



BEFORE THE ARIZONA CORPORATION COMMISSION

57

COMMISSIONERS

MARC SPITZER, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON
KRISTIN K. MAYES

In the matter of:

) Docket No. S-03491A-02-0000

)
) AMERICAN NATIONAL MORTGAGE
) PARTNERS, L.L.C.
) 15021 N. 74th Street, Suite 100
) Scottsdale, Arizona 85260

) STATUS UPDATE

)
) SECURA INNOVATIVE INVESTMENT,
) INC.
) 15021 N. 74th Street, Suite 100
) Scottsdale, Arizona 85260

Arizona Corporation Commission
DOCKETED

MAR 31 2005

)
) SECURA MORTGAGE MANAGEMENT,
) L.L.C.
) 15021 N. 74th Street, Suite 100
) Scottsdale, Arizona 85260

DOCKETED BY

)
) CASH FLOW UNIVERSITY, INC.
) 15021 N. 74th Street, Suite 100
) Scottsdale, Arizona 85260

AZ CORP COMMISSION
DOCUMENT CONTROL

2005 MAR 31 P 4: 08

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)
) SECURA FUND ARIZONA, L.L.C.
) 15021 N. 74th Street, Suite 100
) Scottsdale, Arizona 85260

)
) LARRY WILLIAM DUNNING and SHEILA
) DUNNING, husband and wife
) 5635 E. Lincoln Dr., #23
) Paradise Valley, Arizona 85253-4121

)
) PHIL VIGARINO and JANE DOE
) VIGARINO, husband and wife
) 15021 N. 74th Street, Suite 100
) Scottsdale, Arizona 85260

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1 ROBERT K. REHM)
 15021 N. 74th Street, Suite 100)
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 husband and wife)
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 5 FRANK CASPARE and GAIL CASPARE,)
 6 husband and wife)
 7 27 Taconic)
 Millwood, NY 10546-1125)
 8 Respondents.)
 9 _____)

10 On September 5, 2002, a Temporary Cease and Desist Order was issued against the above
 11 listed Respondents. The Respondents requested a hearing on this matter. On March 10, 2003,
 12 Respondent American National Mortgage Partners LLC (“ANMP”) filed for protection under
 13 Chapter 11 of the United States Bankruptcy Code. On March 10, 2003, the Division filed a Motion
 14 to Stay the Administrative Proceeding and Request for Leave to File Matter in Superior Court. An
 15 Open Meeting was held on March 11, 2003, and the Commissioners authorized the Division to
 16 proceed in Maricopa County Superior Court.

17 On March 25, 2003, the Commission filed a Verified Complaint against the above
 18 Respondents and a number of additional Defendants (CV2003-005724 Arizona Corporation
 19 Commission vs. American National Mortgage Partners LLC et al.) On April 2, 2003, the
 20 Honorable Judge J. Richard Gama entered an Order for Preliminary Injunction and an Order
 21 Appointing a Receiver. James C. Sell is the appointed Receiver on this matter.

22 On April 23, 2003, the Honorable Judge Haines granted the Commission’s Motion for
 23 Relief from the Automatic Stay in the Bankruptcy proceedings of ANMP and ANMP 74th St LLC.

24 On August 26, 2003, the Commission filed an Amended Verified Complaint, Second
 25 Amended Order Appointing Receiver and the First Amended Order of Preliminary Injunction.
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The individual Defendants have obtained counsel and have answered the verified complaint or the amended verified complaint. The parties have exchanged disclosure statements.

The Receiver and his counsel have been active in attempting to collect funds from the various borrowers. The Receiver's Interim Report dated March 31, 2005, without attachments, is attached as Exhibit "A".

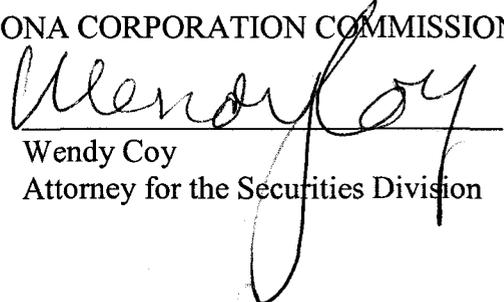
Attached, as Exhibit "B", is a list of settlements that the Receiver has reached with various parties involved with the Respondents. Exhibit "C" is a list of payments actually received by the Receiver on behalf of the Receivership estate.

The investigation is continuing and the Division is working closely with Defendants' counsel, the Receiver and the Receiver's counsel in an attempt to resolve this matter as quickly as possible and in the best interests of the investors.

RESPECTFULLY SUBMITTED this 31st of March, 2005.

ARIZONA CORPORATION COMMISSION

By



Wendy Coy
Attorney for the Securities Division

1 A copy of the foregoing was mailed this
2 ~~31st~~ day of March, 2005 to:

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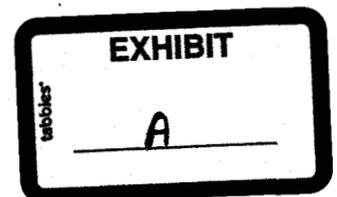
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JAMES C. SELL, as Receiver for AMERICAN NATIONAL MORTGAGE PARTNERS, LLC, and Related Entities, and as Assignee of Creditors, Investors, Shareholders, Members, Partners and Trusts of the Receivership Entities and as trustee of: 11324 E. Sprague Ave Trust dated unknown; 1230 Pine Road Trust dated July 21, 2002; 1256 Rand Ave Trust dated September 11, 2002; 222 N. 44th Street Trust dated August 31, 2001; 24003 N. Dobson Trust dated April 22, 2002; 2725 E. Thomas Road Trust dated November 14, 2002; 2801 Wayzata Blvd Trust dated September 13, 2002; 3303 Medina Road Trust dated March 15, 2002; 3303 Ohio Property LLC, an Arizona limited liability company; 35824 N. Secluded Lane Trust dated June 21, 2002; 35824 N. Secluded Lane LLC, an Arizona limited liability company; 36050 N. 58th Street Trust dated unknown; 36th Street & Oak Trust dated November 8, 2002; 4330 N. 5th Street Trust dated October 24, 2002; 506 Stoning Circle Trust dated July 26, 2002; 522 N. Columbia Center Blvd. Trust dated February 22, 2001; 5505 E. San Miguel Trust dated May 17, 2002; 630 E. Mullan Avenue Trust dated August 29, 2002; 67th Street Trust dated July 5, 2002; 7102 W. Roosevelt Trust dated July unknown, 2001; 7848 E. Copper Canyon Street Trust dated September 19, 2002; 8301 Creekside Circle Trust dated August 22, 2002; 8744 E. Oak Street Trust dated June 19, 2002; 8802 N. Black Canyon Hwy Trust dated unknown; 9815 S.W. Capital Hwy Trust dated June 24, 2001; 998 E. Indian School Trust dated September 22, 1999; American Money Power, Inc. dba Money Power, an Arizona corporation; Amsterdam 350 Trust dated August 16, 2002; Amsterdam Lenders LLC, an Arizona limited liability company; Amsterdam LLC, an Arizona limited liability company; ANMP 74th St. LLC; Atlas Mine LLC, an Arizona limited liability company; Bb/Carefree LLC, an Arizona limited liability

No. CV 2003 005724

Receiver's Interim Report



company; Boat Bed & Breakfast LLC, an Arizona limited liability company; Boat, Bed and Breakfast, LLC Trust dated November 8, 2000 aka Bed, Boat and Breakfast, LLC dated November 8, 2000; Camelback 300 LLC, an Arizona limited liability company; Camelback 300 Trust dated February 11, 2002; Camelback Stone Canyon LLC, an Arizona limited liability company; Cash Flow University, Inc., an Arizona corporation; Castle Roosevelt Warehouse LLC, an Arizona limited liability company; Clearwater Mines Trust dated February 12, 2002; Colonial Village LLC, an Arizona limited liability company; Corporate Fiducial Services, Inc., a Nevada corporation; Corporate Management Solutions, Inc., an Arizona corporation; Corporate Warehouse LLC, an Arizona limited liability company; Creative Financial Funding LLC, an Arizona limited liability company; Deer Valley Trust dated September 20, 2000; Deer Valley Trust II LLC, an Arizona limited liability company; Deer Valley/26th Ave. Trust dated unknown; DV Partners LLC, an Arizona limited liability company; FCG Lenders LLC, an Arizona limited liability company; FCG Partners LLC, an Arizona limited liability company; Federal Capital LLC, an Arizona limited liability company; FJ Properties LLC, an Arizona limited liability company; Flynn Jackson Partners LLC, an Arizona limited liability company; Flynn Jackson Premium Portfolio LLC, an Arizona limited liability company; Flynn Jackson Properties LLC, an unknown limited liability company; Flynn Jackson Second Portfolio LLC, an Arizona limited liability company; Flynn-Jackson Properties Trust dated April 30, 2002; Forest Avenue LLC, an unknown limited liability company; Forest Global LLC, an unknown limited liability company; Guaranty Performance, Inc., an Arizona corporation; High Chaparral Trust dated March 11, 2002; Hudson Park LLC, an Arizona limited liability company; Hudson-Hyde Park LLC, an Arizona limited liability company; Hudson Valley LLC, an Arizona limited liability company; I-10 Investors LLC, an Arizona limited liability company; Joshua Lane Lenders LLC, an unknown limited liability company; Las Sendas Mountain LLC, an unknown limited liability company; Lot 14 Copper Canyon Trust dated May 18, 2002; Lot 14 Copper Canyon Trust dated May 8, 2002; Lot 68 Mystic Hills Property Trust dated May 22, 2002; Medina Properties LLC, an Arizona limited liability company; Megastore Roosevelt Warehouse LLC, an Arizona limited liability company; Money Power LLC, an Arizona limited

liability company; Normandale Tower LLC, an Arizona limited liability company; North Dobson-Scottsdale LLC, an Arizona limited liability company; North Secluded Lane LLC, an Arizona limited liability company; Northwest Fir Properties dated May 17, 2002; NP Investments, Inc., a Nevada corporation; NT Creekside LLC, an Arizona limited liability company; Oak Commons LLC, an Arizona limited liability company; Omaha Property LLC, an unknown limited liability company; Pontchartrain Realty Fund LLC, a Louisiana corporation; Pontchartrain Realty Fund, Inc., a Nevada corporation; Pontchartrain Realty Fund, Inc., an Arizona limited liability company; Profit-I LLC, an Arizona limited liability company; Progress Drive Trust dated August 21, 2000; R.L. Wickman Trust dated January 31, 2002; Roosevelt Street Trust dated April 30, 2002; Roosevelt Warehouse LLC, an Arizona limited liability company; San Miguel Trust dated September 20, 2002; Secura Fund Arizona LLC, an Arizona limited liability company; Secura Innovative Investments, Inc., an Arizona corporation; Secura Mortgage Management, LLC, an Arizona limited liability company; She La Via Cosmetics, Inc., an Arizona corporation; Sixty-Seventh Street LLC, an Arizona limited liability company; South Bonita LLC, an Arizona limited liability company; T. Lungaro LLC, an Arizona limited liability company; The 300 Acacia Drive Trust dated January 18, 2000; The 300 East Camelback Road Trust dated June 1, 2000; The Federal Way Building LLC dated January 27, 2000; The Silverdale Building Trust dated June 27, 2000; Thomas Townhomes LLC, an Arizona limited liability company; Trapper Creek LLC, an Arizona limited liability company; United Equity Holdings, Inc., an Arizona corporation; Waterstone Apartments LLC, an Arizona limited liability company; WBMM LLC, an Arizona limited liability company; and Western + Gulf Capital, Inc., a Louisiana corporation

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RECEIVERSHIP ENTITIES

American National Mortgage Partners, LLC and Related Entities Receivership (American National) was a sophisticated Ponzi scheme. The Receivership estate is comprised of 112 interrelated entities. There are 16 management entities. The remaining 96 entities are comprised of investor Trusts and Limited Liability Companies that were organized, managed and controlled by one or more of the management entities. The management entities shared common control and operational attributes. Because of the commonality of control and operational attributes they are collectively referred to as American National in the following overview discussion of their business model. The following is a list of the American National management entities:

Company Name	Abbreviation	Business Type	Start	Receiver
She-La-Vie Cosmetics, Inc.	SLVC	Management Company	08/13/93	02/25/03
Western+Gulf Capital, Inc.	WGC	Management Company	10/31/97	04/02/03
NP Investments, Inc.	NPI	Management Company	11/23/98	02/25/03
Corporate Fiducial Services, Inc.	CFS	Management Company	11/10/99	02/25/03
Pontchartrain Realty Fund, LLC	PRF	Management Company	01/07/00	02/25/03
Creative Financial Funding LLC (Valley Fin)	CFF	Mortgage Broker	02/11/00	02/25/03
American Money Power, Inc.	AMP	Investment Entities	02/02/01	02/25/03
Boat, Bed & Breakfast LLC	BBB	Investment Entities	05/30/01	04/02/03
Federal Capital LLC	FC	Investment Entities	08/21/01	04/02/03
American National Mortgage Partners LLC	ANMP	Mortgage Banker	01/03/02	02/25/03
Secura Innovative Investment, Inc.	SII	Management Company	01/22/02	02/25/03
Secura Mortgage Management, LLC	SMM	Mortgage Banker	01/30/02	02/25/03
Cash Flow University, Inc.	CFU	Management Company	02/11/02	04/02/03
Corporate Management Solutions, Inc.	CMS	Management Company	02/11/02	02/25/03
Guaranty Performance, Inc.	GP	Management Company	02/11/02	04/02/03
Secura Fund Arizona, LLC	SFA	Investment Entities	03/11/02	02/25/03

THE PLAYERS

American National was primarily controlled by Larry Dunning, Frank Caspare, Eric Strasser and Robert Rehm. Other individuals, including but not limited to David Stocker, Darrell Coulter, Marshall Boyce, Gregory Harrington, Herb Fisher, Shelia Dunning, Phil Vigarino, Mark Kessler and Paul Meka provided substantial assistance to and enhanced the degree of control the primary individuals were able to exert over the origination, operation and cover up of the American National Ponzi scheme. Based on the Receiver's interviews with the primary and secondary control individuals, as well as former employees of American National and its investors, no material transaction occurred without Larry Dunning's approval. Throughout the history of American National, Larry Dunning, despite his prior felony conviction for loan fraud, attempted to create a government regulated, publicly financed, "hard money lending" empire.

Because of their prior felony convictions, Larry Dunning, Eric Strasser and Gregory Harrington could not obtain banking or securities licenses in their own names. Undeterred, they used a series of willing "fronts" to obtain the necessary licenses to operate American National. For the period that records were available, the pattern of conduct of the control group consistently treated the American National entities and the investor entities as though they were one functional entity.

If the government attacked and successfully shut down one American National entity, the primary control group would form a new entity to take its place. The names changed but the primary control group and their mode of conduct remained the same. The substance of many transactions radically differed from their form. Often they would ignore or alter previously created fictitious documents to satisfy current needs. **Since all the entities were operated as one amorphous entity and controlled by the primary group, money was moved from where it was to where it was needed without regard to legal form or function.** Since the primary control group exercised total control over all aspects of all entities, documents could be and were created, misrepresented and/or altered to fit the circumstances as the need arose.

The following American National management matrix clearly shows the overlapping roles of the members of the "management team". Despite Larry Dunning's efforts to stay in the background, his need to control and compartmentalize transactions precluded him from working entirely from the shadows.

	COMPANY ABBREVIATION															
	ANMP	CFF	CFU	CFS	CMS	GP	PRF	SII	SMM	WGC	NPI	SLVC	AMP	BBB	FC	SFA
DIRECTOR'S & OFFICERS																
Barreras, Michael				X												
Barton, Mary				X												
Baxter, Douglas				X	X				X							
Boyce, Marshall		X					X									
Brader, Robert		X														
Caspere, Frank	X	X					X						X			
Caspere, William											X					
Coulter, Darrell								X								X
Cozza, Mary													X			
Dunning, Larry			X	X						X	X		X	X		
Dunning, Shelia												X				
Hartze, Helen	X	X		X					X	X						
Meka, Paul					X								X			
Morley, Holley												X				
Palomino, Cheri				X												
Pontchartrain Realty Fund		X														
Rehm, Robert		X		X			X	X			X		X			X
Rutledge, Susan	X	X		X	X											
Sanchez, Rebecca	X															
Secura Innovative Invest.									X							
Secura Mortgage Mgmt.																X
Stocker, David			X	X	X	X		X					X			X
Strasser, Eric	X			X				X	X							X
Tanet, Ronald	X							X	X	X						X
Vigarino, Phil													X			
Walen, Dan		X														
Western+Gulf Capital															X	
Weule, Kim		X								X						

RIPE FOR THE AMERICAN NATIONAL PONZI SCHEME

The past several years we have seen interest rates on certificates of deposit; money market funds and bonds decline significantly. Individuals on fixed incomes that relied on a stable interest yield on their savings to maintain their standard of living have experienced significant declines in their income due to the decline in interest rates. The typical American National investor is at, near or past retirement age. The money they invested was from accumulated savings and represents nonreplaceable savings. Many American National investors had impaired earning

capacity due to age or medical condition. As a consequence, they lacked the ability to generate new savings. In an effort to maintain their standard of living they either had to reenter the work force, liquidate principal or "reach for yield" on their investments. American National appeared to offer a solution for the investors to increase the yield on their savings.

It was an opportune time for the Ponzi scheme. American National offered investors a high interest rate of return on an investment vehicle American National represented to be secured by real estate. American National claimed to have never missed a principal or interest payment to investors. American National offered an exotic fail safe mechanism, the Illinois Land Trust. American National claimed to occupy a market niche ignored or rejected by the institutional lending industry (small commercial loans and adult entertainment industry).

COMMON ATTRIBUTES OF A PONZI SCHEME

- Little or no economic substance to purported business enterprise.
- Promises of high returns with little or no risk.
- Misrepresentation of security and safety of principal.
- Claims of special competitive advantage, exotic product, secret process and/or performance guarantees.
- Claims of an unblemished track record of high investor returns and return of principal.
- Representations of government or industry guardian approval.
- Endorsements by industry professionals.
- Investor testimonials either real or manufactured. If real, the early investors received the return at the expense of later investors. The true nature of the return is not disclosed to the recipient investors or to prospective investors.
- The aura of professional attestations. The use of favorable legal and/or accounting opinions.
- Use of new investor funds or diverted funds to pay promised returns to previous investors. The return to the investors is not generated from the purported business enterprise.
- Use of "Creative Accounting" or other artificial devices to disguise the lack of economic substance and/or to defer the recognition of economic losses.
- Constantly accelerating need for funds.
- Accumulation of unresolved adverse economic events.

