a petition with the Receivership
26 Court seeking to retain special counsel to investigate potential claims against
27 Beauchamp and Clark Hill. The petition was granted on April 27, 2017.
28

1 489. On June 22, 2017, Clark Hill submitted two proofs of claim to the
2 Receiver, seeking \$53,820.00 for work performed between June 1, 2016 and August 17,
3 2016, and \$23,046.00 for work performed between August 18, 2016 and September 30,
4 2016. Clark Hill claimed that “In 2016 and earlier, the Firm represented DenSco
5 Investment Corporation,” providing “general business advice and representation,” and
6 that “[a]fter the death of DenSco’s principal, in July 2016, the Firm transitioned the
7 subject matter of its work to advice and guidance to DenSco to assist in winding down
8 its business.”

9 490. On September 14, 2017, the Receiver filed a petition with the
10 Receivership Court seeking to file this action. The petition was granted on October 10,
11 2017.

12 491. On September 25, 2017, the Receiver filed in the Receivership Court
13 Petition No. 37 – Petition for Approval of Receiver’s Final Recommendations
14 Approving Claims in DenSco Receivership, in which the Receiver recommended that
15 Clark Hill’s claims be denied “because the Receiver has determined that Clark Hill had
16 a conflict of interest that precluded it from performing the legal services without
17 violating fiduciary duties to DenSco. Despite providing Clark Hill with notice of the
18 Receiver’s recommendation of the denial of its two claims and a copy of the Claims
19 Report, Clark Hill failed to object or respond to the Receiver’s recommendation that
20 their two non-investor claims submitted by Clark Hill be denied.” The Petition was
21 granted on October 27, 2017.

22 492. This action was filed on October 16, 2017.

23 493. On December 22, 2017, the Receiver issued a status report describing the
24 status of the receivership.

25 **II. LEGAL BASIS FOR CLAIMS**

26 **A. Count One (Legal Malpractice)**

27 The Receiver asserts that Defendants were negligent. To sustain that claim, the
28 Receiver “must prove the existence of a duty, breach of duty, that the defendant’s

1 negligence was the actual and proximate cause of injury, and the ‘nature and extent’ of
2 damages.” *Glaze v. Larsen*, 207 Ariz. 26, 29, ¶ 12, 83 P.3d 26, 29 (2004) (citing
3 *Phillips v. Clancy*, 152 Ariz. 415, 418, 733 P.2d 300, 303 (App. 1986)). That
4 Defendants owed a duty to DenSco is undisputed, established by, *inter alia*, the
5 engagement letter Clark Hill issued in September 2013. The Receiver will establish,
6 through expert testimony, that Defendants fell below the standard of care by, *inter alia*,
7 (i) failing to properly advise DenSco during the first week of January 2014 after
8 learning of the first Menaged fraud and Chittick’s plans to continue doing business with
9 Menaged; and (ii) negligently advising DenSco during January 2014 about the
10 procedures DenSco should employ in documenting the loans DenSco made to Menaged
11 after discovering the first Menaged fraud. The Receiver will establish that, but for
12 Defendants’ negligence, DenSco would not have suffered losses on the loans DenSco
13 made to Menaged through the Forbearance Agreement as well as the “non-workout”
14 loans that DenSco made to Menaged, and that those losses were reasonably foreseeable
15 to Beauchamp and others at Clark Hill.

16 The Receiver alternatively asserts that Defendants breached fiduciary duties they
17 owed DenSco. “[T]he essential elements of legal malpractice based on breach of
18 fiduciary duty include the following: (1) an attorney-client relationship; (2) breach of
19 the attorney’s fiduciary duty to the client; (3) causation, both actual and proximate; and
20 (4) damages suffered by the client.” *Cecala v. Newman*, 532 F. Supp. 2d 1118, 1135
21 (D. Ariz. 2007) (internal citations omitted). The Receiver will establish through expert
22 testimony that Defendants breached their duty of loyalty to their only client, DenSco,
23 by taking actions after January 9, 2014 that were intended to advance Chittick’s rather
24 than DenSco’s interests, and by failing to take actions that would have advanced
25 DenSco’s interests. The Receiver will establish that, but for Defendants’ breach of
26 fiduciary duty, DenSco would not have suffered losses on the loans DenSco made to
27 Menaged through the Forbearance Agreement as well as the “non-workout” loans that
28

1 DenSco made to Menaged, and that those losses were reasonably foreseeable to
2 Beauchamp and others at Clark Hill.

3 In addition to the loan losses DenSco suffered as a result of Defendants' breach
4 of fiduciary duty, DenSco also seeks an order requiring Clark Hill to disgorge fees it
5 received from DenSco for work performed after Clark Hill breached its fiduciary duties.
6 DenSco relies on Restatement (Third) of the Law Governing Lawyers § 37, which
7 states: "A lawyer engaging in clear and serious violation of duty to a client may be
8 required to forfeit some or all of the lawyer's compensation for the matter.
9 Considerations relevant to the question of forfeiture include the gravity and timing of
10 the violation, its willfulness, its effect on the value of the lawyer's work for the client,
11 any other threatened or actual harm to the client, and the adequacy of other remedies."
12 The Receiver relied on § 37 in denying Clark Hill's proofs of claim.

13 **B. Count Two (Aiding and Abetting Breach of Fiduciary Duty)**

14 The Receiver asserts that Defendants aided and abetted Chittick in breaching
15 fiduciary duties Chittick owed DenSco. Arizona recognizes that "lawyers have no
16 special privilege against civil suit" and are "subject to liability to a client or nonclient
17 when a nonlawyer would be in similar circumstances" including claims for aiding and
18 abetting. *Chalpin v. Snyder*, 220 Ariz. 413, 424, ¶¶ 44-45, 207 P.3d 666, 677 (2008)
19 (internal citations omitted).
20

21 To sustain this claim, the Receiver must establish that: "(1) [Chittick breached a
22 fiduciary duty he owed DenSco] causing injury to [DenSco]; (2) [Defendants] knew
23 [Chittick] breached a duty; (3) [Defendants] substantially assisted or encouraged
24 [Chittick] in the breach; and (4) a causal relationship exists between the assistance or
25 encouragement and [Chittick's] breach." *Security Title Agency, Inc. v. Pope*, 219 Ariz.
26 480, 491, ¶ 44, 200 P. 3d 977, 988 (App. 2008).

27 "[T]he duties of a director or officer of a corporation are implied by law."
28 *Dooley v. O'Brian*, 226 Ariz. 149, 154, ¶ 18, 244 P.3d 586, 591 (App. 2010). Chittick,

1 as DenSco's only director and officer, had a fiduciary duty "to use [his] ability to
2 control the corporation in a fair, just, and equitable manner. . . ." *Jones v. J.F.*
3 *Ahmanson & Co.*, 1 Cal. 3d 93, 101, 460 P.2d 464, 471 (1969). *See also* A.R.S. § 10-
4 830 (duties of directors); A.R.S. § 10-842 (duties of officers). Those fiduciary duties
5 "can apply even to creditors when a corporation enters the zone of insolvency, without
6 regard to the terms of the underlying contracts." *Dooley*, 226 Ariz. at 154, ¶ 18, 244
7 P.3d at 591. "Once a corporation becomes insolvent, the creditors join the class of
8 persons to whom directors owe a fiduciary duty to maximize the economic value of the
9 firm for *all* of the firm's creditors." *Dawson v. Withycombe*, 216 Ariz. 84, 107, ¶71,
10 163 P.3d 1034, 1057 (2008). As set forth above, Chittick breached his duties as an
11 officer and director of DenSco.

12 Defendants' knowledge of Chittick's breaches of fiduciary duty can be inferred
13 from the circumstances. *Pope*, 219 Ariz. at 491, ¶ 45, 200 P. 3d at 988. Indeed, some
14 courts have held that "[c]onstructive knowledge is adequate when the aider and abettor
15 has maintained a long-term or in-depth relationship with the fiduciary." *Chem-Age*
16 *Industries, Inc. v. Glover*, 652 N.W. 2d 756, 775 (S.D. 2002) (internal citation omitted).

17 Causation "requires proof of a causal connection between the defendant's
18 assistance or encouragement and the primary tortfeasor's commission of the tort,
19 although 'but for' causation is not required." *Pope*, 219 Ariz. at 491, ¶ 47, 200 P.3d at
20 988. "The test is whether the assistance makes it 'easier' for the violation to occur, not
21 whether the assistance was necessary." *Wells Fargo Bank v. Ariz. Laborers, Teamsters*
22 *& Cement Masons Local No. 395 Pension Trust Fund*, 201 Ariz. 474, 485, ¶ 31, 38
23 P.3d 12, 23 (2002). *Cf. Granewich v. Harding*, 329 Or. 47, 59, 985 P.2d 788, 800
24 (1999) (allegation that lawyer for corporate client took actions "outside the scope of any
25 legitimate employment on behalf of the corporation" sufficient to allege substantial
26 assistance in aiding and abetting non-client corporate constituent's breach of fiduciary
27 duties).

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

C. Punitive Damages

The Receiver seeks punitive damages. To recover punitive damages, the Receiver must “prove by clear and convincing evidence that the defendant engaged in aggravated and outrageous conduct with an ‘evil mind.’ A defendant acts with the requisite evil mind when he intends to injure or defraud, or deliberately interferes with rights of others, ‘consciously disregarding the unjustifiable substantial risk of significant harm to them.’ Important factors to consider when deciding whether a defendant acted with an evil mind include (1) the reprehensibility of defendant’s conduct and the severity of the harm likely to result, (2) any harm that has occurred, (3) the duration of the misconduct, (4) the defendant’s awareness of the harm or risk of harm, and (5) any concealment of it.” *Hyatt Regency Phoenix Hotel Co. v. Winston & Strawn*, 184 Ariz. 120, 132, 907 P.2d 506 (App. 1995) (citations omitted).

Punitive damages are appropriately awarded when, as here, an attorney breaches fiduciary duties, acts out of self-interest, and attempts to conceal his misconduct. *See, e.g., Elliott v. Videan*, 164 Ariz. 113, 791 P.2d 639 (App. 1989) (punitive damages were appropriate where attorney had conflict of interest, concealed it from client, and acted to benefit at client’s expense); *Asphalt Engineers v. Galusha*, 160 Ariz. 134, 770 P.2d 1180 (App. 1989) (affirming award of punitive damages against attorney who breached ethical duties to his client and concealed his misconduct).

“[Clark Hill] can be vicariously liable in punitive damages for acts that its partner [Beauchamp] performed in the ordinary course of the partnership’s business.” *Hyatt Regency*, 184 Ariz. at 130, 907 P.2d at 130.

III. ANTICIPATED TRIAL WITNESSES

The Receiver has not yet determined which witnesses he will call at the trial of this matter.

1 **IV. PERSONS WHO MAY HAVE RELEVANT KNOWLEDGE OR**
2 **INFORMATION**

3 **A. Persons Affiliated With DenSco**

4 1. **Shawna Chittick Heuer** (c/o James Polese, Gammage &
5 Burnham, PLC, Two N. Central Avenue, 15th Floor, Phoenix, AZ 85004; (602) 256-
6 0566): Ms. Heuer is Denny Chittick's sister. On August 4, 2016, she was appointed as
7 the Personal Representative of Denny Chittick's Estate. She is believed to have
8 knowledge of DenSco's business operations, books and records, and written
9 communications she received from Mr. Chittick at or around the time of his death.

10 2. **Kurt Johnson** (3317 E. Bell Road, Suite 101-265, Phoenix, AZ
11 85032; (602) 505-8117): Mr. Johnson is an attorney who provided certain legal
12 services to DenSco and is believed to have knowledge of those services.

