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11 Attorneys for Plaintiff

12 IN THE SUPERIOR COURT OF THE STATE OF ARIZONA
13 IN AND FOR THE COUNTY OF MARICOPA

14 Peter S. Davis, as Receiver of DenSco
15 Investment Corporation, an Arizona
16 corporation,

17 Plaintiff,

18 vs.

19 Clark Hill PLC, a Michigan limited
20 liability company; David G. Beauchamp
21 and Jane Doe Beauchamp, husband and
22 wife,

23 Defendants.

No. CV2017-013832

~~PROPOSED~~ PROTECTIVE
ORDER

(Assigned to the
Honorable Daniel Martin)

24 Upon stipulation by the parties to this action and good cause appearing,
25 IT IS HEREBY ORDERED pursuant to Ariz. R. Civ. P. 26(c) that the
26 following procedures shall apply to confidential documents and information produced
27 or disclosed in this action:

28 **DESIGNATION OF CONFIDENTIAL MATERIALS**

1. The parties may designate as "Confidential Materials" any Documents,
Testimony, or Information that they produce or exchange pursuant to the Arizona
Rules of Civil Procedure if they believe in good faith that the Documents, Testimony,
or Information is entitled to confidential treatment under applicable law.

a. "Documents" means any and all documents or electronically
stored information, including, but not limited to, all of the items listed in Rule

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EXHIBIT
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1 34(a) of the Rules of Civil Procedure for the Superior Courts of Arizona, which
2 have been produced in discovery in this action by any person or entity, and
3 (ii) any copies, reproductions, or summaries of all or any part of the foregoing.

4 b. "Testimony" means all depositions, declarations, or other
5 testimony taken or used in this Proceeding.

6 c. "Information" means the content of Documents or Testimony.

7 d. The parties will not claim that the following Documents are
8 confidential or subject to any protective order: communications between Clark
9 Hill and DenSco related to the subject matter of this litigation or any
10 representation of DenSco by Clark Hill; DenSco business records; the corporate
11 journal kept by Mr. Chittick while he was president of DenSco;
12 communications between DenSco and any borrower of funds from DenSco, or
13 the borrower's representative; communications between DenSco and its
14 accountants; communications between Mr. Chittick and any third party
15 regarding the subject matter of this litigation, including without limitation, the
16 Arizona Corporation Commission.

17 2. The disclosing party making such designation (the "Designating Party")
18 must clearly designate Documents, Testimony, or Information as Confidential at the
19 time the Document, Testimony, or Information is disclosed or produced.

20 a. For Documents (apart from transcripts of depositions or other
21 pretrial or trial proceedings), the Designating Party must affix the legend
22 "Confidential Materials" on each page of any Document containing such
23 designated material, without obscuring the legibility of the Document. If only
24 part of a Document is designated as Confidential, the Designating Party shall
25 clearly designate which parts are designated as Confidential.

26 b. For Testimony given in depositions, the Designating Party may
27 either:

28 i. identify on the record, before the close of the deposition,

1 the specific portions of the Testimony that are designated as
2 Confidential; or

3 ii. designate on the record the entirety of the Testimony at the
4 deposition as Confidential, before the close of the deposition, with the
5 right to identify more specific portions of the Testimony as to which
6 protection is sought within 30 days following receipt of the deposition
7 transcript.

8 The court reporter shall affix to the top of each transcript page containing
9 Testimony designated as Confidential the legend "Confidential Materials." If
10 only part of the Testimony is designated as Confidential, the portions
11 designated as Confidential may be separately bound by the court reporter.

12 c. For Information produced in some form other than Documents,
13 and for any other tangible items, including, without limitation, flash drives,
14 hard drives, compact discs, or DVDs, the Designating Party must affix in a
15 prominent place on the exterior of the container or containers in which the
16 Information or item is stored the legend "Confidential." If only portions of the
17 Information or item warrant protection, the Designating Party, to the extent
18 practicable, shall identify the Confidential portions with particularity.

19 3. Inadvertent production of or failure to designate any matter as
20 Confidential shall not be deemed a waiver of the producing party's claim of
21 confidentiality as to such matter, and the producing party may thereafter designate
22 such matter as Confidential within fifteen business days of the discovery of the
23 inadvertent production or failure to designate. In addition, within fifteen business
24 days of the entry of this Order by the Court, the parties may designate as Confidential
25 any materials disclosed prior to the execution of this Confidentiality Agreement and
26 Protective Order.

27 4. The inadvertent production of any Document, Testimony, or Information
28 during discovery in this proceeding without a Confidential designation that the

1 producing party believes contains attorney-client communications, attorney work
2 product, or otherwise privileged information shall be handled in accordance with the
3 applicable Arizona rules and laws, including but not limited to, Rule 26.1(f)(2) of the
4 Rules of Civil Procedure for the Superior Courts of Arizona, Rule 502 of the Rules of
5 Evidence for Courts in the State of Arizona, and ER 4.4(b) of the Arizona Rules of
6 Professional Conduct.

7 5. Any Document, Testimony, or Information that may be produced by a
8 non-party witness in discovery in the Proceeding pursuant to subpoena or otherwise
9 may be designated by such non-party as Confidential under the terms of this
10 Confidentiality Agreement and Protective Order, and any such designation by a non-
11 Party shall have the same force and effect, and create the same duties and obligations,
12 as if made by one of the undersigned Parties hereto. Any such designation shall also
13 function as consent by such producing non-party to the authority of this Court to
14 resolve and conclusively determine any motion or other application made by any
15 person or party with respect to such designation, or any other matter otherwise arising
16 under this Protective Order.

17 6. In the event that counsel for a party receiving Documents, Testimony or
18 Information in discovery designated as Confidential objects to such designation with
19 respect to any or all of such items, said counsel shall advise counsel for the
20 designating party, in writing, of such objections. Unless a prompt challenge to such
21 designation is necessary to avoid foreseeable substantial unfairness, unnecessary
22 economic burdens, or a later significant disruption or delay of this action, a party does
23 not waive its right to challenge a "Confidential" designation by electing not to mount a
24 challenge promptly after the original designation is disclosed. Within fourteen days of
25 an objection being made, the parties shall meet and confer in an attempt to resolve the
26 dispute. If the dispute cannot be resolved, the party claiming confidentiality shall have
27 no more than thirty days from the initial "meet and confer" session within which to
28 seek relief from the Court, and shall have the burden of establishing the applicability

1 of its Confidential Designation. If relief is sought, any and all existing designations on
2 the Documents, Testimony, or Information at issue in such Motion shall remain in
3 place pending resolution by the Court. Failure to seek such relief shall constitute a
4 binding admission that the subject Documents, Testimony or Information should not
5 be designated Confidential and need not be treated as such.

6 **USE OF CONFIDENTIAL MATERIALS**

7 7. Documents, Testimony, and Information designated as Confidential
8 pursuant to this Order shall be used by the persons or entities receiving them only for
9 the purposes of preparing for, conducting, participating in the conduct of, and/or
10 prosecuting and/or defending this action, and not for any business or other purpose
11 whatsoever.

12 8. Access to and/or Disclosure of Confidential Materials shall be permitted
13 only to the following persons or entities:

14 a. the Court, including Court personnel;

15 b. attorneys of record in this action and their affiliated attorneys,
16 paralegals, clerical and secretarial staff employed by such attorneys who are
17 actively involved in the proceeding;

18 c. parties who are natural persons and, for those parties that are
19 corporate entities, those officers, directors, experts and employees that counsel
20 for such parties deem necessary to aid counsel in the prosecution and defense of
21 this proceeding; provided, however, that each non-lawyer given access to
22 Confidential Materials shall be advised in writing that such materials are being
23 disclosed pursuant to, and are subject to, the terms of this Protective Order and
24 that they may not be disclosed other than pursuant to its terms;

25 d. court reporters in this proceeding (whether at depositions,
26 hearings, trial, or any other proceeding);

27 e. any deposition or non-trial hearing witness in the proceeding;
28 provided, however, that each such witness given access to Confidential

1 Materials shall be advised orally and in writing that such materials are being
2 disclosed pursuant to, and are subject to, the terms of this Confidentiality
3 Agreement and Protective Order and that they may not be disclosed other than
4 pursuant to its terms;

5 f. outside experts or expert consultants consulted by the
6 undersigned Parties or their counsel in connection with the Proceeding, whether
7 or not retained to testify at any oral hearing; provided, however, that prior to the
8 disclosure of Confidential Materials to any such expert or expert consultant,
9 counsel for the party making the disclosure shall deliver a copy of this
10 Confidentiality Agreement and Protective Order to such person, shall explain
11 its terms to such person, and shall secure the signature of such person on a
12 statement in the form attached hereto as Exhibit A. It shall be the obligation of
13 counsel, upon learning of any breach or threatened breach of this
14 Confidentiality Agreement and Protective Order by any such expert or expert
15 consultant, to promptly notify counsel for the Designating Party of such breach
16 or threatened breach;

17 g. any other person or entity that the designating party agrees to in
18 writing;

19 h. in response to any lawfully issued subpoena or other legal
20 process, subject to the provisions of Paragraph 12 herein;

21 i. authors, originators, or original recipients of the document,
22 testimony or information, as specifically reflected on the face of the document,
23 testimony or information.

24 9. Whenever any Documents, Testimony or Information designated as
25 Confidential are to be discussed or shown in a deposition, the party who designated
26 that material as Confidential may exclude from the room any person who is not
27 entitled to view or receive documents, testimony or information so designated. Unless
28 otherwise agreed, a deponent, other than a party's experts or consultants, may not

1 retain a copy of any deposition materials deemed Confidential unless such deposition
2 material was produced by the deponent in connection with the deposition and/or was
3 previously in the deponent's possession, custody or control.

4 10. The party submitting or presenting any Confidential Materials in any
5 motion or other proceeding shall comply with Rule 5.4 of the Arizona Rules of Civil
6 Procedure and Rule 2.19 of the Local Rules of Practice of the Superior Court of
7 Maricopa County.

8 11. The Parties shall meet and confer regarding the procedures for use of
9 any materials designated as Confidential at trial and shall move the Court for entry of
10 an appropriate order.

11 12. If any person subject to this Confidentiality Agreement and Protective
12 Order who has custody of any materials designated as Confidential receives a
13 subpoena or other process ("Subpoena") from any governmental entity or other person
14 or entity demanding production of such Confidential Materials, the recipient of the
15 Subpoena shall promptly give notice of the same by electronic mail transmission but
16 no less than five (5) business days after receiving service of such Subpoena, followed
17 by either express mail or overnight delivery to counsel of record for the designating
18 party, and shall furnish such counsel with a copy of the Subpoena. Upon receipt of
19 this notice, the designating party may, in its sole discretion and at its own cost, move
20 to quash or limit the Subpoena, otherwise oppose production of the Confidential
21 Materials, and/or seek to obtain confidential treatment of such materials from the
22 subpoenaing person or entity to the fullest extent available under law. Such party
23 subject to the Subpoena or order shall also promptly inform in writing the party who
24 caused the Subpoena to issue that some or all of the matter covered by the Subpoena is
25 subject to this Protective Order. The recipient of the Subpoena may not produce any
26 Confidential Materials pursuant to the Subpoena prior to the date specified for
27 production on the Subpoena.

28

1 13. If, after execution of this Protective Order, any Confidential Materials
2 are Disclosed by a non-Designating Party to any person other than in the manner
3 authorized by this Order, the non-designating Party responsible for the disclosure shall
4 (a) bring all pertinent facts relating to the disclosure of such Confidential Materials to
5 the immediate attention of the designating party; and (b) use its best efforts to retrieve
6 all copies of the inadvertently disclosed Confidential Materials.

7 14. This Protective Order is entered without prejudice to the right of any
8 party to knowingly waive the applicability of this Protective Order to any Confidential
9 Materials designated by that Party. If the designating party uses Confidential
10 Materials in a non-Confidential manner, then the designating party shall advise that
11 the designation no longer applies. Nothing contained in this Protective Order shall
12 prevent a party to this action from using its own designated material in any way that it
13 sees fit, or from revealing its own designated material to whomever it chooses, without
14 prior consent of any person or of the Court.

15 15. Upon written request made within thirty (30) days after the settlement or
16 other termination of the proceeding, the undersigned parties shall have thirty (30) days
17 to either (a) promptly return to counsel for each designating party all Confidential
18 Materials, and all copies thereof (except that counsel for each party may maintain in
19 its files, in continuing compliance with the terms of this Protective Order, all work
20 product, one copy of each pleading filed with the Court, one copy of each deposition
21 together with the exhibits marked at the deposition, and one copy of any exhibits
22 admitted at any hearing or trial), (b) agree with counsel for the designating party upon
23 appropriate methods and certification of destruction or other disposition of such
24 materials including any and all electronic copies, or (c) as to any Documents,
25 Testimony, or other Information not addressed by sub-paragraphs (a) and (b), file a
26 motion seeking a Court order regarding proper preservation of such materials. To the
27 extent permitted by law the Court shall retain continuing jurisdiction to review and
28 rule upon the motion referred to in sub-paragraph (c) herein.

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EFFECT OF THIS AGREEMENT AND ORDER

16. The parties and all signatories to the Certification attached hereto as Exhibit A agree to be bound by this Protective Order pending its approval and entry by the Court. In the event that the Court modifies this Protective Order, or in the event that the Court enters a different Protective Order, the Parties agree to be bound by this Protective Order until such time as the Court may enter such a different Order.

17. The entry of this Protective Order does not alter, waive, modify, or abridge any right, privilege, or protection otherwise available to any Party with respect to the discovery of matters or the admission of evidence, including but not limited to the right to pursue or oppose any request for discovery on any ground permitted by the Arizona Rules of Civil Procedure or other applicable law or to assert or contest the attorney-client privilege, the attorney work product doctrine, the common interest privilege, or other privileges.

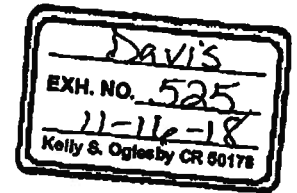
18. Any Party to this action (or other person subject to the terms of this Protective Order) may ask the Court, after appropriate notice to the other Parties to this action, to modify or grant relief from any provision of this Protective Order.

19. This Protective Order shall continue to be binding after the conclusion of this action and all subsequent proceedings arising from this action, except that a Party may seek the written permission of the Designating Party or may move the Court for relief from the provisions of this Protective Order. To the extent permitted by law, the Court shall retain jurisdiction to enforce, modify, or reconsider this Protective Order, even after the Proceeding is terminated.


The Honorable Daniel Martin
Maricopa County Superior Court
April 3, 2018

**GUTTILLA MURPHY
ANDERSON**

5415 E. HIGH STREET, SUITE 200
PHOENIX, ARIZONA 85054
(480) 304-8300
FAX (480) 304-8301



Our No. 2359-017

April 12, 2018

Yomtov Scott Menaged
Federal Corrections Institution - La Tuna
Inmate 74322-408
P.O. Box 3000
Anthony, NM 88021

Re: *Arizona Corp. Commission v. DenSco Investment Corp.*, Case
No. CV2016-014142 (Superior Court of Maricopa County, AZ).

Dear Mr. Menaged:

As you know, the undersigned represents Peter S. Davis, as the Receiver of DenSco Investment Corporation ("Receiver"). I am in receipt of your letter dated March 1, 2018, but it was received by my office on April 4, 2018.¹

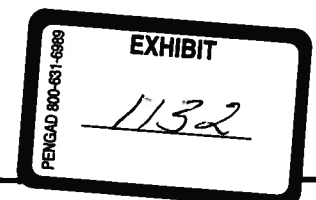
Please be advised that Ajamie, LLP has been appointed as Special Counsel to the Receiver and is, among other things, investigating potential claims against Active Funding and related third party hard money lenders. Accordingly, the Receiver is hopeful that you will cooperate with any request for an interview and answer all inquiries honestly and completely.

As you will recall, before your deposition conducted on October 20, 2016, you agreed to allow the Receiver to make a forensic image of your e-mail account. After collecting this electronic information, your former legal counsel [Schian Walker P.L.C.] initially agreed to review the data to segregate any of your e-mail communications which were protected by attorney-client privilege. However, after your arrest in late May of 2017, it became clear that your former counsel did not have adequate financial resources to conduct this review. Pursuant to our Settlement Agreement², and letter agreement of October 4, 2017, the Receiver has reviewed the e-mail communications and segregated your e-mails which are protected by the attorney-client privilege. Accordingly, enclosed with this letter is a flash drive. On the flash drive is a folder which contains: a copy of each of the 1,517 e-mails which have been deemed protected by the attorney/client privilege; a copy of the privilege log that identifies the privileged nature of the 1,517 privileged e-mails; and a copy of the entire production on e-mails obtained from your computers³. Accordingly, your non-privileged e-mails will be maintained in the

¹ I believe you incorrectly dated your letter March 1, 2018 as it appears to be in response to a letter you received on or about April 26, 2018 from Special Counsel Ajamie, LLP

² A pdf copy is enclosed in the flash drive.

³ You may have difficulty accessing this data as it requires you to use the Microsoft e-mail program Outlook, as your e-mails were forensically recovered in their native format.



April 12, 2018

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DenSCO Document Depository until the conclusion of the Receivership proceedings, when they will be eventually destroyed.

In response to your recent letter, the Receiver will explore issues related to the Judgment that the Receiver has obtained against you, but it is too premature to be exploring these issues as your tentative release date is in 2032 and the administration of the Receivership remains ongoing. Finally, enclosed is a copy of the Summary Sources and Uses Analysis from January 1, 2010 to November 30, 2016, as you requested.

If you have additional questions, please let me know.

Sincerely,



Ryan W. Anderson

RWA:jc

Enclosures

cc: Peter S. Davis, As Receiver of DenSCO

Stanton Consulting, LLC
Arizona Corporate Administration v. DnsSec Investment Corporation

Yentov Scott Mensing, et al.
Sources and Uses of Cash - Summary [1]
January 1, 2010 - November 30, 2016

Category	Personal Accounts		Arizona Home Foreclosure, LLC		Furniture & Electronic King, LLC		Furniture & Electronic King, LLC		TOTAL		
	Deposits	Withdrawals	Deposits	Withdrawals	Deposits	Withdrawals	Deposits	Withdrawals	Deposits	Withdrawals	
Beginning Balance	-	-	610,069	-	-	-	-	-	610,069	-	610,069
Swanwicked Accounts:											
Yentov S. Mensing - Chase 5525	299,900	300,000	3,750,000	3,750,000	-	-	-	-	4,049,900	4,050,000	(100)
Yentov S. Mensing - Chase 8250	14,900	12,355	4,800	4,800	(4,800)	-	-	-	14,900	28,900	(14,000)
Yentov S. Mensing - Chase 8371	312,295	314,900	5,396,196	33,160,079	(7,763,263)	-	-	-	5,901,991	33,775,079	(27,873,087)
Yentov S. Mensing - USB 6416	297	297	1,363,208	730,080	638,128	-	-	-	1,572,188	1,294,138	277,770
Yentov S. Mensing - WF 2208/2211/7685/9717	36,904,679	9,256,496	5,101	7,500	(2,399)	-	-	-	5,398	7,977	(2,599)
Arizona Home Foreclosure, LLC - Chase 1151	70,000	70,000	309,200	-	(220,000)	-	-	-	38,233,938	10,963,488	27,271,250
Arizona Home Foreclosure, LLC - USB 2735	670,000	999,009	61,500	599,724	(538,224)	-	-	-	380,200	380,200	-
Easy Investments, LLC - USB 4457	177,500	7,500	828,177	828,378	43,799	-	-	-	1,933,350	4,392,609	850,836
Furniture King, LLC - Chase 1381	964,901	203,493	11,165	509	14,665	-	-	-	2,491,714	3,352,152	(18,740)
Furniture King, LLC - USB 4440	81,905	43,000	85,134	78,669	6,465	-	-	-	3,233,621	1,089,793	2,143,828
Furniture & Electronic King, LLC - Chase 5893	52,700	52,700	7,400	359	6,871	-	-	-	15,165	500	14,665
Scott's Fine Furnitures, LLC - Chase 6758	357	407	112,200	618,800	(506,100)	-	-	-	891,439	912,700	(91,260)
Beneficial Finance, LLC - USB 2727	28,157,214	13,444,397	17,283,487	43,872,744	(26,589,257)	-	-	-	204,801	672,257	(468,356)
Subtotal	80,000	511,000	619,873	873,000	(253,127)	-	-	-	6,991,837	7,232,497	(240,660)
Other Accounts:											
Auto King, LLC - Chase 6250	630,000	380,160	162,000	57,500	84,500	-	-	-	1,053,104	1,609,220	(556,115)
Line of Credit - BofA 8699	660,009	891,160	761,875	1,483,028	(701,153)	-	-	-	866,400	528,865	337,535
Subtotal	-	-	272,500	1,202,635	(980,153)	-	-	-	1,971,504	2,670,634	(700,130)
Yentov S. Mensing, et al.	-	-	1,659,214	7,344,393	(5,705,179)	-	-	-	272,500	1,202,635	(930,153)
Joseph Mensing	-	-	8,597,296	7,474,599	1,122,697	-	-	-	1,959,214	7,610,736	(5,651,522)
Shant Tenn Finance, LLC	-	-	354,598	354,598	(354,598)	-	-	-	8,597,296	7,974,599	622,697
Michelle R. Mensing	-	-	90	269,053	(268,963)	-	-	-	90	352,957	(262,867)
Michelle R. Mensing - Mortgage Payment	-	-	17,738	17,738	(17,738)	-	-	-	17,738	17,738	-
Michelle R. Mensing - Auto Payment	-	-	14,795	56,800	(42,005)	-	-	-	92,686	203,900	(111,214)
Sabrina & Josephine Barreto	-	-	623	217,639	(217,016)	-	-	-	623	217,639	(216,916)
Sabrina & Josephine Barreto - Legal Fees	-	-	3,126	5,000	(1,874)	-	-	-	3,126	5,000	(1,874)
Jess Mensing	-	-	51,500	51,500	(51,500)	-	-	-	5,000	5,000	-
Joy Mensing	-	-	28,312	28,312	(28,312)	-	-	-	-	69,143	(69,143)
Jared & Nancy Coffin / Coffin Meek, LLC	-	-	15,431	15,431	(15,431)	-	-	-	-	52,632	(52,632)
Victoria Bantolina-Mensing	-	-	70,000	59,446	10,554	-	-	-	70,000	115,965	(45,965)
Yishai Mensing	-	-	40,000	40,000	(40,000)	-	-	-	-	59,446	(59,446)
Francis Mensing	-	-	-	-	-	-	-	-	-	40,000	(40,000)
Autistic Furnitures, LLC	-	-	-	-	-	-	-	-	314,280	257,000	(57,280)
Subtotal	-	-	10,617,646	17,188,167	(6,570,521)	-	-	-	11,309,817	18,720,340	(7,410,523)
Real Estate Transactions	-	-	393,187,146	296,556,017	96,631,128	-	-	-	20,800	322,446,260	70,761,485
DnsSec Investment Corp.	-	-	320,101,800	320,101,800	-	-	-	-	76,938	320,178,738	(97,076,938)
Cashier's Checks - Issued & Redeeposited	-	-	36,623,853	36,794,115	(170,262)	-	-	-	34,414	37,129,924	(991,193)
Property Purchase/Sale	-	-	2,625	1,377,244	(1,114,619)	-	-	-	2,625	1,437,692	(1,435,067)
Property Related Expenses	-	-	-	-	-	-	-	-	-	-	-

Shawn Counseling, LLC
Arizona Corporation Contention v. Dreyfus Investment Corporation

Youtou Scott Managed, et al.
Sources and Uses of Cash - Summary (1)
January 1, 2010 - November 30, 2016

Category	Personal Accounts			Arizona Means Foreclosures, LLC			Furniture King, LLC			TOTAL		
	Deposits	Withdrawals	Net Total	Deposits	Withdrawals	Net Total	Deposits	Withdrawals	Net Total	Deposits	Withdrawals	Net Total
Montage/Loan Payments	390	82,389	(81,919)	159	179,761	(179,602)	549	284,479	(284,929)	15,195	152,252	(137,057)
Property Taxes	-	-	-	-	-	(152,252)	-	-	(24,400)	-	-	-
2nd Party Loans	-	-	-	-	-	(21,571,833)	-	-	(260,239)	-	-	(21,532,090)
Active Funding Group, LLC	-	-	-	1,696,013	23,267,866	(1,831,600)	53	260,239	(260,237)	1,696,066	23,278,155	(21,532,090)
Sell Wholesale Funding, LLC	-	-	-	89,000	1,920,604	(1,831,600)	-	169,839	(169,839)	88,000	2,090,443	(2,002,443)
Arthur Koschiba	-	-	-	-	200,062	(200,062)	-	21,875	(21,875)	3,991,134	4,004,782	(79,647)
Ede Wehler/EFZ Homes, Inc.	-	-	-	3,947,654	4,024,782	(77,127)	3,500	-	3,500	100,000	58,579	41,421
Luigi Amoroso - Loan	-	-	-	100,000	58,579	41,421	-	-	-	947,290	638,402	308,888
Other 3rd Party Loans	-	-	-	947,290	632,152	315,138	-	-	(6,250)	20,000	4,726,000	(4,706,000)
Bid Checks, etc.	-	-	-	20,000	4,696,000	(4,676,000)	-	30,000	(30,000)	10,000	1,660,000	(1,650,000)
Luigi Amoroso - Bid Checks	-	-	-	-	1,660,000	(1,660,000)	-	40,000	(40,000)	-	-	-
Julia Thomas - Bid Checks	-	-	-	10,000	910,000	(900,000)	-	-	-	-	-	-
Youtou S. Managed - Bid Checks	-	-	-	-	140,000	(140,000)	-	-	-	-	-	-
Charles Duffing - Bid Checks	-	-	-	697,671,335	63,854,325	63,854,325	131,344	811,008	(679,664)	756,657,215	719,669,642	365,997,432
Subtotal	390	24,187,339	(24,187,009)	6,132,370	143,856	6,088,514	33,677,466	330,393	34,017,859	25,166,306	476,492	24,691,814
Income	-	-	-	4,775,173	128,700	4,146,473	17,835,010	321,658	17,513,352	22,110,183	452,800	21,667,333
Income - Credit Card/Pending Receipts	-	-	-	1,285,310	15,156	1,270,154	6,026	2,004	3,992	1,297,086	17,190	1,279,896
Income - Rental/Refunds	-	-	-	693,800	-	693,800	339,322	6	339,316	881,770	6	881,764
Cash Deposits	-	-	-	-	-	-	551,094	6,495	544,599	551,094	6,495	544,599
Income - Furniture Sales	-	-	-	53,160	-	53,160	16,014	-	16,014	52,124	-	52,124
Income - Payroll	-	-	-	24,000	-	24,000	-	-	-	54,000	-	54,000
Income - Personal Asset Sales	-	-	-	18,902	-	18,902	-	-	-	18,902	-	18,902
Income - Discovery Communications, Inc.	-	-	-	25	-	25	-	-	-	-	-	-
Income - Refractor, Ltd. (Hong Kong)	-	-	-	-	-	-	-	-	-	-	-	-
Income - Interest	122	1	121	-	-	-	-	-	-	147	-	146
Subtotal	364,470	2,443	264,027	6,132,370	143,856	6,088,514	33,677,466	330,393	34,017,859	25,166,306	476,492	24,691,814
Other Individuals & Entities	-	-	-	2,744	9,143,851	(9,143,107)	73,695	463,485	(391,790)	78,089	9,611,336	(9,533,246)
Keg Inspections, Inc.	1,650	-	1,650	469,110	(469,110)	-	300	49,450	(49,450)	-	518,560	(318,560)
Carlton Marquez	-	-	-	319,361	(319,361)	-	-	71,710	(71,710)	-	394,221	(394,221)
Garfita Enterprises	-	-	-	340,774	(340,774)	-	-	-	-	-	325,900	(325,900)
Carina Ramirez	-	-	-	311,980	(311,980)	-	-	14,000	(14,000)	-	255,043	(255,043)
Luigi Amoroso - Payroll	-	-	-	1,875	(1,875)	-	-	22,708	(22,708)	-	198,234	(198,234)
Armando Esperra	-	-	-	19,545	(19,545)	-	12,096	78,382	(66,486)	-	200,127	(186,981)
Lisa Shann	-	-	-	103,626	(103,626)	-	-	6,140	(6,140)	-	109,206	(109,206)
Venencia Castro	-	-	-	143,892	(143,892)	-	-	3,600	(3,600)	-	143,892	(143,892)
George Nescieter	-	-	-	90,202	(90,202)	-	-	47,604	(47,604)	-	84,594	(84,594)
Divine Design Home Interiors, LLC	-	-	-	36,990	(36,990)	-	-	-	-	-	59,000	(59,000)
Leslie McBrier	-	-	-	55,011	(55,011)	-	-	-	-	-	59,011	(59,011)
Troy Filippo	-	-	-	90,000	(90,000)	-	-	-	-	-	49,020	(49,020)
Julia Thomas - Payroll	-	-	-	49,020	(49,020)	-	-	-	-	-	57,300	(57,300)
Total Home Remodel	-	-	-	57,300	(57,300)	-	-	-	-	-	43,800	(43,800)
V2, LLC	-	-	-	33,800	(33,800)	-	-	-	-	-	43,495	(43,495)
Quick Buy Properties, LLC	-	-	-	43,495	(43,495)	-	-	-	-	-	41,000	(41,000)
Lisa M. Peet	-	-	-	41,000	(41,000)	-	-	-	-	-	37,987	(37,987)
Alan Bar	-	-	-	35,997	(35,997)	-	-	-	-	-	35,322	(35,322)
Stephan Brown	-	-	-	-	-	-	-	-	-	-	20,000	(20,000)
Ivan Carbas	-	-	-	-	-	-	-	-	-	-	34,630	(34,630)
Next Gear Capital (Re: Auto King)	-	-	-	14,531	(14,531)	-	-	-	-	-	31,051	(31,051)
Manhattan Phoenix (Re: Auto King)	-	-	-	-	-	-	-	-	-	-	27,702	(27,702)
Hoye Kopp	-	-	-	-	-	-	-	-	-	-	-	-
Daniel Quiñones	-	-	-	-	-	-	-	-	-	-	-	-
Javier Ramos	-	-	-	-	-	-	-	-	-	-	-	-

Simon Consulting, LLC
Arizona Corporate Commission v. Duesen Investmental Corporation

Yester Scott Managed, et al.
Sources and Dates of Cash - Summary [1]
January 1, 2010 - November 30, 2016

Category	Personal Accounts		Arizona Home Foreclosures, LLC		Furniture King, LLC		TOTAL	
	Deposits	Withdrawals	Deposits	Withdrawals	Deposits	Withdrawals	Deposits	Withdrawals
Unknown Cashier's Checks	-	-	774,825	3,467	-	-	774,825	3,467
Unknown Disbursements	-	3,000	61,684	(61,684)	-	2,068	66,751	(66,751)
Unknown Disbursements - Before 05/19/10	-	17,008	11,592,330	(11,592,330)	-	-	11,592,330	(11,592,330)
Unknown Disbursements <- \$1,000	-	-	1,125,287	(1,128,287)	-	1,377,303	2,481,598	(7,482,598)
Unknown Deposits	1,680	-	559,324	559,324	4,908	-	565,912	565,912
Unknown Deposits - Before 05/19/10	6,907	-	6,495,209	45,285	-	-	6,495,209	45,285
Unknown Deposits <- \$1,000	2,587	20,008	161,666	1,363	69,097	259	237,959	1,621
Subtotal	149,492	149,492	7,991,684	14,874,414	74,264	1,309,430	8,074,875	14,192,682
Returned Items	42,035,055	42,088,479	3,284,581	3,284,581	-	-	3,590,374	3,590,374
TOTAL	42,035,055	42,088,479	804,339,646	804,339,646	1,198	26,694,369	872,032,554	872,032,554

Notes:
 [1] This analysis is a preliminary draft based on the information currently available to the Receiver and is therefore subject to change. Due to the preliminary nature of this analysis, it has not yet been subjected to the Receiver's quality control procedures.
 [2] There are numerous significant transactions for which the purpose cannot be determined based on the information currently available. The Receiver continues to investigate these transactions, which will be resolved and categorized accordingly upon receipt of additional information.
 [3] This analysis consists solely of transactions that flowed through the bank accounts referenced below. Accordingly, funds that flowed directly between lenders, trustee, escrow companies, and other third parties are not accounted for herein.

Sources:

Entity	Bank	Account No.	Period	Completed?
Yester S. Managed	Chase	xxxxxx533	09/30/14-11/30/16	Missing Post-11/30/16
Yester S. Managed	Chase	xxxxxx680	11/20/14-11/30/16	Missing Post-11/30/16
Yester S. Managed	Chase	xxxxxx371	05/02/14-11/30/16	Missing Post-11/30/16
Yester S. Managed	US Bank	xxxxxx416	12/31/15-11/30/16	Missing Post-11/30/16
Yester S. Managed	Wells Fargo	xxxxxx208	12/11/12-01/31/13	Complete
Yester S. Managed	Wells Fargo	xxxxxx231	12/11/12-01/31/13	Complete
Yester S. Managed	Wells Fargo	xxxxxx285	07/23/11-03/31/13	Complete
Yester S. Managed	Wells Fargo	xxxxxx717	07/01/11-05/21/12	Complete
Yester S. Managed	Chase	xxxxxx151	04/09/14-11/30/16	Complete
Arizona Home Foreclosures, LLC	US Bank	xxxxxx735	10/09/13-12/31/15	Complete
Arizona Home Foreclosures, LLC	Bank of America	xxxxxx696	01/01/16-01/31/13	Missing Pre-01/01/10
Easy Investments, LLC	US Bank	xxxxxx457	12/13/12-05/31/16	Complete
Easy Investments, LLC	Wells Fargo	xxxxxx772	07/27/10-12/31/12	Complete
Easy Investments, LLC	Wells Fargo	xxxxxx256	07/27/10-12/31/12	Complete
Easy Investments, LLC	Wells Fargo	xxxxxx190	12/11/12-01/31/13	Complete
Easy Investments, LLC	Wells Fargo	xxxxxx944	12/11/12-01/31/13	Complete
Easy Investments, LLC	Chase	xxxxxx381	09/07/11-11/30/16	Missing Post-11/30/16
Furniture King, LLC	US Bank	xxxxxx440	12/11/12-05/31/16	Complete
Furniture King, LLC	Wells Fargo	xxxxxx585	12/11/12-01/31/13	Complete
Furniture King, LLC	Wells Fargo	xxxxxx614	12/11/12-01/31/13	Complete
Furniture King, LLC	Chase	xxxxxx589	12/14/15-10/07/16	Complete
Furniture & Electronic King, LLC	Chase	xxxxxx675	03/29/16-11/22/16	Complete
Scott's Fine Furnishings, LLC	US Bank	xxxxxx777	10/09/13-10/31/16	Missing Post-10/31/16

Den Sco /

TERM SHEET

The provisions of this Term Sheet are intended only as an expression of intent on behalf of DenSco Investment Corporation ("DenSco") and Scott Menaged, Arizona Home Foreclosures, LLC, Easy Investments, LLC and possibly other entities owned by or under the control of Scott Menaged used to purchase real property from trustee sales (collectively, "Borrower"). These provisions are not intended to be legally binding on DenSco or Borrower and are expressly subject to the execution of an appropriate definitive agreement. DenSco and Borrower expressly acknowledge and agree that the contents of this Term Sheet are insufficient to constitute a legally binding agreement as to its subject matter and that there shall be no binding agreement between DenSco and Borrower until a definitive agreement is executed.

TERMS

1. DenSco has advanced several loans to the Borrowers entities. These loans are secured by a Mortgage/Deed of Trust, which DenSco intended to be in first lien position on each of the properties owned by the Borrower. Borrower is currently in default for being delinquent in the payment of interest due DenSco for these loans.
2. Certain of Borrower's properties were used as security for loans from other lenders and for loans from DenSco.
3. Certain of these other lenders have retained Bryan Cave, LLP to represent them (the "Other Lenders") in connection with the liens of DenSco and the liens of these Other Lenders (each a "Conflict Property" and collectively, the "Conflict Properties").
4. DenSco and Borrower agree to cooperate and assist each other in connection with resolving the dispute with the Other Lenders concerning these Conflict Properties.
5. As each of the Conflict Properties are sold through an escrow, Borrower is to pay any shortfall of funds required to satisfy the liens of the Other Lenders and DenSco on or prior to the closing of the sale of such Conflict Property. Notwithstanding the Priority List defined and referenced below, the sale of such Conflict Properties to third parties are to proceed pursuant to the timing specified by the applicable purchaser of the Conflict Property, so long as the Other Lenders and DenSco are to be paid through such closing.
6. Borrower and DenSco will work with the Other Lenders to obtain a Priority List of the Conflict Properties from the Other Lenders (the "Priority List"). This Priority List will list the order in which the Other Lenders want each Conflict Property to be refinanced so that the respective Other Lender is paid in full for the loan secured by such Conflict Property and its corresponding lien will be released on such Conflict Property.
 - A. The Priority List will be submitted to Debbie Pihl at Magnus Title Agency ("Magnus"). Magnus will arrange for the necessary title work and verify the pay-off amounts for the Other Lender's loan and arrange for the closing of the additional funding from DenSco pursuant to a modification of its existing loan.

PENGAD 800-631-8888

EXHIBIT

11.33



B. Based on the pay-off amounts required to satisfy the loan of the applicable Other Lender, as determined by Magnus above, DenSco will submit funds to Magnus to modify and increase DenSco's outstanding loan to a LTV of approximately 95% of the applicable Conflict Property. Borrower will be required to deliver the balance of the required funds to pay-off and release the lien of the Other Lender on the applicable Conflict Property and to provide title insurance to DenSco showing DenSco in first lien position to secure its modified loan.

C. Borrower and DenSco have been assured by Debbie Pihl and Magnus that Magnus has sufficient resources to process the pay-offs of all of the loans from the Other Lenders associated with each of the Conflict Properties on or before February 28, 2014.

D. Borrower and DenSco agree to and will deliver adequate funds to Magnus to pay-off all of the loans from the Other Lenders on or before February 28, 2014.

E. After all of the loans of the Other Lenders (secured by any of the Conflict Properties) have been paid off and released by the Other Lenders as set forth in Section 5 and Section 6 A and 6 B above, DenSco and Borrower shall proceed to resolve the lien disputes between DenSco and with other similarly situated lenders pursuant to the procedures described in Section 5, Section 6 A and 6 B above.

7. Borrower agrees to the following:

A. Except for DenSco, Borrower agrees to continue to pay the interest due to each of the Other Lenders and any other similarly situated lender on a timely basis and to keep such loans current and in compliance with its terms;

B. Borrower has arranged for private outside financing in the amount of approximately \$1,000,000 (the "Outside Funds"), which is to be provided to Borrower on or before February 28, 2014. Such Outside Funds shall be used exclusively for the pay-off of the Other Lenders and any other similarly situated lender (and any balance to be paid to DenSco to reduce the amount of DenSco's additional loans to Borrower, as provided herein);

C. Borrower has agreed to inform DenSco of all of the terms of Borrower's transaction to obtain the Outside Funds and the security provided for such Outside Funds. DenSco agrees to keep such information on a confidential basis, provided, however, DenSco will be able to provide such terms and information to its investors, legal counsel, accountants and other applicable professionals;

D. Borrower agrees to provide any additional security to DenSco, as may be requested by DenSco, to secure Borrower's existing obligations to DenSco and to secure the additional obligations that DenSco is agreeing to provide pursuant to this forbearance / workout agreement;

E. Borrower agrees to reimburse all costs and expenses, including without limitation title reports, amendments or title insurance, investigation fees, and / or attorneys'

fees, incurred by DenSco in connection with this forbearance / workout agreement, or the existing and / or any future lien disputes with the Other Lenders or any other similarly situated lenders;

F. Borrower agrees to use its good faith efforts to: (i) liquidate other assets, which is expected to generate approximately 4 to 5 million US Dollars; (ii) apply all net proceeds from the rental of Borrower's homes, or the net proceeds from the acquisition and disposition of additional homes by Borrower, and (iii) apply all funds received from Borrower's continued good faith efforts to recover any other assets that can be recovered from the missing proceeds from the multiple loans that were advanced from DenSco and other lenders with respect to certain properties as referenced above. Any additional funds obtained and / or made available to Borrower pursuant this subsection shall be made available to and used by Borrower in connection with the resolution of the lien disputes between DenSco and other lenders as referenced above;

G. Borrower agrees to provide DenSco (and maintain in effect) a life insurance policy (from a life insurance carrier reasonably approved by DenSco) in the amount of \$10,000,000, insuring the life of Scott Managed with DenSco named as the sole beneficiary, until all obligations pursuant to the forbearance / workout agreement have been full satisfied; and

H. Borrower agrees to provide DenSco with a personal guaranty from Scott Managed, guaranteeing all of Borrower's obligations pursuant to the forbearance / workout agreement. Further, Borrower agrees to provide a re-affirmation and consent from Scott Managed to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees of DenSco's loans to Borrower, so that the terms and provisions of the forbearance / workout agreement will not cause or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of DenSco and Borrowers pursuant to the terms and provisions of the forbearance / workout agreement.

8. DenSco agrees to the following:

A. So long as each Borrower is in compliance with the terms of the workout agreement and any other agreement with DenSco, DenSco will forbear from taking any action to accelerate its loans to Borrower and to commence foreclosure action against the assets of Borrower;

B. DenSco will defer (but not waive) the collection of interest from the Borrowers on DenSco's loans to the Borrowers during the process to fund the amount due to the Other Lenders in connection with the Conflict Properties (All deferred interest on a particular note from Borrower to DenSco shall be paid to DenSco on or before the payoff of the applicable note);

C. DenSco will provide a new loan to Borrower in the amount up to One Million US Dollars, which loan is to provide for multiple advances, earn 3% annual interest to be secured by a first lien position against certain real property to be approved by DenSco in its sole discretion, and the obligation is to be personally guaranteed by Scott Menaged (the "Additional Loan"); and

D. So long as each Borrower is in compliance with the terms of the forbearance and workout agreement and any other agreements with DenSco, DenSco agrees to comply with its obligations set forth elsewhere in this Term Sheet, including the obligation to modify its existing loans to the Borrower that are secured by the Conflict Properties, so that the amount of such loans shall be increased to 95% LTV as indicated above.

9. Borrower and DenSco acknowledge and agree that this forbearance/ workout agreement shall not constitute nor create a joint venture or partnership arrangement between or among DenSco and any of the Borrower.

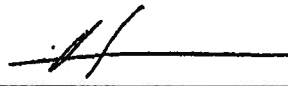
[Signature page to follow:]

The above terms are agreed to this ___ day of January, 2014 by the following.

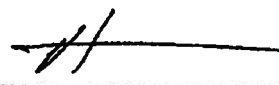
DENSCO INVESTMENT CORPORATION

By: 
Denny Chittick
Its: President

ARIZONA HOME FORECLOSURES, LLC

By: 
Yomtov "Scott" Menaged
Its: Member

EASY INVESTMENTS, LLC

By: 
Yomtov "Scott" Menaged
Its: Member


YOMTOV "SCOTT" MENAGED, Individually

200112534.5 43820/170082

DIC0007525

Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 5/28/2014 11:09:36 AM
To: SMena98754@aol.com
Subject: Re: Finally.....

i guess they heard about us

due to potential fraud

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

From: "SMena98754@aol.com" <SMena98754@aol.com>
To: dcmoney@yahoo.com
Sent: Wednesday, May 28, 2014 10:59 AM
Subject: Finally.....

Dear YOMTOV S MENAGED ARIZONA HOME FORECLOSURES, LLC,

As you requested, we've changed your current transaction limit for Wire Transfers.

As of 2014-05-28 13:52:15, your new limit for Wire Transfers will be 1000000.

Please note that all transactions are still subject to available funds in your account. We may revoke access to transactions at any time due to potential fraud or other security concerns.

If applicable, we also recommend that you adjust any limits for Authorized Users accordingly in Access & Security Manager(SM).

If you have questions, please contact your Chase Banker.

Thanks for being a valued Chase Online customer.

Sincerely,

Chase Online for Business Team



Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 6/11/2014 11:48:06 AM
To: Scott Menaged [smena98754@aol.com]
Subject: Re: Email to approve Substitution of Revised Pages for Forbearance Documents With DenSco Investment

i told him your wife was having surgery so he'll be fine for this week!

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

From: Scott Menaged <smena98754@aol.com>
To: Denny Chittick <dcmoney@yahoo.com>
Sent: Wednesday, June 11, 2014 11:47 AM
Subject: Re: Email to approve Substitution of Revised Pages for Forbearance Documents With DenSco Investment

Tell him I am away till Friday and then Friday I will email someone

We will keep trying to delay till it looks better and better

Sent from my iPhone

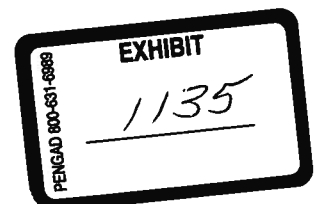
On Jun 11, 2014, at 11:45 AM, Denny Chittick <dcmoney@yahoo.com> wrote:

ok he's bugging me about it, maybe by the end of the week.

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

----- Forwarded Message -----

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: Denny Chittick <dcmoney@yahoo.com>
Sent: Wednesday, June 11, 2014 11:39 AM
Subject: RE: Email to approve Substitution of Revised Pages for Forbearance Documents With DenSco Investment



Denny:

We still have not received the emails with the requested authorizations set forth below. To avoid any confusion, we will prepare these as separate letters to be signed and returned so that this process should be easier.

If you have any questions, please let me know.

Best, David

David G. Beauchamp

CLARK HILL PLC

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

From: Denny Chittick [<mailto:dcmoney@yahoo.com>]
Sent: Thursday, May 15, 2014 8:34 PM
To: Beauchamp, David G.
Subject: Re: Email to approve Substitution of Revised Pages for Forbearance Documents With DenSco Investment

thx i'll take care of it.
dc

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: "Denny J. Chittick (dcmoney@yahoo.com)" <dcmoney@yahoo.com>
Sent: Thursday, May 15, 2014 8:14 PM
Subject: Email to approve Substitution of Revised Pages for Forbearance Documents With DenSco Investment

Denny:

Please read the following instructions and call me if you have any questions. It might make sense to use this email as a checklist.