REPRESENTATIONS MADE BY AMERICAN NATIONAL TO INVESTORS

- a. American National was an Arizona State Banking Department licensed Mortgage Broker/Banker.
- b. American National advertised short term, high yield, first position and junior notes and deeds of trust secured by real estate.
- c. American National claimed to be filling a niche in the lending market created by the demise of the Savings and Loan industry and for a variety of reasons the loans were outside the lending parameters of the large financial institutions.

- d. American National claimed to have what amounted to a "Secret Process" (Illinois Land Trust) that would provide a competitive advantage over other "Hard Money" lenders in the event a borrower failed to perform.
- e. American National claimed that no investor ever lost money on their investments with American National or any of its predecessors.
- f. American National claimed investors were consistently paid their promised return.
- g. Commencing with the formation of Guaranty Performance, Inc. in February 2002, American National began offering "guaranteed" investments. The guarantee premium was paid for by the borrower.
- h. American National represented they had a legal opinion that said they were not selling securities. American National had a legal opinion in support of their use of "Illinois Land Trusts".

Many of the representations made by American National and relied upon by the investors, were either false or misleading. In addition, American National failed to disclose material adverse information to the investors. Had American National made truthful disclosures of all relevant material facts to the investors, their investment decision would have been, in all likelihood, to not invest.

THE FALSE AND/OR MISLEADING NATURE OF THE AMERICAN NATIONAL PONZI SCHEME

- a. **Most of the American National loans were not secured by notes and deeds of trust. American National had a "hidden agenda" driven practice of not recording notes and deeds of trust.** American National frequently entered into undisclosed "side deals" with borrowers. The side deals were designed to enrich the borrowers and/or the primary control group of American National and their affiliates at the expense of the investor/lenders.
- b. Guaranty Performance was essentially a shell entity. What little funds it did generate it invested in many of the same lender obligations that it purported to guarantee. **Guaranty Performance never had sufficient assets to be able to fulfill its guarantee on any loan it guaranteed. Guaranty Performance was formed by the primary control group to create the "illusion of security".**
- c. The use of Illinois Land Trusts provided American National with the ability to subordinate and/or eliminate entirely the investors' interest in the real property purported to secure their investments.
- d. American National did not have an unblemished track record. Earlier loan defaults were covered up by "rolling over" loans, making new loans or creating bogus "insider" sales.

Complaining Investors were given preferential payments or gratuitously switched to other investments.

- e. "No investor ever lost money or failed to receive their promised return" was an illusion created and maintained at the expense of new investors. The illusion was in serious trouble in mid 2001 and could not be maintained after mid 2002.
- f. American National investors were consistently paid from what ever source of cash was available. The payments to the investors were not related to the borrower's ability to perform or their actual performance. The process was facilitated by the commingling of funds in communal bank accounts.
- g. The industry "niche" American National claimed to occupy was already occupied by larger, more established, more experienced "hard money" lenders.
- h. Possession of a mortgage broker's or banker's license neither adds to nor detracts from the economic substance of a loan transaction. The licensing agency does not review or approve the merits of any loan.
- i. Darrell Coulter, Senior Vice-president of National Bank of Arizona failed to disclose his direct financial interest in American National. In addition to acting as a "shill" for Larry Dunning, Coulter offered to have his bank, National Bank of Arizona, lend prospective American National investors money to invest in American National products. (ANM058202) If a prospective investor did not have sufficient assets to meet the banks lending criteria, Larry Dunning, through an American National entity, would make an undisclosed loan to the prospective investor. With his "pumped up" assets and understated liabilities the prospective investor would qualify for the National Bank of Arizona loan and would be able to invest the loan proceeds with American National.
- j. American National had an inherent conflict of interest. It was to be paid by borrowers for finding them loans. Borrowers paid American National servicing fees and other loan related fees. Investor entity related expenses were borne entirely by an American National management entity. After the creation of Guaranty Performance, borrowers paid Guaranty Performance a monthly guarantee fee.
- k. Larry Dunning had a propensity for negotiating undisclosed side deals with borrowers. The side deals typically included the nonrecording of documents meant to secure the investor loans. The side deals placed the investors in grave jeopardy of losing their entire investment.

American National pursued a strategy of "fake it until you make it". Because of Larry Dunning's prior felony convictions, he could not obtain a Mortgage Broker's License or Mortgage Banker's License. Undeterred, he used "clean straw persons" or "clean partners" to obtain the required licenses for the lending operations he and his associates controlled.

The American National entities often employed “Creative Accounting Gimmicks” to pump up their assets and equity. The techniques included nonexistent loans, fictitious equity created through related-party transactions, worthless securities, undisclosed loans and fictitious or altered documents. **American National obtained audited financial statements of their “cooked books” from a Certified Public Accountant who “sold his opinion for a fee”** and who never conducted an appropriate audit of any of the American National entities in accordance with Generally Accepted Auditing Standards.

American National covered up nonperforming loans by curing defaults through the extension of new loans or the rewriting of the terms of the old loans. Investors who complained about their borrower or its performance were often switched “without consideration” to other existing loans or to new loans by new borrowers. American National paid defaulted loan investors their scheduled interest payments by diverting funds from new investors or from payments made by unrelated borrowers. In addition, American National used investors’ funds to pay company operating expenses.

American National in furtherance of its own hidden agenda used Illinois Land Trusts as a vehicle to hide the existence of investor loans. American National frequently, without the knowledge or consent of the investors, entered into side agreements with borrowers. Those side agreements were detrimental to the investors’ interests. **The centerpiece of American National’s typical side agreement was to not record a lien against the borrower’s pledged properties so long as they were not in default.**

American National could and did “wash the title” of real estate and make the property appear to be unencumbered. The borrower could then claim the American National investors’ money as their own capital investment in the subject property. (JCS000163) If the borrower defaulted, American National could foreclose using the Illinois Land Trust, and then transfer the property to a new entity. The new entity controlled by American National or an insider could go to a third party lender and obtain senior position financing.

When American National began to lose its ability to cover up the impact of the increasing defaults and needed to increase its money-raising pace, it added an additional fictitious security “enhancement” feature to entice investors. Borrowers were required to pay a loan guarantee fee to Guaranty Performance, Inc., an American National affiliate.

Guaranty Performance, Inc. was formed to guarantee the investors that they would not lose any of their principal or interest in the event of a borrower default. Investors were told that if a borrower defaulted; Guaranty Performance, Inc. would pay off the investors their principal balance, accrued interest, and fees. **Because of its lack of capital, Guaranty Performance, Inc. never had the ability to perform on any loan it guaranteed.**

American National’s accelerating need to raise new investor funds to pay off old investors was temporarily satisfied through “creative” fund raising tactics. Prospective investors performing “due diligence” before investing were referred by American National to Darrell Coulter, Senior Vice President, National Bank of Arizona. Coulter would attest to the touted attributes of American National’s investment program. Coulter went one step further; he set up a special loan

program wherein prospective investors could borrow money from National Bank of Arizona for the specific purpose of investing the loan proceeds with American National. **If an investor did not have sufficient liquid assets to satisfy National Bank of Arizona's lending criteria, Larry Dunning would make a loan (through an American National entity) to the investor to "pump up his assets". The corresponding loan liability would not be disclosed on the investor's financial statement. Once the investor obtained the loan from Coulter's bank, the investor would repay American National its loan and invest his National Bank of Arizona loan proceeds in an American National investment program.**

By early 2002, Larry Dunning and American National appear to have believed they had perfected their business model. They sought access to the public capital market. (ANM031391) They planned a series of public securities offerings. American National submitted its' first proposed public securities offering, Secura Fund Arizona, LLC. The offering was to be an Intrastate Public Offering for \$15,000,000. Secura's preliminary prospectus was dated June 17, 2002. (As of June 10, 2002, American National was holding \$467,954 of NSF Castle Megastore checks. (JCS000288-90))

The company's submission to the Arizona Securities Division included audited financial statements that were based on a series of bogus related-party transactions. The audited financial statements were certified by their CPA, who failed to conduct his audit in accordance with Generally Accepted Auditing Standards. American National was not able to satisfy the financial and organizational issues raised by the Securities Division. American National's planned foray into the public capital market was thwarted.

ELEMENTS OF CONTROL

The ability of one Person(s) to control the actions of another Person(s).

1. I have analyzed the organizational and operational attributes of the American National Investor entities. The following Independence Matrix clearly demonstrates the Investor Entities were conceived, created, operated and controlled by the American National management entities. In the Matrix, a "0" means dependent and a "1" means independent.

Entity Name

Issue	Megastore Roosevelt Warehouse, L.L.C.	Money Power, L.L.C.	998 E. Indian School Trust	8152 S. Stephanie Lane Trust	Oak Commons, L.L.C.	The 300 Acacia Drive Trust	The Federal Way Building LLC Trust	The 300 E. Camelback Road Trust	The Silverdale Building Trust	Progress Drive Trust	Deer Valley Trust	American Money Power, Inc.	9815 S.W. Capital Hwy Trust	7102 W. Roosevelt Trust
1) American National Negotiated Terms and Conditions of Loan	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2) American National Responsible for Recording Loan Documents	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3) American National Prepared Description of Loan Terms and Collateral	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4) American National Formed Entity Before Loan Negotiated	0	1	0	0	0	0	0	0	0	0	0	1	0	0
5) American National Chose Entity Name	0	1	0	0	0	0	0	0	0	0	0	1	0	0
6) American National Mailing Address Used for Entity	0	1	0	0	0	0	0	0	0	0	0	0	0	0
7) American National Prepared and/or Filed Organization Documents	0	1	0	0	0	0	0	0	0	0	0	0	0	0
8) American National Paid Entity Organization/Filing/Advertising Costs	0	1	0	0	0	0	0	0	0	0	0	0	0	0
9) American National Solicited Investors	0	1	0	0	0	0	0	0	0	0	0	1	0	0
10) American National Selected Attorney and Accountant	0	1	0	0	0	0	0	0	0	0	0	1	0	0
11) American National Bank Account Used Exclusively for Entity	0	1	0	0	0	0	0	0	0	0	0	1	0	0
12) American National Kept Entities Books and Records	0	1	0	0	0	0	0	0	0	0	0	1	0	0
13) American National Collected Interest and Principal Payments	0	1	0	0	0	0	0	0	0	0	0	0	0	0
14) Investors Never Voted on Any Issue	1	1	0	0	1	0	1	1	1	1	1	1	1	1
15) American National Prepared All Information for Vote on Any Issue	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16) American National Acted as Collection Agent	0	1	0	0	0	0	0	0	0	0	0	0	0	0
17) Title Company Not Used for Loan Transaction	0	1	1	1	0	1	1	1	1	1	1	1	1	0
18) American National Paid Entities Operating Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19) No Written Contract with American National	0	0	0	0	1	0	0	0	0	0	0	0	0	0
20) American National Paid All Collection Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0

ENTITY'S INDEPENDENCE SCORE: 5% 65% 5% 5% 10% 5% 10% 10% 10% 10% 10% 10% 40% 10% 5%

Entity Name

Issue	222 N. 44th Street Trust	Federal Capital, L.L.C.	36050 N. 58th Street Trust	Deer Valley Trust II, L.L.C.	Atlas Mine, L.L.C.	Camelback 300, L.L.C.	South Bonita, L.L.C.	Las Sendas Mountain, L.L.C.	BB/Carefree, L.L.C.	FCG Partners, L.L.C.	Profit-I, L.L.C.	Amsterdam, L.L.C.	Normandale Tower, L.L.C.	Corporate Warehouse, L.L.C.
1) American National Negotiated Terms and Conditions of Loan	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2) American National Responsible for Recording Loan Documents	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3) American National Prepared Description of Loan Terms and Collateral	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4) American National Formed Entity Before Loan Negotiated	0	1	0	0	0	0	0	0	0	0	0	0	0	0
5) American National Chose Entity Name	0	1	0	0	0	0	0	0	0	0	0	0	0	0
6) American National Mailing Address Used for Entity	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7) American National Prepared and/or Filed Organization Documents	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8) American National Paid Entity Organization/Filing/Advertising Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9) American National Solicited Investors	0	1	0	0	0	0	0	0	0	0	0	0	0	0
10) American National Selected Attorney and Accountant	0	1	0	0	0	0	0	0	0	0	0	0	0	0
11) American National Bank Account Used Exclusively for Entity	0	1	0	0	0	0	0	0	0	0	0	0	0	0
12) American National Kept Entities Books and Records	0	1	0	0	0	0	0	0	0	0	0	0	0	0
13) American National Collected Interest and Principal Payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14) Investors Never Voted on Any Issue	1	1	0	1	0	1	1	0	0	1	0	1	1	1
15) American National Prepared All Information for Vote on Any Issue	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16) American National Acted as Collection Agent	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17) Title Company Not Used for Loan Transaction	1	1	0	1	1	0	0	1	0	0	0	1	0	0
18) American National Paid Entities Operating Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19) No Written Contract with American National	0	0	0	0	0	0	0	0	0	0	0	1	0	0
20) American National Paid All Collection Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0

ENTITY'S INDEPENDENCE SCORE: 10% 40% 0% 10% 5% 5% 5% 5% 0% 0% 5% 5% 10% 5%

Entity Name

Issue

	D.V. Partners, L.L.C.	Flynn Jackson Partners, L.L.C.	Lot 14 Copper Canyon Trust	Roosevelt Warehouse, L.L.C.	Trapper Creek, L.L.C.	8744 E. Oak Street Trust	35824 N. Secluded Lane, L.L.C.	North Dobson-Scottsdale, L.L.C.	Castle Roosevelt Warehouse, L.L.C.	Flynn Jackson Premium Portfolio, L.L.C.	Flynn Jackson Second Portfolio, L.L.C.	Medina Properties, L.L.C.	The Hyde Park, L.L.C.	The Hudson-Hyde Park, L.L.C.
1) American National Negotiated Terms and Conditions of Loan	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2) American National Responsible for Recording Loan Documents	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3) American National Prepared Description of Loan Terms and Collateral	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4) American National Formed Entity Before Loan Negotiated	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5) American National Chose Entity Name	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6) American National Mailing Address Used for Entity	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7) American National Prepared and/or Filed Organization Documents	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8) American National Paid Entity Organization/Filing/Advertising Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9) American National Solicited Investors	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10) American National Selected Attorney and Accountant	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11) American National Bank Account Used Exclusively for Entity	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12) American National Kept Entities Books and Records	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13) American National Collected Interest and Principal Payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14) Investors Never Voted on Any Issue	1	0	0	1	0	0	0	0	1	0	0	0	1	1
15) American National Prepared All Information for Vote on Any Issue	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16) American National Acted as Collection Agent	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17) Title Company Not Used for Loan Transaction	1	0	1	0	1	0	1	0	0	0	0	1	0	0
18) American National Paid Entities Operating Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19) No Written Contract with American National	1	0	0	0	0	0	0	0	0	0	0	1	1	1
20) American National Paid All Collection Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0

ENTITY'S INDEPENDENCE SCORE: 15% 0% 5% 5% 5% 0% 5% 0% 5% 0% 0% 0% 5% 10% 10%

Entity Name

Issue

	Sixty-Seventh Street, L.L.C.	San Miguel Lenders, L.L.C.	1230 Pine Road Trust	Waterstone Apartments, L.L.C.	Ashton Glen Apartments, L.L.C.	Hudson Valley, L.L.C.	FuturaCom GI, L.L.C.	630 E. Milan Avenue Trust	Hudson Park, L.L.C.	Joshua Lane Lenders, L.L.C.	NT Creekside, L.L.C.	Colonial Village, L.L.C.	WEBB, L.L.C.	Carnelback Stone Canyon, L.L.C.
1) American National Negotiated Terms and Conditions of Loan	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2) American National Responsible for Recording Loan Documents	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3) American National Prepared Description of Loan Terms and Collateral	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4) American National Formed Entity Before Loan Negotiated	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5) American National Chose Entity Name	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6) American National Mailing Address Used for Entity	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7) American National Prepared and/or Filed Organization Documents	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8) American National Paid Entity Organization/Filing/Advertising Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9) American National Solicited Investors	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10) American National Selected Attorney and Accountant	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11) American National Bank Account Used Exclusively for Entity	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12) American National Kept Entities Books and Records	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13) American National Collected Interest and Principal Payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14) Investors Never Voted on Any Issue	1	1	0	0	0	1	0	0	1	0	0	0	0	0
15) American National Prepared All information for Vote on Any Issue	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16) American National Acted as Collection Agent	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17) Title Company Not Used for Loan Transaction	0	1	1	1	1	0	0	0	0	0	0	1	0	1
18) American National Paid Entities Operating Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19) No Written Contract with American National	1	0	0	0	1	1	0	0	1	1	0	1	1	1
20) American National Paid All Collection Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0

ENTITY'S INDEPENDENCE SCORE: 10% 10% 5% 5% 10% 10% 0% 0% 10% 5% 0% 10% 5% 10%

Entity Name

Issue	Amsterdam Lenders, L.L.C.	FCG Lenders, L.L.C.	4330 N. 5th Avenue Trust	FJ Properties, L.L.C.	Wayzata Lenders, L.L.C.	3303 Ohio Property, L.L.C.	North Secluded Lane, L.L.C.	Thomas Townhomes, L.L.C.	Forest Amsterdam, L.L.C.	2302 N. 36th Street, L.L.C.	8802 N. Black Canyon Hwy Trust	Deer Valley/26th Avenue Trust
1) American National Negotiated Terms and Conditions of Loan	0	0	0	0	0	0	0	0	0	0	0	0
2) American National Responsible for Recording Loan Documents	0	0	0	0	0	0	0	0	0	0	0	0
3) American National Prepared Description of Loan Terms and Collateral	0	0	0	0	0	0	0	0	0	0	0	0
4) American National Formed Entity Before Loan Negotiated	0	0	0	0	0	0	0	0	0	0	0	0
5) American National Chose Entity Name	0	0	0	0	0	0	0	0	0	0	0	0
6) American National Mailing Address Used for Entity	0	0	0	0	0	0	0	0	0	0	0	0
7) American National Prepared and/or Filed Organization Documents	0	0	0	0	0	0	0	0	0	0	0	0
8) American National Paid Entity Organization/Filing/Advertising Costs	0	0	0	0	0	0	0	0	0	0	0	0
9) American National Solicited Investors	0	0	0	0	0	0	0	0	0	0	0	0
10) American National Selected Attorney and Accountant	0	0	0	0	0	0	0	0	0	0	0	0
11) American National Bank Account Used Exclusively for Entity	0	0	0	0	0	0	0	0	0	0	0	0
12) American National Kept Entities Books and Records	0	0	0	0	0	0	0	0	0	0	0	0
13) American National Collected Interest and Principal Payments	0	0	0	0	0	0	0	0	0	0	0	0
14) Investors Never Voted on Any Issue	1	0	0	0	0	0	0	0	1	0	1	1
15) American National Prepared All Information for Vote on Any Issue	0	0	0	0	0	0	0	0	0	0	0	0
16) American National Acted as Collection Agent	0	0	0	0	0	0	0	0	0	0	0	0
17) Title Company Not Used for Loan Transaction	0	0	1	0	0	0	1	0	0	1	0	0
18) American National Paid Entities Operating Costs	0	0	0	0	0	0	0	0	0	0	0	0
19) No Written Contract with American National	1	1	0	1	1	1	0	1	1	0	0	0
20) American National Paid All Collection Costs	0	0	0	0	0	0	0	0	0	0	0	0

ENTITY'S INDEPENDENCE SCORE: 10% 5% 5% 5% 5% 5% 5% 5% 10% 5% 5% 5%

2. In addition to the elements detailed in the Independence Matrix the following list of transactional practices and control attributes demonstrate the underlying framework for commingling of funds and the disregard of entity integrity.

a. **Pervasiveness of Transactions that lacked economic substance.**

- 1) **Funding of a new loan to a borrower that is in default on an earlier loan made by a sister entity.** The purpose of the new loan is to cure the default of the original loan(s) and to make curative payments to the original lending entity. The second loan does not recognize the increased risk of lending to a borrower already in default. Material omissions of facts and misrepresentations of facts about the borrower's financial condition, the loan's purpose and the loans safety were withheld from/made to the investors. The new loan was at higher risk but offered little or no additional collateral or security. The borrowing entity used a substantial amount of new loan proceeds to bring its original loan(s) current.