13 3. **Robert Koehler** (RLS Capital, Inc., 4455 E Camelback Road,
14 Suite D135, Phoenix, AZ 85018; (480) 945-2799): Mr. Koehler was described in the
15 July 2011 POM as having entered into a written agreement with Chittick pursuant to
16 which he was a signatory on DenSco's bank account, was to have received on a weekly
17 basis "an updated spreadsheet of all properties currently being used as collateral for a
18 loan" and, on a monthly basis, "a spreadsheet of all the investors and what is owed to
19 them, and receives the monthly statements for all investors." Mr. Koehler was an
20 investor in DenSco. After Mr. Chittick's death and at the request of Ms. Heuer, Mr.
21 Koehler conducted a preliminary analysis of DenSco's loan portfolio. He is believed to
22 have knowledge of DenSco's business operations, books and records, and written
23 communications he received from Mr. Chittick at or around the time of his death.

24 4. **David Preston:** (Preston CPA, P.C., 1949 E. Broadway Road,
25 Suite 101, Tempe, AZ 85282; (480) 820-4419): Mr. Preston is a Certified Public
26 Accountant and an investor in DenSco. He provided professional services to DenSco.
27 He commented on the 2007 POM. He communicated with David Beauchamp after
28 Chittick's death in 2016. He is believed to have knowledge of his dealings with Denny

1 Chittick, the professional services he provided to DenSco, his investment in DenSco,
2 his participation in the preparation of the 2007 POM, and his dealings with Mr.
3 Beauchamp.

4 **B. DenSco Investors**

5 1. **William and Helene Alber** (1551 W. Grand Canyon Drive,
6 Chandler, AZ 85248; wkalber@cox.net; (480) 200-8045): Mr. and Mrs. Alber are
7 believed to have knowledge of their communications with Mr. Chittick, investments in
8 DenSco through the Alber Family Trust, and their communications with Mr.
9 Beauchamp after Mr. Chittick's death.

10 2. **Angels Investments, LLC** c/o Yusuf Yildiz (1609 W. 17th Street,
11 Tempe, AZ 85281; yusif@comsiscomputer.com; 480-258-8171): Mr. Yildiz is
12 believed to have knowledge of his communications with Mr. Chittick, the company's
13 investments in DenSco, and his communications with Mr. Beauchamp after Mr.
14 Chittick's death.

15 3. **BLL Capital, LLC** c/o Barry Luchtel (5550 Wild Rose Lane,
16 Suite 400, West Des Moines, IA 50266; (480)256-2274; (515) 225-0300): Mr. Luchtel
17 is believed to have knowledge of his communications with Mr. Chittick, the company's
18 investments in DenSco, and his communications with Mr. Beauchamp after Mr.
19 Chittick's death.

20 4. **Robert Brinkman** (15001 S. 5th Avenue, Phoenix, AZ 85045;
21 rbrinkman@cox.net; (480) 460-8646): Mr. Brinkman is believed to have knowledge of
22 his communications with Mr. Chittick, investments in DenSco individually and through
23 the Brinkman Family Trust, and his communications with Mr. Beauchamp after Mr.
24 Chittick's death.

25 5. **Craig and Tomie Brown** (6135 W. Trovita Place, Chandler, AZ
26 85226; Trovita@gmail.com; (480)287-4622): Mr. and Mrs. Brown are believed to have
27 knowledge of their communications with Mr. Chittick, their investments in DenSco
28

1 individually and through their trust, and their communications with Mr. Beauchamp
2 after Mr. Chittick's death.

3 6. **Steven G. and Mary E. Bunger** (6134 W. Trovita Place,
4 Chandler, AZ 85226; steve@bunger.me; (480) 961-4002): Mr. and Mrs. Bunger are
5 believed to have knowledge of their communications with Mr. Chittick, investments in
6 DenSco through the Bunger Estate, and their communications with Mr. Beauchamp
7 after Mr. Chittick's death.

8 7. **Anthony Burdett** (1623 Common Drive, El Paso, TX 79936-
9 5235; Burdett.anthony@gmail.com; (915) 373-1850): Mr. Burdett is believed to have
10 knowledge of his communications with Mr. Chittick, his investments in DenSco
11 through his IRA, and his communications with Mr. Beauchamp after Mr. Chittick's
12 death.

13 8. **Kennen Burkhardt** (2030 S. Minnewawa Avenue, Fresno, CA
14 93727; KennenL@yahoo.com; (515) 537-5494; (949) 361-4335): Mr. Burkhardt is
15 believed to have knowledge of his communications with Mr. Chittick, his investments
16 in DenSco individually and through his IRA, and his communications with Mr.
17 Beauchamp after Mr. Chittick's death.

18 9. **Warren V. and Fay L. Bush** (P.O. Box 92080, Albuquerque, NM
19 87199-2080; wbush1120@comcast.net; (505) 856-7398; (505) 264-0773): Mr. and
20 Mrs. Bush are believed to have knowledge of their communications with Mr. Chittick,
21 their investments in DenSco, their involvement in the preparation of the 2011 POM,
22 and their communications with Mr. Beauchamp after Mr. Chittick's death.

23 10. **Mary L. Butler** (62 Cypress Court, Durango, CO 81301): Ms.
24 Butler is believed to have knowledge of her communications with Mr. Chittick, her
25 investments in DenSco through her IRA, and her communications with Mr. Beauchamp
26 after Mr. Chittick's death.

27 11. **Van H. Butler** (62 Cypress Court, Durrango, CO 81301;
28 butlerv@yahoo.com; (970) 749-9025): Mr. Butler is believed to have knowledge of his

1 communications with Mr. Chittick, his investments in DenSco individually and through
2 his IRA, and his communications with Mr. Beauchamp after Mr. Chittick's death.

3 12. **Thomas and Sara Byrne** (72 Commonwealth Avenue, San
4 Francisco, CA 94118; thomasbyrne11@gmail.com; (415) 990-4676): Mr. and Mrs.
5 Byrne are believed to have knowledge of their communications with Mr. Chittick, their
6 investments in DenSco through their trust, and their communications with Mr.
7 Beauchamp after Mr. Chittick's death.

8 13. **Erin P. Carrick Trust** c/o Gretchen P. Carrick (1404 W.
9 Lakeshore Drive, Whitefish, MT 59937; epcarrick@gmail.com; (541) 729-1990): Ms.
10 Carrick is believed to have knowledge of her communications with Mr. Chittick, her
11 investments in DenSco through the Trust, and her communications with Mr.
12 Beauchamp after Mr. Chittick's death.

13 14. **Gretchen P. Carrick** (P.O. Box 773656, Eagle River, AK 99577;
14 carricks3@ak.net; (541) 729-6878): Ms. Carrick is believed to have knowledge of her
15 communications with Mr. Chittick, her investments in DenSco through her Trust, and
16 her communications with Mr. Beauchamp after Mr. Chittick's death.

17 15. **Averill Cate, Jr. and Mary Kris McIlwaine** (3661 N. Campbell
18 Avenue, Suite 372, Tucson, AZ 85719; acatejr@gmail.com; (520) 370-6997): Mr. Cate
19 and Ms. McIlwaine are believed to have knowledge of their communications with Mr.
20 Chittick, their investments in DenSco, and their communications with Mr. Beauchamp
21 after Mr. Chittick's death.

22 16. **Arden and Nina Chittick** (8028 F 53rd Avenue West, Mukilteo,
23 WA 98275; artnina@hotmail.com; (425) 205-8997): Mr. and Mrs. Chittick are
24 believed to have knowledge of their communications with Denny Chittick, their
25 investments in DenSco, and their communications with Mr. Beauchamp after Mr.
26 Chittick's death.

27 17. **Eldon and Charlene Chittick** (5869 W. Heine Road, Coeur
28 d'Alene, ID 83814; moandsam@yahoo.com; (208) 765-2702): Mr. and Mrs. Chittick

1 are believed to have knowledge of their communications with Denny Chittick, their
2 investments in DenSco through the Chittick Family Trust, and their communications
3 with Mr. Beauchamp after Mr. Chittick's death.

4 18. **Eileen Cohen** (1419 Peerless Place, Apt. 116, Los Angeles, CA
5 90035): Ms. Cohen is believed to have knowledge of her communications with Mr.
6 Chittick, her investments in DenSco, and her communications with Mr. Beauchamp
7 after Mr. Chittick's death.

8 19. **Herbert I. Cohen** (1419 Peerless Place, Apt. 116, Los Angeles,
9 CA 90035; (623) 866-3221): Mr. Cohen is believed to have knowledge of his
10 communications with Mr. Chittick, his investments in DenSco through his Trust, and
11 his communications with Mr. Beauchamp after Mr. Chittick's death.

12 20. **Dori Ann Davis** (5346 E. Herrera Road, Phoenix, AZ 85054;
13 doriann@cox.net; (602) 300-9740): Ms. Davis is believed to have knowledge of her
14 communications with Mr. Chittick, investments in DenSco through her Trust, and her
15 communications with Mr. Beauchamp after Mr. Chittick's death.

16 21. **Glen P. Davis** (5346 E. Herrera Road, Phoenix, AZ 85054;
17 glenbo@cox.net; (602) 692-5862): Mr. Davis is believed to have knowledge of his
18 communications with Mr. Chittick, his investments in DenSco through his IRA, and his
19 communications with Mr. Beauchamp after Mr. Chittick's death.

20 22. **Jack J. Davis** (543 West Avenue, Rifle, CO 81650;
21 jackdavisdds@hotmail.com; (970) 625-1391): Mr. Davis is believed to have
22 knowledge of his communications with Mr. Chittick, his investments in DenSco, and
23 his communications with Mr. Beauchamp after Mr. Chittick's death.

24 23. **Samantha Davis** c/o Jack J. Davis (contact information to be
25 added): Ms. Davis is believed to have knowledge of her communications with Mr.
26 Chittick, her investments in DenSco, and her communications with Mr. Beauchamp
27 after Mr. Chittick's death.

28

1 24. **Desert Classic Investments, LLC** c/o Steven G. Bunger (6134 W.
2 Trovita Place, Chandler, AZ 85226; steve@bunger.me; (602) 531-3100): Mr. Bunger
3 is believed to have knowledge of his communications with Mr. Chittick, the company's
4 investments in DenSco, and his communications with Mr. Beauchamp after Mr.
5 Chittick's death.

6 25. **Scott D. Detota** (1220 Ridgewood Land, Lake Villa, IL 60046
7 sdetota99@yahoo.com; (847) 736-0160): Mr. Detota is believed to have knowledge of
8 his communications with Mr. Chittick, his investments in DenSco, and his
9 communications with Mr. Beauchamp after Mr. Chittick's death.

10 26. **Amy Lee Dirks** (82 N. Acacia Drive, Gilbert, AZ 85233;
11 amydirks@hotmail.com; (480) 414-5552): Ms. Dirks is believed to have knowledge of
12 her communications with Mr. Chittick, her investments in DenSco through her IRA,
13 and her communications with Mr. Beauchamp after Mr. Chittick's death.

14 27. **Bradley Mark Dirks** (82 N. Acacia Drive, Gilbert, AZ 85233;
15 (602) 206-3041): Mr. Dirks is believed to have knowledge of his communications with
16 Mr. Chittick, his investments in DenSco through his IRA, and his communications with
17 Mr. Beauchamp after Mr. Chittick's death.

18 28. **Dave DuBay** (contact information to be added): Mr. DuBay is
19 believed to have knowledge of his communications with Mr. Chittick, his investments
20 in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.

21 29. **Ross H. Dupper** (6133 W. Victoria Place, Chandler, AZ 85261;
22 rdupper@rhdupper.com; (602) 768-8515): Mr. Dupper is believed to have knowledge
23 of his communications with Mr. Chittick, his investments in DenSco through his Trust,
24 and his communications with Mr. Beauchamp after Mr. Chittick's death.

25 30. **Todd F. Einick** (4757 E. Greenway Road, Suite 107B-107,
26 Phoenix, AZ 85032; switchback62@hotmail.com; (480) 202-6752): Mr. Einick is
27 believed to have knowledge of his communications with Mr. Chittick, investments in
28

1 DenSco through the Trust, and his communications with Mr. Beauchamp after Mr.
2 Chittick's death.

3 31. **Yusef Fielding** (contact information to be added): Mr. Fielding is
4 believed to have knowledge of his communications with Mr. Chittick, his investments
5 in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.

