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SUPERIOR COURT OF ARIZONA

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COUNTY OF MARICOPA

11

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

12

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Plaintiff,

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v.

15

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

16

17

Defendants.

No. CV2017-013832

**DEFENDANTS' DISCLOSURE OF
EXPERT WITNESS DAVID PERRY**

(Commercial Case)

(Assigned to the Honorable Daniel Martin)

18

Pursuant to the Court's May 16, 2018 Scheduling Order, Defendants Clark Hill PLC
19 and David G. Beauchamp, hereby disclose the attached report of David Perry.

19

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DATED this 5th day of April, 2019.

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COPPERSMITH BROCKELMAN PLC

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By: 

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Davis

v.

Clark Hill PLC, et al.

Expert Report of David R. Perry

Sterling Group LLC

April 5, 2019

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1. Background

1.1 Introduction

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

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

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

Mr. Chittick died on July 28, 2016.⁵ After Mr. Chittick’s death, it became publicly known that Yomtov Scott Menaged (“Mr. Menaged”) had defrauded DenSco of many millions of dollars over several years.⁶ The Receiver claims the Alleged Actions caused DenSco to suffer economic damages related to the frauds perpetrated by Mr. Menaged.⁷

1.2 Scope of Engagement

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

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

¹ “Complaint” dated October 16, 2017.

² Beauchamp Deposition Exhibit 432 at BC 2921.

³ DenSco QuickBooks data.

⁴ “Complaint” dated October 16, 2017, pages 20 and 21.

⁵ “Complaint” dated October 16, 2017, page 20.

⁶ Mr. Menaged obtained loans from DenSco in the name of multiple entities. This report refers to Mr. Menaged generally rather than the specific borrowing entity unless more specificity is required.

⁷ “Complaint” dated October 16, 2017, page 4.

1.3 Liability

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

2. Summary of Main Opinions

Sterling's analysis shows:

Mr. Menaged's Frauds

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

DenSco's Financial Condition

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

- DenSco would not have had enough funds to repay its Investors in full if it had been liquidated in several years from 2009 onwards as a result of losses suffered in the housing market collapse.
- DenSco was not liquidated in or around 2009 and was able to continue in business paying Investors a 12% annual return on their investments in each year.
- DenSco demonstrated an ability to pay its Investors on time in many months when it had a negative net worth on a fair value basis.
- As a result of DenSco's improving financial performance in 2010, 2011 and 2012, DenSco would have been able to work its way through the losses it had suffered in the housing market collapse and remain in business but-for the frauds perpetrated by Mr. Menaged.
- DenSco likely had a negative net worth on a fair value basis as of September 30, 2012 as a result of the nine problem loans related to Mr. Menaged's frauds identified in September 2012.
- It is unlikely any negative net worth on a fair value basis that DenSco had as of September 30, 2012 as a result of Mr. Menaged's frauds would have caused DenSco to cease operations and/or become unable to repay its Investors if Mr. Menaged's frauds had been stopped at that time.
- Based on what Mr. Chittick knew about DenSco's financial condition and assuming Mr. Menaged would not be able to obtain many millions of dollars from other sources to reimburse DenSco, DenSco would likely have become unable to generate and/or obtain enough cash to pay for its projected obligations and fund its business requirements with a reasonable cushion at some point between January 31, 2013 and November 27, 2013.
- The scale of DenSco's problem as of November 27, 2013 and January 9, 2014 was significantly larger than the one it had faced as a result of the housing market collapse.
- Unless DenSco's liens were found to be in first position on most of the outstanding loans to Mr. Menaged and/or Mr. Menaged had been able to obtain many millions of dollars from other sources to reimburse DenSco:
 - DenSco was likely facing losses as of November 27, 2013 and January 9, 2014 that could not be solved through a few years' profits and cash flow on the performing portion of its portfolio.
 - DenSco likely had a substantial negative net worth on a fair value basis and was insolvent as of November 27, 2013 and January 9, 2014.
- DenSco's accountant failed to spot and/or follow up on warning signs in information provided to him in connection with the preparation of DenSco's 2013 income tax returns.

- If DenSco's accountant had followed up on warning signs in information provided to him in connection with the preparation of DenSco's 2013 income tax returns, (i) Mr. Chittick may have been unable to hide the adverse financial effects of Mr. Menaged's frauds on DenSco's financial position for years and (ii) DenSco's losses from Mr. Menaged's frauds may have been substantially lower.
- Mr. Chittick made inappropriate accounting entries from around December 2013 onwards to hide the financial effects of Mr. Menaged's frauds on DenSco's financial position.

Receiver's Economic Damage Claims

- The economic damage claims in the Receiver's disclosure statement are substantially overstated for several reasons.
- The economic damages resulting from the Alleged Actions, if any, are not liquidated or a sum certain.
- Numerous assumptions are needed to estimate how, if at all, the losses suffered by DenSco and/or its Investors would have differed from the realized amounts if Defendants had acted differently.

3. Mr. Menaged's Frauds

3.1 DenSco's Loans to Mr. Menaged

DenSco made its first loan to Mr. Menaged in November 2007.⁸ Appendix C charts the dollar value of DenSco's outstanding loans to Mr. Menaged as of the end of each month through June 2016. Appendix D charts DenSco's outstanding loans to Mr. Menaged as a percentage of its portfolio as of the end of each month through June 2016.⁹ Appendices C and D show:

- There was a major change in DenSco's loan exposure to Mr. Menaged starting around the beginning of 2013.
- DenSco's outstanding loans to Mr. Menaged increased in 2013 from approximately \$5 million at the beginning of the year to almost \$30 million at the end of the year.
- DenSco's outstanding loans to Mr. Menaged further increased in 2014 and 2015 to almost \$45 million.

⁸ DenSco QuickBooks data.

⁹ DenSco QuickBooks data. The vast majority of DenSco's portfolio comprised loans to Borrowers. DenSco also held foreclosed properties and other assets at various times that were grouped together with the loans in DenSco's accounting records but segregated on DenSco's income tax returns.

- DenSco's outstanding loans to Mr. Menaged represented less than 15% of its portfolio until the beginning of 2013.
- DenSco's outstanding loans to Mr. Menaged increased in 2013 as a percentage of its portfolio from less than 15% at the start of the year to approximately 50% at the end of the year.
- DenSco's outstanding loans to Mr. Menaged further increased as a percentage of its portfolio in 2014, 2015 and 2016 to almost 90%.

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

3.2 Receiver's Description of Frauds

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

First Fraud

"Sometime in 2011 or 2012, Menaged began requesting loans from DenSco for properties on which he had also solicited other lenders for loans. In an effort to deceive both lenders, Menaged essentially obtained two loans on hundreds of properties with the lenders believing that they were in first position. These loans are those that led to the execution of the Forbearance Agreement in April 2014 (See the Receiver's Preliminary Report, Section 2.2.3). According to the Forbearance Agreement, Menaged met with Chittick on or about November 27, 2013 to inform him that certain properties had been used as security for one or more loans from one or more other lenders, and that the DenSco loans may not be in the first lien position on these properties. In many cases, the other lenders had issued checks directly to the trustee for the purchase of a property at a trustee's sale, which was the basis for their senior lien on the property, whereas, DenSco wired funds directly to Easy or AHF.

Based on Menaged's testimony during the Rule 2004 examination as well as email correspondence between Chittick and Menaged, the Receiver understands that Menaged misled Chittick to believe that Menaged's 'cousin' had requested the loans from the third party lenders without Menaged's knowledge, and that the cousin had absconded with the proceeds from these fraudulent loans. However, Menaged has testified that the 'cousin' did not exist and that Menaged was responsible for the fraudulent loans. The Receiver refers to this fraud scheme perpetrated by Menaged as the 'First Fraud.'"

¹⁰ DenSco QuickBooks data.

¹¹ Davis Deposition Exhibit 479, Exhibit A, pages 7 to 10.

“The DenSco records analyzed to date indicate that on December 13, 2013, DenSco began to loan Menaged additional funds to repay the third party lenders. The Receiver determined that when Menaged sold a property for less than the total of the DenSco loan and the third party loan, DenSco began paying the deficit and allocated the overage to other properties that had not yet sold or classified the additional loans as ‘workout’ loans.”

“As of the date of the receivership, DenSco’s books and records report two (2) unsecured receivables due from Menaged, including \$13,336,807.24 classified as ‘Work Out 5 Million’ and \$1,002,532.55 classified as ‘Work Out 1 Million,’ for a total of \$14,339,339.79. The loans recorded in these workout loan categories relate to overages on properties that date back to August 2012 and the First Fraud through November 2013. All prior DenSco loans that may have been double-encumbered before August 2012 were paid off in full without causing any additional losses.”

Second Fraud

“In January 2014, Menaged began requesting loans from DenSco for properties that neither Menaged nor his entities actually purchased at trustees’ sales or otherwise. Based on analyses of various emails between Chittick and Menaged, the Receiver understands that after the First Fraud, Chittick began requiring Menaged to provide DenSco with copies of the cashier’s checks issued to the trustees as well as copies of the receipts received from the trustee for the purchase of a property at a trustee’s sale. This was presumably done to ensure that DenSco was the senior lienholder on all of its loans to Menaged, even though DenSco continued to wire funds to Easy or AHF instead of directly to the trustees. However, Menaged began providing Chittick with falsified trustee’s sale receipts and copies of checks that were never actually given to the trustees. Instead, most of the cashier’s checks were deposited back to Easy or AHF bank accounts. The Receiver refers to this fraud scheme perpetrated by Menaged as the ‘Second Fraud.’”

“On average, Menaged paid off the fraudulent loans plus 18% accrued interest within approximately three (3) weeks. Because Menaged was paying interest on these loans but was not actually making any money from the purchase and sale of real estate, the number and frequency of the fraudulent loans increased over time, which dramatically increased the principal loan balance due to DenSco. The records analyzed to date indicate that Menaged essentially obtained new loans from DenSco in order to repay DenSco the principal and interest due on the older loans.

As of the date of the receivership, DenSco’s balance sheet reported eighty-four (84) loans totaling \$28,332,300.00 due from Menaged for properties that neither Menaged nor his entities actually purchased.”

3.3 First Fraud

The Receiver states the First Fraud started “Sometime in 2011 or 2012”.¹²

3.3.1 September 2012

Sterling reviewed several emails discussing the fact that it had been discovered in September 2012 that Mr. Menaged had obtained two loans on the same property on a number of occasions.¹³ The problem loans were first identified by AFG, one of DenSco’s competitors.¹⁴ In several situations, Mr. Menaged had obtained a loan from AFG and another loan from DenSco with both loans secured by the same property.¹⁵ AFG made Mr. Chittick aware that it had discovered problems with several of DenSco’s loans.¹⁶ An email from AFG to Mr. Menaged identifies nine properties with loans from both AFG and DenSco in September 2012.¹⁷ DenSco’s nine loans totaled approximately \$1.5 million and had been made between April and August 2012.¹⁸

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

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

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

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

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

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

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

3.3.2 June 2013

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

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

"I have a borrower, to [sic] which [I]'ve done a ton of business with, million[s] in loans and hundreds of loans for several years[.] [H]e's getting sued along with me."²⁷

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

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

²⁵ DenSco QuickBooks data.

²⁶ Beauchamp Deposition Exhibit 111. Mr. Menaged was also being sued.

²⁷ Beauchamp Deposition Exhibit 111.

- DenSco had significantly expanded its lending to Mr. Menaged such that Mr. Menaged's outstanding loans totaled approximately \$14.5 million and represented approximately 29% of DenSco's portfolio as of May 31, 2013.²⁸

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

3.3.3 November 2013

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

Mr. Chittick purportedly became aware of a problem with many of DenSco's outstanding loans to Mr. Menaged on or around November 27, 2013 when Mr. Menaged informed him that there were multiple liens on many properties as a result of the actions of Mr. Menaged's "cousin".²⁹ As of November 30, 2013, DenSco's outstanding loans to Mr. Menaged totaled approximately \$25.4 million and represented approximately 46% of DenSco's portfolio.³⁰ Substantially all of DenSco's outstanding loans to Mr. Menaged at that time were part of the First Fraud according to information provided by Mr. Chittick in April 2014.³¹

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

3.3.4 January 2014

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

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

"I've been lending to Scott Menaged through a few different LLC's and his name since 2007. [I]'ve lent him 50 million dollars and [I] have never had a problem with payment or issue that hasn't been resolved."³⁴

²⁸ DenSco QuickBooks data.

²⁹ Schenck Deposition Exhibit 51 at CH 5790 to 5794; Schenck Deposition Exhibit 97 at DIC 10732.

³⁰ DenSco QuickBooks data.

³¹ Beauchamp Deposition Exhibit 406.

³² Schenck Deposition Exhibit 51.

³³ Schenck Deposition Exhibit 53.

³⁴ Schenck Deposition Exhibit 51.

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

- Mr. Chittick had been informed in September 2012 that several properties used to secure DenSco's loans to Mr. Menaged were also used to secure loans from AFG.
- DenSco had significantly expanded its lending to Mr. Menaged such that Mr. Menaged's outstanding loans totaled approximately \$28.5 million and represented approximately 49% of DenSco's portfolio as of December 31, 2013.³⁵
- Over \$30 million of the cumulative total of \$50 million lent to Mr. Menaged had been lent in the last year.³⁶
- Approximately \$12.7 million of the \$28.5 million outstanding from Mr. Menaged as of December 31, 2013 had been lent more than six months ago and was in default according to the terms of DenSco's loan agreements.³⁷
- Approximately \$5.1 million of the \$21.6 million of loans that Mr. Menaged had repaid between November 2007 and December 2013 had not been repaid within the six-month loan term in DenSco's loan agreements and so had been in default.³⁸

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

3.4 Second Fraud

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

³⁵ DenSco QuickBooks data.

³⁶ Appendix E.

³⁷ Appendix F; Beauchamp Deposition Exhibit 432 at BC 2924; Schenck Deposition Exhibit 57 at CH 1410 and 1417.

³⁸ Appendix G; Beauchamp Deposition Exhibit 432 at BC 2924; Schenck Deposition Exhibit 57 at CH 1410 and 1417.

³⁹ Beauchamp Deposition Exhibit 145.

⁴⁰ Beauchamp Deposition Exhibit 406.

⁴¹ Davis Deposition Exhibit 479, Exhibit A, page 9; Davis Deposition Exhibit 535, page 5. Excel file produced by Receiver entitled "Analysis of Loans to Yomtov Scott Menaged".

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

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

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

Mr. Chittick and DenSco operated using accounts at Bank of America in 2014. Bank of America elected to close the accounts in the months after the Second Fraud began. Specifically, Bank of America elected to close Mr. Chittick's account in April 2014 and DenSco's accounts in November 2014.⁴³ Mr. Chittick opened accounts for DenSco at First Bank to replace the closed accounts at Bank of America. Sterling has not investigated whether Bank of America and/or First Bank should have taken different actions given what they knew or should have known and, if so, how different actions by Bank of America and/or First Bank would have affected the losses resulting from the Second Fraud.

3.5 Forbearance Agreement

The general plan that Mr. Menaged and Mr. Chittick had devised and started to execute in November 2013 was formalized in a Forbearance Agreement dated April 16, 2014.⁴⁴ Mr. Menaged owed approximately \$35.6 million to DenSco on the date of the Forbearance Agreement.⁴⁵ Neither Mr. Menaged nor Mr. Chittick complied with the terms of the Forbearance Agreement. For example:

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

⁴² Davis Deposition Exhibit 479, Exhibit A, page 9; Receiver's March 11, 2019 status report, page 10.

⁴³ Davis Deposition Exhibit 545; Mr. Davis' November 16, 2018 deposition, pages 260 to 262.

⁴⁴ Schenck Deposition Exhibit 97.

⁴⁵ Schenck Deposition Exhibit 97 at DIC 10733.

⁴⁶ Schenck Deposition Exhibit 97 at DIC 10734 and 10735.

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

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

3.6 New QuickBooks Accounts

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

3.6.1 "Work Out 1 Million" Account

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

- Mr. Chittick first recorded advances in the Work Out 1 Million account in December 2013 (i.e., before any work on the Forbearance Agreement had been commenced).
- Mr. Chittick allowed the balance in the Work Out 1 Million account to exceed \$0.9 million by mid-January 2014 (i.e., three months before the Forbearance Agreement was executed).
- Mr. Chittick allowed the balance in the Work Out 1 Million QuickBooks account to reach \$1 million limit in the Forbearance Agreement by April 2014 (i.e., the month in which the Forbearance Agreement was executed).

⁴⁷ Schenck Deposition Exhibit 97 at DIC 10793 and 10808.

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

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

3.6.2 “Work Out 5 Million” Account

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

- Mr. Chittick first recorded advances in the Work Out 5 Million account in February 2014 (i.e., before the Forbearance Agreement was executed in April 2014).
- Mr. Chittick allowed the balance in the Work Out 5 Million account to first exceed the \$5 million limit in the Forbearance Agreement in June 2014.
- Mr. Chittick arbitrarily continued to record advances in the Work Out 5 Million account for more than a year after the \$5 million limit in the Forbearance Agreement was exceeded.
- Mr. Chittick arbitrarily allowed the balance in the Work Out 5 Million account to exceed \$14 million by August 31, 2015, before decreasing slightly between September 2015 and December 2015 and remaining flat thereafter.

3.6.3 “Wholesale” Account

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

- Mr. Chittick first recorded advances in the Wholesale account in November 2014 (i.e., seven months after the Forbearance Agreement was executed in April 2014).
- Mr. Chittick allowed the balance in the Wholesale account to approach \$20 million by December 2014.⁴⁹
- Mr. Chittick continued to record more advances than repayments in the Wholesale account such that the balance approached \$30 million by June 2016.

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

3.7 Mr. Menaged's Frauds Summary

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

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

4. DenSco's Financial Situation

4.1 Investor Returns

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

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

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

⁵⁰ DenSco QuickBooks data; "Complaint" dated October 16, 2017, page 20.

⁵¹ Beauchamp Deposition Exhibit 432 at BC 2965.

⁵² Beauchamp Deposition Exhibit 432 at BC 2967.

⁵³ Beauchamp Deposition Exhibit 432 at BC 2913.

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

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

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

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

DenSco paid interest and returned principal to Investors in the normal course of business through June 2016.⁵⁷ After Mr. Chittick's death in July 2016, it became clear that (i) the vast majority of

⁵⁴ federalreserve.gov.

⁵⁵ 12% - 0.48% = 11.52%.