1. As I indicated in the previous emails to you with the revised documents, we need an email from Scott authorizing Clark Hill, PLC to:

- a. Substitute the revised clean page (previously emailed to, initialed by and returned by Scott) into the executed Forbearance Agreement;
- b. Substitute the revised pages (emailed to, initialed by and previously returned by Scott) into the executed \$5 Million Promissory Note;
- c. Substitute the revised page (emailed to, initialed by and previously returned by Scott) into the executed \$1 Million Promissory Note;
- d. To make the clean-up edits to the respective pages in the Forbearance Documents as described and referenced on the one-page list of clean up edits (dates, etc.) (emailed to, initialed by and previously returned by Scott), and to substitute such revised pages into the respective Forbearance Document as referenced in that list; and
- e. To agree to and consent to all of the changes to the Forbearance Documents, and to acknowledge and agree that such changes do not constitute and will not constitute, either individually or in the aggregate, the basis to challenge the enforcement of any of the Forbearance Documents.

2. We will also need an email from Scott's wife authorizing Clark Hill, PLC to:

- a. To make the clean-up edit to the respective page in the Representation and Disclaimer Agreement as described and referenced on the one-page list of clean up edits (dates, etc.) (emailed to, initialed by and previously returned by Scott), and to substitute such revised page into the respective Representation and Disclaimer Agreement as referenced in that list; and
- b. To agree to and consent to the changes to the Forbearance Documents that Scott has authorized, and to acknowledge and agree that such changes do not constitute and will not constitute, either individually or in the aggregate, the basis to challenge the enforcement of such Representation and Disclaimer Agreement and / or any of the Forbearance Documents.

3. We will also need an email from you, as President of DenSco authorizing Clark Hill, PLC. to:

- a. Substitute the revised clean page (previously emailed to, initialed by and returned by Scott) into the executed Forbearance Agreement;

- b. Substitute the revised pages (emailed to, initialed by and previously returned by Scott) into the executed \$5 Million Promissory Note;
- c. Substitute the revised page (emailed to, initialed by and previously returned by Scott) into the executed \$1 Million Promissory Note;
- d. To make the clean-up edits to the respective pages in the Forbearance Documents as described and referenced on the one-page list of clean up edits (dates, etc.) (emailed to, initialed by and previously returned by Scott), and to substitute such revised pages into the respective Forbearance Document as referenced in that list; and
- e. To agree to and consent to all of the changes to the Forbearance Documents, and to acknowledge and agree that such changes do not constitute and will not constitute, either individually or in the aggregate, the basis to challenge the enforcement of any of the Forbearance Documents.

Please call if you have any questions.

Thank you.

Best regards, David

David G. Beauchamp

CLARK HILL PLC

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

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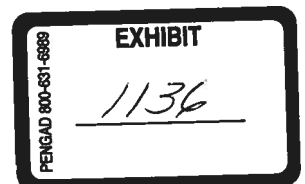
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Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 6/12/2014 9:53:30 AM
To: Scott Menaged [smena98754@aol.com]
Subject: david

ok he's a little insistent now. he is going to send you me a letter. he says that we've waited so long that now he needs to be more formal. so i'll send that to you when i get it.
dc

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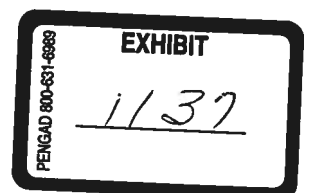
Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 6/16/2014 10:04:41 AM
To: Scott Menaged [smena98754@aol.com]
Subject: work out agreement

ok i guess dave is losing sense of humor with our delay. he sent me a packet marked with blue, green, pink tabs for all of us to sign and initial. i've done my part, i'm mailing it to you. it all has to be original signatures. so once you get it plz do what it says and forward it back to him. there is a postage paid envelope enclosed.

thx
dc

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Message

From: Denny [dcmoney@yahoo.com]
Sent: 11/23/2013 7:43:14 AM
To: Scott Menaged [smena98754@aol.com]
Subject: Re: ok

I am sure we can get it all worked out thx

Sent from my iPad

On Nov 23, 2013, at 7:54 AM, Scott Menaged <smena98754@aol.com> wrote:

No one especially me would try and screw you.

I am out of town but will have all chains Monday and we will meet Tuesday and get it all cleared up.

I am sorry for all the work I made you do now!

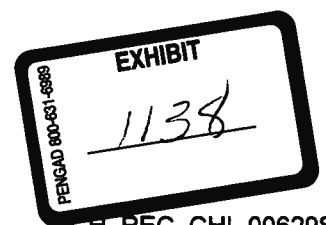
Sent from my iPhone

On Nov 23, 2013, at 3:54 AM, Denny Chittick <dcmoney@yahoo.com> wrote:

i can't keep my eyes open any longer
i've done about 50 of them , we are 50/50. 1/2 the time i record first, 1/2 the time he records first. sometimes with in a dozen numbers of recording. he'll record the day you buy it, then i record my RM the day i fund it, then sometimes i record the deed first after the trustees deed sometimes he does. sometimes he records it twice! i've seen 5 properties that have 4 or more liens on them.

now i've been paid off on obviously dozens if not a 100 loans since you started this deal. so i have confidence that this is more a timing and communication issue than someone trying to intentionally screwing me. however, we have to get this straightened out. you already said greg doesn't like me, i hope he's not resistant to releasing these positions that i believe i'm entitled to being in first position.

dc



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Message

From: Denny [dcmoney@yahoo.com]
Sent: 1/1/2014 4:55:35 PM
To: Scott Menaged [smena98754@aol.com]
Subject: Re:

This is wonderful, I am the one that did things right, I am the one fronting the money to help solve the problem, and I am getting in weaker and weaker position

Sent from my iPad

> On Jan 1, 2014, at 4:36 PM, Scott Menaged <smena98754@aol.com> wrote:

>
> What are your thoughts about subordination? Active is now saying as we'll they want that or will begin foreclosures.

>
> I am wiped out in my mind already. They all say they could care less how long the loans stay outstanding as long as I am current on payments and their is no dispute on lien position.

>
> I don't think it is in anyone's benefit to spend the money in court and then all the properties will be tied up for at least a year and I won't be able to dispose of them according to my attorney

>
> Sent from my iPhone

>
> On Jan 1, 2014, at 4:49 PM, Denny <dcmoney@yahoo.com> wrote:

>
> Holly land! That changes the whole ball game! Between the million I forwarded cheap, the million from PV house, plus profits! We can have this wrapped up this year easy, then send u on a two yr flip spree to earn back ur net worth , all if we can keep all the lenders on the same page!

>
> Sent from my iPad

>
>> On Jan 1, 2014, at 11:00 AM, Scott Menaged <smena98754@aol.com> wrote:

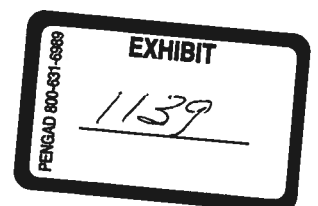
>>
>> What are your thoughts?

>>
>> What I have accomplished so far is I will have 1 million March 1

>>
>> I will have 1 million April 15

>>
>> I will have 2 million July 15

>>
>>
>>
>> Sent from my iPhone



Message

From: Denny [dcmoney@yahoo.com]
Sent: 1/20/2014 10:06:38 PM
To: SMena98754@aol.com
Subject: Re: Update

Read down

Sent from my iPad

On Jan 20, 2014, at 10:34 PM, SMena98754@aol.com wrote:

Ok. After a 3 hour Conversation over dinner..... Here is what we came up with

My friends will Pay the Interest to Gregg for the Next 3 Months. Approx 1,000.000.00. These funds are only for interest to be paid

They also will advance me 1,000,000.00 On March 15, to do as I please.

Here is how I see this:

With me not having right now to pay the interest to Gregg, whatever Funds I can pull out of the Furniture Stores I will and Put towards the Principal

I do believe these loans need to get paid to these Guys ASAP, Or we end up in a larger Problem. One that I may not be able to Fight Financially forever as It will tie up all the Properties. Gregg has already told me that Dan has stated with or without Gregg Joining that Suit, Dan is asking for a lis pen On all Properties including Gregg's loans. If that happens, I know I wont be able to continue because I cant pay interest on properties for a year that I can dispose of or do anything with.

If I give you a General Lien on Easy Investments and AZ Home Foreclosures, nothing will be able to close until you release your portion of the lien.

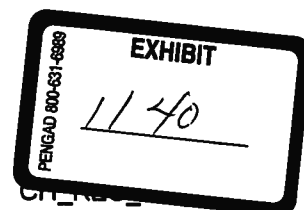
Some Properties even being upside down maybe should be rented to start to generate income, though it will not cover the full monthly nut, I can make up the Difference until the market is high enough to Dispose of

If you Put approx 30,000 lien or 2nd position note on each property now that we have a loan on that would be about 5 Million.

Do u mean to put 30k 3rd on all the Propeties that r on my books? They r already over incumbered I don't follow u on this point

We get all the loans paid with exception to Gregg. If each Property only has a first lien position with an additional 30,000, their would and should be equity when closing them. They Def will not be upside down when closing.

Ok now I am more confused , where did the second loan go?



I will push to sell as fast as possible all of these properties that were paid off to dan's group, which will bring in approx 7,000,000 In Payoffs. at that point we are down to a bit over 100 Properties to go.

Between the cash from the stores and the profits from the new properties I will start to pay down Gregg's loans and as each one is paid off, it will go on the market. That will generate additional cash which will pay down another one.

In the meeting tonight I met with not only a few friends but my accountant and My New York lawyer and good friend for 15 Years. We all came up with parts of this idea.

Alternatively, we let these Properties go to trustee sale and you advance nothing now, but collect about 40 cents on the dollar and we still stay with the same plan but now it is just to pay back the additional 60 cents per property.

I hate this idea, but that be forced on us!

I have already advanced a total of 1.2 Mill in interest over the past 3 months

415,000.00 In Rehab and tenant repairs

100,000 Tomorrow to you

I was not going to take this as interest. I had mentioned that yes I would like 100k interest a month, but u r not in that position. I was going to pay down the 1 million line at 3% so that then I could use the line to pay off other loans of dans. But if u sell ur house then it would be better for u to keep the 100k to use at closing to pay off my two loans on ur property.

So in 3 months I have paid approx 1.7 Mill and all of that money was just to keep things afloat. I am doing all I can, but unless we come up with something that I can see the ending, continuing to borrow money to throw at interest, does not work when the reality is dan's group will cause me to fail at making this all right unless they are paid off

Also I will sell my house as well and if I am upside down by a couple hundred thousand I will borrow that to get it paid off. I am no longer in the position to own a 2.5 Mill dollar house right now . I know I will build myself back up, because that is what I do when I am down, but that's a payment I do not need now and 2.5 Mill of money I am sure you could use.

Let me know your thoughts.

R u still expecting the cash from Israel that u had emailed me a few weeks ago? If so if we can get past dans group and the money u raised today plus what is coming from Israel, plus profits from selling the props, plus rent should get us in a good position in the next 90 days ?

Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 4/3/2014 10:16:46 AM
To: SMena98754@aol.com
Subject: Re: (no subject)

i think that wording says you plan to or it's in best efforts or something like that to giv eyou latittude. you are ok.
dc

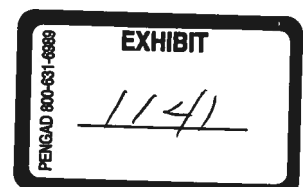
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From: "SMena98754@aol.com" <SMena98754@aol.com>
To: dcmoney@yahoo.com
Sent: Thursday, April 3, 2014 10:01 AM
Subject: (no subject)

I have Signed the Notes and Agreement even though it is not anymore a true understanding of what we are doing. Also It shows I am bringing 1 Mill by 3/20, I brought 500,000 so far and waiting on israel issue.

So lots of this is no longer valid or True, but I signed it so at least you have it for what you need it for and not to have Dave Change it again and again with every move we make.

As long as you dont Put me now in Default for not bringing the Full Million Yet! Because Technically I am already in Default!!! HA HA



CH_REC_CHI_0068720

Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 8/22/2015 10:32:07 AM
To: Scott Menaged [smena98754@aol.com]
Subject: Re: (no subject)

where do you see thewholesale number being in 2 weeks and 1 month

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From: Scott Menaged <smena98754@aol.com>
To: Denny <dcmoney@yahoo.com>
Sent: Saturday, August 22, 2015 10:16 AM
Subject: Re: (no subject)

I still don't know how we will be close with all you have to put out over the next week

On Aug 22, 2015, at 9:51 AM, Denny <dcmoney@yahoo.com> wrote:

I am in so many violations with my current investors it's nuts.

UT guys said they would get back to me if I don't hear Monday I will call Tuesday

We r not that far off. I have money coming in this week, I am thinking between 500k and what I get in, we will be darn close by Monday At 5 pm 100% I don't know but I know it will be one or two properties at most and they can't kill the deal for that

Sent from my iPad

On Aug 22, 2015, at 9:47 AM, Scott Menaged <smena98754@aol.com> wrote:

Is there no way you can show new investors you are profitable and your track history and plenty of references ? Do you have to give them a memorandum? I know lots of lenders who ne



memorandum ? Either they are by law required to or your attorney was too strict with you, I honestly don't know which one is true!

Did the UT guys tell you when you would hear from them?

As far as modifying the payoffs, I guess it would be the same thing as moving money paid to principal. I don't think it makes a difference either way. It's just rearranging the spreadsheets for now. To this day I still don't plan on you taking any loss, but it is foolish to pay the IRS now so all that we will have to figure out later. Maybe what you write off we will do a separate spreadsheet for and I can pay you it in cash in time. We can figure that out

On Aug 22, 2015, at 9:28 AM, Denny <dcmoney@yahoo.com> wrote:

The only problem, is that like I said I can't get new investors, I can't give them the documentation that is necessary. I am hoping the Utah guys will come through.

As far as where I put the money or transfer the past payments, that will have to be worked out later.

I think for now I will modify my payoffs for Belmont and the next one so I just receive cash and take a loss.

Sent from my iPad

On Aug 22, 2015, at 9:14 AM, SMena98754@aol.com wrote:

Here are my thoughts:

I like you am ready to put this behind me. Like you I can't live this way, never had so much stress ever but we are close to it being over and that's what I keep reminding myself!

They already know which banks now to not give me and they have not and they have been doing what they said. Your thought process is correct except I already told them about the banks not to send me. I also told them they can send about 1.5 a day and I can handle that knowing the payoffs. Clearly some days it is not exact, but as you know it goes up and down. So doing what you said with the properties won't work. If they keep giving me 1.5 and I keep having 1.5 in payoffs, which is why I told them 1.5 was ok, I still am 2 Mill Short and believe me there is no going back now and changing anything we spoke about. I am not on their favorite list right now, I will be in time but I have to prove I can do what I said. I will provide my spreadsheet to them once a week to show them

what the numbers are which is what I told them so they see it and know where we have to be at.

You moving the money from Interest to Principle is a great Idea, Considering it is just moving over to the interest workout and it will show a lower principal balance on the workout which is good for many reasons all of what we discussed a couple days ago. You are not taking a loss for that interest, just going on a different spreadsheet. There is no reason to pay real money to the IRS When that same money can help the business.

As far as taking a loss on the AFG Properties and modifying the payoff, that will clearly only make sense based on the profitability of this year for densco. I would first move interest over and see if there is even enough room to do anymore. Again, I think the money should stay vs going to the IRS For no reason right now. Where I am not ok is with densco witting some things off and it not benefiting you with the taxes. If after you play with the workout interest, there is no more room, we just continue doing the AFG'S As we have been.

The wholesale balance as you said cant not go to 30 Mill Or over. I agree, that is why I came up with the ideas I did and have someone now for the overage. This way we are not going past 27 Mill approx. It would be impossible for it to go past that, because everyone is on the same page. Everyone knows Thursday I go though the numbers with them and we decide what Friday will look like.

The UT Guys would be a help if we had 90 days. Here is my math:

Assuming I get the commitment on Monday morning for another 500,000 from someone, That means I raised 85% Of the problem funds and believe me it was not easy. We have 1.5 Mill to work though

Once I pay off these Properties , here is how I see this happening:

Every Friday 100,000.00 Gets paid towards the workout

I plan on giving you 6 months of checks up front so every week you can scan a 100,000 check in to workout and the only wires I will do is when we settle the wholesale out weekly.

Based on the number on Thursday , I will know what I can do and cant do friday, meaning through the week I got 6 Mill in Properties , and payoffs came to 5.8, then that week you will at least receive the 200,000 back.

I am about 30 days away from going into a very good season for furniture king, which will help out as well, I may for a good 6 months be able to pay more than 100k a week towards workout or Start to accumulate some part of the wholesale props on my own and get it slowly paid off.

I will make sure in cash flow you receive at least 600k a month whether that be in wholesale or workout, does not matter at that point, it is cash flow.

The Wholesale Balance does not go up (again it cant based on how it will now happen)

Based on a 60 mill \$ Portfolio you still have about 15 Million to turn with other investors. Personally during this time, I would go out and look for more money to grow the portfolio bigger. Remember you did not want to grow a couple years ago because you wanted it to be a 1 man operation, Even if it grows it still is a 1 man operation, because what we do and our accounting for you and releases should take no more than an hour or so a day, on your side which it is much more time consuming dealing with 100 Customers. I would think at this point there are times you are board!

Will you be hanidcaped for a month or 2 until the weekly payments start to come in for the wholesale and workout? Yes, However I

only see a brighter future after that. If the balance can only go in 1 direction, than that is positive by itself.

Originally I thought the best course would be for me to start to pay off the AFG, I guess for piece of mind sake, but Now I think it would be stupid, instead of me doing that, it would be a lot smarter for me to pay towards the workout for cash flow to densco vs paying off afg. Afg Is not bothering us and as much as it would be nice to get rid of them in the next 60 days, we are so close to the end , if it takes another few months, it would kill either of us .

So advancing 1.5 Mill , that is paid back in less than 2 months towards workout and interest on wholesale assuming principal does not move down.

I do think the spreadsheet for the wholesale would be good for you only because of cash flow. You dont have to keep even a penny in the account to commit to me and you can plan accordingly based on available funds who you want to lend to. If accounting it does not work for you, we can still wire daily. That is a call you can make . For me it does not matter, we will just look at how much you wired for the week and how much I did and I will know what has to happen friday.

If the UT Guys come through even if it is for 60 Days, in 60 days you will have the money back just in workout payments and interest paid, Plus over the next few months if you get another few investors and you get some payoffs from other investors, you are sitting ok again with knowing whatever is in your account, you dont have to hold on to for the wholesale business.

Once the Workout balance is at 0 , then I plan on taking that same money and throwing 1/2 to the interest on the workout and 1/2 to the into the wholesale properties, so every week , the balance goes down by 50k on wholesale numbers and 50k on interest and yet, I still have the wholesale balance and it is a savings account for me.

Thank Goodness I got the 3 Mill and poss 500k (Which i believe will be ok, problem with the 500k is it is just for a short period of time, but we will figure that out then, right now it is getting over the hurdle) or none of this would even be a discussion and it would not be good, we are now so close we have to pull it off and I do believe we will. Like you said no way you could have come up with the 5 Mill.

So in Summary us pulling this off we have 5 Mill a year coming off the workout and coming back to Densco to reinvest and 2 1/2 years later the workout is at 0!

That is my thinking right now

In a message dated 8/21/2015 7:37:32 P.M. US Mountain Standard Time, dcmoney@yahoo.com writes:

i knowi'll sleeptongith becuz i can't go 3 nights iwth no sleep.

i've had heart palpitation all day. hopefully this will make it go away.

first off, i think that these guys have to work with you. i had no idea, it was at 5 million. there was no way in the world i could have given you 5 million in the last month. like i kept saying i was out of money. if there is only 2

million left, based on the average size of the houses, that's basically 6 max 7 houses

i see that if you can pull just one house off a day for the next 6 days, then we have 1.5 or so million a day, in and out, you'll catch up. using the theory you can look at a bank, trustee/lawyer whichever and go this is no use in pursuing. that alone will solve the problem. it might take 8-9 days but big deal. so if they give you a list of 6 props and you say no to one, but you catch up on one that's 250k same money in and out and old one gets caught up and one that would be returned, you pay interest and nothing gained from it gets skipped, waste of time and money averted.

i tried raising more money. my neighbor the other go to guy for funds, simply said, "i'm comfortable with the amount of money i have with you" which means no. trust me. i went to as far as calling the guys in UT (if you remember the nightmare i had with them 18 months ago) they actually are considering it. their problem they want to give it to me for 30

days. which won't work because once i put it in to the wholesale, the number never goes down and i'll never have money to give back to them. i told them i needed a min of 90 days. they are going to get back to me.

i thought of a lot of things a million things.

one thing is i'm going to go back and apply interest payments to the workout. i have to balance it based on trying to remain profitable, but not too much and not too little. i haven't spent enough time on it, i don't know if that is a 500k swing or 100k swing. but we need to get that balance down. so say i move 250k down on the workout that i used to say was interest payment. i would just move that interest to the work out spreadsheet like we've been doing with the accrued interest that's not being paid now anyway. worry about it later.

all payments that you make to work out, are 100% principle. it's more important to lower the balance then receive the interest. again, i have to balance it out with trying to be profitable. it's too early to make those calculations.

i was thinking about the remaining afg's. it's not an afg but belmont. they need a 110k so they can send me 240k or something. i should modify my payoff so that no cash is needed to close and i'll just take a loss on this one and once again just move it off balance sheet o the spreadsheet and worry about it later. like i said above.

i might do that with the remaining ones too. i have to look at it, cuase it's in coordination with moving the interest against hte work out wich make me more unprofitable. there might be a mix i don't know i've not worked through the numbers. but i don't want to have a huge tax bill and still have a huge balance on the work out.

some kind of happy medium along with keeping my accountant happy!

i've got about a million supposed to close next week too. several are yours. i've got to pay interset at he end of hte month and i've got just 2 deals left to fund. i still have 400k to return to tome. i'll just have to say no to eveyrthing else.

i said no to two deals today, which were 60% LTV's to two great borrowers. i even had an investor call, didn't want his money out, wanted me to lend him money monday on a property, but i told him no. that was uncomfortable.

if i put another 500k or more on the wholesale and doesn't come back down, i'm just losing the ability to function as business. that's why i had to put the brakes on it in july. there isn't enough money outside of what you have to turn over to make a business run.

i dont' have a silver bullet. i can't make 2 milllion show up. i can't have the wholesale go over 30 million and never come down.

those are my thoughtst so far.

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From: Scott Menaged <smena98754@aol.com>

To: Denny <dcmoney@yahoo.com>

Sent: Friday, August 21, 2015 4:24 PM

Subject: Re: (no subject)

Ok I think I came up with 500k more but won't know till Monday morning

If I get that it would have to be paid back last day in December

Sent from my iPhone

On Aug 21, 2015, at 4:16 PM, Denny <dcmoney@yahoo.com> wrote:

Yes and on the phone, I am with my boys I will email u later

Sent from my iPad

On Aug 21, 2015, at 3:59 PM, SMena98754@aol.com wrote:

I hope you have been brainstorming like I Have all day!

Message

From: Cody Jess [cjess@biz.law]
Sent: 8/28/2016 9:06:09 PM
To: Ryan Anderson [randerson@gamlaw.com]
CC: Alisan Patten [apatten@gamlaw.com]
Subject: RE: Menaged/Davis - 2004

Ryan,

Thank you for the follow up. No problem on not following up sooner – I suspected you'd be busy putting out a number of fires. Glad you went to Ari's ceremony – we're good friends; he's a great guy.

I'm not surprised DenSco's investors were unaware of Scott's and Denny's dealings – Scott's advised me that it wasn't until at or around the time they entered into the forbearance agreement that he learned DenSco even had investors (Scott believed that having sold his Fortune 500 company, the money Denny was loaning was his own). Moreover, Denny and David Beauchamp, Denny's attorney at the time, may have taken affirmative steps to hide the existence of either or both the forbearance agreement and/or the loans Denny had made to Scott. Scott is very much prepared to work with the Receiver to disclose all facts pertinent to his investigation of DenSco's affairs.

As for the 2004, I think your proposal to hold off on a date to conduct the examination until we better have our hands around the universe of documents, and how soon we can get them to you, makes sense.

With respect to the spreadsheets Denny provided Scott, we're happy to produce all of them we're able to locate. As to the documents we've produced to Trustee Ford, I've spoken with my client and he's generally agreeable to allowing those documents to be shared with the Receiver and the US Trustee. However, given the sensitive nature of the documents, not to mention the volume of them, I'm hesitant to have anyone/everyone receive a copy. Is the Receiver agreeable to entering into a confidentiality agreement with respect to those documents? If so, I'd suggest we get that signed by the Receiver and the US Trustee (I'm not aware of any other parties asking for those documents), and get you the documents as soon as possible. I, too, believe that the Receiver's requests will be narrowed with that production, and after he's reviewed the documents we've provided to Trustee Ford, we can circle back around on his other requests.

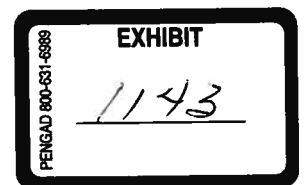
With respect to the communications requested in ¶7 and ¶8, my client tells me that he and Denny communicated – through email, text, by phone, and in person – on a daily basis, sometimes dozens of times a day, for perhaps a decade. Getting all of those emails and texts may take a significant amount of time. I agree that it makes sense to hire a third-party vendor to cull that information. To that end, I'd suggest Peak Forensics: <http://www.peakforensics.com/>. I've used Peak before in cases like this, and have had very good results. Peak is very price competitive, and knows how to get the job done efficiently. Please let me know your thoughts and we can schedule a conference call with them.

I'm around this coming week to discuss any/all of the above. I, too, look forward to working with you.

Best,

CODY JAMES JESS

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From: Ryan Anderson [mailto:randerson@gamlaw.com]
Sent: Saturday, August 27, 2016 10:54 AM
To: Cody Jess
Cc: Alisan Patten
Subject: RE: Menaged/Davis - 2004

Cody,

Thanks for the series of e-mails over the last week. I apologize for my delay in responding. It's no excuse, but I suspect you can imagine with the imposition of the Receivership of DenSco by the Arizona Corporation Commission last Friday, the Receiver and I have been busy attending to emergency matters and given the circumstances surrounding the implosion of DenSco, we've literally dropped into this case without much "institutional memory" to draw from.

I had hoped to talk a little more after the 341 meeting, but I had to rush down to the swearing-in ceremony for Aryeh Schwartz as Superior Court Commissioner.

As you may be able to surmise, DenSco's investors claim to have had no knowledge of the business dealings between Mr. Chittick and Mr. Menaged. With the sudden death of Mr. Chittick and the insinuation from the Estate of Mr. Chittick that it was DenSco's business dealings with Mr. Menaged that caused DenSco's financial crisis, there is significant pressure on the Receiver to get to the bottom of what actually happened and a complete lack of information from DenSco's investors. As an example, the existence of the forbearance agreement was a complete unknown to the DenSco investors.

I am hopeful we can work in a cooperative effort to get to the facts. At the end of the day, the Receiver and DenSco investors will have to understand what happened.

As an initial matter, I apologize for the confusion about the Sept 8th date for the Receivers 2004 exam. I don't know what happened, but it appears to have been corrected by re-noticing the exam to September 22, 2016.

We will certainly agree to a mutually convenient date/time for the 2004 exam that works with your client's schedule and whatever lawyers will need to attend. There is going to be some discussion that it might be best to try to coordinate the 2004 exams to reduce the overall administrative expenses, and that seems to be a good idea. Generally, I'd ask for you to propose some new dates/times, but given the testimony yesterday, and the lack of information that is in the possession of the Trustee and the other parties that may want to conduct similar exams, perhaps we should focus on how/what records your client can produce regarding his interactions with DenSco before we commit to a date certain to conduct the exam.

With respect to the Document Production, I can appreciate your concerns about the scope of the Document production request and the concerns about creating summaries/documents for the Receiver. However, it appears from Mr. Menaged's 341 testimony that he was provided semi-regular 'spreadsheets' from DenSco which could satisfy the request for an "accounting" in ¶16. Moreover, we've been told a significant number of the documents we have requested have already been produced to Trustee Ford.

With respect to the documents that you have already provided Trustee Ford, I have been asked by Trustee Ford to make a formal e-mail request to you [cc'd to the UST] that asks for you to consent to these documents [sans tax returns] being provided to the Receiver and other creditors that may ask [the UST intends to ask] in an effort to avoid Trustee Ford being subpoenaed by the Receiver and other parties. I will send that e-mail shortly after this e-mail. If you consent, I have a feeling that the Receiver's document production request will be substantially reduced to the request for the communications in ¶7 and ¶8.

With respect to the requests for the communications in ¶7 and ¶8, based on Mr. Menaged's testimony, it sounds like there will be a lot of emails and text messages that are responsive to the discovery request. While it may sound unusual, the Receiver does have the forensic technological capabilities and the financial resources to have this information located, organized and produced. In short, if it is amenable to your client, I suspect the Receiver will agree to pay for a 3rd party service to locate this electronic information and produce it in a form that is available for your initial review and eventual production to the Receiver. Something to think about.

Looking forward to working with you on this case.

Ryan

Ryan W. Anderson
Guttilla Murphy Anderson
City North
5415 E. High St., Suite 200
Phoenix, AZ 85054
(480) 304-8300
(480) 304-8301 (facsimile)
randerson@gamlaw.com
www.guttillamurphyanderson.com

From: Cody Jess [<mailto:cjess@biz.law>]
Sent: Friday, August 26, 2016 3:04 PM
To: Ryan Anderson; Alisan Patten
Subject: RE: Menaged/Davis - 2004

Also, note that the order requiring production is on not less than 21 days' notice – there are only 13 days between today and the 8th. Thanks.

CODY JAMES JESS
Attorney
SCHIAN WALKER, P.L.C.
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CH_REC_MEN_0052674

From: Cody Jess
Sent: Friday, August 26, 2016 2:58 PM
To: 'randerson@gamlaw.com'; 'apatten@gamlaw.com'
Subject: RE: Menaged/Davis - 2004

Ryan,

Per the Receiver's amended notice, documents pursuant to the 2004 order are due on September 8. You're aware of my concerns with the scope of the request; please let me know when you're available to discuss. Also, if we agree to allow the Trustee to provide you a copy of the documents we produced to her, perhaps we can streamline things. Finally, you've scheduled the exam for September 22. I will be defending another 2004 that was previously scheduled that day. Accordingly, we'll need to also discuss rescheduling that date.

Best,

CODY JAMES JESS
Attorney
SCHIAN WALKER, P.L.C.
1850 NORTH CENTRAL AVENUE, #900
PHOENIX, ARIZONA 85004-4531
TELEPHONE: (602) 277-1501
FACSIMILE: (602) 297-9633
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From: Cody Jess
Sent: Wednesday, August 24, 2016 5:50 PM
To: 'randerson@gamlaw.com'; 'apatten@gamlaw.com'
Subject: Menaged/Davis - 2004

Dear Ryan and Alisan,

I'm in receipt of your client's motion for an order pursuant to Rule 2004. Given the long and personal history between Mr. Chittick and my client, I have concerns about our ability to produce the documents you've requested within the time specified in your motion, particularly requests 7 and 8. I also have concerns that some of your requests appear to direct the Debtor to *prepare* documents. As you know, Rule 34, made applicable by Rule 7034, requires parties to produce documents that already exist, but it does not require parties to create new data.

Please let me know when you're available either Friday afternoon or early next week to discuss the scope of the documents you've requested.

Best,

CODY JAMES JESS

Attorney

SCHIAN WALKER, P.L.C.

1850 NORTH CENTRAL AVENUE, #900

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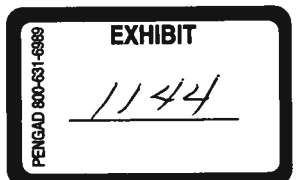
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DECLARATION

Declarant Yomtov Scott Menaged hereby declares under penalty of perjury as follows:

1. This declaration is based on my own personal knowledge and I am competent to testify as to the matters stated below.
2. US Bank substantially assisted me with the Densco fraudulent scheme. The process was very similar to chase.
3. Densco would wire money to my Easy Investment or AZ Home Foreclosure accounts with US Bank. The wire included addresses of properties in foreclosure that the funds were intended to be used for.
4. US Bank knew that Easy Investment and AZ Home Foreclosure was in the business of purchasing properties in foreclosure. US Bank branch manager knew I was in the business because she was interested in purchasing rental properties I met with me about it.
5. I or Veronica Castro personally visited the US Bank branch to obtain cashier's checks. In order to obtain it, we would write a check identical to the cashier's checks that US Bank would print.
6. The checks we wrote, and the cashier's checks US Bank would print, would include the properties' address and the amount Densco loaned for that property. This made clear that the purpose of these funds was to purchase the properties.
7. Accordingly, US Bank knew that the funds Densco wired were for the purpose of



for closed properties.

8. When US Bank printed the cashier's check, ~~Veronica~~ Veronica Corbra or I would take a picture of it, and ~~Veronica~~ Veronica would email or text it to me, and then I would forward it to Denise. When I visited the US Bank branch, I would send the picture ~~or~~ directly to Denise.
9. After the picture was sent, the cashier's checks were deposited back into the same account. I would take the picture of the cashier's check and send it to Denise in trust of US Bank employees.
10. I did not use the funds Denise wired to purchase the identified properties.
11. US Bank knew that I was using the Denise wired funds for other purposes. For instance, US Bank knew I was using those funds for gambling because it increased my credit limits for that purpose.
12. US Bank transferred those Denise wired funds to my other personal and business accounts upon my request. I re-deposited the cashier's checks and did not use them to purchase the identified properties.
13. US Bank's assistance made it easier and was necessary for the Denise fraud to occur.

14. Also, US Bank knew that I needed to withdraw substantial amounts of cash from Easy Investments or AZ Home Foreclosure accounts. The branch manager told me that she would change the branch policy and hold up to \$20,000⁰⁰ of cash for me at any given time.
15. Before this, US Bank branch did not carry enough cash on hand for my needs.

16. US Bank also "over-ride" holds so that I would have access to this ~~money~~ money immediately after I re-deposited the cashier's checks.

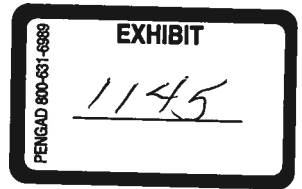
17. ~~_____~~ 2/4/19

18.

19.

20.

Scott Menaged - October 20, 2016



IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF ARIZONA

In Re:)
Yomtov Scott Menaged,) Case No.
Debtor.) 2:16:bk:04268-PS
_____) Chapter 7

RULE 2004 EXAMINATION OF SCOTT MENAGED

Phoenix, Arizona
October 20, 2016

By: Jody L. Lenschow, RMR, CRR
Certified Court Reporter
Certification No. 50192

SCOTT MENAGED 10/20/2016 Page 2

1 INDEX TO EXAMINATIONS

2 WITNESS PAGE

3 SCOTT MENAGED

4 EXAMINATION BY MR. ANDERSON 4
EXAMINATION BY MR. JESS 220

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6 INDEX TO EXHIBITS

7

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9 Exhibit 2	2/8/2014 e-mail exchange between Mr. Beauchamp and Mr. Goulder	110
10 Exhibit 3	DenSco Loan Portfolio	122
11 Exhibit 4	DenSco Account QuickReport	132
12 Exhibit 5	2/23/2015 e-mail exchanges re Funds	136
13 Exhibit 6	6/21/2016 Mortgage, Promissory Note, Deed of Trust	157
14 Exhibit 7	Documents re 11627 W. Holly Street property	160
15 Exhibit 8	Documents re 7308 W. Alexandria Way property	169
16 Exhibit 9	Documents re 7263 E. Manzanita Drive property	174
17 Exhibit 10	Documents re 18911 E. Canary Way property	180
18 Exhibit 11	Documents re 4424 S. Willow Drive property	192
19 Exhibit 12	Documents re 8581 E. Krail Street property	196
20		
21		
22		
23		
24		
25		

10:03:20-10:03:56 Page 4

1 SCOTT MENAGED,
2 called as a witness herein, having been first duly sworn
3 by the Certified Court Reporter to speak the truth and
4 nothing but the truth, was examined and testified as
5 follows:
6
7 EXAMINATION
8 BY MR. ANDERSON:
9 Q. Can you please state your name and spell your
10 last name for the record?
11 A. Scott Menaged, M-E-N-A-G-E-D.
12 Q. Mr. Menaged, have you given sworn testimony
13 before?
14 A. Yes.
15 Q. Okay. So you understand that we have a court
16 reporter here today. She's taking down everything that
17 we say, and so we have to do our best to not talk over
18 each other and also do our best to give answers that are
19 yes, no, or some sort of audible answer, rather than the
20 standard uh-huhs and huh-uhs that sometimes we use in
21 conversation.
22 Do you understand that?
23 A. I do.
24 Q. Are you under the influence of any medication
25 or substances that would enable you to not testify

SCOTT MENAGED 10/20/2016 Page 3

1 RULE 2004 EXAMINATION OF SCOTT MENAGED

2 was taken on October 20, 2016, commencing at 10:03 a.m.,
3 at the offices of GUTTILLA MURPHY ANDERSON, 5415 E. High
4 Street, Suite 200, Phoenix, Arizona, before Jody L.
5 Lenschow, RMR, CRR, Certified Reporter No. 50192 for the
6 State of Arizona.

7

8 * * *

9 APPEARANCES:

10 For the Receiver:
11 GUTTILLA MURPHY ANDERSON
12 By: Mr. Ryan W. Anderson
13 5415 E. High Street
14 Suite 200
15 Phoenix, Arizona 85054
16 480-304-8300
17 randerson@gamlaw.com

18 For the Debtor:
19 SCHIAN WALKER, P.L.C.
20 By: Mr. Cody J. Jess
21 1850 N. Central Avenue
22 Suite 900
23 Phoenix, Arizona 85004-4531
24 602-277-1501
25 cjess@biz.law

19 For the Chapter 7 Trustee, Jill H. Ford:
20 STEVE BROWN & ASSOCIATES, L.L.C.
21 By: Mr. Steven D. Nemecek
22 1414 E. Indian School Road
23 Suite 200
24 Phoenix, Arizona 85014
25 602-264-9224
snemecek@sjbrownlaw.com

ALSO PRESENT: Ms. Jill H. Ford, Chapter 7 Trustee
Mr. Peter S. Davis, Receiver

10:04:03-10:04:58 Page 5

1 honestly here today?
2 A. No.
3 Q. You understand that you're under oath; is that
4 right?
5 A. I do.
6 Q. And that you're supposed to be telling the
7 truth today just like you were testifying in court?
8 A. I do.
9 Q. You said you've testified before. Other than
10 your 341 meeting of creditors, when have you given sworn
11 testimony before?
12 A. It was approximately ten years ago.
13 Q. And what kind of matter was it?
14 A. I'm pretty sure it was regarding a trustee's
15 deed that the trustee screwed up on and didn't record,
16 and they wanted verification of the sale or something
17 like that. It was a very long time ago.
18 Q. Was it here in Arizona?
19 A. It was.
20 Q. Are you married?
21 A. I am.
22 Q. And what is your wife's name?
23 A. Francine Menaged.
24 Q. And where does she reside?
25 A. In my home.

10:05:12-10:05:56 Page 6

1 Q. And what's the address?
2 A. 10510 East Sunnyside Drive, Scottsdale, 85259.
3 Q. Do you have any children?
4 A. I do.
5 Q. And what are their names?
6 A. Stevie and Brandon.
7 Q. And how old are they?
8 A. Stevie is going to be 2 on Sunday and Brandon
9 is 13.
10 Q. And do they reside with you and your wife?
11 A. They do.
12 Q. At the Sunnyslope property?
13 A. Sunnyside, correct.
14 Q. Sunnyside property.
15 Are you a citizen of the United States?
16 A. I am.
17 Q. Are you a citizen of any other country?
18 A. I am not.
19 Q. Do you have a passport?
20 A. I do.
21 Q. When did you first move or reside in Arizona?
22 A. I first moved here in 1993.
23 Q. And have you been here consecutively since
24 1993?
25 A. I have not.

10:07:20-10:08:07 Page 8

1 A. It was sold.
2 Q. What year?
3 A. Approximately 2006.
4 Q. Do you have a college education?
5 A. I do not.
6 Q. What is your highest education level?
7 A. 11th grade.
8 Q. So you did not graduate high school?
9 A. I did not.
10 Q. Did you get a GED or --
11 A. I did not.
12 Q. -- equivalency? No?
13 Are you currently employed?
14 A. I am.
15 Q. And who is your employer?
16 A. American Furniture.
17 Q. What is American Furniture?
18 A. It's primarily a furniture store.
19 Q. Where is the furniture store located?
20 A. 4245 West Thomas Road, Phoenix, Arizona. If
21 I'm not mistaken, I believe it is 85019.
22 Q. Are you the sole owner of American Furniture?
23 A. I am.
24 Q. Is it a limited liability company?
25 A. It is.

10:06:07-10:06:56 Page 7

1 Q. Can you give me some idea of your -- when you
2 sort of moved here permanently?
3 A. You mean this last time?
4 Q. Sure.
5 A. Would have been two thousand -- anywhere
6 between 2005 and 2006.
7 Q. So you've been here since 2006?
8 A. I have.
9 Q. Okay. So between '93 and 2006, can you give me
10 some understanding of where you were residing?
11 A. I was going back and forth between New York and
12 Arizona.
13 Q. And did you maintain a residence in New York at
14 that time?
15 A. I did.
16 Q. Okay, and where; what city was that in?
17 A. Warwick.
18 Q. How do you spell that?
19 A. W-A-R-W-I-C-K.
20 Q. And were you residing in a residence or were
21 you renting an apartment?
22 A. It was a residence.
23 Q. Did you own the residence?
24 A. I did.
25 Q. And what happened to that house?

10:08:19-10:09:10 Page 9

1 Q. Are you the sole member of the limited
2 liability company?
3 A. I am.
4 Q. Other than the bankruptcy case, are there any
5 other pending legal proceedings that you're involved in
6 right now?
7 A. My divorce.
8 Q. So you have a pending divorce in Maricopa
9 County Superior Court; is that right?
10 A. That is correct.
11 Q. Who filed the divorce proceedings?
12 A. I did.
13 Q. And when did you file?
14 A. Approximately a month ago.
15 Q. You filed after the bankruptcy was filed; is
16 that right?
17 A. I also had one I filed prior to the bankruptcy,
18 and then we tried to reconcile, and it wasn't working
19 out very well and so I refiled.
20 Q. So there was a divorce proceeding that is what
21 we call prepetition or before the bankruptcy, and that
22 was dismissed?
23 A. We both dismissed it.
24 Q. Okay. And then you've recently filed for
25 divorce again; is that right?