- 2) **Using new investor money for inappropriate purposes.** American National controlled and directed the distribution of funds to or on behalf of borrowers. Funds were disbursed in the 'best interest' of American National and "old investors". The disbursements were contrary to the stated purpose of the loan and were not made in the best interest of "new investors".

- 3) **Rolling over of defaulted loans.** Additional loan funds may or may not be involved in the new or "rewritten" loan. The loan repayment terms were rewritten and/or were extended. The function of the rollover, to a typically larger loan, was to cure an existing default by extending the loan's due date and/or by providing additional cash to bring the loan current. The loan rollover is not based on economics or prudent business judgment. The primary purpose of the transaction is to create the illusion of a performing loan.
 - 4) **Investment switching.** Investors wanting out of an investment were gratuitously switched from one loan to another loan or were "cashed out" by new investor funds. The switching or replacements were done irregardless of the loans status and commonly occurred after a borrower defaulted. The face value switches/replacements ignored the economic impact of material adverse internal and/or external economic conditions of the borrower.
- b. Undisclosed or hidden related party transactions and conflicts of interest were used by Larry Dunning and American National to cure defaults and to create nonexistent assets for financial statement purposes. The purpose of the falsified financial statements was to satisfy regulatory financial standards and/or obtain third party financing.
 - c. Transactions outside the scope of the entities stated purpose were used to cure defaults on unrelated loans and to collect fees owed on unrelated transactions. In addition investor funds were diverted to American National management entities to cover American National's operating expenses.
 - d. Undisclosed joint ventures were created to stave off lender defaults and/or to fractionalize the funding of large loans. (ANM057262) New investor entities were formed to make new loans to old borrowers. The practice of "throwing good money after bad" is self evident in the ConSyGen, FutureCom and Castle transactions.

INVESTOR CLAIMS AND COUNTER CLAIMS

Because of the pervasiveness of transactions that lack economic substance and the commingling of funds it would be uneconomical or impossible to determine their specific effect upon individual investors. Typically in a Ponzi scheme it is easy to determine where the money came from but it's almost impossible to determine where it went or where it should have gone. Communal bank accounts; lack of separate books and records; disregard of entity integrity, form, function and purpose; and fraud underscore the impossibility of a true determination of a preferential claim to assets that one investor may have over another. The transactions by their nature give rise to investor claims and counter claims that have the potential to completely exhaust the assets of the estate prior to resolution of the issues and claims.

SPECIFIC EXAMPLES OF THE PONZI SCHEME, CONTROL AND BASIS FOR CLAIMS AND COUNTER CLAIMS

No economic substance to core business activity/Fraud from the beginning

2725 East Thomas Loan

No loan was ever made to Herb Fisher for the 2725 East Thomas Road Town Homes project. As further evidence of the degree of control American National exerted over the investors, the proceeds raised from investors were diverted to at least one unrelated loan, to pay start up expenses for Larry Dunning's planned Florida operations, to make interest payments to the investors and to pay American National's operating expenses.

On October 7, 2002, Herb Fisher applied with American National for a loan of \$1,250,000 to build 12 Townhouse units at 2725 East Thomas Rd, Phoenix, Arizona. (ANM010681-4) During the loan process Fisher requested another loan for \$353,800. On November 6, 2002, American National requested Century Title to set up a \$353,800 loan escrow account for Fisher Properties. (ANMP010674) Herb Fisher executed a promissory note to American National for \$353,800. (ANM010711) American National began raising money for the first loan. On November 15, 2002, Roxane Rudick invested \$40,000; \$20,000 in the 2725 East Thomas Road Trust and \$20,000 in another Fisher project known as the 2302 North 32nd St. Trust (ANM010746-7 and ANM010748-50) American National had in their possession assignment documents they never recorded. (ANM010819-47) The fund raising continued and on November 22, 2002, Terrance Wood invested \$50,000; \$25,000 was invested in 2725 East Thomas Road Trust and \$25,000 invested in 2302 North 32nd St. Trust. (ANM010751-2) The third investor, Annette Melton invested \$5,000 in 2725 East Thomas Road Trust on November 22, 2002. (ANM010748-50)

As of November 22, 2002, \$50,000 had been raised for the 2725 East Thomas loan.

On November 26, 2002, the Articles of Organization for the Thomas Townhomes, LLC were filed. (ANM010738-42) On December 3, 2002 American National was designated as the Statutory Agent for Thomas Townhomes, LLC. American National formed the LLC and became its statutory agent demonstrating the passive nature of the investors and American National's control. (ANM010744)

On December 5, 2002, American National wrote Check #1284 to Century Title for \$40,000 representing the initial escrow deposit. (ANM100061 and 2)

The title company objected to the "piece meal" deposit and release of funds proposed by American National. (ANM006598) On December 9, 2002 Century Title Agency cancelled the escrow and returned the \$40,000 escrow deposit. (JCS000175)

Instead of the \$40,000 going back into its trust account, American National deposited the \$40,000 into its operating account.

According to American National's accounting records the operating account was overdrawn \$7,715.14 at the time of the deposit. The remaining balance was not transferred to the trust account but, was instead used to pay \$8,000 for legal service for Larry Dunning's attempt to start an operation in Florida similar to his American National operation in Arizona. \$25,000 of the \$40,000 was used to partially fund the Future Com Global, Inc., Amsterdam property loan. (JCS000176-82 and ANM103188 and 9)

The misapplication of investor funds demonstrates American National's intentional disregard of the 2725 East Thomas LLC's stated purpose, the use of funds for unrelated activities, the degree of control American National exerted over the LLC's funds and the commingling of investor funds in American National's operating account.

No loan existed and the bulk of the investors' funds had been disbursed for unauthorized activities.

In furtherance of the illusion of a Fisher loan and in pure "Ponzi Scheme" fashion, American National made an interest payment to the unsuspecting investors on December 10, 2002. (ANM100067-72) The source of the funds to make the interest payments on the nonexistent loan was either from the investors own funds, from other investors, from a \$5,333.33 interest payment received from an unrelated loan (San Miguel) or from one or more of those sources. Because of the commingling of funds in the operating account it is not possible to precisely identify the exact source of the funds used. (JCS000185)

American National in furtherance of its deception made a second interest payment to the investors on January 9, 2003. (ANM100245-50 and JCS000187)

Incredibly, American National continued to raise funds for the nonexistent 2725 East Thomas Road/Fisher loan. The final investor, Joel Martinez, invested \$50,000 from his IRA account at Mid-Ohio Securities Corp on January 29, 2003. (ANM010753-7 and ANM010668-73) American National breached its fiduciary duty to its investors.

American National's accounting records recorded the Martinez \$50,000 investment as a deposit to American National's operating account on February 3, 2003. (JCS000181) American National had a "trust" account for investor funds. The Martinez deposit should have been made to the "trust" account not the operating account.

The "trust account" was for "regulatory show" not substance.

After the \$50,000 Martinez deposit, American National's operating account had a balance of \$52,179.42. On the same day American National issued Check #1845 for \$7,000 to CMS (an American National affiliate) as a loan, Check #1846 for \$1,050 to SMM (an American National affiliate) so it could cover its January 31, 2002 payments and Check #1847 for \$6,250 to Creative Financial Funding (an American National affiliate). The \$6,250 was used by Creative Financial Funding to make a \$3,397.20 SBA loan payment for the 125 S. 52 St. Property and to pay Creative Financial Funding's 2002 FUTA Taxes of \$2,560.83. (JCS000194) Other inappropriate expenditures of the \$50,000 Martinez investment were made. However, due to the

commingling of funds in American National's operating account it is not possible to specifically allocate those funds to any specific disbursement. (JCS000192 and 3) The American National bookkeeper, in an undated work sheet, attempted to account for the use of \$30,721.74 of the \$50,000 Martinez deposit. (JCS000387)

The Ponzi scheme continued. On February 6, 2003 a final interest payment was made to three original investors in the nonexistent loan. (ANM100547-52 and JCS000191)

A total of \$100,000 was raised from four investors for a nonexistent loan. American National collected a \$10,000 fee for making the nonexistent loan. Since no loan was made, the \$10,000 fee was for raising the \$100,000 from investors. Since no proceeds were loaned to the prospective borrower and American National had complete access to the investor funds, they could and did divert and convert the funds for their own benefit. During the same time frame that \$100,000 of investor funds was diverted from the 2725 East Thomas Road loan, a second \$100,000 of investor funds was diverted by American National from the Fisher, Oak Commons loan (36 Street and Oak).

Similar to another loan referred to as the High Chaparral loan, American National perpetuated the illusion of a loan by making periodic interest payments to the investors.

Lack of significant economic substance to core business activity/Good deal gone bad/not all Ponzi Schemes start out as Ponzi Schemes

High Chaparral

Between March 11, 2002, and April 2, 2002, three investors invested \$50,000 each for the purpose of making the \$150,000 High Chaparral Loan. By April 5, 2002, \$134,500 had been raised and disbursed to the borrower.

The High Chaparral loan was one of the few loans made by American National that was repaid by the borrower. However, American National was not content with having a performing loan.

On May 24, 2002, High Chaparral repaid the loan in full. The three investors were not notified of the loan payoff and the principal payoff of \$150,000 was not disbursed to the investors. **Instead, American National created the illusion that the loan had not paid off. American National continued to make interest payments to the three investors as though the loan had been extended. Since no loan existed, interest payments either came from general corporate funds, the investors' own principal or from new investors' funds.**

By June 10, 2002, when the first bogus interest payments were made to the three investors, American National was holding \$467,954 of NSF Castle entity checks. (JCS000288)

A February 6, 2003, interest payment was made to two of the three investors on the nonexistent paid off loan. (ANM100455 and 6) Apparently the status of the High Chaparral loan was common knowledge among the American National employees. On January 23, 2003, Mark Kessler, an American National salesman, sent a memo to Connie (Helen Hartz), American

National's responsible party. Kessler expressed his concerns that one of his clients, Doug Dragoo, had received interest payments for the past six months on a paid off note. Kessler stated "Doug Dragoo loaned \$50,000 to the Chaparral LLC. It paid off as much as six months ago, and he has only received interest payments.?? I was told when he asked about the property that it was an accounting error, and ANMP would make good with his \$\$\$ as soon as they could."(JCS000385) In an "off the books" switch, Larry Dunning, on or about February 26, 2003, recorded a \$50,000 lien against Tim Isaac's house at 7000 N. 47th St, Paradise Valley, Az. The Isaac lien was a substitution for Doug Dragoo's \$50,000 investment in the paid off and no longer existing High Chaparral loan (JCS000392 & 3).

On October 25, 2002, one of the three investors, Lyman Davis, was paid his principal investment of \$50,000.

As of October 21, 2002, American National was holding \$1,838,851 of Castle entity NSF checks. (JCS000291)

The Salinas Family Revocable Trust had the remaining \$50,000 investment in the High Chaparral loan. Their principal balance was never repaid.

Other diversions of funds were occurring at the same time as the High Chaparral interest ruse was being conducted as illustrated by American National's accounting records. (JCS000386 and 7)

FLYNN JACKSON LOANS/A PONZI SCHEME WITHIN A PONZI SCHEME

Between April 25, 2002, and November 16, 2002, American National made four loans to Flynn Jackson; \$715,000 on April 25, 2002, \$288,612.82 on June 26, 2002, \$608,798.70 on July 31, 2002 and \$88,000 on November 18, 2002 for a cumulative total of \$1,700,411.52. (ANM027145, 6, 26500 and 26654)

Flynn Jackson made principal and interest payments on the \$715,000 loan through February 10, 2003. The remaining principal balance at February 12, 2003 was \$193,448.17. (JCS000388) The \$715,000 note was in default on October 30, 2002.

On November 11, 2002, Eric Strasser, American National COO, without investor approval, agreed to extend the \$715,000 Flynn Jackson note. (ANM026707 and 8)

On December 15, 2002, one investor, Lyman Davis, wrote to American National citing his October 29, 2002 letter, wherein he stated that the Flynn Jackson note had expired, he had no interest in extending the note and he wanted his principal and default interest paid. On December 14, 2002 Lyman Davis received his \$50,000 of principal. **The \$50,000 came from a new investor, Clinton DeWitt. (JCS000388)**

The June 26, 2002, Flynn Jackson note for \$288,612.82 and the July 31, 2002 Flynn Jackson note for \$608,798.71 were accounted for by American National as one note totaling \$897,411.53. (ANM027145 and 6 and JCS000389 and 90) Flynn Jackson had made one principal payment on

the combined note of \$483,373.86 on February 10, 2003. The remaining principal balance of the two notes was \$414,037.67 at February 12, 2003. (JCS000389 and 90)

On November 18, 2002, Flynn Jackson borrowed an additional \$88,000 from four investors. (JCS000391 and ANM026500) The purpose of the loan was to establish an interest reserve for the other Flynn Jackson loans. There appears to have been no disclosure to the new investors of the purpose of the loan or of Flynn Jackson's default on its original loan.

During an interview of the principals of Flynn Jackson they disclosed the Ponzi nature of their operations. They explained how they had never made money on any of their transactions financed by American National investors. Further, they stated that they liquidated collateral to make the interest and principal payments on the earlier loans.

On February 12, 2003, Flynn Jackson had a cumulative outstanding principal balance owed of \$695,485.84 and approximately \$200,000 of collateral securing it.

The principals of Flynn Jackson stated that American National personnel were aware of and approved the liquidation of collateral to make interest and principal payments and the resultant under-securitization of the loans. The statement that American National knew and approved of the excess liquidation of collateral is supported by the fact that American National held and controlled Flynn Jackson's collateral. American National had to release the collateral before Flynn Jackson could liquidate it.

CONSYGEN, INC. (CSGi)/125 SOUTH 52ND STREET

Summary of Transaction

American National foreclosed on the CSGi loan and sold the property to a related party at an inflated price. Prior to the close of escrow the affiliate applied for and received a SBA first mortgage loan and a second mortgage loan from California Bank and Trust (an affiliate of National Bank of Arizona) for a combined total of approximately one million dollars. Prior to the April 4, 2002, SBA loan closing the affiliate sold the property to Future Com Global, Inc. (FCG) on March 27, 2002. FCG executed a promissory note on March 27, 2002, for \$1,250,000. (JCS000169) A portion of loan proceeds obtained from the SBA and/or second mortgage loans was supposed to be used to payoff old investors. However, American National did not receive sufficient proceeds to payoff the old investors' principal balance. **None of the proceeds was paid to the old investors. Instead their principal and accrued interest were rolled over and allocated between two new FCG obligations of \$1,250,000 and a second loan for \$555,000. The allocation was necessary since the old investors were owed more than \$555,000.** (JCS000159-61 and 165 -71)

A History of Throwing Good Money After Bad

On October 19, 1999, Western + Gulf (WGC), a Larry Dunning owned entity, on behalf of Robert Rehm and Daniel Hamburg Trust agreed to loan ConSyGen, Inc. (CSGi) and Robert L. Stewart **\$200,000**. The loan was secured by CSGi's office building at 125 South 52 Street and

Stewart's personal residence at 8152 South Stephanie Lane. The loan was for 90 days (due January 1, 2000). **The loan was subsequently increased to \$220,000** (\$150,000 Hamburg and \$70,000 Rehm). (ANM046170-74 and ANM020454)

On October 21, 1999, Rehm loaned CSGi an additional \$90,000 for 7 days. **Total loan value was increased to \$310,000.** (ANM046167)

On November 3, 1999, Rehm and WGC loaned CSGi \$65,000 for a 5 month term (Due May 3, 2000). **Total loan value was increased to \$375,000.** (ANM046171)

On November 15, 1999, CSGi acknowledged the previous loans of \$70,000; \$90,000; \$65,000 and \$150,000 and borrowed an additional \$310,000 for 6 months at 1.75% interest per month. **Total loan value was increased to \$685,000.** A product royalty agreement was added as an additional inducement. (ANM046169)

The source of the funds for the additional \$310,000 loaned by Hamburg to CSGi was loaned by Schupak to Hamburg. The loan was arranged by Larry Dunning and secured by Hamburg's interest in 998 East Indian School Rd. (ANM022092, 93, 219-221)

Also, on November 15, 1999, Stewart assigned his interest in 8152 South Stephanie Lane to Hamburg and Rehm (8152 S. Stephanie Lane Trust). (ANM046196)

On January 10, 2000, a default notice was sent to CSGi by CFS (an American National entity) as trustee for the 125 S. 52 Street Trust for the cumulative outstanding loan balance of \$685,000. (ANM046180-81)

On February 14, 2000, CSGi borrowed \$200,000 from Monte and Betty Meux (American National investors). The loan proceeds were used to cure the default on the previous \$685,000 of loans. (ANM046191)

On May 12, 2000, Schupak (Hamburg's and Rehm's source of the \$310,000) agreed to a 90 day extension to August 15, 2000. (ANM046158)

On August 15, 2000, Schupak agrees to extend his loan due date to November 15, 2000. (ANM046168)

On August 16, 2000, CSGi, in exchange for a 90 day extension from Hamburg and Rehm, agrees to pay \$10,000 for Hamburg and Rehm's extension agreement from Schupak. Creative Financial Funding (Creative Financial Funding) advanced the \$10,000 on behalf of CSGi. Eric Strasser signed the agreement as CFO of CSGi. (ANM046184)

On December 4, 2000, CSGi agrees to pay up to \$50,000 for damages to Hamburg and Rehm caused by Schupack's foreclosure on his \$310,000 loan to Hamburg and Rehm. CSGi acknowledged its default on its \$310,000 loan from Hamburg and Rehm. (ANM046155)

On December 20, 2000, Hamburg borrows \$320,000 from Capital Management, a third party lender, to payoff the \$320,427.31 due on the Schupak loan of \$310,000. (ANM027980)

On March 20, 2001 Hamburg's Capital Management loan is paid off for \$326,933.33. The money was received from another American National investor, Rudolph Ouwens. Rudolph Owens believed he was investing in 998 E. Indian School Trust. (ANM027978, 035536 and 128694)

On April 5, 2001, CSGi acknowledges its default on its loans and turns over its interest in 125 South 52nd Street to CFS, trustee for the 125 S. 52nd Street Trust. CSGi agrees to lease 125 S. 52nd Street property from the trust for \$15,000 per month with an option to repurchase the building. As part of the agreement CFS agrees to advance CSGi an additional \$13,300. (ANM046151 & ANM065788-91)

The purpose of the \$13,300 advance to CSGi was to provide CSGi with the funds needed to postpone for 30 days (from April 17, 2001 to May 17, 2001) the first lien holder's (American Savings Life Insurance Company [ASLIC]) scheduled trustee's sale. Item 2. of ASLIC's March 28, 2001, letter requests a current copy of the pending agreement for sale and leaseback of the property. (ANM065788-91)

The Related Party Sale

On May 10, 2001, Creative Financial Funding, Robert Rehm, Managing Member executed a real estate purchase contract to purchase 125 South 52 Street from CFS, acting as trustee for Lillian and Daniel Hamburg and Monte and Betty Meux for \$1,295,000. In addition, Lillian and Daniel Hamburg and Monte and Betty Meux individually signed the acceptance on May 11, 2001. (ANM065648-55)

On May 10, 2001, CSGi's principal balance owed to ASLIC on its first mortgage was approximately \$530,000. The principal balance owed to American National investors for their second position was \$685,000. The total outstanding principal indebtedness was \$1,215,000. In addition to the principal loan balances of \$1,215,000, a reinstatement fee of approximately \$100,000 was owed to ASLIC. **At May 10, 2001, the outstanding amounts owed were greater than the \$1,295,000 gross sale price.**

As a consequence, neither CSGi nor CFS, as trustee had any equity to absorb either ASLIC's ongoing interest payment requirements or American National lenders' prior accrued or continuing debt service requirements. The interest, fees and penalty portion of the ASLIC reinstatement payment of \$100,466.09 and ongoing interest payments to ASLIC were credited as payments toward the contract sale price.