⁵⁶ 12% / 0.48% = 25.

⁵⁷ DenSco QuickBooks data.

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

4.2 Income Tax Returns

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

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

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

- For 2011 and 2012, Mr. Chittick provided Mr. Preston with a year-end balance sheet showing total loans by Borrower and a year-end listing of outstanding loans showing, inter alia, the loan to value ("LTV") percentage and unpaid interest on each loan.⁶⁰
- For 2013, Mr. Chittick did not provide Mr. Preston with a year-end listing of outstanding loans showing the LTV percentage and/or unpaid interest on each loan. Mr. Chittick did provide Mr. Preston with a year-end balance sheet showing total loans by Borrower. The balance sheet provided to Mr. Preston showed total loans to Mr. Menaged as of December 31, 2013 had increased to approximately \$28.5 million and represented 48.3% of DenSco's portfolio.⁶¹
- For 2014 and 2015, Mr. Chittick did not provide Mr. Preston with either a year-end balance sheet showing total loans by Borrower or a year-end listing of outstanding loans showing the LTV percentage and/or unpaid interest on each loan.⁶²

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

⁵⁸ Davis Deposition Exhibit 479, Exhibit A, page 11.

⁵⁹ Beauchamp Deposition Exhibit 415 at DIC 9479; Mr. Preston's January 25, 2019 deposition, page 126.

⁶⁰ DP 70 to 73; Preston Deposition Exhibit 688 at DP 80 to 85; Preston Deposition Exhibit 689 at DP 132 to 136; Preston Deposition Exhibit 689 at DP 161 to 166.

⁶¹ Preston Deposition Exhibit 690 at DP 218 to 222.

⁶² Preston Deposition Exhibit 691 at DP 273 to 276; DP 317 to 319.

⁶³ Preston Deposition Exhibit 696.

“In preparing or signing a return, a member may in good faith rely, without verification, on information furnished by the taxpayer or by third parties. However, **a member should not ignore the implications of information furnished and should make reasonable inquiries if the information furnished appears to be incorrect, incomplete, or inconsistent either on its face or on the basis of other facts known to the member.** Further, a member should refer to the taxpayer’s returns for one or more prior years whenever feasible.” [emphasis added]

“Even though there is no requirement to examine underlying documentation, a **member should encourage the taxpayer to provide supporting data where appropriate.**” [emphasis added]

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

“The Company continues to strive to achieve a diverse borrower base by attempting to ensure that one borrower will not comprise more than 10 to 15 percent of the total portfolio.”⁶⁵

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

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

⁶⁴ Mr. Preston’s January 25, 2019 deposition, pages 33 to 41.

⁶⁵ Beauchamp Deposition Exhibit 432 at BC 2957.

⁶⁶ Preston Deposition Exhibit 690 at DP 220.

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

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

4.3 Housing Market Collapse

DenSco suffered significant losses during the housing market collapse. As a result, DenSco's net worth on a book value basis was negative at the end of 29 straight months from April 2009 to August 2011.⁶⁸ DenSco's net worth on a book value basis was worst at the end of May 2010 at which time it reached approximately negative \$0.5 million.

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

<i>Year</i>	<i>Number of Foreclosed Properties Owned in Year⁶⁹</i>	<i>Book Value of Foreclosed Properties Owned as of Year End⁷⁰</i>
2007	0	\$0
2008	4	Not available
2009	27	\$2,957,001
2010	27	\$2,943,959
2011	27	\$2,859,166
2012	27	\$1,433,428
2013	12	\$0
2014	0	\$0

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

⁶⁸ DenSco QuickBooks data.

⁶⁹ DenSco QuickBooks data.

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

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

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

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

“The Company presently has three condominiums, 12 houses and a 12-plex that are all being rented. A professional management company has been retained to manage these properties. All of these properties are listed to be sold. The rent received is at or [sic] slight negative to the cost of capital for the Company. It was Management's decision to retain these properties rather than sell them and take a loss. Now that the market has shown some signs of strengthening, it is believed that these properties can be sold for minimal loss to the Company.”⁷⁴

4.4 Net Worth and Financial Condition

Sterling analyzed DenSco's net worth and financial condition as of specific dates during the time that Mr. Menaged was defrauding DenSco according to the Receiver. The Receiver states the First Fraud began “Sometime in 2011 or 2012” and the Second Fraud began around January 2014.⁷⁵

4.4.1 December 2011

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

⁷¹ \$695,177 + \$406,614 = \$1,101,791. Preston Deposition Exhibit 689 at DP 126; Preston Deposition Exhibit 690 at DP 206.

⁷² DP 5; Preston Deposition Exhibit 688 at DP 49.

⁷³ For example, Beauchamp Deposition Exhibits 431 and 432.

⁷⁴ Beauchamp Deposition Exhibit 432 at BC 2959. Sterling has not seen any documents showing the basis for Mr. Chittick's belief in or around the middle of 2011 that the 27 foreclosed properties could be sold for minimal loss.

⁷⁵ Davis Deposition Exhibit 479, Exhibit A, pages 7 and 9.

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

DenSco's 2011 income tax return shows DenSco had a net worth on a book value basis of approximately \$20,000 as of December 31, 2011.⁷⁶ As discussed earlier in this report, DenSco held many foreclosed properties as of December 31, 2011 that were subsequently sold for a loss of approximately \$1.1 million in 2012 and 2013. Therefore, DenSco likely had a negative net worth on a fair value basis as of December 31, 2011 (i.e., its assets were worth less than its liabilities on a fair value basis).

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

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

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

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

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

⁷⁶ Preston Deposition Exhibit 688 at DP 49.

⁷⁷ Beauchamp Deposition Exhibit 432 at BC 2924; Appendix L.

⁷⁸ \$25 million * 6% = \$1.5 million.

⁷⁹ DenSco QuickBooks data.

4.4.2 September 2012

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

There is no income tax return that provides information on DenSco's net worth on a book value basis as of September 30, 2012. DenSco's QuickBooks accounting records show DenSco had a net worth on a book value basis of approximately \$820,000 as of September 30, 2012.⁸⁰

DenSco held several foreclosed properties as of September 30, 2012 that were subsequently sold for a loss. Sterling has not seen appraisals or other reliable evidence of the value of the foreclosed properties held by DenSco as of September 30, 2012. DenSco realized a loss on foreclosed properties sold after September 30, 2012 of approximately \$760,000.⁸¹ Additionally, several of the foreclosed properties were sold within three months of September 30, 2012, which suggests any change in value between September 30, 2012 and the sale date would likely have been small for these properties.⁸² Therefore, Sterling estimated that DenSco had a net worth of approximately \$60,000 on a fair value basis as of September 30, 2012 before adjustments related to Mr. Menaged's frauds.⁸³

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

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

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

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

⁸² Preston Deposition Exhibit 689 at DP 126.

⁸³ $\$820,000 - \$760,000 = \$60,000$.

⁸⁴ Davis Deposition Exhibit 486, page 2.

⁸⁵ Davis Deposition Exhibit 488.

⁸⁶ Davis Deposition Exhibit 496.

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

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

“For example, on August 17, 2012, Menaged purchased the property at 20802 North Grayhawk Drive, Unit 1076, (“Grayhawk Property”) for \$274,100.00 at a trustee's sale. Menaged obtained a loan of \$264,100.00 from third party lender, Active Funding Group, LLC (“Active”), to purchase the property. On August 17, 2012, Menaged sent an email to Chittick indicating he had purchased the property and requesting a loan in the amount of \$250,000.00. DenSco wired \$250,000.00 to Easy's bank account on August 20, 2012. However, Menaged had already used the property to secure a \$264,100.00 loan from Active. The Receiver has not identified any evidence indicating that DenSco was aware of Active's loan on the Grayhawk Property. According to documents located by the Receiver, Menaged estimated the value of the Grayhawk Property to be \$380,000.00 as of the purchase date. Therefore, based on Menaged's own estimation of value, the Grayhawk Property was over-encumbered by approximately \$144,100 [sic] as of August 2012 due to the fraud perpetrated by Menaged.”⁸⁷

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

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

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

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

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

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

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

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

4.4.3 November 2013

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

There is no income tax return that provides information on DenSco's net worth on a book value basis as of November 30, 2013. DenSco's QuickBooks accounting records show DenSco had a net worth on a book value basis of approximately \$2,380,000 as of November 30, 2013.⁹⁰

The last foreclosed properties held by DenSco since the housing market collapse were sold in early November 2013.⁹¹ Therefore, there is no need to make any adjustment to DenSco's net worth as of November 30, 2013 for foreclosed properties held since the housing market collapse. Accordingly, DenSco had a net worth of approximately \$2,380,000 on a fair value basis as of November 30, 2013 before adjustments related to Mr. Menaged's frauds.

Because DenSco had significantly expanded its lending to Mr. Menaged in 2013, DenSco's outstanding loans to Mr. Menaged totaled approximately \$25.4 million and represented approximately 46% of DenSco's portfolio as of November 30, 2013.⁹² According to information provided by Mr. Chittick in April 2014, the First Fraud problem discussed between Mr. Chittick and Mr. Menaged in late November 2013 initially affected 186 loans with a total value of approximately \$25 million (i.e., substantially all of the outstanding loans to Mr. Menaged at that time).⁹³

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

⁹⁰ DenSco QuickBooks data. Mr. Chittick recorded investor interest for the month as of the last day in each month. Therefore, Sterling used DenSco's accounting records as of the end of the month in net worth assessments.

⁹¹ Preston Deposition Exhibit 690 at DP 193 and 206.

⁹² DenSco QuickBooks data.

⁹³ Beauchamp Deposition Exhibit 406.

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

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

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

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

- DenSco's financial condition as of November 27, 2013 was substantially worse than its financial condition as of September 30, 2012.
- DenSco was likely facing losses as of November 27, 2013 that could not be solved through a few years' profits and cash flow on the performing portion of its portfolio.
- DenSco likely had a substantial negative net worth on a fair value basis and was insolvent as of November 27, 2013.

4.4.4 January 2014

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

DenSco's 2013 income tax return shows a net worth on a book value basis of approximately \$1,070,000 as of December 31, 2013.⁹⁵ DenSco's net worth on a book value basis had decreased by approximately \$1,310,000 between November 30, 2013 and December 31, 2013.⁹⁶ Major

⁹⁴ Schenck Deposition Exhibit 53 at CH 1446 and 1447.

⁹⁵ Preston Deposition Exhibit 690 at DP 193.

⁹⁶ \$2,380,000 - \$1,070,000 = \$1,310,000.

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

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

- DenSco had 204 loans to Mr. Menaged totaling approximately \$29.0 million and representing approximately 51% of DenSco's portfolio as of January 9, 2014.⁹⁹
- DenSco's loans to Mr. Menaged had increased by \$3.6 million between November 30, 2013 and January 9, 2014.
- 173 of the 204 properties underlying DenSco's loans to Mr. Menaged also had a loan from another lender as of January 9, 2014.¹⁰⁰
- The 173 DenSco loans to Mr. Menaged related to properties with two liens totaled approximately \$23.3 million as of January 9, 2014.¹⁰¹
- The second lender on 113 of the 173 DenSco loans related to properties with two liens was AFG (i.e., the same lender involved in the nine problem loans identified in September 2012).¹⁰²
- DenSco had made 15 loans to Mr. Menaged totaling approximately \$2.8 million between early December 2013 and early January 2014 for the full purchase price of the underlying property or more.¹⁰³

⁹⁷ DenSco QuickBooks data.

⁹⁸ Davis Deposition Exhibit 535.

⁹⁹ Davis Deposition Exhibit 535; DenSco QuickBooks data.

¹⁰⁰ Davis Deposition Exhibit 535.

¹⁰¹ Davis Deposition Exhibit 535.

¹⁰² Davis Deposition Exhibit 535.

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

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

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

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

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

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

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

¹⁰⁴ Davis Deposition Exhibit 535. These loans represented the start of the Second Fraud.

¹⁰⁵ Davis Deposition Exhibit 535.

¹⁰⁶ Davis Deposition Exhibit 535. For example, (i) Sterling assumed a sales price of \$100,000 for a property that had been purchased on May 10, 2011 for \$71,400 and sold on August 6, 2014 for \$100,000 and (ii) Sterling assumed a sales price of \$168,000 for a property purchased on January 6, 2014 for \$168,000 and sold on August 29, 2014 for \$205,000.

- DenSco's financial condition as of January 9, 2014 was even worse than its financial condition as of November 27, 2013.
- DenSco was likely facing losses as of January 9, 2014 that could not be solved through a few years' profits and cash flow on the performing portion of its portfolio.
- DenSco likely had a substantial negative net worth on a fair value basis and was insolvent as of January 9, 2014.

4.5 Mr. Chittick's Investments and Withdrawals

Appendix N details the net funds invested and withdrawn by Mr. Chittick by month and cumulatively from December 2013 to June 2016. The analysis underlying Appendix N considers funds invested and/or withdrawn by Mr. Chittick in multiple ways (e.g., equity investments and distributions, note purchases and withdrawals, note interest payments, wage payments and retirement contribution payments). For example, if Mr. Chittick received wages of \$0.2 million and made net note purchases of \$0.2 million in the same month, there would be no net funds invested or withdrawn in that month. Appendix N shows:

- Mr. Chittick made net withdrawals of over \$2.5 million from DenSco between December 1, 2013 and June 30, 2016 on a cumulative basis.
- The three months in which Mr. Chittick made the highest net withdrawals from DenSco were April 2014, December 2014 and April 2015.

Mr. Chittick's net withdrawals of over \$2.5 million from DenSco after November 30, 2013 compounded DenSco's problems.

4.6 Zone of Insolvency

An article entitled "Fiduciary Duties & the 'Zone' of Insolvency" published in *The Bankruptcy Strategist* states:

"Despite the serious implication of expanding the scope of the fiduciary duties to creditors into the pre-insolvency status of a corporation, courts have given surprisingly little guidance on defining the 'zone' of insolvency.

In other contexts, courts have historically utilized two definitions of insolvency: the so-called equity definition and the balance sheet definition. Under the equity insolvency definition, a corporation is insolvent when it is unable to pay its debts as they become due in the ordinary course of business. See, e.g., *Shakey's, Inc. v. Caple*, 855 F. Supp. 1035, 1042-43 (E.D. Ark. 1994); *Parkway/Lamar Partners, L.P. v. Tom Thumb Stores, Inc.*, 877 S.W.2d 848, 850 (Tex. Ct. App. 1994), *rehearing overruled* (July 12, 1994), *writ denied* (Dec. 1, 1994).

Under the balance sheet insolvency definition, insolvency occurs when liabilities exceed the reasonable market value of assets held. See, e.g., *In re Koubourlis*, 869 F.2d 1319, 1321 (9th Cir. 1989); *Clarkson Co. Ltd. v. Shaheen*, 660 F.2d 506, 513 (2d Cir. 1981), *cert. denied*, 455 U.S. 990 (1982).

Consistent with the genesis of the doctrine (protecting creditors), it appears that courts analyzing fiduciary duties in troubled companies will apply the equitable insolvency test. At least one court has stated that the concept of ‘zone’ of insolvency refers to the extent of the risk that creditors will not be paid, rather than to balance sheet insolvency. *In re Ben Franklin Retail Stores, Inc.*, 225 B.R. 650, 655 (Bankr. N.D. Ill. 1998). See also *Credit Lyonnais*, 1991 WL 277613 at 34 n.55 (stating ‘vicinity of insolvency’ exists where [a] corporation was balance sheet solvent, but where there was a risk that creditors would not be paid).

However, unfortunately, virtually no guidance exists in defining the ‘vicinity’ or ‘zone’ of insolvency itself. It does seem evident that a corporation may be in the ‘zone’ of insolvency despite having a functioning solvent operation if the risk of future non-payment to creditors is sufficiently evident. Indeed, the greater the risk to creditors, the more likely a court -- with the benefit of hindsight -- will conclude that the corporation was in the vicinity of insolvency and that fiduciary duties were owed to creditors.”¹⁰⁷

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

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

As discussed in earlier sections of this report:

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

¹⁰⁷ “Fiduciary Duties & the ‘Zone’ of Insolvency” Anup Sathy and Marc Carmel, *The Bankruptcy Strategist*, April 2001, kirkland.com.

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

- Investors did not require to know DenSco's net worth or see its financial statements before investing.
- DenSco paid Investors a return on their investments that was substantially higher than the return Investors could earn on risk-free investments.

Furthermore, a financial professional, Mr. Preston, did not withdraw his own \$100,000 investment in DenSco and/or his mother-in-law's \$100,000 investment in DenSco even though he knew (i) DenSco had a negative net worth of hundreds of thousands of dollars on a book value basis at the end of both 2009 and 2010 and (ii) DenSco did not write down the foreclosed properties that it held to market value until the properties were sold. In October 2011, Mr. Preston increased his investment in DenSco by \$60,000 and allowed his mother-in-law to increase hers by \$100,000 even though the most recent income tax return that he had prepared for DenSco showed a negative net worth on a book value basis of over \$320,000.¹⁰⁹

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

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

4.7 Receiver's Solvency Analysis

The Receiver's 2016 status report includes a solvency analysis and states DenSco became insolvent in December 2012.¹¹⁰ The Receiver's solvency analysis is of minimal, if any, use in this lawsuit for multiple reasons including:

- The Receiver's solvency analysis ignores the fact that DenSco's net worth on a fair value basis was negative in many months and years before December 2012 as discussed earlier in this report.
- The Receiver's solvency analysis is focused entirely on the balance sheet insolvency definition and ignores the equity insolvency definition, which is important in DenSco's situation for reasons discussed earlier in this report.

¹⁰⁹ DenSco QuickBooks data; DP 4; Mr. Preston's January 25, 2019 deposition, pages 24 and 25.

¹¹⁰ Davis Deposition Exhibit 479, Exhibit A, pages 10 and 11 and Exhibit 1.