<p>10:09:17-10:10:02 Page 10</p> <p>1 A. That is correct. 2 Q. And that one is still pending? 3 A. That is correct. 4 Q. Are you represented by counsel in the divorce 5 matter? 6 A. I am not. 7 Q. Is your wife represented by counsel? 8 A. She is not. 9 Q. Was your wife represented by counsel in her 10 previous divorce or the prepetition divorce? 11 A. She was. 12 Q. Who was her counsel? 13 A. I don't recall the name. 14 Q. Did you have counsel in that previous divorce 15 proceeding? 16 A. I did. 17 Q. And who was your counsel? 18 A. Judith Morse. 19 Q. So just to be clear, your wife did have an 20 attorney. You just don't know his or her name; is that 21 right? 22 A. That is correct. 23 Q. And how long -- well, I guess we'll start with 24 do you have an idea when you filed that prepetition 25 divorce; month, year?</p>	<p>10:11:51-10:12:41 Page 12</p> <p>1 postpetition, are there any other legal proceedings, 2 other than the bankruptcy case, of course, that you're 3 involved in? 4 A. No. 5 Q. And so that would be true in any other 6 jurisdiction? 7 A. Correct. 8 Q. Well, you're here at a 2004 exam in your 9 bankruptcy case; is that right? 10 A. Yes. 11 Q. And you're aware that my client is the 12 court-appointed receiver for DenSco Investment 13 Corporation? You understand that, right? 14 A. I am. 15 Q. And that we obtained an order to have you come 16 today and testify, and in that order we asked you to 17 produce certain documents to DenSco. Do you understand 18 that? 19 A. No. Can you repeat that? 20 Q. Sure. The Court ordered that in advance of 21 this examination, you were going to produce certain 22 documents to DenSco. Were you aware of that? 23 A. Yes, I am. 24 Q. You haven't produced those documents to DenSco, 25 have you?</p>
<p>10:10:39-10:11:43 Page 11</p> <p>1 A. Sometime in 2015. 2 Q. And when did it terminate? When did you cancel 3 it? 4 A. November or December of 2015. 5 Q. So it wasn't pending for very long; is that a 6 fair statement? 7 A. That's a fair statement. 8 Q. In the prepetition divorce, how did you -- were 9 you able to resolve issues of custody? 10 A. We didn't really get that far. 11 Q. Okay. So, I mean, since it looks like it's 12 only pending a few months, did you get anything sort of 13 formally resolved by the judge? 14 A. We never saw a judge. 15 Q. Okay, never saw a judge. 16 Were there any orders entered in the case? 17 A. There was one order to have us appear for 18 temporary orders, and we canceled the divorce prior to 19 that or just at that time, approximately. 20 Q. Okay. So you canceled it even before you would 21 even appear for the entry of these temporary orders; is 22 that right? 23 A. That's correct. 24 Q. Other than the divorce that was prepetition and 25 now the current divorce that is now pending</p>	<p>10:12:54-10:13:46 Page 13</p> <p>1 A. No. 2 Q. So, for example, we asked you to provide us 3 with copies of two years preceding the bankruptcy for 4 any bank accounts held by you and your wife. 5 You've not produced those documents to the 6 trustee; is that right? When I say "the trustee," 7 that's wrong. You have not produced those documents to 8 DenSco; is that right? 9 A. I believe there was a conversation between my 10 attorney and your law firm agreeing on what should be 11 provided and what shouldn't. I really don't know. I do 12 believe that they did turn over some information to your 13 law firm. 14 Q. Sure, and I'll get into that; but there are 15 certain -- 16 A. Okay. 17 Q. The documents I specifically asked about, your 18 personal bank statements for two years before the 19 bankruptcy, were not those documents that were turned 20 over; is that right? 21 A. I don't recall. 22 Q. You know that not everything was turned over. 23 You just don't know which ones were turned over; is that 24 a fair statement? 25 A. Correct. I don't know what was turned over and</p>

10:14:05-10:14:55 Page 14

1 what wasn't.
2 Q. Okay. Well, you did turn over documents that
3 related to Furniture King, Scott's Fine Furniture,
4 Furniture & Electronic King. Are you aware of that?
5 MR. JESS: I believe he testified that
6 he's not familiar with the particularity of the
7 agreements between counsel and the documents that were
8 turned over.
9 MR. ANDERSON: I understand. I'm just
10 trying to see if he understands we did get certain
11 documents related to the furniture business.
12 THE WITNESS: I do know you have received
13 certain documents. What documents those are, I'm not
14 sure. I leave it up to my counsel to take care of that
15 with you.
16 BY MR. ANDERSON:
17 Q. Okay. You're aware that we've asked for, in
18 this document production, for electronic communications,
19 e-mails and text messages specifically, between you and
20 DenSco. Do you understand that?
21 A. I do.
22 Q. And you know that we have mutually arranged for
23 a computer person to, you know, copy or obtain a copy of
24 certain electronic devices of yours in order for you to
25 comply with this document request. Do you understand

10:16:24-10:17:12 Page 16

1 whatever. So during the years I would communicate that
2 way.
3 I have definitely not had the same computer for
4 the last 15 or 20 years. Every couple years they
5 typically start going bad, this problem, that problem.
6 It's worth it for me to spend three or \$400 to get a new
7 one and be done with it than start fixing it.
8 But everything that I have in my possession
9 that could be imaged has been turned over.
10 Q. Okay. So when we ask for stuff -- we asked for
11 essentially all these electronic documents for the last
12 5 years, not the last 15 or 20. But the last 5 years
13 you have gone through new devices in the five-year
14 period, right?
15 A. God, yeah.
16 Q. And so the information that you're going to be
17 able to turn over is just going to be on the stuff
18 that -- the devices that you currently have in your
19 possession?
20 A. Correct.
21 Q. Right. Because the iPhone 5, perhaps, that you
22 were using four years ago is no longer in your
23 possession; is that right?
24 A. That is correct.
25 Q. Okay. One of the documents that we asked for

10:15:04-10:16:06 Page 15

1 that?
2 A. I do.
3 Q. And, in fact, you've, I think -- I don't know
4 for sure, but I think this is already in process; that
5 this person has already met with you and maybe even
6 imaged some of your devices; is that right?
7 A. That is correct.
8 Q. Okay. Do you know what has been done so far?
9 A. No.
10 Q. Do you know what devices you've made available
11 to be imaged?
12 A. I do.
13 Q. Okay. And what; what were they?
14 A. My home computer, my work computer and my cell
15 phone.
16 Q. Okay. Is that the universe of electronic
17 devices that would enable you to be -- to produce the
18 information we've asked for here at the 2004 exam?
19 A. Probably not.
20 Q. Okay. So what other devices would need to be
21 utilized or imaged to be able to make you produce the
22 documents?
23 A. Every couple years or year and a half or so I
24 upgrade my phone; no longer have the old ones. Either
25 turned it in to Apple, sell it on eBay, throw it out,

10:17:38-10:18:35 Page 17

1 was an accounting of the loans and financial
2 transactions between your entities and DenSco. You
3 haven't produced that accounting; is that right?
4 A. Correct.
5 Q. Okay. Does such an accounting exist?
6 A. It does not.
7 Q. Okay.
8 A. I'm sorry. It does not to the best of my
9 recollection. I believe that DenSco did his accounting
10 or had some accounting, but I don't have any accounting
11 on that.
12 Q. Okay. So if it exists -- so your testimony is,
13 if it exist, it exists on DenSco's side, not your side?
14 A. Correct.
15 Q. Okay. So, essentially, you did not keep a
16 running accounting of your loans with DenSco; is that
17 right?
18 A. I did not. Any accounting that I have in
19 regards to DenSco would have been e-mailed over from
20 DenSco on a spreadsheet periodically, whenever that
21 would be, and that would be retrieved.
22 Q. And the financial transactions between your
23 companies and DenSco number in the hundreds of
24 thousands, perhaps?
25 A. I'm sorry?

10:18:43-10:19:32 Page 18

1 Q. The number of financial transactions, wire
2 transfers --
3 A. Oh.
4 Q. -- I'm trying to get an idea of the globalness
5 of what we're dealing with, the size. The number of
6 financial transactions between your entities and DenSco
7 historically likely number in maybe the hundreds of
8 thousands?
9 MR. JESS: Objection, form.
10 BY MR. ANDERSON:
11 Q. You can still answer the question.
12 A. Possible.
13 Q. Okay. Well, it's fair to say you were doing
14 business with DenSco for nearly ten years; is that a
15 fair statement?
16 A. That's a fair statement, approximately.
17 Q. And there were days where you would send
18 multiple wire transfers back and forth to DenSco on
19 single -- on individual days; is that right?
20 MR. JESS: Objection, foundation.
21 THE WITNESS: That would be correct.
22 BY MR. ANDERSON:
23 Q. And even -- there were also, likely, evidence
24 of daily transactions; is that right?
25 MR. JESS: Objection, form.

10:19:43-10:20:36 Page 19

1 THE WITNESS: That would be correct.
2 BY MR. ANDERSON:
3 Q. So we're talking about a lot of information
4 that would be necessary to be accounted for; is that
5 right?
6 A. That would be correct.
7 Q. We asked for copies of, like, written
8 correspondence between you and DenSco in the last five
9 years. What were the forms of written communication
10 between you and DenSco?
11 A. Written communication would primarily be
12 e-mail.
13 Q. All right. Did you -- so there are no formal
14 letters between you and DenSco?
15 A. Formal letters?
16 Q. Like a letter with, you know, letterhead and
17 signed and dated.
18 A. No.
19 Q. Text messages?
20 A. Maybe a few. We didn't communicate very often
21 by text message.
22 Q. So most -- the majority of the communication is
23 via e-mail; is that right?
24 A. No, majority of the communication would be via
25 phone.

10:20:52-10:22:07 Page 20

1 Q. Okay. So most of the discussions were over the
2 phone; is that right?
3 A. Lots of discussions were over the phone or in
4 person.
5 Q. Did your spouse have any direct communication
6 with Mr. Chittick?
7 A. Never.
8 Q. Did your spouse have any direct communication
9 with DenSco?
10 A. No.
11 Q. Now, another thing we asked for were all the
12 agreements between DenSco and your entities relating to
13 your lending activities.
14 Would it be fair to say that there is not one
15 large global contract that establishes the lending
16 relationship between your entities and DenSco?
17 MR. JESS: Objection, form.
18 THE WITNESS: That would be fair to say.
19 BY MR. ANDERSON:
20 Q. Okay. The written agreements are in the form
21 of mortgage notes and deeds of trust on individual
22 properties; is that right?
23 A. Yes, it would be deed of trusts, offers to
24 purchase and notes.
25 Q. What is Easy Investments, LLC?

10:22:20-10:23:17 Page 21

1 A. An Arizona LLC.
2 Q. And what business is it in?
3 A. Buying and selling foreclosures.
4 Q. Are you the sole member of Easy Investments?
5 A. I am.
6 Q. Have there ever been any other members?
7 A. No.
8 Q. And so would you consider yourself, also, the
9 sole owner of Easy Investments?
10 A. Yes, I would.
11 Q. All right. What is Arizona Home Foreclosures?
12 A. The same exact as Easy Investments.
13 Q. And meaning it's in the business of purchasing
14 properties at foreclosure sales?
15 A. That is correct.
16 Q. And are you the sole owner of that entity?
17 A. I am.
18 Q. And have there ever been any other owners of
19 Arizona Home Foreclosures, LLC?
20 A. No.
21 Q. You described the business that these two
22 entities were in were essentially acquiring real estate
23 at foreclosure sales. How long were these two entities
24 conducting that business?
25 A. I'm unsure of the dates.

10:23:44-10:24:45 Page 22

1 Q. So did one entity start before the other?
2 A. Easy Investments started first and then went to
3 Arizona Home Foreclosures.
4 Q. Did you utilize both entities at the same time?
5 A. Could there have been some transactions that
6 were closing out of Easy and as I was winding down Easy,
7 at the same time of me doing business as Arizona Home
8 Foreclosures? That's possible. I can't give you a
9 for-sure answer.
10 Q. Is there a reason that Easy Investments stopped
11 operating?
12 A. There was.
13 Q. And what was that reason?
14 A. Easy Investments had a ton of HOA judgments,
15 which was preventing us from closing transactions.
16 Q. And the solution to enable to close
17 transactions was to begin another -- form another
18 entity; is that right?
19 A. That is correct.
20 Q. So since Easy Investments was the first entity
21 that you used, can I assume it was the first entity that
22 was conducting business with DenSco?
23 A. Yes, that would be correct.
24 Q. And Arizona Home Foreclosures also conducted
25 business with DenSco; is that right?

10:26:23-10:27:12 Page 24

1 Q. Well, clearly, I'm only interested in sort of
2 the DenSco part of it. The DenSco lending relationship
3 was only with Easy Investments and Arizona Home
4 Foreclosures; is that right?
5 A. Correct. I do not -- yes, that is correct. I
6 never borrowed from DenSco under any other company, I
7 don't believe.
8 Q. And DenSco was a hard money lender; is that
9 right?
10 A. That is correct.
11 Q. And you, through your companies, entered into
12 hundreds of loan transactions with DenSco; is that
13 right?
14 A. Probably thousands.
15 Q. Okay, thousands.
16 Have you entered into hard money loan
17 transactions with hard money lenders that were not
18 DenSco?
19 A. I did.
20 Q. And just rough number, how many can you -- do
21 you know, roughly, how many other hard money
22 transactions were with other lenders than DenSco?
23 A. Five or fewer.
24 Q. Okay. So you've entered into only five hard
25 money loans that were not DenSco?

10:24:58-10:26:06 Page 23

1 A. Yes, that is correct.
2 Q. So can you explain sort of the general nature
3 of the business relationship between Easy Investments
4 and DenSco?
5 A. Easy Investments would purchase a property.
6 DenSco would loan on it as a hard money lender.
7 Q. Okay. So let's start with this: When did the
8 lending relationship start?
9 A. Approximately, between 2007 and 2008.
10 Q. And so there will be no -- I mean, so you
11 certainly weren't in this business before the formation
12 of Easy Investments; is that right?
13 A. That is not --
14 MR. JESS: Objection, form.
15 THE WITNESS: -- correct.
16 Oh, I'm sorry.
17 BY MR. ANDERSON:
18 Q. Okay, so what was the -- how were you buying
19 and selling foreclosures before the formation of Easy
20 Investments?
21 A. There was a company when I first, first
22 started, and I want to say I believe it was called
23 Brandon Scott Investments, and I cannot give you a
24 specific time frame, but I can tell you it was probably
25 early 2000s.

10:27:19-10:28:07 Page 25

1 A. No. I'm sorry.
2 Q. Okay.
3 A. I meant five other companies.
4 Q. Okay, five other companies. Great. That makes
5 more sense.
6 A. Yeah. I'm not sure. I couldn't give you an
7 answer to that, how many other loans I've done with
8 other companies.
9 Q. How about is it more than a hundred?
10 A. Yes.
11 Q. Okay. So you have some experience with the
12 business practices of at least six hard money lenders in
13 Phoenix; is that a fair statement?
14 MR. JESS: Objection, form.
15 THE WITNESS: Up to six, yes.
16 BY MR. ANDERSON:
17 Q. Okay. So, well, you've told us that you
18 borrowed money from other hard money lenders in the
19 Phoenix market; is that true?
20 A. Yes.
21 Q. And you've done probably over a thousand loans
22 with DenSco, you said, right?
23 A. Correct.
24 Q. And maybe even another thousand loans with the
25 other hard money lenders; is that right?

10:28:19-10:29:05 Page 26

1 A. Possible.
2 Q. Okay. So in those 2,000 transactions, have you
3 come to have some understanding of business practices of
4 the hard money lenders that you've dealt with?
5 MR. JESS: Objection, form.
6 THE WITNESS: All I know about a hard
7 money lender is that they lend money at 18 percent.
8 BY MR. ANDERSON:
9 Q. And is that really all you know about business
10 practices of a hard money lender?
11 Isn't it true that certain hard money lenders
12 require and have different business practices?
13 MR. JESS: Objection, form.
14 THE WITNESS: Are you talking about
15 policies of different --
16 BY MR. ANDERSON:
17 Q. Sure.
18 A. Then, yes.
19 Q. Okay. What are some of the policies of other
20 hard money lenders that are not DenSco?
21 A. I don't understand.
22 Q. Okay. Well, let me start this.
23 A. Okay.
24 Q. You've told us that you have done -- well,
25 let's just start here: How would you borrow money from

10:29:18-10:30:08 Page 27

1 DenSco?
2 A. I would either call him or e-mail him.
3 Q. Okay. And what would you -- and what
4 information would you communicate in the call or e-mail?
5 A. Property address, the amount I paid, and the
6 amount I want him to loan.
7 Q. Okay. And so you would only communicate with
8 DenSco after you had completed the bidding on a property
9 at a foreclosure auction; is that true?
10 A. Yes.
11 Q. Okay. So let's -- before we even talk about
12 communicating with DenSco, there's got to be a step that
13 happens before; is that right? And that step before is,
14 you've got to be at a trustee's sale bidding on a
15 property; is that right?
16 A. Are we talking prior to the offers to purchase
17 or after? Because there's a big difference.
18 Q. Well, I haven't even gotten into the before and
19 after part, but I'm trying to just understand generally
20 DenSco's lending practices.
21 A. Okay.
22 Q. So why don't you --
23 A. Yeah.
24 Q. I mean, you know, if there's an offer to
25 purchase and there's a different lending practice, we

10:30:20-10:31:21 Page 28

1 can get into that. I would like to sort of know what
2 was happening before that happened.
3 A. Okay. The policy of DenSco was, I would go
4 down to a trustee's sale. I would place a bid on a
5 property. If I was the successful bidder, I would
6 contact DenSco. I would let him know the purchase price
7 and the loan amount of how much I'm looking for.
8 He would then wire funds to me. I would get a
9 cashier's check. I would pay for the property. Ten
10 days after, we would have a trustee's deed come, usually
11 to my office. We would record the trustee's deed.
12 DenSco would record a deed of trust on the property.
13 And that would conclude that business arrangement.
14 Once the property was sold, DenSco would be --
15 would receive some kind of communication asking for a
16 payoff. He would send that payoff to whoever it is. He
17 would receive the money. He would release the lien.
18 Q. So there's a couple parts of that business
19 practice that I want to get into, and we're clearly
20 talking about something you talked earlier about being
21 before the offers to purchase.
22 Is that explanation you just gave me the
23 pre-offers to purchase business practices of DenSco?
24 A. Yes.
25 Q. Okay. So you said that first you're going to a

10:31:32-10:32:36 Page 29

1 foreclosure sale and you're making bids on properties;
2 is that right?
3 A. Correct.
4 Q. Are you physically at the auction making the
5 bids, or you have someone there doing it for you?
6 A. Sometimes I'm the person; sometimes I have
7 someone there.
8 Q. Okay. And how do you know that DenSco is going
9 to lend you the amount of money you need to purchase the
10 property you've just made the bid on at auction?
11 A. My relationship with him.
12 Q. So can you explain, though? It had to be more
13 than just a relationship. Did you have an idea of what
14 parameters you were able to borrow on?
15 A. If I needed more, he gave more. If I needed
16 less, he gave less. There was no real parameters. I
17 know what his -- you know, his business practices were,
18 which I believe were 15 percent down payment. And
19 sometimes I would do that. Sometimes I would give him
20 5 percent down payment. Sometimes I would give him
21 20 percent down payment. And sometimes I would give him
22 no down payment.
23 Q. So was there any part of this business practice
24 that you're talking about, other than down payments,
25 that had to do with what the value of the property was?

10:32:50-10:34:00 Page 30

1 A. I don't know how he looked at it.
2 Q. Okay. How did you come up with the amount to
3 bid on these properties?
4 A. Based on value.
5 Q. Okay. And how would you determine that value?
6 A. We would work with realtors, who would provide
7 me CMA reports, which is a report that is showing
8 basically the comps in the area. We would look at tax
9 records, and we would make a determination. Obviously
10 we're not appraisers, but we would make our own internal
11 evaluation of what we believe 123 Main Street is worth.
12 MR. JESS: Scott, just to be clear, when
13 you say "we," you're not referring to you and
14 Mr. Chittick; is that correct?
15 THE WITNESS: That is correct. I'm
16 referring to me and my realtor or realtors or whoever I
17 was dealing with.
18 BY MR. ANDERSON:
19 Q. When you've done that internal calculation
20 yourself with your team, do you communicate that
21 information to DenSco? Do you say, "We believe this
22 house is worth X. We bought it for Y"?
23 A. Maybe in the very beginning of my relationship
24 with him; but that didn't last long, because he would do
25 his own evaluation, I believe, of what the property was

10:34:14-10:34:57 Page 31

1 worth.
2 Q. So you would send him an address and an amount,
3 I assume?
4 A. I would send him an address. I would send him
5 the amount that I've paid. And usually the
6 communication that would come back is, "How much do you
7 need?"
8 I would tell him, and that would be the end of
9 that.
10 Q. Okay. There is timelines that are pretty
11 strict that need to be followed when you're buying at
12 auction; is that right?
13 A. That is correct.
14 Q. Do you know what those timelines, those
15 deadlines are?
16 A. Yes.
17 Q. And what are they?
18 A. You do need to pay for the property in full
19 within 24 hours. It needs to be by 5:00 p.m. the next
20 business day.
21 Q. Okay. So when you're a successful bidder, but
22 you require a hard money loan to close the transaction,
23 you need to get working pretty quickly; is that right,
24 to get the loan funded?
25 A. Yes.

10:35:05-10:36:22 Page 32

1 Q. Yeah. I mean you have, basically, 24 hours to
2 come up with the money to pay the trustee; is that
3 right?
4 A. Correct.
5 Q. And when you're borrowing the money from a
6 DenSco or another hard money lender, you've got to get
7 those monies from the hard money lender; is that right?
8 A. That is correct.
9 Q. Business practices of hard money lenders that
10 were not DenSco, can we talk about that for a second?
11 A. Absolutely.
12 Q. Okay. When you had made a successful bid at a
13 trustee's sale and you wanted to get a hard money loan
14 from a non-DenSco hard money lender, first, what
15 information would you have to provide, generally, that
16 hard money lender?
17 A. Pretty much -- well, a little bit more
18 information. They would want to know my value on what I
19 believed the property's worth, what I paid for it. They
20 would want an APN or parcel number, property address,
21 sometimes a recording number of the notice of sale that
22 was going to sell. I don't believe anything else.
23 Q. Okay. And so some of that information you just
24 talked about, like a recording number and what your
25 evaluation is, that may not have been the same

10:36:38-10:37:25 Page 33

1 information that DenSco always wanted; is that right?
2 A. Correct.
3 Q. When it came to funding that hard money loan --
4 remember, we're talking now about a non-DenSco hard
5 money loan. -- were there differences in the procedures
6 between a non-hard money lender and DenSco in the
7 funding of these loans?
8 MR. JESS: I think you meant a non-DenSco
9 hard money lender.
10 BY MR. ANDERSON:
11 Q. Right. A non-DenSco hard money lender and
12 DenSco, is there a difference in the funding?
13 A. Big difference.
14 Q. Okay. And please explain to me the big
15 difference.
16 A. A non-DenSco hard money company would pay the
17 trustee directly for the property. So to give you -- do
18 you want an example?
19 Q. Yes. Yeah.
20 A. So an example would be, I go out and I purchase
21 or bid on 123 Main Street and I pay \$100,000 for the
22 property. And so I call another hard money company, not
23 DenSco, and I say, "I would like a loan on this
24 property," and I give them all the information that I
25 told you that I would give them.

10:37:38-10:38:52 Page 34

1 And then they would come back and they would
2 tell me, "We are going to lend X amount of money on this
3 property. We are going to pay the trustee for this
4 property."
5 And so at a trustee's sale you have to put
6 \$10,000 down at the sale and then you have until
7 5:00 p.m. the next business day to complete the sale.
8 If we're using 123 Main Street as an example
9 and we're using my successful bid of \$100,000 as an
10 example, most hard money companies would require
11 20 percent down. I've already put 10 percent down,
12 \$10,000, at the sale. Therefore, I would have to come
13 in with an additional \$10,000, and the hard money lender
14 would loan \$80,000.
15 So what would happen is, I would send that
16 \$10,000 over to the hard money lender via check,
17 courier, wire, however it was at the time. And the hard
18 money lender then would pay the trustee \$80,000, would
19 get the receipt from the trustee, and then that receipt
20 would be e-mailed over to me.
21 Q. Okay. So the only -- so some of the
22 differences -- well, some of these practices that we
23 just talked about, you said that, first, if you had to
24 put more down payment down, you would deliver the
25 additional down payment to the hard money lender; is

10:39:46-10:40:35 Page 36

1 A. That is correct.
2 Q. So if you said that they paid \$80,000, you
3 really meant \$90,000?
4 A. That is correct, yes.
5 Q. Okay. I just want to clear that up.
6 A. Yes.
7 Q. And then you talked about the trustee
8 delivering the final documents proving that the sale is
9 concluded and you're the owner directly to the hard
10 money lender; is that right?
11 A. Correct.
12 Q. And then the hard money lender would send those
13 documents to you?
14 A. Sometimes.
15 Q. Okay, sometimes.
16 In the course of all of this, you've probably
17 executed a deed of trust and a promissory note that
18 secures the hard money loan that you've just made; is
19 that right?
20 A. Yes, that's correct.
21 Q. Okay.
22 A. Along with other documents.
23 Q. Sure. Who is generating those documents for a
24 non-DenSco hard money lender; who is creating those
25 deeds of trust?

10:39:00-10:39:37 Page 35

1 that right?
2 A. That is correct.
3 Q. And the hard money lender would include your
4 additional down payment with its portion of the loan to
5 deliver that to the trustee; is that fair?
6 Well, in your example, you said you borrowed --
7 you bought it for -- 123 Main for \$100,000?
8 A. Correct.
9 Q. You put \$10,000 down?
10 A. Uh-huh.
11 Q. The hard money loan that you need is actually
12 \$80,000, but there's still a \$10,000 delta; is that
13 right?
14 A. Correct.
15 Q. The \$10,000 you're delivering to the hard money
16 lender; is that right?
17 A. Made payable to the hard money lender.
18 Q. Right.
19 A. Yes.
20 Q. So the hard money lender, though, has to
21 deliver the \$90,000 to the trustee to complete the
22 \$100,000 sale; is that right?
23 A. That is correct.
24 Q. Okay. That \$90,000 is delivered by the hard
25 money lender to the trustee directly; is that correct?

10:40:45-10:41:29 Page 37

1 A. Always the hard money lender.
2 Q. And the hard money lender is then delivering
3 that package of documents to you to sign, I assume?
4 A. That would be correct.
5 Q. And to notarize, I assume?
6 A. Correct.
7 Q. And you've got to deliver those back to the
8 hard money lender?
9 A. Via courier.
10 Q. Via courier. And somebody, probably the hard
11 money lender, is going to record that?
12 A. That is exactly correct.
13 Q. There's a lot of moving pieces here in this
14 24-hour period to fund this loan; is that a fair
15 statement?
16 A. Yes.
17 Q. Okay. So we've talked a little bit about
18 non-DenSco hard money lenders. Is it a fair -- you've
19 given us this sort of hypothetical example, but is it
20 fair to say that those lending practices were fairly
21 uniform among non-DenSco hard money lenders?
22 A. Very uniform.
23 Q. So what you just described is really how
24 every -- all other hard money lenders that you have had
25 experience with in the Phoenix marketplace operate; is

10:41:42-10:42:34 Page 38

1 that right?

2 A. The only difference is that there are a couple

3 of lenders that when I deliver my check to the hard

4 money lender, let's say for the additional 10,000, I

5 would actually make that check payable to the trustee.

6 And so the hard money lender would deliver his check and

7 my check to equal that \$90,000.

8 Q. Okay. All right. So that's one difference.

9 A. Uh-huh.

10 Q. So now let's describe DenSco's practices,

11 because you said there's a big difference.

12 A. Uh-huh.

13 Q. What is -- you know, from your vantage point as

14 the borrower, what are some of the big differences?

15 MR. JESS: Ryan, would it help if he used

16 the same example?

17 BY MR. ANDERSON:

18 Q. Yeah, yeah, use the same -- yeah, use 123 Main.

19 I mean, you know, we're --

20 MR. JESS: 123 Main, okay.

21 THE WITNESS: So we'll use the same

22 example of 123 Main Street and I'm still the successful

23 bidder of \$100,000. I get to basically tell DenSco how

24 much to loan or request. And I'm pretty positive in ten

25 years he's never said, "No, I can't loan that amount."

10:43:02-10:44:15 Page 39

1 DenSco would wire me the funds for the

2 transaction, and I would get the cashier's check to pay

3 the trustee. DenSco did not require me to have a

4 courier deliver the documents that I've signed and had

5 notarized to him. I would, instead -- well, when I say

6 that, I mean the originals. I would e-mail to him the

7 signed documents.

8 I guess in general terms, it was just a

9 very lax hard money lending practice, very, very

10 lax.

11 BY MR. ANDERSON:

12 Q. Okay. So let's sort of break down --

13 A. Oh, excuse me. Sorry.

14 Q. Go ahead.

15 A. One of the things that -- and I didn't mention

16 this before, and I forgot, so sorry about that. One of

17 the things that a hard money lender, a non-DenSco hard

18 money lender versus a DenSco hard money lender, would do

19 is, a non-hard money lender would contact the title

20 company and have them run title to confirm that I'm

21 bidding on a first deed of trust and not a second, that

22 there is no crazy lien out there that will not be wiped

23 away with a trustee's sale. DenSco did not check title

24 on any of them.

25 Q. How do you know they didn't check title?

10:44:33-10:45:38 Page 40

1 A. From knowing his business, you know, from my

2 dealings with him, he has never ever said to me there is

3 something wrong with title.

4 And I've heard that -- I've heard that from

5 other title companies, because -- I mean from other hard

6 money lenders, because there is always something. I

7 mean out of ten properties, I'm going to say three of

8 them have something wrong with title. And it may just

9 be someone that didn't record a release or someone --

10 it's a simple screwup that someone like me can overlook

11 and say, well, that -- I'm not concerned about that

12 because of whatever reasons I put in my mind that I'm

13 not concerned about that, because, oh, this was a

14 different owner 12 years ago that there's still an open

15 deed of trust.

16 I'm gambling now that that deed of trust is

17 paid off, because it has transferred to another lender.

18 I'm going to use Bank of America as an example. Bank of

19 America has loaned full amount on it. There is no way,

20 knowing Bank of America's practices, that they would

21 loan knowing that there's an additional \$200,000 in

22 front of it.

23 So a lot of times a non-hard money lender of --

24 a non-company, not DenSco, would say, "Hey, you do know

25 that there's an open, whatever, on the property?"

10:45:54-10:47:13 Page 41

1 Doesn't mean that when I explain to them my

2 reasoning, that they won't lend on it; but they kind of

3 make you aware of it, just to say, "No, we do agree with

4 your analogy. We do believe that that should have been

5 released. But there was -- we're just letting you know

6 that there is something there."

7 Q. Right.

8 A. Or very big in the trustee business is an IRS

9 tax lien. The law is that the IRS -- so, again, we'll

10 just keep using 123 Main Street. 123 Main Street is

11 owned by Mr. and Mrs. Gonzalez and Mr. and Mrs. Gonzalez

12 has a tax lien against them. And so the first deed of

13 trust bank or lender will foreclose on the property.

14 The IRS has 100 days to go in and basically unwind the

15 sale and say, no, there's way too much equity in this

16 property. We want the property back, and return the

17 funds back to, let's say, Scott.

18 That is a concern of a hard money lender,

19 because -- or a borrower, because you are really

20 gambling that you're going to be paying three months of

21 interest at 18 percent. Let's say that's the number.

22 Only to have the IRS come back and say, no, we want the

23 property.

24 Reality is, in doing this for a very long time,

25 I've only had one -- out of hundreds and hundreds of IRS

10:47:36-10:48:23 Page 42

1 liens, I've only had one time where the IRS stepped in.
2 Q. Okay. But non-DenSco hard money lenders are
3 bringing these issues to your attention, as the
4 borrower, which indicates to you that they are taking
5 actually, a look at the title; is that correct?
6 A. They absolutely are.
7 Q. Well, you don't know absolutely sure, but
8 they're certainly raising issues to you that would
9 indicate to you that they probably are?
10 A. I could say that they are pretty confidently,
11 because a lot of the hard money lenders would say, "Hey,
12 in Chicago Title running this title report, do you know
13 there's an IRS tax lien?"
14 Q. All right. Now switching to DenSco.
15 A. Okay.
16 Q. Did you ever get the sort of title concerns
17 from Mr. Chittick?
18 A. No.
19 Q. And DenSco is Mr. Chittick; is that right?
20 A. Correct.
21 Q. I mean did you ever deal or communicate with
22 anybody at DenSco -- and I put that in air quotes --
23 that wasn't Mr. Chittick?
24 A. No.
25 Q. And so, you know, there were -- you never dealt

10:49:55-10:51:00 Page 44

1 going to the bank every day.
2 Q. So he told you that that's why?
3 A. Uh-huh. That is correct.
4 Q. All right. So he told you, "The reason I'm
5 just wiring the money to you is that I don't want to
6 deal with getting the money to the trustee," is that --
7 A. To me and a lot of other borrowers. It wasn't
8 just a policy with me. It was a policy with most of his
9 borrowers, as my understanding at least.
10 Q. Okay. And so you said that he was lax in his
11 lending decisions, meaning -- does that mean that when
12 you asked for \$100,000 on 123 Main, he usually gave you
13 the \$100,000?
14 A. Absolutely.
15 Q. Okay. So is it your experience with non-DenSco
16 hard money lenders that the amount you asked for wasn't
17 always the amount you were able to procure?
18 A. All the time.
19 Q. Okay. So --
20 A. And the reasoning is -- I'm trying to
21 streamline this for you, just so you -- the reasoning
22 is, is that if a non-hard money lender -- a non-DenSco
23 hard money lender -- I'm thinking of one in particular
24 in my mind. Their lending practices are they will not
25 lend more than 65 percent of value on a property.

10:48:36-10:49:43 Page 43

1 with a secretary or another vice president or anybody
2 else? It was just Denny or Mr. Chittick; is that right?
3 A. Correct.
4 Q. Okay. And so when Mr. Chittick, in your
5 lending relationship, doesn't give you title problems or
6 raises title concerns, you believe he's not taking a
7 look at the title to the properties that he's lending
8 on; is that right?
9 A. My belief, yes.
10 Q. Okay. All right. You talked about the
11 differences between the two, DenSco and non-DenSco, and
12 one of the bigger differences was that the money that
13 was the subject of your loan was delivered to you,
14 rather than delivered to the trustee; is that right?
15 A. Correct.
16 Q. Would this -- have you ever seen any other hard
17 money lender operate in a way where the money that is
18 the subject of the loan is paid to the borrower and not
19 the trustee?
20 A. Never.
21 Q. Okay. So this is the only time you saw this?
22 A. That is correct.
23 Q. Did Mr. Chittick ever explain to you why that
24 was his practice?
25 A. Convenience; didn't want to have to deal with

10:51:16-10:52:04 Page 45

1 And so if my evaluation -- I'm not an
2 appraiser. If my evaluation is I believe this property
3 is worth \$200,000, that's subject to opinion. When they
4 look at it, they could say, well, we believe that the
5 property is worth \$190,000. So, therefore, you know,
6 the loan amount is going to be a little bit less than
7 what you asked for.
8 Q. Sure. And you've made a bid for an amount that
9 is, in your estimation, what the value is going to be,
10 right?
11 A. Absolutely.
12 Q. And so you're committed to acquire the property
13 at that price in a 24-hour period; is that right?
14 A. That is right.
15 Q. In fact, you've put down a sum of money to do
16 that, sometimes \$10,000?
17 A. That is correct.
18 Q. Okay. If you're not able to get the hard money
19 lender to lend you the amount of money necessary for you
20 to finalize the property, what happens?
21 A. I've never had that situation.
22 Q. Okay. But what would theoretically happen if
23 you couldn't get the hard money loan?
24 A. You would lose your bid deposit.
25 Q. And in all of your transactions, you've never

10:52:23-10:53:13 Page 46

1 lost your bid deposit?
2 A. Not because I couldn't receive funding.
3 Q. Okay. All right. So the convenience of wiring
4 the money to you was, you said, that he didn't have to
5 go to the bank?
6 A. Correct.
7 Q. Wouldn't it also be true that part of the
8 convenience would be that he didn't have to deliver
9 monies to all these trustees that you're buying property
10 from?
11 A. Oh, absolutely. Sorry. I should have expanded
12 on that. Yes, he didn't have to go to the bank. He
13 didn't have to go downtown or wherever the trustee
14 happened to be, because there are many trustees, to go
15 deliver funds. Some of the trustees are kind of
16 difficult to work with. Some of them are remote,
17 they're out of California or they're out of Texas, and
18 they don't even have an office here. So it's like, hey,
19 meet me at Starbucks at 3:00 to drop off the check.
20 And, well, that's what you kind of have to do because
21 they are holding your money. You do need to kind of
22 comply with them.
23 And so I would -- Denny or DenSco, knowing
24 this, I don't think he wanted to be involved with that
25 whole thing.

10:53:29-10:54:13 Page 47

1 Q. Okay. So to break that down a little bit, some
2 of the trustees are located at different locations
3 across the valley or even the state?
4 A. Across the valley.
5 Q. And so a non-DenSco hard money lender in this
6 24-hour period is doing its analysis of this loan to
7 determine if it's going to make the loan; is that right?
8 A. That is correct.
9 Q. It's requesting funds from you to increase your
10 down payment on the property, correct?
11 A. Correct.
12 Q. You have to deliver those funds to the hard
13 money lender?
14 A. Correct.
15 Q. You have to execute the documents the hard
16 money lender wants you to execute?
17 A. Correct.
18 Q. You have to courier that information to the
19 hard money lender for them to be willing to go forward
20 with the fund -- their side of the transaction?
21 A. Correct.
22 Q. Then when they fund, they -- "they" being the
23 hard money lender -- have to courier this money to
24 wherever this trustee is to finalize the transaction?
25 A. Correct.

10:54:34-10:55:34 Page 48

1 Q. All by 5:00 p.m. the next business day?
2 A. That is correct.
3 Q. And your experience with DenSco was that they
4 did not -- he did not want to do those things; is that a
5 fair statement?
6 A. That's my understanding.
7 Q. Okay. Did he ever tell you, "I don't want to
8 deal with trustees. I don't want to go courier these
9 things"? Did he ever say that to you?
10 A. Did we ever have a conversation about it? I
11 don't know that we've had a conversation about it. I do
12 believe that -- I do remember having a conversation
13 about the bank, him not wanting to have to go to the
14 bank every day. I do remember having a conversation
15 with that.
16 Q. Well, in a DenSco hard money loan situation, if
17 Mr. Chittick isn't couriating the money to the trustee,
18 who is doing that?
19 A. The borrower.
20 Q. So that's you?
21 A. Correct.
22 Q. So you have a lot more work to do on a DenSco
23 loan versus a non-DenSco hard money loan?
24 A. Oh, God, yeah.
25 Q. Okay. And so some of those things --

10:55:48-10:56:55 Page 49

1 A. Yes.
2 Q. -- are you need to deliver this money that's
3 been given to you to that trustee to finalize the sale
4 within the period of time?
5 A. That is correct.
6 Q. Okay. And how would you do that? Would you
7 use couriers?
8 A. No. I would use -- sometimes I would have my
9 bidder, whoever I had bidding that day. It all depend
10 on what was happening. So it all depend on where the --
11 it all depend on what I needed to pay for the next day.
12 So if it was a property at 123 Main Street and
13 it was a specific trustee, well, that specific trustee
14 will take payments downtown. So when my bidder is going
15 to go downtown to bid the next day, say, "Hey, stop at
16 my office, pick up the check, and when you're downtown,
17 please pay for this property."
18 Q. Okay. So a DenSco loan requires a lot of extra
19 work for you?
20 A. Correct.
21 Q. Okay. Did the benefits of the relaxed lending
22 practices for DenSco -- was that better for you, or was
23 it more difficult, versus a more -- a non-DenSco loan?
24 MR. JESS: Objection, form.
25 THE WITNESS: Better for me in what

<p>10:57:04-10:57:55 Page 50</p> <p>1 regard? 2 BY MR. ANDERSON: 3 Q. Well, I mean if you had to pick, you have 4 123 Main, you bought it and you get to pick, you've got 5 to go a loan through DenSco or a loan through a 6 non-DenSco hard money lender, which one are you going to 7 pick? 8 A. DenSco. 9 Q. Okay, and why? 10 A. It's easy. It's just an easy process. 11 Q. Okay. 12 A. "Hey, Denny, I need \$100,000 for this 13 property." You have your documents e-mailed over within 14 20 minutes, 30 minutes. There's not a discussion of 15 value. There's not a discussion of title. There's not 16 a discussion of anything. The documents are there. 17 One of the -- a convenience of it was that he 18 didn't require the documents to come back to him as 19 originals. So I didn't have to pay, where in a 20 non-DenSco situation I would have to pay for a courier 21 to deliver the documents back. 22 Some lenders have their own people that are 23 employed by them that will just pick up the documents 24 for you as a courtesy, but a lot of them require you to 25 get it to him. So if the lender is out in Scottsdale or</p>	<p>10:59:00-10:59:45 Page 52</p> <p>1 A. Always recording copies. 2 Q. Did it concern you, as the borrower, that the 3 encumbrances on these properties that you're owning were 4 copies instead of being originals? 5 A. Why would I care? 6 Q. I just asking if it bothered you? 7 A. Never. 8 Q. Did you think it would in any way affect the 9 sort of validity of the lien that's against the 10 property? 11 A. Never has. 12 MR. JESS: You doing okay? We've been 13 going for about an hour. Do you want to take a break, 14 or are you okay? 15 THE WITNESS: Yeah, we can go like another 16 10, 15 minutes and then I can use the restroom and 17 stuff, if that's okay. 18 MR. JESS: Okay. Yep. 19 BY MR. ANDERSON: 20 Q. That's fine. 21 Was there a process by which you were 22 advised that your loan requests were approved? I mean 23 did you get an e-mail back saying "Approved" or -- I 24 mean how did it work? 25 MR. JESS: But who, which?</p>
<p>10:58:08-10:58:47 Page 51</p> <p>1 out in, you know, Chandler somewhere, I really don't 2 want to drive from Central Phoenix all the way down to 3 Chandler to do that. 4 So with DenSco it was a little bit easier 5 because it's scan, e-mail, done. 6 Q. Right. Did it ever -- so I mean the 7 presumption is, if you're signing the original deed of 8 trust and the original note and the original mortgage 9 and you're just e-mailing copies to DenSco, that you are 10 holding those originals; is that right? 11 A. I'm not holding the originals. 12 Q. Well, I understand you're not holding them, but 13 you're never transmitting the original to DenSco? 14 A. No. 15 Q. Right. So they never have the original? 16 A. Never. 17 Q. What happens to the original? 18 A. I throw it out. 19 Q. Okay. 20 A. Keep it on my desk. 21 Q. Right. Did it ever -- so in many instances 22 DenSco's recording copies; is that a fair statement? 23 They have to be, because that's all they have. 24 A. Always. 25 Q. So they're always recording copies?</p>	<p>10:59:53-11:00:55 Page 53</p> <p>1 BY MR. ANDERSON: 2 Q. From DenSco. Yeah, I'm sorry. Yeah, I've made 3 this sort of fictional DenSco/non-DenSco, so I have to 4 keep that going, but I mean that's just the way. 5 So in the DenSco transactions, did you get back 6 from Denny "Approved" and then, you know, "Here are all 7 your deeds of trust"? 8 I'm just trying to figure out how -- what the 9 communication was. 10 A. No. There was never anything not approved. 11 Q. Understood. Okay. 12 A. The next communication I would have with DenSco 13 after giving him that information of the bid price and 14 all that stuff would be an e-mail that says "Docs," and 15 attached to the e-mail would be the docs that he's 16 created for me to sign. 17 Q. Okay. And then how do you know that the money 18 is going to be there for you to purchase the property? 19 A. It always is. 20 Q. I understand. So I mean he doesn't say to you, 21 though, "I'm wiring X"? 22 A. Sometimes he would e-mail you or send you an 23 e-mail that says "Wired" or "Sent 338,000," sometimes; 24 but most of the time I would just get a text on my phone 25 from the bank saying, hey, you just received a wire.</p>

11:01:06-11:02:13 Page 54

1 Q. Okay. And so --
2 A. I've never had a situation where he sent me
3 docs and did not send me a wire.
4 Q. Okay.
5 MR. JESS: Walk Ryan through 123 Main
6 Street, how it would work with Denny in terms of the
7 funding and the documents.
8 THE WITNESS: Okay. So we already went
9 through how I communicate with him and I tell him I've
10 purchased 123 Main Street. I tell him, let's just say,
11 "I will need \$100,000," and let's just say I purchased
12 it for \$100,000 or whatever.
13 The next communication would be an e-mail
14 that says "Docs." His docs would be there. He would
15 wire -- he normally wired very, very early in the
16 morning. Usually before I even left the house in the
17 morning, by 7:00 in the morning, the money would be in
18 my account already, which was convenient, because then I
19 got to go to the bank before even getting to the office,
20 so I didn't have to go and come back and forth.
21 And then I would at some point during that
22 day sign the documents after I've received the money,
23 which is another difference that no other hard money
24 lender would ever do; but I would sign the documents,
25 usually that same day, unless something was going on and

11:02:25-11:03:34 Page 55

1 I wasn't by a computer. Then I would sign them that
2 night or the next day, whatever it is. And then I would
3 e-mail it back to him, and that would be our transaction
4 done.
5 BY MR. ANDERSON:
6 Q. Okay.
7 A. Once in a while -- now, remember how I said
8 that you get a trustee's deed ten days later. So there
9 were many instances where -- the laws changed about five
10 years ago, approximately. And so one of the differences
11 was, prior to five years ago the trustee would mail you
12 an unrecorded trustee's deed, and it would be up to me
13 to record the trustee's deed. And then in the last five
14 years they've changed that, where you're going to pay
15 10 or \$12 and they're going to record the deeds for you.
16 Well, prior to that there were a lot of times
17 that the deed just never showed up. The trustees were
18 very lax in getting you deeds. They know the laws.
19 Sometimes you had to really yell and scream that you
20 were going to call an attorney because, hey, your ten
21 days are way completely up. And then that's usually the
22 only time that they would really start moving around to
23 actually do something, and they would get you a deed.
24 But there were times that DenSco, Denny, would e-mail
25 and say, "Hey, it's been 17 days and this thing is not

11:03:52-11:04:56 Page 56

1 recorded." And now he's waiting, because he wants to
2 record his deed of trust. And so then I would tell him,
3 "Okay, let me call the trustee and find out." And, you
4 know, typically, a week later or less I would have a
5 trustee's deed recorded, and that would be the end of
6 that.
7 Q. Okay. In terms of -- you talked about a big
8 difference being that you're getting the money before
9 you've actually executed the documents purporting to be
10 the loan secured against the property; is that right?
11 A. 99.9 percent of the time.
12 Q. And that in your experience with non-DenSco
13 hard money lenders, that did not happen, right?
14 A. No, that would never happen.
15 Q. So it would never happen with a non-DenSco
16 lender that you would get the money before you've agreed
17 to the loan?
18 A. No, non-DenSco lenders are -- they have
19 policies. They have procedures. They -- it's you do
20 this or you don't do it. And there is no real gray area
21 there. It's follow one, two, three, four, and one, two,
22 three, four will happen back for you. If you don't
23 follow one, two, three, four -- another example. A
24 non-DenSco hard money lender requires you to have
25 insurance on a property. Very important. If a property

11:05:14-11:06:14 Page 57

1 burns down the following business day, the borrower
2 really could just walk away and say, all right, it is
3 the hard money lender's problem.
4 They always require you, every one I've ever
5 dealt with, required you within that 24-hour period to
6 get them proof of insurance before they deliver the
7 money to the trustee. With Denny it wasn't that case,
8 or DenSco. It was not that case.
9 Q. What were DenSco's insurance requirements?
10 A. He wanted insurance on the properties, whether
11 it be that day, the next day, three days later.
12 Whenever it happened to be, whenever I got around to it,
13 then it would happen.
14 Q. Well, it sounds like, from your testimony, that
15 DenSco's -- you said lax. That it's really relaxed;
16 that the relationship with you at least was such that
17 there was a lot of trust, would that be a fair
18 statement?
19 A. I don't -- yeah, with all his borrowers.
20 Q. Well, you say "with all his borrowers." How do
21 you know that his lending practices were uniform amongst
22 all of his borrowers?
23 A. Okay, when I say "all of his borrowers," I
24 can't say that accurately. I can say a number of
25 borrowers that I'm friends with, I know that he wires to

<p>11:06:28-11:07:28 Page 58</p> <p>1 them and has the same exact procedures. 2 Q. So in the sort of world that you operate of 3 buying trustee's deeds, that it was known that DenSco's 4 lending practices were just different than the rest of 5 them? 6 A. Yes. I mean I've officed -- it's a small 7 world. It's a very small, little community of people 8 that buy at trustee's sales. You do have the occasional 9 person that comes in and then disappears for six years 10 and then comes back a day and then never see them again; 11 but it's really the same people every single day, and so 12 you get to know these people. 13 And at one point in my career I -- again, 2006, 14 '7, '8, around that vicinity, I officed with a couple 15 people that were doing the same exact thing, and we all 16 kind of shared the rent and we all worked with DenSco. 17 We also all worked with other hard money lenders. And I 18 remember specifically -- I mean not that I have had 19 conversations with them about it, but I remember 20 specifically hearing, "Oh, Denny just wired 600,000 to 21 my account. I need to go get cashier checks to pay for 22 these properties," the same procedure. 23 MR. JESS: Do you want to take a break? 24 THE WITNESS: Yeah. 25 MR. JESS: Can we take a break?</p>	<p>11:19:37-11:20:20 Page 60</p> <p>1 conversation. 2 Q. Okay. So from your understanding of this, that 3 this was his business practice from as soon as you 4 started doing work with him? 5 A. Yes. He never knew me from before that. 6 Q. Right. 7 All right. So changing gears a bit, in 8 addition to Arizona Home Foreclosure and Easy 9 Investments, you've disclosed some other businesses in 10 your bankruptcy petition. I've just got some basic 11 questions about them. 12 What is Auto King, LLC? 13 A. An auto dealership. 14 Q. Is it still in business? 15 A. It is not. 16 Q. When did you stop operating that business? 17 A. Approximately a year ago. 18 Q. So sometime in 2015? 19 A. I would say that's accurate. 20 Q. Okay. And why? Why did you stop operating 21 Auto King? 22 A. I hated the business. It was a very bad 23 business for me. 24 Q. And the business was what? 25 A. Selling used cars to people with</p>
<p>11:18:16-11:19:26 Page 59</p> <p>1 MR. ANDERSON: Sure. We can go off the 2 record at 11:07. 3 (A recess was taken.) 4 BY MR. ANDERSON: 5 Q. We'll go back on the record. 6 Mr. Menaged, you're still under oath. Do you 7 understand that? 8 A. Yes. 9 I would like to go back to one thing, of a 10 question that you asked me. You asked me if I ever had 11 a conversation with Denny or DenSco in regards to why he 12 did -- he was wiring to the borrowers. And the one 13 thing I do remember was, when I first -- my first 14 transaction ever with DenSco, he did e-mail me and ask 15 me for my banking information. And I was confused, 16 because no one would ever ask me for my banking 17 information. There would be no reason for it. 18 And I sent it to him, and he wired me the money 19 for that first transaction. And then I remember asking 20 him -- I don't remember if I asked him or said to him, 21 "You made a mistake. Why do, like, I have this money?" 22 And he said, "This is how I do it. I will wire 23 to the borrower, and it's your transaction. You go and 24 take care of it." I do remember that. I mean that was 25 ten years ago, but I do remember having that</p>	<p>11:20:33-11:21:22 Page 61</p> <p>1 credit-challenged situations. 2 Q. You have a company called Beneficial Finance, 3 LLC; is that right? 4 A. Yes. 5 Q. And what is that company? 6 A. It was designed to loan money to people who 7 were credit-challenged to buy furniture. However, I 8 never did it. 9 Q. Meaning you never lent anybody any money? 10 A. Correct. 11 Q. And is that company still operating? 12 A. No. 13 Q. Were you the sole owner of Beneficial Finance? 14 A. I was. 15 Q. Okay. And the same for Auto King? 16 A. Correct. 17 Q. We've got Furniture & Electronic King, LLC. 18 And, in fact, I know a little bit about those because, 19 as you know, those entities are now in the receivership. 20 So I guess let's just talk about Furniture 21 King, Scott's Fine Furniture, and Furniture & Electronic 22 King sort of as Furniture King. Is that a fair 23 statement to say? 24 A. Yes. 25 Q. Those three businesses are also out of</p>

11:21:31-11:23:11 Page 62

1 business; is that right?
2 A. That is correct.
3 Q. They're no longer selling furniture?
4 A. Correct.
5 Q. How did you get into the furniture business?
6 A. My dad was in the furniture business in New
7 York, and so growing up, growing up probably since I was
8 13 or so, on the weekends I would go to work with him.
9 Summer breaks I would be always at work. And I really
10 enjoyed business in general.
11 Q. When did you start these -- well, when did you
12 get into the furniture business in Arizona?
13 A. My dad had a company in late '90s, mid '90s,
14 when I first moved out here, called with Buckeye
15 Furniture, and I started working with him there.
16 Q. So the furniture businesses predate the
17 foreclosure/trustee deed business, right?
18 A. Yes.
19 Q. Okay. Were you in the furniture business, you
20 know, the whole time that you've been in the trustee
21 deed business?
22 A. No.
23 Q. Okay. So when did you sort of restart
24 furniture? I mean you can give me approximate dates.
25 A. 2008, 2009, approximately.