The ANMP investors were in a loss position as of May 10, 2001. Their loss would increase dollar for dollar with each interest payment to ASLIC and dollar for dollar for any net operating costs for the property. The CSGi lease for \$15,000 was a sham since CSGi was insolvent. CSGi had not made a payment on its first mortgage obligation to ASLIC since September 7, 2000. (ANM065786)

An internal economic analysis that appears to have been prepared during Creative Financial Funding's SBA loan application process disclosed an analysis of two different disposal scenarios for the property. Plan A was based on a CB Ellis estimate of sales price of \$1,100,000. After deducting a sales commission of \$66,000 and the ASLIC first mortgage of \$550,000, only \$484,000 would have been available to distribute to the American National investors who were owed \$685,000. Plan B envisioned the effects of a SBA refinancing. Under Plan B, only \$376,775 would be available for distribution to American National investors. Clearly, either plan would result in a loss of principal for the American National investors. (ANM046161)

The purchase contract called for an Earnest Money deposit of \$100,446. (ANM065648) On May 16, 2001, Creative Financial Funding issued Check #1105 for \$100,446.09 to ASLIC to reinstate its first mortgage. (ANM065782 & 3 and ANM065786 & 7)

An additional purchase contract term was for Creative Financial Funding to make monthly payments of \$10,345.11 to ASLIC. The purpose of the monthly payments was to service the ASLIC's first mortgage obligation. The monthly payments were to be credited to the purchase price. (ANM065648-55 and JCS000148-50)

CFS, the seller, not Creative Financial Funding, the buyer, issued a series of checks to ASLIC for the monthly mortgage payments. (ANM065777, 793, 797-802, 806, 809, 811, 816, ANM048684, ANM048695 and JCS000149 & 50)

SBA Loan Fraud to Facilitate the Related Party Sale and Cover Up the Inevitable Investor Losses

On July 21, 2001, Larry Dunning read an article in the Business Section of the Arizona Republic about the availability of SBA loans. (ANM065905)

On August 7, 2001, Larry Dunning sent financial statements for Creative Financial Funding to Business Development Corporation for comments as to Creative Financial Funding's eligibility for a "504" SBA loan. (ANM065928-30)

On August 23, 2001, CFS loaned CSGi \$50,000. (ANM046192, 92988-9) The continued loans to CSGi were necessary so that CSGi could make its lease payments to CFS. The purpose was to maintain the fiction of a performing lease.

September 1, 2001, Addendum to the lease between CSGi and CFS is amended to reduce the square feet leased to 4,684. (ANM065896)

On September 1, 2001, CFS loans CSGi \$151,996.78. (ANM046193)

On September 12, 2001, Creative Financial Funding loans CSGi \$11,000. (ANM046195, 48751) CSGi paid CFS \$11,000 for rent. Creative Financial Funding/CFS represented to the SBA that they were renting a portion of the building to CSGi for \$11,000. The loan/rent agreement was

designed to keep the myth alive that CSGi was making monthly rent payments. (ANM048217 & 27 and JCS000434-8)

On September 15, 2001, Creative Financial Funding loaned CSGi an additional \$11,000. (ANM046194 & 5, 48741) CSGi pays \$11,000 rent to CFS/CFF. (ANM048227 and JCS000410 & 420)

On November 1, 2001, Larry Dunning sold CFS to CFF for \$500,000. Pontchartrain Realty Fund, LLC is the maker of the \$500,000 promissory note to Dunning. (ANM030089-92) The operations of Pontchartrain Realty Fund, Inc. and LLC appear to be one and the same. The November 1, 2001 transaction appears to have been conducted by a defunct entity. Larry Dunning, in a February 20, 2001 letter to Schupack, stated that Caspare folded PRF, Inc. He also stated the company had no assets and a negative net worth of \$250,000. (ANM007372)

At approximately the same time Larry Dunning sent an email to Gregory (Business Development Finance Corp.) wherein Dunning provides Gregory with CFF's October 31, 2001, Financial Statements. Larry Dunning asserts that Pontchartrain was CFF's parent. (JCS000151)

CSGi is Taken Off Life Support

December 10, 2001, an email by CSGi's CEO and President, Bruce Shirey, including a letter to shareholders that outlined the deep financial crisis CSGi was in and concluded that bankruptcy was the most judicious available solution. (JCS000152-4)

Undeterred by Regulatory Issues

On December 21, 2001, Frank Caspare and CFF enter into a Cease and Desist Order with the Arizona Banking Department. CFS is cited in the order as being unqualified to act as a trustee on Arizona Trust Deeds. (ANM040361-9) Frank Caspare did not disclose what appears to be a material adverse change in CFF/CFS's ability to conduct business as required by item VII of the SBA loan commitment. (ANM065700)

Creative Accounting

On January 7, 2002, Zions Bank issues a commitment to CFF for a loan on 125 South 52 Street. (ANM065696-703) Item E. of the Zion's SBA loan commitment required CFF to make a Capital Injection of \$216,725. \$194,250 was to be paid by the borrower (CFF) for the purchase of the real estate. (ANM065696 & 7) CFF used its payments to ASLIC for CSGi and rent loans from CFF to CSGi to support its claim that CFF made \$164,226.07 of the required real estate purchase payment of \$194,250. (JCS000410)

How to Fix the Fix

Before the CFS sale to CFF is completed, Larry Dunning structures a new sale of the property to Future Com Global, Inc. (FCG). **According to the March 27, 2002, FCG deal summary for 125 South 52 Street, the purchase price was to be \$1,250,000 (\$45,000 less than CFF's**

purchase price of \$1,295,000). The underlying indebtedness is represented to be \$1,020,000. As part of the transaction, CFF assigned its 1st beneficial interest to Secura Mortgage Management, LLC, an American National affiliate (SMM). CFF assigned its 2nd beneficial interest to FCG. (ANM008091 & 8094c)

On March 27, 2002, a promissory note was executed between FCG and Ronald Kelly as borrower and Individual Guarantor, and CFF, lender for \$1,250,000. (ANM008067)

The parties entered into a Letter Agreement to supplement the sale documents for 125 South 52 Street. Pursuant to the Letter agreement, FCG's purchase of property from CFF was to be on a wrap-around mortgage financing basis. CFF was to remain liable for payment of all sums attributable to mortgage financing securing the property. The agreement was executed on behalf of CFF by Frank Caspare and FCG by Ronald Kelly. The letter was sent to Larry Dunning, FCG, and CFF. (ANM008021-3)

On March 27, 2002, CFS issues Check #1078 for \$100,000 of loan proceeds to FCG. (JCS000155 & 6)

The Commercial Real estate Purchase Contract for 125 South 52 Street was sent from Jonelle Long, Realty Experts, Inc. to Greg Harrington. Harrington forwarded it to (Larry) Dunning stating they (FCG) want a 100% leveraged deal and a payout of cash from funds received from underwriting (SBA loan). The close of escrow date was to be April 1, 2002. (ANM008027-28, 31-38)

The Truth Would Have Killed the SBA Loan

The SBA loan was premised on an owner occupied building. The FCG purchase was not disclosed to the SBA and it was structured to make it appear as though CFF was the owner/occupant of the property.

On April 3, 2002, CFF deposited escrow funds with Stewart Title & Trust, escrow agent for SBA transaction. (ANM028603 & 3a-e)

On April 3, 2002, Larry Dunning, on behalf of CFS, provides the Stewart Title & Trust Company with an Owner's Affidavit. In item 3, Dunning does not disclose the existing FCG sale agreement. (ANM028613 & 4)

On April 3, 2002, Frank Caspare, on behalf of CFF, and Larry Dunning, on behalf of CFS, execute a Sales Affidavit stating that CFS sold the property to CFF in May 2001 for \$1,295,000 and CFF made a cash down payment of \$275,000. The \$275,000 down payment apparently was comprised of CFS's April 5, 2001, advance of \$13,300 to CSGi for its ASLIC loan, CFF's May 16, 2001, \$100,466.09 payment to ASLIC to cure the default on the first mortgage and its commitment to pay ASLIC \$10,345.11 per month until closing. (ANM028673-5)

On April 4, 2002, CFF received \$10,000 escrow refund from Security Title. (ANM028602 & 3)

April 4, 2002, CFS received net sales proceed/SBA loan proceeds of \$494,921.67. (AMN028600 & 1)

Investment Switching

April 4 or 5, 2002, CSGI investors Hamburg, Rehm and Meux are transferred to FCG loan for \$555,000. Net sales proceeds of \$494,921.67 are reduced to \$481,172.47 by reimbursement of expenses of \$13,749.20 paid by CFS. The \$555,000 is broken down as follows: Hamburg \$275,002.50; Rehm \$95,016.50; Meux \$129,981.00 and Secura Fund Arizona \$55,000 (unpaid loan fee/points). (Internal Analysis JCS000158)

Keeping the Illusion Alive

On or about April 26 2002, CFF moved out of 125 South 52nd Street and moved into their new offices at 15021 North 74 Street. The SBA loan to CFF was based on the building being owner occupied. In an undated letter from Larry Dunning to Susan Rutledge, Eric Strasser and Doug Baxter (based on transactions described in the letter, the letter would have been written after May 9 and before June 13, 2002), Dunning tells them **“This means that we should be paying our mortgage for the Tempe building very early in the month and not by Fed ex overnight. We do not want to draw attention to the fact we are not in the building. The Creative check should be mailed on the first of the month in a Creative Financial envelope, even though we will not receive payment until the middle of the month.”**(ANM110751 & 2 and JCS000157)

FUTURE COM GLOBAL, INC./AMSTERDAM

Two transactions were manufactured to solve the deepening problem American National faced with the 125 South 52 Street CSGi loan and a second loan known as the Amsterdam loan (350 Forest Avenue).

A Brief History of the First Bad Loan on the Amsterdam Building

A \$750,000 acquisition bridge loan application was submitted to CFF by Gregory Crouse on or before April 2, 2002. (ANM008403) There appeared to be a substantial difference between the purchase price of \$135,000 and the requested loan amount of \$750,000. (ANM008416)

Gregory Crouse sent a letter dated April 2, 2002, to Larry Dunning and Mark Kessler explaining the reason for Nevada Diversifier's \$135,000 title policy. (ANM008439)

A \$750,000 promissory note dated April 2, 2002, between Amsterdam LLC (lender) and Global Investments Group LLC and Individually by Gregory Crouse, Bridgett Crouse, Michelle Sanford, Robert Brader (the responsible individual for CFF in 2001), Timothy Isaac, Dennis Silvester and Dianna Brader (borrowers) was executed. (ANM008451 & 2)

On April 8, 2002, title company instructions were issued for disbursement of \$750,000 loan proceeds. (ANM008795 & 6)

It appears the excess funds of approximately \$500,000 were divided up among the individual guarantors.

The Borrowers Never Made a Payment on the Loan.

On June 27, 2002, Notice of Foreclosure was sent by David Stocker, Attorney to Gregory Crouse and Global Investment Group, LLC. (ANM008707)

On June 17, 2002, a Second Notice of Default was sent by Ronald Tanet, Attorney to Global Investment Group, LLC and Gregory Crouse. (ANM008768)

On July 3, 2002, a letter was sent by Susan Rutledge, CFO, ANMP LLC to investors notifying them of the June 27, 2002 foreclosure. (ANM008770)

On September 9, 2002, Mark Kesler, ANMP LLC sent a letter to an investor stating "A Buyer is in contract. We are awaiting funding..... As previously stated you will receive three months at 5% and 2% per month from August 16, 2002, the date of contract, until paid in full." (ANM008753)

How to Solve a Problem and Teach How to "Cook the Books"

American National foreclosed on the Amsterdam loan and entered into a sales agreement with FCG wherein they would purchase the property for 2.5 million dollars. FCG executed a promissory note for the 2.5 million dollar purchase. American National's plan was to raise 2.5 Million dollars from new investors. On July 8, 2002, Ron Kelly, CEO, FCG discloses to Larry Dunning, CFF, of FCG's need for \$300,000. (JCS000162)

On July 18, 2002, Larry Dunning outlines a proposed loan to FCG for \$1,750,000. In Dunning's July 18, 2002, letter he states to Kelly "**Also, by not recording the deed of trust and Illinois land trust – as long as no default occurs – You could put it on your books at full value and use it as "collateral" for the building funds from a local institution which would be low interest with a \$5,000,000 free and clear net worth.**" (JC000163) On page two of the letter Dunning states "After FCGi has received the first \$300,000 and we have raised the additional \$1,000,000 to buy the property and clear up the mortgages, a preliminary title report will show that FCGi owns the \$5,600,000 property free and clear in a trust in which it appears to be both trustee and beneficiary. The rational explanation to any potential lender is that it is set up in a manner to isolate the property from any would be extraneous law suits. FCGi should be able to find lenders in the area that will finance the "improvements" and provide a bankable "take out" using the \$5,600,000 as collateral which will allow FCGi to pay off the purchase price, et cetera; eliminating the interest reserve, et cetera." (JCS000164)

Larry Dunning in his July 18, 2002, letter offered Kelly advice on how he could "Cook his Books" and commit loan fraud.

The \$5,600,000 Dunning refers to in his letter is based on a phony appraisal of the Amsterdam building. The appraisal purports to have been prepared by Marshall & Swift. Marshall & Swift

does not perform appraisals; they provide, for a fee, historic construction cost data. (ANM008895) Anyone can go on-line and purchase construction cost data from the company. The maker of the phony Marshall & Swift appraisal appears to have used construction cost data for New York City not Amsterdam, New York. (JCS000440-3)

The "Old Dudes"

In an undated memo from LWD (Larry Dunning), he instructed the staff on the "distribution priority" for the anticipated receipt of 2.5 million dollars of new investor money for the 2.5 million dollar FCG loan. The first \$300,000 was to go to the borrower; the second \$862,000 was to go to the "**old dudes**" to pay off their principal and interest on their original investment in an Amsterdam loan.

Note: The reference to the "old dudes" represents a main feature of the classic Ponzi scheme wherein new investor money is used to repay the principal and interest to previous investors.

The third \$250,000 was to go to American National for their origination fee. The fourth \$488,000 was to go to the borrower. The final \$600,000 was to be used for an interest reserve account. (ANM057262)

OAK COMMONS, LLC/2302 NORTH 36TH STREET TRUST

On October 18, 1999, Larry Dunning arranged a \$325,000 loan between RMCC, Inc. (RMCC), Borrower and Eugene and Lenore Schupak Family Trust, Lender. (ANM007643 and ANM007631-3) At that time **Larry Dunning appears to have been acting as an unlicensed mortgage broker for a nonexistent entity**, Creative Financial Funding, LLC. CFF was not formed until February 11, 2000 and did not receive its mortgage broker's license until May 24, 2000. (ANM030270 and ANM030245)

On January 1, 2001, Daniel F. Wallen, Valley Financial Funding, wrote a letter to Larry Dunning, consultant-loan officer, CFF expressing his "compliance issues" concerns. **Wallen was specifically concerned about payments to consultants and unlicensed mortgage brokers as well as closing loans in other company names. Wallen believed that Larry Dunning's errant activities started in October 2000.** Apparently, Wallen never knew about similar transactions that occurred prior to October 2000. (ANM038928-30 and JCS000195-7)

Can Do Attitude/Borrower Default, No Problem

The October 18, 1999, RMCC loan is one of the earliest loan transactions in the American National files. The borrower missed its June 1, 2000, loan payment. From that point on **Larry Dunning, with the aid of Herb Fisher, Robert Rehm and Marshall Boyce, orchestrated a series of loan transactions (investor and bank) to cover up the original default and lack of sufficient value in the property.**

On July 5, 2000, RMCC receives a notice of default citing its failure to make the June 1, and July 1, 2000, loan payments and its failure to provide insurance coverage on the property. (ANM007507-10) Schupak sent Larry Dunning, CFF an estimated payoff summary on August 18, 2000. (ANM007487) During that same time frame Larry Dunning was attempting to find a buyer for the property and/or an investor to refinance the Schupak note. In an attempt to further induce a buyer, Larry Dunning offered to refinance the acquisition. (ANM007486, ANM007494 & 4a and ANM007372) Larry Dunning failed in his attempts to find a buyer. **Larry Dunning's solution was to find a "friendly" buyer and arrange 100% + financing.**

Another Bogus Related Party Sale

On March 20, 2001, Herb Fisher purchased the 36 Street property from CFS, as trustee for the 2302 N. 36 Street Trust, for \$471,711.63. In addition, the Gordon Family Revocable Trust lent Fisher \$200,000. The Gordon loan was recorded in the first lien position. The Security Title Agency prepared settlement statement shows a \$367,139.57 borrower deposit and net proceeds of \$95,427.94 to be paid to the Borrower, Herb Fisher. (ANM007609-11) The actual source of the \$367,139.57 was from an American National investor, Pensco Pension. At the time, Pensco was the sole member of the 36th Street Trust.