- DenSco was highly profitable in 2012 generating a profit in excess of \$1 million after paying over \$4.4 million in interest to Investors and paying over \$550,000 in compensation to Mr. Chittick.¹¹¹
- The profits generated by DenSco in 2013 would have been enough to eliminate the negative net worth of approximately \$320,000 as of December 31, 2012 shown in the Receiver's solvency analysis but-for the frauds perpetrated by Mr. Menaged in 2013.
- A reliable analysis of DenSco's solvency status as of December 31, 2012 according to the balance sheet definition should be based on the facts and circumstances existing as of that date.
- The Receiver did not analyze DenSco's solvency status as of December 31, 2012 based on reliable evidence of the facts and circumstances existing as of that date including:
 - The market value of the properties underlying DenSco's loans to Mr. Menaged as of December 31, 2012.
 - The relative position of the liens held by DenSco and other lenders on the properties as of December 31, 2012.
 - The outstanding balance including interest owed by Mr. Menaged to lenders other than DenSco on each property as of December 31, 2012.
 - DenSco's ability to recover any losses on properties with two loans from other assets owned by Mr. Menaged as of December 31, 2012.
- The Receiver concluded DenSco was insolvent based on the balance sheet definition as of December 31, 2012 after adjusting the valuation of four loans. The four adjustments made by the Receiver are speculative and inappropriate for multiple reasons including:
 - The four adjustments made by the Receiver were not based on the facts and circumstances as of December 31, 2012. In fact, the four adjustments made by the Receiver were based on decisions made by Mr. Chittick in the second half of 2014 and the first half of 2015 (i.e., at a time that Mr. Chittick was advancing funds to Mr. Menaged beyond the limits documented in the Forbearance Agreement as discussed earlier in this report).
 - One of the four adjustments made by the Receiver in arriving in his negative net worth estimate of approximately \$320,000 as of December 31, 2012 related to the Grayhawk Property discussed earlier in this report. The Receiver's solvency analysis includes an adjustment to write off 100% of DenSco's \$250,000 loan on the Grayhawk Property on the date that it was made in August 2012. The Grayhawk Property can be used to illustrate some of the problems with the Receiver's adjustments.

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

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

“...on August 17, 2012, Menaged purchased the property at 20802 North Grayhawk Drive, Unit 1076, (“Grayhawk Property”) for \$274,100.00 at a trustee's sale. Menaged obtained a loan of \$264,100.00 from third party lender, Active Funding Group, LLC (“Active”), to purchase the property. On August 17, 2012, Menaged sent an email to Chittick indicating he had purchased the property and requesting a loan in the amount of \$250,000.00. DenSco wired \$250,000.00 to Easy's bank account on August 20, 2012. However, Menaged had already used the property to secure a \$264,100.00 loan from Active. The Receiver has not identified any evidence indicating that DenSco was aware of Active's loan on the Grayhawk Property. According to documents located by the Receiver, Menaged estimated the value of the Grayhawk Property to be \$380,000.00 as of the purchase date. Therefore, based on Menaged's own estimation of value, the Grayhawk Property was over-encumbered by approximately \$144,100 [sic] as of August 2012 due to the fraud perpetrated by Menaged.”¹¹²

- DenSco's lien may have been superior to AFG's lien on the Grayhawk Property because (i) DenSco's lien was filed earlier than AFG's lien on the Grayhawk Property and (ii) AFG was concerned about its exposure and that its funds had been used by Mr. Menaged for purposes other than purchasing properties.¹¹³ If so, there should be no downward adjustment to DenSco's \$250,000 loan on the Grayhawk Property in August 2012.
- Even if it is assumed that DenSco's lien was in second position on the Grayhawk Property, a more accurate estimate of the appropriate adjustment as of August 2012 is \$134,100 as opposed to \$250,000 based on the available contemporaneous market value estimate.
- For the Receiver's write down of \$250,000 in August 2012 on the Grayhawk Property to have been correct, it would have required (i) DenSco's lien to have been in second position, (ii) overestimations of the market value of the Grayhawk Property in August 2012 by Mr. Menaged, DenSco and AFG and (iii) the actual market value of the Grayhawk Property in August 2012 to be around \$100,000 less than Mr. Menaged's estimate.

4.8 DenSco's Financial Situation Summary

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

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

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

¹¹³ Davis Deposition Exhibits 488 and 496.

- Investors did not require to know DenSco's net worth or see its financial statements before investing.
- DenSco suffered significant losses during the housing market collapse which resulted in DenSco's net worth being negative on a fair value basis for most, if not all, of 2009, 2010 and 2011.
- DenSco would not have had enough funds to repay its Investors in full if it had been liquidated in several years from 2009 onwards as a result of losses suffered in the housing market collapse.
- DenSco was not liquidated in or around 2009 and was able to continue in business paying Investors a 12% annual return on their investments in each year.
- DenSco demonstrated an ability to pay its Investors on time in many months when it had a negative net worth on a fair value basis.
- As a result of DenSco's improving financial performance in 2010, 2011 and 2012, DenSco would have been able to work its way through the losses it had suffered in the housing market collapse and remain in business but-for the frauds perpetrated by Mr. Menaged.
- DenSco likely had a negative net worth on a fair value basis as of September 30, 2012 as a result of the nine problem loans related to Mr. Menaged's frauds identified in September 2012.
- It is unlikely any negative net worth on a fair value basis that DenSco had as of September 30, 2012 as a result of Mr. Menaged's frauds would have caused DenSco to cease operations and/or become unable to repay its Investors if Mr. Menaged's frauds had been stopped at that time.
- Based on what Mr. Chittick knew about DenSco's financial condition and assuming Mr. Menaged would not be able to obtain many millions of dollars from other sources to reimburse DenSco, DenSco would likely have become unable to generate and/or obtain enough cash to pay for its projected obligations and fund its business requirements with a reasonable cushion at some point between January 31, 2013 and November 27, 2013.
- The scale of DenSco's problem as of November 27, 2013 and January 9, 2014 was significantly larger than the one it had faced as a result of the housing market collapse.
- Unless DenSco's liens were found to be in first position on most of the outstanding loans to Mr. Menaged and/or Mr. Menaged had been able to obtain many millions of dollars from other sources to reimburse DenSco:
 - DenSco was likely facing losses as of November 27, 2013 and January 9, 2014 that could not be solved through a few years' profits and cash flow on the performing portion of its portfolio.

- DenSco likely had a substantial negative net worth on a fair value basis and was insolvent as of November 27, 2013 and January 9, 2014.
- DenSco’s accountant failed to spot and/or follow up on warning signs in information provided to him in connection with the preparation of DenSco’s 2013 income tax returns.
- If DenSco’s accountant had followed up on warning signs in information provided to him in connection with the preparation of DenSco’s 2013 income tax returns, (i) Mr. Chittick may have been unable to hide the adverse financial effects of Mr. Menaged’s frauds on DenSco’s financial position for years and (ii) DenSco’s losses from Mr. Menaged’s frauds may have been substantially lower.
- Mr. Chittick made inappropriate accounting entries from around December 2013 onwards to hide the financial effects of Mr. Menaged’s frauds on DenSco’s financial position.

5. Receiver’s Economic Damage Claims

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

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

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

5.1 January 2014 Relationship Termination

The Receiver’s disclosure statement states:

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

¹¹⁴ “Plaintiff’s Fifth Supplemental Disclosure Statement” dated November 14, 2018, pages 133 to 136.

¹¹⁵ “Plaintiff’s Fifth Supplemental Disclosure Statement” dated November 14, 2018, page 135.

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

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

5.2 Net Loss from Frauds

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

"Based on the Receiver's extensive analysis of Menaged's bank records, DenSco's bank records, and DenSco's QuickBooks data, the Receiver determined that Menaged paid DenSco approximately \$15,328,635 in interest over the course of his borrowing relationships with DenSco. The Receiver subtracted the total interest paid by Menaged to DenSco (\$15,328,635) from Menaged's loan balance (\$46,288,983) and determined that DenSco's net loss from Menaged's fraudulent activities is approximately \$30,960,348.

The Receiver negotiated a Settlement Agreement in which the Menageds consented to the entry of a nondischargeable civil judgment in favor of the Receiver in the amount of \$31,000,000 and an agreement that Menaged will cooperate with the Receiver's ongoing investigation into activities relating to DenSco. On August 8, 2017, the Receiver filed a Petition for Order Approving Settlement Agreement with Yomtov Scott Menaged and Francine Menaged (see Petition No. 32). The Receivership Court signed the Order approving the Menaged Settlement Agreement on August 11, 2017.

Accordingly, on September 5, 2017, the Bankruptcy Court awarded the Receiver a nondischargeable judgment in the amount of \$31,000,000 plus post-judgment interest. The Receiver recorded the judgment with the Maricopa County Recorder on October 3, 2017."¹¹⁶

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

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

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

5.3 Net Loss by Investors

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

“There are multiple methods of calculating investor losses in investment fraud schemes. One method commonly used in receiverships is the net investment method, in which cash payments to investors are considered the return of principal. This method is consistent with the calculation of a theft loss described in Revenue Ruling 2009-9 and Revenue Procedure 2009-20. For the purposes of this discussion, the Receiver excluded the three (3) DenSco investment accounts held by Chittick.

Since DenSco was otherwise operating a functioning hard money lending business prior to the First Fraud, the Receiver proposes that accrued but unpaid interest dated prior to the date of insolvency should be considered principal, and any cash withdrawals after the date of insolvency should be considered the return of principal. Investor balances as of December 31, 2012 totaled \$39,790,901.56. DenSco paid out a net total of \$10,277,170.78 in cash to investors from January 1, 2013 forward.”

“Under this methodology, twenty-one (21) DenSco investors are net investment ‘winners’ who received cash in excess of their net investment balance as of the date of insolvency. All of the net investment ‘winners’ withdrew their investment balances during the period from the date of insolvency through June 30, 2016. In total, these net investment ‘winners’ received \$2,397,734.99, while the 114 net investment ‘losers’ have a combined net investment loss of \$31,911,465.77.”

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

“Both Revenue Ruling 2009-9 and Revenue Procedure 2009-20 require that investors account for potential recoveries that may offset a portion of their losses, including future recoveries received from the receivership.

As mentioned above, the net investment ‘losers’ have a combined balance of \$31,911,465.77. Based on the funds recovered by the Receiver to date, the expenses incurred to date, and the Receiver’s estimation of future recoveries, the Receiver anticipates distributing approximately 20% of the net investment losses incurred by net investment ‘losers.’”

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

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

5.4 Potential Future Distributions/Recoveries

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

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

¹¹⁸ $\$31,911,466 * 80\% = \$25,529,173.$

¹¹⁹ Receiver’s March 11, 2019 status report, page 4.

¹²⁰ $\$31,911,466 - \$7,000,000 = \$24,911,466.$

¹²¹ Receiver’s March 11, 2019 status report, pages 1 to 15.

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

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

5.5 Non-Parties at Fault

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

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

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

5.6 Workout Loan Balances

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

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

"As of the date of the receivership, DenSco's books and records report two (2) unsecured receivables due from Menaged, including \$13,336,807.24 classified as 'Work Out 5 Million' and \$1,002,532.55 classified as 'Work Out 1 Million,' for a total of \$14,339,339.79. The loans recorded in these workout loan categories relate

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

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

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

The Receiver’s statement that the “...loans recorded in these workout loan categories relate to overages on properties that date back to August 2012 and the First Fraud through November 2013” is consistent with Sterling’s opinion that DenSco had already suffered substantial losses on these loans before the January 9, 2014 meeting involving Mr. Beauchamp.

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

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

5.7 Prejudgment Interest

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

The Alleged Actions did not cause economic damages in the amounts identified in the disclosure statement for reasons discussed in earlier sections of this report. Furthermore, the economic damages resulting from the Alleged Actions are not liquidated or a sum certain. Numerous assumptions are needed to estimate how, if at all, the losses suffered by DenSco and/or its Investors would have differed from the realized amounts if Defendants had acted differently.

5.8 Receiver’s Economic Damage Claims Summary

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

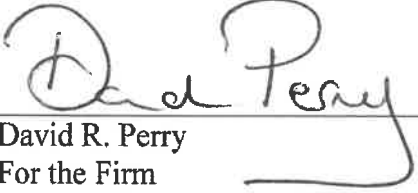
- The economic damage claims in the Receiver’s disclosure statement are substantially overstated for several reasons.
- The economic damages resulting from the Alleged Actions, if any, are not liquidated or a sum certain.
- Numerous assumptions are needed to estimate how, if at all, the losses suffered by DenSco and/or its Investors would have differed from the realized amounts if Defendants had acted differently.

¹²⁴ Davis Deposition Exhibit 479, Exhibit A, page 9.


¹²⁵ “Plaintiff’s Fifth Supplemental Disclosure Statement” dated November 14, 2018, pages 133 to 136.

6. Signature

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



David R. Perry
For the Firm



Date

Appendix A

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

Summary

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

Commercial Disputes

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

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

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

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

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

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- Valued the business of a homebuilder in connection with a lawsuit with a homeowners' association.
- Analyzed misstatements in financial statements used to calculate the earn-out payments after an acquisition.
- Calculated damages in a lawsuit involving an alleged oral contract and analyzed if the alleged contract was commercially reasonable.
- Analyzed millions of records in multiple databases in connection with a lawsuit alleging failure to make commission payments.
- Assessed what percentage of the change in value of a chiropractic business was caused by alleged professional malpractice.

Intellectual Property

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

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

- In a patent case involving email technology, Mr. Perry issued an expert report and provided testimony explaining (i) errors in the opposing expert's damage calculation and (ii) the appropriate way to calculate damages. Mr. Perry's expert report and opinions formed the basis of a successful motion to exclude against the opposing expert.
- In a patent case involving successful casino table games, Mr. Perry issued an expert report and provided testimony on the plaintiff's damages. The court awarded damages in the exact amount shown in Mr. Perry's expert report.
- In a patent case involving internet search technologies, Mr. Perry issued multiple expert reports on damages suffered by the patent holder as a result of alleged infringement by an industry-leading internet search provider.
- In a patent case involving a product renewal method used by an industry-leading web services provider, Mr. Perry issued multiple expert reports. Mr. Perry's expert reports identified errors in the opposing expert's damage calculations and described the appropriate way to calculate damages.

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David R. Perry CPA/ABV/CFF, CDFIA, FCA

- In two patent and trade secret cases involving golf tee time booking systems, Mr. Perry issued an expert report and determined the damages suffered by the intellectual property owners.
- In a copyright case involving software used by major electronic payment processors, Mr. Perry issued multiple expert reports and provided testimony. Mr. Perry's expert reports identified errors in the opposing expert's calculations and explained his own damage assessment.
- In a copyright and trade secret case involving software used in online courses offered by two Silicon Valley companies, Mr. Perry issued multiple expert reports and provided testimony. Mr. Perry's expert reports identified errors in the opposing expert's calculations and explained his own damage assessment.
- In a copyright case involving alleged unauthorized copying by a law firm, Mr. Perry issued an expert report discussing the revenues received by the law firm from the alleged improper acts.
- In a trademark case involving online and brick and mortar sales by an industry leading tire and wheel retailer, Mr. Perry issued four reports and provided testimony. Mr. Perry's expert reports identified errors in the opposing expert's calculations and explained his own damage assessments.
- In a trade secret case involving two large insurance brokers, Mr. Perry issued an expert report. Mr. Perry's expert report identified errors in the opposing expert's calculations and explained his own damage assessments.

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

Individual Claims

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

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

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

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

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- Calculate the present value of lost earnings and household services in an alleged wrongful death case considering the deceased's future income and personal consumption if he had lived longer.
- Rebut calculations of the present value of an individual's lost earnings, future medical costs and household services prepared by another expert related to a work-related accident.
- Assess the present value of economic losses suffered by an individual as a result of alleged medical malpractice after considering available information and the reports of medical and vocational experts.

Marital Dissolution

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

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

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

- Critiqued another expert's opinions about the value of an executive's alleged book of business, which resulted in a Court finding "...Mr. Perry's criticism of the [other expert's] approach was well-founded and very persuasive."
- Prepared charts and spreadsheets that tracked the flow of funds over time and allowed the attorney and his client to understand where certain community monies had gone.
- Valued a multi-million-dollar business that cleans the tools used to manufacture microchips in connection with a marital dissolution.
- Reviewed accounting and public records for numerous inter-related corporations and partnerships to determine the marital community's interest in each entity.
- Critiqued a valuation of a design business prepared by another expert and prepared a report correcting the other expert's errors.
- Valued over ten billion dollars of interests in public and private telecommunications companies as part of a divorce proceeding.
- Assisted an attorney in preparing for multiple depositions in a complex divorce involving multiple business entities.

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David R. Perry CPA/ABV/CFF, CDFA, FCA

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

Business Improvement

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

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

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

Professional History

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

Professional Credentials

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

Accredited in Business Valuation.

Certified in Financial Forensics.

Certified Divorce Financial Analyst.

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

Professional Affiliations

American Institute of Certified Public Accountants.

Arizona Society of Certified Public Accountants.