11:24:23-11:25:14 Page 64

1 creditor; is that true?
2 A. That's correct.
3 Q. Are there any assets of Beneficial Finance?
4 A. No.
5 Q. The assets of Furniture King, which includes
6 Furniture & Electronic King and Scott's Fine Furniture,
7 those assets include furniture inventory; is that right?
8 A. Correct.
9 Q. Other than the furniture inventory that we're
10 intimately familiar with now, are there any other
11 assets?
12 A. No.
13 Q. So no bank accounts, right?
14 A. There are bank accounts.
15 Q. Well, is there any money in the bank accounts?
16 A. No.
17 Q. Do these entities -- have they ever owned any
18 real property?
19 A. No.
20 Q. Do these entities -- ever owned any vehicles?
21 A. No.
22 I'm sorry. Yes.
23 Q. Okay. Were those vehicles leased or were they
24 owned?
25 A. There was one vehicle that we owned under

11:23:25-11:24:14 Page 63

1 Q. Okay. And was the first entity you started,
2 was that Furniture King?
3 A. Correct, and operated on Thomas Road.
4 Q. And eventually the Furniture King enterprises
5 expand to multiple stores and multiple entities; is that
6 right?
7 A. That is correct.
8 Q. However, upon the filing of the bankruptcy,
9 you've ceased business operations for Furniture King,
10 Scott's Fine Furniture, and Furniture & Electronic King;
11 is that right?
12 A. Correct.
13 MR. JESS: Just to clarify, Scott, I
14 believe that you ceased operating those businesses
15 during the bankruptcy, not when you filed, correct?
16 THE WITNESS: During, correct.
17 BY MR. ANDERSON:
18 Q. Are there any remaining assets of Auto King,
19 LLC?
20 A. Yes.
21 Q. Are those remaining assets the equipment that
22 is in your garage at home?
23 A. Yes.
24 Q. Okay. And I believe that equipment is
25 currently going to be sold by the trustee and the

11:25:34-11:26:19 Page 65

1 Furniture King. It was sold years and years ago. And
2 that was it.
3 Q. Well, you initially filed bankruptcy sometime
4 in May, I believe; is that right, May of 2016?
5 A. I believe it was earlier than that.
6 Q. Was it April?
7 A. It might have been.
8 Q. It was a filing that you did by yourself; is
9 that right?
10 A. That's correct.
11 Q. You were not represented by counsel at the
12 time?
13 A. No.
14 Q. Let's just start with sort of the question why
15 did you file this bankruptcy?
16 A. I had a marker out in Las Vegas with the Wynn
17 Hotel, and they sent that to -- they sent that marker to
18 a collection agency that ultimately ended up at the
19 District Attorney's Office. And so they demanded
20 payment within ten days, and I did consult with an
21 attorney out in Vegas, and they told me that, you
22 know --
23 MR. JESS: Don't say anything that your
24 attorney told you.
25 THE WITNESS: Oh, okay.

11:26:30-11:27:12 Page 66

1 I then filed for bankruptcy for that
2 reason.
3 BY MR. ANDERSON:
4 Q. Okay. To address this debt to a casino; is
5 that right?
6 A. That is correct.
7 Q. And do you generally know how much that amount
8 of the debt is?
9 A. 150,000.
10 Q. And how did you incur that debt?
11 A. Gambling.
12 Q. And is it at a certain casino?
13 A. The Wynn.
14 Q. The Wynn in Las Vegas?
15 A. That is correct.
16 Q. And over what period of time did you incur this
17 gambling obligation?
18 A. A couple months.
19 Q. Was it a couple months in 2015?
20 A. Yes.
21 Q. Okay. So you filed the bankruptcy in, I think
22 it's April --
23 A. Uh-huh.
24 Q. -- of 2015?
25 A. '16.

11:27:23-11:28:17 Page 67

1 Q. 2016.
2 You incurred the debt to Wynn back in 2015; is
3 that right?
4 A. Correct.
5 Q. Is there any dispute on your side to the
6 validity of the debt?
7 A. No.
8 Q. So you used credit from the casino to gamble?
9 A. Correct.
10 Q. And you were unable to pay them back?
11 A. Correct.
12 Q. What type of gambling did you do at the Wynn?
13 A. I believe it was blackjack.
14 Q. Electronic or with cards?
15 A. No, cards.
16 Q. Did you gamble at any other casinos?
17 A. In my lifetime?
18 Q. Well, how about we'll just do 2015.
19 A. Possibly.
20 Q. Did you take out any lines of credit at any
21 other casinos in 2015?
22 A. I don't believe so.
23 Q. Okay. And when I say "line of credit," I do
24 mean a marker. Did you have markers at any other
25 casinos in 2015?

11:28:26-11:29:39 Page 68

1 A. I don't believe so.
2 Q. Did you have any -- did you gamble in any
3 casinos in Arizona?
4 A. I did.
5 Q. Which ones?
6 A. Casino Arizona and Talking Stick Resort and
7 Wild Horse Pass.
8 Q. Did you have enough gambling winnings to be
9 issued a tax form from any casino in 2015 indicating
10 what your winnings were?
11 A. No. There's statements, but I mean from the
12 casinos you can always, you know, get what --
13 Q. Okay, but you could get a statement, I guess,
14 from a casino --
15 A. Yes.
16 Q. -- that shows how much you gamble; but I'm
17 asking if you got sort of a tax form that says here's
18 your gambling winnings?
19 A. Only on slot machine wins and on specific wins.
20 Q. Did you get any of those sort of tax forms in
21 2015 from slot machine wins?
22 A. I don't believe so.
23 Q. When you gamble, do you generally win or do you
24 generally lose?
25 A. Well, in my mind I was a winner.

11:30:01-11:31:10 Page 69

1 Q. Well, what about in your pocketbook?
2 A. No, that would be a loser.
3 Q. So you filed the bankruptcy because of the
4 problems with the Wynn marker; that's the only reason
5 you filed?
6 A. Plus I had other debts.
7 Q. Okay. And were there any other creditors that
8 were putting pressure on you at that point?
9 A. No.
10 Q. Your first filing that you filed by yourself
11 failed to mention or include DenSco in any way.
12 A. Correct.
13 Q. Why?
14 A. I didn't want to upset him. In some deluded
15 way in my mind, I was hoping to get his debt taken care
16 of somehow, maybe hit a really big jackpot or a couple
17 of them or furniture or whatever. I mean I would have
18 done anything to get him taken care of. I never wanted
19 to put him in that position.
20 Q. Okay. You amended your schedules in August of
21 2016; is that right?
22 A. Correct.
23 Q. And your amendments were with the assistance of
24 a legal counsel; is that right?
25 A. Correct.

11:31:28-11:32:23 Page 70

1 Q. The amended schedules, do those reflect all
2 your assets and all your liabilities?
3 A. Yes.
4 Q. So do you own any property outside the
5 jurisdiction of Arizona?
6 A. No.
7 Q. Do you have any interest in any companies that
8 may own property outside of Arizona?
9 A. No.
10 Q. Are you a member of any partnerships that may
11 own property outside of Arizona?
12 A. No.
13 Q. Why didn't you file a joint bankruptcy with
14 your wife?
15 A. My wife -- well, number one, my wife doesn't
16 have any assets. She doesn't have any money. She's not
17 on the house. You know, she's not on the cars. There
18 was really no reason. I mean there was nothing there
19 for her.
20 Q. Does the divorce that you talked about earlier,
21 the prepetition divorce, did that have any calculation
22 on this bankruptcy filing?
23 A. No.
24 Q. So you didn't file the first bankruptcy in
25 order to ensure that the Divorce Court didn't resolve

11:34:08-11:35:28 Page 72

1 A. Correct.
2 Q. Do you recall that meeting?
3 A. I do.
4 Q. Okay. Where did that meeting take place?
5 A. At his house or home office.
6 Q. And what did you tell Mr. Chittick?
7 A. I told him that he was in second position on a
8 lot of loans. The thinking behind it was, you know,
9 property values were on the rise. He asked me what
10 involvement -- he asked me what involvement because --
11 like what involvement I knew of all of this. I told him
12 that it was a -- I told him that I -- I told him that
13 one of my family members or family member employees was
14 doing it without my knowledge. And I said that because
15 I didn't want to -- I didn't want to upset him. I mean
16 I didn't want to tell him I knew what was happening and
17 what the thought process was.
18 Q. Okay. Well, what was the problem?
19 A. What was the problem with what?
20 Q. Well, I mean you're meeting with him to explain
21 that he's in a second position. Why? Why was that a
22 problem?
23 A. He said it was a problem because in an
24 agreement that he has with his investors, he's not
25 supposed to be in second position.

11:32:51-11:33:58 Page 71

1 any community property issues?
2 A. No, not at all.
3 Q. Okay. I'm going to show you what's marked as
4 Exhibit No. 1.
5 (Deposition Exhibit 1 was marked for
6 identification.)
7 BY MR. ANDERSON:
8 Q. This is the forbearance agreement. And this is
9 not the entire forbearance agreement. As you know, I
10 gave you a copy at the 341 meeting. The entire
11 agreement is like a hundred-plus pages. This is just
12 part that I think we should just be able to look at and
13 talk about. So this is not the full agreement.
14 A. Okay.
15 Q. On November 27th of 2013, you meet with
16 Mr. Chittick and you tell him that something's gone
17 wrong in your business operations; is that a fair
18 statement?
19 A. Yes.
20 Q. You explain to him that DenSco's loans that
21 DenSco believed were in first position were, in fact,
22 second position deeds of trust; is that right?
23 A. Correct.
24 Q. And that those second deeds of trust were
25 spread across at least 100 real properties, right?

11:35:47-11:36:53 Page 73

1 And when he looked at the numbers and he looked
2 at the properties at the time, he saw that the risk was
3 not as high as most hard money lenders would think it
4 would be, because he saw the idea of this property was
5 worth 50,000 and now it's worth 70,000, and three to six
6 months from now it probably will be worth 90,000. He
7 wasn't that concerned about the value as more he was
8 concerned about the position because of his agreements
9 with his investors.
10 Q. Okay. Well, wasn't his agreement with you,
11 when you were taking the loans on these properties, that
12 he would be in first position?
13 A. Yes.
14 Q. Okay. And so he didn't know that he was
15 actually in second position on these loans, when he
16 thought he was in first, right?
17 A. We met prior to November, I want to say
18 sometime earlier that year, and I said to him -- he said
19 to me, "I got a call from a hard money lender." Someone
20 called him. I don't remember who, but someone called
21 him and said, "Hey, you know, you're in second position
22 on this thing. Is your loan still valid," or something
23 like that.
24 And he said to me, "Am I in second on this?"
25 And I said, "I don't know." I said, "Maybe.

11:37:02-11:38:08 Page 74

1 I'll check when I get back to the office."
2 He's like, "Okay. If I am, just get me out of
3 second."
4 And it was really no big deal. And, you know,
5 I at that point explained to him and said to him,
6 "Yeah," I said, "I'm really not that concerned about
7 it," I said, "because of what the loan amounts are and
8 what the values are of the properties and how they're
9 going up."
10 And he never mentioned his investors at the
11 time. He just said, "No, I get it. I understand." And
12 that was the end of it. And so I really didn't think
13 that -- because he was so laxed in everything else, I
14 didn't really think it really mattered to him.
15 Q. Okay. So how did DenSco get into this
16 situation? I mean walk me through 123 Main where DenSco
17 ends up in a second position on it.
18 A. The only way that DenSco ended up in this
19 position is because he wired the money to the borrower,
20 me, and did not pay the trustee directly.
21 Q. Okay. So the lax business practices of DenSco,
22 where it would be wiring money to you on a property that
23 you have made a bid on, enabled you to get another loan
24 in first position, right?
25 A. That's correct.

11:38:22-11:39:12 Page 75

1 Q. Okay. So, and Denny, when he was delivering
2 these funds to you and delivering these documents to
3 you, did not know he was going to be in second position,
4 correct?
5 A. Correct.
6 Q. Okay. So you're going to an auction and you're
7 making a bid on 123 Main, right, and you make a bid for
8 \$100,000?
9 A. Correct.
10 Q. You then go -- isn't it -- I assume you've
11 gone -- you go to a non-DenSco hard money lender to get
12 money to acquire the property; is that what happens?
13 A. Correct.
14 Q. And you go through the non-DenSco hard money
15 lender's practices and procedures in order to acquire
16 title to the property, right?
17 A. Correct.
18 Q. Are you doing the exact same thing with DenSco
19 at the same time?
20 A. Correct.
21 Q. So you are making -- you are telling DenSco, I
22 need to borrow X against the same property which you've
23 now already got a hard money loan against; is that
24 right?
25 A. Correct.

11:39:29-11:40:23 Page 76

1 Q. The non-DenSco hard money lender goes through
2 its policy, practices and procedures and wires the money
3 or delivers the money to the trustee, and they end up
4 in, most of the time, first position, right?
5 A. Most of the time, yes.
6 Q. And then DenSco wires its money to you, you
7 sign the documents evidencing the loan, send them back
8 to DenSco, and eventually DenSco records its deed of
9 trust, right?
10 A. Correct.
11 Q. And in the majority of the instances DenSco
12 ends up in second position, and the non-DenSco hard
13 money lender is in first position, right?
14 A. Sometimes.
15 Q. Well, how many times of these two loans on a
16 property was DenSco in first versus DenSco in second,
17 just -- do you know?
18 A. Estimated?
19 Q. Yeah.
20 A. Half, 50 percent.
21 Q. Okay. Of the 50 percent when DenSco's in
22 second position, at no time did DenSco believe, when it
23 was lending the money to your entities, that it was
24 going to be in second position, right?
25 MR. JESS: Objection, form. Go ahead.

11:40:29-11:41:36 Page 77

1 THE WITNESS: I don't know what he
2 believed.
3 I don't have to answer?
4 MR. JESS: Yeah, go -- no, go ahead. No.
5 THE WITNESS: I don't know what he
6 believed. I just know the conversation I had with him
7 earlier that year where second position, first position,
8 it was really no big deal. It didn't matter.
9 The only time it became an issue for
10 DenSco or Denny was when a hard money lender contacted
11 him and where his big concern was, was, "Oh, my God, my
12 investors invest in that hard money company as well, and
13 that can't get out."
14 It wasn't an, "Oh, my God, I'm in second
15 position on all these loans." It was more of "My
16 investors can't figure this out or understand it." And,
17 you know, now that there's a hard money lender involved,
18 where these investors have invested into this other
19 company, it just takes a phone call to one -- again,
20 this is a very small business. So once one investor
21 knows, they all know. And so that was his main concern
22 with me, which is where the forbearance agreement came
23 up.
24 BY MR. ANDERSON:
25 Q. Okay. Well, the reality, though, with

11:41:49-11:42:55 Page 78

1 123 Main, where you've gotten two loans on the property,
2 you've only needed to use one of your hard money loans
3 to actually acquire title to the property; is that
4 right?
5 A. That is correct.
6 Q. So you have the money from the other loan --
7 A. Correct.
8 Q. -- in your possession?
9 A. That is correct.
10 Q. What happens with that money that is not used
11 to acquire the property?
12 A. In -- I can't say every time or every dollar,
13 but in the big picture, most of the money would go back
14 to DenSco, and it would go back to DenSco on a previous
15 loan that we've had that, you know, the market was
16 completely upside down, and let's just say that he
17 loaned me \$170,000 on a condo that today is only worth
18 40 grand.
19 Instead of me telling him, "Hey, like your
20 other borrowers, I'm walking away from this property,"
21 which I had every legal right to do at the time,
22 instead, I took this money and I put it into that so I
23 could get those loans paid off, off the books, and sold.
24 Q. So you were using DenSco's money from current
25 transactions to pay historical transactions?

11:43:04-11:44:26 Page 79

1 A. Correct.
2 Q. Okay. Is that what you told Mr. Chittick at
3 the time?
4 A. At the time?
5 Q. Right. In November of 2013, is that what you
6 told him?
7 A. He never asked me at that time what I was doing
8 with the additional funds.
9 Q. So he never asked you where all the money went
10 that he lent you?
11 A. Was it in this conversation?
12 Well, no, he did -- when we talked about where
13 the additional funds were, I told him it was taken by a
14 family member that was running my company. That's what
15 I told him. I never told him that the money went back
16 to him to pay off the first hundred loans when the
17 market went upside down.
18 See, he was in a place of -- he was -- he was a
19 lonely man, loved to reach out, loved to talk. And when
20 the market started changing and he had all -- I'm going
21 to -- tons and tons of borrowers who were walking away
22 from him, and he's now went from the lending business to
23 the landlord business; meaning he foreclosed on the
24 property, he took the property back or the borrower
25 signed the deed of lieu and gave him back the property.

11:44:39-11:45:53 Page 80

1 And so what was he going to do with the property? So he
2 rented it out, you know, collected something on the
3 property. Better than collecting nothing or the
4 property being vandalized.
5 And for a good amount of time it was a very,
6 very big -- very, very big stress on him. And I didn't
7 know him personally, like I didn't know -- I didn't know
8 his ins and outs of what he does or his head, mindset or
9 anything like that; but I had around that time started
10 to figure out, okay, this man cannot take pressure,
11 because the smallest little things would send him over
12 the deep end. And he would constantly complain about
13 how, you know, he had borrowers that would just walk
14 away and, you know, leave him with a \$200,000 loan on a
15 property that's worth 40 grand and, you know, how
16 appreciative he is of, you know, that I haven't done
17 that with him. Because at the time I had a -- who knows
18 how many loans, I mean tons and tons of loans. And had
19 I done that at the time, I don't think that -- I don't
20 believe DenSco would have survived.
21 So here's this man that's telling me
22 constantly, over and over again, about how he can't
23 sleep at night because these borrowers have screwed him
24 over and have turned over these properties, and he's
25 taking pills to sleep at night, and, you know, thank you

11:46:10-11:47:00 Page 81

1 so much for taking care of your loans and blah, blah,
2 blah, blah, blah.
3 And I didn't have the heart -- I wish I did,
4 but I didn't have the heart to say to him, "Hey, I'm
5 sorry, here's a hundred properties or 150 properties.
6 I'm done. You know, this thing is -- this portfolio is
7 completely upside down." I just couldn't do it. I wish
8 I did, but I couldn't. I felt sorry for him.
9 Q. Okay. Did you tell him that your wife had
10 cancer and that's why you had turned over control of the
11 business to this cousin?
12 A. I did. I told him that my wife was sick.
13 Q. Was that true?
14 A. She is sick, uh-huh.
15 Q. No, did she have cancer?
16 A. No.
17 Q. So if you told him that she had cancer, that
18 was a lie?
19 A. Yes. I didn't want to tell him what she really
20 had.
21 Q. You've talked about this cousin. The cousin
22 doesn't exist, right?
23 A. That is correct.
24 Q. Did you tell Mr. Chittick that the cousin had
25 taken DenSco's money and spent it in Las Vegas?

11:47:11-11:48:03 Page 82

1 A. I did.
2 Q. Was that true?
3 A. No. There is no cousin.
4 Q. Okay. I understand there's no cousin. But had
5 you taken any of the money and spent it in Las Vegas?
6 A. No.
7 Q. Okay. The cousin allegedly, you know,
8 absconded to Israel, I believe; isn't that what you told
9 him?
10 A. That's what I told him.
11 Q. And took with him money?
12 A. Correct.
13 Q. That obviously wasn't true, because the cousin
14 doesn't exist, right?
15 A. Correct.
16 Q. Did you take any of the money and put it in
17 Israel?
18 A. I did not.
19 Q. Your testimony is, is that the money that you
20 borrowed from DenSco was only used to repay DenSco loans
21 that were not going to -- not going to perform; is that
22 right?
23 MR. JESS: Objection, form.
24 BY MR. ANDERSON:
25 Q. You can still answer the question.

11:48:17-11:49:09 Page 83

1 A. The majority of the money, yes.
2 Q. Okay. Did any of the money that you acquired
3 from DenSco under these second loans -- was it used in
4 any other way?
5 A. Yes.
6 Q. Okay. And what are those other ways?
7 A. Living expenses, investing into the furniture
8 companies, gambling.
9 Q. Okay. So in addition to paying DenSco back on
10 loans that were not going to be performing, you used the
11 money that you had acquired from DenSco to pay for your
12 living expenses?
13 A. Correct.
14 Q. To go gambling in Las Vegas?
15 A. Correct.
16 Q. Did you use that money to repay any of your
17 other loans?
18 A. Business loans?
19 Q. Any loans.
20 A. Living expenses, my father's loan to the
21 company.
22 Q. To which company?
23 A. Arizona Home Foreclosures, the same one that
24 Denny lent --
25 Q. You used some of DenSco's money that you

11:49:27-11:50:33 Page 84

1 acquired through these second mortgages to pay down your
2 dad's obligations?
3 A. Yes. They both lent money to the same company.
4 Q. How much did you pay your dad back?
5 A. I would have to get that accounting.
6 Q. How would you get that accounting?
7 A. I could ask him to get his accountant to get
8 it.
9 Q. It's true you took advantage of DenSco's
10 relaxed lending practices, right?
11 MR. JESS: Objection, form.
12 THE WITNESS: I didn't take advantage of
13 his lax -- in my opinion, I didn't take advantage of
14 his lax lending practices.
15 In my conversation with him sometime
16 earlier that year and he mentioned, "Hey, there's a
17 property or two properties that I think I'm in second
18 position on," and we kind of talked about it, and I'm
19 like, "Yeah, I have to look at the books and figure out
20 if you are in second position," he was like, "All right.
21 You know, no big deal. Just take care of it."
22 It was not a conversation I would have had
23 with another lender in that situation, and so I didn't
24 realize at the time that he had a ton of investors. I
25 didn't know he had any investors, actually. I didn't

11:51:00-11:51:46 Page 85

1 realize that he wasn't allowed to be in second position.
2 And I believed that what I was doing was
3 really the best for him, because I was getting rid of
4 all these bad loans. And, yes, we are -- we now have X
5 amount of liens on these new loans at the bottom of the
6 market, when they're going up, and then as soon -- the
7 idea was when they got up to a certain level, they'll
8 get sold and problem solved.
9 BY MR. ANDERSON:
10 Q. But you don't disagree that you were lying to
11 Denny about the loan that you were going to -- that you
12 were asking for?
13 MR. JESS: Objection, form.
14 THE WITNESS: No, I didn't -- I lied to
15 him. He's lied to me. We've had a ten-year
16 relationship.
17 BY MR. ANDERSON:
18 Q. Well, you're asking -- when you're already
19 working on getting a loan on 123 Main from another hard
20 money lender and you ask for the same money from DenSco
21 at the same time, you understand that you are
22 misrepresenting to one or both of the lenders what's
23 happening, right?
24 A. Yes.
25 Q. And you're borrowing money under those false

11:51:53-11:52:55 Page 86

1 pretenses, right?
2 A. Correct.
3 MR. JESS: Objection, form.
4 BY MR. ANDERSON:
5 Q. While you have explained that after it became
6 exposed to Denny that he was in second position, he
7 wasn't too upset about it, are you telling us that you
8 think if you had told Denny at the beginning that you
9 were going to ask for him to loan money on properties
10 that you already had a first position lien on, that he
11 would still lend?
12 A. Absolutely.
13 Q. Okay. So you think that if you would have come
14 and been honest with him about the position he would be
15 in on these certain properties, he would have still lent
16 the money to you?
17 A. Yes.
18 Q. Okay. And what leads you to believe that?
19 A. There have been many times, like, for instance,
20 on my personal house, where I needed a few hundred
21 thousand dollars, and he would know that I have a
22 million dollar loan or \$2 million loan on my personal
23 house, and he would put himself in second position.
24 There wasn't -- in conversations I have had
25 with him, I mean, I think it's because the whole laxed

11:54:34-11:55:34 Page 88

1 aware of that DenSco had investors, right?
2 A. If I knew that he had investors, I mean maybe
3 it was a couple. I don't really remember. I don't
4 remember having a conversation with him about it.
5 Q. Okay. You certainly know for a certainty
6 during the forbearance agreement negotiations that there
7 are a bunch of investors?
8 A. Yes.
9 Q. Just so I'm clear, while you believe that due
10 to Denny's relaxed lending practices and some of his
11 lending practices with you on an individual basis, that
12 he may have loaned on properties where he would be in
13 second position, you did not specifically tell him that
14 he was going to be in second position on these loans,
15 right?
16 MR. JESS: Objection, form.
17 THE WITNESS: I did not have a
18 conversation with him and say, "I'm putting you in
19 second position on these loans," no.
20 BY MR. ANDERSON:
21 Q. Okay. And did you ever tell him that you used
22 the money from these second positions to pay for your
23 living expenses?
24 A. No.
25 Q. Did you ever tell him that you used the money

11:53:22-11:54:14 Page 87

1 environment and the way that me and him would speak, and
2 I don't see why he -- other than his commitments to his
3 investors, why there would be a problem with that.
4 Q. Okay. Well, you said that the first time you
5 figured out there were investors was when this came to
6 light; is that right?
7 A. That's correct.
8 Q. And what happened was that the other hard money
9 lenders that were either in first or potentially second
10 position raised concerns about these individual
11 properties to DenSco and probably to you, right?
12 A. Correct.
13 Q. And so in the throws of this disclosure that
14 DenSco is in second position, you learn for the first
15 time that Denny has investors, right?
16 A. It was approximately that time, yes.
17 Q. And you also learned at the same time that
18 DenSco has made representations to its investors about
19 the types of loans it's able to make to people like you,
20 right?
21 A. I've learned that from his attorney, yes.
22 Q. But you learned it in this process, in this
23 unwinding of these second positions, right?
24 A. Correct.
25 Q. And before that time you didn't -- you weren't

11:55:45-11:56:30 Page 89

1 to -- you know, for your other businesses?
2 A. No. I never even told him that he got the
3 money back.
4 Q. Right. You never even told him that you were
5 using the money to repay --
6 A. Right.
7 Q. -- other loans?
8 So he knew -- all he knew was this lie about
9 the cousin, right?
10 MR. JESS: Objection, form.
11 THE WITNESS: I believe that's what he
12 knew, yes.
13 BY MR. ANDERSON:
14 Q. Okay. And you never told him the truth about
15 it, did you?
16 A. I'm pretty sure he knew the truth.
17 Q. How do you know that?
18 A. It's my feeling.
19 Q. Well, did you ever tell him the truth?
20 A. No. But there was a conversation one time
21 where he said to me, "Look, honestly, I don't really
22 care how we got to this position and I don't really
23 care --" I mean specifically said to me, "I don't even
24 care if the cousin story was a lie," which kind of threw
25 me off. "We just clean -- we'll just get everything all

11:56:46-11:57:45 Page 90

1 cleaned up."
2 Q. Okay. So let's talk a little bit about the
3 cleaning it up. This is the forbearance agreement
4 you've got in front of you. It's Exhibit No. 1.
5 You alert Mr. Chittick to this problem in
6 November, on November 27th, 2013. However, it takes
7 until April 16th, 2014 to get the forbearance agreement
8 finalized; is that right?
9 MR. JESS: Just to be clear, I think,
10 Ryan, you had said earlier that the other hard money
11 lenders alerted DenSco to this problem.
12 THE WITNESS: And they did.
13 BY MR. ANDERSON:
14 Q. Okay. You're right, I did say that. There is
15 a section in this agreement that specifically
16 references -- Section G is Page 2, talks about that
17 date, November 27th, where it says that guarantor, which
18 is you, met with Denny Chittick to inform lender that
19 certain properties had also been used, though guarantor
20 acknowledged no fault, as security for one or more loans
21 from one or more other lenders.
22 Do you see that?
23 A. I see it, yes.
24 Q. Okay. And so you don't dispute that's what
25 happened, right?

11:57:54-11:59:06 Page 91

1 A. Well, I do dispute. I mean I didn't -- I'm not
2 the one that brought it to his attention.
3 Q. I understand that.
4 A. But, yes, I did meet with him on that day.
5 Q. You did meet with him on that day --
6 A. Correct.
7 Q. -- to tell him what had happened?
8 A. Correct.
9 Q. And the problem that DenSco was facing was that
10 the value of the properties in which DenSco was in
11 second position, the fair market value, was not
12 sufficient to be able to -- there was no equity in the
13 property?
14 A. Correct.
15 Q. That was the problem.
16 Was it -- you know, when you learn or when you
17 tell him that he's in second position, how does this
18 forbearance agreement come to light? How does this get
19 negotiated and drafted and prepared?
20 A. He said to me that he was going to contact his
21 attorney and have an agreement drawn up to protect him.
22 That's how it came to light.
23 Q. Okay. And who was this attorney? Do you know?
24 A. Yes.
25 Q. Who is it?

11:59:12-12:00:31 Page 92

1 A. David Beauchamp.
2 Q. Did you ever meet with Mr. Beauchamp?
3 A. I did.
4 Q. On how many occasions?
5 A. Two.
6 Q. And where were those meetings?
7 A. David Beauchamp's office.
8 Q. Okay. And can you describe the first meeting?
9 A. Yes.
10 Q. What happened?
11 A. I got there earlier than Denny. Denny walked
12 into the reception area and I was sitting there, and the
13 receptionist put us into a conference room. About ten
14 minutes later David Beauchamp walked in with a whole --
15 I don't know. A whole bunch of papers, stack of
16 folders, put it down on the desk really hard, sat down,
17 was sweating. It was kind of gross. And looked at
18 Denny and he said, "Can you please tell me what the fuck
19 is going on here," in those exact words.
20 And Denny said to him, "I've explained to you
21 over the phone where we're at, and I need you to draw up
22 an agreement."
23 And he said, "No, what you explained to me is a
24 very, very 30,000 feet high explanation of how this
25 happened. So now I need to know how it happened. How

12:00:49-12:02:06 Page 93

1 did this whole thing occur?"
2 And so -- and so David said to me -- no, then
3 Denny said, "Do you want to explain it? Do you want me
4 to explain it?"
5 And so I said, "I'll explain it." I said, "I
6 had a cousin in the business who screwed me over for
7 some money. Denny's in second position."
8 And that's when he stopped me. We didn't get
9 into too much detail about it because his main thing was
10 how could that happen, was his big thing; how is it
11 possible that this could happen to begin with.
12 And so I said to him, "Well, when Denny would
13 wire me the money," and that's kind of when he went
14 nuts, and he said, "Why would Denny be wiring you
15 money?"
16 And Denny said, "Well, I wired to him so he can
17 go pay the trustee."
18 And that's when he stood up and he said, "Are
19 you a fucking idiot? Did we not draw up the documents
20 for your borrowers to specifically reflect exactly what
21 you're supposed to be doing?"
22 And so the lawyer pulled out from his folder a
23 sample of the documents; not documents that I signed,
24 but a sample of, I guess, what was prepared for DenSco
25 to give to his borrowers. And he referenced in the

12:02:33-12:03:53 Page 94

1 mortgage clause where it says, I, DenSco, am providing a
2 loan on 123 Main Street, as an example, and I am making
3 a check payable to this trustee for this recording
4 number for this, for this, for this, and for that.
5 And so what he said to Denny was, "So you're
6 telling me that you did not follow what is in this
7 agreement?"
8 And Denny said, "I have never --" no, Denny
9 said, "I very rarely cut checks to trustees."
10 And David said, "So you want to tell me that
11 all of your borrowers, you wire to the borrower?"
12 And he said, "Most of them, yes."
13 And then he was very angry. He left the room
14 with Denny. He asked to talk to him in private. They
15 left the room for about 15 minutes, 20 minutes. He came
16 back in. He asked me if I had counsel. I said, "No."
17 I said, "Do I need counsel?"
18 And he said, "I guess I can represent you too."
19 And I said, "Okay."
20 He said, "You need to understand that we have
21 to have an agreement drawn up to protect Denny and
22 DenSco from the situation."
23 I said, "Okay." But at that point I was
24 starting to feel a little uncomfortable because I felt
25 like I didn't know what the conversation was that they

12:04:16-12:05:18 Page 95

1 had in private, and I felt like Beauchamp was looking to
2 just maybe protect Denny and DenSco and not me. And so
3 I started thinking, well, maybe I should have an
4 attorney for this thing.
5 And so I did tell him that -- you know, I said,
6 "Well, when will you have this agreement drawn up?"
7 And he said, "It will take me a couple of
8 weeks. I will work day and night, over the weekend.
9 I'll get it done."
10 And I said, "Okay."
11 And then he told me that -- I said, "Are we --
12 are we talking like a few pages?"
13 "Oh, no, no, no, no; like this."
14 And I remember that. And I looked at Denny and
15 I said, "Hey, I didn't bargain for this. I don't know
16 what I'm doing here then. Because I'm not signing
17 anything like this unless I have an attorney."
18 And so Beauchamp said to me, "If you want to
19 get an attorney, you could, or, you know, Denny has
20 agreed to pay this initial attorney fees, and we can all
21 just do it together."
22 And so I started to feel like I was getting
23 pushed into not having an attorney. It was a feeling.
24 It wasn't told to me. It was just a feeling that I was
25 getting from the attorney of he didn't want another

12:05:32-12:06:53 Page 96

1 attorney involved. And so that kind of made a really
2 big red flag in my head of, okay, well, what are you
3 going to be putting in this agreement that's going to
4 hurt me.
5 So he then left the room. I remember he said
6 he needed to -- or I remember he said he needed to go
7 downstairs and get fresh air and clean up, and which he
8 did, because he was a mess. His shirt was all wet, and
9 it really was disgusting.
10 And then he came back up, came back upstairs.
11 He said, "Okay, I have had some time to relax and think
12 about the situation," he said, "and here's what we're
13 going to do: We are going to draw up an agreement to
14 protect you and Denny from the situation."
15 And so at that point I said to him, "I don't
16 understand. Like I'm not -- I'm not getting it."
17 And so he said to Denny, he said to Denny, "You
18 do realize that you are just as much or equally
19 responsible, if not more, for this problem, because the
20 documents that you have been providing Scott have not
21 been true and correct. You have not been paying the
22 trustee. So, therefore, this can be challenged in court
23 very easily and probably could be won."
24 And Denny said, "Okay. I wasn't aware of that.
25 We can change the documents going forward."

12:07:08-12:08:03 Page 97

1 And that's when Beauchamp just went off the
2 deep end, and he's like, "You are fucking stupid. What
3 do you mean, change the documents? You want to continue
4 to wire to the borrowers; is that what you're telling
5 me?"
6 "Well, yes."
7 "Well, no," and that's what he told him, "Well,
8 no, that's not going to happen. You're not going to
9 continue wiring to the borrowers."
10 And so he said, "Okay, well, we'll have this
11 conversation at a different time." He said, "What
12 information do you need from me?"
13 I believe he provided him a spreadsheet of the
14 properties at the time, and then at that point, after I
15 left that first initial meeting, I hired counsel.
16 Q. Okay.
17 A. Sorry if that was way too much in detail.
18 Q. No, that's fine. Just circle back on a couple
19 of points.
20 Did Mr. Beauchamp at any time while you're
21 sitting there discuss the disclosure of this situation
22 and problem with the DenSco investors?
23 A. Yes.
24 Q. And what do you recall was said about the
25 disclosure of this problem with the DenSco investors?

<p>12:08:27-12:09:35 Page 98</p> <p>1 A. He said that he was in major violation of his 2 memorandum, I believe. I believe that's what he said, 3 the memorandum with his investors. And he said that we 4 needed to -- not we. He needed, the attorney, he needed 5 to draft the agreement in a way that will protect Denny 6 from any kind of liability with the investors. 7 Q. Did Mr. Beauchamp say anything when you were in 8 the room about Denny's obligation to disclose that this 9 problem had occurred in his lending practices? 10 A. He did. He said to him, "We need to draft a 11 letter to the investors to advise them of the 12 situation." 13 And Denny said, "That's not happening." 14 And he said, "Why is that?" 15 And he said, "Because there will be a run on 16 the bank and then at that point I can't pay off all 17 these loans, and so I'm going to take care of the 18 problem myself." 19 And Beauchamp said, his attorney said, "Okay. 20 I don't want to know about it then, if that's what 21 you're doing. I think that you should advise the 22 investors." 23 And then Denny continued to tell him, "Look, 24 you have to understand the position. The position is, 25 that if I advise the investors and they all come back to</p>	<p>12:11:04-12:11:56 Page 100</p> <p>1 do have an obligation to advise the investors." 2 And Denny said, "I didn't under -- I didn't 3 know that, but I would appreciate it if you did not 4 advise anybody and just prepare this agreement so we can 5 move on from this." 6 And at that point I knew that he was not 7 advising the investors, because Beauchamp said, "Okay, 8 Denny, I will do what you want." 9 Q. Okay. And so the situation that we have with 10 the forbearance agreement is that your other hard money 11 lender, the one who was generally in first position, but 12 sometimes in second position, had -- one of them had 13 actually sold off their loans to another private 14 investor, right? 15 A. I'm not aware of that. 16 Q. You're not aware of that? 17 A. No. 18 Q. You're not aware of a group that was generally 19 known as Ron's Group that was -- 20 A. Ron's Group? 21 Q. Yeah, or Dan's Group, a group of investors that 22 had bought loans from other hard money lenders as 23 investments, and they found themselves with DenSco 24 sitting down here in a second position? 25 A. No, that's not true.</p>
<p>12:09:47-12:10:44 Page 99</p> <p>1 me and ask for their money back, then I'm going to be in 2 a bad position where I'm not going to be able to pay 3 these other loans, and then I'm not going to have full 4 control of the properties." 5 And then at that point Beauchamp said, "Well, 6 okay, if that's what we're going to do, then we 7 definitely need to work very closely on this forbearance 8 agreement to protect you from fraud," at this point 9 talking to Denny, "protect you from fraud, protect you 10 from the Arizona Corporate Commission, protect you from 11 the AG's office." He said, "That's what needs to 12 happen." 13 And so Denny said to him, "Okay. Well, I pay 14 you enough legal fees for you to do that, so do it." 15 And Beauchamp said, "I will start working on it 16 immediately. I'll be working over the weekend. It will 17 take some time." And that was it. 18 Q. Did Mr. Beauchamp ever say to Denny, while you 19 were in the room or present, that he, Mr. Beauchamp, had 20 an obligation to alert Denny's investors of what 21 happened? 22 A. He did. 23 Q. And do you recall what he said? 24 A. Yes. He said, "You do understand that you're 25 putting me in a very awkward and bad position, because I</p>	<p>12:12:04-12:12:50 Page 101</p> <p>1 Q. You're not aware of any of that? 2 A. That's not true. 3 Q. Well, what's the truth? 4 A. Well, that's not -- if Dan did a loan, then Dan 5 was the lender from the beginning. 6 Q. Well, are you aware of any of the hard money 7 lenders, with respect to these loans that were first 8 position, with DenSco in second, that had sold their 9 loans to other people? 10 A. No. 11 Q. No, okay. 12 Were you aware of any hard money lenders that 13 when they discovered that DenSco's in the second 14 position and that you had essentially misled both 15 lenders of this situation, to end up with two loans, 16 that they wanted to foreclose and wipe out Denny's loan? 17 MR. JESS: Objection, form. 18 THE WITNESS: No. 19 BY MR. ANDERSON: 20 Q. So -- 21 A. Well -- 22 Q. Okay. No or yeah? I mean there were 23 obviously, Scott, other hard money lenders that were 24 complaining about the situation, right? 25 A. That was the issue, yes.</p>

12:13:00-12:13:54 Page 102

1 Q. Okay. And what were they complaining about?
2 If they're in first position, why would they care?
3 A. Because of the timing of the recordings.
4 Q. Right, because they were so near in time that
5 it --
6 A. It could have been challenged.
7 Q. It could have been challenged, right? Could
8 have been challenged by DenSco, right?
9 A. It could have been challenged by DenSco.
10 Q. Right. DenSco could have said, "Wait a second,
11 I was led to believe I was in first position," right?
12 A. The issue here is that most of the time that
13 wouldn't be accurate, because most of the time DenSco
14 would record at least 24 hours after the other lender,
15 probably going back to the lax environment.
16 Q. But in some instances, didn't DenSco record its
17 mortgage, then the other note and deed of trust got
18 recorded, then DenSco came in with its deed of trust?
19 You've got sort of this weird sort of line of deeds?
20 A. Yes.
21 Q. Okay. So you've got an argument that Denny
22 clouded title before the other deed of trust came and
23 got recorded, right?
24 MR. JESS: Objection, form.
25 THE WITNESS: Correct.

12:14:01-12:14:47 Page 103

1 BY MR. ANDERSON:
2 Q. Well, at least that argument, you've heard that
3 argument in this big dispute, right?
4 A. Yes.
5 Q. I mean you heard both sides of the argument;
6 you heard DenSco's side, and I'm sure you heard the
7 other hard money lender's side, right?
8 A. There wasn't really a DenSco side.
9 Q. Well, okay, you heard that position then from
10 the other hard money lenders that you had made loans
11 with?
12 A. Yes.
13 Q. Who were those other hard money lenders; what
14 are the names of those entities?
15 A. Sell Wholesale Funding.
16 Q. Okay.
17 A. And Active Finance Group.
18 Q. Is Active the one Gregg?
19 A. Yes.
20 Q. Okay. And did Sell and Active take a different
21 posture in how to deal with these loans?
22 A. What do you mean?
23 Q. Well, did Gregg at Arizona -- what is it
24 called?
25 A. American -- or Active Funding.

12:15:08-12:15:42 Page 104

1 Q. Active Funding.
2 Did Active Funding agree to not raise issues
3 with these second positions and allow you time to work
4 it out with DenSco?
5 A. Yes.
6 Q. So Active Funding allowed, essentially, the
7 longer workout to play out, right?
8 A. Yes.
9 Q. They weren't going to be aggressive?
10 A. Correct.
11 Q. And the Gregg is somebody you had worked with
12 in the past?
13 A. Correct.
14 Q. In fact, were you almost a business partner of
15 him in the long, distant past?
16 A. We officed together.
17 Q. Sell Wholesale, did they take a different
18 posture?
19 A. Yes.
20 Q. Did they hire a lawyer at Bryan Cave named Bob
21 Miller?
22 A. They did hire a lawyer. I don't know who.
23 Q. Okay. And what did that lawyer -- what do you
24 understand that lawyer was arguing?
25 MR. JESS: Don't speculate, Scott.