In reality, Herb Fisher did not purchase the property; Western + Gulf Capital, Inc. (WGC) (a Larry Dunning entity) purchased it using investor Pensco's money. At best, Fisher had an option to purchase the property. The March 21, 2001 sequentially recorded title transfers of the property were as follows: 1). Schupak transfers the property to Western Gulf Capital, Inc. and 2). Western + Gulf Capital, Inc. transfers the property to Corporate Fiducial Services, Inc. as Trustee of the 2302 N. 36th Street Trust, Dated 03/20/01. (ANM007600-2 and ANM007604-6)

WGC, Landlord, entered into a lease/purchase option agreement with Herb Fisher, Tenant, on May 1, 2001. Fisher was required to pay a \$1,000 option fee at the rate of \$100 per week. The purchase price was to be \$385,000 (\$182,139.57 less than the outstanding loans of \$567,139.57) plus any real estate taxes due on the premises if the option was exercised by December 1, 2002. (ANM007337-63)

Fisher never made an option or lease payment. He failed to make the very first payment.

On May 25, 2001, WGC entered into a sales agreement with Herb Fisher. In the agreement, Fisher acknowledges his default on the lease/option agreement. **Despite Fisher's immediate default, Larry Dunning agreed to loan Fisher an additional \$50,000 so he could cure his default.** Investor Pensco and the 36th Street Trust are conspicuous by their absence in this agreement. The agreement is between WGC and Herb Fisher. In the agreement, Larry Dunning agrees that CFS, as trustee of the 36th Street Trust will cause Herb Fisher to become the first beneficiary of the Trust and WGC to become the second beneficiary with each receiving the benefits of that position. To the detriment of Pensco, its \$367,139.57 investment/loan is not disclosed or recognized. Item number 5 of the agreement provides WGC, not the Trust or Pensco, a 25% profit participation in Fisher's planned development of the property. **At the expense of Pensco, Larry Dunning planned to make a "silk purse out of a sow's ear" for himself.** (ANM007663 & 4 and JCS000432 & 3)

On May 31, 2001, Larry Dunning drafted escrow disbursement instructions for the \$200,000 first position Gordon loan. Dunning instructed the title company to "record for the 2302 N 36th Trust dated 03/20/01 the following documents. 1. Collateral Assignment of Beneficial Interest in Trust and Security Agreement; 2. Assignment of Beneficial Interest in Trust (wherein Herb Fisher became the first beneficiary and WGC became the second beneficiary); 3. The UCC-1 memorializing WGC 25% profit participation (filed in both real estate and Secretary of State locations)." The instructions added the following "You are not to record any other documents in connection with this transaction. The 2302 N. 36th Street Trust dated 03/20/01, Agreement for Transfer of Beneficial Interest and Beneficiary Agreement are for the use of your title department for the issuance of title insurance as described below. It is not a public document and is copyrighted material. Do not record or otherwise distribute or republish those documents without the express written consent of Creative Financial Funding, LLC." (ANM007669 & 70)

On February 22, 2002, CFS quit claimed the 2302 N. 36th Street property to 998 E. Indian School Trust. (ANM007596a-98) As a consequence, investor Pensco pension plan no longer had the property as collateral for its loan.

Between March 23, 2001 and February 13, 2003, investor Pensco received a total of \$67,242 in interest payments from American National. Those payments came from commingled funds. (JCS000414)

The Continuing String of Bogus Related Party Sales

On February 28, 2002, W+G (same entity as WGC) wrote Check #1161 to CFS for \$306,586.02. (ANM096718-9) **The source of the funds was the sale of 998 East Indian School Road to Robert Rehm. Robert Rehm borrowed \$400,000 from Gordon & Grossman to facilitate Larry Dunning's need to repay Pensco.** At the time of the transaction, American National investors (American Money Power, Inc. Investors, Jane Coulter Revocable Trust, Ralph Vescio and Charles Wall) had approximately \$352,000 invested in loans on 998 East Indian School Road. **The pre-existing \$352,000 of American National investor loans on 998 East Indian School Road were subordinated to the \$400,000 Gordon & Grossman loan. The subordination of the investors' loans was done without their knowledge or consent. The subordination of the American National investors' loans to the \$400,000 Gordon loan rendered the American National Investor loans worthless.** Similar to the 2302 N. 36th Street property, Larry Dunning through WGC had given Wave Management, the lessee of 998 East Indian School Road property, a \$395,000 purchase option. The total outstanding debt against 998 East Indian School Road property was approximately \$752,000. The option, if exercised, would effectively wipe out the American National investors interest in the property. (ANM007337-63 and ANM021988-90)

Juggling Act

On March 1, 2002, CFS wrote Check #1238 for \$277,765.38 to Pensco in partial repayment of its \$367,139.57 investment in the 2302 North 36 Street Trust. (JCS000198 & 9) An accounting entry was made to transfer \$50,000 of Pensco's 2302 North 36th Street Trust loan to the 3303

East Medina Road Trust. To balance the books, investor Pensco's separate investment in the 998 Indian School Trust was reduced by \$21,179.36. (JCS000421) **No cash was transferred to the Medina Trust or from the 998 Trust; Pensco's investments were merely "rearranged".** (JCS000200)

On March 31, 2002, CFS redeemed \$306,586.02 of Pensco's investment in the 2302 North 36th Street loan. (JCS000198-200)

Another Fisher Loan

On September 30, 2002, Herbert Fisher sent a \$300,000 loan request to Larry Dunning. (ANM006631) According to a Century Title Agency, Inc. preliminary title report issued November 18, 2002, WGC was a secured party on the property pursuant to a UCC Financing Statement. (ANM006652) The amount of the loan request was increased to \$384,000 to cover fees and establish an interest reserve. Herb Fisher signed a \$384,000 Promissory Note on November 15, 2002. American National was the payee. (ANM006761) Eleven days later American National formed Oak Commons, LLC. (ANM006805-7) On December 3, 2002, American National notified the Arizona Corporation Commission that American National would be the statutory agent for the LLC. (ANM006810) American National attempted to create the appearance of a LLC managed by its members by creating a Loan Administration Agreement between the LLC and American National. (ANM006910-12) The LLC members voted on the appointment of American National. (ANM006913)

Between November 15, 2002, and January 17, 2003, \$384,000 was raised from 12 investors for a new Herb Fisher loan. (ANM006992-3)

Where the Money Went

A summary of the use of the \$384,000 (JCS000415) and supporting detail is contained in JCS000416 & 7; ANM006611, 13, 15, 18, 20, 22, 24 & 26; ANM048974, 99781 & 2, 99831 & 2, ANM100063- 6, 95 & 6, 139 & 40, 167 & 8, 293 & 4, 449-52, 563 & 4)

On December 5, 2002, \$15,000 of the \$384,000 loan proceeds was paid toward Herb Fisher's purchase agreement. (ANM100063 & 4)

On December 9, 2002, \$100,000 of the \$384,000 loan proceeds was combined with \$40,000 from the 2725 East Thomas Road loan and deposited into American National's operating account. (ANM049135 and JCS000411)

The use of the \$140,000 was as follows:

Date	Check Number	Purpose	Amount	Cumulative Amount
12/09/02		Overdraft	7,741.93	7,741.93
12/09/02	1726	Legal Fees	8,000.00	15,741.93
12/09/02	1733	Loan to FCG	25,000.00	40,741.93
12/10/02	1727	AMEX	732.04	41,473.97

12/10/02	1728	Ford Credit	722.52	42,196.49
12/10/02	1731	W+G Operating Loan	2,300.00	44,496.49
12/10/02	1732	CFF Operating Loan	3,500.00	47,996.49
12/11/02		Deposit	(1,450.00)	46,546.49
12/11/02	1734	CMS Operating Loan	1,300.00	47,846.49
12/11/02	Neopost	Postage	200.00	48,046.49
12/11/02		Deposit	(611.12)	47,435.37
12/12/02		Deposit	(2,749.71)	44,685.66
12/12/02		Deposit	(4,199.91)	40,485.75
12/12/02	1735	SMM	1,000.00	41,485.75
12/12/02	1736	CMS Operating Loan	3,000.00	44,485.75
12/12/02	1737	She La Vie Operating Loan	400.00	44,885.75
12/12/02	1738	Legal Fees	384.68	45,270.43
12/12/02	1741	Christmas Party	650.00	45,920.43
12/12/02	1744	CMS Operating Loan	150.00	46,070.43
12/12/02	1758	Daniel Hamburg	1,055.08	47,125.51
12/13/02	1713	Payroll Taxes	11,764.38	58,889.89
12/13/02	1759	Sandie Turley Loan	3,750.00	62,639.89
12/13/02	1760	Frank Caspare Consulting Fees	4,000.00	66,639.89
12/13/02	1761	CMS Operating Loan	7,600.00	74,239.89
12/13/02	1762	Boat, Bed & Breakfast Operating Loan	7,200.00	81,439.89
12/13/02	1763	CFF Operating Loan	6,700.00	88,139.89
12/13/02	1764	SMM Operating Loan	1,200.00	89,339.89
12/15/02	1750	Mark Kessler	1,015.54	90,355.43
12/16/02	1746	Alyssa G Davis	289.25	90,644.68
12/16/02	1747	Amelia Ulep	1,239.39	91,884.07
12/16/02	1748	Helen Hartzel	-	91,884.07
12/16/02	1749	Jesica Doty	808.30	92,692.37
12/16/02	1751	Mary Barton	582.96	93,275.33
12/16/02	1752	Phil Vigarino	-	93,275.33
12/16/02	1753	Rebecca Sanchez	1,539.17	94,814.50
12/16/02	1754	Sheila P. Dunning	3,694.00	98,508.50
12/16/02	1756	Susan Rutledge	1,146.63	99,655.13
12/16/02	1757	Paul J. Meka	2,531.47	102,186.60
12/16/02	1758	Phil Vigarino	2,284.16	104,470.76
12/16/02	1765	Joseph Colosimo Florida Expenses	1,111.70	105,582.46
12/16/02	1739	Christmas Party	60.00	105,642.46
12/16/02	1740	Christmas Party	300.00	105,942.46
12/16/02	1742	Christmas Party	134.95	106,077.41
12/16/02	1766	Mary Barton	310.70	106,388.11
12/16/02	1767	W+G Operating Loan	5,800.00	112,188.11
12/17/02	1768	CFF Operating Loan	7,000.00	119,188.11
12/17/02		Deposit	(215.25)	118,972.86
12/17/02	1769	CFF Loan Repayment	12,500.00	131,472.86
12/17/02	Neopost	Postage	300.00	131,772.86
12/17/02		Bank Check Charge	38.00	131,810.86
12/18/02		Deposit	(416.67)	131,394.19
12/20/02	1782	Daniel Hamburg	1,055.08	132,449.27

12/20/02		United Healthcare	390.32	132,839.59
12/20/02	1783	Az Banking Dept. Exam	1,755.00	134,594.59
12/20/02		Deposit	(160.00)	134,434.59
12/24/02	Neopost	Postage	300.00	134,734.59
12/30/02	231	Stanford Learch Interest	416.67	135,151.26
12/30/02		Deposit/3303 Meadford (Castle)	(40,000.00)	95,151.26
12/30/02	1784	Multivest Loan	40,000.00	135,151.26
12/30/02	1785	Sandie Turley Loan	3,350.00	138,501.26
12/30/02	1787	Frank Caspare Consulting Fees	4,000.00	142,501.26
12/30/02		Overdraft	(1,401.26)	141,100.00

A total of \$8,100 was advanced to WGC. The money was used by WGC to make \$6,400 interest payments to Colosimo, Abrahamson and Pisacano. The remaining \$1,700 was used to pay credit card bills. (JCS000412)

A total of \$17,200 was advanced to CFF. \$12,500 of the money was used by CFF to repay CFS for the repurchase of Lyle Phillips' interest in Roosevelt Street Trust (Castle). \$1,553.91 was paid to California Bank & Trust, a Zion Bancorp entity, on the 125 S. 52 Street property SBA loan. \$553.95 was paid for legal fees. \$1,645.49 and 706.13 respectively was paid for payroll taxes and penalties.

A total of \$2,200 was advanced to SMM and was used for payroll and taxes.

A total of \$11,900 was advanced to CMS. \$3,572.60 was used to cover an overdraft. \$2,500 was paid to Eric Strasser, CMS, COO and Secretary, as a consulting fee. \$5,000 was given to Joseph Colosimo as a loan for the Florida operations. \$813.44 was paid for office supplies, postage bank service charges and insurance.

\$400 was advanced to She La Vie, Inc. \$224.86 was used to cover an overdraft. \$100 was an ATM cash withdrawal by Larry Dunning. \$25.89 was used to pay bank service charges.

\$7,200 was advanced to Boat, Bed and Breakfast (BBB), an American National affiliate. \$47.85 was used to cover a bank overdraft. \$7,056.84 was paid to Zions Bank for Robert Rehm's monthly loan payment on the 300 East Acacia, Sedona house.

American National Mortgage Partners, LLC disbursed: \$15,000 directly to Lyle Phillips to purchase his interest in Roosevelt Street Trust (Castle); advanced \$25,000 of loan proceeds to FCG; used \$23,591.57 for payroll, health insurance and payroll taxes; paid \$12,500 to CFS for repurchase of Lyle Phillips' interest in Roosevelt Street Trust (Castle); disbursed \$4,000 for consulting fees to Frank Caspare; advanced \$6,000 of loan proceeds to Sandie Turley and paid \$8,000 for legal fees.

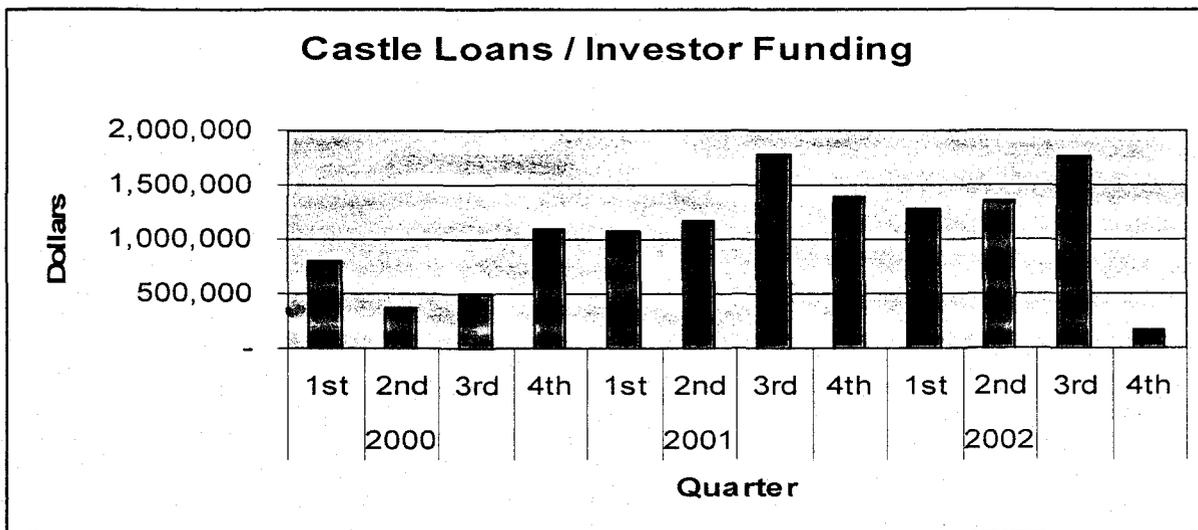
On American National's books a \$7,741.93 overdraft existed at the time the \$140,000 deposit was recorded. The overdraft was created when Check #1724 was issued to Lyle Phillips for \$15,000 for his interest in Roosevelt Street Trust (Castle).

On December 12, 2002, \$15,000 of the loan proceeds was paid toward Herb Fisher's purchase agreement. (ANM100563 & 4 and JCS000413)

On December 30, 2002, and additional \$30,000 was transferred to American National's operating account. \$2,608.67 covered the existing overdraft. \$26,000 was paid to CFF as an operating loan (Check #1789) and \$14,000 was paid to CFS as an operating loan (Check #1790). There was an over draft of \$12,608.67 as a result of these transactions. (JCS000179)

THE CASTLE MEGASTORE LOANS (CASTLE)

Commencing with the January 2000, Federal Way Trust loan to Castle for \$1,000,000, American National arranged a series of 23 overlapping investor financed loans for Castle. The last loan in the series was to Camelback Stone Canyon, LLC on September 20, 2002, for \$800,000. The cumulative total face amount of the 23 loans was \$20,099,447. The actual amount raised from investors was \$14,097,723. (ANM128471, 496, 503, 595, 601 & 602, 613, 656, 669, 673, 679, 699, 701, 744, 748, 765, 815 & 816, 821, 825- 827 and 839) Two of the loans known as Friends \$1,300,000 and MM&M \$575,000 were determined to be direct loans and outside of the American National Estate. The following chart illustrates the quarterly volume and acceleration of American National's fund raising activities for the Castle loans. The third quarter 2001 fund raising peak coincides with American National cure of Castle's default.