Institute for Divorce Financial Analysts

National Association of Forensic Economics

Education and Training

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

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

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

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

Testimony Experience

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Publications (last ten years)

None

Appendix B

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

1. Court Filings

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

2. Transcripts and Exhibits:

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

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

3. Documents labeled:

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

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

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

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

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

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Documents Considered

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

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

4. Documents without Bates numbers:

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

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

5. Information from:

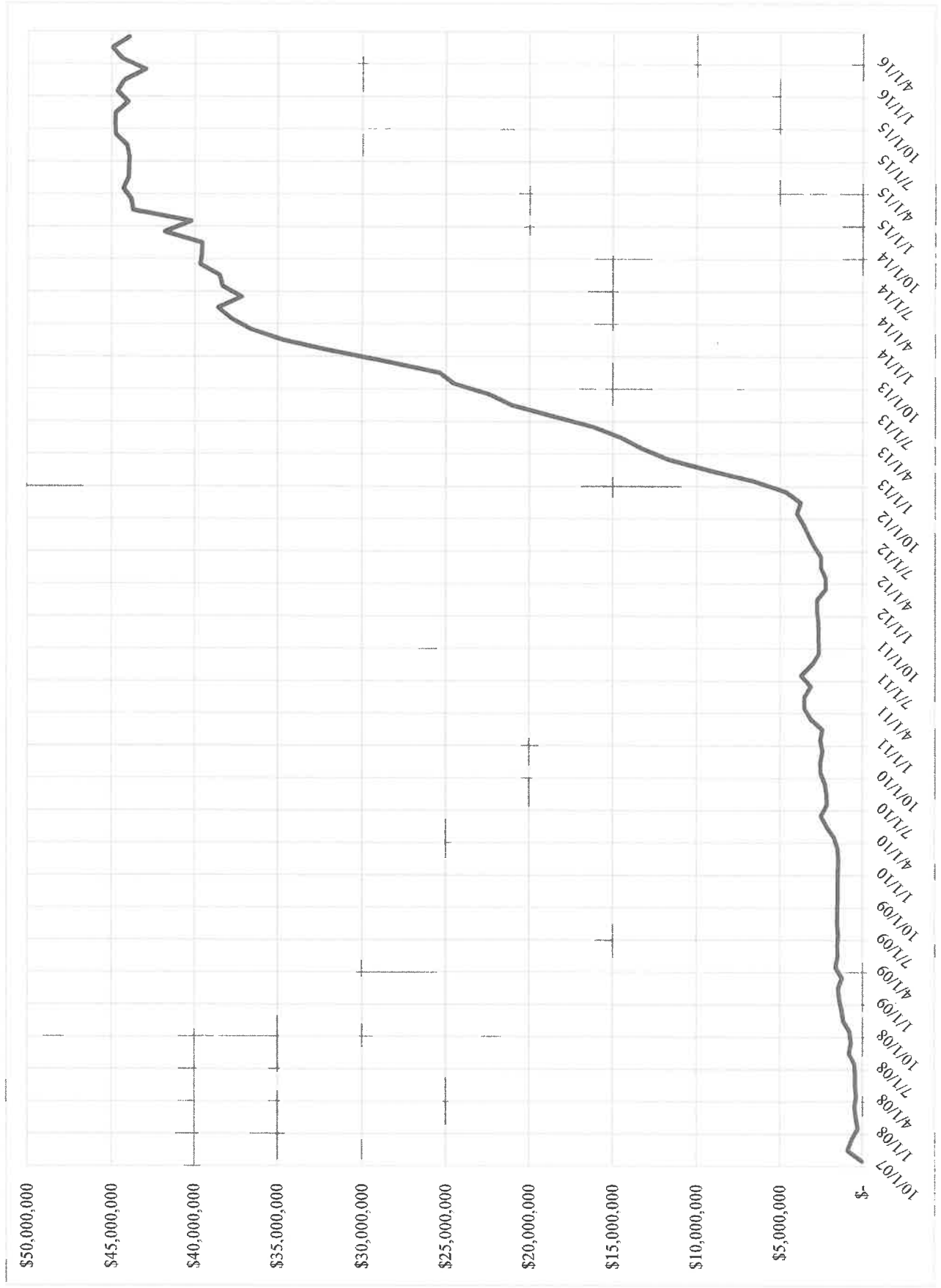
- aicpa.org
- denscoreceiver1.godaddysites.com
- federalreserve.gov
- irs.gov
- kirkland.com
- prestoncpa.biz

Appendix C

Appendix C

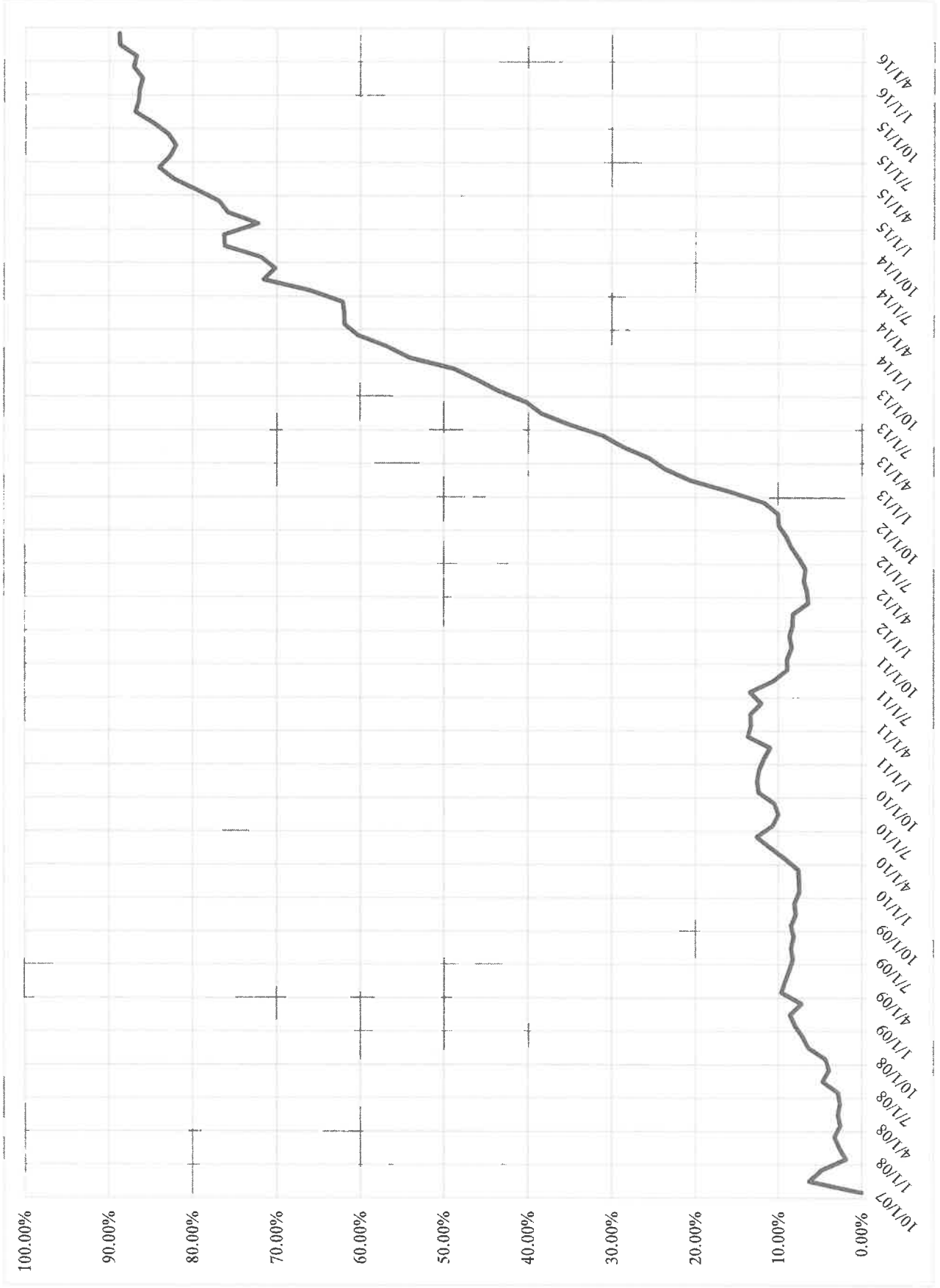
**Davis v. Clark Hill PLC, et al.
Mr. Menaged's Outstanding Loans (Dollars)**

Appendix C



Appendix D

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



Appendix E

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

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

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

Appendix F

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

Year	Quarter	Total Amount of Loans in Quarter Outstanding as of 12/31/2013	Total Amount of Loans in Year Outstanding as of 12/31/2013	Cumulative Amount of Loans Since 2007 Outstanding as of 12/31/2013	Age of Loans Outstanding as of 12/31/2013					
					Less Than 6 Months	6 Months to 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	Over 4 Years
2007	Qtr4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2007	Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2008	Qtr1	\$ 85,000	\$ 85,000	\$ 85,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,000
2008	Qtr2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2008	Qtr3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2008	Qtr4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2008	Total	\$ -	\$ 85,000	\$ 85,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2009	Qtr1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2009	Qtr2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2009	Qtr3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2009	Qtr4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2009	Total	\$ -	\$ -	\$ 85,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2010	Qtr1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2010	Qtr2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2010	Qtr3	\$ 70,000	\$ 70,000	\$ 155,000	\$ -	\$ -	\$ -	\$ -	\$ 70,000	\$ -
2010	Qtr4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2010	Total	\$ -	\$ 70,000	\$ 155,000	\$ -	\$ -	\$ -	\$ -	\$ 70,000	\$ -
2011	Qtr1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2011	Qtr2	\$ 62,000	\$ 62,000	\$ 217,000	\$ -	\$ -	\$ -	\$ 62,000	\$ -	\$ -
2011	Qtr3	\$ 110,000	\$ 172,000	\$ 327,000	\$ -	\$ -	\$ -	\$ 110,000	\$ -	\$ -
2011	Qtr4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2011	Total	\$ -	\$ 172,000	\$ 327,000	\$ -	\$ -	\$ -	\$ 172,000	\$ -	\$ -
2012	Qtr1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2012	Qtr2	\$ 300,000	\$ 300,000	\$ 627,000	\$ -	\$ -	\$ 300,000	\$ -	\$ -	\$ -
2012	Qtr3	\$ 250,000	\$ 550,000	\$ 877,000	\$ -	\$ -	\$ 250,000	\$ -	\$ -	\$ -
2012	Qtr4	\$ 1,520,000	\$ 1,520,000	\$ 1,397,000	\$ -	\$ -	\$ 1,520,000	\$ -	\$ -	\$ -
2012	Total	\$ -	\$ 2,070,000	\$ 2,397,000	\$ -	\$ -	\$ 2,070,000	\$ -	\$ -	\$ -
2013	Qtr1	\$ 6,580,000	\$ 6,580,000	\$ 3,057,000	\$ -	\$ 6,580,000	\$ -	\$ -	\$ -	\$ -
2013	Qtr2	\$ 3,700,000	\$ 3,700,000	\$ 6,757,000	\$ -	\$ 3,700,000	\$ -	\$ -	\$ -	\$ -
2013	Qtr3	\$ 7,440,000	\$ 7,440,000	\$ 14,197,000	\$ 7,440,000	\$ -	\$ -	\$ -	\$ -	\$ -
2013	Qtr4	\$ 8,337,732	\$ 8,337,732	\$ 22,534,732	\$ 8,337,732	\$ -	\$ -	\$ -	\$ -	\$ -
2013	Total	\$ -	\$ 26,057,732	\$ 28,454,732	\$ 26,057,732	\$ -	\$ -	\$ -	\$ -	\$ -
2007 to 2013	Grand Total	\$ 28,454,732	\$ 28,454,732	\$ 28,454,732	\$ 15,777,732	\$ 10,280,000	\$ 2,070,000	\$ 172,000	\$ 70,000	\$ 85,000
As Percentage of Total Loans to Mr. Menaged				56.9%	55.4%	36.1%	7.3%	0.6%	0.2%	0.3%
As Percentage of Outstanding Loans to Mr. Menaged as of December 31, 2013										

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

Appendix G

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

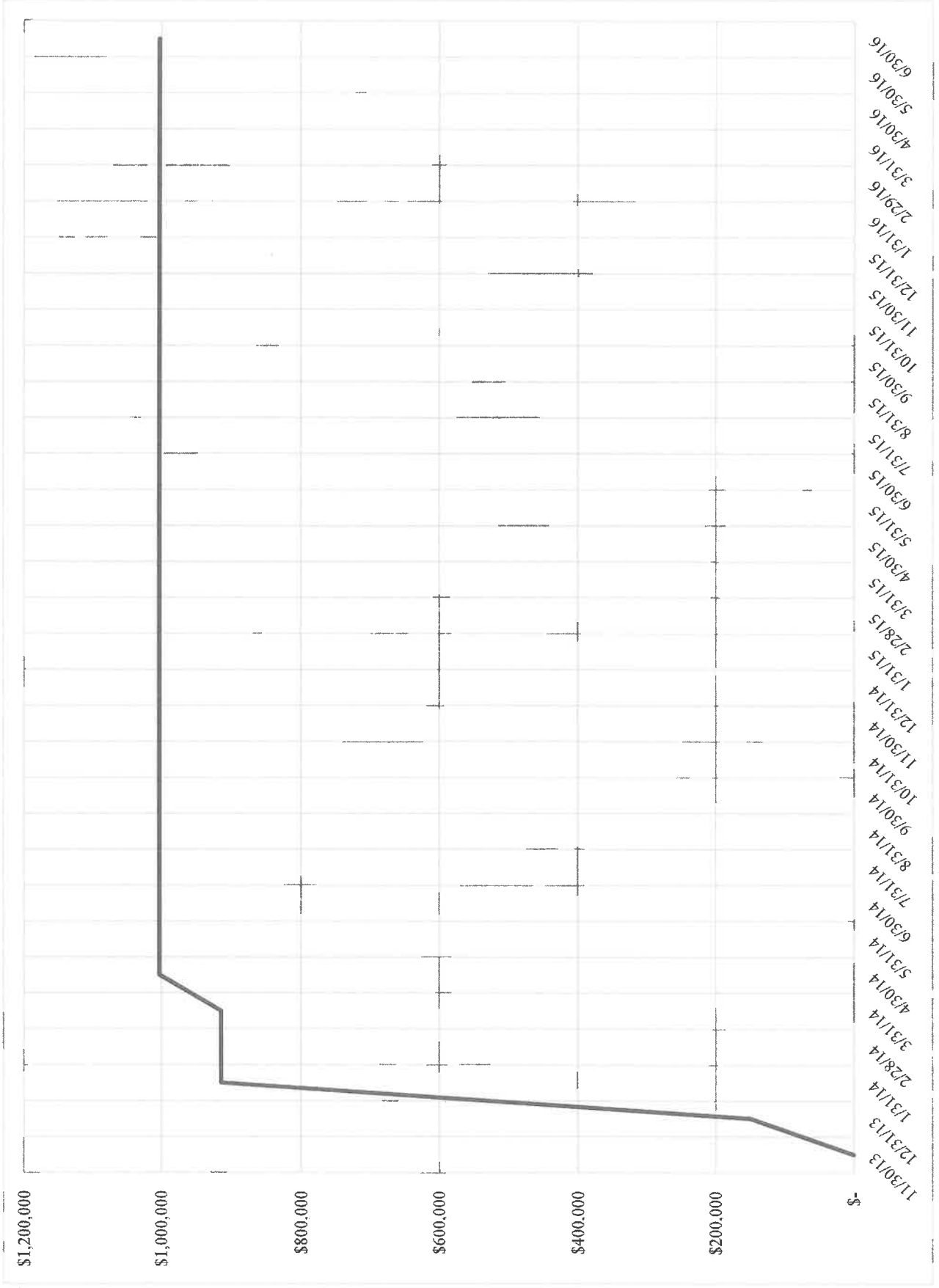
Year	Quarter	Total Amount of Loans in Quarter Repaid by 12/31/2013	Total Amount of Loans in Year Repaid by 12/31/2013	Cumulative Amount of Loans Since 2007 Repaid by 12/31/2013	Age of Loan at Time of Repayment					
					Less Than 6 Months	6 Months to 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	Over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

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

Appendix H

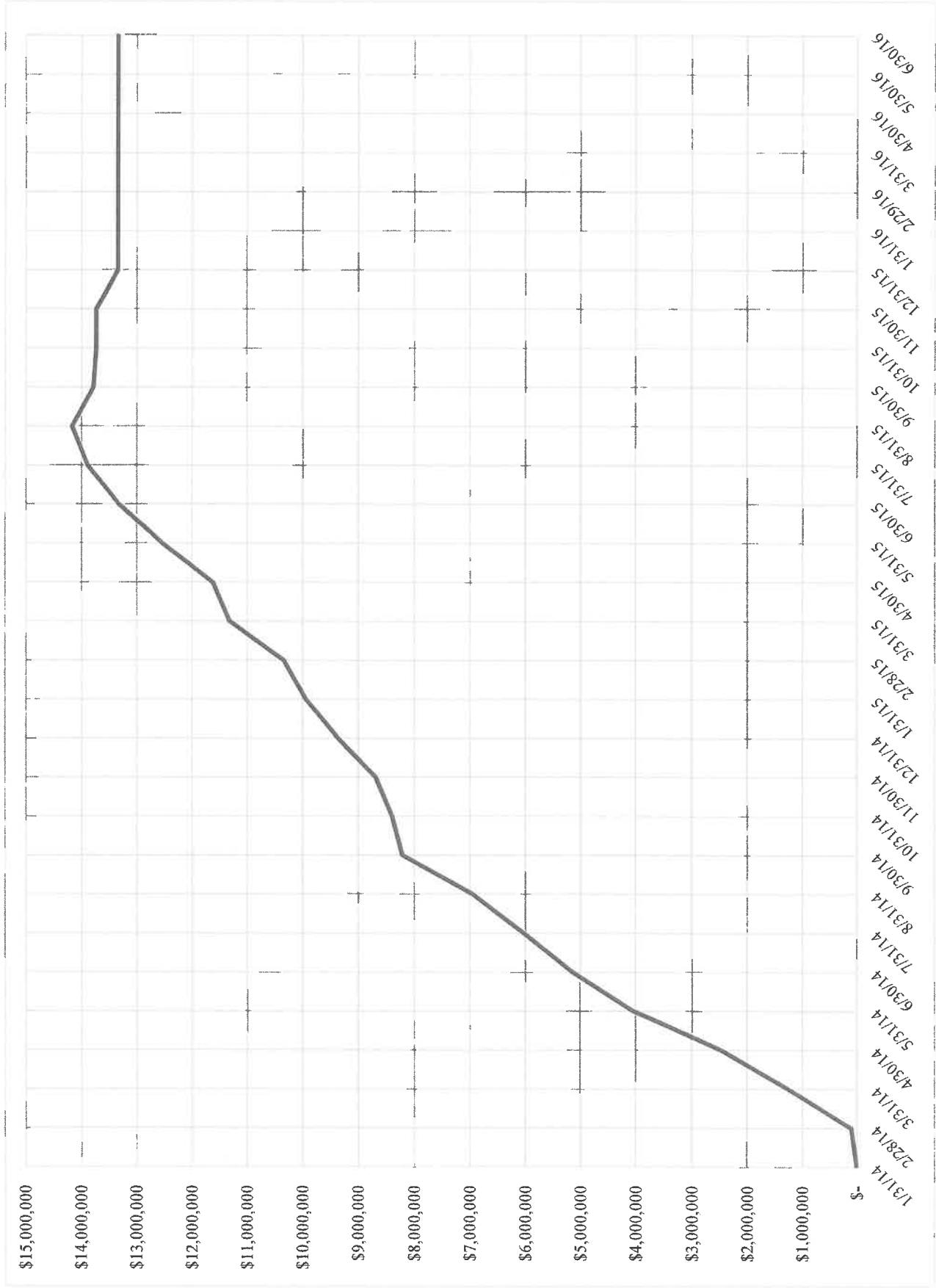
Davis v. Clark Hill PLC, et al.
"Work Out 1 Million" QuickBooks Account