12:15:53-12:16:52 Page 105

1 THE WITNESS: I don't know.
2 BY MR. ANDERSON:
3 Q. Okay. Did you get any --
4 MR. JESS: Can we go off the record?
5 MR. ANDERSON: No, I don't want to go off
6 the record here.
7 BY MR. ANDERSON:
8 Q. Did you get any communications from these hard
9 money lenders during this dispute? Did they send you
10 any demand letters, any sort of communications?
11 A. I believe I got a statement.
12 Q. What's a statement?
13 A. You don't know what a statement is?
14 Q. I'm asking you. What kind of statement?
15 A. It's a piece of paper that says the property
16 address and loan amount, and I believe it was requested
17 from DenSco.
18 Q. So the other hard money lenders, Active Funding
19 and Sell Wholesale, didn't make any demands on you?
20 A. Not that I remember. I believe -- well, I
21 believe that they wanted their loans paid off. That's
22 all I remember.
23 Q. What was the -- putting aside the forbearance
24 agreement, which is sort of the solution between you and
25 DenSco, what was the real-world solution that DenSco and

12:17:07-12:17:55 Page 106

1 Active Funding and Sell Wholesale agreed to and you
2 agreed to? What was the reality of how the workout
3 worked?
4 A. Of actually how it happened?
5 Q. Yeah, actually how it happened.
6 A. Denny, DenSco, went and paid off all the other
7 loans.
8 Q. So DenSco came out of its bank accounts and
9 basically paid off all the loans? Where it was in
10 second position, it paid off the first; is that right?
11 A. Or if he was -- or vice versa.
12 Q. Or if he was in first, he paid off the second?
13 A. Yeah.
14 Q. So DenSco comes out of pocket to essentially
15 clean all of this up so that DenSco is the only hard
16 money lender on the property, right?
17 A. Correct.
18 Q. And so Active Funding and Sell Wholesale end up
19 made whole on their loan, whether they're in first or
20 second position?
21 A. Correct.
22 Q. You didn't sign a forbearance agreement or any
23 sort of arrangement with either one of these hard money
24 lenders that were also involved, right?
25 A. Correct.

12:19:34-12:20:24 Page 108

1 Q. You mentioned earlier that DenSco was motivated
2 to resolve these double-liened properties because it
3 didn't want it to be known publicly that DenSco had
4 gotten itself into this situation, right?
5 A. Correct.
6 Q. That was the motivation of DenSco?
7 A. Yes.
8 Q. Okay. At the time that these double-liened
9 properties were discovered, was the real estate market
10 in a position where property values were increasing?
11 A. Yes.
12 Q. Did you argue to DenSco to take a different
13 course of action with respect to how to resolve these
14 properties?
15 A. Absolutely.
16 Q. And what was that course of action that you
17 recommended?
18 A. Wait six to twelve months and this problem is
19 gone.
20 Q. And why would the problem have been gone in six
21 to twelve months?
22 A. Because in six to twelve months, in my
23 estimation, which turned out to be true, the prices were
24 rising so quickly from the bottom that both lien
25 positions would have been paid off. Would not even have

12:18:04-12:19:03 Page 107

1 Q. Your only resolution of how to fix the problem
2 is with DenSco?
3 A. Yeah. It wasn't even my resolution. It was
4 DenSco's resolution.
5 Q. Okay. But there is no -- you did not sort of
6 have to pay money yourself to these other hard money
7 lenders in resolution of this problem, right?
8 A. No.
9 Q. Okay. And the solution with DenSco was that
10 you were going to be obligated to repay the money that
11 DenSco had to advance to fix this problem, right?
12 A. Correct.
13 MR. JESS: Objection, form.
14 BY MR. ANDERSON:
15 Q. I mean that's essentially what the forbearance
16 agreement is, is your amount that you would owe DenSco,
17 plus an arrangement in how you're going to repay DenSco
18 for these loans that were done improperly, right?
19 A. Correct.
20 Q. Did you ever have, in your mind, an
21 attorney-client relationship with Mr. David Beauchamp?
22 A. No.
23 Q. Did he ever send you an engagement letter or
24 anything like that?
25 A. No.

12:20:41-12:21:40 Page 109

1 a need for a forbearance agreement.
2 Q. So if Denny could have held on for a year,
3 there wouldn't have been this forbearance agreement loan
4 balance, right?
5 A. It's not that if he could have held on. He
6 could have held on, because keep in mind, he advanced,
7 you know, 20-something million dollars to pay off the
8 other lenders. So it wasn't a financial issue.
9 The issue that he had was that he wanted to get
10 something in writing to protect himself from the
11 investors, and Beauchamp said to him that that was the
12 only way to protect himself, was with the forbearance
13 agreement, because at one point we discussed not even
14 doing the forbearance agreement after we met with
15 Beauchamp. And he said that he had a conversation with
16 Beauchamp, and Beauchamp highly recommended it to
17 protect the situation.
18 Q. Okay. Well, the forbearance agreement has this
19 balance amount, this loan balance, 35 thousand
20 639,880.71.
21 A. 35 million?
22 Q. 35 million, yeah.
23 How does that number get affixed? Do you know?
24 A. I don't.
25 Q. Okay.

<p>12:21:51-12:22:38 Page 110</p> <p>1 A. I didn't even read the agreement, to be honest 2 with you. I mean I hate to say that, but I didn't read 3 it, not this version, and I didn't read the hundred-page 4 version. 5 Q. But you signed it, right? 6 A. I signed it, yes. 7 Q. And you obviously -- well, I mean you had a 8 lawyer? 9 A. Not -- that was very short-lived. I did not -- 10 I had a lawyer for a very short period of time. 11 Q. Well, that lawyer was working on your side of 12 the forbearance agreement, right? 13 A. He made a couple of changes, I believe, to the 14 forbearance agreement, yes. 15 (Deposition Exhibit 2 was marked for 16 identification.) 17 BY MR. ANDERSON: 18 Q. Let me show you what's marked as Exhibit No. 2. 19 Do you recognize Exhibit No. 2? 20 MR. JESS: Can I get one of those, 21 Ryan? 22 MR. ANDERSON: I'm sorry. 23 MR. JESS: Thank you. 24 MR. ANDERSON: I know you've got that 25 document.</p>	<p>12:24:10-12:25:02 Page 112</p> <p>1 at you actually gave to the receiver in the last couple 2 weeks; is that right? 3 A. I believe so. 4 Q. How were you able to deliver this document to 5 your lawyer, who then eventually gave it to us? How did 6 you get your hands on it? 7 A. I found it on my e-mails. 8 Q. Okay. And where do you have your e-mails? 9 A. On America Online. 10 Q. Okay. On your web-based e-mail program, you 11 have e-mails that go all the way back to 2014? 12 A. No. There were -- anything to do with the 13 forbearance agreement or things that are really 14 important, not even involving this situation or any 15 situation, I save. 16 Q. Okay. 17 A. So I hit save, and then it goes into another 18 folder on America Online. 19 Q. Okay. And what's the title of that folder? 20 A. Saved Mail. 21 Q. Okay. And do you still have that Saved Mail 22 folder in AOL? 23 A. Oh, yeah. 24 Q. And so how were you able to sort of locate this 25 specific e-mail?</p>
<p>12:22:43-12:23:58 Page 111</p> <p>1 BY MR. ANDERSON: 2 Q. Do you recognize Exhibit No. 2? 3 A. I do. 4 Q. And what is it? 5 A. An e-mail. 6 Q. Who is it an e-mail from, and how did you come 7 to get it? 8 A. From David Beauchamp to my attorney and copied 9 Denny on it, and then it was forwarded to me. 10 Q. Okay. So the e-mail at the first page, it says 11 Saturday, February 8th, 2014, Jeff Goulder. Who is 12 that? 13 A. That is the attorney that I hired. 14 Q. Okay. And this e-mail is about the forbearance 15 agreement negotiations, right? 16 A. Yes. 17 Q. You had a meeting with DenSco in November of 18 2013 about this problem. Why are you still in February 19 2014 trying to work out the forbearance agreement? 20 A. There were quite a few versions of the 21 forbearance agreement prior to February, and I know that 22 it kept going back and forth between Denny and his 23 attorney, and I think it was where -- well, I don't want 24 to speculate. 25 Q. Okay. Well, this document that you're looking</p>	<p>12:25:16-12:26:13 Page 113</p> <p>1 A. I just went on my saved mail and started 2 looking down the row, and I found it. I don't save many 3 things, so, you know, if it was something that was 4 really, really important that I feel like I need to 5 save, I save. 6 Q. Okay. And how did you deliver this document to 7 your attorney? 8 A. I believe I forwarded it to him by e-mail. 9 Q. Okay. The first paragraph of the e-mail 10 starting on Page 2, this is the e-mail from 11 Mr. Beauchamp to your lawyer, Mr. Goulder; is that 12 right? 13 A. Yes. 14 Q. Is this the first time you've heard or you 15 heard about securities fraud? 16 A. Well, yeah. 17 Q. That was the first time you heard that? 18 A. Yes. 19 Q. Okay. The e-mail references on the third 20 paragraph that the workout -- it says, well, I mean, in 21 the second sentence, "We wanted the document to set 22 forth the necessary facts for Denny to satisfy his 23 securities obligations to his investors, including that 24 the original loans had to [be] written and [securitized] 25 by a first lien on real property and that the workout</p>

<p>12:26:32-12:27:18 Page 114</p> <p>1 agreed to by Denny complied with his workout 2 authorization, without having Scott have to admit facts 3 that would cause trouble to him." 4 What facts were you not wanting to admit? 5 MR. JESS: Objection, form. 6 THE WITNESS: I have no clue. The e-mail 7 wasn't to me. 8 BY MR. ANDERSON: 9 Q. All right. Okay. It was to your lawyer, 10 though? 11 A. It was to my lawyer, yeah. 12 Q. Was there anytime during the discussions of the 13 forbearance agreement that you didn't want certain facts 14 to come out? 15 A. No. 16 Q. Okay. The next sentence reads, "I had been 17 informed that since, quote, Dan's litigious group had 18 agreed to get paid off, Scott was not concerned with 19 stating facts and legal conclusions in this document." 20 Do you know who Dan's litigious group is? 21 A. Dan's group is Sell Whole -- or a part of Sell 22 Wholesale Funding. 23 Q. Okay. Do you know why they would be called 24 Dan's litigious group? 25 A. I have no clue.</p>	<p>12:29:08-12:30:03 Page 116</p> <p>1 the borrower, are supposed to do. This is on the fourth 2 page, ACC000238. It says under 6(A) that you agree to 3 use your good faith efforts to liquidate other assets, 4 expected to generate approximately 4 to 5 million in 5 U.S. dollars. 6 A. Uh-huh. 7 Q. Did you do that? 8 A. When we looked at the market, me and Denny, and 9 we looked at the remaining properties that I had, they 10 weren't coming to 4 or \$5 million; but whatever assets I 11 did have I did give him a lien position on. 12 Q. Okay. But -- 13 A. That's why it said the best effort, because 14 Beauchamp wasn't sure and nobody -- they were just 15 pulling that number out of the air. 16 Q. Okay. Subsection (B), you agreed to provide 17 and maintain a \$10 million life insurance policy? 18 A. Uh-huh. 19 Q. Did that happen? 20 A. It did. 21 Q. Okay. Is that still maintained? 22 A. No. 23 Q. When did that stop? 24 A. Six months, eight months, nine months ago, ten 25 months ago.</p>
<p>12:27:37-12:28:45 Page 115</p> <p>1 Q. The final paragraph reads, "Bottom line: 2 Borrower does not admit that the existing loans were to 3 be secured in first position, nor that the modified 4 loans will be in first position." [Quoted as read.] 5 Do you have any idea what that means? 6 A. No. 7 Q. There's some concept that you're -- or that the 8 borrower will obtain a title insurance policy on all of 9 these properties; do you see that? 10 A. I see it, yes. 11 Q. Did that happen? 12 A. No. 13 Q. Okay. 14 A. Well, maybe it did. I can't remember. When 15 Denny was paying off these loans, it's possible he got 16 title insurance at the time. 17 Q. Did you get title insurance on all these 18 properties or -- 19 A. No. I mean it would have been one policy. It 20 would have been -- he may have gotten title insurance. 21 Q. Back to Exhibit No. 1, the forbearance 22 agreement. Well, you've said you haven't read it. I 23 guess I need to sort of read some things to you. 24 A. Yes, please. 25 Q. Under Paragraph 6 there are things that you, as</p>	<p>12:30:13-12:31:00 Page 117</p> <p>1 Q. Okay. And why did you stop? 2 A. I just didn't want to keep paying the premium. 3 Q. Okay. No. (C), you agree to provide a -- 4 A. And I did talk to Denny about it. 5 Q. Okay. 6 A. And he was okay with that. 7 Q. You agree at some point -- well, you also 8 agreed to provide a separate personal guaranty repaying 9 the money; is that right? 10 A. That's what it says, yeah. 11 Q. Okay. Do you remember signing those, all those 12 personal guaranties, in the big hundred-page stack? 13 A. I remember a whole big stack of papers that I 14 signed, yes. 15 Q. Would it surprise you that in there there are a 16 bunch of personal guaranties? 17 A. It would not surprise me. 18 Q. You agreed to provide a separate corporate 19 guaranty from some of the new entities that were going 20 to be added, which are your furniture entities. Did you 21 do that? 22 A. I did. 23 Q. Okay. And then on (F), it says you arranged 24 for private outside financing to be provided in the 25 prospective schedule, a million dollars on March 20th,</p>

12:31:06-12:32:00 Page 118

1 2014.
2 A. Correct.
3 Q. Do you see that?
4 A. Yeah.
5 Q. And then a million dollars on May 26, 2014?
6 A. Correct.
7 Q. And then another million dollars on July 15th,
8 2014?
9 A. Correct.
10 Q. And then another 1.2 on September of 2014?
11 A. Correct.
12 Q. Did that happen?
13 A. No. That was Beauchamp.
14 Q. What do you mean, that was Beauchamp?
15 A. That was Beauchamp saying that we needed to
16 juice up the forbearance agreement to show that more
17 money, other than the properties that I was giving Denny
18 lien position on, was coming from me.
19 Q. And did -- so at the time, when you signed
20 this, did you believe that this was never going to
21 happen?
22 A. I said that I would make my best effort to do
23 so, and in front of Beauchamp and DenSco I did explain
24 to him -- what they both told me, both of them told me
25 was, "Hey, this is all really best efforts. You do your

12:32:12-12:33:12 Page 119

1 best, but we're going into this forbearance agreement.
2 It's protecting everyone. End of story." That's all I
3 really know about this forbearance agreement.
4 Q. Okay. But these funds were not delivered on
5 these dates and times, right?
6 A. Correct.
7 Q. And the reason for that was why?
8 A. Like I said, it was best effort. My best
9 effort couldn't deliver those funds.
10 Q. Okay. Conceptually through this, there's also
11 an arrangement that you were going to continue to do
12 business with DenSco after the forbearance agreement,
13 right?
14 A. That's correct.
15 Q. Okay.
16 A. Can we take a break, if that's okay?
17 Q. Give me a couple more minutes and we'll just
18 wrap up the forbearance agreement. I just want to sort
19 of keep it in stages.
20 Other than the representations in the
21 forbearance agreement about how you were going to do
22 business going forward post-forbearance agreement, did
23 any of the DenSco lending practices change?
24 A. From what they were prior?
25 Q. Right.

12:33:23-01:33:12 Page 120

1 A. No.
2 Q. Okay. So the pre-forbearance agreement DenSco
3 lending practices and the post-forbearance agreement
4 DenSco lending practices were the same?
5 A. Correct.
6 Q. All right.
7 MR. ANDERSON: Now we can take a break
8 here for lunch.
9 THE WITNESS: Okay.
10 MR. ANDERSON: We'll go off the record at
11 12:33.
12 (A recess was taken.)
13 MR. ANDERSON: Let's go back on the
14 record. Go back on the record at 1:32.
15 BY MR. ANDERSON:
16 Q. Scott, you're still under oath. You understand
17 that?
18 A. I do.
19 Q. Just a couple of quick follow-up questions.
20 You talked that there were two meetings that
21 you sat in with Mr. Beauchamp and Mr. Chittick; is that
22 right?
23 A. Correct.
24 Q. Okay. I think you talked a lot about the first
25 meeting. Was that first meeting at Clark Hill's

01:33:22-01:34:33 Page 121

1 offices?
2 A. It was on Scottsdale Road.
3 Q. And then what was the second meeting; where was
4 that?
5 A. The second meeting was also at Clark Hill, and
6 the people that attended that one was me, Denny,
7 Beauchamp and Jeff Goulder.
8 Q. And what was the substance? What was discussed
9 at that meeting?
10 A. How to -- the purpose of the meeting was --
11 this was pre-forbearance agreement being written up. So
12 once I left the first meeting, I got in touch with Jeff
13 Goulder, asked him to accompany me in this road.
14 And so he set up the meeting with Beauchamp,
15 and we all attended. And we pretty much just sat there,
16 and I remember him and Beauchamp really doing most of
17 the talking, and it was mainly just about how we're
18 going to structure the forbearance agreement, what was
19 going to be in there. There was some things that
20 Beauchamp wanted in there; Jeff didn't. I don't
21 remember the specifics, but I do remember -- I do
22 remember, again, Beauchamp leaving the room quite a few
23 times by himself because he was getting upset. I don't
24 know what was going on there, but we couldn't -- and
25 then that's when Jeff was like, hey -- well, I can't say

01:34:45-01:35:30 Page 122

1 what Jeff said, right?
2 MR. JESS: No, you shouldn't.
3 THE WITNESS: But the premise of the whole
4 thing was, "Is this a real law firm, or where the hell
5 are we? Because this is absurd. I've never sat in with
6 a lawyer or lawyers like this. I don't even know what's
7 going on here."
8 BY MR. ANDERSON:
9 Q. Okay. Well, though, would it be fair to say
10 that the timing of both meetings were before the
11 February e-mail, Exhibit 2?
12 A. I would say I believe yes.
13 Q. Well, that would be assumable because, one, is
14 the e-mail has a draft at this point --
15 A. Yes.
16 Q. -- of the forbearance agreement. So, clearly,
17 the first meeting was before that.
18 And then --
19 A. I remember the holidays were right there, and
20 so I think it was right, maybe, after Christmas or
21 beginning of January, possibly, when we had the second
22 meeting.
23 Q. Okay. All right. I'm going to show you what's
24 marked as Exhibit No. 3.
25 (Deposition Exhibit 3 was marked for

01:36:40-01:37:31 Page 124

1 property at 9103 East Charter Oak Drive.
2 A. Correct.
3 Q. Do you recognize that address?
4 A. I do.
5 Q. Okay.
6 A. I'm sorry. These are open loans?
7 Q. Right. These are the loans that are open and
8 active as of the day that he passes away.
9 A. Okay.
10 Q. If any of these have closed post-receivership,
11 I can't speak to.
12 A. Right. Okay.
13 Q. This essentially is a flash point.
14 And so what do you know about this loan, this
15 \$400,000 loan, if anything?
16 A. The loan came into Arizona Home Foreclosures.
17 It was a short-term loan. The loan is not open anymore.
18 He was paid back for the loan, and it doesn't exist.
19 Q. Well, how do you know he was paid back?
20 A. I paid him back.
21 Q. Well, how did you pay him back?
22 A. In cash.
23 Q. When did you pay him in cash?
24 A. It was multiple payments between the years
25 of -- it was multiple payments between the years of '14

01:35:36-01:36:34 Page 123

1 identification.)
2 BY MR. ANDERSON:
3 Q. It's probably one of the few things you haven't
4 seen before today. It is -- essentially, it's a
5 screen -- it's a copy of what DenSco's loan portfolio is
6 on the day that Mr. Chittick died.
7 The reason I'm showing it to you is, there's a
8 couple loans on here that I believe relate to your
9 family members, and I sort of want to find out about
10 them a little bit and then talk about some of the other.
11 The first question is, have you ever seen this
12 loan portfolio before? Did you ever get sent like an
13 accounting or a spreadsheet like this?
14 A. No, not like this.
15 Q. Okay. If you take a look at the first loan at
16 the very top --
17 A. Yes.
18 Q. -- Loan 3736 --
19 A. Yep.
20 Q. -- it's a loan and the borrower is Michelle
21 Menaged.
22 A. Yes.
23 Q. And who is that?
24 A. My mother.
25 Q. And it appears to relates to relate to a

01:37:48-01:38:56 Page 125

1 and '15. I'm believing the first one was February or
2 March of '14.
3 Q. And you paid him in actual, like, cash?
4 A. Yes.
5 Q. And how did you make that payment?
6 A. I met him. We met on Scottsdale Road and
7 McDowell at a -- I can't remember what kind of store it
8 was, but it's a single shopping center with just one
9 store in it. The owner actually would remember us
10 because we went there so often for me to pay him, that
11 the owner came out and started yelling at Denny that he
12 didn't want him in the parking lot anymore and they had
13 some words together.
14 Q. So you made multiple cash payments to Denny to
15 pay down or pay off this loan?
16 A. Correct.
17 Q. And you say you know it's closed. How do you
18 know that?
19 A. Well, it's closed because I -- well, when I say
20 "closed," it's paid off, is what I'm saying.
21 Q. Did you get a receipt from Denny?
22 A. I can look. I don't believe I have anything
23 that I haven't turned over, but I'll look through my
24 e-mails, like all that stuff.
25 Q. And you don't know when the cash payments were

01:39:10-01:39:53 Page 126

1 made?
2 A. Yeah, between '14 and '15.
3 Q. Well, I mean between '14 --
4 A. No, it's not that it was one payment. It was
5 20,000, 40,000, 30,000, 50,000, 20,000, 18,000, 16,000.
6 So it was multiple times.
7 MR. JESS: Slow down.
8 THE WITNESS: Sorry.
9 BY MR. ANDERSON:
10 Q. So it was smaller payments in cash, and it
11 represented \$400,000?
12 A. Correct.
13 Q. And you didn't get a receipt for any of this
14 stuff?
15 A. No, we never did.
16 Q. Did you have any -- I mean, Denny kept
17 impeccable financial records. Do you know that?
18 MR. JESS: Objection, form.
19 THE WITNESS: I don't know how he -- what
20 records he's kept.
21 BY MR. ANDERSON:
22 Q. Okay. You never asked for a -- did you ask him
23 to record a release after he had paid it -- you paid it
24 off?
25 A. I assume that he did record a release.

01:41:19-01:42:18 Page 128

1 Q. You're very confident it's been paid off, but
2 there's no evidence in the books and records of DenSco
3 that it's been paid off. So what records do you have
4 it's been paid off?
5 A. I would have to look through e-mails and see
6 what I could find.
7 I mean, a lot of these things that I'm looking
8 at right now are not accurate, like --
9 Q. Well, let's just --
10 A. Well, okay, go ahead.
11 Q. -- stay on this one.
12 A. Okay.
13 Q. Okay. But you're confident that by -- what
14 time in '15 is it paid off? January of '15?
15 A. No.
16 Q. No.
17 A. I want to say it was the middle of '15.
18 Q. So in May of '15 it's been paid off?
19 A. May, June.
20 Q. May, June.
21 A. Or July.
22 Q. How often did you give DenSco cash?
23 A. Once every -- it all depended. Once every --
24 sometimes it was once a week, sometimes it was once a
25 month, sometimes it was once every month and a half.

01:40:08-01:41:04 Page 127

1 Q. Did you check?
2 A. No, I didn't.
3 Q. Well, there's -- no release has been recorded.
4 Well, why did you pay off your mom's loan?
5 A. It wasn't my mom's loan. It was my loan. The
6 money came into Arizona Home Foreclosures and got paid
7 back from Arizona Home Foreclosures.
8 Q. Well, then why is Michelle Menaged the
9 borrower?
10 A. Because it was her property that we used as
11 collateral.
12 Q. Why did you need to use her property for the
13 collateral?
14 A. I can't remember what was happening at the
15 time, but for some reason, and I don't remember what it
16 was, I needed that money into the company. I don't know
17 if it was acquiring more property. I don't really
18 remember what the reason was, but it was like four or
19 five years ago.
20 Q. Does your mom know anything about this loan?
21 A. No.
22 Q. Does she know you took the loan?
23 A. Originally, yes.
24 Q. You told her that it was -- it's paid off?
25 A. Yes. It has been paid off.

01:42:33-01:43:33 Page 129

1 And the reason he wanted to do it this way was
2 because he wanted to -- what he's told me was that he
3 was going to write off the interest because he made too
4 much money on the books, and he didn't want to pay tax
5 on it.
6 Q. So he told you he wasn't going to report the
7 cash payments?
8 A. Correct.
9 Q. There's another one here, it's No. 4, for Jess
10 Menaged?
11 A. Yes.
12 Q. Who is that?
13 A. My brother.
14 Q. Is this loan -- it says here he still owes
15 \$76,000. Do you know anything about that loan?
16 A. I do know something about that loan.
17 Q. What do you know?
18 A. That it was taken also by Arizona Home
19 Foreclosures. He was in second lien position. He did
20 know he was in second lien position on that.
21 Q. Has it been paid off?
22 A. No.
23 Q. The payoff of Michelle Menaged's loan, did you
24 pay principal plus interest or just principal?
25 A. Just principal. He waived the interest.

01:43:47-01:45:05 Page 130

1 Q. So all you paid was \$400,000?
2 A. I think it was like 406. I don't remember
3 where the six came from, but we had some discussion
4 about something, and the 6,000 payment took place on
5 that.
6 Q. So you -- with respect to Jess Menaged's loan,
7 that's one that you know has not been paid off?
8 A. That has not been paid off.
9 Q. You said there were other problems with this
10 spreadsheet, right?
11 A. Yes.
12 Q. And what are they, just looking at it?
13 A. 707 Potter, number -- two, four -- six.
14 Q. Yeah.
15 A. That one the trustee took back, and the money
16 went to -- the money went to pay one of -- pay down on
17 the workout, and then Denny added or was supposed to add
18 this address to the workout, because we don't have
19 anything on this, like there's no -- there was a
20 trustee's deed at one time issued, and then I believe
21 the borrower -- I believe the homeowner filed
22 bankruptcy, and the trustee came back and said, no, no,
23 give us back the trustee's deed. And somewhere along
24 the way that's exactly what happened.
25 In fact, that's where that lawyer came in.

01:45:28-01:46:26 Page 131

1 There is a lawyer that was involved with it, who
2 represented Bank of America. This has been going on for
3 years. Bank of America got involved and said, no, the
4 trustee screwed up. We should have never given you a
5 trustee's deed. And Bank of America hired counsel. But
6 we don't have title to that property, and, you know,
7 Denny knew that.
8 Q. Okay. If you turn to Page 2, you see --
9 A. There's also -- I'm sorry.
10 Q. Okay.
11 A. In case you want to know, number -- two,
12 four -- five, Lobo, that's another one that I don't
13 remember what happened, but there was an issue. there
14 was definitely an issue with that property. But I don't
15 have ownership of it at all, nor do I -- I'm pretty --
16 I'm almost positive that he moved this over to the
17 workout, or he was supposed to.
18 Q. Okay. Well, before we leave this document,
19 you're talking about moving it over to the workout. The
20 last line on this is two at the very bottom and there
21 are no loan numbers. It says N/A. But there's a -- it
22 says "5 million" and then it says "1 million." Do you
23 see that?
24 A. Uh-huh.
25 Q. The \$5 million now has a balance of

01:46:37-01:47:40 Page 132

1 13,336,807.24. Do you see that?
2 A. Yes.
3 Q. That is the workout, isn't it? That's the
4 balance of the workout, right?
5 A. I don't know.
6 Q. Okay. Well, according to the records that
7 we've been able to recover, it appears that the workout
8 arrangement was just kept in a separate byline, a
9 separate accounting, whereby your ins and outs that were
10 to go to pay for the workout are kept in a separate
11 ledger. Is that -- you never asked for or were told
12 about how much your workout was?
13 A. No. I mean he could have mentioned the dollar
14 amount here and there, but it wasn't like I would get
15 weekly or monthly statements or anything like that.
16 (Deposition Exhibit 4 was marked for
17 identification.)
18 BY MR. ANDERSON:
19 Q. I'll show you Exhibit 4, just so we're all on
20 the same page.
21 A. Okay.
22 Q. This is that exact report I was just
23 discussing. It starts back in February of 2014, and
24 then it just of sort goes over time; ins, outs,
25 payments, money coming in, but interest accruing at

01:48:00-01:49:13 Page 133

1 somewhere in the neighborhood of like \$6,600 a day.
2 A. I haven't seen this. I do know what -- if you
3 look at that same exhibit that you gave me, 4 --
4 Q. Yeah.
5 A. -- the first hundred thousand, I don't know why
6 he put "Pay Gregg's interest." That he loaned -- that
7 he loaned to me to buy my car, and then I repaid him
8 like a week later. I think I was waiting for a closing
9 or something like that. But that has nothing -- I
10 don't -- that has nothing to do with Gregg. And "Gregg"
11 meaning AFG, Active --
12 Q. My question regarding --
13 A. Oh, you see, if you look at that agreement --
14 if you look at the workout, 707 Potter is on there.
15 Q. Uh-huh, it is.
16 A. And so I don't know why it's on there and it's
17 on open.
18 Q. Well, but it has 707 as a money going out.
19 "funds wired directly to Gear," it says. So you would
20 assume that would be a property with a first and a
21 second, and he was wiring money out to resolve all the
22 issues with respect to the property and then carrying
23 that loan amount here on the workout. But, again --
24 A. I honestly can't tell you.
25 Q. It's okay, Scott. I don't really think it's

01:49:26-01:50:32 Page 134

1 worth a lot of our time, because we're just going to go
2 through these documents. I just wanted to provide it to
3 you so that you can see what's there on DenSco's
4 ledgers.
5 There's also a second \$1 million loan, back to
6 Exhibit No. 3. It's the last line. It says "Arizona
7 Home Foreclosures \$1 million." Do you have any idea
8 what that loan is?
9 A. No.
10 Q. Okay. Well, it's styled as the Yomtov Scott
11 Managed workout 1 million in the QuickBooks reports.
12 And then it has a series of properties with an amount
13 that equals to \$1,002,532.55 with a series of
14 properties.
15 A. I couldn't even begin to tell you what -- I
16 don't know.
17 Q. Okay. That's fine.
18 A. I'm sorry.
19 Q. Let's talk a little bit about sort of your
20 relationship with DenSco and Denny.
21 A. Okay.
22 Q. Is it true that you sort of talked to him about
23 a wide range of issues, I mean not just business
24 dealings? I mean were you friendly, in a way?
25 A. After dealing with someone for ten years, yeah.

01:50:45-01:52:00 Page 135

1 I mean you start to know about people's lives.
2 Q. Would he call you and talk to you about things
3 that were unrelated to the business?
4 A. Yeah.
5 Q. On a --
6 A. Yes.
7 Q. -- semi-regular basis?
8 A. Yeah, he would. He was just lonely.
9 Q. Why do you say -- how do you know he was
10 lonely?
11 A. After he got divorced, I remember him -- before
12 he got divorced, when he was married -- which at that
13 point I didn't even know he was married or not. The
14 only way I ever met his wife was at a company Christmas
15 party or something, and I met her.
16 And then I heard, not from him, but from a
17 gentleman named John Ray, that he was getting divorced.
18 John and him were very close, and John officed in my
19 office. And so I still never reached out to him about
20 it, because I didn't have that kind of relationship with
21 him. But then after some time I mentioned something to
22 him about my wife, and I don't know if I was frustrated
23 or something. I said, "These women," or something like
24 that, you know. And he said, "Oh, you don't have to
25 tell me," and then that's when I kind of heard his life

01:52:15-01:53:05 Page 136

1 story, his story of his wife and how she left him and
2 has a boyfriend and all that stuff. And I think that
3 was kind of like the first time that we actually had a
4 personal conversation.
5 Q. Okay. Well, did he ever tell you anything
6 about -- now, this is post-forbearance agreement.
7 You've now discovered he has these investors. Did he
8 ever provide you with e-mails from his investors about
9 money they wanted to pull out and how it was going to
10 mess up his financial situation?
11 A. He did.
12 (Deposition Exhibit 5 was marked for
13 identification.)
14 BY MR. ANDERSON:
15 Q. I'm going to show you what's been marked as
16 Exhibit 5. Do you recognize Exhibit 5?
17 A. Yes. I think I provided this.
18 Q. Right. It's an e-mail you provided to us,
19 that's right.
20 A. Right. Okay.
21 Q. If you turn to the third page, you see it's
22 actually a series of e-mails, and it looks like are
23 forwarded to you; is that --
24 A. That's correct.
25 Q. The first e-mail is one from, it looks like, a

01:53:19-01:54:04 Page 137

1 guy named Tom Smith to Mr. Chittick asking for \$800,000
2 out of DenSco?
3 A. Correct.
4 Q. Then you see DenSco responding to Mr. Smith,
5 and then at some point the same day, a few minutes
6 later, Mr. Chittick e-mails you?
7 A. Yes.
8 Q. And writes "This isn't going to help my
9 situation."
10 And you write back, I think, "No definitely
11 won't help," right?
12 A. "No definitely won't help," yes.
13 Q. Yeah. So do you know what situation he's
14 talking about?
15 A. He was having a hard time paying his investors,
16 from what he's told me, he told me.
17 Q. And he's having a hard time paying his
18 investors because they don't know about the forbearance
19 agreement, right?
20 A. Correct.
21 Q. And he's got to come out of pocket all this
22 money to sort of fix these firsts and seconds, right?
23 A. Yes.
24 Q. And so you are -- he's -- would it be fair to
25 say he's sort of commiserating with you about his

01:54:18-01:54:59 Page 138

1 financial problem?
2 A. Not -- I mean I don't know if we would say
3 commiserating, but he had someone to talk to.
4 Q. Well, you were that person to talk to about
5 this?
6 A. I'm sure I was one of those people.
7 Q. Okay. Well, do you know of anybody else that
8 he would have talked to?
9 A. Probably his wife, I would assume, because I
10 know they were still close. His sister. I know that,
11 you know, he's had plenty of talks with her about the
12 situation, from what he told me. This is the sister
13 that lives in Idaho.
14 Q. So you, the sister. You think the sister knew
15 about the forbearance agreement and the issues before
16 that?
17 A. It's my understanding from him that, yes, she
18 did.
19 Q. Okay. He told you that?
20 A. Yes, he did.
21 Q. He just basically said the only people I --
22 what did he say?
23 A. He told me in July of -- when was the
24 forbearance agreement, February?
25 MR. JESS: April.

01:55:09-01:56:02 Page 139

1 THE WITNESS: April of what?
2 MR. JESS: April of 2014.
3 THE WITNESS: So then it was July of 2014.
4 He went out to Idaho for the 4th of July with his kids,
5 and when he came back, I met with him. I don't remember
6 why I met with him. But in either case, I did meet with
7 him. And he said to me, he said to me, "Oh, it was a
8 good relief."
9 I said, "How was your trip?"
10 And he said, "It was a very good relief.
11 It's nice to be able to, you know, just finally open up
12 and talk to someone."
13 And I said, "Oh, who was that?"
14 And he said, "My sister." And I could
15 swear he said she was an accountant. I can't swear to
16 that, but I think that's what he told me. And she was
17 helping him with the books, and that's what he told me.
18 BY MR. ANDERSON:
19 Q. Well --
20 A. It wasn't a very long conversation.
21 Q. Do you have a recollection that he told her
22 about the financial problems that were plaguing DenSco
23 at that time?
24 A. Yes.
25 It's one of the reasons why -- well, I'll wait

01:56:09-01:57:03 Page 140

1 for you to answer the question.
2 Q. Well, no, you can --
3 A. I'm sorry.
4 Q. Please finish.
5 A. It's one of the reasons why on my mom's loan he
6 was waiving the interest, was because he was bringing --
7 from what he told me, he was bringing cash up to Idaho
8 when he would go up there, which was once or twice a
9 year.
10 Q. Okay.
11 A. And he had a lot of investors in Idaho, I
12 remember him telling me.
13 Q. Okay. Well, the e-mail that you've provided
14 us, the one we're looking at, which I think is Exhibit,
15 what, 5?
16 A. 5, yeah.
17 Q. He writes in the last sentence, "this is a
18 problem." Do you see that?
19 A. (Witness nodded.)
20 Q. Why was it a problem?
21 A. He didn't have that much money. He didn't have
22 that much money. You know, the more investors that come
23 back and say, "Hey, shoot me half a million dollars
24 tomorrow" or do this or do that, it became a problem for
25 him.

01:57:15-01:58:23 Page 141

1 Q. When he's communicating to you his problems,
2 his cash problems, is he also telling you that he needs
3 you to give more money to him to go pay down this
4 workout?
5 A. Yes.
6 Q. Okay. So is he regularly asking you to pay
7 more?
8 A. Constantly.
9 Q. Constantly?
10 A. It was a constant thing. He was very, very --
11 he was very stressed out and scared of not being able to
12 pay the investors. He was a huge -- and I had to hear
13 this at least 50 times, with no exaggeration, was that
14 his accountant was an investor. And so whatever he was
15 doing or whatever -- you know, when the time came at the
16 end of the year and he had to give him his books, he was
17 usually stressed a month before that, because he needed
18 to make it look good because he knew that if he -- if
19 his accountant, who was an investor, knew that there was
20 an issue, well, again, this is -- this goes like
21 wildfire all over. And so he couldn't have that. He
22 knew that that would be a major problem for him. He
23 definitely knew that would be a major problem.
24 Q. You're sort of intimating that he may have
25 provided inaccurate books to his own CPA, right?

01:58:38-01:59:39 Page 142

1 A. I'm pretty sure that that's exactly what
2 happened.
3 Q. Okay. And you're pretty sure because did he
4 tell you, "I'm essentially fixing my books to make it
5 look different"?

6 A. Yes.
7 Q. Okay. Did he give you any detail on how he was
8 changing the books?

9 A. He did tell me that he was -- all he told me
10 was that he dealt with QuickBooks, and his sister
11 dealt with QuickBooks because she was -- I could swear
12 he said she was an accountant or a bookkeeper.
13 Regardless.
14 But he did say to me she -- "I'm bringing --
15 when I go up to Idaho, I bring her -- I bring my laptop
16 with me, and she helps me fix this computer situation,
17 so when I actually do go to my accountant, I have
18 something to give him."
19 Because, you know, he'd typically go up there
20 in the beginning of July and he typically stayed for
21 approximately two weeks. And so a few months later, you
22 know, he would be going to his accountant's office with
23 everything. So, so long as he kept his books and
24 records exactly the way his sister showed him and told
25 him how to do, you know, it would go fine.

02:00:03-02:01:00 Page 143

1 And right before his death, I'm going to say
2 approximately a month before his death, he called me and
3 said that one of his investors' son, their son, his son,
4 is a real estate agent and they were selling a property
5 out in Scottsdale. And he asked me to go and drive the
6 property, look at the condition, see if I had any
7 interest in buying it, and he would loan the money on it
8 fully, a hundred percent of the funds.
9 And so I did and I met with his son. I met
10 with his son out at the property, and I did have
11 interest in buying it until I realized, you know, when I
12 actually got back to my office, and Denny said -- and
13 I'm just using round numbers. I could swear he said the
14 property was -- he thought the property was worth like
15 400,000 and I could buy it for 285.
16 But when I went out there and I looked at it, I
17 was like, oh, yeah, it's definitely good to go. When I
18 got home and I looked at it myself, I'm like this thing
19 is not worth more than 300,000, because the 400,000s
20 back a golf course and we back a busy street.
21 And so I called Denny, and he was all panicked.
22 He was like, "Shit, I committed it to him. I told him
23 that you were going to buy it."
24 I'm like, "I understand, but I thought that you
25 knew how to comp a property." I kind of got -- did get

02:01:11-02:02:13 Page 144

1 a little snappy with him with it, because I'm like,
2 "You're telling me you're wasting my time to drive out
3 to this property when there's no possible way it's worth
4 400,000."
5 And so he said, "All right, I've got to try
6 to -- maybe I'll e-mail this out to my other investors
7 and see who wants it, because I don't want to piss him
8 off or anything, because his father is an investor."
9 Q. Turning back to the CPA, did he ever -- did
10 Mr. Chittick ever tell you that he was paying taxes on
11 money or investments that weren't real?

12 A. Yes, yes.
13 Q. Okay.
14 A. It was one of his biggest things that he
15 kept -- he would make a joke about. He would say, "I
16 don't think the IRS ever saw someone like me that's
17 paying money on loans that don't exist."
18 He said paying money on -- and then we kind of
19 talked about it for a little bit, and I said, "Well, it
20 is true. However, there are loans, because you are
21 collecting 18 percent interest."
22 And so he said, "Well, that's how I'm getting
23 around it." He said, "I am collecting 18 percent
24 interest, and so, therefore, I have to pay taxes on it."
25 But I do know that this last tax year he didn't

02:02:30-02:03:49 Page 145

1 pay nearly as much as he normally paid, from what he
2 told me, just because he was like, "I feel stupid paying
3 it."
4 Q. Okay. So it's possible that he has paid tax
5 and filed tax returns that aren't accurate?

6 A. Absolutely. In fact, in fact, he did say to me
7 he was considering getting rid of his accountant and
8 returning the accountant's money so he can find another
9 accountant so he can redo his taxes. And what he told
10 me is he would receive back at least a million and a
11 half dollars from the IRS that he's paid and, you know,
12 probably shouldn't have paid.
13 Q. So he could get back refunds in that amount?

14 A. Yes. The only reason why he didn't do it, and
15 what he told me, was because he was just concerned of
16 why he was going to be firing the accountant, what the
17 accountant would actually have to say about that.
18 Q. Have you ever seen a tax return for DenSco?
19 A. Never.
20 Q. All right. Well, we talked about the DenSco
21 lending practices at the very beginning of our
22 deposition, and you made a reference that there were
23 certain lending practices when you were buying property
24 at auction and certain lending practices when he was
25 making offers to purchase.

02:03:59-02:04:41 Page 146

1 A. It was pretty much the same lending practice,
2 except -- I mean the process was the same, where he
3 would wire -- well, that's not really true.
4 Q. But --
5 A. You ask the question, and I'll answer.
6 Q. So just to clarify then --
7 A. Okay.
8 Q. -- what do you mean when you say "offer to
9 purchase"? What kind of transaction are you talking
10 about?
11 A. Offer to purchase is something that I will send
12 out a certified letter to a homeowner saying we've
13 basically comped your property or looked at the
14 comparables. We believe your property is worth X amount
15 of money. We are willing to offer X amount of money for
16 your property. Please contact us and, you know, we'll
17 move forward. We'll open escrow.
18 Q. So, basically, it's like a solicitation to do a
19 short sale, potentially?
20 A. Yes.
21 Q. Right?
22 A. Correct.
23 Q. Not an uncommon business model?
24 A. No.
25 Q. Right.