Throughout the first three quarters of 2002, American National continued to raise money from investors to loan to Castle. The Castle related fund raising/loan activity continued even though American National had accumulated \$1,491,020 of NSF checks from Castle. (JCS000288-91) **Although American National's Castle related fund raising activities increased in 2002 it could neither keep pace with American National's nor Castle's accelerating need for cash.**

The following schedule of Castle NSF checks illustrates their accelerating default. **American National hid Castle's default from the investors and continued to make distributions to the Castle investors through September 2002 as though Castle had not defaulted on its loans.**

Date	Check Number	Amount	Payor	Signor	Payee
4/8/2002	8034	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFS
5/7/2002	8056	33,075.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
5/7/2002	8058	7,280.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
5/7/2002	8063	16,936.23	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
5/7/2002	8065	19,987.50	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
5/7/2002	8069	10,500.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
5/7/2002	8070	24,191.97	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
5/7/2002	8073	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
5/7/2002	8074	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
5/7/2002	8078	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
5/7/2002	8080	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
5/7/2002	8081	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
5/7/2002	8082	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
5/7/2002	8083	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
5/7/2002	8084	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
5/21/2002	8094	8,250.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	15047	7,680.00	Castle Megastore Corp.	Taylor Coleman	ANMP LLC
6/7/2002	8111	10,500.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8112	24,191.97	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8113	16,936.21	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8114	3,500.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8115	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8117	6,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8118	33,075.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8119	3,250.00	Real Estate Holding Corp II	Taylor Coleman	Secura Fund Az
6/7/2002	8120	9,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8121	7,280.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8123	8,373.53	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8124	3,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8127	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8128	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8129	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8130	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8131	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8132	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8134	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8135	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8136	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8137	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8138	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8139	4,947.52	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/20/2002	8142	6,250.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/20/2002	8143	8,250.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8149	33,075.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8153	10,500.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8155	8,373.53	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC

7/3/2002	8156	4,987.50	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8158	6,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8160	7,280.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8161	24,191.97	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8162	16,936.21	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8164	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8165	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8166	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8167	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8168	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8169	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8170	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8171	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8172	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8173	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8175	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8176	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8177	4,488.30	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	15206	7,680.00	Castle Megastore Corp.	Taylor Coleman	ANMP LLC
7/5/2002	15216	7,500.00	Castle Megastore Corp.	Taylor Coleman	ANMP LLC
7/5/2002	8182	25,009.89	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/19/2002	8188	6,250.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/19/2002	8189	8,250.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	15424	22,500.00	Castle Megastore Corp.	Taylor Coleman	ANMP LLC
8/7/2002	15425	7,680.00	Castle Megastore Corp.	Taylor Coleman	ANMP LLC
8/7/2002	8202	24,191.97	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8203	3,500.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8204	10,500.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8206	9,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8207	3,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8208	4,987.50	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8209	8,373.53	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8210	3,250.00	Real Estate Holding Corp II	Taylor Coleman	Secura Fund Az
8/7/2002	8211	7,280.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8212	2,025.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8213	6,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8214	32,625.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8216	16,936.21	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8217	46,023.66	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8218	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8219	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8220	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8221	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8222	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8223	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8224	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8225	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8226	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC

8/7/2002	8227	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8228	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8229	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8230	11,136.84	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/21/2002	8233	8,250.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/21/2002	8234	6,250.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
9/6/2002	15590	22,500.00	Castle Megastore Corp.	Taylor Coleman	ANMP LLC
9/6/2002	15591	7,680.00	Castle Megastore Corp.	Taylor Coleman	ANMP LLC
9/6/2002	8244	16,936.21	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8245	32,625.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8247	2,025.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8248	7,280.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8249	3,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8250	6,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8251	4,987.50	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8250	24,191.97	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8253	9,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8254	8,373.53	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8255	10,500.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8257	66,071.59	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8258	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8259	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8260	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8261	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8262	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8263	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8264	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8265	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8266	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8267	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8268	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8269	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8270	8,861.84	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/19/2002	8275	8,250.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
9/19/2002	8276	6,250.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8289	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8290	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8291	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8292	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8293	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8294	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8295	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8296	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8297	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8298	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8299	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8300	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8301	8,861.84	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.

10/7/2002	8302	24,191.97	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8303	3,000.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8304	4,987.50	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8305	3,500.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8306	32,625.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8307	3,250.00	Real Estate Holding Corp II	Taylor Coleman	Secura Fund Az.
10/7/2002	8308	10,500.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8309	9,000.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8311	6,000.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8312	2,025.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8313	7,280.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8314	67,929.71	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
10/7/2002	15766	7,680.00	Castle Megastore Corp.	Taylor Coleman	CFS Inc
10/7/2002	15767	22,500.00	Castle Megastore Corp.	Taylor Coleman	ANMP LLC
10/21/2002	8320	8,250.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
10/21/2002	8321	6,250.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
Total		\$1,838,850.70			

A Simple Example in a Complex Web

One Castle loan known as 9815 SW Capitol Highway Trust purported to have two investors, Ralph Vescio and CFS. On June 27, 2001, Mr. Vescio wrote Check #101 to CFF for \$255,096 (JCS000324 & 5) and CFS was given credit of \$2,551 for a portion of its loan fees. On June 29, 2001, Castle executed a promissory note for \$257,647 payable to NP Investments, Inc. (ANM128839)

The 9815 SW Capitol Highway loan was for all practical purposes a single investor loan. All of the cash to fund the loan came from investor Vescio. When it came time to make the interest payments to the investor the funds came from whatever pool of commingled funds American National controlled. Between August 9, 2001, and August 5, 2002, Vescio received monthly interest payments of \$7,653 for a total of \$99,487. (JCS000326)

Vescio received the monthly interest payments despite Castle's default on its loan in September 2001 and again in March 2002. (JCS000327)

Vescio received his August and September 2001 payments from CFS's communal Trust account. (ANM092856-7, ANM093092-3 and JCS000328-31) He received his October 2001 through February 2002 payments from a CFS communal general account. (JCS000332-47) Once again, and despite Castle's default in March 2002, **Vescio's payment came from CFS's Trust account. (JCS000348-52) In April 2002, his payment came from a second CFS communal general account. (ANM091575 & 6 and JCS000353-5) The May through August 2002 payments came from the ANMP communal general account. (JCS000356-81)**

Because of the commingling of funds in the various accounts controlled by American National entities, it is not possible to identify the precise source of the funds used.

It appears that Castle did make loan payments until August 2001. However, American National's internal analysis discloses the source of funds for the September and October 2001 and the March, April and May 2002 interest payments to Vescio came from the Roosevelt Warehouse loan. (JCS000327 & 382) The June through August 2002 payments to Vescio came from commingled sources. Castle's June through September 2002 interest payment checks for the 9815 SW Capitol Highway loan never cleared the bank despite several attempts to deposit them by American National. (ANM014558, 576, 607 and 634)

Extraordinary Efforts to Keep the Illusion Alive

From approximately March 2000, American National began to accumulate unpaid Castle fees. Castle began defaulting on its outstanding loans in June 2001. Despite Castle's default American National continued to make the scheduled interest payments to the investors through September 10, 2002.

The source of the funds to make the interest payments to old investors on defaulted Castle loans was from new investors (a central element of a Ponzi scheme). A contemporaneous attempt was made by the American National bookkeeper to allocate the use of funds based on disbursements to old investors from new investor funds pooled in a common account. The internal allocation of new investor funds demonstrates American National's intentional cover up of borrower defaults, lulling of existing investors into a false sense of borrower/investment performance and providing credibility to American National's new funds solicitation program based in part on its claims of an unblemished performance track record.

Commencing in April 2002, American National began raising money for the Roosevelt Street loan. **This loan appears to have been designed primarily to fund interest distributions for other earlier Castle loans.** A net total of \$1,940,849 was raised from investors. 69% of the proceeds, \$1,345,462 never went to Castle, but instead was used by American National to pay itself fees and make interest payments to its investors. 89% (\$1,200,570) of the \$1,345,422 was paid to other lending trusts. Only 22%, \$431,642 was paid to Castle.

In November 2002, one last desperate attempt was made by Castle and American National to raise funds for the stated purpose of paying off the Roosevelt Warehouse loans from a new undisclosed lender. On November 13, 2002, American National without the knowledge or consent of its investors, quit claimed title to the property to Castle. The quit claim agreement between Castle and American National provided that if Castle did not refinance the property by December 15, 2002, it would quit claim the property back to American National. **The quit claim agreement is devoid of business judgment and left the American National investors without collateral on a defaulted loan. (ANM005113A & B)**

As illustrated in the following chart, other loans were "raided" to keep the Ponzi scheme alive by delivering the promised return to the old investors.

Date	Diverted From	Amount	Diverted To	Purpose
July 10, 2001	83 rd & I-10 Trust	\$18,400	Deer Valley Trust	Partial July 2001 default interest
July 14, 2001	Deer Valley Trust	8,000	Progress Drive Trust	July 2001 default interest
September 13, 2001	5501 E. Washington Trust	8,000	Progress Drive Trust	July 2001 default interest
September 13, 2001	5501 E. Washington Trust	31,250	Federal Way Trust	June & July default interest
September 13, 2001	5501 E. Washington Trust	45,000	Federal Way Trust	July 2001 default interest
September 13, 2001	5501 E. Washington Trust	10,614	Deer Valley Trust	Partial July 2001 default interest
September 14, 2001	5501 E Washington Trust	2,260	Deer Valley Trust	Partial July 2001 default interest
September 20, 2001	5501 E. Washington Trust	37,180	Deer Valley Trust	Partial July 2001 default interest
September 20, 2001	5501 E. Washington Trust	25,424	Deer Valley Trust	Partial August 2001 default interest
October 10, 2001	Deer Valley Trust	8,000	Progress Drive Trust	August 2001 default interest
November 10, 2001	Deer Valley Trust	13,750	Silverdale Trust	August 2001 default interest
February 6, 2002	Deer Valley Trust	8,325	I-17 & Dunlap Trust	October 2001 default interest
February 6, 2002	Deer Valley Trust	8,000	Progress Drive Trust	October 2001, default interest
February 14, 2002	Camelback 300 Trust	12,000	Deer Valley Trust	Partial late fees
May 20, 2002	Roosevelt Street Trust	29,721	222 N 44 Street Trust	September 2001 default interest
May 20, 2002	Roosevelt Street Trust	3,179	5501 E Washington Trust	Partial September 2001 default interest
June 3, 2002	Roosevelt Street Trust	6,560	5501 E Washington Trust	Partial September 2001 default interest
June 3, 2002	Roosevelt Street Trust	7,729	9815 S W Capitol Highway Trust	September 2001 default interest
June 3, 2002	Roosevelt Street Trust	16,861	222 N 44 Street Trust	Partial October 2001 default interest
June 3, 2002	Roosevelt Street Trust	1,350	7102 W Roosevelt Trust	September 2001 default interest
June 4, 2002	Roosevelt Street Trust	31,889	222 N 44 Street Trust	Partial October 2001 default interest
June 4, 2002	Roosevelt Street Trust	3,011	9815 S W Capitol Highway Trust	Partial October 2001 default interest

June 4, 2002	Roosevelt Street Trust	5,281	Deer Valley Trust	Partial December 2001 default interest
June 6, 2002	Roosevelt Street Trust	4,719	9815 S W Capitol Highway Trust	Partial October 2001 default interest
June 13, 2002	Roosevelt Street Trust	41,250	222 N 44 Street Trust	December 2001 default interest
June 13, 2002	Roosevelt Street Trust	13,824	5501 E Washington Trust	March 2002 default interest
June 13, 2002	Roosevelt Street Trust	12,300	Deer Valley II Trust	March 2002 default interest
June 13, 2002	Roosevelt Street Trust	7,729	9815 S W Capitol Highway Trust	March 2002 default interest
June 13, 2002	Roosevelt Street Trust	90,550	Federal Way Trust	October 2001 & March 2002 default interest
June 13, 2002	Roosevelt Street Trust	52,004	Deer Valley Trust	Partial December 2001 default interest
June 13, 2002	Roosevelt Street Trust	80,525	Deer Valley Trust	March 2002 default interest
June 13, 2002	Roosevelt Street Trust	2,735	Progress Drive Trust	Partial March 2002 late fees
June 13, 2002	Roosevelt Street Trust	37,500	I-17 Dunlap Trust	October, November & December 2001 & January, February & March 2002 default interest
June 13, 2002	Roosevelt Street Trust	17,100	7102 W Roosevelt Trust	October 2001 default interest
June 13, 2002	Roosevelt Street Trust	18,450	7102 W. Roosevelt Trust	May 2002 default interest
June 26, 2002	Roosevelt Street Trust	7,729	9815 S W Capitol Highway Trust	April 2002 default interest
June 26, 2002	Roosevelt Street Trust	8,325	I-17 & Dunlap Trust	March 2002 default interest
June 26, 2002	Roosevelt Street Trust	2,750	83 rd & I-10 Trust	March 2002 default interest
June 26, 2002	Roosevelt Street Trust	53,750	222 N 44 Street Trust	April 2002 default interest
June 26, 2002	Roosevelt Street Trust	8,000	Progress Drive Trust	Partial March 2002 late fees
June 26, 2002	Roosevelt Street Trust	13,824	5501 E Washington Trust	April 2002 default interest
June 26, 2002	Roosevelt Street Trust	34,982	Deer Valley Trust	Partial April 2002 default interest
July 31, 2002	Roosevelt Street Trust	53,750	222 N 44 Street Trust	May 2002 default interest
	Roosevelt Street Trust	14,575	222 N 44 Street Trust	Partial September 2001 default interest
July 31, 2002	Roosevelt Street Trust	7,729	9815 S W Capitol Highway Trust	May 2002 default interest

July 31, 2002	Roosevelt Street Trust	13,824	5501 E Washington Trust	May 2002 late fees
July 31, 2002	Roosevelt Street Trust	2,750	83 rd & I-10 Trust	April 2002 default interest
July 31, 2002	Roosevelt Street Trust	47,988	Deer Valley Trust	Partial April 2002 default interest
July 31, 2002	Roosevelt Street Trust	45,550	Federal Way Trust	April 2002 default interest
July 31, 2002	Roosevelt Street Trust	18,450	7102 W Roosevelt Trust	May 2002 default interest
July 31, 2002	Roosevelt Street Trust	6,000	Camelback 300 Trust	March 2002 default interest
July 31, 2002	Roosevelt Street Trust	13,750	Silverdale Trust	April 2002 default interest
July 31, 2002	Roosevelt Street Trust	12,300	Deer Valley II Trust	April 2002 default interest
August 27, 2002	Roosevelt Street Trust	2,750	83 rd & I-10 Trust	May 2002 default interest
August 27, 2002	Roosevelt Street Trust	53,750	222 N 44 Street Trust	June 2002 default interest
August 27, 2002	Roosevelt Street Trust	5,580	I-17 & Dunlap Trust	April 2002 default interest
August 27, 2002	Roosevelt Street Trust	78,000	Deer Valley Trust	Broker fee on Friends loan
August 27, 2002	Roosevelt Street Trust	83,052	Deer Valley Trust	May 2002 default interest
August 27, 2002	Roosevelt Street Trust	9,000	Deer Valley Trust	Broker fee on Coulter & Lang
August 27, 2002	Roosevelt Street Trust	13,750	Silverdale Trust	May 2002 default interest
August 27, 2002	Roosevelt Street Trust	44,550	Federal Way Trust	May 2002 default interest
August 27, 2002	Roosevelt Street Trust	8,243	5501 E Washington Trust	Partial June 2002 default interest
August 27, 2002	Roosevelt Street Trust	14,995	Camelback 300 Trust	April, May & partial June 2002 default interest
August 27, 2002	Roosevelt Street Trust	8,000	Progress Drive Trust	May 2002 default interest
August 27, 2002	Roosevelt Street Trust	12,300	Deer Valley II Trust	May 2002 default interest
December 30, 2002	Camelback 300 Trust	50,975	Federal Way Trust	July & August default interest
Total		1,471,441		

American National employed a perverted sense of logic in its allocation of default interest. American National used new investor funds to pay old Castle loan investors to create the illusion the loans were performing. Following Ponzi scheme logic, American National concluded since the old Castle loan investors were receiving their normal interest payments they were not entitled to receive the default interest rate. American National claimed for itself the default portion of the interest payment. In addition, the logic ruse served as a basis for representations that the old Castle loans were performing and that investors were receiving their promised return. What the internal documentation of the ruse actually demonstrates is American National's Ponzi scheme and greed.

In addition to investor funds of one trust being used to make interest payments to investors of another trust, there were other transactions where funds raised for one trust were diverted for use by another. There were various reasons for the diversions as illustrated in the following schedule:

Date	Transferred From	Amount	Transferred To	Reason
October 31, 2000	Progress Drive Trust	26,600	Deer Valley Trust & Quartermain	Fees
August 1, 2000	Progress drive Trust	11,600	Anchorage	Points & fees
September 13, 2000	Progress Drive Trust	15,000	Quartermain	Broker fee
November 7, 2000	Deer Valley Trust	16,700	Anchorage	Anchorage fees
April 5, 2001	Deer Valley Trust	3,000	American National	Broker fee M,M&M loan
June 6, 2001	83 Ave & I-10 Trust	25,000	I-17 & Dunlap Trust	Payoff Delheim
June 19, 2001	Deer Valley Trust	100,000	I-17 & Dunlap Trust	Payoff Delheim
June 25, 2001	I-17 & Dunlap Trust	25,000	83 Ave & I-10 Trust	Transfer Kause investment
June 25, 2001	I-17 & Dunlap Trust	100,000	Deer Valley Trust	Payoff Delheim
June 28, 2001	83 Ave & I-10 Trust	160,000	7102 W Roosevelt Trust	Castle Loan
June 28, 2001	83 Ave & I-10 Trust	140,000	I-17 & Dunlap Trust	Castle Loan
July 2, 2001	83 Ave & I-10 Trust	60,000	7102 W Roosevelt Trust	Castle Loan
September 13, 2001	5501 E. Washington Trust	1,650	Federal Way Trust	Broker Fees
September 13, 2001	5501 E. Washington Trust	12,000	American National	Broker Fee on Barreras direct Castle Loan
September 13, 2001	5501 E. Washington Trust	2,700	Camelback Trust	Broker Fee to ANMP for Davis Replacement
September 14, 2001	222 N 44 Street Trust	31,972	Deer Valley Trust	Accumulated fees
September 20, 2001	5501 E. Washington Trust	109	American National	Broker fee - Davis replace Delheim
September 20, 2001	5501 E. Washington Trust	24,779	Deer Valley II Trust	Broker fee on Horan investment
September 25, 2001	5501 E. Washington Trust	5,640	American National	Broker fee - Davis replace Delheim
September 25, 2001	5501 E. Washington Trust	251	American National	Broker fee - Davis replace Delheim
October 10, 2001	Deer Valley Trust	13,750	Silverdale Trust	Fees
November 26, 2001	Deer Valley Trust	6,000	222 N 44 Street Trust	Broker fee due on Meka

December 5, 2001	Deer Valley II Trust	6,820	Deer Valley Trust	Broker fees
December 7, 2001	5501 E. Washington Trust	7,321	Deer Valley II Trust	Broker Fee on Horan
December 7, 2001	5501 E. Washington Trust	25,029	222 N. 44 Street Trust	Broker fees
January 11, 2002	Deer Valley Trust	100,000	222 N 44 Street Trust	Payoff Meka
January 30, 2002	222 N 44 Street Trust	100,000	Deer Valley Trust	Payoff Smith
January 30, 2002	Deer Valley Trust	100,000	Camelback 300 Trust	Payoff Smith
February 6, 2002	Deer Valley Trust	83,250	117 & Dunlap Trust	Fees
February 12, 2002	Camelback 300 Trust	47,000	Deer Valley Trust	Payoff Osborn
March 29, 2002	222 N 44 Street Trust	100,000	Deer Valley Trust	Payoff Smith
April 3, 2002	222 N 44 Street Trust	6,000	Camelback 300 Trust	Griffin extension fee
April 8, 2002	222 N 44 Street Trust	12,000	Deer Valley Trust	Broker fees
April 24, 2002	Deer Valley Trust	7,000	Federal Way Trust	Payoff Schnoll & Grossman
May 5, 2002	Deer Valley Trust	5,980	Camelback 300 Trust	Segura partial extension fee
May 5, 2002	Roosevelt street Trust	13,700	Deer Valley Trust	Partial payoff of Dutson
June 24, 2002	Roosevelt Street Trust	39,375	Deer Valley Trust	Medina Interest Reserve
June 24, 2002	Deer Valley Trust	39,375	Medina Trust	Medina Interest Reserve
June 24, 2002	Roosevelt Street Trust	40,670	Deer Valley Trust	Amsterdam Interest Reserve
June 24, 2002	Deer Valley Trust	40,670	Amsterdam Trust	Amsterdam Interest Reserve
June 26, 2002	Deer Valley Trust	50,000	Flynn Jackson	Transfer Osborn & Durant
June 26, 2002	Roosevelt Street Trust	70,000	Deer Valley Trust	Pay down Owens investment
July 31, 2002	Roosevelt Street Trust	15,920	222 N 44 Street Trust	Ofstie broker fee
October 31, 2002	5505 E. San Miguel Trust	812	San Miguel Trust	Broker fees
Total		1,692,673		

The misuse of investor funds in the Castle loan transactions was not limited to those previously cited. **Disgruntled or "favored" investors were allowed to withdraw all or a portion of their investment irregardless of the performance status of the related loan. Typically, new investor funds were used to replace old investors.** After the September 10, 2002 interest payment to Castle loan investors, American National acknowledged Castle's default. New investors' money flowed into Castle loans through December 2002. **During the period October**

2002 through January 2003, select old investors were allowed to withdraw their funds. In addition, American National entities withdrew funds to cover their operating expenses.