Appendix H



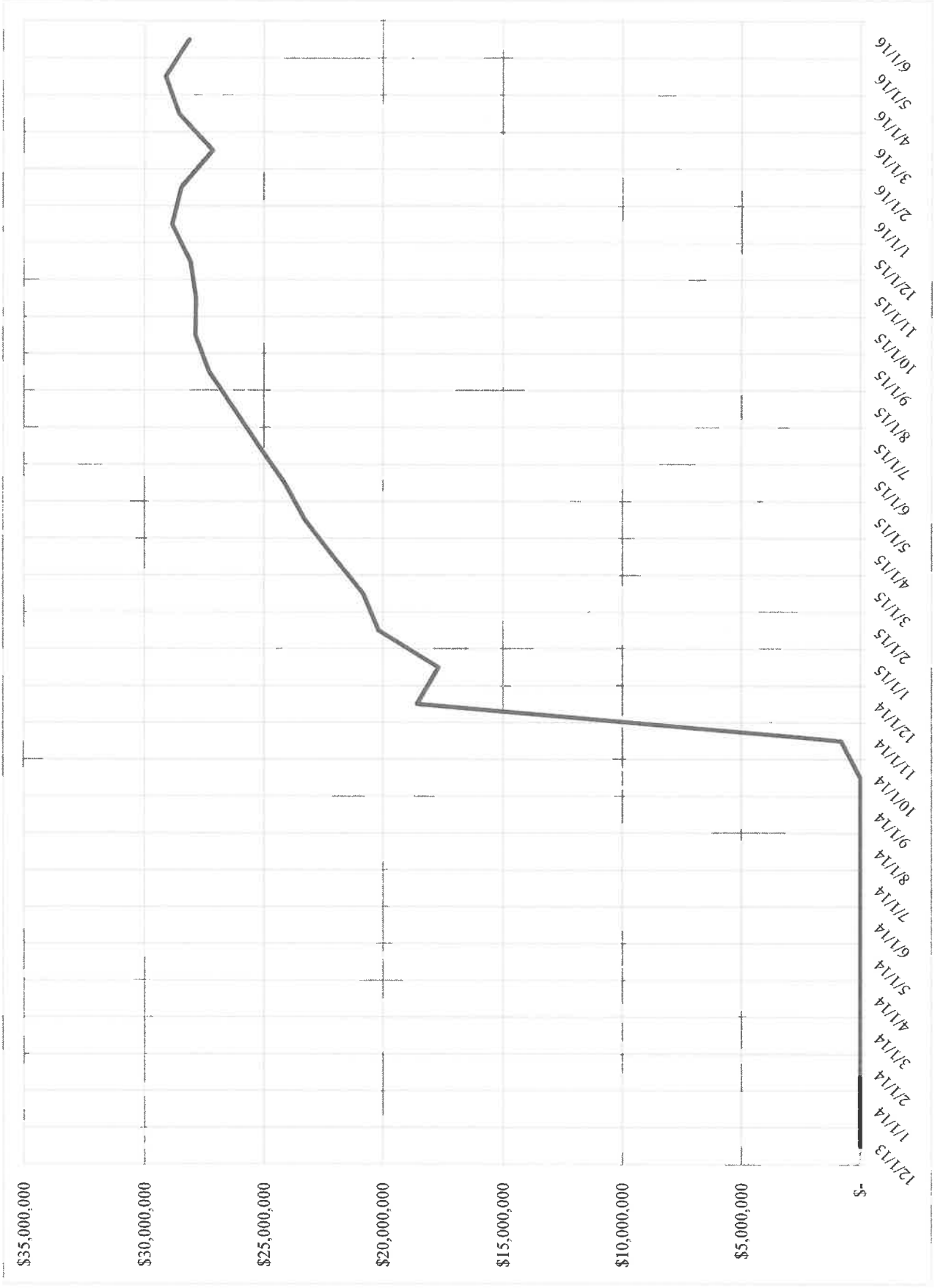
Appendix I

Davis v. Clark Hill PLC, et al.
"Work Out 5 Million" QuickBooks Account



Appendix J

Davis v. Clark Hill PLC, et al.
"Wholesale" QuickBooks Account



Appendix K

Davis v. Clark Hill PLC, et al.
Investor Interest (May 2001 to June 2016)

Ref #	Investor	Annual Interest Payments												Overall			
		2001 (8 Months)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		2013	2014	2015
55	Hey, Ralph	-	-	-	-	-	-	-	-	-	-	1,859	7,845	9,320	10,858	10,858	46,168
56	Hickman, Dale	-	-	4,103	13,774	17,670	25,642	35,845	49,429	49,429	58,952	66,326	74,354	101,809	110,800	110,800	625,974
57	Hickman, Kathy	-	-	-	2,987	3,030	3,030	3,030	-	-	250	-	-	-	-	-	17,657
58	Hood, Craig	-	-	-	-	-	-	-	-	-	155,121	208,962	176,789	159,222	172,762	172,762	92,384
59	Howze, Lee	-	-	-	5,173	9,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600	965,240
60	Hughes, Bill & Judy and IRA	-	-	-	23,420	42,882	48,321	54,449	61,856	61,856	79,175	82,395	83,131	83,875	84,590	84,590	42,588
61	Hughes, Judy - IRA	-	-	-	1,064	2,359	4,256	3,250	22,500	27,500	26,092	26,812	27,548	28,292	29,007	29,007	14,796
62	Indiekie Revocable Trust	-	-	-	-	-	68,333	222,250	319,333	319,333	360,000	377,000	556,433	616,000	710,667	710,667	3,564,016
63	Jeiton, James	-	-	-	-	-	-	-	-	-	1,841	6,575	7,409	7,409	8,059	8,059	28,162
64	Jones, Les	-	-	-	1,367	12,667	24,717	30,000	35,367	35,367	36,000	36,000	36,000	36,000	36,000	36,000	278,117
65	Jones, Les - IRA	-	-	-	-	-	-	-	-	-	12,389	20,616	26,505	32,624	36,894	36,894	149,195
66	Kasler, Ralph - IRA	-	-	-	-	-	-	11,344	23,082	23,082	26,009	29,308	33,025	37,213	41,933	41,933	224,834
67	Kelly, Mike	-	8,071	21,233	41,578	59,408	59,279	1,714	-	-	-	-	-	-	-	-	290,296
68	Kent, Mary	-	-	-	-	1,333	12,000	15,000	24,000	24,000	25,365	28,582	32,207	35,073	36,847	36,847	233,281
69	Kent, Mary - IRA	-	-	-	3,842	13,197	14,871	16,497	4,609	4,609	-	-	-	-	-	-	77,740
70	Kent, Paul	5,468	19,717	27,844	43,811	54,210	54,210	54,210	53,710	53,710	41,310	35,360	31,810	30,210	30,210	30,210	605,600
71	Kimble, Don	-	-	-	-	-	-	-	1,213	1,160	-	-	-	-	-	-	2,373
72	Kimble, Don - IRA	-	-	-	-	-	-	-	4,500	8,723	9,829	3,546	-	-	-	-	26,598
73	Koehler, Robert - IRA	-	-	-	3,574	9,490	12,310	13,871	15,631	17,613	19,847	22,364	25,200	28,396	28,396	15,521	183,817
74	Kopel, Jemma	-	-	-	-	-	2,551	6,665	7,510	8,462	9,536	12,317	24,900	24,721	24,721	7,025	103,776
75	Kopel, Roy - IRA	-	-	-	-	-	10,646	-	14,033	15,812	17,818	20,078	22,624	25,493	25,493	13,935	140,438
76	Lawson, Robert	-	-	-	-	-	-	-	-	-	6,329	13,485	15,195	16,283	16,283	8,643	59,935
77	Ledet, Wayne	-	-	-	-	-	-	-	-	-	13,165	19,065	21,442	28,079	32,451	22,539	136,740
78	Ledet, Wayne - IRA	-	-	2,962	9,097	-	-	-	6,747	26,221	29,546	33,293	37,516	42,274	42,274	23,107	222,996
79	Ledet, Wayne - ROTH IRA	-	-	-	-	-	-	-	-	-	4,548	12,867	14,615	15,701	15,701	8,462	56,194
80	Lee Group, Inc.	-	-	-	-	-	10,667	24,000	27,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	259,667
81	Lee, Terry & Lil	-	-	-	-	-	-	-	3,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	69,000
82	Lent, Lillian - IRA	-	-	-	204	2,182	2,459	3,122	3,518	3,964	-	4,467	5,033	5,671	6,391	6,391	43,274
83	Lent, Manuel	-	-	-	-	2,672	3,646	2,833	-	-	-	-	-	-	-	-	9,152
84	Lent, Mannel - IRA	-	-	-	899	5,187	5,845	7,421	8,363	9,423	10,618	11,965	13,483	15,192	15,192	8,304	103,287
85	LJL Capital, LLC	-	-	-	-	-	-	-	-	-	-	-	-	-	1,040	-	7,502
86	Locke, Bill & Jean	-	-	-	5,999	13,223	17,082	21,852	21,139	20,670	18,146	24,463	27,112	23,304	23,304	11,515	204,503
87	McArdle, James	-	-	-	-	35,733	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	341,558
88	McCoy, James & Lesley Trust	-	-	-	-	-	-	-	1,876	6,579	4,843	-	-	-	-	-	443,753
89	Merkle, Gregg	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,298
90	Miller, LF Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	34,064
91	Miller, Mar & Pat Trust	-	-	-	-	-	-	-	14,518	35,549	35,741	105,952	205,944	183,365	183,365	91,683	672,752
92	Minchuk, Lawrence Trust	-	-	-	-	-	-	-	-	29,167	55,500	66,000	36,000	-	-	-	186,667
93	Moss Family Trust	-	-	-	6,933	13,964	31,613	36,861	6,144	4,208	9,736	11,280	13,746	15,140	15,140	8,096	199,249
94	Moss, Kaylene - IRA	-	-	-	-	-	-	-	-	-	18,605	32,807	36,968	41,656	41,656	22,769	152,804
95	Muscat, Vince	-	-	2,467	34,667	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	30,000	723,100
96	Nesta Capital, Inc.	-	-	-	-	-	-	-	-	-	2,269	20,787	17,750	-	-	-	40,807
97	Non Lethal Defense, Inc	-	-	-	333	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	6,000	138,333
98	Odenthal, Brian	-	7,914	17,384	18,181	18,181	18,181	18,181	18,181	18,181	18,181	18,181	18,267	21,571	23,230	12,148	264,140
99	Odenthal, Brian - IRA	-	-	-	-	-	-	-	-	428	4,113	5,713	7,642	9,126	9,126	5,486	32,506
100	Page, Jolene	-	-	-	-	-	-	-	-	2,172	155,230	260,930	312,377	337,033	337,033	168,686	1,236,427
101	Patel, Greg	-	-	-	-	-	3,412	3,853	-	-	-	-	-	-	-	-	7,265
102	Paxton, Smalerie	-	-	-	-	-	-	-	-	72,725	94,168	121,793	121,793	121,793	121,793	60,896	593,167
103	Pearce, Marlene - IRA	-	-	-	-	-	-	-	5,966	10,360	12,470	14,407	14,407	16,564	16,564	9,054	68,820
104	Pearce, Marlene	-	-	-	-	-	-	-	-	-	-	3,988	-	-	-	-	3,988
105	Petraneck, Dorian	-	-	-	2,290	6,632	7,473	8,421	9,488	12,451	16,595	22,996	26,804	29,819	29,819	18,230	161,199
106	Phalen, Family Trust	-	-	-	25,067	59,000	60,000	66,000	73,000	79,345	83,400	87,067	89,400	89,400	96,400	50,700	769,379
107	Phalen, Jeff - IRA	-	-	-	-	-	-	-	-	4,972	25,996	34,559	52,699	52,699	59,383	32,459	210,067
108	Preston Revocable Living Trust	-	-	-	-	-	8,070	12,120	12,120	13,449	19,393	19,393	19,393	19,393	19,393	9,696	145,147

Davis v. Clark Hill PLC, et al.
Investor Interest (May 2001 to June 2016)

Appendix K

Ref #	Investor	Annual Interest Payments												Overall				
		2001 (8 Months)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		2013	2014	2015	2016 (6 Months)
109	Prineville Investment Group SW	-	-	-	-	-	-	-	-	1,128	751	-	13,500	3,466	-	-	21,962	
110	Quigley, Karen	-	-	-	-	3,117	-	-	-	-	-	10,240	12,881	509	-	-	23,630	
111	Ray, John	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,541	
112	Rivera, Ray	-	-	-	7,143	-	-	-	-	-	-	-	-	-	-	-	25,426	
113	Rzonca, Pete	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	39,761	
114	Salitre LLC	-	-	-	-	-	18,181	18,181	18,181	18,181	18,181	18,181	18,181	18,181	18,181	19,673	60,392	
115	Sanders, JoAnn	-	-	-	-	-	-	-	-	-	-	1,404	12,861	14,454	-	-	25,426	
116	Schlotz GB 12, LLC - IRA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	173,016	
117	Schlotz, Mary - IRA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	67,253	
118	Schlotz, Stanley - IRA	-	-	-	-	-	-	-	-	781	10,605	14,126	15,630	17,479	19,152	23,002	84,663	
119	Schlotz, Stanley - ROTH IRA	-	-	-	-	-	-	-	-	356	14,678	21,011	15,408	16,604	18,669	10,101	86,294	
120	Schlotz, Stanley L	-	-	-	-	-	-	-	-	1,241	4,981	15,289	19,469	20,416	21,063	10,740	37,906	
121	Schreiber, John	-	-	-	7,499	42,839	20,342	-	-	-	-	-	-	-	-	-	70,680	
122	Scroggin, Annette - IRA	-	-	-	-	-	-	-	-	-	-	4,586	19,144	21,572	24,308	13,287	82,898	
123	Scroggin, Annette - ROTH	-	-	-	-	-	-	-	-	-	-	1,561	6,136	6,915	7,791	4,259	26,662	
124	Scroggin, Mike	-	-	-	-	-	-	-	-	-	-	6,050	18,000	18,000	18,000	9,000	69,050	
125	Scroggin, Mike - IRA	-	-	-	-	-	-	-	-	-	-	10,283	47,350	53,355	60,122	32,862	203,971	
126	Scroggin, Mike - ROTH	-	-	-	-	-	-	-	-	-	-	2,806	10,928	12,314	13,876	7,585	47,508	
127	Sherriff, Stewart	-	-	-	-	-	2,056	18,181	18,181	18,181	18,181	18,181	18,181	18,181	18,181	9,090	174,771	
128	Stegford, Gary	27	29,862	34,742	41,305	57,425	62,194	60,620	60,722	61,653	61,762	61,762	61,762	61,762	61,762	30,881	748,240	
129	Stegford, GE	-	-	-	-	17,802	60,602	62,219	64,450	85,518	96,363	102,900	110,248	119,090	121,332	65,679	906,202	
130	Smith Trust, Cansyn P	-	-	-	-	-	-	1,226	8,168	10,270	13,150	15,963	18,576	21,605	19,584	-	108,542	
131	Smith Trust, Meckma	-	-	-	-	-	-	1,226	8,147	10,268	13,147	15,960	18,572	21,601	20,079	-	109,001	
132	Smith Trust, Tony & Saundra	-	-	-	-	22,917	44,083	60,000	80,750	85,500	83,000	90,400	99,000	92,000	77,100	30,000	764,750	
133	Smith, Tony - IRA	-	-	-	-	-	-	16,162	23,760	26,773	30,169	30,169	30,169	33,995	38,307	20,938	190,104	
134	Sterling, Donald	-	-	-	-	-	-	-	-	-	-	1,350	9,000	8,250	6,000	27,600	27,600	
135	Sundance Debt Partners, LLC	-	-	-	-	-	-	-	-	-	-	-	-	88,402	-	-	88,402	
136	Swirt, Nancy	-	-	-	-	-	-	-	-	1,393	6,679	7,602	8,620	9,736	10,602	5,672	50,304	
137	Swirtz, William	-	-	-	-	-	13,750	51,590	103,923	176,590	195,757	195,757	195,757	195,757	195,757	97,878	1,422,494	
138	Thermogen	-	-	-	34,226	23,000	-	-	-	-	-	-	-	-	-	-	57,226	
139	Thomas Stevenson	-	-	-	-	-	-	-	-	-	-	-	-	7,254	-	-	7,254	
140	Thompson, Coralee	-	-	-	-	-	-	-	2,774	56,079	142,807	192,469	219,870	229,642	244,820	128,534	1,322,966	
141	Thompson, Gary	-	-	-	-	-	-	-	34,548	93,262	120,117	165,799	187,205	200,248	215,002	112,765	1,128,946	
142	Tranor, Jimmy	-	-	-	-	-	-	-	-	-	-	42,671	49,855	55,200	58,185	30,501	236,412	
143	Tsai, Jeff	-	-	-	-	-	-	-	-	-	5,231	2,817	-	-	-	-	8,048	
144	Tuttle, Steve	-	-	-	3,786	6,821	7,686	8,661	9,760	10,998	12,392	9,217	7,867	12,212	15,487	16,678	129,904	
145	Underwood, Wade	-	-	-	-	1,464	6,527	7,137	7,200	7,200	7,200	8,078	11,837	14,408	15,633	8,360	102,335	
146	Walterscheid, Leonard	-	-	-	9,166	6,485	1,010	-	-	-	-	-	-	-	26,912	10,764	16,661	
147	Weiskopf Enterprises, LLC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	49,876	
148	Weiskopf Trust	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	212,669	
149	Weiskopf, Laurie - IRA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,395	
150	Weiskopf, Tom - IRA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	863	
151	Wellman Family Living Trust	-	-	-	-	1,949	5,021	5,021	6,689	9,090	9,090	9,090	9,090	12,604	12,726	6,363	91,757	
152	Wellman, Carol	-	-	-	2,300	2,987	3,030	3,030	3,030	9,056	11,678	15,151	15,151	16,322	16,363	8,181	106,278	
153	Wellman, Carol - ROTH	-	-	-	-	-	-	-	-	1,624	3,769	4,247	4,786	5,655	6,491	3,548	30,120	
154	Weng, Brian	-	-	-	-	-	-	-	-	-	-	-	8,611	15,831	17,029	9,106	50,577	
155	Weng, Mark	-	-	-	4,253	22,287	31,943	34,398	36,521	36,643	38,940	40,105	40,544	47,104	48,057	24,029	441,465	
156	Will, John	-	-	-	-	-	-	6,047	13,377	1,079	-	-	-	-	-	-	20,503	
157	Zones, Michael	-	-	-	-	-	-	-	-	9,867	46,733	48,800	55,618	60,000	66,000	48,000	335,018	
158	Others (unmatched)	1,112	307	-	-	-	-	-	-	-	-	-	-	-	-	-	1,419	
	Overall	\$ 69,676	\$ 288,340	\$ 403,575	\$ 622,741	\$ 938,343	\$ 1,224,654	\$ 1,589,326	\$ 1,896,950	\$ 2,124,717	\$ 2,540,335	\$ 3,292,284	\$ 4,414,455	\$ 6,117,645	\$ 6,873,369	\$ 8,323,055	\$ 3,049,556	\$ 41,769,022

Source: DenSeo QuickBooks data.