02:04:53-02:05:55 Page 147

1 A. That part isn't.
2 Q. And so how does DenSco fit into that business
3 model of doing offers to purchase?
4 A. Me and Denny talked about it. Foreclosures
5 were slowing up a lot down at the courthouse, and here
6 we are with this large workout balance. And so I told
7 him I was drowning. I'm like, "You know, I'm paying a
8 ton of money towards this workout agreement. I don't
9 know how I'm going to continue it."
10 And so he said, "Well, what we need to do is
11 figure out how we're going to acquire -- how you're
12 going to acquire more properties. And I'm very liquid
13 and I have plenty of cash." I could swear at the time
14 he told me he had like \$15 million or something like
15 that in his account. And he's like, "You know, you're
16 just going to need to get more creative."
17 And so I met with him at his office, home
18 office, and we talked about doing short sales. We
19 talked about possibly doing bankruptcy sales, you know,
20 that kind of stuff. And when we talked about the short
21 sales, he was really into it. He said he had a lot of
22 borrowers that were successful at buying short sales.
23 And so I tried it for a little bit. Wasn't
24 really working out very well. I would make offers, but
25 I would make offers to -- you know, like the normal

02:06:09-02:06:58 Page 148

1 course of business. I would make offers on properties
2 that were listed as a short sale to an agent.
3 Typically, the bank never gets back to you or they come
4 back to you with this ridiculous number. And it just
5 wasn't working out well.
6 And so -- sorry. Did you want to say
7 something?
8 Q. No. I just --
9 A. Okay. And so I met with him again, and I said,
10 "Well, this isn't -- this process is really wasting
11 time. I'm not really getting anywhere here." I said,
12 "What if we go to --" well, actually, he said, "What if
13 you go directly to the homeowners? You know, back in
14 the day there used to be the door knockers for that kind
15 of stuff or for excess proceeds, which was a big deal
16 back in the day when there was equity in everybody's
17 property."
18 And so he kind of explained to me how the
19 excess proceeds thing worked and the door knockers and
20 all that stuff. And I'm like, "Well, I am not going to
21 be knocking on someone's door that I don't know,
22 especially if they're in financial distress, because you
23 don't know where their mind-set is at." So I said,
24 "Well, I can start sending out letters. I can start
25 sending out this, that, whatever, to try to get these

02:07:18-02:08:16 Page 149

1 things closed."
2 And so I did do that. And the first deal that
3 we did -- I did that way, there was an issue, because
4 the issue was that the offer to purchase says that I'm
5 making a cash offer on their property. Well, once you
6 get to title or escrow, the bank -- well, before you get
7 to title and escrow, the bank wants to see proof of
8 funds.
9 Well, I didn't have proof of funds in the
10 account for that, and they don't want to hear that it's
11 a hard money lender. They could care less. If it's a
12 lender, then it's financed; and if it's cash, it's cash.
13 So Denny said, "Well, I can just start wiring
14 you the money for these things if this business model
15 actually works. You just need to continue to pay me the
16 18 percent on it. But let's think about it. You know,
17 if you wind up doing --" he did all this math. Like if
18 you did 18 a month and, you know, \$20,000 each and this,
19 and then you would only pay me X amount of interest."
20 And, you know, ultimately it came up where
21 there was going to be a profit of like five, \$600,000 a
22 month, and which, you know, I agreed to pay him I want
23 to say it was like half of that. I think that's what we
24 agreed on, 50 percent of whatever the profit was to go
25 towards the workout, and plus he would get his

02:08:26-02:09:29 Page 150

1 18 percent interest. And --
2 Q. Okay.
3 A. Uh-huh.
4 Q. What time? Where are we now when we've moved
5 away from foreclosures at auctions and into this offer
6 to purchase?
7 A. It was probably -- whenever I signed the
8 forbearance agreement, it would have --
9 Q. That was in 2014.
10 A. No, well, it wasn't that time then. Hold on.
11 Let me just think.
12 Yeah, I'm going to say it was sometime in --
13 I'm estimating right now, but I'm going to say it was
14 sometime in the beginning of 2015.
15 Q. Okay. So these -- we aren't going to see these
16 in 2014; we're going to see them in 2015?
17 A. I believe that to be correct, because in 2014 I
18 was still at the auctions.
19 Q. Okay. And are you doing auctions at the same
20 time you're doing these, or you just stopped the
21 auctions completely?
22 A. I was still down at the auctions. I still had
23 people down there. But I mean maybe we would buy two a
24 month, maybe. It really slowed down considerably.
25 Q. So how -- we talked about how you would

02:09:47-02:10:41 Page 151

1 communicate to DenSco when you were going to make a
2 purchase at an auction. That's pretty obvious. You've
3 made a bid. You're now going to get the money and all
4 the rest. We talked about that procedure.
5 A. Yes.
6 Q. What is the procedure for an offer to purchase?
7 A. He made it the same procedure. So the same
8 procedure meaning I would send him an e-mail with the
9 property address and a dollar amount of how much I was
10 willing to offer and the recording number showing that,
11 you know, at one point recently the property was in
12 foreclosure, so we know that this person is having some
13 kind of financial problem. I would send him that
14 e-mail, and then it was the same process. He would send
15 me the docs. He would send me the docs and the money.
16 Q. And you would then offer to the homeowner to
17 buy the property?
18 A. For the same amount of what I told Denny that I
19 was going to be doing.
20 Q. Okay. And if you got no response from your
21 certified letter, what did you do?
22 A. We waited. Denny wanted to wait up to 30 days.
23 He wanted to get at least 30 days of interest on the
24 money, and then if there was no response and there was
25 nothing going on, then I needed to pay him back his

02:10:52-02:12:01 Page 152

1 principal plus 18 percent for the 30 days or 1.5 percent
2 a month.
3 Q. So you just sent back the money with interest?
4 A. Correct.
5 Q. And how many homeowners agreed to do these?
6 A. Here's the issue: It was about three months of
7 doing this, between three and four months of doing it,
8 where every day you're getting 500, \$700,000 into your
9 bank account and every day it starts turning out that
10 you're sending him back five or \$700,000, or whatever
11 the numbers happened to be, to pay off the older 30-day
12 loans.
13 And so there was one conversation that we had
14 and he said to me, he said to me, "Yeah, I have --" I
15 don't know what it -- I don't remember the exact number,
16 but I want to say it was like 12 million or 8 million or
17 something like that out in this thing that we're doing
18 with this offer to purchase.
19 And then when I looked at my papers, I'm like,
20 well, hold on here. How is that possible? Because I'm
21 negative now at this point almost a million dollars
22 because of the interest that was going back and forth,
23 back and forth. But I wasn't feeling it. You're not
24 going to feel it. Nobody -- nobody's going to feel it.
25 Common sense would say that there's going to be an

02:12:12-02:12:56 Page 153

1 issue, but nobody would feel it because here's a million
2 in, million out, million in, million out.
3 Q. My question is how many of these actually went
4 all the way through where you became the titled owner
5 because you completed a short sale?
6 A. Just a couple.
7 Q. I mean a couple, three, four?
8 A. Maybe.
9 Q. And how many e-mails since 2015, how many
10 properties did you try this on? Hundreds?
11 A. Maybe thousands.
12 Q. Thousands?
13 A. Maybe.
14 Q. And you realize now, sitting here today, I mean
15 you just say it out loud, that you're going to be in the
16 losing end of that transaction, right?
17 A. I knew that after a few months, correct.
18 Q. And did you keep doing it?
19 A. There was a reason.
20 Q. What was the reason to keep doing it?
21 A. The reason was, was because Denny was
22 putting -- Denny was putting a lot of pressure on me
23 because of the forbearance agreement, and he didn't
24 really care about anything other than that forbearance
25 agreement and getting his 18 percent interest. And so

02:13:11-02:14:14 Page 154

1 when I realized that we were upside down at that point
2 by a couple million dollars, I didn't want to go to him
3 and say, "Hey, Denny, guess what, we're now -- you know,
4 add to the forbearance agreement now a couple million
5 dollars."
6 And so what I did is, the money that he would
7 send me and then I would send him back, some money I
8 would send him towards the forbearance agreement to get
9 that lowered. He was happy and calm, even though really
10 it was the same money. But he would stop -- I couldn't
11 live this way. He just -- he would stop constantly
12 calling me and talking about it. I couldn't -- I
13 can't -- I couldn't talk about it anymore.
14 Q. So the money that you were obtaining from
15 DenSco under the pretense of using it to do offers to
16 purchase property in a short sale, some of it you were
17 using to send back to DenSco to lower your forbearance
18 agreement balance?
19 A. Correct.
20 Q. Okay.
21 A. Which is -- which we did have a lunch at some
22 point in 2015, and he asked me, like very specifically,
23 he said, "Okay, tell me the truth. How much money are
24 you actually making in this thing and how much money are
25 you just funneling back?"

02:14:24-02:15:21 Page 155

1 And I said, "Do you really want to know the
2 answer to that?"
3 And he said, "No. Just get the damn
4 forbearance agreement done, because I need to be done
5 with it."
6 And I said, "Okay."
7 He said, "Before it comes out."
8 Q. Okay. So you're saying -- when was that lunch?
9 A. That was at -- I want to say it was right
10 before Christmas of 2015.
11 Q. So you're saying, essentially, that at
12 Christmas of 2015, after you've just been doing this for
13 the year of 2015, that it's a known -- it's known
14 between the two of you that this is an unsustainable
15 business model?
16 A. It's not a good business model, yes.
17 Q. Okay. And so you are --
18 A. But I had different thoughts on it.
19 Q. Okay.
20 A. I had -- I definitely had different thoughts on
21 it.
22 Q. Well, what were your thoughts?
23 A. My thoughts were, which is exactly pretty much
24 what I did, my thoughts were, okay, I don't really care
25 what we're doing here. I guess I more care about how do

02:15:30-02:16:27 Page 156

1 I get this balance done and over with and get this mess
2 behind me.
3 Q. When you mean the balance, you mean the
4 forbearance balance?
5 A. The forbearance balance.
6 Q. The one that's clicking up at \$6,000 a day
7 interest?
8 A. Correct.
9 And the thought process was, well, I'm going to
10 throw some money into the furniture companies. I'm
11 going to build that up so more profits would come from
12 it, and then I would turn around and pay it to Denny.
13 Q. But DenSco didn't know that, right?
14 A. No.
15 Q. You didn't tell DenSco that you were going to
16 use the money from the offers of purchase to fund your
17 other unrelated businesses?
18 A. No. The only thing that he knew that I was
19 using the money on was Auto King. He was with me on
20 Auto King from day one.
21 Q. He was with you, meaning he financed it?
22 A. He went down to the auction with me. He did
23 lend me, I think it was like 400 or \$600,000 at the
24 time, knowing, you know, that I was going to be
25 purchasing vehicles and stuff. And so he did all this

02:16:43-02:17:26 Page 157

1 research on collision centers and mechanic shops, and he
2 determined that that was, you know, the best way to do
3 it.
4 So, you know, he came down to the dealership
5 quite often and, you know, would say, "Okay, well, this
6 is where the --" because ultimately, you know, his goal
7 and, well, my goal too, was, okay, any profits that's
8 going to come from Auto King will also go back to
9 DenSco.
10 Q. But that business wasn't profitable either, was
11 it?
12 A. Nothing worked here. I tried everything. I
13 got to the point of even going to play blackjack to make
14 this work. It doesn't work. The numbers are too high.
15 It's six or \$7,000 a day. There's no possible way that
16 this works.
17 Q. The offer to purchase business model, I guess
18 we'll call it, ends up in new documents being used by
19 DenSco; is that right?
20 A. That's correct.
21 (Deposition Exhibit 6 was marked for
22 identification.)
23 BY MR. ANDERSON:
24 Q. I'm showing you what's been marked as
25 Exhibit 6, another document you gave to us, actually.

02:17:39-02:18:41 Page 158

1 A. Yes.
2 Q. What is this?
3 A. Okay. So there are three sets of documents
4 here. You have the mortgage, which we will call it a
5 mortgage. On Page 2 we have the note, the promissory
6 note. And then Page 3 through the end is the deed of
7 trust that typically would be recorded.
8 And from the beginning of the relationship or
9 from my belief from every lender -- I mean from every
10 borrower, he always had these three sets of documents.
11 And so the first thing that he would record is the
12 mortgage, which would cloud title prior to getting a
13 deed. And then once the deed came in, he would go ahead
14 and record the deed of trust. The note never gets
15 recorded.
16 Q. Okay. And this document is different than his
17 other mortgages, right?
18 A. That's correct.
19 Q. Because it does reference in there it's an
20 offer to purchase; is that right?
21 A. Yes. It changed approximately a year ago
22 because of the problems that he was having.
23 Q. And the problems he was having was that some of
24 his earlier recordings were being recorded against
25 properties where the offer to purchase was never

02:18:48-02:19:44 Page 159

1 accepted, right?
2 A. Correct.
3 Q. And so they were clouding title?
4 A. Correct.
5 Q. And Denny was basically getting called by title
6 companies saying why are you clouding title on a
7 property that nobody owns?
8 A. Exactly. And then Denny would explain, "Well,
9 it was an offer to purchase." And then many title
10 companies would tell him, "Well, this is not the way to
11 do it because it's kind of screwing up our escrow. You
12 need to release it."
13 And so he willingly and very quickly released
14 them. And then, you know, we did have a conversation
15 about how he told me, "You know what, to solve this
16 issue, I'm going to change my documents to reflect what
17 we're doing."
18 Q. Okay. We've talked about this sort of business
19 practices of DenSco, and you said before the break that
20 the business practices of DenSco pre-forbearance
21 agreement and post forbearance agreement did not change?
22 A. Correct.
23 Q. Now, did Mr. Beauchamp direct DenSco to do
24 anything differently after it was uncovered how you had
25 been able to get two loans on a property because of

02:20:01-02:21:18 Page 160

1 DenSco's lending practices?
2 A. No. What Denny told me -- I only know what
3 Denny told me, because I didn't have any more meetings
4 with Beauchamp. But what Denny told me is that he had
5 lunch with Beauchamp just at the end of 2015, and at
6 that time he did explain to Beauchamp about the offers
7 to purchase and all that stuff and how we're doing
8 things now, and Denny was surprised and he said to me,
9 "Hey, he basically gave the blessing to everything."
10 Q. Okay. So despite the issues that were in the
11 first round, there were no changes?
12 A. No.
13 Q. Okay.
14 (Deposition Exhibit 7 was marked for
15 identification.)
16 BY MR. ANDERSON:
17 Q. I show you what's been marked as Exhibit 7.
18 Page 1 of Exhibit 7 is an e-mail at the very bottom from
19 you to dcmoney@yahoo.com and veronicacastro@live.com.
20 Who are those people?
21 A. Veronica Castro works in my office. She's a
22 notary.
23 Q. And dcmoney is Denny Chittick, correct?
24 A. That's correct.
25 Q. And this is an e-mail of April 30th, 2014,

02:21:25-02:22:24 Page 161

1 correct?
2 A. Correct.
3 Q. Okay, so this is just after the forbearance
4 agreement has been entered into it.
5 What are you communicating in this e-mail?
6 A. It looks like I'm communicating the property
7 address and how much I paid for it.
8 Q. Okay. And then the e-mail at the top back to
9 you, from Denny Chittick to you the same day, later that
10 night, says "Attached" and has the address of 11627 West
11 Holly. Do you see that?
12 A. And that would have been his documents.
13 Q. Okay. That's his documents, because you can
14 see the attachments are "DOT Easy Investments; Note Easy
15 Investment; RM Easy Investments," right?
16 A. Correct.
17 Q. Turn to the second page.
18 This is a document you've probably never seen.
19 This is an internal accounting QuickBooks for DenSco
20 that Denny made, and it shows that on this day, May 1,
21 that \$386,500 are wired to you. Do you see that?
22 A. Yes.
23 Q. Okay. The next page is a bank statement from
24 DenSco where it shows the money leaving our account.
25 A. Okay.

02:22:36-02:23:30 Page 162

1 Q. Okay. The same day, 5-1.
2 The next document is a notice of trustee's sale
3 evidencing that this property's going to be sold at
4 auction on 3-18-14.
5 A. Okay.
6 Q. The next document in the stack is the mortgage,
7 the mortgage that you've signed.
8 A. Uh-huh.
9 Q. Who's the one who is notarizing it here?
10 A. Veronica Castro.
11 Q. Is she notarizing most, if not all, of your
12 mortgages, deeds of trust and notes?
13 A. Yeah, and as well as other borrowers of
14 Denny's.
15 Q. Okay. So this note and mortgage is what is
16 used and recorded by DenSco to cloud title, right?
17 A. Correct.
18 Q. And so is this your signature here?
19 A. Yes.
20 Q. The next page is another document which says
21 "Mortgage" and has a number on it. Have you ever seen
22 this before?
23 A. No, I never seen this before.
24 Q. Okay. The page after that is a Note Secured By
25 Deed of Trust. Do you see that?

02:24:22-02:25:07 Page 164

1 Q. Okay. And then what's the next document?
2 A. A receipt from the trustee.
3 Q. Okay. And how did you -- who took this
4 picture?
5 A. I believe Veronica.
6 Q. Okay. And what's this document that we've got
7 a picture of?
8 A. Showing that it was paid for.
9 Q. Showing the property that is on Holly, West
10 Holly, was purchased by Arizona Home Foreclosures; is
11 that right?
12 A. Yes.
13 Q. Okay. Who is the signature here as your agent?
14 Who is this Lou --
15 A. Lou Amoroso? He was a bidder of mine.
16 Q. Okay. So he's somebody who works for you?
17 A. Used to.
18 Q. Okay. And you're providing this copy of this
19 check and this picture and this receipt to Mr. Chittick;
20 is that right?
21 A. It was provided to him, yes.
22 Q. It was e-mailed to him?
23 A. I believe that's how Veronica sent them,
24 e-mails.
25 Q. Why are you sending him a copy of the check and

02:23:36-02:24:15 Page 163

1 A. Yes.
2 Q. Dated May 1st, '14?
3 A. I do.
4 Q. Did you sign this?
5 A. Yes.
6 Q. And the next is a Deed of Trust and Assignment
7 of Rents, also on the second page signed by you as well?
8 A. Yes.
9 Q. Okay. The next page is a picture. Do you see
10 that?
11 A. Yes.
12 Q. What is that a picture of?
13 A. A check that I -- that he wired to me, so a
14 check that I made.
15 Q. Okay, so this is a picture -- who is taking
16 this picture?
17 A. Me.
18 Q. Okay, so this is you taking a picture of a
19 check?
20 A. Yeah, and e-mailing it to him.
21 Q. A check out of your Arizona Home Foreclosures
22 account, right?
23 A. Correct.
24 Q. For the amount of 118,610, right?
25 A. Correct.

02:25:33-02:26:23 Page 165

1 the receipt?
2 A. I was sending him copies of the checks -- I was
3 sending him copies of the checks because I'm pretty sure
4 he requested it.
5 Q. Okay. So he requested --
6 A. Oh, that's what Beauchamp told him. That's
7 right. Beauchamp told him that if you were going to
8 continue to wire the borrower, to get a copy of the
9 check, or something like that.
10 Q. Okay. The last page is a cancellation of the
11 trustee's sale --
12 A. Okay.
13 Q. -- on January of 2016.
14 A. Okay.
15 Q. I checked the title on this property. You've
16 never owned it.
17 A. Okay.
18 Q. So how do you explain that you have a receipt
19 from the trustee, purportedly buying it at auction, when
20 you never bought it?
21 A. There are some times that trustee's sales don't
22 go through. I'm going to say probably 25 percent of the
23 time that they don't go through, where you can actually
24 pay for a property and then get the funds back from the
25 trustee, for a number of reasons.

02:26:40-02:27:25 Page 166

1 Q. And what are those reasons?
2 A. Could be a homeowner filed BK right before the
3 sale, and so that would continue the sale. It could be
4 that -- it could be that it was a bad sale, meaning the
5 loan was paid off and the trustee never knew about it.
6 It could be that the trustee had direction from the bank
7 to go to sale and then the bank turns around and says,
8 "Oh, no, we screwed up. This shouldn't have went to
9 sale." There's a lot of different reasons.
10 Q. So that happened 25 percent of the time?
11 A. It's very common.
12 Q. Okay. How often did it happen to you?
13 A. I can't guess how many instances it happened to
14 me.
15 Q. Okay. Well, on this property, is that what
16 must have happened, based on the documents in front of
17 you?
18 A. I couldn't tell you unless I looked. I would
19 have to look back and figure it out.
20 Q. Well, I mean, I certainly can subpoena the
21 folks at the trustee company to see what happened.
22 A. Perfect.
23 Q. I will tell you that the document attached to
24 it shows that the trustee's sale was canceled, that it
25 never actually happened.

02:27:34-02:28:16 Page 167

1 A. Okay.
2 Q. So does that give you any indication of what
3 could have happened?
4 A. No, because it would be canceled anyway.
5 Q. What do you mean, it would cancel anyway?
6 A. Well, if it was a bad sale, then it would
7 cancel regardless.
8 Q. Okay. Well, the cancellation, if you look at
9 it, it's dated almost two years later.
10 A. Two years later?
11 Q. Uh-huh.
12 A. Oh, well, that would make sense.
13 Q. That would or would not?
14 A. That would make sense.
15 Q. Okay. And why?
16 A. Because if a sale is bad, if there's a bad
17 sale, then what would happen is they would postpone
18 the sale. So they could postpone it 30 days, 60 days,
19 90 days, and they typically keep postponing it until
20 something gets resolved with it. There are some --
21 like if you look up in County records, there are
22 some foreclosures that have been postponed for eight
23 years.
24 Q. Sure. But what happens to the money that
25 you've given to the trustee?

02:28:29-02:29:28 Page 168

1 A. It gets returned.
2 Q. Okay. So you would have evidence of these
3 funds going back to you from this trustee, right?
4 A. Or your original check is returned, which is
5 more --
6 Q. Well, you've given this check, per this
7 receipt, to this trustee?
8 A. But if they return the funds to you, they hand
9 you back your check. They don't cut you a check. You
10 get back your original check.
11 Q. Okay. So if we look at this sale, we're either
12 going to see a -- that you got this specific check
13 handed back to you at some point?
14 A. Yes, and redeposited into the account.
15 Q. Okay. Or they've issued you a new check?
16 A. Correct, and then that money would have went
17 back to DenSco.
18 Q. Okay. But looking at this today, you don't
19 have any --
20 A. No.
21 Q. But looking at the document pattern, you think
22 it was a canceled sale?
23 A. Yes.
24 (Deposition Exhibit 8 was marked for
25 identification.)

02:29:37-02:30:23 Page 169

1 BY MR. ANDERSON:
2 Q. I'll show you what's been marked as Exhibit
3 No. 8.
4 Why don't we take all this out of the way,
5 because she's got to collect this.
6 A. This chair, I'm stuck over here.
7 MR. JESS: Do you want a different chair,
8 Scott?
9 THE WITNESS: No, let me just put myself
10 here, because I'm stuck like this, like I'm sleeping all
11 the time.
12 BY MR. ANDERSON:
13 Q. Did the Veronica Castro person work for you?
14 A. Yes.
15 Q. Okay. I'm showing you documents again that
16 look very similar to the one you sent before. You sent
17 an e-mail to Mr. Chittick on May 6th of 2014. It's on
18 the first page of Exhibit No. 8.
19 A. Okay.
20 Q. Are you communicating the interest to buy this
21 property on that day, or that you've already bid on this
22 property; is that right?
23 A. I believe so, unless we were doing offers to
24 purchase at that time.
25 Q. Okay. And then you get documents back, right?

<p>02:30:29-02:31:14 Page 170</p> <p>1 A. Correct. 2 Q. Well, you know you're not doing offers to 3 purchase if the mortgage is not -- aren't changed, 4 right? 5 A. No, that's not correct. 6 Q. Okay. So he was doing the different mortgages 7 for a while? 8 A. Oh, yeah. That's why the whole thing started, 9 because the title companies would contact him. 10 Q. Okay. You see there's a notice of trustee's 11 sale, the next page? 12 A. Yeah. 13 Q. All right. You see on the same day of your 14 e-mail -- well, sorry, the next day, 5-7, he wires to 15 you \$1,008,700, which includes \$278,300 for this 16 property? 17 A. Right. 18 Q. That amount, 1,008,700, comes out of the bank 19 account on that day, the next page, and then you sign 20 the mortgage? 21 A. Yeah. 22 Q. And you sign the deed of trust and the note, 23 right? 24 A. Right. 25 Q. Is that right?</p>	<p>02:32:24-02:32:58 Page 172</p> <p>1 Q. So somehow the receipt makes its way to DenSco. 2 How did that happen? 3 A. Well, I guess you would have to look at how you 4 received it. I mean -- 5 Q. Well, I'm asking you, because -- 6 A. Well, I didn't send it. 7 Q. Okay. And you also testified you've never seen 8 it before? 9 A. Correct. 10 Q. Okay. So this is the first time you're seeing 11 these receipts? 12 A. Yes. 13 Q. Okay. You didn't know they existed? 14 A. I didn't see -- I haven't seen it. 15 Q. Well, did you know that DenSco was sent 16 pictures and copies of receipts from these purchases? 17 Did you know that? 18 A. I knew that I was sending the checks, the 19 copies of the checks. 20 Q. I didn't ask that question. I asked did you 21 know about the receipts? 22 A. No. 23 Q. You didn't know the receipts were being sent? 24 A. No. 25 Q. You didn't know that DenSco had copies of</p>
<p>02:31:21-02:32:11 Page 171</p> <p>1 A. Yes. 2 Q. And then you send to Mr. Chittick again a 3 picture of a check? 4 A. Yeah. 5 Q. For the amount 268,300? 6 A. Correct. 7 Q. And then you also send him a picture of a 8 receipt; is that right? 9 A. Veronica must have sent it to him. 10 Q. Okay. 11 A. I never saw the receipts. 12 Q. You never saw the receipts? 13 A. No. 14 Q. How would Veronica send it to him? 15 A. She would get it from the bidder. 16 Q. Okay. And he would take a picture of it for 17 her and send it to her? 18 A. He would take a picture, send it to her. 19 Q. So Lou Amoroso took this picture and then sent 20 that picture to Veronica? 21 A. I think you're asking me to assume something, 22 and I'm not really positive. I can check with Veronica. 23 I'm not really positive. 24 Q. You said you didn't see the receipts? 25 A. Correct.</p>	<p>02:33:05-02:34:12 Page 173</p> <p>1 receipts? 2 A. No. 3 Q. Okay. You're sure? 4 A. Yes. 5 I remember in the beginning of -- after the 6 forbearance agreement and I remember him asking for the 7 checks -- I remember him asking for the checks. Did I 8 send him -- I don't recall sending him receipts. I 9 don't believe that I sent him receipts. 10 Q. Okay. 11 A. Maybe -- I mean, you are talking two and a half 12 years ago. So have I sent him some receipts? Maybe. I 13 really don't remember. 14 Q. Okay. Again, this trustee's sale is actually 15 canceled, the last page of the document. It's canceled 16 in June of -- June 7th of 2014, about a month after you 17 purportedly buy the property at auction. 18 A. Okay. 19 Q. What's your explanation for this one? You 20 think it's another canceled sale? 21 A. It could be, or it could have been -- it could 22 have been one of the offers to purchase. It could 23 have -- I have no idea. 24 Q. Well, how could it be an offer to purchase? 25 Because you've got a receipt from a trustee.</p>

02:34:20-02:35:09 Page 174

1 A. Oh, right. That's true.
2 Q. So it can't be an offer to purchase.
3 A. No, it can't be an offer to purchase.
4 Q. You're buying this at an auction, right?
5 A. Yes.
6 Q. So if you never ever get a trustee's deed
7 showing that you had title to this property --
8 A. Uh-huh.
9 Q. -- it must be one of those, what, canceled
10 sales you were talking about, or someone must have filed
11 bankruptcy?
12 A. I would assume so.
13 Q. Okay. Because you have no reason to doubt the
14 validity of that receipt, right?
15 A. No. It's a receipt.
16 Q. Right. So it's legit; it's not forged, right?
17 A. It looks like a receipt. I mean I --
18 Q. Well, but there's no reason to believe it's not
19 real, right?
20 A. There's no reason for me to believe it's not
21 real, no.
22 (Deposition Exhibit 9 was marked for
23 identification.)
24 BY MR. ANDERSON:
25 Q. Show you what's been marked Exhibit No. 9.

02:36:37-02:37:39 Page 176

1 an accounting report showing that on that day of
2 May 6th, 1.5 million and change was e-mailed -- is
3 wire-transferred to you. There's actually a wire right
4 there in the bank statements from FirstBank on the 5th
5 of May in that exact amount.
6 A. Okay.
7 Q. There is a mortgage that is on the next page.
8 This is actually a mortgage where it talks about a
9 purpose of making an offer mortgage. This is one of
10 those mortgages that you referenced was used --
11 A. The one for the purchase.
12 Q. -- for the short sales. But it says here on
13 this mortgage -- and you can look at it. It's on
14 page seven.
15 A. Okay.
16 Q. If you read the language of the mortgage, it
17 says that DenSco Investment Corporation is lending
18 \$271,700 for the purpose of making an offer for, and
19 there's a bunch of blanks, and it says "See Exhibit A,"
20 which is the property that is purportedly being sold at
21 a trustee's sale on April 20th. Do you see that?
22 A. I do.
23 Q. And that document -- this mortgage is recorded
24 by DenSco after you sign it.
25 A. Okay.

02:35:36-02:36:18 Page 175

1 Page 1, again, is an e-mail from May 5th of 2015 from
2 you to Veronica Gutierrez, who -- is that the same as
3 Veronica Castro?
4 A. Yes.
5 Q. And to Denny Chittick?
6 A. Uh-huh.
7 Q. And you're asking -- well, you're providing
8 addresses of a series of properties, and this time
9 you're giving recording numbers. Do you see that?
10 A. Yes.
11 Q. What do those recording numbers relate to?
12 A. Those are recorded -- those are related to the
13 offers to -- those are related -- well, it could be
14 related to anything. It could be related to either the
15 notice of trustee's sale or it could have been related
16 to the offers to purchase.
17 Q. Okay, well, it is related to the notice of
18 trustee's sale. In fact, identically, it's the
19 recording number of the notice of trustee's sale --
20 A. Okay.
21 Q. -- that's recorded against this property on
22 January 9th, 2015.
23 A. Okay.
24 Q. And the sale was to occur on 4-20-2015.
25 Take a look at the document from DenSco. It's

02:37:50-02:38:30 Page 177

1 Q. It looks like you also sign on the same day as
2 the note and deed of trust?
3 A. Yeah.
4 Q. You also provide to DenSco a copy of the check?
5 A. Okay.
6 Q. Is this you taking a picture again?
7 A. Yes.
8 Q. Okay. And it's got the name, pay to, Quality
9 Loan Servicing?
10 A. Okay.
11 Q. And it says, "Order Of: DenSco Payment," where
12 the address is 7263 East Manzanita?
13 A. Uh-huh.
14 Q. And the amount is 261,713?
15 A. Okay.
16 Q. The next page is a picture of a receipt for
17 that exact amount, 261,713?
18 A. Okay.
19 Q. Signed by your agent, Lou Amoroso. Do you see
20 that?
21 A. Yes.
22 Q. So this would indicate that you bought this
23 property at auction, right?
24 A. Well, yeah, the receipt would.
25 Q. Okay.

<p>02:38:39-02:39:45 Page 178</p> <p>1 A. But -- 2 Q. The trustee's sale was canceled -- 3 A. Well, the thing is -- 4 Q. -- before you're even -- 5 Hold on. Let me finish. 6 The trustee's sale was canceled before you even 7 e-mailed Mr. Chittick for the loan. It was canceled on 8 March 12th of 2015. So two months later is when you're 9 purporting to be purchasing at auction. 10 A. See, that's what I'm thinking. This is an 11 offer to purchase, and I don't know how there's a 12 receipt for it. 13 Q. Well, I don't know how there is either, so 14 that's why I'm asking you. 15 A. I couldn't answer you that question. I know 16 how we got the checks. 17 Q. Do you have any reason to believe that this 18 receipt is forged, is made up, in order to convince 19 Denny that you're actually buying this property at 20 auction? 21 A. I would have no reason to believe that. 22 Q. Okay. Whose signature is this on the receipt? 23 Do you recognize it? 24 A. On the bottom? 25 Q. Yeah.</p>	<p>02:40:47-02:41:53 Page 180</p> <p>1 offer of purchase to a trustee? 2 A. No. What Denny wanted was copies of -- what 3 Denny wanted was copies of checks on the transactions, 4 so he had it for his file. And so that's what I 5 provided him. 6 Q. So how do you explain the receipt? 7 A. I can't. 8 Q. So when we go to Priority Posting and 9 Publishing, this entity that apparently was serving as 10 the trustee, are they going to have their copy of this 11 receipt? 12 A. I don't know what they will have. 13 Q. Are you sure you don't know what they're going 14 to have? 15 A. I do not know what they're going to have. 16 (Deposition Exhibit 10 was marked for 17 identification.) 18 BY MR. ANDERSON: 19 Q. I'm going to show you what's marked as Exhibit 20 No. 10. The first page of Exhibit 10 is another e-mail, 21 this one from June of 2015, and this has a series of 22 properties on it. Do you see that? 23 A. I do. 24 Q. It also has recording numbers, "REC" after it, 25 or before it. Do you see that?</p>
<p>02:39:53-02:40:35 Page 179</p> <p>1 A. It said Lou Amoroso. 2 Q. Is that his signature? 3 A. I don't really know what his signature looks 4 like. 5 Q. Okay. Do you know what the signature is right 6 next to him? 7 A. No, I have no idea. 8 Q. Okay. So you don't have an explanation for 9 this one, do you? 10 A. I don't. 11 Q. So it certainly looks like, from the documents 12 that were provided to DenSco, that you are funding a 13 purchase of a property that you purchased at a 14 foreclosure sale, right? 15 MR. JESS: Objection, form. 16 THE WITNESS: Well, other than the notice 17 saying that it's an offer to purchase for these 18 documents, then yes. 19 BY MR. ANDERSON: 20 Q. Which if you're going to make an offer to 21 purchase, you've told us before it's going to be an 22 offer to purchase to a homeowner; it's not going to be 23 with a check and a copy of a receipt from a trustee? 24 A. No, that's not correct. 25 Q. Oh, okay. So now there's a way to make an</p>	<p>02:42:04-02:42:45 Page 181</p> <p>1 I know, Scott, you want to skip ahead to the 2 other pages, but let's go threw it methodically, okay? 3 A. Yeah, I'm looking. 4 Q. Okay. So you made an e-mail to DenSco asking 5 for a loan of \$272,800 on a property at 18911 East 6 Canary; is that right? 7 A. Correct. 8 Q. And you reference a recording number; is that 9 right? 10 A. Yeah. At this point these are offers to 11 purchase. 12 Q. Okay. But you reference a recording number; is 13 that right? 14 A. Yes. 15 Q. With a date of 3-26? 16 A. Correct. 17 Q. The next page is showing the money that was 18 allotted for the various loan requests on that day, 19 6-26, and the total amount is 1,593,000. Do you see 20 that? 21 A. Correct. 22 Q. And then we see on the next page a copy of 23 DenSco's bank statement showing that he's 24 wire-transferred out to you \$1,593,000. Do you see 25 that?</p>

02:42:53-02:43:32 Page 182

1 A. Correct.
2 Q. And you got those funds, right?
3 A. Well, yeah.
4 Q. Okay. The next page is the notice of trustee's
5 sale, which is actually the exact notice of trustee's
6 sale with the recording number that you've referenced in
7 your e-mail to Mr. Chittick.
8 A. Okay.
9 Q. The next page is actually a cancellation of
10 that trustee's sale.
11 A. Okay.
12 Q. That cancellation was word recorded on
13 April 2nd, 2015.
14 A. Okay.
15 Q. But you are e-mailing DenSco months later, in
16 June, purporting that you had purchased this property at
17 an auction. Isn't that what your e-mail referenced?
18 A. No.
19 Q. Okay. Well, you sign all the documents. You
20 sign the mortgage and the deed of trust; is that right?
21 A. Yes.
22 Q. You take a picture of a check --
23 A. Yeah.
24 Q. -- the second to last page?
25 A. Yeah.

02:43:40-02:44:25 Page 183

1 Q. You send that to DenSco, right?
2 A. Yes.
3 Q. And the check is a payment order to David W.
4 Cowles, trustee. Do you see that on the check?
5 A. I do.
6 Q. Okay. So you are indicating that this check is
7 going to be made payable to the trustee; is that right?
8 A. Yes.
9 Q. Despite the fact that the sale has been
10 canceled, isn't going to happen?
11 A. Correct.
12 Q. And the next page is a receipt. This receipt
13 indicates that you have delivered to that trustee this
14 check?
15 A. Correct.
16 Q. And you purchased the property. It says "Paid
17 in full." Do you see that?
18 A. Yes, the same as the other few transactions.
19 Q. Okay. Well, there's some slight differences, I
20 think.
21 A. Okay.
22 Q. But, for example, the receipt that you have on
23 this document --
24 A. Uh-huh.
25 Q. -- it for some reason has an identification of

02:44:37-02:45:33 Page 184

1 a \$10,000 check from U.S. Bank. Was that your check
2 that you gave him on that day?
3 A. Yes.
4 Q. Okay. And then the second check is the one
5 from Chase, and then it identifies here that if you have
6 any questions, go to www.auction.com. Do you know what
7 that is?
8 A. A trustee.
9 Q. Okay. So you're providing this receipt to
10 DenSco because you have purchased this property at
11 auction, right?
12 A. I did not provide this receipt, is what I told
13 you.
14 Q. Okay, well, who provided this receipt to
15 DenSco? How did DenSco get it?
16 A. I have no idea.
17 Q. Okay. You don't know any -- you have no idea
18 how DenSco got a receipt? Right, you have no idea?
19 A. I did not send him this receipt.
20 Q. Okay. Do you have any idea how Mr. Luigi
21 Amoroso's driver's license number and date of birth gets
22 on this receipt?
23 A. No.
24 Q. Okay. Do you believe that's his signature, or
25 do you know?

02:45:42-02:46:43 Page 185

1 A. No idea.
2 Q. So when we go to David over at Tiffany & Bosco
3 and ask him about this trustee's sale, he assumed -- he
4 should have a copy of this receipt, right?
5 A. I have -- I would assume so.
6 Q. Okay, but you never get -- take title to the
7 property. You never own the property.
8 A. Okay.
9 Q. So you're spending -- you have a receipt, a
10 check showing that you're paying for it, but you never
11 actually ever own it. So what happened?
12 You don't know, do you?
13 A. No. Like I said, I provided copies of the
14 checks to DenSco.
15 One of the lies that I told DenSco was that the
16 money was secure and being held by trustees. I did tell
17 him that. He believed that or was aware of it or
18 thought of it, or I don't know what he believed, but...
19 Q. Well, you said one of the lies you told was the
20 money was being held by trustee. What do you mean?
21 A. Right, and that money was going towards the
22 workout.
23 Q. What do you mean? You told him that there was
24 money, DenSco money, being held by a third party?
25 A. Well, he would wire the money to my account for

02:46:56-02:47:56 Page 186

1 proof of funds, and so what I told him is, "Don't worry.
2 The money is secure. It's sitting in these trustee
3 offices. They're just sitting there, and they're just
4 bad sales."
5 And he's like, "Okay. That's fine."
6 Q. Okay. So you knew these were bad sales?
7 A. They weren't bad sales. I mean, what I knew,
8 what I knew was that I needed him to know or feel secure
9 that the money was safe.
10 Q. But the money wasn't at this trustee, was it?
11 A. No, the money was not at this trustee.
12 Q. Right. So despite this -- but you said you
13 don't know -- this money has to be with the trustee.
14 The check is made out to David Cowles. There's a
15 receipt for him getting it.
16 A. No. If you look at my bank statements -- and
17 I've explained this before, maybe not to you; but if you
18 look at my bank statements, if I -- let's just say there
19 was six checks in that day totaling \$1.6 million. I
20 would go to the bank. I would make -- I would get the
21 cashier checks. I would make the copies. I would send
22 him the pictures. And then I would redeposit those
23 checks back into the account.
24 Q. But this receipt says, "Paid in full," Scott.
25 A. I understand that.

02:48:07-02:48:50 Page 187

1 Q. So you're telling me that you know, sitting
2 here today, that this receipt is bogus, right? Because
3 you're telling me that check is back in your account.
4 A. It has to be.
5 Q. So the receipt has to be bogus?
6 A. I don't see how it could -- how it's not. The
7 thing is, I've never seen the receipt, is what I'm
8 saying. So I guess I don't know where the receipt came
9 from.
10 Q. You've never -- you've never -- have you ever
11 had any discussions with DenSco about these receipts?
12 A. No.
13 Q. Okay.
14 A. I've never seen this receipt. Not this
15 specific receipt, but --
16 Q. Well, just receipts in general. You said, "I'm
17 sending you receipts. I'm sending you checks. You know
18 it's secure." Right? I mean that's what's making it
19 secure.
20 A. No, what's making it secure is -- in his mind
21 is that the money is sitting in a trustee's office.
22 Q. Well, explain to me -- explain me this. You
23 said it's a lie. So I mean you have to explain the lie
24 to me. Why would he believe that it's sitting in a
25 trustee account somewhere? Why?

02:49:04-02:50:03 Page 188

1 A. Because that's what I told him.
2 Q. Well, you just say, "It's sitting in a trustee
3 account somewhere; that you should be fine?"
4 A. I told him that -- at some point during the
5 relationship, and I don't remember when that was, and
6 these offers to purchase weren't working out very well
7 and he continued to put pressure on me for the
8 forbearance and I continued to put money into the
9 workout agreement, I told him that this money was -- it
10 was bad sales. There was sales that were bad. That a
11 trustee knew about it and that they were holding the
12 money and not to worry about it, everything is secure.
13 And he was okay with it, and that was the end
14 of that.
15 Q. So you told him that there were a bunch of bad
16 sales and all the trustees were holding all this money
17 in perpetuity? You know, when was it going to be
18 released?
19 A. Well, within 30 days he would get his money
20 back. So some of the money would go to workout. Some
21 of the money would go back to him. I mean --
22 Q. But you told him it was being held by these
23 trustees, right?
24 A. Correct.
25 Q. And when did you tell him those trustees were

02:50:13-02:50:58 Page 189

1 going to release the money?
2 A. Well, I didn't tell him that -- what do you
3 mean, when? This was an every -- this was a continual
4 thing.
5 Q. So how much money did you say was being held by
6 trustees? What's the gross amount? You said it was --
7 A. There was no -- I didn't have a gross amount
8 that I gave him. I mean if he would send me a million
9 dollars every day, it could have been 20 million,
10 25 million. Could have been whatever it was at the
11 time.
12 Q. Well, wait. You communicated to Denny that
13 maybe as much as \$20 million is being held by trustees?
14 A. Yes.
15 Q. And he believed you, first off?
16 A. Yes. I would assume so.
17 Q. Okay. And that was not true?
18 A. Correct.
19 Q. Okay.
20 A. And where the money actually was going was back
21 to the workout or back to the old properties that needed
22 to be paid off.
23 Q. So you're lying to him where the money really
24 is, saying it's with these trustees; but in reality
25 you're just giving it -- you're paying it back to

02:51:06-02:51:37 Page 190

1 DenSco?
2 A. Yes.
3 Q. And why are you lying to him saying it's with
4 these trustees?
5 A. I'm lying to him and telling him that it's with
6 these trustees --
7 Q. But why? Why are you lying to him?
8 A. To make him feel secure and safe.
9 Q. Isn't it true you're lying to him about the
10 money being safe or being with the trustees so that you
11 can continue to borrow?
12 MR. JESS: Objection, form.
13 THE WITNESS: No. I haven't borrowed in
14 almost a year.
15 MR. ANDERSON: Hold on. What's the form
16 objection?
17 THE WITNESS: That calls for a legal
18 conclusion.
19 MR. ANDERSON: No. No, it doesn't.
20 BY MR. ANDERSON:
21 Q. You can answer it then.
22 MR. JESS: Yes. Yes, it did. He can
23 answer it regardless.
24 MR. ANDERSON: I just need you to say
25 that. Okay.

02:52:39-02:53:21 Page 192

1 A. I actually do believe that Denny believes that
2 it was being recycled.
3 Q. Did you ever tell him that?
4 A. No.
5 Q. You actually told him that it's being put to
6 work to do various legitimate business opportunities,
7 right? That's what you told him?
8 A. Are you telling me what I told him or --
9 (Deposition Exhibit 11 was marked for
10 identification.)
11 BY MR. ANDERSON:
12 Q. Look at Exhibit 11. The first page, on
13 July 16, 2015 --
14 MR. JESS: Did you hand me Exhibit 11?
15 MR. ANDERSON: I think I did. If not, I
16 can pull some more out of here.
17 MR. NEMECEK: There was an extra one over
18 here. Maybe you didn't get it.
19 MR. ANDERSON: It's this one.
20 THE WITNESS: Thank you.
21 BY MR. ANDERSON:
22 Q. The first page of this e-mail comes from
23 Ms. Gutierrez to you and to Mr. Chittick. Do you see
24 that?
25 A. Yes.

02:51:48-02:52:32 Page 191

1 THE WITNESS: I forgot the question.
2 MR. ANDERSON: Can you read it back to
3 him?
4 (The record was read by the court
5 reporter as follows:
6 QUESTION: Isn't it true you're lying to
7 him about the money being safe or being with
8 the trustees so that you can continue to
9 borrow?)
10 MR. JESS: Same objection.
11 THE WITNESS: Well, that doesn't make any
12 sense to me, because the money was already deployed with
13 the forbearance agreement. Our balance didn't go up
14 much from that. So that doesn't make any sense. The
15 money was already deployed. Prior to what I've told
16 DenSco, the money was deployed already. This was just a
17 recycling of money. He gives me; I give him. But
18 before any of this -- any of the lies or anything, the
19 money was deployed. It was out. It's in the
20 forbearance agreement.
21 BY MR. ANDERSON:
22 Q. You called it recycling of money.
23 A. Pretty much.
24 Q. Does Denny believe it's being recycled, or does
25 Denny believe it's actually going out for loans?

02:53:34-02:54:12 Page 193

1 Q. This one is a little different, because it's
2 got this arrangement that you talked about earlier in
3 your deposition testimony whereby certain payoffs -- you
4 know, you're requesting a gross amount of 1.3 million,
5 but there are payoffs coming in of 1.3, so there's an
6 offset. Do you see that?
7 A. Yes.
8 Q. This is that -- this is exactly what you were
9 talking about, right?
10 A. Yes.
11 Q. That at times it got to the point where you
12 wouldn't even deliver these big dollars to each other;
13 you just sort of do the offset amount to each other,
14 right?
15 A. Correct.
16 Q. But you're still indicating that you're going
17 to be purchasing these properties; is that right?
18 A. Making an offer to purchase.
19 Q. Making an offer to purchase, if you want to
20 call it that?
21 A. Yes.
22 Q. And you're going to be using the payoff money,
23 rather than new money from DenSco, right?
24 A. Correct. That's why I said recycling the
25 money.