6 32. **Fischer Family Holdings** (contact information to be added): Mr.
7 or Mrs. Fischer is believed to have knowledge of their communications with Mr.
8 Chittick, their investments in DenSco, and their communications with Mr. Beauchamp
9 after Mr. Chittick's death.

10 33. **GB 12, LLC** c/o Stanley Schloz (10050 E. Sonoran Vista Circle,
11 Scottsdale, AZ 85255; smschloz@msn.com; (480) 694-8868): Mr. Schloz is believed
12 to have knowledge of his communications with Mr. Chittick, the company's
13 investments in DenSco, and his communications with Mr. Beauchamp after Mr.
14 Chittick's death.

15 34. **Stacy B. Grant** (2601 La Frontera Blvd., Round Rock, TX 78681;
16 (602) 499-9966): Ms. Grant is believed to have knowledge of her communications with
17 Mr. Chittick, her investments in DenSco through her IRA, and her communications
18 with Mr. Beauchamp after Mr. Chittick's death.

19 35. **Russell T. Griswold** (10 Suncrest Terrace, Onenta, NY 13820;
20 rgriswold3@stny.rr.com; (607) 437-3882): Mr. Griswold is believed to have
21 knowledge of his communications with Mr. Chittick, his investments in DenSco
22 through his IRA, and his communications with Mr. Beauchamp after Mr. Chittick's
23 death.

24 36. **Michael and Diana Gumbert** (607 Hurst Creek Road, Lakeview,
25 TX 78734; anthjen@yahoo.com (480) 250-6063): Mr. and Mrs. Gumbert are believed
26 to have knowledge of their communications with Mr. Chittick, their investments in
27 DenSco through their Trust, and their communications with Mr. Beauchamp after Mr.
28 Chittick's death.

1 37. **Nihad Hafiz** (23 Rae's Creek Lane, Coto de Caza, CA 92679;
2 nihad@yahoo.com; (949) 246-8135): Mr. Hafiz is believed to have knowledge of his
3 communications with Mr. Chittick, his investments in DenSco, and his communications
4 with Mr. Beauchamp after Mr. Chittick's death.

5 38. **Robert B. and Elizabeth A. Hahn** (15239 E. Redrock Drive,
6 Fountain Hills, AZ 85268; hahnaz2@cox.net; (602) 769-8385): Mr. and Mrs. Hahn are
7 believed to have knowledge of their communications with Mr. Chittick, their
8 investments in DenSco through the Trust, and their communications with Mr.
9 Beauchamp after Mr. Chittick's death.

10 39. **Ralph L. Hey** (P.O. Box 62, Westcliffe, CO 82152;
11 hey.ralph01@gmail.com; (719) 207-1313): Mr. Hey is believed to have knowledge of
12 his communications with Mr. Chittick, his investments in DenSco, and his
13 communications with Mr. Beauchamp after Mr. Chittick's death.

14 40. **Dale W. and Kathy L. Hickman** (5477 W. Heine Road, Coeur d'
15 Alene, ID 83814; hikthestik@aol.com; (208) 215-6378): Mr. and Mrs. Hickman are
16 believed to have knowledge of their communications with Mr. Chittick, their
17 investments in DenSco, and their communications with Mr. Beauchamp after Mr.
18 Chittick's death.

19 41. **Craig and Samantha Hood** (8420 E. Cactus Wren Road,
20 Scottsdale, AZ 85250; greeraz@gmail.com; (602)317-3753): Mr. and Mrs. Hood are
21 believed to have knowledge of their communications with Mr. Chittick, their
22 investments in DenSco, and their communications with Mr. Beauchamp after Mr.
23 Chittick's death.

24 42. **Doris and Levester Howze** (2864 E. Preston Street, Mesa, AZ
25 85213; dhowze@cox.net; (602) 568-0119): Ms. Howze and Mr. Howze are believed to
26 have knowledge of their communications with Mr. Chittick, their investments in
27 DenSco, and their communications with Mr. Beauchamp after Mr. Chittick's death.
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

43. **Bill Bryan Hughes** (23114 N. Pedregosa Drive, Sun City West, AZ 85375; jbhok@yahoo.com; (480) 244-8863): Mr. Hughes is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco through his IRA, and his communications with Mr. Beauchamp after Mr. Chittick's death.

44. **Judy Kay Hughes** (23114 N. Pedregosa Drive, Sun City West, AZ 85375; jbhok@yahoo.com; (480) 244-8864): Ms. Hughes is believed to have knowledge of her communications with Mr. Chittick, her investments in DenSco through her IRA, and her communications with Mr. Beauchamp after Mr. Chittick's death.

45. **Brian Imdieke** (6173 W. Victoria Place, Chandler, AZ 85226; b-imdieke@cox.net; bji6173@gmail.com; (480) 694-7850): Mr. Imdieke is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco through his Trust, and his communications with Mr. Beauchamp after Mr. Chittick's death.

46. **James K. Jetton and Debora I. Pekker-Jetton** (9213 SW 21st Street, Oklahoma City, OK 73128; jkjetto@yahoo.com; (904) 610-4213): Mr. and Mrs. Jetton are believed to have knowledge of their communications with Mr. Chittick, their investments in DenSco, and their communications with Mr. Beauchamp after Mr. Chittick's death.

47. **Leslie W. Jones** (2176 E. Gazania Lane, Tucson, AZ 85719): Ms. Jones is believed to have knowledge of her communications with Mr. Chittick, her investments in DenSco through her IRA, and her communications with Mr. Beauchamp after Mr. Chittick's death.

48. **Ralph Kaiser** (3319 E. Piro Street, Phoenix, AZ 85044; ralph@kaisertile.com; (602) 697-3189): Mr. Kaiser is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco through his IRA, and his communications with Mr. Beauchamp after Mr. Chittick's death.

1 49. **Mary Kent** (30 Laurel Court, Paramus, NJ 07652;
2 mbencekent@yahoo.com; (201) 845-6147): Ms. Kent is believed to have knowledge of
3 her communications with Mr. Chittick, her investments in DenSco, and her
4 communications with Mr. Beauchamp after Mr. Chittick's death.

5 50. **Paul A. Kent** (23 E. 15th Street, Tempe, AZ 85281;
6 paul_a_kent@yahoo.com; (480) 213-7231): Mr. Kent is believed to have knowledge of
7 his communications with Mr. Chittick, investments in DenSco through the Family
8 Trust, and his communications with Mr. Beauchamp after Mr. Chittick's death.

9 51. **Robert Z. Koehler** (5433 E. Osborn Road, Phoenix, AZ 85018;
10 rzkoehler@yahoo.com; (602) 330-4624): Mr. Koehler is believed to have knowledge
11 of his communications with Mr. Chittick, his investments in DenSco through his IRA,
12 and his communications with Mr. Beauchamp after Mr. Chittick's death.

13 52. **Jemma Kopel** (5304 S. Marine Drive, Tempe, AZ 85283;
14 jemmakopel@hotmail.com; (480) 696-0888): Ms. Kopel is believed to have
15 knowledge of her communications with Mr. Chittick, her investments in DenSco, and
16 her communications with Mr. Beauchamp after Mr. Chittick's death.

17 53. **LeRoy Kopel** (5304 S. Marine Drive, Tempe, AZ 85283;
18 lkopel22@hotmail.com; (480) 839-3787): Mr. Kopel is believed to have knowledge of
19 his communications with Mr. Chittick, his investments in DenSco through his IRA and
20 his Trust, and his communications with Mr. Beauchamp after Mr. Chittick's death.

21 54. **Robert F. Lawson** (400 Alta Vista Court, Danville, CA 94506;
22 robertflawson@gmail.com; (480) 221-9893): Mr. Lawson is believed to have
23 knowledge of his communications with Mr. Chittick, his investments in DenSco, and
24 his communications with Mr. Beauchamp after Mr. Chittick's death.

25 55. **Wayne J. Ledet** (16751 SW 23rd Street, El Reno, OK 73036;
26 uaflyor767@yahoo.com; (405) 824-3754): Mr. Ledet is believed to have knowledge of
27 his communications with Mr. Chittick, investments in DenSco through the Family
28

1 Trust, his IRA and his Roth IRA, and his communications with Mr. Beauchamp after
2 Mr. Chittick's death.

3 **56. The Lee Group, Inc.** c/o Terry and Lil Lee (6541 N. Paseo
4 Tamayo, Tucson, AZ 85750; terryleeaz@comcast.net; (520) 907-3828): Mr. and Mrs.
5 Lee are believed to have knowledge of their communications with Mr. Chittick, the
6 company's investments in DenSco, and their communications with Mr. Beauchamp
7 after Mr. Chittick's death.

8 **57. Terry and Lil Lee** (6541 N. Paseo Tamayo, Tucson, AZ 85750;
9 terryleeaz@comcast.net; (520) 907-3828): Mr. and Mrs. Lee are believed to have
10 knowledge of their communications with Mr. Chittick, their investments in DenSco,
11 and their communications with Mr. Beauchamp after Mr. Chittick's death.

12 **58. Lillian Lent** (4145 E. Blue Ridge Place, Chandler, AZ 85249;
13 (480) 813-7151): Ms. Lent is believed to have knowledge of her communications with
14 Mr. Chittick, her investments in DenSco through her Roth IRA, and her
15 communications with Mr. Beauchamp after Mr. Chittick's death.

16 **59. Manual A. Lent** (4145 E. Blue Ridge Place, Chandler, AZ 85249;
17 (480) 225-9538): Mr. Lent is believed to have knowledge of his communications with
18 Mr. Chittick, his investments in DenSco through her IRA, and his communications with
19 Mr. Beauchamp after Mr. Chittick's death.

20 **60. William Lent** (contact information to be added): Mr. Lent is
21 believed to have knowledge of his communications with Mr. Chittick, his investments
22 in DenSco through his IRA, and his communications with Mr. Beauchamp after Mr.
23 Chittick's death

24 **61. LJL Capital, LLC** c/o Landon Luchtel (5550 Wild Rose Lane,
25 Suite 400, West Des Moines, IA 50266; (515) 225-2800): Mr. Luchtel is believed to
26 have knowledge of his communications with Mr. Chittick, the company's investments
27 in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.
28

1 62. **W. Jean Locke** (12163 Country Meadows Lane, Silverdale, WA
2 98383; billandjean54@centurytel.net; (360) 638-1002): Ms. Locke is believed to have
3 knowledge of her communications with Mr. Chittick, her investments in DenSco, and
4 her communications with Mr. Beauchamp after Mr. Chittick's death.

5 63. **Long Time Holdings, LLC** c/o William Swirtz (6054 W. Trovita
6 Place, Chandler, AZ 85226; Bill.Swirtz@apollogrp.edu; (602) 315-8080): Mr. Swirtz
7 is believed to have knowledge of his communications with Mr. Chittick, the company's
8 investments in DenSco, and his communications with Mr. Beauchamp after Mr.
9 Chittick's death.

10 64. **Jim P. McArdle** (750 E. McLellan, Phoenix, AZ 85014;
11 jim@abdc-az.com; (602) 509-8635): Mr. McArdle is believed to have knowledge of
12 his communications with Mr. Chittick, his investments in DenSco, and his
13 communications with Mr. Beauchamp after Mr. Chittick's death.

14 65. **James and Lesley McCoy** (727 E. Verde Lane, Tempe, AZ
15 85284; (602) 390-2506): Mr. and Mrs. McCoy are believed to have knowledge of their
16 communications with Mr. Chittick, investments in DenSco through the Trust, and their
17 communications with Mr. Beauchamp after Mr. Chittick's death.

18 66. **Caro McDowell** (9010 E. Range Ride Trail, Mesa, AZ 85207;
19 kayell121@cs.com; (480) 380-2062): Ms. McDowell is believed to have knowledge of
20 her communications with Mr. Chittick, her investments in DenSco through her Trust,
21 and her communications with Mr. Beauchamp after Mr. Chittick's death.