Appendix L

Davis v. Clark Hill PLC, et al.
Annualized Investor Returns (May 2001 to June 2016)

Ref #	Investor	Annualized Interest Rates															
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1	Albert Family Trust																
2	Angels Investments, LLC																
3	Badiani, Nishel																
4	BLL Capital, LLC																
5	Brinkman, Rob		13%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
6	Brown, Craig & Tomie																
7	Bunger Estate, LLC																
8	Bunger, Alexandra																
9	Bunger, Cassidy																
10	Bunger, Connor																
11	Bunger, Steven																
12	Burdett, Tony - IRA																
13	Burkhardt, Kennen																
14	Burkhardt, Kennen - IRA																
15	Bush, Warren																
16	Butler, Mary - IRA																
17	Butler, Van																
18	Butler, Van - IRA																
19	Byrne, Thomas & Sara Living Tru																
20	Careywood on Eagle Wings, LLC																
21	Caro McDowell Revocable Trust																
22	Carr, Bev																
23	Carrick, Erin Trust																
24	Carrick, Gretchen Trust																
25	Cate, Averill																
26	Chittick, Arden																
27	Chittick, Denny [2]																
28	Chittick, Denny - 401k																
29	Chittick, Denny - DB Plan																
30	Chittick, Eldon																
31	Cohen, Herb																
32	Davis, Glen																
33	Davis, Glen - IRA																
34	Davis, Jack																
35	Davis, Jack/Samantha																
36	Detota, Scott																
37	Dirk Wright Memorial Scholarsh																
38	Dirk, Amy - IRA																
39	Dirks, Bradley - IRA																
40	Dupper Living Trust																
41	Einck, Todd																
42	Farfante, Dino																
43	Fischer Family Holdings, LLC																
44	Four Futures Corp																
45	Gelbriecht, Jacqueline																
46	Global Owest, Inc.																
47	Gould, Scott - IRA [2]																

Davis v. Clark Hill PLC, et al.
Annualized Investor Returns (May 2001 to June 2016)

Ref #	Investor	Annualized Interest Rates															
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
48	Grant, Stacy - IRA											12%	12%	12%	12%	12%	12%
49	Griswold, Russ												12%	12%	12%	12%	12%
50	Griswold, Russ - IRA					0%	0%	5%	12%	12%	12%	12%	12%	12%	12%	12%	12%
51	Gumbert, Mike	14%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
52	Hafiz, Nihad			12%	12%	12%	6%	11%	12%	12%	12%	12%	12%	12%	12%	12%	12%
53	Hahn Family Limited Trust				8%	10%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
54	Harvey, Chris										13%	12%	12%	11%			
55	Hey, Ralph				12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
56	Hickman, Dale					11%	12%	12%	12%	12%	12%						
57	Hickman, Kathy						12%	12%	12%	12%	12%	6%					
58	Hood, Craig											12%	12%	12%	12%	12%	12%
59	Howze, Lee					12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
60	Hughes, Bill & Judy and IRA						10%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
61	Hughes, Judy - IRA						10%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
62	Imdiate Revocable Trust											12%	12%	12%	12%	12%	12%
63	Jetton, James											12%	12%	12%	12%	12%	12%
64	Jones, Les					12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	11%	11%
65	Jones, Les - IRA											12%	12%	12%	12%	12%	12%
66	Kasier, Ralph - IRA									12%	12%	12%	12%	12%	12%	12%	12%
67	Kelly, Mike		13%	12%	12%	12%	12%	12%	12%	4%							
68	Kent, Mary							9%	12%	12%	12%	12%	12%	12%	12%	12%	12%
69	Kent, Mary - IRA				11%	12%	12%	12%	12%	12%	11%						
70	Kent, Paul	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
71	Kimble, Don								0%		12%	13%					
72	Kimble, Don - IRA										13%	12%	12%	13%			
73	Koehler, Robert - IRA					12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
74	Kopel, Jemma								11%	12%	12%	12%	12%	12%	12%	12%	12%
75	Kopel, Roy - IRA									12%	12%	12%	12%	12%	12%	12%	12%
76	Lawson, Robert											11%	12%	12%	12%	12%	12%
77	Ledet, Wayne											13%	12%	12%	12%	12%	12%
78	Ledet, Wayne - IRA				13%	12%	13%				11%	12%	12%	12%	12%	12%	12%
79	Ledet, Wayne - ROTH IRA											13%	12%	12%	12%	12%	12%
80	Lee Group, Inc.											12%	12%	12%	12%	12%	12%
81	Lee, Terry & Lil											12%	12%	12%	12%	12%	12%
82	Lent, Lillian - IRA					8%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
83	Lent, Manuel						11%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
84	Lent, Manuel - IRA					10%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
85	LJL Capital, LLC																
86	Locke, Bill & Jean						12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
87	McArdle, James																
88	McCoy, James & Lesley Trust							13%	12%	12%	12%	12%	12%	12%	12%	12%	12%
89	Meikle, Gregg												13%				
90	Miller, LF Fund																
91	Miller, Mar & Pat Trust																
92	Minchuk, Lawrence Trust																
93	Moss Family Trust				13%	12%	12%	12%	12%	12%	9%	13%	12%	12%	12%	12%	12%
94	Moss, Kaylene - IRA																

Davis v. Clark Hill PLC, et al.
Annualized Investor Returns (May 2001 to June 2016)

Ref #	Investor	Annualized Interest Rates															
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
95	Muscat, Vince			8%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
96	Nesta Capital, Inc.												10%	12%	12%		
97	Non Leithal Defense, Inc				4%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
98	Odenthal, Brian		12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
99	Odenthal, Brian - IRA											9%	12%	12%	12%	12%	12%
100	Page, Jolene											6%	12%	12%	12%	12%	12%
101	Patel, Greg						12%	13%									
102	Paxton, Smalerie											12%	12%	12%	12%	12%	12%
103	Pearce, Marlene - IRA											13%	12%	12%	12%	12%	12%
104	Pearce, Marlene												10%				
105	Petraneck, Doriann					12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
106	Phalen Family Trust					12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
107	Phalen, Jeff - IRA											11%	12%	12%	12%	12%	12%
108	Preston Revocable Living Trust						13%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
109	Princeville Investment Group SW						14%					19%	12%	12%	12%	12%	12%
110	Quigley, Karen													13%	11%		
111	Ray, John					13%											
112	Rivera, Ray		13%			12%											
113	Rzonca, Pete																
114	Saltire LLC					3%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
115	Sanders, JoAnn											0%	12%	12%	12%	12%	12%
116	Schlitz GB 12, LLC - IRA																
117	Schloz, Mary - IRA											13%	12%	12%	12%	12%	12%
118	Schloz, Stanley - IRA											11%	12%	12%	12%	12%	12%
119	Schloz, Stanley - ROTH IRA											11%	12%	12%	12%	12%	12%
120	Schloz, Stanley L											8%	12%	12%	12%	12%	12%
121	Schreiber, John				11%	12%											
122	Scroggin, Annette - IRA												10%	12%	12%	12%	12%
123	Scroggin, Annette - ROTH												11%	12%	12%	12%	12%
124	Scroggin, Mike												10%	12%	12%	12%	12%
125	Scroggin, Mike - IRA												11%	12%	12%	12%	12%
126	Scroggin, Mike - ROTH												11%	12%	12%	12%	12%
127	Sherriff, Stewart																
128	Siefford, Gary		0%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
129	Siefford, GE																
130	Smith Trust, Carsyn P																
131	Smith Trust, Mckenna																
132	Smith Trust, Tony & Saundra																
133	Smith, Tony - IRA																
134	Sterling, Donald																
135	Sundance Debt Partners, LLC																
136	Swirt, Nancy																
137	Swirtz, William						12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
138	Thermogen																
139	Thomas Stevenson																
140	Thompson, Coralee							12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
141	Thompson, Gary							13%	12%	12%	12%	12%	12%	12%	12%	12%	12%

Davis v. Clark Hill PLC, et al.
Annualized Investor Returns (May 2001 to June 2016)

Ref #	Investor	Annualized Interest Rates															
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
142	Trainor, Jimmy											13%	12%	12%	12%	12%	12%
143	Tsai, Jeff										13%	11%					
144	Tuttle, Steve				12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
145	Underwood, Wade				12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
146	Walterscheid, Leonard				12%	11%	9%										
147	Weiskopf Enterprises, LLC													12%	12%	12%	
148	Weiskopf Trnst													12%	12%	12%	
149	Weiskopf, Laurie - IRA																13%
150	Weiskopf, Tom - IRA																13%
151	Wellman Family Living Trust					10%	10%	10%	10%	11%	12%	12%	12%	12%	12%	12%	12%
152	Wellman, Carol					11%	12%	12%	12%	12%	13%	12%	12%	12%	12%	12%	12%
153	Wellman, Carol - ROTH										12%	12%	12%	12%	12%	12%	12%
154	Wenig, Brian													12%	12%	12%	12%
155	Wenig, Mark				11%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
156	Will, John							13%	12%	7%							
157	Zones, Michael										13%	12%	12%	12%	12%	13%	12%
158	Others									0%							
	Overall	12%	14%	12%	12%	12%	12%	13%	12%	12%	12%	12%	12%	12%	12%	12%	12%

Source: DenSco QuickBooks data.

- [1] The interest rates in the above table were calculated using averages of month-end investment balances. Accordingly, the interest rates may be slightly inaccurate.
- [2] The highly unusual looking interest rates in the above table are likely the result of timing issues related to the payment of interest and/or inaccuracies in the interest or investment balances in DenSco's QuickBooks. For example, (i) the interest owed to Mr. Chirtick for December 2001 was recorded in QuickBooks as paid in January 2002, which leads to an understated interest rate for 2001 and overstated interest rate for 2002 and (ii) QuickBooks shows interest was paid to Scott Gould in each year from 2001 to 2004 but QuickBooks shows few, if any, investments by Scott Gould in these years.

Appendix M

Davis v. Clark Hill PLC, et al.
January 9, 2014 Loss on Mr. Menaged's Outstanding Loans

RECEIVER'S ANALYSIS										STERLING'S ANALYSIS									
Densco Loan Data			3rd Party Loan Data			Purchase Information				Sale Information			Assumed Market Value as of 1/9/14			Net Proceeds After Selling Costs		Net Proceeds Available to Densco	Densco Loss Estimate
Loan No.	Address	Loan Date	Loan Balance as of 01/09/14	Lender Name	Loan Amount	Purchase Date	Purchase Price	Purchase Price	QC Deed	Sale Date	Sale Price	Notes	Assumed Market Value as of 1/9/14	Assumed Selling Costs	Net Proceeds After Selling Costs	Net Proceeds Available to Densco	Densco Loss Estimate		
1192	8122 N 32nd Ave	03/17/08	85,000	N/A	-	09/29/08	QC Deed	89,900	QC Deed	07/09/15	\$ 89,900	Densco loan before QC Deed to Easy	89,900	3,596	86,304	86,304	-		
2120	822 E Orange Ave	09/21/10	70,000	N/A	-	03/15/10	QC Deed	70,000	QC Deed	04/09/14	113,000	Densco loan well after purchase	113,000	4,520	108,480	108,480	-		
2509	196 Leisure World (aka 908 S Power Rd #196)	05/11/11	62,000	N/A	-	05/10/11	71,400	100,000		08/06/14	100,000		100,000	4,000	96,000	96,000	-		
2672	1426 N 78th St	07/20/11	110,000	N/A	-	01/24/11	QC Deed	164,900	QC Deed	03/03/14	164,900	Densco loan well after purchase	164,900	6,596	158,304	158,304	-		
3364	14894 N 97th Place	05/09/12	300,000	Active Funding Group, LLC	322,100	05/07/12	332,100	378,000	08/25/15	378,000	378,000	Densco loan well after purchase	378,000	15,120	362,880	40,780	259,220		
3610	20802 N Grayhawk Dr #1076	08/20/12	250,000	Active Funding Group, LLC	264,100	08/17/12	274,100	330,000	07/25/14	330,000			350,000	14,000	336,000	71,900	178,100		
3756	9103 E Charter Oak Dr	10/12/12	400,000	Bank Loan	476,576	07/31/93	352,000	N/A		N/A	N/A	Transferred to the Receiver; Purchase price per D099662	352,000	14,080	337,920	-	400,000		
3814	18202 N Cave Creek Rd #215	11/06/12	30,000	N/A	-	11/09/09	QC Deed	32,000	QC Deed	03/20/14	32,000	Densco loan well after purchase; QC Deed to 3rd party (unknown price) who sold ppty on 06/08/14 for \$32,000 (per Zillow)	32,000	1,280	30,720	30,720	-		
3817	7513 N 47th Dr	11/06/12	20,000	N/A	-	01/28/11	17,800	41,000	05/21/14	41,000			41,000	1,640	39,360	39,360	-		
3828	1605 W Winter Dr	11/13/12	300,000	Bank Loan	250,000	01/17/08	509,348	N/A		N/A	N/A	Transferred to the Receiver; Purchase price per D099700	509,348	20,374	488,974	238,974	61,026		
3829	702 W Wilshire Dr	11/13/12	140,000	N/A	-	01/22/09	QC Deed	260,000	QC Deed	05/14/15	260,000	Densco loan well after purchase	260,000	10,400	249,600	249,600	-		
3882	10721 W Laurelwood Ln	12/13/12	120,000	Active Funding Group, LLC	122,000	12/07/12	132,000	170,000	10/22/14	170,000			170,000	6,800	163,200	41,200	78,800		
3883	9555 E Raintree Dr #1004	12/13/12	120,000	Bank Loan	142,500	11/07/03	150,000	N/A		N/A	N/A	Transferred to the Receiver	150,000	6,000	144,000	1,500	118,500		
3885	9555 E Raintree Dr #1020	12/13/12	100,000	Bank Loan	180,000	12/22/06	225,000	N/A		N/A	N/A	Transferred to the Receiver	225,000	9,000	216,000	36,000	64,000		
3913	1892 E Ellis Dr	12/28/12	140,000	Active Funding Group, LLC	146,500	12/27/12	164,000	198,000	12/26/14	198,000			198,000	7,440	190,560	43,580	96,420		
3914	3740 E Sexton St	01/03/13	120,000	Active Funding Group, LLC	176,000	12/27/12	186,000	235,000	02/25/15	235,000			186,000	7,440	178,560	2,560	147,440		
3926	320 S 70th St #9	01/03/13	90,000	Active Funding Group, LLC	129,000	04/22/14	134,000	134,000	02/22/14	146,000			146,000	5,840	140,160	33,160	56,840		
3927	7204 W Warner St	01/03/13	90,000	Active Funding Group, LLC	107,000	01/02/13	117,000	120,000	02/13/14	120,000			120,000	4,800	115,200	22,100	57,900		
3929	3016 W Laurel Ln	01/04/13	80,000	Active Funding Group, LLC	93,100	01/03/13	103,100	120,000	02/13/14	120,000			120,000	4,800	115,200	22,100	57,900		
3933	9451 E Becker Ln #B1057	01/16/13	110,000	Active Funding Group, LLC	134,000	01/03/13	144,000	136,000	08/19/14	136,000			136,000	5,440	130,560	-	110,000		
3957	5500 N Markdale #1	01/16/13	120,000	Active Funding Group, LLC	137,263	01/15/13	147,263	170,000	06/01/15	170,000			147,263	5,891	141,372	4,109	115,891		
3959	5420 W Sunnyside Dr	01/16/13	100,000	Active Funding Group, LLC	117,500	01/15/13	118,500	165,000	07/22/15	165,000			178,500	4,740	173,760	-	100,000		
3975	1080 E Redwood Dr	01/24/13	120,000	Active Funding Group, LLC	140,900	01/23/13	150,900	195,000	08/15/14	195,000			195,000	7,800	187,200	46,300	73,700		
3976	2402 E Yucca St	01/24/13	200,000	Active Funding Group, LLC	229,000	01/23/13	239,000	280,000	12/21/14	280,000			280,000	11,200	268,800	39,800	160,200		
3977	7771 W Marlette Ave	01/24/13	120,000	Active Funding Group, LLC	139,000	01/23/13	149,000	194,900	05/29/15	194,900			149,000	5,960	143,040	4,040	150,000		
3981	18356 W Mission Ln	01/31/13	160,000	Active Funding Group, LLC	179,000	01/29/13	189,000	220,000	03/10/15	220,000			179,000	6,996	172,004	-	150,000		
3994	9016 S 41st Ln	01/31/13	220,000	Active Funding Group, LLC	257,494	01/30/13	267,494	315,500	09/19/14	315,500			315,500	12,620	302,880	45,386	174,614		
3997	3111 N Kenneth Pl	01/31/13	230,000	Active Funding Group, LLC	276,600	01/30/13	286,600	345,201	07/10/15	345,201			286,600	11,464	275,136	-	230,000		
3998	2367 E Balsam Dr	01/31/13	100,000	Active Funding Group, LLC	126,600	01/30/13	136,600	159,900	12/02/15	159,900			136,600	5,464	131,136	4,536	95,464		
3999	26733 N 53rd Ln	02/01/13	150,000	Active Funding Group, LLC	170,100	01/31/13	180,100	199,900	08/12/14	199,900			199,900	7,996	191,904	21,804	128,196		
4003	4529 E Sharon Dr	02/01/13	120,000	Active Funding Group, LLC	144,000	01/31/13	154,000	168,000	05/23/15	168,000			154,000	6,160	147,840	3,840	116,160		
4004	7575 E Indian Bend Rd #212	02/01/13	150,000	Active Funding Group, LLC	166,000	02/04/13	176,000	215,900	02/04/14	215,900			215,900	8,636	207,264	41,264	108,736		
4011	18203 W Ruth Ave	02/05/13	80,000	Active Funding Group, LLC	89,500	02/06/13	99,500	117,500	10/22/14	117,500			117,500	4,700	112,800	23,300	56,700		
4020	12802 W Willow Ave	02/07/13	130,000	Active Funding Group, LLC	158,001	02/08/13	168,001	196,000	12/29/14	196,000			168,001	6,720	161,281	3,280	126,720		
4027	11106 W Dana Ln	02/11/13	1,600,000	N/A - Not until 2015	-	02/06/13	2,200,000	N/A		N/A	N/A	Densco loan well after purchase; Menaged's personal residence; USBank loan dtd 04/20/15	2,200,000	88,000	2,112,000	2,112,000	-		
4032	10510 E Sunnyside Dr	02/14/13	100,000	Active Funding Group, LLC	119,000	02/13/13	144,000	140,000	05/21/15	140,000			144,000	5,760	138,240	19,240	80,760		
4033	10401 N 52nd St #105	02/14/13	100,000	Active Funding Group, LLC	114,000	02/13/13	134,000	148,500	12/26/14	148,500			134,000	5,360	128,640	14,640	85,360		
4034	11571 W Hoyt St	02/14/13	90,000	Active Funding Group, LLC	94,500	02/13/13	116,500	129,900	04/03/15	129,900			116,500	4,660	111,840	17,340	72,660		
4035	23949 W Hadley St	02/14/13	100,000	Active Funding Group, LLC	105,500	02/14/13	127,500	133,000	02/06/15	133,000			127,500	5,100	122,400	16,900	83,100		
4038	3150 E Beardslev Rd #1076	02/15/13	80,000	Active Funding Group, LLC	86,200	02/16/13	106,200	122,000	08/14/14	122,000			122,000	4,880	117,120	30,920	49,080		
4061	22261 W Moonlight Path	02/27/13	100,000	Active Funding Group, LLC	110,500	02/27/13	125,500	155,000	05/21/15	155,000			125,500	5,020	120,480	9,980	90,020		
4069	3535 W Apollo Rd	02/28/13	230,000	Active Funding Group, LLC	281,000	08/29/14	265,000	265,000	08/29/14	265,000			265,000	10,600	254,400	-	230,000		
4073	5557 S Ranier Trail	03/01/13	90,000	Active Funding Group, LLC	100,000	03/04/13	120,000	160,000	07/17/15	160,000			120,000	4,800	115,200	15,200	74,800		
4079	2360 E Cannel Ave	03/05/13	210,000	Active Funding Group, LLC	231,000	03/04/13	256,000	305,000	01/16/14	305,000			305,000	12,200	292,800	61,800	148,200		
4094	5211 N 193rd Ave	03/05/13	130,000	Active Funding Group, LLC	145,200	03/07/13	180,200	190,000	05/26/15	190,000			180,200	7,208	172,992	27,792	102,208		
4109	12827 W Desert Mirage Dr	03/08/13	60,000	Active Funding Group, LLC	61,500	03/08/13	81,500	120,000	06/23/15	120,000			81,500	3,260	78,240	16,740	43,260		