<p>02:54:33-02:55:14 Page 194</p> <p>1 Q. Okay. And then the next page we see the wire 2 come out. You'll see a notice of trustee's sale again. 3 We see another mortgage signed by you and then another 4 check. You see a picture of a check. 5 A. Yeah. 6 Q. Did you take this picture? 7 A. I can't tell you if specifically I took this 8 picture. 9 Q. Well, it's made payable to David Cowles again, 10 trustee, for a property at 1644 South Los Alamos Circle. 11 A. Okay. 12 Q. Do you see that? 13 The next page, another receipt. 14 A. Okay. 15 Q. For the same property, same check amount. But 16 I guess it shouldn't come as any surprise, but the 17 trustee's sale had been canceled two months before you 18 even sent the e-mail to DenSco asking for -- to loan 19 against this property. How do you explain that? 20 A. It was an offer to purchase. I don't -- I 21 can't explain the receipt, but it was an offer to 22 purchase. 23 Q. Why would the check be made out to the trustee 24 if it's an offer to purchase? 25 A. Because that's what I was doing on every</p>	<p>02:56:26-02:57:25 Page 196</p> <p>1 identification.) 2 BY MR. ANDERSON: 3 Q. Let me show you what's marked as Exhibit 12. 4 This one's a little different, so it will be 5 interesting. 6 The first page of Exhibit 12 you've got the 7 standard e-mail from you, or this time it's from 8 Veronica to you and to Denny, with some addresses and 9 then the other offset. Do you see that? 10 A. Yes. 11 Q. And then DenSco's responding to you with the 12 DOTs and the mortgages for the property at 8581 East 13 Krail? 14 A. Yes. 15 Q. The next page is the summary of the money that 16 the Krail property is included on. The next page is a 17 copy of the bank statement that shows the wire going 18 out. 19 A. Yes. 20 Q. Again, this mortgage is different than the 21 offer to purchase mortgage. It doesn't have the offer 22 to -- it says a loan had been obtained for the purpose 23 of making an offer. So I guess I'm wrong. That is 24 another offer to purchase mortgage. And then you've got 25 this e-mail from you to Mr. Menaged. It's -- sorry, to</p>
<p>02:55:20-02:56:01 Page 195</p> <p>1 transaction. 2 Q. No. 3 A. I would make a copy of the check. 4 Q. Didn't you -- okay, you made a copy of the 5 check. That's fine. But you were -- 6 A. And send it to him. 7 Q. -- making an offer of purchase to a homeowner. 8 The check should be made out to a homeowner, not to the 9 trustee. 10 A. Well, no, you don't make the check out to the 11 homeowner. You're going to make it out to the title 12 company. 13 However, like I told you, I told him that the 14 money was sitting at a trustee's to make him feel safe 15 and secure. The bottom line is, is that the money was 16 getting eaten up by interest which was being paid back 17 to him and the workout agreement. 18 Q. Okay. You never take title to this property; 19 is that right? 20 A. I have no idea without checking tax records. 21 Q. Well, I can tell you I did check, and you never 22 take title to the property. Do you have any reason to 23 doubt that? 24 A. That you're a liar? No, of course, not. 25 (Deposition Exhibit 12 was marked for</p>	<p>02:57:43-02:58:31 Page 197</p> <p>1 you. It's an e-mail from -- you, Scott, send this 2 e-mail to Denny -- 3 A. Uh-huh. 4 Q. -- on September 28th, 2015 at 7:15 in the 5 morning. It is forwarding an e-mail that you 6 purportedly obtained from your bank. Do you see that? 7 A. Yeah. 8 Q. Okay. Which indicates that -- it looks like a 9 wire is being sent? 10 A. Right. 11 Q. Okay. Did you at some time change to wires? 12 A. No. But I did tell him that we did. 13 Q. Oh. So you never actually changed to wire 14 transfers? 15 A. No. I told him that we changed to wire 16 transfers, but we didn't. Again, it's the same thing of 17 telling him the money is secure. 18 Q. So the next page is -- it says, "We are Going 19 to Wires! Finally allowed!" That's just not true? 20 A. That's correct. 21 Q. And so you're showing him a fake wire transfer 22 instructions? 23 A. I am showing him something saying that I was 24 going to request it. But when you go into Chase and you 25 go and request the money, you have to go in and approve</p>

<p>02:58:44-02:59:24 Page 198</p> <p>1 it on the back end, and so what -- this is not fake. 2 It's a real document. It's just I never went in and 3 approved it. 4 Q. So you sent this to him under the pretense that 5 a real wire was going to go out for this amount on the 6 Krail property, but when you did it, you never intended 7 to actually wire the money? 8 A. Correct. 9 Q. But you didn't tell that to Mr. DenSco -- or 10 Mr. Chittick. You send it, him thinking that's where it 11 was going, right? 12 MR. JESS: Objection, form. 13 THE WITNESS: He thought the money was 14 secure. 15 BY MR. ANDERSON: 16 Q. Okay. The next page is this EFT instructions 17 for something called Auction.com, LLC. Do you see that? 18 Is this also another fraudulent -- another document 19 you've created? 20 MR. JESS: Objection, form. 21 THE WITNESS: No. That's a real 22 Auction.com wiring instructions. 23 BY MR. ANDERSON: 24 Q. Okay. And is that where you wired the money 25 for the property?</p>	<p>03:00:28-03:01:20 Page 200</p> <p>1 Q. Do you have his phone number? 2 A. I don't with me. 3 Q. Is he the same guy who was on the TV show with 4 you? 5 A. He is. 6 Q. When's the last time you talked to him? 7 A. Six months ago. 8 Q. Did you have a falling out? 9 A. Yes. 10 Q. Over what? 11 A. The death of Denny. 12 Q. Why? 13 A. He was upset. He was upset. He never knew 14 Denny, but he was upset over it. 15 Q. He had a falling out with you because 16 Mr. Chittick committed suicide? 17 A. He had a falling out with me because he said 18 that he read a suicide letter that me and him were -- 19 first I heard that we were running drugs through Mexico. 20 Then I heard that I provided a rope for him to kill 21 himself. We just stopped talking. 22 Q. Have you ever seen that purported note? 23 A. No. 24 Q. And how often did he bid for you at foreclosure 25 auctions?</p>
<p>02:59:30-03:00:20 Page 199</p> <p>1 A. Didn't I just say I didn't wire it? 2 Q. No, you actually said that you -- the wire 3 information isn't real, but -- 4 A. No. 5 Q. So you didn't wire it at all; is that your 6 testimony? 7 MR. JESS: Objection. None of that 8 accurately states Mr. Menaged's testimony. 9 BY MR. ANDERSON: 10 Q. Did you wire the money? 11 A. No, I did not wire the money. 12 MR. JESS: Ryan, I know you're on a roll, 13 but can you slow down just a little bit, please? 14 BY MR. ANDERSON: 15 Q. And then just like the others, this trustee's 16 sale is canceled. Do you see that on the last pages? 17 So there's no purchase of this property; is</p>	<p>03:01:26-03:02:01 Page 201</p> <p>1 A. Occasionally. 2 Q. Did you know he was making these fake receipts 3 to provide to DenSco? 4 MR. JESS: Objection, form. 5 THE WITNESS: No. I don't even know that 6 he was. 7 BY MR. ANDERSON: 8 Q. Do you have any knowledge about who may have 9 created the false receipts? 10 A. No. 11 Q. You don't know who may have done it? 12 A. I don't want to speculate. 13 Q. Well, who could have done it? Who would have 14 the ability to do it? 15 MR. JESS: Objection, form. 16 THE WITNESS: Veronica Castro could have. 17 BY MR. ANDERSON:</p>
<p>18 that right? 19 A. I guess not. 20 Q. Who is Luigi Amoroso? 21 A. A bidder. 22 Q. And he's your former employee? 23 A. Yes. 24 Q. What's his -- where does he live? 25 A. Somewhere in Phoenix.</p>	<p>18 Q. There's only, really, three people that are 19 involved in all of these transactions; isn't that right? 20 A. Yes. 21 Q. It's you? 22 A. Yes. 23 Q. Veronica Gutierrez/Castro and Mr. Amoroso; is 24 that right? 25 A. Correct.</p>

03:02:10-03:02:58 Page 202

1 Q. So if somebody created a fake receipt, it was
2 one of the three?
3 MR. JESS: Objection, asked and answered.
4 THE WITNESS: Or Denny.
5 BY MR. ANDERSON:
6 Q. So you're -- so Denny may have created them?
7 A. How do I know? I told you I had never seen the
8 receipts.
9 Q. At some point, did Denny discover what was
10 going on, these irregularities, and confront you about
11 it?
12 A. No.
13 Q. So sometime in 2014, did you tell Mr. Chittick
14 that you had an arrangement with Auction.com that you
15 would send in offers on properties that were postponed
16 or canceled at trustees' sales and try to get those
17 trustees to agree to a short sale?
18 A. Yes.
19 Q. You told him that?
20 A. Yes.
21 Q. And that was a lie, correct?
22 A. Correct.
23 Q. Did you tell Mr. Chittick at sometime in 2015
24 that your wife had gotten access to your personal
25 business bank accounts and withdrew \$1.7 million from

03:04:17-03:04:56 Page 204

1 A. I believe I did.
2 Q. Was that true?
3 A. There was no Auction.com. It was not true. I
4 was -- what you're asking me, what you're asking me is
5 because -- the reasons why is because the money went
6 back to DenSco, and I couldn't tell him that he already
7 has his money.
8 Q. You met Mr. Chittick one final time on
9 July 25th, 2016; is that right?
10 A. I don't remember the date, but we did meet.
11 Q. Okay. Well, you met in your warehouse,
12 right?
13 A. We did meet.
14 Q. And you met for a long time, right?
15 A. No, not a long time.
16 Q. Not a long time? Okay.
17 And during that meeting, did you tell him that
18 after your bankruptcy was over, you intended to open a
19 bank account overseas and have Auction.com wire
20 \$30 million to that account?
21 A. I did tell him that.
22 Q. Was that true, that you were going to do that?
23 Is that your intention after this deposition, after the
24 bankruptcy?
25 A. How could it happen? The money is not sitting

03:03:07-03:03:58 Page 203

1 the companies and refused to return it?
2 A. I did.
3 Q. Did that actually happen?
4 A. No. But there was no more money to return to
5 him, so that's what I said.
6 Q. So you made up a story to him why you couldn't
7 pay him back?
8 A. Yes.
9 Q. And the story was that your wife had
10 misappropriated the money?
11 A. Correct.
12 Q. Okay. Did you tell Mr. Chittick that a court
13 had actually ordered your wife to put that \$1.7 million
14 into an escrow account?
15 A. I don't recall.
16 Q. Well, did that ever happen?
17 A. No.
18 Q. So you -- at some point, did you tell
19 Mr. Chittick that all of this money that was owed to him
20 and DenSco under the forbearance agreement and the
21 workout was actually being held by Auction.com?
22 A. Yes.
23 Q. In June of 2016, did you meet with Mr. Chittick
24 and tell him that your wife had gone to Auction.com to
25 try to expose your business relationship with them?

03:05:06-03:05:53 Page 205

1 anywhere.
2 Q. So it's not your intention after this
3 bankruptcy to go recover money from Auction.com?
4 A. Auction.com doesn't have any money.
5 Q. Didn't you tell Mr. Chittick that \$31.8 million
6 was sitting in an account at Auction.com, in a trust
7 account, for you?
8 MR. JESS: Objection, form.
9 THE WITNESS: No, I did not say it was in
10 a trust account or anything like that.
11 BY MR. ANDERSON:
12 Q. Did you tell Mr. Chittick at that meeting that
13 you had altered your bank statements, your personal
14 statements and your business statements, before
15 submitting them to the Chapter 7 trustee?
16 A. No.
17 Q. Isn't it true during that meeting with
18 Mr. Chittick, that you specifically told him that you
19 intended to testify that after the forbearance agreement
20 was entered into, you and Mr. Chittick agreed to this
21 offer to purchase arrangement, rather than buying
22 traditionally at auctions?
23 MR. JESS: Objection, form.
24 THE WITNESS: You need to ask that
25 question again for me.

03:06:05-03:06:54 Page 206

1 BY MR. ANDERSON:
2 Q. Did you tell -- did you tell Mr. Chittick at
3 that meeting on the 25th of July that you were going to
4 come and testify about a fictional -- or business
5 arrangement that would explain the irregularities in
6 these loans?
7 MR. JESS: Same objection.
8 THE WITNESS: I was going to explain that
9 we made offers to purchase.
10 I don't understand. Sorry.
11 BY MR. ANDERSON:
12 Q. Did you tell him, tell Mr. Chittick, at that
13 meeting on July 25th that you would deny the existence
14 of Auction.com if you were ever asked under oath?
15 A. Yes.
16 Q. Did you tell Mr. Chittick that if anyone found
17 out about your arrangement with Auction.com, you would
18 be put in a jail cell?
19 A. Who is -- "you" who?
20 Q. You. Did you tell that to Mr. Chittick?
21 A. That I would be put in a jail cell?
22 Q. Yes.
23 A. No.
24 Q. You didn't say that?
25 A. I don't recall saying that.

03:07:08-03:08:05 Page 207

1 Q. Did you tell Mr. Chittick during this
2 conversation on July 25th that the receipts that we've
3 looked at today, some of them, could never be provided
4 by Mr. Chittick to the trustee in bankruptcy or anyone
5 else?
6 A. No, I don't recall talking to him about any of
7 this.
8 Q. Okay. So the answer to that question is, no,
9 you never told him that he, Mr. Chittick, cannot produce
10 or release those receipts to anyone?
11 A. No. I've never had -- I don't remember -- I
12 don't recall having this conversation.
13 Q. You recall having a conversation with
14 Mr. Chittick, but just don't recall --
15 A. A conversation, outside my warehouse,
16 20 minutes at best, and that was the end of it.
17 Q. Okay, so -- and it was outside your warehouse?
18 A. It was outside and then we went inside my
19 warehouse, and I went inside to smoke. We sat down for
20 a little bit. We sat down for a little bit.
21 Hold on.
22 Q. It's okay. What did you talk about?
23 A. Well, let me think about this.
24 We went inside. We went outside. He told me
25 that he was stressed out. He was scared. I tried to

03:08:35-03:09:04 Page 208

1 reassure him to the best that I could. I told him I had
2 a meeting with my attorney, which was true, that day.
3 I'm trying to think back from a year and a half
4 ago.
5 Q. No, this is a meeting on July 25th.
6 A. No, no, no, no, no. I'm trying to think back
7 to a year and a half ago if --
8 Q. It's okay, Scott. I don't even -- it doesn't
9 matter. I'll just keep going.
10 MR. JESS: Can we take a break here?
11 MR. ANDERSON: No. I'm almost done, Cody.
12 MR. JESS: We've been going for an hour --
13 THE WITNESS: Yeah, I need to use the
14 restroom.
15 MR. JESS: -- almost an hour and
16 45 minutes.
17 MR. ANDERSON: Yeah, but I'm almost done.
18 I've got about 10 minutes left. Why stop? I don't want
19 to stop.
20 MR. JESS: Because I need to use the
21 restroom, Ryan.
22 BY MR. ANDERSON:
23 Q. Isn't it true that you didn't -- you told
24 Mr. Chittick that you didn't want those receipts
25 produced because not only were they fraudulent, but you

03:09:15-03:23:10 Page 209

1 couldn't explain them away? Isn't that true?
2 A. I don't recall.
3 Q. You don't have a recollection of that?
4 A. I don't have a recollection.
5 MR. ANDERSON: Okay, we can take a break
6 here. We'll come back.
7 MR. JESS: Thank you.
8 MR. ANDERSON: Go off the record at 3:09.
9 (A recess was taken.)
10 MR. ANDERSON: Okay, we'll go back on the
11 record at 3:22.
12 BY MR. ANDERSON:
13 Q. Mr. Menaged, do you realize you're still under
14 oath?
15 A. I do.
16 Q. Okay. In your conversation with Mr. Chittick
17 on July 25th, 2016, you still were lying to him about
18 your cousin, who purportedly double-encumbered the
19 properties back in 2012, 2013; is that right?
20 A. I don't recall.
21 Q. Do you know -- well, do you think he ever knew
22 the truth about the cousin not being real?
23 A. I don't know.
24 Q. You didn't have a conversation with him wherein
25 you told Mr. Chittick that the cousin had spent the

03:23:30-03:24:15 Page 210

1 money in Vegas, had then absconded to Israel, and you
2 couldn't find him?
3 A. I don't recall.
4 Q. Isn't it true you told Mr. Chittick that you
5 had destroyed Veronica's computer so that no documents
6 or records could be obtained from it?
7 A. I don't recall.
8 Q. Did you destroy her computer?
9 A. No.
10 Q. Where is her computer located?
11 A. I would assume in her house.
12 Q. Did Veronica Castro-Gutierrez work from home?
13 A. Sometimes.
14 Q. When she didn't work from home, where did she
15 work from?
16 A. The Bell Road location.
17 Q. That was one of the Furniture King stores?
18 A. Correct.
19 Q. Do you have contact information for her?
20 A. I do. I can get it to you.
21 Q. Where does she live, do you know, what city?
22 A. Not offhand, no.
23 Q. Do you know her phone number?
24 A. Not offhand. They took my phone this morning.
25 Q. Do you know what city Mr. Luigi Amoroso lives?

03:25:47-03:26:40 Page 212

1 A. I don't recall.
2 Q. You say you don't recall.
3 A. Uh-huh.
4 Q. Does that mean you just don't remember?
5 A. Correct.
6 Q. Is it possible that you did say those things?
7 A. I don't recall saying them.
8 Q. Well, where are the pictures that we saw today
9 that you acknowledged taking of the various cashier's
10 checks and then sent to DenSco? Where are those
11 pictures stored?
12 A. That would have probably been on one of my old
13 phones.
14 Q. Did you keep those pictures?
15 A. No.
16 Q. You just destroyed them after you sent them?
17 A. No, I would have kept them on my phone until I
18 sold my phone.
19 Q. The current phone you have, when did you get
20 that phone?
21 A. Middle of this year, beginning of this year. I
22 can't recall.
23 Q. Okay. Is it an iPhone 6?
24 A. Yes.
25 Q. So if there were pictures of cashier's checks

03:24:29-03:25:36 Page 211

1 A. I believe Phoenix.
2 Q. Could you get contact information for him if we
3 wanted it?
4 A. Yes.
5 Q. Isn't it true you told Mr. Chittick on
6 July 25th that you had personally destroyed all of your
7 business records, all of your e-mails, and specifically
8 destroyed all of the receipts that you had sent to
9 DenSco?
10 A. I don't recall.
11 Q. So it's possible you did say that?
12 A. I don't recall saying it.
13 Q. Isn't it true you told Mr. Chittick that you
14 had instructed and schooled Veronica on the cover story
15 to testify about?
16 A. I do not recall.
17 Q. Isn't it true that you told Mr. Chittick that
18 after your bankruptcy was over, you intended to hire an
19 asset protection firm to set up overseas businesses in
20 order for you to recover the money from Auction.com?
21 A. I don't recall, but there was no Auction.com,
22 again.
23 Q. Isn't it true you told Mr. Chittick on
24 July 25th that you would deny, even if asked under oath,
25 about the existence of any money at Auction.com?

03:26:51-03:27:43 Page 213

1 that you took at the beginning of this year, they would
2 be on that phone?
3 MR. JESS: Objection, form.
4 THE WITNESS: They would be, but there
5 were no cashier checks or receipts or anything. I mean
6 there was no nothing.
7 BY MR. ANDERSON:
8 Q. So what did you tell Veronica Castro-Gutierrez
9 to say if she's questioned about her role in these
10 receipts?
11 A. I did not have a conversation with her.
12 Q. You didn't have a conversation with her about
13 any of these business transactions and how to explain
14 them?
15 A. That's correct.
16 Q. Okay. Did you have any conversations with
17 Mr. Amoroso?
18 A. No.
19 Q. Does Veronica Castro still work for you?
20 A. Yes.
21 Q. She works out of the current furniture business
22 you have?
23 A. Yes.
24 Q. And that current business is called American
25 Furniture, LLC, right?

03:27:46-03:28:27 Page 214

1 A. Correct.
2 Q. It was started by you during the bankruptcy; is
3 that right?
4 A. That is correct.
5 Q. And you used a loan from your father to operate
6 that business, right?
7 A. That is correct.
8 Q. And is American Furniture buying real estate?
9 A. It started buying real estate.
10 Q. It bought some real estate at auction, didn't
11 it?
12 A. Yes, it started buying real estate.
13 Q. Well, it started. Does that mean something;
14 that it's now stopped?
15 A. It stopped.
16 Q. It stopped why?
17 A. I was advised not to buy real estate.
18 Q. Did that -- was that in the form of legal
19 advice or something else?
20 A. Legal advice.
21 Q. So you were given legal advice to stop
22 purchasing properties at auction during the bankruptcy
23 case?
24 A. To focus on what I started American Furniture
25 for, which was a furniture store.

03:29:27-03:30:05 Page 216

1 Q. Is there any security for it?
2 A. There's a UCC-1, yes.
3 Q. Does that secure the assets of American
4 Furniture, LLC?
5 A. It does.
6 Q. Other than the loan that purported to start
7 American Furniture, do you have any other loans with
8 him?
9 A. I have the loans that he provided to American
10 Furniture. That's it.
11 Q. And there's no other loans, unsecured or
12 otherwise, with your dad?
13 MR. JESS: What time period are we talking
14 about here, Ryan?
15 THE WITNESS: Yeah, I'm confused.
16 BY MR. ANDERSON:
17 Q. I'm just talking about open loans now. I don't
18 care if they're -- you know, currently owe him money.
19 Other than American Furniture, do you owe him any money?
20 MR. JESS: Yes.
21 THE WITNESS: Yes.
22 BY MR. ANDERSON:
23 Q. Okay. And under what loan agreements? How
24 much do you owe him?
25 A. There's a balance now of about two -- I think

03:28:39-03:29:18 Page 215

1 Q. Well, how were you funding the purchases of
2 this real estate?
3 A. I got a loan.
4 Q. Who did you get the loan from?
5 A. Active Funding Group.
6 Q. Is it a hard money loan?
7 A. It is.
8 Q. Did you get any money from anybody else?
9 A. For the purchases of the properties?
10 Q. Yes.
11 A. No.
12 Q. You got a loan to start American Furniture from
13 your father, right?
14 A. Correct.
15 Q. The same -- but your dad is also one of your
16 creditors in your bankruptcy case; is that right?
17 A. Correct.
18 Q. Why would he lend you money to run the American
19 Furniture business?
20 A. Because he doesn't want to see me fail and
21 fall.
22 Q. What are the terms of that loan?
23 A. I believe it was a 12 percent loan.
24 Q. Is there a promissory note?
25 A. Uh-huh.

03:30:25-03:31:18 Page 217

1 it's about two and a half million.
2 Q. And under what agreement?
3 A. Under a promissory note from 2011 or '12.
4 Q. Did any of DenSco's money go to pay down your
5 dad's debts, your debt to your dad?
6 MR. JESS: Objection, form.
7 THE WITNESS: Yes.
8 BY MR. ANDERSON:
9 Q. It did, okay.
10 Scott, where is the 20-plus million dollars of
11 DenSco's money that you received?
12 A. It was returned back to DenSco, to the best of
13 my ability.
14 Q. If it wasn't returned back to DenSco, what
15 happened to it?
16 A. Would have been invested into the furniture
17 companies to try to bring the profits out to DenSco.
18 Would have went to living expenses, gambling, to try to
19 take that money and give it to DenSco.
20 Q. How much -- take the interest out of the
21 equation. In your mind, how much do you think you owe
22 DenSco?
23 A. I have no clue.
24 MR. ANDERSON: Well, I don't have any
25 further questions at this time, but I'm not going to

03:31:28-03:32:01 Page 218

1 conclude the exam, because I don't have any of the
2 documents that we asked for at the beginning. So we'll
3 just continue the exam until we can get a more formal
4 production.
5 Anybody want to put anything else on the
6 record?
7 MR. JESS: Just one question for
8 clarification. How much longer do you think you have to
9 continue the exam? I mean this isn't a 341 meeting.
10 This is an open -- I mean we've been going for half a
11 day.
12 MR. ANDERSON: Well, once I get the
13 documents, I'll tell you how much more time I need.
14 MR. JESS: Well, I think under the rules
15 you don't have a whole lot more time. I mean you got
16 one day, seven hours.
17 MR. ANDERSON: If you want to file a
18 protective order after I get the document production, go
19 right ahead.
20 MR. JESS: That wasn't the agreement,
21 Ryan.
22 MR. ANDERSON: I don't know if we have any
23 agreement, Cody.
24 MR. JESS: Well, then we should have
25 pushed off the exam. I mean my take on it is you've got

03:32:10-03:32:55 Page 219

1 a couple more hours left.
2 MR. ANDERSON: Well, okay, I'm not
3 agreeing to that, but it is what it is.
4 MR. JESS: Well, I'm putting it on the
5 record that there was no agreement to continue this exam
6 today pending disclosure of additional -- or production
7 of additional documents.
8 MR. ANDERSON: And that's fine, and I
9 certainly will -- if you want to make an issue of it,
10 we'll go to Judge Sala and we'll make it clear how much
11 more time I specifically get. I have no problem with
12 that.
13 MR. JESS: That's fine.
14 MR. ANDERSON: Anybody else want to put
15 anything on the record?
16 MR. JESS: Yeah, I've got some questions.
17 Do you want me to go?
18 MR. NEMECEK: I was just going to say that
19 the trustee has a Rule 2004 order out to Mr. Menaged.
20 The trustee and their counsel's attendance here today is
21 not to be construed in any way as a waiver of the
22 trustee's intention and a right to take the examination
23 under the trustee's bankruptcy Rule 2004 order at a date
24 to be determined in the future.
25 MR. ANDERSON: Just for the record,

03:33:03-03:33:44 Page 220

1 Mr. Nemecek, do you have a date set for that exam?
2 MR. NEMECEK: We do not have a date yet
3 for the exam.
4 MR. ANDERSON: My client and I intend to
5 attend that exam, and if it's going to be a problem,
6 Mr. Jess, that we do, please let me know now, because I
7 will go get an order from the Court, if necessary, to
8 attend this date for the exam that's sometime in the
9 future, but please let me know.
10 MR. JESS: Yeah, I'll let you know either
11 today or as we get closer to the exam.
12 MR. ANDERSON: My understanding is there's
13 no date set for your exam.
14 MR. NEMECEK: There is no date currently
15 set for the exam, that's correct.
16 MR. ANDERSON: All right.
17
18 EXAMINATION
19 BY MR. JESS:
20 Q. Scott, earlier you were asked whether you had
21 some sort of a special relationship with Mr. Chittick.
22 Do you recall that conversation?
23 A. Yes.
24 Q. Do you believe that if the -- the lending
25 arrangement that you had with Mr. Chittick was unique

03:33:57-03:34:57 Page 221

1 from his lending relationship with other borrowers?
2 A. It was not unique, no.
3 Q. Why do you say that?
4 A. I believe that he lended and had the same
5 policies with all his borrowers.
6 Q. And do you believe that was out of the norm for
7 other hard money lenders?
8 A. Yes, it was.
9 Q. And why do you say that?
10 A. Because other hard money lenders would do due
11 diligence prior to shipping off \$40 million.
12 Q. Before the forbearance agreement, I think you
13 testified that you either didn't know or didn't remember
14 whether DenSco had investors. Do you recall that
15 statement?
16 A. Yes.
17 Q. Did you know prior to the forbearance agreement
18 what the terms of those agreements between DenSco and
19 its investors were?
20 A. No, not at all.
21 Q. So before the forbearance agreement or around
22 the time of the forbearance agreement, you were unaware
23 that DenSco had made certain promises to its investors;
24 is that correct?
25 A. That's correct.

03:35:07-03:36:10 Page 222

1 Q. You testified earlier that Jeff Goulder
2 represented you in the drafting of the forbearance
3 agreement, correct?
4 A. Correct.
5 Q. Did he represent you during the entire time of
6 the drafting of that agreement?
7 A. No.
8 Q. Why not?
9 A. He said that in dealing with DenSco's attorney,
10 that he's never seen a deal like this or he's never seen
11 an agreement written this way, and he really didn't
12 think that he needed to be involved with it.
13 Q. Were you unrepresented when this agreement was
14 signed, the forbearance agreement was signed?
15 A. Yes.
16 Q. You had testified earlier that you did not list
17 DenSco or Mr. Chittick as a creditor initially in your
18 bankruptcy, correct?
19 A. Correct.
20 Q. Later during your bankruptcy, Mr. Chittick
21 received a notice of your bankruptcy, correct?
22 A. Correct.
23 Q. And within 48 hours of receiving that notice of
24 bankruptcy, Mr. Chittick committed suicide; is that
25 right?

03:36:20-03:37:18 Page 223

1 A. That's correct.
2 Q. You testified earlier that you didn't tell
3 Mr. Chittick the truth about using the money from the
4 seconds to pay off the other DenSco loans; is that
5 right?
6 A. Correct.
7 Q. Is the reason you didn't tell him the truth is
8 because you were concerned about him committing suicide?
9 A. Absolutely.
10 Q. Is the same true with respect to the other
11 untruths that you told Mr. Chittick with respect to the
12 safety of the money that he had lent you?
13 A. Yes. He was not a person that could take
14 pressure, and I was scared of what was going to happen
15 to him if he realized, and all I was trying to do was
16 clean up this mess. I was trying to clean it up from
17 when the housing market went upside down, and that's all
18 I kept trying to do. And all that kept happening is the
19 balloon got bigger and bigger and bigger and bigger, and
20 there was nothing I could do to get out of it. That's
21 the reason why I never even included him in my original
22 bankruptcy. I still had intentions, in my mind, of
23 figuring out with him how the hell to get him paid off.
24 I know it sounds absurd and crazy, because
25 you're talking \$40 million, but I never intended or

03:37:34-03:38:40 Page 224

1 wanted to walk away from him. That was not the
2 intention. Look at me. I'm in Chapter 7 bankruptcy. I
3 have no money to me. What did I gain out of this? I
4 didn't gain anything out of this. All I was trying to
5 do was, I really was trying to fix this.
6 Q. Do you believe that Denny was more concerned
7 about the collateral for the loans that he had lent you
8 or getting his 18 percent interest?
9 A. Getting his 18 percent interest.
10 Q. Why do you say that?
11 A. Because there were properties that I purchased
12 that were completely -- there were properties that I
13 purchased that were way over and beyond what he would
14 normally be comfortable with, as far as dollar amount.
15 I remember one specific property in Peoria that I
16 paid -- I screwed up. I paid \$243,000 for it, and I
17 want to say the property was worth 220. Well, he lent
18 the whole 243.
19 Q. So is it a fair statement that in your dealings
20 with Denny, you believe that he was mostly concerned
21 about getting 18 percent?
22 A. That's exactly what he was concerned about.
23 That's what he always talked about.
24 Q. Do you recall the conversations earlier about
25 the receipts for the trustees' sales?

03:38:54-03:39:32 Page 225

1 A. Yes.
2 Q. Did you create those receipts?
3 A. No.
4 Q. Did those receipts come from Arizona Home
5 Foreclosures?
6 A. I believe so.
7 Q. And those receipts are not legitimate, are
8 they?
9 A. They wouldn't be.
10 MR. JESS: I don't have any other
11 questions.
12 MR. ANDERSON: Okay. Well, then we'll
13 reconvene when we're ready to reconvene. So the
14 continuation will happen in the future. So we're off
15 the record at what time? 3:39. Thank you.
16 THE COURT REPORTER: Do you need a copy?
17 MR. JESS: Yeah.
18 THE COURT REPORTER: Do you know what you
19 need?
20 MR. JESS: Just the electronic copy.
21 THE COURT REPORTER: Like an E-tran?
22 MR. JESS: Yeah, please.
23 (TIME NOTED: 3:39 p.m.)
24
25

SCOTT MENAGED 10/20/2016

Page 226

1 STATE OF ARIZONA)
2 COUNTY OF MARICOPA) ss.

3

4 BE IT KNOWN that the foregoing Rule 2004
5 Examination was taken before me, JODY L. LENSCHOW, RMR,
6 CRR, Certified Reporter No. 50192 for the State of
7 Arizona, and by virtue thereof authorized to administer
8 an oath; that the witness before testifying was duly
9 sworn by me; that the questions propounded by counsel
10 and the answers of the witness thereto were taken down
11 by me in shorthand and thereafter transcribed under my
12 direction; that the foregoing pages contain a full,
13 true, and accurate transcript of all proceedings and
14 testimony had, all to the best of my skill and ability.

15 I FURTHER CERTIFY that I am not related to nor
16 employed by any of the parties hereto and have no
17 interest in the outcome thereof.

18 DATED at Phoenix, Arizona, this 30th day of
19 October, 2016.

20

21

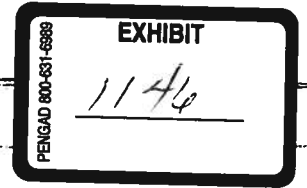
22 _____
JODY L. LENSCHOW, RMR, CRR
23 Certified Reporter
Certificate No. 50192

24

25

Den Sco / Workout

Tew Denny Chittick (1/16/14)



- DGB - to call Bob Miller RE: Waiver

- Denny - will send Confidentiality Agmt to Bob Miller

- med conf call w/ Scott re:

Conf Call w/ Denny Chittick (1/16/14)
Scott Managed

- 3 documents

- Waiver

- Non Disclosure / Conf file

- Term sheet

- explained issue affecting Den Sco

DenSco

Beauchamp, David G.



From: Beauchamp, David G.
Sent: Thursday, January 16, 2014 11:08 PM
To: 'smena98754@aol.com'
Cc: 'dcmoney@yahoo.com'; Beauchamp, David G.
Subject: Re: Non Disclosure Agreement

Scott:

Sorry my phone died and I had to charge it.

The first and third paragraphs will be revised. In 1, limit reference to "which DenSco intended to be in first lien position...". At end, add following sentence: "Borrower is currently in default for being delinquent in the payment of interest due DenSco for these loans."

In paragraph, delete "which were each supposed to be in first lien position on the respective property"

Please share this with Jeff.

Hopefully, these work.

Sincerely, David

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

From: Scott Menaged [mailto:smena98754@aol.com]
Sent: Thursday, January 16, 2014 07:31 PM
To: Beauchamp, David G.
Cc: Denny Chittick <dcmoney@yahoo.com>
Subject: Re: Non Disclosure Agreement

Jeff has stated to write it up as a default for interest payments and he will review it and will advise ASAP. As soon as you can send me that the better

Thanks

Sent from my iPhone

On Jan 15, 2014, at 10:43 PM, "Beauchamp, David G." <DBeauchamp@ClarkHill.com> wrote:

Denny:

Bob was all over the place in his comments today. I do not think he will file but his client has to make the decision and they do not understand the lack of progress.

Please understand that Jeff did not use the BK word but he said that this seems to be DenSco's problem, because Scott has an easy way out. He did not respond when I asked for clarification.

Best, David

David G. Beauchamp

CLARK HILL PLC

14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.884.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

From: Denny Chittick [<mailto:dcmoney@yahoo.com>]

Sent: Wednesday, January 15, 2014 10:33 PM

To: Yomtov Menaged; Beauchamp, David G.

Subject: Fw: Non Disclosure Agreement

Scott:

Attached is my signed doc. we have to do everything we can to keep this out of litigation. Your attorney according to david and Bob's interpretation isn't really inclined to assist and thinks you could just bk and walk away. i know that's not the plan!

David, if we both sign this and get it back to him tomorrow , will Bob hold off on not filing tomorrow!?

dc

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

----- Forwarded Message -----

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>

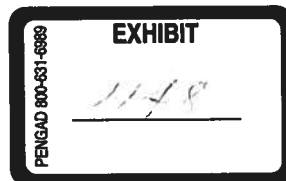
To: "Denny J. Chittick (dcmoney@yahoo.com)" <dcmoney@yahoo.com>

Sent: Wednesday, January 15, 2014 7:59 PM

Subject: Non Disclosure Agreement

Denny:

Attached is a Non-Disclosure Agreement that has been modified to fit the needs of this transaction. Please review it and let me know if you are satisfied that it will work for this transaction. If so, please share it with Scott and then we will need to make any changes and get it to Bob Miller's group.

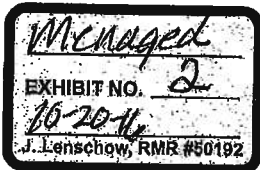


On Saturday, February 8, 2014, Goulder, Jeffrey <jeffrey.goulder@stinsonleonard.com> wrote:

Scott - Here is Beauchamp's response. It is more rational than I expected, but we still have some deal points to work through. Please review so we can talk on Monday.

Begin forwarded message:

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com<<mailto:DBeauchamp@ClarkHill.com>>>
Date: February 7, 2014 at 7:37:22 PM MST.
To: "Goulder, Jeffrey (jeffrey.goulder@stinsonleonard.com<<mailto:jeffrey.goulder@stinsonleonard.com>>>" <jeffrey.goulder@stinsonleonard.com<<mailto:jeffrey.goulder@stinsonleonard.com>>>
Cc: "Denny J. Chittick (dcmoney@yahoo.com<<mailto:dcmoney@yahoo.com>>)" <dcmoney@yahoo.com<<mailto:dcmoney@yahoo.com>>>
Subject: Workshare Professional Document Distribution



Jeff:

Based on your previous changes, the Forbearance Agreement would be prima facie evidence that Denny Chittick had committed securities fraud because the loan documents he had Scott sign did not comply with DenSco's representations to DenSco's investors in its securities offering documents. Unfortunately, this agreement needs to not only protect Scott from having this agreement used as evidence of fraud against him in a litigation, the agreement needs to comply with Denny's fiduciary obligations to his investors as well as not become evidence to be used against Denny for securities fraud.

The previous version that I had sent to you was basically a complete rewrite of our standard forbearance agreement that I have used in almost 200 forbearance agreements over the last 10 years. The previous version that I sent to you was intended to be as fair as possible while setting forth all of the business points that both Denny and Scott had told me in a meeting and over several conference calls. (Scott specifically did agree to pay all costs and related costs in this matter. Scott also proposed and agreed to the \$10 million life insurance policy, because they now believe that the outstanding loan balance will be much higher than the previous estimate. The higher loan balance will result in a significant unsecured portion if anything happens to Scott and the Properties are liquidated.)

In addition to the business points, we had intended to make the document as balanced as possible. We wanted the document to set forth the necessary facts for Denny to satisfy his securities obligations to his investors (including that the original loans had to have been written and secured by a first lien on real property and that the workout agreed to by Denny complied with his workout authorization) without having Scott have to admit facts that could cause trouble to him. I had been informed that since "Dan's litigious group" had agreed to get paid off, Scott was not as concerned with stating facts and legal conclusions in the document, but your changes indicated that you are still very concerned. If you do not want the conclusions to be stated in the document, then we have to use another approach.

To try to balance the respective interests, I have inserted sections from the loan documents into the Forbearance Agreement. Referencing the language of the Loan Documents is needed to satisfy Denny's fiduciary obligations, but I have also modified the other provisions so that Borrower is not admitting that it was required to provide first lien position in connection with the loans. Further, I have inserted a parenthetical that "(though Guarantor acknowledged no fault)" in the section where Guarantor (Scott) advises Denny of the additional liens on the Properties. We are also using the Borrower's failure to subordinate or remove the additional liens in 10 days as the applicable default.

Bottom line: Borrower does not admit that the existing loans were to be secured in first lien position, nor that the modified loans will be in first lien position. However, Borrower will obtain a lender's title insurance policy in favor of Lender that will insure Lender in first lien position as the other liens are extinguished on each Property (unless DenSco is paid off). Correspondingly, the respective provisions in the Loan Documents are referenced to satisfy Denny's fiduciary duties to his investors and the Default is acknowledged so that this workout is consistent with the limitations of the scope of Denny's authority.

Sincerely, David

The following files have been attached to this mail by Workshare Professional...

#200131428v8_ClarkHill_ - Forbearance Agreement (8).DOCX (WORDX)
Forbearance_Ag.Densco(5) - Forbearance Agreement (8).pdf (PDF)

David G. Beauchamp
CLARK HILL PLC
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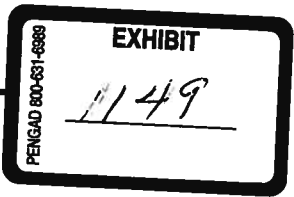
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Message

From: Goulder, Jeffrey [jeffrey.goulder@stinsonleonard.com]
Sent: 2/25/2014 12:27:44 PM
To: Beauchamp, David G. [dbeauchamp@clarkhill.com]
Subject: Revised Forbearance Agreement
Attachments: FORBEARANCE AGREEMENT (Revised 2-24-14) (Redline)(1).PDF; FORBEARANCE AGREEMENT (Revised 2-24-14).PDF

David – Attached is a clean and redlined copy of a revised version of the Forbearance. In an effort to bring these negotiations to a close, you will see that we agreed to your language on several of the points we debated at your office. I will be leaving on country on March 4, so we'll need to conclude these discussions one way or the other before then. Thank you.

Jeffrey J. Goulder | Partner | Stinson Leonard Street LLP
1850 N. Central Avenue, Suite 2100 | Phoenix, AZ 85004-4584
T: 602.212.8531 | M: 602.999.4350 | F: 602.586.5217
jeffrey.goulder@stinsonleonard.com | www.stinsonleonard.com

Stinson Leonard Street LLP is officially open for business! Please update your records to reflect the new email address and firm name.

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FORBEARANCE AGREEMENT

Style Definition: Heading 5

THIS FORBEARANCE AGREEMENT (“**Agreement**”) is executed on February __, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company (“**AHF**”), whose address is 7320 W. Bell Road, Glendale, Arizona 85308, Easy Investments, LLC, an Arizona limited liability company (“**EI**”), whose address is 7320 W. Bell Road, Glendale, Arizona 85308 (AHF and EI are collectively referred to as the (“**Borrower**”), Yomtov “Scott” Menaged (“**Guarantor**”), whose address is 10510 East Sunnyside Drive, Scottsdale, Arizona, Furniture King, LLC, an Arizona limited liability Company (“**New Guarantor**”), whose address is 303 N. Central Avenue, Suite 603, Phoenix, AZ 85012, and DenSco Investment Corporation, an Arizona corporation (“**Lender**”), whose address is 6132 W. Victoria Place, Chandler, Arizona 85226, (the Borrower, the Guarantor, the New Guarantor, and Lender are each considered a “**Party**” hereunder and are collectively referred to as the “**Parties**”). (Any capitalized term not defined in this Agreement shall have the meaning set forth in the Deeds of Trust as later defined).

Recitals

The following recitals of fact are a material part of this Agreement:

A. Borrower is indebted to Lender under the terms of certain Loans (the “**Loans**”), which are listed on the attached Exhibit A, which is incorporated into this Agreement by this reference, and each are evidenced by a Note Secured by Deed of Trust (each, a “**Note**” and collectively, the “**Notes**”), all of which were executed by Borrower in favor of Lender (the “**Notes**”) and by a Mortgage (or a “**Receipt and Mortgage**”) (each, a “**Mortgage**”, and collectively, the “**Mortgages**”), and each such Note and Mortgage was executed by Borrower and delivered to Lender, as a condition precedent to and immediately prior to the funding of the applicable Loan.

B. Guarantor guaranteed the payment and performance of each of the Loans (the “**Guaranty**”), executed by Guarantor in favor of Lender.

C. Each of the Loans are further evidenced and/or secured by various documents and instruments, including but not limited to a certain Deed of Trust and Assignment of Rents (each a “**Deed of Trust**”, and collectively, the “**Deeds of Trust**”), executed by Borrower at the funding of the Loan in favor of Lender and recorded in conjunction with the Trustee’s Deed conveying the real property to Borrower. The Deeds of Trust constitute a lien on the respective real properties described therein (individually a “**Property**” and collectively, the “**Properties**”) and referenced in Exhibit A. The Notes, the Mortgages, the Deeds of Trust, the Guaranty, the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the “**Loans Documents**”.

D. Each of the Mortgages provides: “Borrower hereby grants to Lender or assignee a first, prior and superior equitable lien and mortgage against the Real Property to secure payment of the Loan... . Borrower has delivered to Lender a promissory note and deed of trust,

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and Borrower agrees that the deed of trust shall be recorded against the Real Property as a first, prior and superior lien and encumbrance simultaneously with the recording of the Trustee's Deed."

E. Each Deed of Trust provides as follows:

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, BORROWER AGREES:

....

5. Borrower shall promptly discharge any lien in which has priority over this Deed of Trust unless Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (b) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in Lender's opinion operate to prevent the enforcement of lien; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Deed of Trust. If Lender determines that any part of the Property is subject to a lien which may attain priority over this Deed of Trust, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy the lien or take one or more actions set forth within 10 days of the beginning of the notice.

F. Each Note provides as follows:

"A "Default" shall occur (i) ... or (vi) upon the occurrence of any default under any obligation of Maker to Holder. Further, at Holder's option after Default, all remaining unpaid principal and accrued interest shall become due and payable immediately without notice (other than any declaration prescribed in applicable sections of the agreements under which such events of default arose), presentment, demand or protest, all of which hereby are waived." ("Default" shall have the meaning set forth in the Note).

G. On or about November 27, 2013, Guarantor met with Denny Chittick of Lender to inform Lender that certain of the Properties had also been used (though Guarantor acknowledged no fault) as security for one or more loans from one or more other lenders (individually, the "Other Lender" and collectively, the "Other Lenders") and the Loans from Lender may not be in the first lien position on each respective Property.

H. At the November 27 meeting, Guarantor acknowledged to Lender that Borrower had an obligation to discharge the liens of the Other Lenders or to take such other actions to satisfy Section 5 of each Deed of Trust within 10 days, as referenced above. Further, Borrower and Guarantor acknowledged that the meeting satisfied Lender's obligation to provide notice to Borrower and Guarantor of an action leading to a Default pursuant to each of the Loan Documents.

I. The Loans are now in Default (as defined in the Note) and Lender has provided Borrower with any and all notice required under each of the Loans Documents concerning such Default.

J. Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, but only so long as and on the conditions that (1) Borrower, Guarantor and New Guarantor acknowledge the existing Defaults under the Loans, (2) all liens, security interests, rights and remedies of Lender under the Loans Documents continue in full force and effect and (3) Borrower, Guarantor and New Guarantor fulfill all conditions and comply with all terms and provisions set forth in this Agreement, and furnish all other documents and perform all other acts necessary to give effect to the agreements hereinafter set forth.

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

1. **Loans Balance.** The total sum now due and payable under the Loans, in aggregate, is approximately \$_____, consisting of \$_____ in principal, \$_____ in accrued interest (through and including February 1, 2014), \$_____ advanced by Lender in payment of costs and expenses as permitted under the Loans Documents and approximately \$_____ in costs and expenses incurred by Lender for collection and enforcement of the Loans. Interest continues to accrue under the Loans at the rate of 18 % per annum as provided in the Notes (as opposed to the Default Interest rate set forth in the Notes).

2. **Acknowledgment of Default.** Borrower, Guarantor and New Guarantor hereby acknowledge and agree that the Loans are in Default, and that as a result of such Default, Lender now has the right to pursue foreclosure and any and all other rights and remedies permitted to Lender under the Loans Documents and/or under applicable law.

3. **Continued Effect of Loans Documents.** Borrower, Guarantor and New Guarantor further acknowledge and confirm that the Loans Documents have been duly authorized, executed and delivered to Lender and are valid, binding and enforceable against Borrower and Guarantor in accordance with their respective terms, and that to the collective knowledge of Borrower, Guarantor and New Guarantor, all liens and security interests created in favor of Lender under the Loans Documents have been validly created and duly perfected as encumbrances upon all Properties and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents and as modified by this Agreement. Upon the satisfaction of the lien of the applicable Other Lender with respect to a Property, the lien and security interest created in favor of Lender under the Loans Documents will be deemed to be validly created and duly perfected as an encumbrance upon the respective Property and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents. Further, Borrower shall cause to be provided to Lender a Lender's title insurance policy issued by a nationally-recognized title company, reasonably acceptable to Lender insuring that Lender's encumbrance in such Property, as evidenced by the respective Deed of Trust, shall constitute a valid and enforceable first and prior lien to any other encumbrance on the respective Property.