22 67. **Marvin G. Miller and Patricia S. Miller** (701 E. Front Street
23 #602, Coeur d'Alene, ID 83814; patsmiller@verizon.net; (208) 818-6735 Marvin; (208)
24 818-6734 Pat): Mr. and Mrs. Miller are believed to have knowledge of their
25 communications with Mr. Chittick, investments in DenSco through the Family Trust,
26 and their communications with Mr. Beauchamp after Mr. Chittick's death.

27 68. **Marian Minchuck** (contact information to be added): Ms.
28 Minchuck is believed to have knowledge of her communications with Mr. Chittick, her

1 investments in DenSco, and her communications with Mr. Beauchamp after Mr.
2 Chittick's death.

3 69. **Kaylene Moss** (2524 E. Silverwood Drive, Phoenix, AZ 85048;
4 kayleen.moss@avnet.com; (602) 692-6934; (480) 759-7811): Ms. Moss is believed to
5 have knowledge of her communications with Mr. Chittick, her investments in DenSco
6 through her IRA, and her communications with Mr. Beauchamp after Mr. Chittick's
7 death.

8 70. **Moss Family Trust** (2524 E. Silverwood Drive, Phoenix, AZ
9 85048; kayleen.moss@avnet.com; (602) 692-6934; (480) 759-7811): Mr. or Mrs. Moss
10 is believed to have knowledge of their communications with Mr. Chittick, investments
11 in DenSco through the Trust, and their communications with Mr. Beauchamp after Mr.
12 Chittick's death.

13 71. **Muscat Family** c/o Vince I. Muscat (14827 S. 20th Street,
14 Phoenix, AZ 85048; vimusat@gmail.com; (480) 460-5007): Mr. or Mrs. Muscat is
15 believed to have knowledge of their communications with Mr. Chittick, investments in
16 DenSco through the Trust, and their communications with Mr. Beauchamp after Mr.
17 Chittick's death.

18 72. **Non Lethal Defense, Inc.** c/o Dave Dubay (6921 Trevett Lane,
19 Casper, WY 82604): Mr. Dubay is believed to have knowledge of his communications
20 with Mr. Chittick, the company's investments in DenSco, and his communications
21 with Mr. Beauchamp after Mr. Chittick's death.

22 73. **Brian and Janice Odenthal** (1929 Canyon Drive, Coeur d'Alene,
23 ID 83815; bjodenthal@frontier.com; (208) 755-5499): Mr. and Mrs. Odenthal are
24 believed to have knowledge of their communications with Mr. Chittick, their
25 investments in DenSco through their IRA, and their communications with Mr.
26 Beauchamp after Mr. Chittick's death.

27 74. **Valerie J. Paxton** (1243 E. Glenhaven Drive, Phoenix, AZ 85048;
28 vpaxto@q.com; (602) 999-4339): Ms. Paxton is believed to have knowledge of her

1 communications with Mr. Chittick, her investments in DenSco, and her
2 communications with Mr. Beauchamp after Mr. Chittick's death.

3 75. **Marlene Pearce** (94 Acacia Drive, Gilbert, AZ 85233;
4 pearces@mailhaven.com; (480) 600-0955): Ms. Pearce is believed to have knowledge
5 of her communications with Mr. Chittick, her investments in DenSco through her IRA,
6 and her communications with Mr. Beauchamp after Mr. Chittick's death.

7 76. **Jeff Phalen** (11764 N. Adobe Village Place, Marana, AZ 85658;
8 jphalen00@aol.com; (520) 909-1018): Mr. Phalen is believed to have knowledge of his
9 communications with Mr. Chittick, his investments in DenSco individually and through
10 the Phalen Family Trust and his IRA, and his communications with Mr. Beauchamp
11 after Mr. Chittick's death.

12 77. **Kevin Potempa** (P.O. Box 5156, Scottsdale, AZ 85261; (480)
13 5120-0362): Mr. Potempa is believed to have knowledge of his communications with
14 Mr. Chittick, his investments in DenSco, and his communications with Mr. Beauchamp
15 after Mr. Chittick's death.

16 78. **Preston Revocable Living Trust** c/o David M. Preston (9010 E.
17 Range Rider Trail, Mesa, AZ 85207; dave@prestoncpa.biz; (602) 369-4418): The
18 Trustee is believed to have knowledge of his or her communications with Denny
19 Chittick, the Trust's investments in DenSco, and his or her communications with Mr.
20 Beauchamp after Mr. Chittick's death.

21 79. **Peter and Kay Rzonca** (140 E. Rio Salado Parkway #603, Tempe,
22 AZ 85281; krzonca1@cox.net; (602) 743-1801): Mr. and Mrs. Rzonca are believed to
23 have knowledge of their communications with Mr. Chittick, their investments in
24 DenSco, and their communications with Mr. Beauchamp after Mr. Chittick's death.

25 80. **Saltire, LLC** c/o William Stewart Sheriff (155 108th Avenue,
26 Suite 400, Bellevue, WA 98004; stewart.sherriff@cox.net; (602) 330-7776): Mr.
27 Sheriff is believed to have knowledge of his communications with Mr. Chittick, the
28

1 company's investments in DenSco, and his communications with Mr. Beauchamp after
2 Mr. Chittick's death.

3 81. **JoAnn Sanders** (780 E. Gregory Lane, Coeur d'Alene, ID 83815;
4 (406) 461-4462): Ms. Sanders is believed to have knowledge of her communications
5 with Mr. Chittick, her investments in DenSco, and her communications with Mr.
6 Beauchamp after Mr. Chittick's death.

7 82. **Satellite LLC** (contact information to be added): A Member of
8 Satellite LLC is believed to have knowledge of its communications with Mr. Chittick,
9 its investments in DenSco, and its communications with Mr. Beauchamp after Mr.
10 Chittick's death.

11 83. **Mary I. Schloz** (10050 E. Sonoran Vista Circle, Scottsdale, AZ
12 85255; smschloz@msn.com; (480) 694-8868): Ms Schloz is believed to have
13 knowledge of her communications with Mr. Chittick, her investments in DenSco
14 individually and through the Family Trust, and her communications with Mr.
15 Beauchamp after Mr. Chittick's death.

16 84. **Stanley Schloz** (10050 E. Sonoran Vista Circle, Scottsdale, AZ
17 85255; smschloz@msn.com; (480) 694-8868): Mr. Schloz is believed to have
18 knowledge of his communications with Mr. Chittick, his investments in DenSco
19 individually, through his IRA, and the Family Trust, and his communications with Mr.
20 Beauchamp after Mr. Chittick's death.

21 85. **Annette M. Scroggin** (124 Abby Lane, LaPorte, IN 46350;
22 mscroggin@me.com; (219) 608-2552): Ms. Scroggin is believed to have knowledge of
23 her communications with Mr. Chittick, her investments in DenSco through her IRAs,
24 and her communications with Mr. Beauchamp after Mr. Chittick's death.

25 86. **Michael Scroggin** (124 Abby Lane, LaPorte, IN 46350;
26 mscroggin@me.com; (219) 608-2552): Mr. Scroggin is believed to have knowledge of
27 his communications with Mr. Chittick, his investments in DenSco through his IRAs,
28 and his communications with Mr. Beauchamp after Mr. Chittick's death.

1 87. **William Stewart Sheriff** (155 108th Avenue, Suite 400, Bellevue,
2 WA 98004; stewart.sherriff@cox.net; (602) 330-7776): Mr. Sheriff is believed to have
3 knowledge of his communications with Mr. Chittick, his investments in DenSco, and
4 his communications with Mr. Beauchamp after Mr. Chittick's death.

5 88. **Gary E Siegford and Corrina C. Esvelt-Siegford** (11917 Hidden
6 Valley Road, Rathdrum, ID 83858; gsiegford@msn.com; (208) 661-1842): Mr. and
7 Mrs. Siegford are believed to have knowledge of their communications with Mr.
8 Chittick, their investments in DenSco, and their communications with Mr. Beauchamp
9 after Mr. Chittick's death.

10 89. **Gary D. and Judith Siegford** (212 Ironwood Drive, Suite D,
11 PMB #313, Coeur d'Alene, ID 83814): Mr. and Mrs. Siegford are believed to have
12 knowledge of their communications with Mr. Chittick, their investments in DenSco
13 through the Trust, and their communications with Mr. Beauchamp after Mr. Chittick's
14 death.

15 90. **Carsyn P. Smith** c/o Deanna M. Smith (4901 E. Tomahawk Trail,
16 Paradise Valley, AZ 85253; dmsmith99@me.com; (602) 432-4227): Ms. Smith is
17 believed to have knowledge of her communications with Mr. Chittick, her investments
18 in DenSco, and her communications with Mr. Beauchamp after Mr. Chittick's death.

19 91. **McKenna Smith** c/o Deanna M. Smith (4901 E. Tomahawk Trail,
20 Paradise Valley, AZ 85253): Ms. Smith is believed to have knowledge of her
21 communications with Mr. Chittick, her investments in DenSco, and her
22 communications with Mr. Beauchamp after Mr. Chittick's death.

23 92. **Branson and Sandra Smith** (9261 E. Northview Court, Tucson,
24 AZ 85749; aztonysmith@aol.com; (520) 299-9791): Mr. or Mrs. Smith is believed to
25 have knowledge of their communications with Mr. Chittick, investments in DenSco
26 through the Trust and their IRA, and their communications with Mr. Beauchamp after
27 Mr. Chittick's death.
28

1 93. **Tom Smith** (4901 E. Tomahawk Trail, Paradise Valley, AZ
2 85253): Mr. Smith is believed to have knowledge of his communications with Mr.
3 Chittick, his investments in DenSco individually and through his IRA, and his
4 communications with Mr. Beauchamp after Mr. Chittick's death.

5 94. **Tony Smith** (9261 E. Northview Court, Tucson, AZ 85749): Mr.
6 Smith is believed to have knowledge of his communications with Mr. Chittick, his
7 investments in DenSco, and his communications with Mr. Beauchamp after Mr.
8 Chittick's death.

9 95. **Donald E. and Lucinda Sterling** (2101 Bonnie Drive, Payette, ID
10 83661; don-cindy@cableone.net; (208) 401-6156): Mr. and Mrs. Sterling are believed
11 to have knowledge of their communications with Mr. Chittick, their investments in
12 DenSco, and their communications with Mr. Beauchamp after Mr. Chittick's death.

13 96. **Bill Swirtz** (6054 W. Trovita Place, Chandler, AZ 85226;
14 Bill.Swirtz@apollogrp.edu; (602) 315-8080): Mr. Swirtz is believed to have
15 knowledge of his communications with Mr. Chittick, his investments in DenSco, and
16 his communications with Mr. Beauchamp after Mr. Chittick's death.

17 97. **Nancy Swirtz** (6054 W. Trovita Place, Chandler, AZ 85226): Ms.
18 Swirtz is believed to have knowledge of her communications with Mr. Chittick, her
19 investments in DenSco, and her communications with Mr. Beauchamp after Mr.
20 Chittick's death.

21 98. **Coralee Thompson** (23233 N. Pima Road #113-240, Scottsdale,
22 AZ 85255; thompsc2@cox.net; (480) 993-8080): Ms. Thompson is believed to have
23 knowledge of her communications with Mr. Chittick, her investments in DenSco, and
24 her communications with Mr. Beauchamp after Mr. Chittick's death.

25 99. **Gary L. Thompson** (23233 N. Pima Road #113-240, Scottsdale,
26 AZ 85255; thompsc2@cox.net; (480) 993-8080): Mr. Thompson is believed to have
27 knowledge of his communications with Mr. Chittick, his investments in DenSco, and
28 his communications with Mr. Beauchamp after Mr. Chittick's death.

1 100. **James A. Trainor** (6113 S. Greensferry Road, Coeur d'Alene, ID
2 83814; jimmy@flytrapproductions.com; (208) 676-8072): Mr. Trainor is believed to
3 have knowledge of his communications with Mr. Chittick, his investments in DenSco,
4 and his communications with Mr. Beauchamp after Mr. Chittick's death.