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January 9, 2014 Loss on Mr. Menaged's Outstanding Loans

RECEIVER'S ANALYSIS										STERLING'S ANALYSIS					
DenSec Loan Data		3rd Party Loan Data			Purchase Information			Sale Information		Notes	Assumed Market Value as of 1/9/14	Assumed Selling Costs	Net Proceeds After Selling Costs	Net Proceeds Available to DenSec	DenSec Loss Estimate
Loan No.	Address	Loan Date	Loan Balance as of 01/09/14	Lender Name	Loan Amount	Purchase Date	Purchase Price	Sale Date	Sale Price						
4118	2048 E Marilyn Ave	03/12/13	130,000	Active Funding Group, LLC	131,500	03/11/13	161,500	06/16/16	260,950	161,500	6,460	155,040	23,540	106,460	
4122	1431 E Bridgport Pkwy	03/14/13	210,000	Active Funding Group, LLC	209,000	03/11/13	262,100	11/20/14	287,000	262,100	10,484	251,616	42,016	167,984	
4129	2210 W Marco Polo Rd	03/18/13	100,000	Active Funding Group, LLC	109,300	03/15/13	134,300	12/09/14	157,500	134,300	5,372	128,928	19,628	80,372	
4130	14650 N 91st Ave #3301	03/18/13	100,000	Active Funding Group, LLC	114,303	10/08/13	139,303	10/08/13	171,000	139,303	5,572	133,731	19,428	80,572	
4136	14556 N 154th Ln	03/16/13	120,000	Active Funding Group, LLC	126,000	03/18/13	151,000	06/20/14	159,900	159,900	6,396	153,504	27,504	92,496	
4146	4627 E Red Range Way	03/21/13	290,000	N/A	-	03/14/13	355,000	11/04/16	300,001	355,000	14,200	340,800	340,800	-	
4152	18131 W Ruth Ave	03/25/13	190,000	Active Funding Group, LLC	188,000	03/22/13	238,000	05/05/14	275,000	275,000	11,000	264,000	76,000	114,000	
4180	7089 W Andrew Ln	04/03/13	170,000	Active Funding Group, LLC	175,500	03/22/13	212,500	04/18/14	250,000	250,000	10,000	240,000	64,500	105,500	
4185	5826 E Palmer St	04/05/13	160,000	Azhen Ltd, LLC / Sell Whole	160,080	04/04/13	200,100	05/28/14	179,900	179,900	7,196	172,704	12,624	147,376	
4201	4320 E Encinas Ave	04/11/13	160,000	Active Funding Group, LLC	162,000	04/10/13	202,000	02/11/14	215,000	215,000	8,600	206,400	44,400	115,600	
4227	15677 W Rimple Cir	04/19/13	80,000	Active Funding Group, LLC	77,000	04/18/13	120,900	02/03/15	120,000	120,900	4,836	116,064	39,064	40,936	
4228	7389 W Tierra Buena Ln	04/19/13	100,000	Active Funding Group, LLC	102,000	04/18/13	140,900	09/17/14	161,500	161,500	6,460	155,040	53,040	46,960	
4229	436 N 159th Ave	04/19/13	140,000	Active Funding Group, LLC	136,500	04/18/13	180,000	04/18/15	226,500	180,000	7,200	172,800	36,300	103,700	
4231	1262 E Clifton Ave	04/22/13	121,867	Active Funding Group, LLC	168,000	04/19/13	210,000	12/05/13	246,000	246,000	9,840	236,160	68,160	53,707	
4254	16832 W Toronto Way	04/29/13	100,000	Active Funding Group, LLC	112,000	04/26/13	158,600	09/21/15	169,900	158,600	6,344	152,256	26,256	83,744	
4280	23922 W Desert Bloom St	05/06/13	90,000	Active Funding Group, LLC	91,000	05/03/13	125,000	01/21/16	146,900	146,900	5,000	120,000	29,000	61,000	
4287	4745 W Golden Ln	05/13/13	60,000	Active Funding Group, LLC	55,000	05/06/13	75,000	04/08/14	103,000	103,000	4,120	98,880	43,880	16,120	
4289	7703 W Lamar Rd	05/13/13	100,000	Active Funding Group, LLC	98,000	05/10/13	137,900	01/26/15	149,900	137,900	5,516	132,384	34,384	65,616	
4307	2681 S Palm St	05/21/13	300,000	Azhen Ltd, LLC / Sell Whole	301,600	05/20/13	377,000	04/10/14	343,300	343,300	13,732	329,568	27,968	272,032	
4308	7111 E Potter Dr	05/21/13	130,000	Active Funding Group, LLC	125,000	05/20/13	162,100	06/26/15	185,000	162,100	6,484	155,616	23,616	104,384	
4313	19296 W Adams St	05/23/13	110,000	Active Funding Group, LLC	130,000	05/22/13	144,000	04/25/14	159,900	159,900	6,396	153,504	28,504	81,496	
4314	18169 W Saguaro Ln	05/23/13	120,000	Active Funding Group, LLC	117,000	05/21/13	152,500	01/08/14	168,000	168,000	6,720	161,280	44,280	75,720	
4322	3354 W Monona Dr	05/29/13	80,000	Active Funding Group, LLC	84,000	05/28/13	104,600	07/12/15	139,000	104,600	4,184	100,416	16,416	63,584	
4338	2945 E Dumbur Dr	06/05/13	80,000	Active Funding Group, LLC	54,000	06/04/13	100,000	12/16/14	110,000	100,000	4,000	96,000	42,000	38,000	
4342	11744 W Hadley, St	06/06/13	100,000	Active Funding Group, LLC	93,000	06/05/13	138,000	02/02/15	151,000	138,000	5,520	132,480	39,480	60,520	
4343	23827 W Gibson Ln	06/06/13	110,000	Active Funding Group, LLC	103,800	06/03/13	150,000	08/10/15	195,000	150,000	6,000	144,000	40,200	69,800	
4344	15020 N 133rd Ln	06/06/13	90,000	Active Funding Group, LLC	85,200	06/05/13	128,100	01/28/14	145,000	145,000	5,800	139,200	54,000	36,000	
4352	3154 W Foothills Dr	06/10/13	100,000	Active Funding Group, LLC	99,000	06/07/13	150,100	04/13/15	153,900	150,100	6,004	144,096	45,096	54,904	
4361	1614 W Aire Libre Ave	06/12/13	140,000	Active Funding Group, LLC	108,000	06/11/13	180,000	12/24/15	183,500	180,000	7,200	172,800	64,800	75,200	
4381	3237 W Pleasant Ln	06/21/13	160,000	Active Funding Group, LLC	138,000	06/14/13	211,100	08/15/14	219,900	211,100	8,444	202,656	64,656	95,344	
4383	9423 W McRae Way	06/21/13	100,000	Active Funding Group, LLC	93,000	06/19/13	130,001	05/05/14	120,000	120,000	4,800	115,200	22,200	77,800	
4384	23819 W Hidalgo Ave	06/21/13	140,000	Active Funding Group, LLC	90,000	06/19/13	150,000	12/03/15	179,900	150,000	6,000	144,000	54,000	56,000	
4386	2182 E Arabian Dr	06/24/13	140,000	Active Funding Group, LLC	120,000	06/20/13	179,000	05/19/14	178,000	178,000	7,120	170,880	50,880	89,120	
4393	25209 S Saddletree Dr	06/26/13	100,000	Active Funding Group, LLC	98,400	06/21/13	123,001	08/29/14	142,000	123,001	4,920	118,081	19,681	80,319	
4397	3002 N 70th St #144	06/26/13	50,000	Active Funding Group, LLC	35,000	06/25/13	53,100	12/10/15	72,000	302,000	2,124	30,976	15,976	34,024	
4409	3326 E Oriole Dr	07/03/13	150,000	Active Funding Group, LLC	132,000	07/02/13	199,100	09/25/14	217,900	199,100	7,964	191,136	59,136	90,864	
4410	9521 E Posada Ave	07/03/13	240,000	Active Funding Group, LLC	207,000	06/25/13	294,000	06/10/14	302,000	302,000	12,080	289,920	82,920	157,080	
4411	15533 S Monte Vista St	07/05/13	260,000	Active Funding Group, LLC	231,000	07/03/13	332,000	08/25/14	314,000	332,000	13,280	318,720	87,720	172,280	
4417	17540 N Estrella Vista Dr	07/09/13	140,000	Active Funding Group, LLC	120,000	07/08/13	170,955	06/17/14	155,000	155,000	6,200	148,800	28,800	111,200	
4422	8224 S 74th Ave	07/10/13	100,000	Active Funding Group, LLC	78,000	07/09/13	122,800	05/26/15	140,000	122,800	4,912	117,888	39,888	60,112	
4430	5414 S Heather Dr	07/12/13	170,000	Active Funding Group, LLC	150,000	07/11/13	214,000	06/05/14	200,000	200,000	8,000	192,000	42,000	128,000	
4431	25852 S Beech Creek Dr	07/12/13	120,000	Active Funding Group, LLC	117,340	07/11/13	146,676	03/31/14	175,000	175,000	7,000	168,000	50,660	69,340	
4434	2210 S Keene St	07/15/13	200,000	Active Funding Group, LLC	201,000	07/12/13	276,390	05/09/14	295,000	295,000	11,800	283,200	82,200	117,800	
4438	6346 W Valencia Dr	07/17/13	100,000	Active Funding Group, LLC	80,000	07/16/13	121,000	05/26/15	157,000	121,000	4,840	116,160	32,160	67,840	
4444	11979 N 154th Dr	07/18/13	110,000	Active Funding Group, LLC	105,000	07/17/13	149,900	11/12/15	146,900	149,900	5,960	143,040	38,040	71,960	
4446	6024 E Wetherfield Rd	07/18/13	250,000	Active Funding Group, LLC	200,000	07/17/13	322,500	03/18/14	378,500	378,500	15,140	363,360	163,360	86,640	
4454	2733 S Ananea St	07/22/13	160,000	Active Funding Group, LLC	186,000	07/19/13	206,000	07/18/14	204,900	206,000	8,240	197,760	59,760	100,240	
4459	1427 W Windsons Dr	07/29/13	200,000	Active Funding Group, LLC	186,000	07/29/13	268,000	04/17/14	287,000	287,000	11,480	275,520	89,520	110,480	
4481	13512 W Marshall Ave	07/29/13	130,000	Active Funding Group, LLC	105,000	07/24/13	170,100	08/03/14	168,000	170,100	6,804	163,296	58,296	71,704	
4482	10440 W Hammond Ln	07/29/13	100,000	Created Equity, LLC	111,600	07/25/13	139,500	12/01/14	145,900	139,500	5,580	133,920	22,320	77,680	

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January 9, 2014 Loss on Mr. Menaged's Outstanding Loans