4. **Forbearance by Lender on Conditions; Effect of Breach.** Lender hereby agrees to forbear pursuit of its rights and remedies under the Loans Documents and/or under applicable law, but only so long as and on the conditions that Borrower, Guarantor and New Guarantor pay all sums, perform all covenants and agreements and do all acts and things required of them hereunder. If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any

covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Lender may cease such forbearance and may immediately commence and pursue any or all rights and remedies Lender may have under the Loans Documents and/or under applicable law as to any or all of the collateral or security for the Loans, all in such order and manner as Lender may elect from time to time in its sole discretion and without notice of any kind to Borrower, Guarantor, New Guarantor or any other person, as if this Section 4 had never been agreed to by Lender. Lender's agreement herein to forego immediate pursuit of its rights and remedies constitutes a postponement and forbearance only, and does not in any event constitute a waiver of any such rights or remedies.

5. **No Effect on Existing Default; Extension of Maturity.** Neither the execution and delivery of this Agreement or any other document or instrument required hereunder nor the consummation of the transactions and agreements set forth in this Agreement shall in any manner rescind or cure any existing Default under the Loans Documents, reinstate the Loans to a current status, or constitute an accord and satisfaction of the Loans. Notwithstanding this provision, the maturity date of all of the Loans is hereby extended to February 1, 2015; provided, however, Lender, at its sole discretion, may further extend the maturity date of all of the Loans to February 1, 2016, so long as Borrower, Guarantor and New Guarantor have complied and are in compliance with the terms of this Agreement.

6. **Borrower's Actions.** Lender's continued performance of the terms of this Agreement is conditioned upon each of the following obligations being fulfilled:

(A) Borrower agrees to use its good faith efforts to: (i) liquidate other assets, which is expected to generate approximately \$4 to \$5 million US Dollars; (ii) apply all net proceeds from the rental of Borrower's other real estate assets, or the net proceeds from the acquisition and disposition of other real estate or other assets by Borrower, and (iii) apply all funds received from Borrower's continued good faith efforts to recover any other asset that can be recovered from the missing proceeds from the multiple Loans that were advanced from Lender and Other Lenders with respect to certain properties as referenced above. Any additional funds obtained and / or made available to Borrower pursuant to this subsection shall be made available to and used by Borrower in connection with the resolution of the lien disputes between Lender and Other Lenders as referenced above (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower as provided herein).

(B) Borrower agrees to provide Lender, and maintain in effect, a life insurance policy from a nationally-recognized life insurance carrier (with a rating of ____ or better from ____ and reasonably approved by Lender, in the amount of \$10,000,000, insuring the life of Guarantor with Lender named as the sole beneficiary, until all obligations pursuant to the Agreement have been fully satisfied.

(C) Borrower agrees to provide Lender with a separate personal guaranty from Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents, and this Agreement, and such Guaranty shall be in commercially reasonable form for a lender loaning a similar aggregate amount of money to a borrower as Lender is loaning in the aggregate to Borrower. Further, Borrower agrees to provide a re-affirmation and consent from Guarantor to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees

of Lender's Loans to Borrower, so that the terms and provisions of this Agreement will not cause or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of Lender and Borrower pursuant to the terms and provisions of this Agreement.

(D) Borrower agrees to provide Lender with a separate corporate guaranty from New Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents and this Agreement, to be secured by a lien against all of New Guarantor's inventory, accounts, and assets.

(E) Except for Lender, Borrower agrees to continue to pay the interest due to the Other Lenders for loans secured by any of the Properties, and any other similarly situated lender on a timely basis and to keep each of such loans current and in compliance with their respective terms.

(F) Borrower has arranged for private outside financing (the "Outside Funds"), which is to be provided to Borrower in the approximate amounts and on the following prospective schedule: (i) approximately \$1,000,000 on or before March 20, 2014; and (ii) approximately ~~\$1,000,000~~ on or before ~~_____~~, May 26, 2014; (iii) approximately \$1,000,000 on or before July 15, 2014; and (iv) approximately \$1,200,000 on or before September 15, 2014. Such Outside Funds shall be used exclusively for the pay-off of the Other Lenders and any other similarly situated lender ~~to pay interest payments to similarly situated lenders; to pay repair and/or rehab expenses associated with the collateral for The Loans, or to make any other payment that, in Borrower's judgment, is for the mutual benefit of Borrower and Lender. Any balance remaining shall be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower, as provided herein~~.

(G) Borrower has agreed to inform Lender of all of the terms of Borrower's transaction to obtain the Outside Funds and the security provided for such Outside Funds. Lender agrees to keep such information on a confidential basis, provided, however, Lender will be able to provide such terms and information to its investors, legal counsel, accountants and other applicable professionals on a confidential basis.

(H) During the term of this Agreement, Borrower, Guarantor and New Guarantor agree to use good faith efforts to satisfy and pay-off any and all financial obligations secured by liens in favor of the applicable Other Lender with respect to a Property. The Borrower and Lender shall cooperate to agree upon a sequencing schedule (which will need to be adjusted on a reasonable basis) to satisfy and release the liens of the Other Lenders on the applicable Properties. Borrower agrees to ~~use~~ use its Good Faith Efforts to cause the liens of the Other Lenders to be satisfied and released on or before nine (9) months from the execution of this Agreement.

(I) Borrower, Guarantor, New Guarantor and Lender acknowledge and agree that this Agreement shall not constitute nor create a joint venture or partnership arrangement between or among Lender and any of the Borrower or Guarantor.

(J) If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Borrower agrees to provide any additional collateral ("Additional Security") to Lender, as may be requested by Lender, to secure Borrower's existing obligations to Lender and to secure the additional obligations that Lender is agreeing to provide pursuant to this Agreement.

(K) Execution, delivery and filing or recording (with all costs thereof paid by Borrower) of all documents and instruments required to create the required liens on the respective Properties as required by the Loans Documents or to create a security interest in any Additional Collateral.

~~(L) As more fully set forth in Section 13, Borrower agrees to reimburse all costs and expenses, including without limitation attorneys' fees, incurred by Lender in connection with this Agreement (or the effect of this Agreement on Lender's business and with its investors).~~

7. **Lender's Actions.** Subject to the full compliance of Borrower, Guarantor, and New Guarantor to each of their respective obligations, as detailed in this Agreement, the Lender will perform the following obligations:

(A) Lender agrees to increase the Loan amount of each of the Properties referenced in Exhibit A up to 95% of the loan-to-value ("LTV") ratio of the value of the respective Properties, as determined by Lender. The additional funds advanced to Borrower shall be used to pay off the Other Lender and release its security interest in that Property.

(B) Lender will defer (but not waive) the collection of interest from the Borrower on the Loans to the Borrower during the process to fund the amount due to the Other Lenders; and all deferred interest on the Notes from Borrower shall be paid to Lender on or before the payoff of the respective Note.

(C) Lender will provide a new loan to Borrower in the amount up to 1 Million US Dollars, which loan is to provide for multiple advances, earn 3% annual interest to be secured by a first lien position against certain real property or properties to be approved by Lender, in its sole discretion, and the obligation is to be personally guaranteed by Guarantor and New Guarantor (the "Additional Loan").

(D) Provided that Borrower, Guarantor and New Guarantor each complies with all of its respective obligations under this Agreement, Lender will ~~defer~~waive the right to charge the Default Interest rate which is permitted pursuant to the terms of the Loans Documents. If any of Borrower, Guarantor or New Guarantor fails to comply with its respective obligations under this Agreement, Borrower shall then be liable for Default Interest at the Default Interest rate set forth in the Loan Documents on all outstanding Notes.

~~(E) Upon the complete and full satisfaction by Borrower, Guarantor and New Guarantor (the "Borrower Entities") of each and every obligation, term, condition and requirement of the Borrower Entities set forth in and pursuant to this Agreement, the Loans Documents and/or any other document executed in connection with this Agreement and/or the Loans Documents, Lender agrees to and will execute a mutual release and covenant not to sue~~

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~~(or pursue) the Borrower and/or Guarantor in connection with a civil fraud case based upon the facts set forth in the Recitals to this Agreement.~~

~~8. The entire principal sum and all accrued interest, costs, expenses, disbursements and fees due under the terms and provisions of the Notes and all other sums payable under the Loans Documents shall be due and payable in full on February 1, 2016 in any event, without notice or demand.~~

~~9.8. **Grace and Cure Periods.** If Borrower fails to comply with any monetary or non-monetary obligation undertaken by it through this Agreement, Borrower shall be in default of this Agreement if it fails to satisfy the non-monetary obligation within ten (10) five (5) business days of receiving email or telephonic notice from Lender. No such notice shall be required if Borrower fails to comply with any monetary obligation. Except for the non-monetary notice required above, all other notice provisions of the Loans Documents requiring any other notice to Borrower or any other person as a condition precedent to the existence of any breach, default or event of default or to any acceleration or other remedial action by Lender, permitting or granting any grace period after the giving or receipt of any notice for the cure of any breach, default or event of default under the Loans Documents prior to acceleration or other remedial action by Lender are hereby deleted, and all Loans Documents are hereby modified accordingly.~~

~~10.9. **Mutual Release of Lender; Waiver of Claims and Defenses.** As a material part of the consideration for Lender's execution of this Agreement, Borrower, Guarantor and New Guarantor the parties each hereby unconditionally and irrevocably release and forever discharge Lender each other and all of its their principals, directors, officers, employees, agents, attorneys, affiliates and subsidiaries from all liabilities, obligations, actions, claims, causes of action, suits, proceedings, damages, demands, costs and expenses whatsoever arising from or relating to any alleged or actual act, occurrence, omission or transaction occurring or happening prior to or on the date of this Agreement, including but not limited to any of the foregoing relating to the making, administration or enforcement of the Loans. Without limiting the foregoing, Borrower and Guarantor hereby unconditionally and irrevocably waive any and all defenses and claims existing or arising (or based on facts or circumstances actually or allegedly existing or arising) prior to or on the date of this Agreement which might otherwise limit their unconditional joint and several liability for all sums due under the Loans. Notwithstanding this Release, nothing contained in this Agreement shall prevent any Party from taking any legal action to enforce the terms of this Agreement. Moreover, if Borrower, Guarantor or New Guarantor materially breach its obligations under this Agreement, and subsequently file for protection under the United States Bankruptcy Code, then this release shall be of no further force and effect, and the Parties may assert any claims they had (or believed they had) against the remaining Parties at the time this Agreement was signed.~~

~~11.10. **Further Documents.** Borrower, Guarantor, and New Guarantor each hereby agree to execute any and all further documents and instruments required by Lender and to do all other acts and things necessary to give effect to the terms and provisions of this Agreement and/or to create and perfect all liens and security interests granted to Lender under the Loans Documents or required under this Agreement.~~

~~12.11.~~ **Authorization of Agreement.** The execution and delivery of this Agreement has been duly authorized by all necessary corporate or partnership action of Borrower, Guarantor (as applicable) and New Guarantor, and the individuals executing this Agreement on behalf of Borrower, Guarantor and/or New Guarantor have been duly authorized and empowered to bind Borrower, Guarantor and/or New Guarantor by such execution.

~~13.12.~~ **Costs and Expenses.** Up to a total and cumulative cap of \$80,000, Borrower hereby agrees to pay on demand any and all fees, costs and expenses, including but not limited to attorneys' fees, incurred by Lender in connection with: (A) the negotiation, preparation, filing and/or recording of this Agreement and all other documents and instruments required to give effect to this Agreement and/or to create and perfect the liens, security interests, assignments and/or pledges contemplated hereunder or under the Loans Documents; (B) the issuance to Lender of any and all title reports, amendments and title insurance; (C) any investigation fees and/or other fees and costs incurred by Lender in connection with this Agreement and/or the Loans Documents (or the effect of this Agreement on Lender's business and with its investors); (D) the default of Borrower in connection with the Loans Documents, or the existing and/or any future lien disputes with any of the Other Lenders or any other similarly situated lenders; and/or (E) the collection of the Loans and/or the enforcement of this Agreement and/or the Loans Documents and/or any other document executed in connection with this Agreement and/or the Loans Documents. Guarantor and New Guarantor shall each be liable for all of their respective foregoing costs and expenses pursuant to their respective guarantees. Lender shall have no liability whatsoever for any of the foregoing.

~~14.13.~~ **Time of the Essence.** Time is of the essence of all agreements and obligations contained herein.

~~15.14.~~ **Construction of Agreement.** If any provision of this Agreement conflicts with any provision of any Loans Documents, the applicable provision of this Agreement shall control.

As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa.

The titles and captions in this Agreement are used for convenience of reference only and do not define, limit or control the scope, intent or effect of any provisions of this Agreement.

No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted all or any portion of this Agreement, any other document required hereunder or in connection with any Loans Documents.

~~16.15.~~ **Ratification and Agreements by Guarantor.** Guarantor hereby acknowledges and consents to the terms of this Agreement, agrees to be bound by all terms and provisions hereof and of any and all documents and instruments executed by Borrower in connection with and/or as contemplated in this Agreement; acknowledges and confirms that Guarantor is and shall remain liable for all indebtedness and obligations now or hereafter owed by Borrower to Lender in connection with the Loans (pursuant to this Agreement and the Loans Documents or otherwise); agrees that Guarantor's said liability shall not be released, reduced or otherwise

affected by the execution of this Agreement, by any changes in the effect of the Loans Documents under the terms of this Agreement, by Lender's receipt of any additional collateral for the Loans, by the consummation of any transactions relating hereto, or by any other existing fact or circumstance; ratifies the Guaranty as security for the Loans; and confirms that the Guaranty remains in full force and effect.

~~17~~-16. **Entire Agreement; No Oral Agreements Concerning Loans.** The Recitals set forth at the beginning of this Agreement are incorporated into this Agreement as a material part of this Agreement. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, which agreement shall not be varied by any alleged or actual oral statements or parol evidence whatsoever. Lender has not promised or agreed in any manner to extend the maturity of the Loans, to restructure the Loans or any security therefor, to modify any terms of the Loans Documents or the effect thereof, to forbear in the commencement, exercise or pursuit of any right or remedy Lender has under the Loans Documents or applicable law, to release or adversely affect any lien or security interest previously or concurrently granted in favor of Lender, or to forego the benefit of any term, provision or condition of the Loans Documents, except as may be otherwise specifically provided in this Agreement and subject in all instances to strict compliance by Borrower, Guarantor and New Guarantor with all terms and conditions of this Agreement. Except as specifically provided in this Agreement (and so long as Borrower is in compliance with the terms of this Agreement), Lender has not agreed or become obligated, whether by negotiating or executing this Agreement or otherwise, to make any new Loans or to extend any new credit to Borrower, Guarantor or New Guarantor under any circumstances.

~~18~~-17. **Ratification of Workout.** The parties acknowledge and agree that the terms and conditions of this Agreement are part of but not the entire body of a mutual workout arrangement between the parties for a resolution of a dispute regarding the Loans. Borrower, Guarantor and New Guarantor each hereby ratify, consent to, and agree to all of Lender's actions, from November 27, 2013, to the date first stated above, regarding and/or related to the claims of the Other Lenders alleging that the encumbrances for their loans were in first priority for the subject Properties; with the actions of the Lender including, without limitation, Lender lending Borrower an additional amount of approximately \$ _____, in the aggregate, with said funds being used towards satisfaction of certain loans from the Other Lenders. Borrower, Guarantor and New Guarantor each ratify and agree that the Lender's loans for said Properties have increased by the amounts that Lender paid toward satisfaction of the respective Other Lenders' loans for the subject Properties and Lender's Loans will continue to increase by the amount that Lender will advance to Borrower (or pay toward) for the satisfaction of the respective Other Lenders' Loans or in connection with Lender's rights or obligations pursuant to the Loans Documents as modified by this Agreement.

18. Confidentiality. The Parties and their attorneys agree not to assist, suggest, notify, or recommend that third parties investigate or pursue any requests for information, claims, or litigation relating to any of the Parties, their consultants, officers, directors, shareholders, owners, employees, consultants, attorneys, agents, predecessors, successors, affiliates, subsidiaries, parents, heirs representatives, and assigns.

The Parties and their attorneys agree that the terms of the Agreement and the material facts or allegations underlying the Forbearance Agreement shall remain confidential. They agree not to disclose, or cause others to disclose, to anyone the material terms stated in this Agreement or the material facts or allegations underlying this Agreement.

The Parties and their attorneys shall refrain from making any disparaging or negative statements or comments about the other Parties to any third parties, including any derogatory statements or criticisms. The Parties shall not offer or provide to any third parties any information or opinions about the other Parties to this Agreement or the events underlying this Agreement. The Parties and their attorneys shall not offer or provide to any third parties any information or opinions about the events underlying this Agreement.

The Parties agree the covenants contained in this provision are a primary and material consideration for entering into this Agreement.

19. Prohibition Against Conveyance/Encumbrance of Notes. Notwithstanding any provisions of this Agreement to the contrary, so long as no Event of Default hereunder has occurred and is continuing, Lender agrees it shall not sell, convey, assign, pledge, hypothecate, grant to a security interest in or otherwise transfer or encumber any Note.

[signatures on following page]

IN WITNESS WHEREOF, the undersigned Parties have executed this Agreement on the date first above written.

Borrower:

ARIZONA HOME FORECLOSURES, LLC

By: _____
Yomtov "Scott" Menaged
Its: Member

EASY INVESTMENTS, LLC

By: _____
Yomtov "Scott" Menaged
Its: Member

Guarantor:

Yomtov "Scott" Menaged

New Guarantor:

FURNITURE KING, LLC

By: _____
Yomtov "Scott" Menaged
Its: Manager

Lender:

DENSCO INVESTMENT CORPORATION

By: _____
Denny Chittick
Its: President

EXHIBIT A
LENDER LOANS AND ENCUMBERED PROPERTIES

CORE/1003619.0003/100400986.1

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this ___ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of ARIZONA HOME FORECLOSURES, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

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

Notary Public

My Commission Expires:

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this ___ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of EASY INVESTMENTS, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

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

Notary Public

My Commission Expires:

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this ____ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did acknowledged execution of the foregoing instrument as the Guarantor.

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

Notary Public

My Commission Expires:

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this ____ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the Manager of FURNITURE KING, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said company.

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

Notary Public

My Commission Expires:

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this ____ day of _____, 2014, before me appeared Denny Chittick, to me personally known, who being by me duly sworn, did say that he/she is the President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, and said Denny Chittick acknowledged execution of the foregoing instrument to be the free act and deed of said corporation.

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

Notary Public

My Commission Expires:

FORBEARANCE AGREEMENT

THIS FORBEARANCE AGREEMENT (“**Agreement**”) is executed on February __, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company (“**AHF**”), whose address is 7320 W. Bell Road, Glendale, Arizona 85308, Easy Investments, LLC, an Arizona limited liability company (“**EI**”), whose address is 7320 W. Bell Road, Glendale, Arizona 85308 (AHF and EI are collectively referred to as the (“**Borrower**”), Yomtov “Scott” Menaged (“**Guarantor**”), whose address is 10510 East Sunnyside Drive, Scottsdale, Arizona, Furniture King, LLC, an Arizona limited liability Company (“**New Guarantor**”), whose address is 303 N. Central Avenue, Suite 603, Phoenix, AZ 85012, and DenSCO Investment Corporation, an Arizona corporation (“**Lender**”), whose address is 6132 W. Victoria Place, Chandler, Arizona 85226, (the Borrower, the Guarantor, the New Guarantor, and Lender are each considered a “**Party**” hereunder and are collectively referred to as the “**Parties**”). (Any capitalized term not defined in this Agreement shall have the meaning set forth in the Deeds of Trust as later defined).

Recitals

The following recitals of fact are a material part of this Agreement:

A. Borrower is indebted to Lender under the terms of certain Loans (the “**Loans**”), which are listed on the attached Exhibit A, which is incorporated into this Agreement by this reference, and each are evidenced by a Note Secured by Deed of Trust (each, a “**Note**” and collectively, the “**Notes**”), all of which were executed by Borrower in favor of Lender (the “**Notes**”) and by a Mortgage (or a “**Receipt and Mortgage**”) (each, a “**Mortgage**”, and collectively, the “**Mortgages**”), and each such Note and Mortgage was executed by Borrower and delivered to Lender, as a condition precedent to and immediately prior to the funding of the applicable Loan.

B. Guarantor guaranteed the payment and performance of each of the Loans (the “**Guaranty**”), executed by Guarantor in favor of Lender.

C. Each of the Loans are further evidenced and/or secured by various documents and instruments, including but not limited to a certain Deed of Trust and Assignment of Rents (each a “**Deed of Trust**”, and collectively, the “**Deeds of Trust**”), executed by Borrower at the funding of the Loan in favor of Lender and recorded in conjunction with the Trustee’s Deed conveying the real property to Borrower. The Deeds of Trust constitute a lien on the respective real properties described therein (individually a “**Property**” and collectively, the “**Properties**”) and referenced in Exhibit A. The Notes, the Mortgages, the Deeds of Trust, the Guaranty, the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the “**Loans Documents**”.

D. Each of the Mortgages provides: “Borrower hereby grants to Lender or assignee a first, prior and superior equitable lien and mortgage against the Real Property to secure payment of the Loan... . Borrower has delivered to Lender a promissory note and deed of trust,

and Borrower agrees that the deed of trust that the deed of trust shall be recorded against the Real Property as a first, prior and superior lien and encumbrance simultaneously with the recording of the Trustee's Deed."

E. Each Deed of Trust provides as follows:

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, BORROWER AGREES:

5. Borrower shall promptly discharge any lien in which has priority over this Deed of Trust unless Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (b) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in Lender's opinion operate to prevent the enforcement of lien; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Deed of Trust. If Lender determines that any part of the Property is subject to a lien which may attain priority over this Deed of Trust, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy the lien or take one or more actions set forth within 10 days of the beginning of the notice.

F. Each Note provides as follows:

"A "Default" shall occur (i) ... or (vi) upon the occurrence of any default under any obligation of Maker to Holder. Further, at Holder's option after Default, all remaining unpaid principal and accrued interest shall become due and payable immediately without notice (other than any declaration prescribed in applicable sections of the agreements under which such events of default arose), presentment, demand or protest, all of which hereby are waived." ("Default" shall have the meaning set forth in the Note).

G. On or about November 27, 2013, Guarantor met with Denny Chittick of Lender to inform Lender that certain of the Properties had also been used (though Guarantor acknowledged no fault) as security for one or more loans from one or more other lenders (individually, the "Other Lender" and collectively, the "Other Lenders") and the Loans from Lender may not be in the first lien position on each respective Property.

H. At the November 27 meeting, Guarantor acknowledged to Lender that Borrower had an obligation to discharge the liens of the Other Lenders or to take such other actions to satisfy Section 5 of each Deed of Trust within 10 days, as referenced above. Further, Borrower and Guarantor acknowledged that the meeting satisfied Lender's obligation to provide notice to Borrower and Guarantor of an action leading to a Default pursuant to each of the Loan Documents.

I. The Loans are now in Default (as defined in the Note) and Lender has provided Borrower with any and all notice required under each of the Loans Documents concerning such Default.

J. Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, but only so long as and on the conditions that (1) Borrower, Guarantor and New Guarantor acknowledge the existing Defaults under the Loans, (2) all liens, security interests, rights and remedies of Lender under the Loans Documents continue in full force and effect and (3) Borrower, Guarantor and New Guarantor fulfill all conditions and comply with all terms and provisions set forth in this Agreement, and furnish all other documents and perform all other acts necessary to give effect to the agreements hereinafter set forth.

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

1. **Loans Balance.** The total sum now due and payable under the Loans, in aggregate, is approximately \$ _____, consisting of \$ _____ in principal, \$ _____ in accrued interest (through and including February 1, 2014), \$ _____ advanced by Lender in payment of costs and expenses as permitted under the Loans Documents and approximately \$ _____ in costs and expenses incurred by Lender for collection and enforcement of the Loans. Interest continues to accrue under the Loans at the rate of 18 % per annum as provided in the Notes (as opposed to the Default Interest rate set forth in the Notes).

2. **Acknowledgment of Default.** Borrower, Guarantor and New Guarantor hereby acknowledge and agree that the Loans are in Default, and that as a result of such Default, Lender now has the right to pursue foreclosure and any and all other rights and remedies permitted to Lender under the Loans Documents and/or under applicable law.

3. **Continued Effect of Loans Documents.** Borrower, Guarantor and New Guarantor further acknowledge and confirm that the Loans Documents have been duly authorized, executed and delivered to Lender and are valid, binding and enforceable against Borrower and Guarantor in accordance with their respective terms, and that to the collective knowledge of Borrower, Guarantor and New Guarantor, all liens and security interests created in favor of Lender under the Loans Documents have been validly created and duly perfected as encumbrances upon all Properties and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents and as modified by this Agreement. Upon the satisfaction of the lien of the applicable Other Lender with respect to a Property, the lien and security interest created in favor of Lender under the Loans Documents will be deemed to be validly created and duly perfected as an encumbrance upon the respective Property and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents. Further, Borrower shall cause to be provided to Lender a Lender's title insurance policy issued by a nationally-recognized title company, reasonably acceptable to Lender insuring that Lender's encumbrance in such Property, as evidenced by the respective Deed of Trust, shall constitute a valid and enforceable first and prior lien to any other encumbrance on the respective Property.

4. **Forbearance by Lender on Conditions; Effect of Breach.** Lender hereby agrees to forbear pursuit of its rights and remedies under the Loans Documents and/or under applicable law, but only so long as and on the conditions that Borrower, Guarantor and New Guarantor pay all sums, perform all covenants and agreements and do all acts and things required of them hereunder. If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any

covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Lender may cease such forbearance and may immediately commence and pursue any or all rights and remedies Lender may have under the Loans Documents and/or under applicable law as to any or all of the collateral or security for the Loans, all in such order and manner as Lender may elect from time to time in its sole discretion and without notice of any kind to Borrower, Guarantor, New Guarantor or any other person, as if this Section 4 had never been agreed to by Lender. Lender's agreement herein to forego immediate pursuit of its rights and remedies constitutes a postponement and forbearance only, and does not in any event constitute a waiver of any such rights or remedies.

5. **No Effect on Existing Default; Extension of Maturity.** Neither the execution and delivery of this Agreement or any other document or instrument required hereunder nor the consummation of the transactions and agreements set forth in this Agreement shall in any manner rescind or cure any existing Default under the Loans Documents, reinstate the Loans to a current status, or constitute an accord and satisfaction of the Loans. Notwithstanding this provision, the maturity date of all of the Loans is hereby extended to February 1, 2015; provided, however, Lender, at its sole discretion, may further extend the maturity date of all of the Loans to February 1, 2016, so long as Borrower, Guarantor and New Guarantor have complied and are in compliance with the terms of this Agreement.

6. **Borrower's Actions.** Lender's continued performance of the terms of this Agreement is conditioned upon each of the following obligations being fulfilled:

(A) Borrower agrees to use its good faith efforts to: (i) liquidate other assets, which is expected to generate approximately \$4 to \$5 million US Dollars; (ii) apply all net proceeds from the rental of Borrower's other real estate assets, or the net proceeds from the acquisition and disposition of other real estate or other assets by Borrower, and (iii) apply all funds received from Borrower's continued good faith efforts to recover any other asset that can be recovered from the missing proceeds from the multiple Loans that were advanced from Lender and Other Lenders with respect to certain properties as referenced above. Any additional funds obtained and / or made available to Borrower pursuant to this subsection shall be made available to and used by Borrower in connection with the resolution of the lien disputes between Lender and Other Lenders as referenced above (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower as provided herein).

(B) Borrower agrees to provide Lender, and maintain in effect, a life insurance policy from a nationally-recognized life insurance carrier (with a rating of _____ or better from _____ and reasonably approved by Lender, in the amount of \$10,000,000, insuring the life of Guarantor with Lender named as the sole beneficiary, until all obligations pursuant to the Agreement have been fully satisfied.

(C) Borrower agrees to provide Lender with a separate personal guaranty from Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents, and this Agreement, and such Guaranty shall be in commercially reasonable form for a lender loaning a similar aggregate amount of money to a borrower as Lender is loaning in the aggregate to Borrower. Further, Borrower agrees to provide a re-affirmation and consent from Guarantor to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees

of Lender's Loans to Borrower, so that the terms and provisions of this Agreement will not cause or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of Lender and Borrower pursuant to the terms and provisions of this Agreement.

(D) Borrower agrees to provide Lender with a separate corporate guaranty from New Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents and this Agreement, to be secured by a lien against all of New Guarantor's inventory, accounts, and assets.

(E) Except for Lender, Borrower agrees to continue to pay the interest due to the Other Lenders for loans secured by any of the Properties, and any other similarly situated lender on a timely basis and to keep each of such loans current and in compliance with their respective terms.

(F) Borrower has arranged for private outside financing (the "Outside Funds"), which is to be provided to Borrower in the approximate amounts and on the following prospective schedule: (i) approximately \$1,000,000 on or before March 20, 2014; (ii) approximately \$1,000,000 on or before May 26, 2014; (iii) approximately \$1,000,000 on or before July 15, 2014; and (iv) approximately \$1,200,000 on or before September 15, 2014. Such Outside Funds shall be used exclusively for the pay-off of the Other Lenders and any other similarly situated lender; to pay interest payments to similarly situated lenders; to pay repair and/or rehab expenses associated with the collateral for The Loans, or to make any other payment that, in Borrower's judgment, is for the mutual benefit of Borrower and Lender. Any balance remaining shall be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower, as provided herein.

(G) Borrower has agreed to inform Lender of all of the terms of Borrower's transaction to obtain the Outside Funds and the security provided for such Outside Funds. Lender agrees to keep such information on a confidential basis, provided, however, Lender will be able to provide such terms and information to its investors, legal counsel, accountants and other applicable professionals on a confidential basis.

(H) During the term of this Agreement, Borrower, Guarantor and New Guarantor agree to use good faith efforts to satisfy and pay-off any and all financial obligations secured by liens in favor of the applicable Other Lender with respect to a Property. The Borrower and Lender shall cooperate to agree upon a sequencing schedule (which will need to be adjusted on a reasonable basis) to satisfy and release the liens of the Other Lenders on the applicable Properties. Borrower agrees to use its Good Faith Efforts to cause the liens of the Other Lenders to be satisfied and released on or before nine (9) months from the execution of this Agreement.

(I) Borrower, Guarantor, New Guarantor and Lender acknowledge and agree that this Agreement shall not constitute nor create a joint venture or partnership arrangement between or among Lender and any of the Borrower or Guarantor.

(J) If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any covenant, agreement or obligation owed to Lender under any of the Loans Documents, as

modified by this Agreement, Borrower agrees to provide any additional collateral ("Additional Security") to Lender, as may be requested by Lender, to secure Borrower's existing obligations to Lender and to secure the additional obligations that Lender is agreeing to provide pursuant to this Agreement.

(K) Execution, delivery and filing or recording (with all costs thereof paid by Borrower) of all documents and instruments required to create the required liens on the respective Properties as required by the Loan Documents or to create a security interest in any Additional Collateral.

7. **Lender's Actions.** Subject to the full compliance of Borrower, Guarantor, and New Guarantor to each of their respective obligations, as detailed in this Agreement, the Lender will perform the following obligations:

(A) Lender agrees to increase the Loan amount of each of the Properties referenced in Exhibit A up to 95% of the loan-to-value ("LTV") ratio of the value of the respective Properties, as determined by Lender. The additional funds advanced to Borrower shall be used to pay off the Other Lender and release its security interest in that Property.

(B) Lender will defer (but not waive) the collection of interest from the Borrower on the Loans to the Borrower during the process to fund the amount due to the Other Lenders; and all deferred interest on the Notes from Borrower shall be paid to Lender on or before the payoff of the respective Note.

(C) Lender will provide a new loan to Borrower in the amount up to 1 Million US Dollars, which loan is to provide for multiple advances, earn 3% annual interest to be secured by a first lien position against certain real property or properties to be approved by Lender, in its sole discretion, and the obligation is to be personally guaranteed by Guarantor and New Guarantor (the "Additional Loan").

(D) Provided that Borrower, Guarantor and New Guarantor each complies with all of its respective obligations under this Agreement, Lender will waive the right to charge the Default Interest rate which is permitted pursuant to the terms of the Loans Documents. If any of Borrower, Guarantor or New Guarantor fails to comply with its respective obligations under this Agreement, Borrower shall then be liable for Default Interest at the Default Interest rate set forth in the Loan Documents on all outstanding Notes.

8. **Grace and Cure Periods.** If Borrower fails to comply with any monetary or non-monetary obligation undertaken by it through this Agreement, Borrower shall be in default of this Agreement if it fails to satisfy the obligation within five (5) business days of receiving email or telephonic notice from Lender. Except for the notice required above, all other notice provisions of the Loans Documents requiring any other notice to Borrower or any other person as a condition precedent to the existence of any breach, default or event of default or to any acceleration or other remedial action by Lender, permitting or granting any grace period after the giving or receipt of any notice for the cure of any breach, default or event of default under the Loans Documents prior to acceleration or other remedial action by Lender are hereby deleted, and all Loans Documents are hereby modified accordingly.

9. **Mutual Release; Waiver of Claims and Defenses.** As a material part of the consideration for this Agreement, the parties each hereby unconditionally and irrevocably release and forever discharge each other and all of their principals, directors, officers, employees, agents, attorneys, affiliates and subsidiaries from all liabilities, obligations, actions, claims, causes of action, suits, proceedings, damages, demands, costs and expenses whatsoever arising from or relating to any alleged or actual act, occurrence, omission or transaction occurring or happening prior to or on the date of this Agreement, including but not limited to any of the foregoing relating to the making, administration or enforcement of the Loans. Notwithstanding this Release, nothing contained in this Agreement shall prevent any Party from taking any legal action to enforce the terms of this Agreement. Moreover, if Borrower, Guarantor or New Guarantor materially breach its obligations under this Agreement, and subsequently file for protection under the United States Bankruptcy Code, then this release shall be of no further force and effect, and the Parties may assert any claims they had (or believed they had) against the remaining Parties at the time this Agreement was signed.

10. **Further Documents.** Borrower, Guarantor, and New Guarantor each hereby agree to execute any and all further documents and instruments required by Lender and to do all other acts and things necessary to give effect to the terms and provisions of this Agreement and/or to create and perfect all liens and security interests granted to Lender under the Loans Documents or required under this Agreement.

11. **Authorization of Agreement.** The execution and delivery of this Agreement has been duly authorized by all necessary corporate or partnership action of Borrower, Guarantor (as applicable) and New Guarantor, and the individuals executing this Agreement on behalf of Borrower, Guarantor and/or New Guarantor have been duly authorized and empowered to bind Borrower, Guarantor and/or New Guarantor by such execution.

12. **Costs and Expenses.** Up to a total and cumulative cap of \$80,000, Borrower hereby agrees to pay on demand any and all fees, costs and expenses, including but not limited to attorneys' fees, incurred by Lender in connection with: (A) the negotiation, preparation, filing and/or recording of this Agreement and all other documents and instruments required to give effect to this Agreement and/or to create and perfect the liens, security interests, assignments and/or pledges contemplated hereunder or under the Loans Documents; (B) the issuance to Lender of any and all title reports, amendments and title insurance; (C) any investigation fees and/or other fees and costs incurred by Lender in connection with this Agreement and/or the Loans Documents (or the effect of this Agreement on Lender's business and with its investors); (D) the default of Borrower in connection with the Loans Documents, or the existing and/or any future lien disputes with any of the Other Lenders or any other similarly situated lenders; and/or (E) the collection of the Loans and/or the enforcement of this Agreement and/or the Loans Documents and/or any other document executed in connection with this Agreement and/or the Loans Documents. Guarantor and New Guarantor shall each be liable for all of their respective foregoing costs and expenses pursuant to their respective guarantees. Lender shall have no liability whatsoever for any of the foregoing.

13. **Time of the Essence.** Time is of the essence of all agreements and obligations contained herein.

14. **Construction of Agreement.** If any provision of this Agreement conflicts with any provision of any Loans Documents, the applicable provision of this Agreement shall control.

As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa.

The titles and captions in this Agreement are used for convenience of reference only and do not define, limit or control the scope, intent or effect of any provisions of this Agreement.

No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted all or any portion of this Agreement, any other document required hereunder or in connection with any Loans Documents.

15. **Ratification and Agreements by Guarantor.** Guarantor hereby acknowledges and consents to the terms of this Agreement, agrees to be bound by all terms and provisions hereof and of any and all documents and instruments executed by Borrower in connection with and/or as contemplated in this Agreement; acknowledges and confirms that Guarantor is and shall remain liable for all indebtedness and obligations now or hereafter owed by Borrower to Lender in connection with the Loans (pursuant to this Agreement and the Loans Documents or otherwise); agrees that Guarantor's said liability shall not be released, reduced or otherwise affected by the execution of this Agreement, by any changes in the effect of the Loans Documents under the terms of this Agreement, by Lender's receipt of any additional collateral for the Loans, by the consummation of any transactions relating hereto, or by any other existing fact or circumstance; ratifies the Guaranty as security for the Loans; and confirms that the Guaranty remains in full force and effect.

16. **Entire Agreement; No Oral Agreements Concerning Loans.** The Recitals set forth at the beginning of this Agreement are incorporated into this Agreement as a material part of this Agreement. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, which agreement shall not be varied by any alleged or actual oral statements or parol evidence whatsoever. Lender has not promised or agreed in any manner to extend the maturity of the Loans, to restructure the Loans or any security therefor, to modify any terms of the Loans Documents or the effect thereof, to forbear in the commencement, exercise or pursuit of any right or remedy Lender has under the Loans Documents or applicable law, to release or adversely affect any lien or security interest previously or concurrently granted in favor of Lender, or to forego the benefit of any term, provision or condition of the Loans Documents, except as may be otherwise specifically provided in this Agreement and subject in all instances to strict compliance by Borrower, Guarantor and New Guarantor with all terms and conditions of this Agreement. Except as specifically provided in this Agreement (and so long as Borrower is in compliance with the terms of this Agreement), Lender has not agreed or become obligated, whether by negotiating or executing this Agreement or otherwise, to make any new Loans or to extend any new credit to Borrower, Guarantor or New Guarantor under any circumstances.

17. **Ratification of Workout.** The parties acknowledge and agree that the terms and conditions of this Agreement are part of but not the entire body of a mutual workout arrangement

between the parties for a resolution of a dispute regarding the Loans. Borrower, Guarantor and New Guarantor each hereby ratify, consent to, and agree to all of Lender's actions, from November 27, 2013, to the date first stated above, regarding and/or related to the claims of the Other Lenders alleging that the encumbrances for their loans were in first priority for the subject Properties; with the actions of the Lender including, without limitation, Lender lending Borrower an additional amount of approximately \$_____, in the aggregate, with said funds being used towards satisfaction of certain loans from the Other Lenders. Borrower, Guarantor and New Guarantor each ratify and agree that the Lender's loans for said Properties have increased by the amounts that Lender paid toward satisfaction of the respective Other Lenders' loans for the subject Properties and Lender's Loans will continue to increase by the amount that Lender will advance to Borrower (or pay toward) for the satisfaction of the respective Other Lenders' Loans or in connection with Lender's rights or obligations pursuant to the Loans Documents as modified by this Agreement.

18. **Confidentiality.** The Parties and their attorneys agree not to assist, suggest, notify, or recommend that third parties investigate or pursue any requests for information, claims, or litigation relating to any of the Parties, their consultants, officers, directors, shareholders, owners, employees, consultants, attorneys, agents, predecessors, successors, affiliates, subsidiaries, parents, heirs representatives, and assigns.

The Parties and their attorneys agree that the terms of the Agreement and the material facts or allegations underlying the Forbearance Agreement shall remain confidential. They agree not to disclose, or cause others to disclose, to anyone the material terms stated in this Agreement or the material facts or allegations underlying this Agreement.

The Parties and their attorneys shall refrain from making any disparaging or negative statements or comments about the other Parties to any third parties, including any derogatory statements or criticisms. The Parties shall not offer or provide to any third parties any information or opinions about the other Parties to this Agreement or the events underlying this Agreement. The Parties and their attorneys shall not offer or provide to any third parties any information or opinions about the events underlying this Agreement.

The Parties agree the covenants contained in this provision are a primary and material consideration for entering into this Agreement.

19. **Prohibition Against Conveyance/Encumbrance of Notes.** Notwithstanding any provisions of this Agreement to the contrary, so long as no Event of Default hereunder has occurred and is continuing, Lender agrees it shall not sell, convey, assign, pledge, hypothecate, grant to a security interest in or otherwise transfer or encumber any Note.

[signatures on following page]

IN WITNESS WHEREOF, the undersigned Parties have executed this Agreement on the date first above written.

Borrower:

ARIZONA HOME FORECLOSURES, LLC

By: _____
Yomtov "Scott" Menaged
Its: Member

EASY INVESTMENTS, LLC

By: _____
Yomtov "Scott" Menaged
Its: Member

Guarantor:

Yomtov "Scott" Menaged

New Guarantor:

FURNITURE KING, LLC

By: _____
Yomtov "Scott" Menaged
Its: Manager

Lender:

DENSCO INVESTMENT CORPORATION

By: _____
Denny Chittick
Its: President

EXHIBIT A
LENDER LOANS AND ENCUMBERED PROPERTIES

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this ___ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of ARIZONA HOME FORECLOSURES, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

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

Notary Public

My Commission Expires:

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this ___ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of EASY INVESTMENTS, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

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

Notary Public

My Commission Expires:

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this ____ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did acknowledged execution of the foregoing instrument as the Guarantor.

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

Notary Public

My Commission Expires:

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this ____ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the Manager of FURNITURE KING, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said company.

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

Notary Public

My Commission Expires:

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this ____ day of _____, 2014, before me appeared Denny Chittick, to me personally known, who being by me duly sworn, did say that he/she is the President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, and said Denny Chittick acknowledged execution of the foregoing instrument to be the free act and deed of said corporation.

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

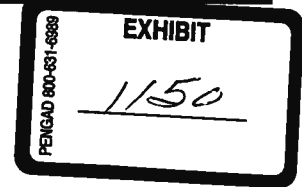
Notary Public

My Commission Expires:

Dennis/workout

Beauchamp, David G.

From: Beauchamp, David G.
Sent: Tuesday, February 25, 2014 9:38 PM
To: 'dcmoney@yahoo.com'
Cc: Beauchamp, David G.
Subject: Re: thinking outside the box



Denny:

Good ideas and probably something that we might need to work on. We will probably need to focus on an alternative approach, because Jeff's demands and changes have pretty much killed your ability to sign the Forbearance Agreement, which I believe Jeff wanted to do from the beginning.

I did send the revisions back to the head of our lending group and he said that Jeff's changes are clearly intended to prevent the parties from reaching any agreement. Robert also added that a lender has never given any release in a forbearance agreement in all the years he has represented workout groups at PNC and 5 other banks.

Talk tomorrow.

Best, David

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

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Tuesday, February 25, 2014 12:56 PM
To: Beauchamp, David G.
Subject: thinking outside the box

scott and i have been talking about how do we eliminate as many as these loans as fast as possible. that does a few things 1. it cuts down the interest expense from his pocket. 2. it cuts the number of problem loans from 118 to something more manageable, 3. gets the total dollars as an exposure to him cut down dramatically.

so how much room to have i have in a work out agreement? right now i'm securing every dollar i advance with a deed of trust. i know we are going to get a UCC on the inventory, which is great. he called me, asking that once that is done, do i advance him that

money ? i said no, it's security against the deficit. however, if he was to get an advance on that inventory, say 1 million dollars against the 3 million he has in inventory. by selling about 25 to 30 homes, that would eat up the million dollars (that's the difference between what's owed to Gregg and i, ie sell house for 120, i'm owed 70, gregg's owed 70, 20k deficit, use the million dollars and cover the 20k)

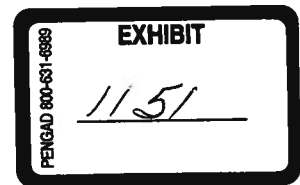
that would return 5 million to me and cut his interest costs, and cut the number loans dramatically. he feels like he can sell that many homes in a matter of days, yes wholesale them, which is cheaper than retail, but the added costs of retail close, ie prop tax, commissions, closing costs, time to close, 30 days more of interest, he could move a lot of these houses and cut my exposure. i wonder if that isn't better way of fixing hte problem?

he's throwing out all sorts of ideas in how this can be done. i would be willing release the UCC if he was able to secure the funds and use them to pay some of these loans. we've got about 3 more ideas, but what both of us are really concerned about is that when i tell my investors the situation, they request their money back. i want to be able to say, this was the problem, we've eliminated this much of the problem and this is what is left. i want to be able to say what is left is as small as possible.

i don't expect a 3 page answer, just venting, brainstorming.
dc

DenSco Investment Corp
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From: Denny Chittick
To: SMena98754@aol.com
Subject: Re: 100K On the way
Date: Monday, September 14, 2015 11:15:48 AM



when we started to talk about taking on this other 600k i was at 26.300 but since we've stretched it out over time, and i've only done 200k, but because of the interest it's already at 27 million now. so i have 400k more to go and with interest i'll be nearly 28million.

yes, i'll apply the 100k to the workout, because that's got to go down as a unsecured receivable.

once october comes the whole sale line should fall, then we'll be in better shape. i'm still paying for payoffs to get me past this month!

i got an email from david beauchamp last night at 11pm. i about wet my pants, evidently he as did a dozen or so other people received one of those spam emails

where they use a legit email address but want you to click on a link or something. i told him no i didn't send it and i've got full control of my email. i never got a response from him so hopefully that doesn't prompt any kind of response!

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From: "SMena98754@aol.com" <SMena98754@aol.com>
To: dcmoney@yahoo.com
Sent: Monday, September 14, 2015 10:52 AM
Subject: Re: 100K On the way

Correct, the wholesale Balance will not go up, Obviously after the next couple weeks that you have to send the 200k a week

If you take out the 200k you sent me, I wired you more than you wired me, so the interest is being paid and we can either apply the additional funds to a wholesale prop or we can apply to the workout. Figured the workout would be better?

In a message dated 9/14/2015 10:49:25 A.M. US Mountain Standard Time, dcmoney@yahoo.com writes:

| ok this is where the discussion we
| had on thursday isn't match up to

what i understood.

i understood, that the wholesale balance wouldn't go up , and you would be able to send 100k a week.

so you are now saying you send 100k and apply it to the whole interest and the rest to the workout?

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From: "SMena98754@aol.com" <SMena98754@aol.com>

To: dcmoney@yahoo.com

Sent: Monday, September 14, 2015 10:32 AM

Subject: 100K On the way

81,605.55 Interest

18,394.45 workout