Entity	Amount
Federal Way Trust	214,013
Silverdale Trust	10,000
Deer Valley Trust	1,447,685
I-17 & Dunlap Trust	125,000
7102 W Roosevelt Trust	10,000
222 N 44 street Trust	400,000
5501 E Washington Trust	300,000
Deer Valley II Trust	40,000
Camelback 300 Trust	248,000
Roosevelt Street Trust	152,958
San Miguel Trust	368,000
DV Partners	293,850
Total	3,609,506

Between October 14, 2002 and January 24, 2003, Larry Dunning and Frank Caspare directed American National's bookkeeper to disburse \$31,200 of Castle loan interest payments to six "select" investors and \$9,000 to a "select" Amsterdam loan investor. (JCS000383) Correspondence to and from Larry Dunning during December 2002 and January 2003 illustrates his commitment to certain "select" investors and the diversion of funds from where it was to where it needed to be. (ANM036649, 62816 & 143040 and JCS000384)

Despite the deepening financial crisis, Eric Strasser instructed the bookkeeper to loan \$40,000 of "trust funds" to Greg Harrington. Harrington's late repayment check was NSF. Harrington subsequently paid back \$20,000 of the \$40,000. Item 3 of the memo discloses the diversion of Colosimq's \$200,000 principal repayment to cure a senior position default on the Secluded Lane loan and to cover payroll expenses for American National. Item 5 of the memo states "There are a lot of overdue bills to be paid and interest payments which you agreed to continue paying to certain lenders. Also, we need to pay Lyle Phillips another \$25,000 and Rudolf Ouwens (Pensco) is looking to receive a \$15,000 payment." (ANM143040)

PENTHOUSE LOANS

In July 2002, American National made three loans to Penthouse for a combined total of \$5,500,000. (ANM128709-14) **Larry Dunning entered into an agreement with Penthouse to not record a lien against the two real properties securing the loan. Penthouse had other senior debt against the pledged properties.** According to the senior debt agreement, Penthouse could not further encumber the properties. Recordation of an American National junior lien against the two properties would have been a condition of default under the senior debt agreement. In addition to the recording dilemma created by the senior debt agreement, **one of the properties was subject to a judgment of foreclosure and the other property was cross collateralized for any deficiency.** Neither the nonrecordation agreement nor the existing

judgment of foreclosure was disclosed to prospective investors. By the end of 2002, the interest reserve had been exhausted and Penthouse defaulted.

WITH A LITTLE HELP FROM YOUR FRIENDS

1. Luther Durant

On or about April 15, 2002, Luther applied for a \$100,000 loan from the National Bank of Arizona. (ANM046567) His personal balance sheet disclosed liquid assets of \$2,500 of cash and \$1,200 of marketable securities. Darrell Coulter was a Senior Vice President of National Bank of Arizona, a fractional owner/director of various American National entities and an American National loan investor, at the time of Luther's loan application. The unstated purpose of the loan was to provide Luther with \$100,000 so that he could become an investor with Coulter in Boat Bed & Breakfast, LLC (BBB).

On BBB's Operating Agreement, Corporate Fiducial Services, Inc. (Owned by Larry Dunning), Luther and Pat Durant and Darrell Coulter are each listed as having invested \$100,000 in BBB. (ANM046499-6522) To enhance Luther's ability to qualify for the loan, Larry Dunning had an American National entity loan of \$200,000 to Luther on May 30, 2002. The loan was secured by Luther Durant's interest in the Deer Valley Trust (Castle loan). (ANM027791 & 2 and ANM027787) The purpose of the loan was to increase his liquid assets and overall assets without disclosing the offsetting liability to American National.

Luther deposited the \$200,000 loan proceeds into his Johnson Bank account. Larry Dunning informed Luther his deposit printout would not work and that he needed the \$200,000 deposit to be shown on a "Johnson Bank" letterhead statement. (ANM027789) On June 5, 2002 a representative of Johnson Bank sent a deposit statement to Larry Dunning on Johnson Bank letterhead confirming Luther Durant's \$200,000 deposit on May 31, 2002. (ANM027790)

On June 10, 2002, Luther issued Check #2001 for \$100,000 to Western Gulf Capital, Inc. drawn on his National Bank account. The check bore the notation for Boat Bed & Breakfast LLC. (ANM077695) The source of the \$100,000 was National Bank's \$100,000 loan to Luther. Also on June 10, 2002, Western+Gulf Capital, Inc. (WGC) executed a \$100,000 promissory note to Luther Durant. The note makers, WGC and Larry Dunning, Individually, specifically refer to Durant's National Bank loan #0063018128. WGC and Larry Dunning note obligation terms were to mirror Luther's National Bank loan terms. (ANM077697)

On June 10, 2002, a second note was executed in favor of Luther Durant by WGC and Larry Dunning, Individually. It appears Dunning was trying to distance himself from Durant's false financial statements and any direct link to the National Bank loan to Durant. The second note made no reference to Durant's obligation to National Bank, the interest rate was 2% per month interest only, with the principal balance due and payable on or before August 1, 2007. (ANM077694) Upon receipt of the Durant funds WGC issued Check #1214 for \$100,000 to ANMP. (ANM096814 and 5) ANMP applied the \$100,000 proceeds from WGC to an obligation owed by Corporate Fiducial Service, Inc. to ANMP. (JCS000418)

To clarify the sequence of events; BBB borrowed money from Corporate Fiducial Services, Inc. to purchase a house in Mexico and to cover operating expenses, CFS did not have the funds to lend to BBB, so it borrowed funds from ANMP. CFS didn't have funds to repay ANMP, so WGC repaid ANMP for CFS. (JCS000422)

2. Irene Segura

On June 21, 2002 Irene Segura borrowed \$200,000 from ANMP. The loan was secured by her interest in the Deer Valley Trust. (JCS000396) ANMP Check #1406 for \$200,000 was issued to Irene Segura on June 26, 2002. (ANM036563) Irene Segura deposited the \$200,000 into her Bank One account on June 27, 2002. (ANM036560)

On July 9, 2002, ANMP deposited Irene Segura's Check #2882 into their bank account. (JCS000397 & 8) The payment by Irene Segura represented repayment of the ANMP loan. As evidence of the sham nature of the transaction, Irene Segura was not required to pay interest on her loan. It appears the original intent of the transaction was to be similar to the Luther Durant loan transaction. When interviewed, Irene stated she did not feel comfortable with the proposed transaction and backed out of the whole thing.

3. Luther Abrahamson

On September 20, 2002, WGC and Larry Dunning executed a Promissory Note to Luther Abrahamson for \$100,000. (ANM077691) The source of the funds loaned by Abrahamson was a \$60,000 loan from Wells Fargo and a \$40,000 loan from Flagstar Bank. (ANM033820 & 22) The intended purpose of the loans was Abrahamson's capital contribution to BBB. (ANM033822) When interviewed, Luther Abrahamson stated he was approached about borrowing the \$100,000 from National Bank of Arizona. He declined the opportunity to borrow from National Bank of Arizona because he felt the offer "wasn't right". He chose to go to his own banks to borrow the money for his BBB investment.

Luther Abrahamson deposited the \$100,000 with Century Title on September 20, 2002. On September 20, 2002, ANMP issued a deposit application to WGC as lender of \$100,000 to Castle (San Miguel Trust dated September 20, 2002). Consequently, WGC used Abrahamson's escrow deposit as its deposit. (ANM005772) As of September 19, 2002, ANMP (CFS, ANMP, CFF and SECURA Fund Arizona) was holding \$1,491,020 of NSF checks from Castle entities. (JCS000291)

4. Joseph Colosimo

On October 30, 2002, WGC and Larry Dunning executed a Promisory Note to Joseph Colosimo for \$100,000. (ANM077692) WGC's accounting records and bank statement reflect a \$100,000 deposit from Joseph and Theresa Colosimo on October 30, 2002. (ANM049458 and JCS00401) On October 30, 2002 WGC issued Check #1298 to ANMP for an investment in a Castle entity (San Miguel Trust). (ANM096964 & 5 and JCS000402-404) On October 29, 2002 ANMP had issued a deposit application to WGC as lender of \$100,000 to Castle (San Miguel Trust dated September 20, 2002). (ANM005774)

As of October 21, 2002, American National (CFS, ANMP, CFF and SECURA Fund Arizona) was holding \$1,838,851 of NSF checks from Castle entities. (JCS000291) **Despite the Castle entities' ongoing default on its outstanding loans commencing in May 2002, ANMP continued to raise funds from investors, make additional loan advances to Castle entities and make interest payments to investors on defaulted Castle loans.**

5. **Robert Blachowski**

On January 22, 2003, Robert Blackowski loaned \$75,000 to the Secluded Lane Trust to be used to stop a sheriff's sale of the Secluded Lane property. The property had been foreclosed on by the senior lien holders. The loan was executed on behalf of Secura Innovative Investments, Inc. by David B. Stocker, Esq., Vice President; Larry W. Dunning, Individually and American National Mortgage Partners, LLC, Helen C. Hartzel, Responsible Individual, Trustee for the 35824 N. Secluded Lane Trust. (JCS000394)

According to the "Agreement" Robert and Patricia Blachowski had borrowed the funds from National Bank of Arizona, which in turn they loaned to cure the senior debt default. Paragraph 8 of the Agreement states "WHEREAS, Trustee desires to borrow \$75,000 from Lender for a period of 30 days, and is willing to pay Lender \$80,000 plus interest payable to National Bank of Arizona, where lender borrowed said funds, at the end of 30 days; said note will be guaranteed by Secura Innovative Investments, whose net worth is approximately \$1,000,000 and Larry Dunning, whose net worth is approximately \$3,000,000". (JCS000395)

6. **Shelia Dunning**

In mid 2002, Larry Dunning in an apparent attempt to move further into the "shadows" sent a memo to Susan Rutledge, Eric Strasser and Doug Baxter. In the memo Larry Dunning stated that he founded the business in January 1999 and that he wanted to see certain organizational changes accomplished by July 1, 2002. The first item on his list stated "Because of my 'retirement' program, I am appointing an alter ego to fulfill my spot. We are employing Sheila Dunning, as a loan officer for past, present and future earnings that are attributed to our family's production effective July 1, 2002." (ANM110751 & 2)

SECURITIES FRAUD

1. On March 1, 2002, Larry Dunning, on behalf of himself and Frank Caspare, wrote a letter to Tony Pisacano soliciting him to participate with them in a scheme to circumvent Arizona residency requirements for an Arizona Only intrastate securities offering. In the letter, Dunning boasts that they (Dunning and Caspare) have over \$12,000,000 outstanding in **investor** loans and that "no investor has ever lost principal or interest on our loans". (ANM063475-77)

2. Larry Dunning goes on to discuss their first planned securities offering, SECURA Fund Arizona, an intrastate offering for \$15,000,000 which "only Arizona residents can invest in it". Dunning states Secura Fund Arizona's intrastate offering will be followed in a few months by a \$15,000,000 SECURA Fund New York intrastate offering and later in the year by a \$100,000,000 full SEC interstate offering.

a) Pre-registration solicitation of a nonqualifying individual (nonresident) wherein the offeree is offered to invest in a proposed intrastate public offering on terms and conditions significantly different than those to be offered to prospective investors post registration.

1) Larry Dunning continued on with the proposal to Pisacano. (ANM063475-77) "I (Dunning) am a resident of Arizona. Before the NASD broker begins selling the fund, we would, Frank and I, would like to borrow, and GUARANTEE some serious money from you, if you are interested". Dunning goes on to state "I will invest the funds in SECURA Fund Arizona".

2) "We need your answer soon, will not feel bad if you cannot do it. But we need to fund this concept prior to the NASD company taking over the sales." Dunning continued on with the proposal to Pisacano. (ANM063475-77)

b) Filing of false financial statements/"Cooking the Books"/Promise of future earnings/Cover up.

1) "I will invest the funds in SECURA Fund Arizona. SECURA will then purchase some existing notes from investors currently earning 36% annual interest secured by deeds of trust. SECURA will then pay me, the named investor, a 1.2% interest per month (14.4% annually), then on December 31, 2002 SECURA will pay an approximate additional 6% in one lump sum, for an annualized 20% annual return – ALL of which will go to you."

2) "When SECURA Fund New York opens, we will transfer your investment to you in that fund, and in your name, but with the same format in mind – an operating history prior to selling the fund in New York."

c) Additional Inducement the "Icing on the Cake".

1) "As an additional inducement or reward for participating in this concept, we will issue you 20,000 shares of the parent company, SECURA Innovative Investments, Inc., which will make you a partner of Frank and me."

2) Larry Dunning made a representation of the future value of the 20,000 shares of SECURA Innovative Investment, Inc. "When the parent goes public, your shares will be priced somewhere around \$10 a share, depending upon the vagaries of the world at that time. So, in summary, you will receive about 20% annual interest plus an additional opportunity of \$200,000 profit on the parent shares.

3. On March 31, 2002, Larry Dunning and Frank Caspare borrowed \$200,000 from Anthony Pisacano. (ANM063474 & 77693) On March 13, 2002, Pisacano wire transferred \$200,000 to WGC. (ANM049488) On March 18, 2002, Larry Dunning writes Check #1176 to Secura Fund Arizona, LLC drawn on WGC bank account for \$200,000. The check bears the

notation "Capital Contr." (ANM096744 & 5) On March 19, 2002, Secura Fund Arizona, LLC issues Check # 991, converted to Cashier Check #001938428 for a loan to Castle for \$100,000

On March 20, 2002, Secura Fund Arizona, LLC issued Check # 992 for \$100,000 to Richard A. and Shirley Smith for the purchase of their interest in the FCG loan. (ANM016466) \$100,000 was deposited in CFS, Inc. on March 21, 2002. CFS issued Check #1078 for \$100,000 on March 27, 2002 to FCG, Inc. (ANM090866 & 7)

4. **Misrepresentation of a material fact.**

a) Guaranty Performance, Inc. (GPI) was incorporated on February 11, 2002. On several loans originated by the Company and funded by Investors, the Borrower paid a "credit enhancement fee" to GPI. Investors were told the "credit enhancement fee" guaranteed that investors would be repaid both principal and any accrued interest even if the Borrower defaulted. The "credit enhancement fee" was a marketing tool that lacked substance. In mid 2002 Larry Dunning wrote a memo to Susan Rutledge, Eric Strasser and Doug Baxter. Dunning stated in item f. **"Credit Enhancement has helped sell several \$100,000s in the past few days, so I know it's going to be helpful."** (ANM110751 & 2)

GPI was never much more than a corporate shell. As fees were collected GPI mostly invested in loans originated by the Company. The financial records of GPI demonstrate it never had the financial ability to pay off any of its "guaranteed loans". GPI's total Assets/Revenue never exceeded \$45,000. Since GPI's revenue was used to invest in loans its assets were illiquid and were subject to the same default risks they were purportedly guaranteeing. GPI was a sham guarantee designed to create an illusion of security that did not exist.

FALSE FINANCIAL STATEMENTS/CREATIVE ACCOUNTING/COOKING THE BOOKS

1. One of the striking features of the loans initiated by American National was their frequent failure to record liens against the properties purportedly securing the loans. **The high percentage of unrecorded liens and the obscuring of the existence of loans through the use of Illinois Land Trusts is an indication of intent rather than error.** Examination of Larry Dunning's and Greg Harrington's correspondence with various borrowers or prospective borrowers explains the role unrecorded loans and/or or Illinois Land Trusts can serve in a scheme to inflate the assets and understate the liabilities of a borrower.

a) On May 15, 2002, Greg Harrington sent Eric Strasser an email asking him about permissible accounting presentations. Harrington asked Strasser the following, "Also, need to know on GAAP (**Generally Accepted Accounting Principals**), are you aware of the "exemption" that a public company can acquire a building for cost, for instance the Amsterdam(**m**) Building that you financed for \$750k, with a Marshal & Swift evaluation of \$6.8MM, can be sold for instance to CSGI for \$750K in cash and a balance in securities for a cost basis of \$6.8MM is the Marshal and Swift (attached to this file)

sufficient to substantiate value, or is cost sufficient and what is the tax treatment, favorable? Is is(t) good cross collateral, and does the auditor have to reserve any type of opinion? Please let me know this a huge part of the business, **this makes pink sheet deal, SC deals overnight if we can book these assets accordingly.**" (JCS000419)

On May 29, 2002, Eric Strasser emails Greg Harrington and said "Let's talk about the GAAP opinion. As far as I know, you're OK with what you want to do." (JCS000439)

b) On July 8, 2002, Ronald Kelly, President/CEO of FCG wrote Larry Dunning, CFF, LLC, a letter expressing his desire "to borrow \$300,000 to facilitate the legal work, FCC filing, Audits, and due diligence." (JCS000162)

On July 18, 2002, Larry Dunning responds to Ron Kelly with a proposal to sell him the Amsterdam building for \$1,000,000 and lend FCG \$1,750,000.