5 101. **Stephen Tuttle** (6428 E. Evans Drive, Scottsdale, AZ 85254;
6 steve@taser.com; (602) 451-8529): Mr. Tuttle is believed to have knowledge of his
7 communications with Mr. Chittick, his investments in DenSco, and his communications
8 with Mr. Beauchamp after Mr. Chittick's death.

9 102. **Wade A. Underwood** (P.O. Box 1311, Sisters, OR 97759;
10 wunderwood@boxer.com; (480) 227-4658): Mr. Underwood is believed to have
11 knowledge of his communications with Mr. Chittick, his investments in DenSco, and
12 his communications with Mr. Beauchamp after Mr. Chittick's death.

13 103. **Jolene Page Walker** (8620 N. 52nd Street, Paradise Valley, AZ
14 85253; jwalker113@cox.net; (480) 220-5200): Ms. Walker is believed to have
15 knowledge of her communications with Mr. Chittick, her investments in DenSco, and
16 her communications with Mr. Beauchamp after Mr. Chittick's death.

17 104. **Laurie A. Weiskopf** (P.O. Box 161097, Big Sky, MT 59716-
18 1000): Ms. Weiskopf is believed to have knowledge of her communications with Mr.
19 Chittick, her investments in DenSco through her IRA, and her communications with
20 Mr. Beauchamp after Mr. Chittick's death.

21 105. **Thomas D. Weiskopf** (P.O. Box 161097, Big Sky, MT 59716-
22 1000): Mr. Weiskopf is believed to have knowledge of his communications with Mr.
23 Chittick, his investments in DenSco through his IRA, and his communications with Mr.
24 Beauchamp after Mr. Chittick's death.

25 106. **Carol J. Wellman** (12119 Whitley Manor Drive, Chesterfield, VA
26 23838; mikewellman1@comcast.net; (804) 338-3006): Ms. Wellman is believed to
27 have knowledge of her communications with Mr. Chittick, her investments in DenSco
28

1 through her IRA's, and her communications with Mr. Beauchamp after Mr. Chittick's
2 death.

3 **107. Wellman Family Trust** (12119 Whitley Manor Drive,
4 Chesterfield, VA 23838; mikewellman1@comcast.net; (804) 338-3006): A Trustee of
5 the Wellman Family Trust is believed to have knowledge of its communications with
6 Mr. Chittick, its investments in DenSco, and its communications with Mr. Beauchamp
7 after Mr. Chittick's death.

8 **108. Brian and Carla Wenig** (19 E. Canterbury Court, Phoenix, AZ
9 85022; bwenig@cox.net; (602) 300-5665 Brian; (602) 703-7313 Carla): Mr. and Mrs.
10 Wenig are believed to have knowledge of their communications with Mr. Chittick, their
11 investments in DenSco through the Trust, and their communications with Mr.
12 Beauchamp after Mr. Chittick's death.

13 **109. Mark and Debbie Wenig** (4445 E. Desert Willow Drive, Phoenix,
14 AZ 85044; mwenig@insight.com; (480) 227-7777): Mr. and Mrs. Wenig are believed
15 to have knowledge of their communications with Mr. Chittick, their investments in
16 DenSco, and their communications with Mr. Beauchamp after Mr. Chittick's death.

17 **110. Yusuf Yuldiz** (1609 W. 17th Street, Tempe, AZ 85281; (480) 258-
18 8171): Mr. Yuldiz is believed to have knowledge of his communications with Mr.
19 Chittick, his investments in DenSco, and his communications with Mr. Beauchamp
20 after Mr. Chittick's death.

21 **111. Leslie Jones** c/o Michael Zones (8 Briarcliff Drive, Huntington,
22 WV 25704; czj528@hotmail.com; (304) 429-6741 ext. 2712): Mr. Zones is believed to
23 have knowledge of his communications with Mr. Chittick, his investments in DenSco,
24 and his communications with Mr. Beauchamp after Mr. Chittick's death.

25 **112. Michael Zones** (8 Briarcliff Drive, Huntington, WV 25704;
26 czj528@hotmail.com; (304) 429-6741 ext. 2712): Mr. Zones is believed to have
27 knowledge of his communications with Mr. Chittick, his investments in DenSco, and
28 his communications with Mr. Beauchamp after Mr. Chittick's death.

1 **C. DenSco Borrowers and Persons Affiliated With Them**

2 1. **Luigi Amoroso** (contact information to be added): Mr. Amoroso
3 worked with Menaged in bidding on and acquiring properties subject to foreclosure.

4 2. **Veronica Castro** (contact information to be added): Ms. Castro
5 was Scott Menaged's assistant and has knowledge of deeds, mortgages and other
6 instruments signed by Menaged during 2013 that she notarized.

7 3. **Jeffrey C. Goulder** (Stinson Leonard Street LLP, 1850 N. Central
8 Avenue, Suite 1200, Phoenix, AZ 85004; (602) 212-8531): Mr. Goulder is an attorney
9 who represented Scott Menaged in connection with the Term Sheet and Forbearance
10 Agreement. He is believed to have knowledge of those agreements and his
11 communications with Mr. Beauchamp regarding them.

12 4. **Cody Jess** (Schian Walker PLC, 1850 N. Central Avenue,
13 Suite 900, Phoenix, AZ 85004; (602) 277-1501): Mr. Jess is an attorney who
14 represented Scott Menaged in a bankruptcy proceeding. He is believed to have
15 knowledge of that proceeding and of his communications with Mr. Beauchamp relating
16 to that proceeding.

17 5. **Scott Menaged** (c/o Molly Patricia Brizgys, 2210 S. Mill Avenue,
18 Suite 7A, Tempe, AZ 85282; (602) 460-9013): Mr. Menaged has knowledge of his
19 dealings with Mr. Chittick and Mr. Beauchamp.

20 **D. Current or Former Clark Hill Attorneys and Employees**

21 1. **Robert Anderson** (c/o John DeWulf, Coppersmith Brockelman,
22 PLC, 2800 N. Central Avenue, Suite 1200, Phoenix, AZ 85004; (602) 224-0999): Mr.
23 Anderson is an attorney who was involved in Clark Hill's representation of DenSco.

24 2. **David Beauchamp** (c/o John DeWulf, Coppersmith Brockelman,
25 PLC, 2800 N. Central Avenue, Suite 1200, Phoenix, AZ 85004; (602) 224-0999): Mr.
26 Beauchamp is an attorney who was involved in Clark Hill's representation of DenSco.

27 3. **Lindsay Grove** (c/o John DeWulf, Coppersmith Brockelman,
28 PLC, 2800 N. Central Avenue, Suite 1200, Phoenix, AZ 85004; (602) 224-0999): Ms.

1 Grove is a legal assistant who worked with David Beauchamp during the relevant time
2 period and is believed to have knowledge of certain documents received or sent by Mr.
3 Beauchamp.

4 4. **Ryan Lorenz** (c/o John DeWulf, Coppersmith Brockelman, PLC,
5 2800 N. Central Avenue, Suite 1200, Phoenix, AZ 85004; (602) 224-0999): Mr.
6 Lorenz submitted proofs of claim to the Receiver in June 2017 and gave an affidavit in
7 support of those proofs of claim which summarized certain work Clark Hill performed
8 during its representation of DenSco.

9 5. **Darra Lynn Rayndon** (c/o John DeWulf, Coppersmith
10 Brockelman, PLC, 2800 N. Central Avenue, Suite 1200, Phoenix, AZ 85004; (602)
11 224-0999): Ms. Rayndon is an attorney who initiated a probate proceeding on
12 August 4, 2016 in which she and Clark Hill represented Shawna Chittick Heuer in her
13 capacity as the Personal Representative of Denny Chittick's Estate. She is believed to
14 have knowledge of any discussions within Clark Hill that may have occurred regarding
15 conflicts of interest arising from the firm's separate representation of DenSco.

16 6. **Daniel Schenck** (c/o John DeWulf, Coppersmith Brockelman,
17 PLC, 2800 N. Central Avenue, Suite 1200, Phoenix, AZ 85004; (602) 224-0999): Mr.
18 Schenck is an attorney who was involved in Clark Hill's representation of DenSco.

19 7. **Michelle M. Tran** (c/o John DeWulf, Coppersmith Brockelman,
20 PLC, 2800 N. Central Avenue, Suite 1200, Phoenix, AZ 85004; (602) 224-0999): Ms.
21 Tran is an attorney who initiated a probate proceeding on August 4, 2016 in which she
22 and Clark Hill represented Shawna Chittick Heuer in her capacity as the Personal
23 Representative of Denny Chittick's Estate. She is believed to have knowledge of any
24 discussions within Clark Hill that may have occurred regarding conflicts of interest
25 arising from the firm's separate representation of DenSco.
26
27
28

1 **E. Current or Former Bryan Cave Attorneys**

2 1. **Ray Burgan** (Zenfinity Capital LLC, 14850 N. Scottsdale Road,
3 No. 295, Scottsdale, Arizona, 85254; (480) 292-8111): Mr. Burgan is an attorney who
4 was formerly associated with Bryan Cave and is believed to have knowledge of work
5 he performed for DenSco and David Beauchamp's representation of DenSco while
6 Beauchamp was affiliated with Bryan Cave.

7 2. **Michael Dvoren** (Jaburg & Wilk PC, 3200 N. Central Avenue,
8 Suite 2000, Phoenix, Arizona 85012; (602) 248-1000): Mr. Dvoren is an attorney who
9 was formerly associated with Bryan Cave and is believed to have knowledge of work
10 he performed for DenSco and David Beauchamp's representation of DenSco while
11 Beauchamp was affiliated with Bryan Cave.

12 3. **Robert Endicott** (Bryan Cave LLP, One Metropolitan Square, 211
13 North Broadway, Suite 3600, St. Louis, MO 63102; (314) 259-2000): Mr. Endicott is
14 an attorney who is believed to have knowledge of his communications with David
15 Beauchamp in the summer of 2013 regarding DenSco.

16 4. **Kenneth L. Henderson** (Bryan Cave LLP, 1290 Avenue of the
17 Americas, New York, NY, 10104; (212) 541-2000): Mr. Henderson is an attorney who
18 is believed to have knowledge of his communications with David Beauchamp in the
19 summer of 2013 regarding DenSco.

20 5. **Garth Jensen** (Sherman & Howard L.L.C., 633 Seventeenth
21 Street, Suite 3000, Denver, CO 80202; (303) 297-2900): Mr. Jensen is an attorney who
22 was formerly associated with Bryan Cave and is believed to have knowledge of his
23 communications with David Beauchamp in the summer of 2013 regarding DenSco.

24 6. **Logan Miller** (Apollo Education Group, Inc., 4025 S. Riverpoint
25 Parkway, Phoenix, AZ 85040; (800) 990-2765): Mr. Miller is an attorney who was
26 formerly associated with Bryan Cave and is believed to have knowledge of work he
27 performed for DenSco and David Beauchamp's representation of DenSco while
28 Beauchamp was affiliated with Bryan Cave.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

7. **Robert Miller:** (Bryan Cave LLP, Two N. Central, Suite 2100, Phoenix, Arizona 85004; (602) 364-7099): Mr. Miller is an attorney who communicated with David Beauchamp in January 2014 in connection with the demand letter described above and is believed to have knowledge of those communications.

8. **Robert Pedersen** (Bryan Cave LLP, 1290 Avenue of the Americas, New York, NY, 10104; (212) 541-2000): Mr. Pedersen is an attorney who is believed to have knowledge of his communications with David Beauchamp in the summer of 2013 regarding DenSco.

9. **Nancy Pohl** (Gallagher & Kennedy PA, 2575 E. Camelback Road, Suite 1100, Phoenix, Arizona 85016; (602) 530-8052): Ms. Pohl is an attorney who was formerly associated with Bryan Cave and is believed to have knowledge of work she performed for DenSco and David Beauchamp's representation of DenSco while Beauchamp was affiliated with Bryan Cave.