RECEIVER'S ANALYSIS										STERLING'S ANALYSIS					
Densco Loan Data		3rd Party Loan Data			Purchase Information			Sale Information		Assumed Market Value as of 1/31/14		Assumed Selling Costs	Net Proceeds After Selling Costs	Net Proceeds Available to DebSeco	Densco Loss Estimate
Loan No.	Address	Loan Date	Loan Balance as of 01/09/14	Lender Name	Loan Amount	Purchase Date	Purchase Price	Sale Date	Sale Price	Notes					
4483	13920 W Maui Ln	07/29/13	100,000	Azben Ltd. LLC / Sell Whole	107,200	07/25/13	134,100	03/18/14	135,000		5,400	129,600	22,400	77,600	
4484	10020 N 66th Dr	07/29/13	80,000	Azben Ltd. LLC / Sell Whole	81,360	07/25/13	101,701	11/19/14	103,500		4,068	97,633	16,273	63,727	
4495	16527 W Post Dr	08/01/13	100,000	Active Funding Group, LLC	87,000	07/13/13	130,900	07/16/14	127,070		5,236	125,664	38,664	61,336	
4500	10025 W Williams St	08/02/13	90,000	Active Funding Group, LLC	67,000	08/01/13	111,500	07/13/15	130,000		4,460	107,040	20,960	49,960	
4501	2216 W Plata Cir	08/02/13	110,000	Active Funding Group, LLC	113,200	08/02/13	141,500	01/05/15	145,000	Sale price per D140075	5,660	135,840	22,640	87,360	
4503	15456 S 47th Place	08/05/13	190,000	Active Funding Group, LLC	162,000	08/02/13	238,600	03/19/14	249,900		9,996	239,904	77,904	112,096	
4504	39817 N Messner Way	08/06/13	150,000	Geared Equity, LLC	152,800	08/05/13	191,000	11/07/14	185,900		7,640	183,360	30,560	119,440	
4505	2105 S 108th Ave	08/06/13	110,000	Azben Ltd. LLC / Sell Whole	112,000	08/05/13	140,000	04/04/14	135,000		5,400	129,600	17,600	92,400	
4508	11530 W Flores Dr	08/07/13	90,000	Active Funding Group, LLC	78,000	08/06/13	115,000	05/27/15	139,900		4,600	110,400	32,400	57,600	
4509	1561 E Mia Ln	08/07/13	200,000	Active Funding Group, LLC	171,000	08/06/13	260,000	03/02/15	278,000		10,400	249,600	78,600	121,400	
4512	1502 W Wood Dr	08/08/13	120,000	Azben Ltd. LLC / Sell Whole	118,240	08/07/13	147,800	05/01/14	159,900		6,396	153,504	35,264	84,736	
4513	16010 N 170th Ln	08/08/13	110,000	Azben Ltd. LLC / Sell Whole	110,480	08/07/13	138,100	05/05/14	133,000		5,320	127,680	17,200	92,800	
4514	2895 E Millbrae Ln	08/08/13	230,000	Azben Ltd. LLC / Sell Whole	236,960	08/07/13	296,200	06/06/14	306,000		12,240	293,760	56,800	173,200	
4516	18425 N 56th Cir	08/09/13	100,000	Azben Ltd. LLC / Sell Whole	98,000	08/08/13	122,500	02/12/14	135,000		5,400	129,600	31,600	68,400	
4519	23851 W Wier Ave	08/12/13	120,000	Active Funding Group, LLC	102,000	08/09/13	153,000	05/06/14	170,000		6,800	163,200	61,200	58,800	
4523	16125 E Lobo Ave	08/14/13	160,000	Azben Ltd. LLC / Sell Whole	160,560	08/13/13	113,000	N/A	N/A	Trustee's Deed rescinded, see 20130792791	-	-	-	160,000	
4524	23687 W Wawland Dr	08/14/13	90,000	Azben Ltd. LLC / Sell Whole	90,400	08/13/13	113,000	02/13/14	132,500		5,300	127,200	36,800	53,200	
4530	1750 W Potter Dr	08/19/13	100,000	Active Funding Group, LLC	87,000	08/15/13	132,000	06/24/14	142,855		5,280	126,720	39,720	60,280	
4532	516 W Dublin Cir	08/21/13	90,000	Azben Ltd. LLC / Sell Whole	90,400	08/16/13	113,000	01/08/14	134,900	Trustee's Deed not recorded, see D144005	5,396	129,504	39,104	50,896	
4534	3043 S Cortland	08/21/13	120,000	Azben Ltd. LLC / Sell Whole	127,960	08/19/13	159,949	06/18/14	164,900		6,398	153,551	25,591	94,409	
4536	18913 N Sunsites Dr	08/23/13	140,000	Azben Ltd. LLC / Sell Whole	137,600	08/19/13	172,000	04/28/14	167,000		6,680	160,320	36,800	99,200	
4539	1355 S Yale St	08/23/13	130,000	Azben Ltd. LLC / Sell Whole	129,520	08/20/13	161,900	02/10/14	167,000		6,680	160,320	36,800	99,200	
4540	839 S Chatsworth	08/23/13	120,000	Active Funding Group, LLC	99,000	08/21/13	151,000	06/03/15	178,000		6,040	144,960	45,960	74,040	
4541	13108 W Columbus Ave	08/23/13	80,000	Active Funding Group, LLC	81,000	08/22/13	107,000	08/04/14	115,000		4,280	102,720	21,720	58,280	
4544	17016 S 27th Place	08/26/13	140,000	Active Funding Group, LLC	117,000	08/23/13	178,500	06/19/14	195,000		7,140	171,360	54,360	83,640	
4545	3150 E Beardsley Rd #1030	08/27/13	59,332	Active Funding Group, LLC	87,000	08/26/13	130,000	12/26/13	149,900		5,996	143,904	56,904	2,428	
4546	13550 N Frank Lloyd Wright Blvd #1005	08/27/13	220,000	Active Funding Group, LLC	175,000	08/26/13	267,000	05/29/14	257,000		10,680	256,320	81,320	138,680	
4554	2027 S 101st Dr	08/30/13	100,000	Azben Ltd. LLC / Sell Whole	100,926	08/29/13	126,158	07/24/14	127,000		5,046	121,112	20,186	79,814	
4556	8987 W Peck Dr	09/03/13	120,000	Azben Ltd. LLC / Sell Whole	126,400	08/30/13	158,000	02/19/14	172,000		6,880	165,120	38,720	81,280	
4562	4625 W Carson Rd	09/04/13	100,000	KIH, LLC / Sell Wholesale	104,800	09/03/13	131,000	01/27/14	153,000		6,120	146,880	42,080	57,920	
4569	8116 E Onza Ave	09/09/13	110,000	50780, LLC	112,960	09/06/13	141,200	02/14/14	145,000		5,800	139,200	26,240	83,760	
4573	11634 W Adams St	09/12/13	100,000	50780, LLC	108,720	09/11/13	135,900	02/19/14	149,900		5,996	143,904	53,184	64,816	
4574	23863 W St James Ave	09/16/13	80,000	50780, LLC	86,015	09/11/13	107,519	04/10/14	123,000		4,920	118,080	32,065	47,935	
4579	1040 S 220th Ln	09/16/13	90,000	Azben Ltd. LLC / Sell Whole	94,480	09/13/13	118,100	02/09/15	145,000		4,724	113,376	18,896	71,104	
4579	1777 S Colonial Dr	09/16/13	140,000	Azben Ltd. LLC / Sell Whole	144,080	09/13/13	180,100	05/31/14	190,000		7,204	172,896	28,816	111,184	
4584	11509 E Pratt Ave	09/17/13	90,000	Geared Equity, LLC	142,407	09/16/13	178,000	12/05/13	210,000		8,400	201,600	59,193	30,807	
4585	3154 W Via Montoya Dr	09/17/13	100,000	Geared Equity, LLC	106,887	09/16/13	133,600	04/10/14	155,000		6,200	148,800	41,913	58,087	
4589	16759 W Navajo St	09/19/13	160,000	Azben Ltd. LLC / Sell Whole	175,207	09/18/13	219,000	04/08/14	259,900		10,396	249,504	74,297	85,703	
4591	126 S Hassett	09/20/13	120,000	Azben Ltd. LLC / Sell Whole	119,287	09/19/13	149,100	02/10/14	160,000		6,400	153,600	34,313	85,687	
4592	2716 S Millburn	09/20/13	110,000	Azben Ltd. LLC / Sell Whole	121,040	09/19/13	151,300	01/27/14	185,000		7,400	177,600	56,560	53,440	
4599	11603 W Oglethorpe Ave	09/23/13	100,000	Azben Ltd. LLC / Sell Whole	103,687	09/20/13	129,600	04/03/14	143,000		5,720	137,280	33,593	66,407	
4599	1629 S 85th Dr	09/23/13	90,000	Azben Ltd. LLC / Sell Whole	92,807	09/20/13	116,000	03/18/14	142,500		5,700	136,800	43,993	46,007	
4604	707 E Potter Dr	09/25/13	170,000	Geared Equity, LLC	178,407	09/24/13	223,000	N/A	N/A	Transferred to the Receiver	8,920	214,080	33,673	134,327	
4607	1942 S Emerson #252	09/26/13	50,000	Azben Ltd. LLC / Sell Whole	48,567	09/25/13	60,700	02/24/14	68,500		2,740	65,760	17,193	32,807	
4611	14904 W Port Royale Ln	09/27/13	100,000	Geared Equity, LLC	102,407	09/26/13	128,000	04/10/14	136,000		5,440	130,560	28,153	71,847	
4616	25234 W Darrell Dr	10/01/13	100,000	Azben Ltd. LLC / Sell Whole	107,280	09/30/13	134,100	12/15/14	137,500		5,364	128,736	21,456	78,544	
4618	15835 N 47th St	10/01/13	220,000	Active Funding Group, LLC	237,000	10/01/13	295,801	05/08/14	299,900		11,832	283,969	46,969	173,031	
4619	3740 W Villa Theresa Dr	10/03/13	90,000	Active Funding Group, LLC	90,500	10/02/13	113,051	07/16/14	132,000		4,522	108,529	18,029	71,971	
4624	15143 E Asjien Dr	10/04/13	210,000	Active Funding Group, LLC	209,000	10/03/13	261,100	07/09/14	270,000		10,444	250,656	41,656	168,344	
4625	1114 E Valley View Dr	10/04/13	120,000	Active Funding Group, LLC	125,500	10/03/13	157,000	03/10/15	184,000		6,280	150,720	25,220	94,780	
4626	12614 N 62nd St	10/04/13	149,641	Active Funding Group, LLC	224,000	10/03/13	280,200	12/19/13	320,000		12,800	307,200	83,200	66,441	
4627	10769 W Rumion Dr	10/07/13	150,000	Active Funding Group, LLC	151,000	10/04/13	188,951	11/05/14	180,000		7,558	181,393	30,393	119,607	

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RECEIVER'S ANALYSIS										STERLING'S ANALYSIS							
Loan No.	Loan Address	Loan Date	Loan Balance as of 01/09/14	3rd Party Loan Data			Purchase Information			Sale Information		Notes	Assumed Market Value as of 1/9/14	Assumed Selling Costs	Net Proceeds After Selling Costs	Net Proceeds Available to DebSec	DebSec Loss Estimate
				Lender Name	Loan Name	Loan Amount	Purchase Date	Purchase Price	Sale Date	Sale Price							
4628	7752 E Obispo Ave	10/07/13	150,000	Active Funding Group, LLC	Active Funding Group, LLC	148,800	10/04/13	186,000	01/08/14	218,000	218,000	8,720	209,280	60,480	89,520		
4636	4705 N Brookview Ter	10/11/13	160,000	Active Funding Group, LLC	Active Funding Group, LLC	157,500	10/10/13	197,000	04/17/14	215,000	197,000	7,880	189,120	31,620	128,380		
4637	8742 W Pioneer St	10/11/13	100,000	Active Funding Group, LLC	Active Funding Group, LLC	108,500	10/10/13	133,500	05/22/15	163,000	163,000	5,340	128,160	19,660	80,340		
4642	11954 W Belmont Dr	10/15/13	100,000	Active Funding Group, LLC	Active Funding Group, LLC	98,400	10/11/13	123,000	07/28/15	154,900	154,900	6,764	162,336	29,336	70,664		
4643	842 E Sheffield Ave	10/15/13	100,000	Active Funding Group, LLC	Active Funding Group, LLC	133,000	10/11/13	169,100	07/31/14	180,000	180,000	4,760	114,240	19,040	70,960		
4644	18146 W Puget Ave	10/16/13	90,000	Azben Ltd. LLC / Sell Whole	Azben Ltd. LLC / Sell Whole	95,200	10/15/13	119,000	10/03/14	132,000	132,000	5,040	120,960	20,160	79,840		
4645	14869 W Caribbean Ln	10/16/13	100,000	Azben Ltd. LLC / Sell Whole	Azben Ltd. LLC / Sell Whole	100,800	10/15/13	126,000	12/17/14	141,000	141,000	5,872	140,928	23,648	86,352		
4649	3014 W Rose Garden Ln	10/17/13	110,000	Azben Ltd. LLC / Sell Whole	Azben Ltd. LLC / Sell Whole	117,280	10/16/13	146,600	02/13/14	146,800	146,800	5,760	138,240	23,040	86,960		
4652	4119 W Valley View Dr	10/18/13	110,000	Azben Ltd. LLC / Sell Whole	Azben Ltd. LLC / Sell Whole	115,200	10/17/13	144,000	05/18/15	160,000	160,000	5,568	133,632	22,272	87,728		
4658	4906 W Gelding Dr	10/21/13	90,000	Azben Ltd. LLC / Sell Whole	Azben Ltd. LLC / Sell Whole	94,400	10/18/13	118,000	02/26/14	139,000	139,000	5,288	126,908	21,152	78,848		
4659	4728 W Carson Rd	10/22/13	110,000	Geared Equity, LLC	Geared Equity, LLC	111,360	10/21/13	139,200	06/02/14	135,500	135,500	5,916	141,984	23,744	96,256		
4662	3247 E Maldonado Dr	10/23/13	120,000	Geared Equity, LLC	Geared Equity, LLC	118,400	10/21/13	148,000	07/18/14	165,000	165,000	6,404	153,696	25,616	94,384		
4663	978 N 85th Place	10/24/13	180,000	Geared Equity, LLC	Geared Equity, LLC	183,280	10/23/13	229,100	12/16/14	270,000	270,000	7,516	180,384	54,784	65,216		
4665	635 S St Paul	10/25/13	120,000	Geared Equity, LLC	Geared Equity, LLC	128,080	10/24/13	160,100	04/09/14	173,000	173,000	8,740	209,760	57,260	112,740		
4669	12602 N 60th St	10/24/13	260,000	Azben Ltd. LLC / Sell Whole	Azben Ltd. LLC / Sell Whole	260,000	10/28/13	328,600	05/06/14	339,000	339,000	6,680	160,320	26,720	103,280		
4670	2229 W Stead Ridge	10/30/13	220,000	Azben Ltd. LLC / Sell Whole	Azben Ltd. LLC / Sell Whole	224,800	10/29/13	281,000	06/16/14	299,900	299,900	7,200	151,200	41,200	68,800		
4671	23846 W Gibson Ln	10/30/13	120,000	Azben Ltd. LLC / Sell Whole	Azben Ltd. LLC / Sell Whole	118,240	10/29/13	147,900	06/25/14	165,000	165,000	7,516	180,384	54,784	65,216		
4672	9537 E Plana Ave	10/30/13	120,000	Azben Ltd. LLC / Sell Whole	Azben Ltd. LLC / Sell Whole	115,200	10/29/13	144,000	04/22/14	169,000	169,000	8,740	209,760	57,260	112,740		
4684	1791 E Gray Dr	11/01/13	120,000	Active Funding Group, LLC	Active Funding Group, LLC	125,600	10/31/13	157,000	11/27/13	187,900	187,900	7,012	168,288	28,288	111,712		
4687	7030 W Pontiac Dr	11/05/13	140,000	Active Funding Group, LLC	Active Funding Group, LLC	140,000	11/04/13	175,300	09/09/15	220,000	220,000	8,740	209,760	57,260	112,740		
4688	9832 E Olla Ave	11/06/13	130,000	Active Funding Group, LLC	Active Funding Group, LLC	133,600	11/05/13	167,000	04/10/14	170,000	170,000	6,680	160,320	26,720	103,280		
4689	17661 W Marconi Ave	11/06/13	170,000	Active Funding Group, LLC	Active Funding Group, LLC	152,500	11/05/13	218,500	05/12/14	249,000	249,000	7,200	151,200	41,200	68,800		
4690	4119 W Grovers Ave	11/07/13	110,000	Active Funding Group, LLC	Active Funding Group, LLC	110,000	11/06/13	137,800	03/07/14	157,500	157,500	6,300	151,200	41,200	68,800		
4703	14365 W Verde Ln	11/13/13	150,000	Active Funding Group, LLC	Active Funding Group, LLC	120,000	11/12/13	180,000	05/05/14	209,900	209,900	7,200	151,200	41,200	68,800		
4710	25510 W Whynan St	11/18/13	90,000	Azben Ltd. LLC / Sell Whole	Azben Ltd. LLC / Sell Whole	93,600	11/15/13	117,000	04/18/14	154,900	154,900	4,680	112,320	18,720	71,280		
4711	1697 S 233rd Ln	11/18/13	80,000	Azben Ltd. LLC / Sell Whole	Azben Ltd. LLC / Sell Whole	84,160	11/15/13	105,200	05/19/14	119,900	119,900	4,208	100,992	16,832	63,168		
4715	2507 W Bent Tree Dr	11/19/13	160,000	Azben Ltd. LLC / Sell Whole	Azben Ltd. LLC / Sell Whole	165,600	11/18/13	207,000	02/11/14	225,900	225,900	9,036	216,864	51,264	108,736		
4718	10836 E Arcadia Ave	11/21/13	100,000	Azben Ltd. LLC / Sell Whole	Azben Ltd. LLC / Sell Whole	99,280	11/20/13	124,100	07/28/14	137,500	137,500	4,964	119,136	19,856	80,144		
4719	523 W Sundance Way	11/21/13	75,000	Azben Ltd. LLC / Sell Whole	Azben Ltd. LLC / Sell Whole	79,760	11/20/13	99,700	10/17/14	114,900	114,900	3,988	95,712	15,952	59,048		
4722	1820 S 106th Ln	11/22/13	90,000	Active Funding Group, LLC	Active Funding Group, LLC	87,000	11/21/13	119,000	03/18/14	132,000	132,000	4,760	114,240	27,240	62,760		
4727	23805 W Paragon St	12/03/13	150,000	N/A	N/A	-	12/02/13	116,500	05/15/14	136,000	136,000	4,660	111,840	111,840	38,160		
4729	8742 W Grovers Ave	12/04/13	117,500	N/A	N/A	-	12/03/13	117,500	04/24/14	139,900	139,900	4,700	112,800	112,800	4,700		
4731	28730 N Nobel Rd	12/05/13	288,900	N/A	N/A	-	12/04/13	288,211	06/10/14	295,000	288,211	11,528	276,683	276,683	12,217		
4732	5916 W Fentock Trl	12/05/13	329,000	N/A	N/A	-	12/05/13	307,000	09/03/14	325,000	307,000	12,280	294,720	294,720	34,280		
4737	13033 W Columbine Dr	12/11/13	125,000	N/A	N/A	-	12/10/13	97,000	06/26/14	114,500	114,500	3,880	93,120	93,120	31,880		
4740	1070 N Desert Bloom St	12/11/13	125,500	N/A	N/A	-	12/10/13	125,500	05/05/14	151,000	151,000	5,020	120,480	120,480	5,020		
4743	1070 N Robins Way	12/12/13	158,100	N/A	N/A	-	12/11/13	155,100	04/17/14	177,500	177,500	6,124	146,976	146,976	11,124		
4753	4749 N 108th Ave	12/18/13	152,500	N/A	N/A	-	12/17/13	152,500	04/22/14	174,900	174,900	6,040	144,960	144,960	6,100		
4754	3450 W Crepus Dr	12/18/13	154,000	N/A	N/A	-	12/17/13	151,000	04/14/14	184,900	184,900	9,528	228,672	228,672	15,528		
4755	40320 N High Noon Way	12/18/13	244,200	N/A	N/A	-	12/17/13	238,200	12/16/15	275,000	275,000	9,444	226,656	226,656	9,444		
4777	1225 N 36th St #2111	12/26/13	113,100	N/A	N/A	-	12/24/13	113,100	03/26/14	132,000	132,000	9,444	226,656	226,656	9,444		
4779	1119 E Potter Dr	12/27/13	276,700	N/A	N/A	-	12/26/13	276,700	09/15/14	285,900	285,900	11,068	265,632	265,632	11,068		
4780	3508 W Apollo Rd	12/27/13	128,100	N/A	N/A	-	N/A	N/A	N/A	N/A	N/A	-	-	-	128,100		
4783	16222 W Miami St	12/30/13	120,000	N/A	N/A	-	N/A	N/A	N/A	N/A	N/A	-	-	-	120,000		
4785	936 S Saiffish Dr	12/31/13	156,300	N/A	N/A	-	N/A	N/A	N/A	N/A	N/A	-	-	-	156,300		
4789	6033 S 15th Dr	01/02/14	113,901	N/A	N/A	-	N/A	N/A	N/A	N/A	N/A	-	-	-	113,901		

Davis v. Clark Hill PL.C, et al.
 January 9, 2014 Loss on Mr. Menaged's Outstanding Loans

RECEIVERS ANALYSIS										STERLING'S ANALYSIS					
DenSco Loan Data		3rd Party Loan Data			Purchase Information			Sale Information		Notes	Assumed Market Value as of 1/9/14	Assumed Selling Costs	Net Proceeds After Selling Costs	Net Proceeds Available to DenSco	DenSco Loss Estimate
Loan No.	Address	Loan Date	Loan Balance as of 01/09/14	Lender Name	Loan Amount	Purchase Date	Purchase Price	Sale Date	Sale Price						
4790	6923 E Lakeview Ave	01/02/14	173,600	N/A	-	N/A	N/A	N/A	N/A	Sold to 3rd party at Tee Sale (20140684107), never owned by Menaged	-	-	-	-	173,600
4791	711 W Stottler Dr	01/02/14	139,200	N/A	-	01/02/14	139,200	05/06/14	178,000	Sold to 3rd party at Tee Sale (20140029135), never owned by Menaged	139,200	5,568	133,632	133,632	5,568
4795	5526 N Robles Ct	01/06/14	166,000	N/A	-	N/A	N/A	N/A	N/A	Sold to 3rd party at Tee Sale (20140480921), never owned by Menaged	-	-	-	-	166,000
4796	6134 W Charter Oak Rd	01/06/14	168,000	N/A	-	01/03/14	168,000	08/29/14	205,000	Sold to 3rd party at Tee Sale (20140480921), never owned by Menaged	168,000	6,720	161,280	161,280	6,720
4797	6341 S Kimberlee Way	01/06/14	186,000	N/A	-	N/A	N/A	N/A	N/A	Sold to 3rd party at Tee Sale (20140480921), never owned by Menaged	-	-	-	-	186,000
TOTAL:											36,478,634	1,459,145	35,019,489	12,058,108	17,711,002

Sources:
 Excel workbook entitled "Analysis of Managed Loans as of 01.09.14 - Property Details" prepared by Receiver.

Appendix N

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 Mr. Chittick's Net Investment Changes (December 2013 to June 2016)