10. **Gus Schneider** (Bryan Cave LLP, Two N. Central, Suite 2100, Phoenix, AZ 85004; (602) 364-7099): Mr. Schneider is an attorney who is associated with Bryan Cave and is believed to have knowledge of work he performed for DenSco and David Beauchamp's representation of DenSco while Beauchamp was affiliated with Bryan Cave.

11. **Elizabeth Sipes** (Bryan Cave LLP, 1700 Lincoln Street, Suite 4100, Denver, CO 80203; (303) 861-7000): Ms. Sipes is an attorney who is believed to have knowledge of her communications with David Beauchamp in the summer of 2013 regarding DenSco.

12. **Jonathan Stern** (contact information not known): Mr. Stern is an attorney who is associated with Bryan Cave and is believed to have knowledge of work he performed for DenSco and David Beauchamp's representation of DenSco while Beauchamp was affiliated with Bryan Cave.

13. **Randy Wang** (Bryan Cave LLP, One Metropolitan Square, 211 N. Broadway, Suite 3600, St. Louis, MO 63102; (314) 259-2000): Mr. Wang is an

1 attorney who is believed to have knowledge of his communications with David
2 Beauchamp in the summer of 2013 regarding DenSco.

3 14. **Mark Weakley** (Bryan Cave LLP, One Boulder Plaza, 1801 13th
4 Street, Suite 300, Boulder, CO 80302; (303) 444-5955): Mr. Weakley is an attorney
5 who is believed to have knowledge of his communications with David Beauchamp in
6 the summer of 2013 regarding DenSco.

7
8 **F. Current or Former Gammage & Burnham Attorneys**

9 1. **Christopher L. Raddatz** (Gammage & Burnham, PLC, Two N.
10 Central Avenue, 15th Floor, Phoenix, AZ 85004; (602) 256-0566): Mr. Raddatz is an
11 attorney who represented the Estate of Denny Chittick and Shawna Chittick Heuer in
12 her capacity as the Personal Representative of Denny Chittick's Estate.

13 2. **Kevin R. Merritt** (Gammage & Burnham, PLC, Two N. Central
14 Avenue, 15th Floor, Phoenix, AZ 85004; (602) 256-0566): Mr. Merritt is an attorney
15 who in 2007 advised DenSco regarding its loan agreements. Beginning in August
16 2016, he represented the Estate of Denny Chittick and Shawna Chittick Heuer in her
17 capacity as the Personal Representative of Denny Chittick's Estate.

18 3. **James F. Polese** (Gammage & Burnham, PLC, Two N. Central
19 Avenue, 15th Floor, Phoenix, AZ 85004; (602) 256-0566): Mr. Polese is an attorney
20 who represented the Estate of Denny Chittick and Shawna Chittick Heuer in her
21 capacity as the Personal Representative of Denny Chittick's Estate.

22 **G. Persons Affiliated With the Arizona Corporation Commission,
Securities Division**

23 1. **Gary Clapper** (1300 W. Washington, Third Floor, Phoenix, AZ
24 85007; (602) 542-0152): Mr. Clapper is Chief Investigator, Arizona Corporation
25 Commission, Securities Division. He is believed to have knowledge of the ACC's
26 investigation of DenSco in August 2016, events leading to the ACC's filing of an
27 application for a preliminary injunction and the appointment of a receiver, and his
28 communications with Mr. Beauchamp.

1 2. **Wendy Coy** (1300 W. Washington, Third Floor, Phoenix, AZ
2 85007; (602) 542-0633): Ms. Coy is Director of Enforcement, Arizona Corporation
3 Commission, Securities Division. She is believed to have knowledge of the ACC's
4 investigation of DenSco in August 2016, events leading to the ACC's filing of an
5 application for a preliminary injunction and the appointment of a receiver, her
6 communications with Mr. Beauchamp.

7 **H. The Receiver, His Employees and Attorneys**

8 1. **Peter S. Davis** (c/o Colin Campbell and Geoffrey Sturr, Osborn
9 Maledon, P.A., 2929 N. Central Avenue, Suite 2100, Phoenix, AZ 85012; (602) 640-
10 9377): Mr. Davis has knowledge of work he has performed as DenSco's receiver, as
11 set forth in reports he has issued in the course of his work.

12 2. **Ryan W. Anderson** (Guttilla Murphy Anderson, 5415 E. High
13 Street, Suite 200, Phoenix, AZ 85054; (480) 304-8300): Mr. Anderson is an attorney
14 who represents the Receiver. He has knowledge of the receivership proceeding and his
15 communications with participants in that proceeding.

16 3. **Sara Beretta** (c/o Colin Campbell and Geoffrey Sturr, Osborn
17 Maledon, P.A., 2929 N. Central Avenue, Suite 2100, Phoenix, AZ 85012; (602) 640-
18 9377): Ms. Beretta is a Director of Simon Consulting and has knowledge of DenSco's
19 books and records and work performed by the Receiver, as set forth in reports he has
20 issued in the course of his work.

21 **I. Lenders Who Negotiated With Chittick and Menaged During**
22 **January 2014**

23 1. **Craig Cardon** (contact information to be added): Mr. Cardon is a
24 member of Azben Limited, LLC and is believed to have knowledge of his
25 communications with Chittick and Menaged regarding the January 6, 2014 demand
26 letter discussed above.

27 2. **Daniel Diethelm** (contact information to be added): Mr. Diethelm
28 is a manager of Geared Equity, LLC and is believed to have knowledge of his

1 communications with Chittick and Menaged regarding the January 6, 2014 demand
2 letter discussed above

3 3. **Lynn Hoebing** (contact information to be added): Mr. Hoebing is
4 a manager of 50780, LLC and is believed to have knowledge of his communications
5 with Chittick and Menaged regarding the January 6, 2014 demand letter discussed
6 above.

7 **J. Other Persons**

8 1. **Rick Carney** (contact information to be added): Mr. Carney was
9 formerly affiliated with Quarles & Brady and provided legal services to DenSco as
10 described above. He is believed to have knowledge of those services and his
11 communications with Denny Chittick and David Beauchamp relating to those services.

12 2. **Gregg Reichman** (believed to be c/o Andrew Abraham, Burch &
13 Cracchiolo, P.A., 702 E. Osborn Road, Suite 200, Phoenix, AZ 85014; (602) 234-
14 9917): Mr. Reichman is a current or former member of Active Funding Group, LLC.
15 He is believed to have knowledge of dealings between Active Funding Group, LLC and
16 Menaged.

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

18 1. **David Beauchamp** (c/o John DeWulf, Coppersmith Brockelman, PLC,
19 2800 N. Central Avenue, Suite 1200, Phoenix, AZ 85004; (602) 224-0999): Mr.
20 Beauchamp executed a declaration dated August 17, 2016 that was submitted to the
21 court in the Receivership Proceeding in support of the Estate's Recommendations re
22 Receiver and Attorney/Client Privilege. The Estate's counsel, Gammage & Burnham,
23 is believed to be the custodian of the original declaration.

24 2. **Scott Menaged** (c/o Molly Patricia Brizgys, 2210 S. Mill Avenue,
25 Suite 7A, Tempe, AZ 85282; (602) 460-9013): Mr. Menaged gave a deposition in his
26 bankruptcy proceeding. The Receiver's counsel is the custodian of the transcript of that
27 deposition.
28

1 3. **Scott Menaged** (c/o Molly Patricia Brizgys, 2210 S. Mill Avenue,
2 Suite 7A, Tempe, AZ 85282; (602) 460-9013): On December 8, 2017, Mr. Menaged
3 was interviewed by Ken Frakes, Special Counsel to the Receiver, before a court
4 reporter. Mr. Frakes is believed to be the custodian of the transcript of that interview.

5 4. **Ryan Lorenz** (c/o John DeWulf, Coppersmith Brockelman, PLC, 2800
6 N. Central Avenue, Suite 1200, Phoenix, AZ 85004; (602) 224-0999): Mr. Lorenz gave
7 an affidavit in support of notices of claim Clark Hill submitted to the Receiver. He is
8 believed to be the custodian of the original affidavit.

9 5. **Luigi Amoroso** (contact information to be added): Mr. Amoroso gave a
10 deposition in the receivership proceeding on December 14, 2016. The Receiver's
11 counsel is the custodian of the transcript of that deposition.

12 **VI. EXPERT WITNESSES EXPECTED TO BE CALLED AT TRIAL**

13 The Receiver will disclose the identity and opinions of expert witnesses it plans
14 to call at trial in accordance with the scheduling order that will be entered in this matter.

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

16 The Receiver anticipates relying on an expert witness to testify at trial as to
17 damages DenSco suffered as a result of Defendants' conduct.

18 The Receiver has previously disclosed to Defendants' counsel the following
19 information relating to damages and prejudgment interest:
20

21 Prejudgment interest is sought on three different types of loans that were
22 outstanding on Chittick's death, as summarized in the Receiver's December 23, 2016
23 report: (i) a \$5 million workout loan made to Menaged as part of the Forbearance
24 Agreement; (ii) a \$1 million workout loan made to Menaged as part of the Forbearance
25 Agreement; and (iii) non-workout loans that DenSco made to Menaged after DenSco
26 learned of Menaged's fraud in November 2013. As alleged in the complaint, the losses
27 DenSco suffered on those loans were the proximate result of Clark Hill's conduct.
28 Prejudgment interest is also sought on Clark Hill legal fees paid by DenSco.

1 **A. \$5 million “workout loan” to Menaged**

2 Under the Forbearance Agreement that Clark Hill drafted and advised DenSco to
3 sign, DenSco agreed to loan Menaged up to \$5 million for use in connection with the
4 sale or refinancing of any property listed in Exhibit A to the Agreement. The principal
5 balance of that loan as of December 23, 2016 was \$13,336,807.24. *See* Receiver’s
6 Report, December 23, 2016, at page 9. **Appendix C** is a schedule (numbered
7 RECEIVER_001332-001336) showing how that balance was calculated. The schedule
8 reflects that Menaged drew on this loan as early as February 2014, and made a last draw
9 on August 18, 2015. As of October 5, 2015, the principal balance of the line of credit
10 was \$13,656,807.24, and remained at this amount until Chittick’s death in July 2016.

11 The rate of prejudgment interest in this case is 10%. A.R.S. § 44-1201(A), (F).
12 Thus, a yearly calculation of prejudgment interest on DenSco’s \$13,656,807.24 loss is
13 \$1,365,680.72.

14 **B. \$1 million “workout loan” to Menaged**

15 The Forbearance Agreement also obligated DenSco to make a “new loan” to
16 Menaged of up to \$1 million as part of the “workout” that Clark Hill blessed and
17 documented. The principal balance of that loan as of December 23, 2016 was
18 \$1,002,532.55. *See* Receiver’s Report, December 23, 2016, at page 9. **Appendix D** is
19 a schedule (numbered RECEIVER_001337) showing how that balance was calculated.
20 The schedule reflects that Menaged drew on this loan as early as December 13, 2013
21 and last drew on this loan on April 30, 2014, when the principal balance was
22 \$1,002,532.55. It remained at that amount until Chittick’s July 2016 death.

23 A yearly calculation of prejudgment interest on DenSco’s \$1,002,532.55 loss is
24 \$100,253.25.

25 **C. Non-workout loans**

26 As set forth in the Receiver’s December 23, 2016 report (at page 10), as of
27 August 2016, when the Receiver was appointed, DenSco suffered losses of at least
28 \$28,332,300 because of loans made to Menaged outside of the “work out” loans

1 contemplated by the Forbearance Agreement that were not secured. **Appendix E** is a
2 schedule (numbered RECEIVER_001338-001339) showing how that amount was
3 calculated. The schedule includes two loans made on the Lobo property, one on
4 August 14, 2013 and another on January 22, 2014. They are included in this schedule
5 because DenSco categorized them as non-workout loans.

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

12 A yearly calculation of prejudgment interest on DenSco's \$28,332,300.00 loss is
13 \$2,833,230.00.

14 **D. Payments to Clark Hill for Attorneys' Fees**

15 As of June 24, 2016, Clark Hill received payment from DenSco for legal fees in
16 the amount of \$163,702.45. The Receiver seeks in the complaint the return of all those
17 fees on the grounds that they were received after Clark Hill had committed a serious
18 breach of fiduciary duty. The last fee payment was on June 24, 2016.

19 A yearly calculation of prejudgment interest on the Receiver's attorney fee
20 disgorgement claim is \$16,370.25.

21 **VIII. ANTICIPATED TRIAL EXHIBITS**

22 The Receiver has not yet determined which exhibits he will offer at the trial of
23 this matter.

24 **IX. DOCUMENTS THAT MAY BE RELEVANT**

25 1. Documents maintained in the Document Depository established by the
26 Receiver pursuant to an underlying Court Order dated January 1, 2017 in the matter
27 entitled *Ariz. Corp. Comm'n v. DenSco Investment Corp.*, Maricopa County Superior
28

1 Court CV2016-014142. The most recent index is attached as **Appendix F**. Certain
2 documents relevant to the receivership are also publicly available on a website
3 maintained by the Receiver: <http://denscoreceiver1.godaddysites.com/>.

4 a. The Receiver's counsel has caused to be deposited into the
5 Depository documents received from Defendants' counsel and third parties, and
6 will continue to do so as this matter proceeds.

7 b. The Receiver's counsel will provide Defendants' counsel with
8 updated indices of documents maintained in the Document Depository as they
9 become available.

10 c. The Receiver also updates the website periodically.

11 2. The Receiver will rely on documents maintained in the Document
12 Depository and on the Receiver's website to support his claims in this action, as well as
13 publicly available documents such as the recorded instruments referenced in the factual
14 narrative above.

15 3. The Receiver's counsel plans to compile, number, and produce to
16 Defendants' counsel certain documents it has obtained from the Depository, the
17 Receiver's website, and other publicly available documents that the Receiver may
18 designate as trial exhibits.

19 a. The Receiver's March 27, 2018 production included documents
20 numbered RECEIVER_000001- 001345.

21 i. The March 27, 2018 production included copies of the
22 DenSco Corporate Journals for 2013, 2014, 2015 and 2016, which have
23 been numbered RECEIVER_000001-000164. They replaced copies of
24 those documents that were produced on September 5, 2017 and which
25 were incorrectly numbered DIC0011918-0012081.

26 ii. The March 27, 2018 production included publicly available
27 documents, such as the recorded instruments referenced in the factual
28 narrative above (RECEIVER_000165-RECEIVER_001345).

CLARK HILL

Ryan J. Lorenz
T 480.684.1107
F 480.684.1167
Email: rlorenz@clarkhill.com

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

June 22, 2017

***Delivered via Certified Mail, return receipt requested,
and First Class Mail***

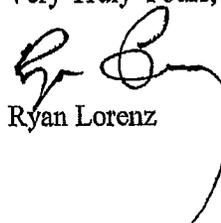
Peter S. Davis
DenSco Receiver
Simon Consulting, LLC
3200 N. Central Avenue, Ste. 2460
Phoenix, AZ 85012

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 Recevlership

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 Recevlership Asset. For additional information, please access the Receiver's website at denscoreceiver1.godaddy.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 PLO
Address: D/O Ryan Lorenz
14850 N. Scottsdale Rd. Ste. 600
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: June 1, 2016 To: August 17, 2016

Is Your Claim Secured? A Secured Claim is secured by a property perfected lien on Recevlership Assets. An Unsecured Claim is a Claim against DenSco Investment Corporation or a Recevlership 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 per-
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 Recevlership 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: [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.

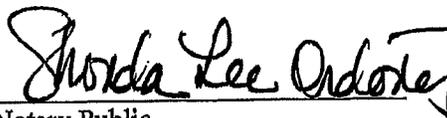
Further affiant sayeth naught.

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

=====
RE: Business Matters

FOR SERVICES RENDERED through June 30, 2016

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

PAYABLE UPON RECEIPT IN U S DOLLARS

CLARK HILL P.L.C.

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

DETAILED DESCRIPTION OF SERVICES

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

\$1,886.00

TIMEKEEPER SUMMARY

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

CLARK HILL

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

=====

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:			<u>\$1,886.00</u>
TOTAL AMOUNT DUE			<u>\$2,300.00</u> =====

PAYABLE UPON RECEIPT IN U.S. DOLLARS

CLARK HILL P.L.C.

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

DETAILED DESCRIPTION OF SERVICES

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

\$414.00

TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	0.90 hours at \$460.00 =	\$414.00
-----	--------------------	--------------------------	----------

CLARK HILL

PLC

ATTORNEYS AT LAW

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

INVOICE

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

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

=====

RE: Business Wind Down

FOR SERVICES RENDERED through August 31, 2016

Total Services:

\$73,968.00

INVOICE TOTAL

\$73,968.00

PAYABLE UPON RECEIPT IN U S DOLLARS

CLARK HILL P.L.C.

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

DETAILED DESCRIPTION OF SERVICES

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

CLARK HILL P.L.C.

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

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

CLARK HILL P.L.C.

DenSco Investment Corporation
Business Wind Down
September 12, 2016
INVOICE # 670634
Page 4

Wednesday meeting, issues and procedure;
prepare detailed email update to Investors to
respond to questions and provide update.

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

CLARK HILL P.L.C.

DenSco Investment Corporation
Business Wind Down
September 12, 2016
INVOICE # 670634
Page 5

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

CLARK HILL P.L.C.

DenSco Investment Corporation
 Business Wind Down
 September 12, 2016
 INVOICE # 670634
 Page 6

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

CLARK HILL P.L.C.

DenSco Investment Corporation
Business Wind Down
September 12, 2016
INVOICE # 670634
Page 7

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

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

CLARK HILL P.L.C.

DenSco Investment Corporation
Business Wind Down
September 12, 2016
INVOICE # 670634
Page 8

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

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

CLARK HILL P.L.C.

DenSco Investment Corporation
Business Wind Down
September 12, 2016
INVOICE # 670634
Page 9

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. Managed.	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

=====
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:		<u>\$73,968.00</u>
TOTAL AMOUNT DUE		<u>\$74,566.00</u> =====

PAYABLE UPON RECEIPT IN U S. DOLLARS

CLARK HILL P.L.C.

Densco Investment Corporation
Business Wind Down
October 18, 2016
INVOICE # 677709
Page 2

DETAILED DESCRIPTION OF SERVICES

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

CLARK HILL P.L.C.

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

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

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

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

\$598.00

TIMEKEEPER SUMMARY

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

PROOF OF CLAIM

DenSco Investment Corporation Recevlership

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 Recevlership Asset. For additional information, please access the Receiver's website at denscoreceiver1.godaddysites.com or denscolnvestment.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
14950 N. Scottsdale Rd. Ste. 600
Scottsdale, AZ 85254
Email: RLorenz@ClarkHill.com
Telephone: 480-884-1107

*** 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 Recevlership Assets. An Unsecured Claim is a Claim against DenSco Investment Corporation or a Recevlership Asset other than an Investor Claim.

I have a Secured Claim (Attach Evidence of Security).
 I have an Unsecured Claim.

Secured Claim Amount: \$ _____
Unsecured Claim Amount: \$ 23,048.00

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 per-
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 Recevlership 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: [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.

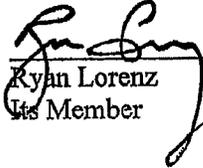
13. For purposes of asserting a claim against DenSco's receivership estate, the Firm has bifurcated these amounts into \$53,820 for pre-August 18, 2016 and \$23,046 for post-August 17, 2016 fees. The Firm claims that the latter fees were incurred on behalf of DenSco and are, therefore, administrative 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.



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

=====
RE: Business Matters

FOR SERVICES RENDERED through June 30, 2016

Total Services:	\$1,886.00
INVOICE TOTAL	\$1,886.00
TOTAL AMOUNT DUE	<u>\$1,886.00</u>

PAYABLE UPON RECEIPT IN U S DOLLARS

CLARK HILL P.L.C.

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

DETAILED DESCRIPTION OF SERVICES

06/02/16	DGB	Review and respond to emails; prepare, work on and revise detailed response to ADFI and send to D. Chittick for approval; work on information to submit to ADFI.	2.60
06/03/16	DGB	Review and respond to several emails concerning supplemental filing with ADFI; attach exhibits and file response.	.80
06/24/16	DGB	Review and respond to email from D. Chittick; review document.	.30
06/28/16	DGB	Review and respond to email from D. Chittick; review documents and HUD-1; email questions regarding HUD-1.	.40
			\$1,886.00

TIMEKEEPER SUMMARY

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

CLARK HILL

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

=====
RE: Business Matters

FOR SERVICES RENDERED through July 31, 2016

Total Services: \$414.00

INVOICE TOTAL \$414.00

07/22/16 663658 \$1886.00

Outstanding Balance: \$1,886.00

TOTAL AMOUNT DUE \$2,300.00
=====

PAYABLE UPON RECEIPT IN U.S. DOLLARS

CLARK HILL P.L.C.

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

DETAILED DESCRIPTION OF SERVICES

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

\$414.00

TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	0.90 hours at \$460.00 =	\$414.00
-----	--------------------	--------------------------	----------

CLARK HILL

PLC

ATTORNEYS AT LAW

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

INVOICE

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

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

=====

RE: Business Wind Down

FOR SERVICES RENDERED through August 31, 2016

Total Services:

\$73,968.00

INVOICE TOTAL

\$73,968.00

PAYABLE UPON RECEIPT IN U S DOLLARS

CLARK HILL P.L.C.

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

DETAILED DESCRIPTION OF SERVICES

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

CLARK HILL P.L.C.

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

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

CLARK HILL P.L.C.

DenSco Investment Corporation
Business Wind Down
September 12, 2016
INVOICE # 670634
Page 4

Wednesday meeting, issues and procedure;
prepare detailed email update to Investors to
respond to questions and provide update.

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

CLARK HILL P.L.C.

DenSco Investment Corporation
Business Wind Down
September 12, 2016
INVOICE # 670634
Page 5

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

CLARK HILL P.L.C.

DenSco Investment Corporation
Business Wind Down
September 12, 2016
INVOICE # 670634
Page 6

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 from 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

CLARK HILL P.L.C.

DenSco Investment Corporation
Business Wind Down
September 12, 2016
INVOICE # 670634
Page 7

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

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

CLARK HILL P.L.C.

DenSco Investment Corporation
Business Wind Down
September 12, 2016
INVOICE # 670634
Page 8

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

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

CLARK HILL P.L.C.

DenSCO Investment Corporation
Business Wind Down
September 12, 2016
INVOICE # 670634
Page 9

08/27/16 DGB Review email and information concerning .40
police report and information for Receiver;
review information concerning 341 Hearing.

08/29/16 DGB Review telephone message from borrower; 2.10
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.

08/30/16 DGB Review messages from Stewart Title regarding 2.10
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.

08/31/16 DGB Review message from title company concerning .90
loan payoff; telephone call with T. Hall
regarding same; work on information for file
transition.

\$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

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

October 18, 2016
Client: 43820
Matter: 307376

=====

RE: Business Wind Down

FOR SERVICES RENDERED through September 30, 2016

Total Services: \$598.00

INVOICE TOTAL \$598.00

09/12/16 670634 \$73968.00

Outstanding Balance: \$73,968.00

TOTAL AMOUNT DUE \$74,566.00

PAYABLE UPON RECEIPT IN U.S. DOLLARS

CLARK HILL P.L.C.

DenSco Investment Corporation
Business Wind Down
October 18, 2016
INVOICE # 677709
Page 2

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

CLARK HILL P.L.C.

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

09/15/16 DGB Review files information and work on transfer 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

WHEN RECORDED MAIL TO:

DenSco Investment
6132 W. Victoria Place
Chandler, AZ 85226

4504DOT-5-1-1--
Palumboa

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

DEED OF TRUST AND ASSIGNMENT OF RENTS

Date: August 6, 2013

TRUSTOR: Arizona Home Foreclosures, LLC

Address: 3030 N Central Ave Ste # 603, Phoenix, AZ 85012

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

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

TRUSTEE: Trustee Corps

Address: 17100 Gillette Ave., Irvine, CA 92614

PROPERTY in the County of Maricopa, State of Arizona, described as: Lot 218, Subdivision Anthem Unit 55, according to the Book 665, of Maps, Page 30, in the Recorder's office of Maricopa County.

Street address: 39817 N Messner Way, Anthem, AZ 85086

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

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

FOR THE PURPOSE OF SECURING:

A. Performance of each and every agreement of Borrower herein contained. B. Payment of the principal sum of \$150,000.00 (U.S. \$One Hundred Fifty Thousand Dollars and No Cents). This debt is evidenced by Borrower's NOTE or NOTES dated the same date as this DEED OF TRUST, and any extension or renewal thereof (collectively, if applicable, the "Note"). C. Payment of all additional sums and interest thereon which at any time now or hereafter are owed by Borrower to Lender, or its successors or assigns. D. Payment of any amounts hereafter advanced by Lender or paid on behalf of Borrower to perform any duties or obligations of Borrower hereunder, or otherwise to protect the Property or the lien of this Deed of Trust.

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

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

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

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

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

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

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

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

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

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

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

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

IT IS MUTUALLY AGREED:

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

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

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

14. At any time or from time to time, without liability therefor and without notice, upon written request of Lender and presentation of this Deed of Trust and said Note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: (a) reconvey all or any part of said Property; consent to the making of any map or plat thereof; (b) join in granting any easement thereon; or (c) join in any extension agreement or any agreement subordinating the lien or change hereof.

15. As additional security, Borrower hereby gives to, confers upon and assigns to Lender the right, power and authority during the continuance of these Trusts, to collect the rents, issues and profits of said Property, reserving unto Borrower the right, prior to any default by Lender payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Lender may at any time without notice, either in person, by agent or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said Property or any part hereof, in its own name sue for or otherwise collect such rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees, upon any indebtedness secured hereby, and in such order as Lender may determine. The entering upon and taking possession of said Property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

16. The failure of Borrower to comply fully with the terms of the Note or this Deed of Trust shall constitute an immediate default hereunder, and the occurrence of any default under any other notes or deeds of trust

between the parties securing any other indebtedness owed by Borrower to Lender shall also constitute a default under this Deed of Trust. Upon any such default, Lender shall have the right, at its election, to accelerate immediately any or all of the loans, and proceed to enforce all of Lender's rights, in accordance with Arizona law, including without limitation, the right to foreclose any or all of the deeds of trust and pursue a deficiency judgment(s).

If the Property is sold, assigned or transferred, whether voluntarily, involuntarily, or by operation of law, the entire principal balance together with accrued interest and all other charges shall become immediately due and payable.

17. Notice of sale having been given as then required by law, and not less than the time required by law having elapsed, Trustee, without demand on Borrower, shall sell said Property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee shall deliver to the purchaser its deed conveying the Property so sold, but without any covenant or warranty express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Borrower, Trustee or Lender, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title and reasonable attorneys' fees in connection with sale, Trustee shall apply the proceeds of sale to payment of; all sums then secured hereby and all other sums due under the terms hereof, with accrued interest; and all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto, or as provided in A.R.S. § 33-812. To the extent permitted by law, an action may be maintained by Lender to recover a deficiency judgment for any balance due hereunder. Lender may foreclose this Deed of Trust as a realty mortgage.

If Property under this Deed of Trust is located in more than one county, regardless of whether Property is contiguous or not, Trustee may sell all Property in any one of the counties in which part of Property is located; and unless Trustee receives contrary written instructions from Lender or Borrower, Trustee may sell all Property either in parcels or in whole.

If indebtedness secured hereby is secured by one or more other deeds of trust, the upon default of Borrower in payment of indebtedness or performance of any other agreement with Lender, Trustee may sell Property subject to this Deed of Trust and to any other deeds of trust securing said indebtedness at Trustee's sale conducted serially.

Trustee is not obligated to notify any party hereto of pending sale under any other deeds of trust, or of any action or proceeding in which Borrower, Lender or Trustee shall be a party, unless brought by Trustee.

18. This Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Lender shall mean the holder and owner of the Note secured hereby; or, if the Note has been pledged, the pledgee thereof. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

19. Lender may, for any reason or cause, from time to time remove Trustee and appoint a substitute/successor trustee to any Trustee appointed hereunder, and when any such substitution has been filed for record in the Office of the Recorder of the County in which the Property herein described is situated, it shall be conclusive evidence of the appointment of such trustee or trustees. Without conveyance to the Property, the successor trustee shall succeed to all the title, power and duties conferred upon Trustee herein and by applicable law.

WHEN RECORDED MAIL TO:

DenSco Investment
6132 W. Victoria Place
Chandler, AZ 85226

4579DOT-5-1-1--
mcdevittr

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

DEED OF TRUST AND ASSIGNMENT OF RENTS

Date: September 16, 2013

TRUSTOR: Arizona Home Foreclosures, LLC

Address: 3030 N Central Ave Ste # 603, Phoenix, AZ 85012

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

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

TRUSTEE: First American Title

Address: 6 Campus Cir, 2nd Fl, Westlake, TX 76262

PROPERTY in the County of Maricopa, State of Arizona, described as: Lot 176, Subdivision Lindsay and Warner, according to the Book 610, of Maps, Page 17, in the Recorder's office of Maricopa County.

Street address: 977 S Colonial Dr., Gilbert, AZ 85296

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

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

FOR THE PURPOSE OF SECURING:

A. Performance of each and every agreement of Borrower herein contained. B. Payment of the principal sum of \$140,000.00 (U.S. \$One Hundred Forty Thousand Dollars and No Cents). This debt is evidenced by Borrower's NOTE or NOTES dated the same date as this DEED OF TRUST, and any extension or renewal thereof (collectively, if applicable, the "Note"). C. Payment of all additional sums and interest thereon which at any time now or hereafter are owed by Borrower to Lender, or its successors or assigns. D. Payment of any amounts hereafter advanced by Lender or paid on behalf of Borrower to perform any duties or obligations of Borrower hereunder, or otherwise to protect the Property or the lien of this Deed of Trust.

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

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

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

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

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

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

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

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

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

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

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

generally recognized to be appropriate to normal cleaning and maintenance purposes of a commercial or residential property. Borrower shall promptly give Lender written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property or any Hazardous Substance or Environmental Law of which Borrower has actual or constructive knowledge. If Borrower learns, or is notified by any governmental or regulatory authority, that any removable or other remediation of any Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Laws. As used in this Paragraph 10, "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides or herbicides, volatile solvents, materials containing asbestos, formaldehyde or dioxins, and radioactive materials. As used in this Paragraph 10, "Environmental Law" means all federal laws and laws of the state, county and city of the jurisdiction where the Property is located that relates to health, safety or environmental protection.

IT IS MUTUALLY AGREED:

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

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

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

14. At any time or from time to time, without liability therefor and without notice, upon written request of Lender and presentation of this Deed of Trust and said Note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: (a) reconvey all or any part of said Property; consent to the making of any map or plat thereof; (b) join in granting any easement thereon; or (c) join in any extension agreement or any agreement subordinating the lien or change hereof.

15. As additional security, Borrower hereby gives to, confers upon and assigns to Lender the right, power and authority during the continuance of these Trusts, to collect the rents, issues and profits of said Property, reserving unto Borrower the right, prior to any default by Lender payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Lender may at any time without notice, either in person, by agent or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said Property or any part hereof, in its own name sue for or otherwise collect such rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees, upon any indebtedness secured hereby, and in such order as Lender may determine. The entering upon and taking possession of said

Property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

16. The failure of Borrower to comply fully with the terms of the Note or this Deed of Trust shall constitute an immediate default hereunder, and the occurrence of any default under any other notes or deeds of trust between the parties securing any other indebtedness owed by Borrower to Lender shall also constitute a default under this Deed of Trust. Upon any such default, Lender shall have the right, at its election, to accelerate immediately any or all of the loans, and proceed to enforce all of Lender's rights, in accordance with Arizona law, including without limitation, the right to foreclose any or all of the deeds of trust and pursue a deficiency judgment(s).

If the Property is sold, assigned or transferred, whether voluntarily, involuntarily, or by operation of law, the entire principal balance together with accrued interest and all other charges shall become immediately due and payable.

17. Notice of sale having been given as then required by law, and not less than the time required by law having elapsed, Trustee, without demand on Borrower, shall sell said Property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee shall deliver to the purchaser its deed conveying the Property so sold, but without any covenant or warranty express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Borrower, Trustee or Lender, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title and reasonable attorneys' fees in connection with sale, Trustee shall apply the proceeds of sale to payment of; all sums then secured hereby and all other sums due under the terms hereof, with accrued interest; and all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto, or as provided in A.R.S. § 33-812. To the extent permitted by law, an action may be maintained by Lender to recover a deficiency judgment for any balance due hereunder. Lender may foreclose this Deed of Trust as a realty mortgage.

If Property under this Deed of Trust is located in more than one county, regardless of whether Property is contiguous or not, Trustee may sell all Property in any one of the counties in which part of Property is located; and unless Trustee receives contrary written instructions from Lender or Borrower, Trustee may sell all Property either in parcels or in whole.

If indebtedness secured hereby is secured by one or more other deeds of trust, the upon default of Borrower in payment of indebtedness or performance of any other agreement with Lender, Trustee may sell Property subject to this Deed of Trust and to any other deeds of trust securing said indebtedness at Trustee's sale conducted serially.

Trustee is not obligated to notify any party hereto of pending sale under any other deeds of trust, or of any action or proceeding in which Borrower, Lender or Trustee shall be a party, unless brought by Trustee.

18. This Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Lender shall mean the holder and owner of the Note secured hereby; or, if the Note has been pledged, the pledgee thereof. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

19. Lender may, for any reason or cause, from time to time remove Trustee and appoint a substitute/successor trustee to any Trustee appointed hereunder, and when any such substitution has been filed for record in the Office of the Recorder of the County in which the Property herein described is situated, it shall be

20. The Note or a partial interest in the Note (together with this Deed of Trust) may be sold one or more times without notice to Borrower. A sale may result in the change of the person who collects monthly payments due under the Note and this Deed of Trust.

21. Borrower/mortgagor hereby waives, releases and discharges any homestead exemption claimed or declared against Property.

22. If any term or provision of this Deed of Trust is held invalid or unenforceable by a court or arbitrator of competent jurisdiction, such terms shall be reduced or otherwise modified by such court or arbitrator to the minimum extent necessary to make it valid and enforceable. If such term or provision cannot be so modified, it shall be severed and the remaining terms and provisions of this Deed of Trust shall be interpreted in such a way as to give maximum validity and enforceability to this Deed of Trust. The remaining terms and provisions hereof shall continue in full force and effect.

23. Upon payment of all sums secured by this Deed of Trust, Lender shall release this Deed of Trust without charge to Borrower, except that Borrower shall pay any recordation costs.

Upon written request of Lender stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and said Note to Trustee for cancellation and retention and upon payment of its fees, Trustee shall reconvey, without warranty, the Property then held thereunder. The recitals in any reconveyance executed under this Deed of Trust of any matters or facts shall be conclusive proof of the truthfulness thereof. Borrower in such reconveyance may be described as "the person or persons legally entitled thereto."

Request is hereby made that a copy of any notice of default and a copy of any notice of sale hereunder be mailed to Borrower at its/his/her address hereinbefore set forth.

BORROWER: Arizona Home Foreclosures, LLC

NAME and Title of Principal Borrower: Yomtov Scott Menaged, Managing Member of LLC

SIGNATURE: _____

STATE OF ARIZONA)
) ss.
 COUNTY OF MARICOPA)

This Instrument was acknowledged before me this 16 day of Sept, 2015.

By: Yom'Tov Menaged

Commission Expires: 8-17-15

 Notary