Item 2. of the proposal states, **"we will prepare a \$1,750,000 note and deed of trust/mortgage to be held for filing."**

Item 3. of the proposal states, **"We will prepare an Illinois Land Trust to be held for filing."**

The concluding paragraph of Dunning's letter goes on to explain the benefit of not recording as follows: **"by not recording the deed of trust and Illinois land trust-as long as no default occurs- You could put it on your books at full value and use it as 'collateral' for the building funds from a local institution which would be low interest with a \$5,000,000 free and clear net worth."** (JCS000163) (Dunning had a bogus \$5,600,000 appraisal for the property) (JCS000173)

August 8, 2002, Deal Summary states:"**a preliminary title report will show that FCGI owns the \$5,600,000 property Free and Clear in a trust in which it appears to be both trustee and beneficiary.** The rational explanation to any potential lender is that it is set up in that manner to isolate the property from any would be extraneous law suits. **"FCGI should be able to find lenders in the area that will finance the 'improvements' and provide a bankable 'take out' using the \$5,600,000 as collateral which will allow FCGI to pay off the purchase price,"....** (JCS000164)

c) On October 5, 2002, Larry Dunning wrote a letter to Jean Gourd outlining a proposed joint venture, Depot, LLC.

It appears Dunning and Gnazio (an ANMP investor) would own 50% of Depot, LLC through an entity referred to as D'Artagon. D'Artagon would raise investor funds to loan Depot, LLC acquisition and construction funds. The lending investors would not have an ownership interest in Depot, LLC.

D'Artagon would receive its normal loan origination fee for furnishing the loans to Depot, LLC.

The lending investors would have a first mortgage on the project as collateral for their loan.

On the first full paragraph of page two of the letter, Dunning outlines his plan to deceive the lending investors and commercial financial institutions. Dunning states: "As financiers (us) of the project, we are going to get the land into the project so it looks as if there is no debt on it. We will do this by putting all of the construction loan on as if the land were free and clear." Dunning's previous established method of operation would indicate that he would accomplish the "illusion" of "free and clear" by not recording the lending investors note and deed of trust. Dunning's plan is founded on a premeditated plan to deceive the investors through a misrepresentation of a material fact.

Dunning's plan doesn't end with the proposed fraud upon the lending investors. He goes on to outline his plan to obtain permanent financing and interim financing from institutional lenders through material omissions of fact and/or material misrepresentations of fact. He states: **"The reason for this is that as soon as we have acquired the land (looking free and clear) and have raised enough money to pay for all the necessary costs accumulated by Gorco (you) and on behalf of Depot (you and us) and have begun constructing, we will then approach GMAC and others to give the project 'take out' financing. When we receive the 'take out', then we will approach lenders and local banks that do short-term financing for a construction loan."** Since Dunning proposes to hide the existence of the lending investors' loan, the members of Depot would represent an equivalent, material fictitious equity interest in the project in their financial disclosures to prospective commercial lenders. As detailed in the August 2002 FCG proposal, Luther Durant transaction in April 2002 and the 300 Acacia, Sedona transaction in July 2000, Dunning was no stranger to the concept of "creating" fictitious equity. Dunning explained his view of his investors when he stated: "You might look at our 'investors' the same as we look at your 'sub-contractors'. They both earn money for performing for us, but we all pay for their services, which are necessary for the success of our Joint Venture via Depot, LLC." Full disclosure, fair dealing, fiduciary responsibility, honesty and integrity are conspicuous by their absence from Dunning's proposed joint venture.

2. Joel Woldorf, CPA

On January 4, 2000 Joel Woldorf, CPA commenced an audit of Pontchartrain Realty Fund, Inc. with a target completion date of January 10, 2000.

On January 8, 2000, Woldorf issued an 8 day Compilation Financial Statement. The January 8, 2000 transmittal letter is addressed To the Board of Directors of Pontchartrain Realty Fund, LLC. Pontchartrain Realty Fund, LLC did not have a board of directors, it had Members. Pontchartrain Realty Fund, Inc. had a board of directors.

The January 8, 2000, Balance Sheet is for Pontchartrain Realty Fund, Inc. and the Statement of Income and Statement of Cash Flows is for Ponchartrain Realty Fund, LLC.

Legal Representation letters were sent to Nevada and Louisiana attorneys. Since the Louisiana Company's name was changed to Pontchartrain Realty Advisors, Inc. on April 30, 1998, it doesn't appear this company is the audit subject. Pontchartrain Realty Fund, LLC was formed on January 7, 2000, and, as a consequence, could not have been the audit subject. Consequently, the Nevada Company had to be the audit subject.

On January 12, 2000, Woldorf billed the company \$1,000 for Preparation of Financial Statements and Preparation of Audit. On March 3, 2000, Woldorf sent a follow up bill which included the \$1,000 for Preparation of Financial Statements and Preparation of Audit.

On March 30, 2000, Woldorf sent a bill to Pontchartrain Realty Fund, Inc. and Creative Financial Funding, Inc. (affiliated entities). The billing included a new item "STATEMENT FOR CRATIVE FINANCIAL FUNDING LLC \$250. (ANM053267)

3. Randy Kiesel, CPA

Between 1998 and July 30, 2002, Randy Kiesel performed nine (9) audits and one (1) compilation report on six (6) interrelated companies. During the course of my investigation, I briefly interviewed Randy Kiesel regarding his audits. Also, I have extensively interviewed the principals of the six related companies. Based on my investigation, I have concluded the companies audited by Kiesel produced false and misleading financial statements. It appears Kiesel never conducted any of the cited audits in accordance with generally Accepted Auditing Standards (GAAS).

Specific violations of GAAS include the following:

SAS 19 (AU Section 333) "Client Representations" Kiesel accepted Client Representations as "a substitute for the application of those auditing procedures necessary to afford a reasonable basis for his opinion on the financial statements". The auditor obtains written representations from management to complement his **other** auditing procedures. In many cases, the auditor applies auditing procedures specifically designed to obtain **corroborating information** concerning the matters that are also the subject of written representations". Kiesel performed no other auditing procedures nor did he obtain corroborating information.

SAS 31 & 48 (AU Section 326) "Evidential Matter" During the course of his audits, Kiesel did not obtain sufficient competent, evidential matter through inspection, observation, inquiries and confirmations to afford a reasonable basis for his opinion regarding the financial statements he purportedly audited.

SAS 45 (AU 3340) "Related Parties" It doesn't appear Kiesel made any attempt to identify related parties as contemplated by SAS 45. He did not evaluate the substance of related party transactions and overlooked significant details as to irregularities in their form.

SAS 53 (AU316) "The Auditor's Responsibility to Detect and Report Errors and Irregularities" It does not appear that Kiesel assessed the risk of material misstatements to the financial statements of any of the companies he audited during his planning of the engagements. There appears to be a general lack of due care in planning, performing and evaluating the results of audit procedures. Kiesel exhibited a lack of professional skepticism during his audit planning and performance. Kiesel's audit work product does not reflect the requisite "reasonable assurance" that material errors or irregularities would be detected. It does not appear that Kiesel ever performed an evaluation of internal control for any of the entities audited.

SAS 54 (AU317) "Illegal Acts by Clients" Kiesel should have discovered material improperly recorded transactions during the course of his audits. Management moved money from where it was to where it was needed, disregarding entity, form or purpose. For relevant audits, Kiesel should have discovered the October 5, 2001 Arizona Corporation commission enforcement action against CFF, CFS, Larry Dunning and Robert Rehm and the December 20, 2001 Cease and Desist action filed by the Arizona Banking Department against CFF and Frank Caspare . (ANM040361-9)

SAS 55 & 78 (AU319) "Consideration of Internal Control in a Financial Statement Audit" It does not appear Kiesel performed an evaluation of internal control for any of his audits. In any event he never obtained sufficient knowledge of the internal control system for any of the companies to plan the audits, assess control risk and determine the nature, timing and extent of substantive tests for financial statement assertions.

SAS 56 (AU329) "Analytical Procedures" Kiesel does not appear to have used any analytical procedures in his planning and overall review stages of his audits. Kiesel does not appear to have understood the plausible relationships between financial and nonfinancial data. He specifically didn't respond to unusual transactions or misstatements.

SAS 67 (AU330) "The Confirmation Process" To be effective, a confirmation request must be made of an **appropriate third party**. Kiesel made no effort to determine bona fide third parties. Confirmations obtained from independent third parties provide greater assurance of reliability for purposes of an independent audit. Confirmations from related parties do not provide any greater assurance of reliability than does a management representation letter.

Kiesel's audit conclusions were based almost entirely on "client representations". I found no evidence of any attempt by Kiesel to determine the substance rather than the form of the material related party transactions. It appears Kiesel knew who controlled all of the entities and who the related parties were. All of the entities had the same bookkeeper, shared common offices and were controlled by the same group of insiders. According to the Companies' bookkeeper, the only time Kiesel visited the Companies' offices was during his alleged audit of Creative Financial Funding, LLC. All other audits were done without an onsite visit or testing of records. Most of the other audits were done via fax transmission of accounting data or the Companies' CFO, Eric Strasser, visiting Kiesel at his office to go over the financial statement presentations.

In my opinion, Randy Kiesel's audits of the Receivership entities were not performed in accordance with GAAS and accordingly, the audited financial statement presentations are not presented in accordance with Generally Accepted Accounting Principals.

Valley Financial Funding, LLC 12/31/99 and 12/31/98 Audited Financial Statements Dated February 24, 2001 (ANM038423-30; ANM038413-22 and JCS000006-16):

1. Note D to the financial statements has no disclosure of the terms of the \$170,000 related party loan or the purpose or terms of the \$100,000 deposit. Apparently the note originated in 1998 and either had no principal reduction requirements, deferred principal reduction requirements or was in default. **72% of the company's assets were related party debts.** Neither Note D nor Note E adequately described the economic substance of the related party transactions.

2. Note H-Subsequent Event reported the company was sold in February 2000 (sold to Pontchartrain Realty Fund, Inc. a Nevada corporation). According to the purchase agreement, the sale occurred on September 15, 1999. (ANM038813-30) The February 2000 sale date conflicts with the January 8, 2000 compiled financial statement prepared by Joel Woldorf, CPA. (ANM037861-5)

3. Kiesel prepared audited financial statements for Valley for the years 1997 through 1999. Throughout that time Valley was a one member LLC and did not have a board of directors. All three of Kiesel's audit reports were addressed to the Board of Directors. (ANM038423, ANM038413 and JCS000007)

Creative Financial Funding, LLC September 30, 2001 Audited Financial Statements Dated December 6, 2001 (ANM047190-6):

1. In November 2000, Pontchartrain Realty fund, LLC sold its purported 100% ownership interest in Valley Financial Funding, LLC to Multivest, a Nevada LLC for \$400,000 in 6% convertible debentures from its **proposed** public entity. (JCS000017 and JCS000018-29)

2. On January 5, 2001, Pontchartrain Realty Fund LLC transferred the \$400,000 of Multivest debentures to Creative Financial Funding, LLC as its capital contribution. (ANM030252) I discussed the value of the debentures with Kiesel. He stated he obtained a client representation letter which satisfied him as to the value of the debentures. **Kiesel stated he had never seen the actual debenture, didn't know its terms nor did he do any test work to determine its fair market value.**

3. **Kiesel never questioned how the debenture would provide the start up company with working capital or liquidity. Kiesel knew this was a related party transaction but exercised no skepticism and subjected the transaction to no scrutiny.**

4. **Since related party transaction constituted \$599,000 of \$603,000 (99%) of reported assets of the company, the audit should have devoted a substantial effort and**

analysis of related party transactions and not blind reliance upon a management representation letter. (ANM030192-4)

5. Kiesel failed to disclose that the company made a series of advances (ANM065782, 3, 6, 7 and ANM048741 and 51) to a first lien holder in furtherance of its attempt to consummate the purchase of an office building located at 125 S. 52nd Street, Tempe, Az. for \$1,295,000 from a related party (Corporate Fiducial Services, Inc.). The purchase contract was dated May 10, 2001. (JCS000035 and ANM065648-55)

6. **Kiesel failed to disclose a material related party subsequent event when on November 1, 2001 Larry Dunning sold Corporate Fiducial Services, Inc. to Creative Financial Funding, LLC for a \$500,000 promissory note issued by Pontchartrain Reality Fund, LLC. (ANM030090 and 92)**

7. **Kiesel failed to disclose that Corporate Fiducial Services, Inc. made substantial payments to a third party lien holder in furtherance of Creative Financial Funding, LLC's purchase of 125 S. 52nd Street. (ANM065788 & 9, ANM065793, 7 & 8, 800, 6, 11, 12 and 16) Corporate Fiducial Services, Inc., as trustee, was the seller of the property.**

8. Kiesel's October 25, 2001 engagement letter for the September 30, 2001 audit was addressed to Larry Dunning (ANM047377 & 8). Dunning exercised control over the Company but was neither an owner nor officer of Creative Financial Funding, LLC. On October 31, 2001, Robert Rehm signed the engagement letter as President of Creative Financial Funding, LLC. (ANM047379 & 80) Kiesel sent the Confirmation requests to Robert Rehm. (ANM047389)

9. Kiesel obtained a representation letter from Creative Financial Funding, LLC dated December 6, 2001 on December 10, 2001. (ANM030192-4) Larry Dunning signed the management representation letter on behalf of Creative Financial Funding, LLC. According to the books and records of the company and the recorded documents with the Arizona Corporation Commission, Larry Dunning was never a member of the company. Larry Dunning appears to have exercised control over the company but did not by way of any official capacity. Kiesel obviously did not know his client, or perhaps, he knew the client was controlled by a person (Larry Dunning) who could not qualify for a banking department license because of a prior federal felony conviction for loan fraud.

10. On December 4, 2001, Kiesel obtained a confirmation from Robert Rehm, Member, Pontchartrain Realty, LLC for the amount owed on the \$400,000 of 6% convertible debentures (Multivest) and a \$153,125 loan to Pontchartrain Realty LLC. I don't understand the audit reason for confirming the Multivest debentures with Pontchartrain Realty Fund, LLC (a related party) and not Multivest, the issuer of the debenture. Even if Kiesel had confirmed the existence and amount of the debentures with Multivest, it would not have established the fair market value of the debentures. **Kiesel did not determine, acknowledge or address the default status of the debentures and the related impropriety of continuing to accrue interest on them. (ANM047388 & 9)**

11. I question the appropriateness of Kiesel's reliance on a confirmation received from a related party for the related party loan of \$153,125. Kiesel did not determine the value of the loan, its purpose or its repayment terms. **If Kiesel had looked at Creative Financial Funding, LLC's books and records he would have discovered that \$150,000 of the Receivable was, at best, a Stock Subscription Receivable. Normally stock subscriptions should have been presented as reduction in the capital section of the balance sheet rather than as a receivable. A Stock Subscription Receivable should only be presented as an asset when the receivable has been collected by the completion of the audit. Not only was it not collected by the completion of the audit, the transaction was reversed on December 31, 2002. The sole purpose of the transaction was to pump up the Assets and Equity of the Company. (ANM047389 and JCS000036 and 7)** The remaining \$3,125 was a retainer paid to an attorney by Creative Financial Funding, LLC for an arbitration proceeding against Pontchartrain Realty Fund, LLC. The seller of Valley Financial Funding, LLC claimed that Pontchartrain Realty Fund, Inc. never paid for its purchase of Valley Financial Funding, LLC. (ANM037266 and JCS000038-9)

12. On December 4, 2001, Kiesel obtained a confirmation from Robert Rehm, President, American Money Power for a \$22,406.39 obligation owed to Creative Financial Funding, LLC, a related party. My observations are similar to the ones stated in item 11 above. **In addition, all three entities shared the same bookkeeper and office address. (ANM047388)**

13. Kiesel prepared an Adjusted Trial Balance that included his adjusting entries. He sent the adjusted trial balance and adjusting entries to the Company's bookkeeper on January 7, 2002. **His entries included 9 months accrued interest on the Multivest Convertible Debentures (AJE 3 for \$18,000). Interest was supposed to be paid semiannually. It should have been obvious the Debentures were in default.** The most interesting set of entries is AJE 2 wherein Kiesel sets up a Miscellaneous accounts payable for \$40,652.22, recognizes advertising expense of \$36,055.17 and adjusts retained earnings for \$4,597.05. (ANM047381-85) The adjustments by their nature are questionable, Kiesel appears to have lacked independence and it appears Kiesel was auditing his own work.

Creative Financial Funding, LLC December 31, 2001 Compiled Financial Statements Dated February 11, 2002 (ANM047198-202):

1. According to the convertible debenture terms disclosed in the Valley Financial Funding, LLC purchase agreement between Multivest, LLC and Pontchartrain Realty Fund, LLC, the \$400,000 of convertible debentures were supposed to make semi-annual interest payments. The December 31, 2001 Statement of Assets, Liabilities, and Members Equity - Income Tax Basis under Other Assets, Accrued Interest Receivable of \$24,000. Kiesel would have known the debentures were in default at this time and should have raised questions about the representations presented in his audited financial statements for September 30, 2001. Kiesel should have known about the default prior to his completion of the September 30, 2001 audit on December 6, 2001.

2. Kiesel's engagement letter of February 5, 2002 was addressed to Larry Dunning. (ANM047375-6)

3. Kiesel performed an analysis of "Other Payables" in conjunction with his issuance of the compiled financial statements for the company. **His analysis includes a \$35,332 adjustment to retained earnings with the following footnote "It appears that creative tax planning 101 has occurred here to minimize taxes in year 2000. Check with Larry Dunning."** Kiesel failed to address the issue in his September 30, 2001 audit of the company. Kiesel was referring to the tax return prepared by Joel Woldorf, CPA. (ANM065683 & 4)

American National Mortgage Partners, LLC February 14, 2002 Audited Financial Statements Dated February 26, 2002 (ANM047154-9):

1. **Note B-Debentures does not disclose the \$250,000 of debentures was a related party transaction.**

2. The \$250,000 of debentures are from the \$400,000 of the Multivest debentures held by Creative Financial Funding, LLC and purportedly subjected to audit analysis when Kiesel did his September 30, 2002 audit of Creative Financial Funding, LLC. (JCS000042)

3. **There is no disclosure that the debentures were in default at the time of the transfer.**

4. Kiesel did not calculate or disclose \$1,849 of accrued interest American National Mortgage Partners, LLC owed Creative Financial Funding, LLC. Had Kiesel actually performed an audit analysis of the subject debentures he probably would have correctly concluded the debentures were in default and no accrual of interest was appropriate on the debentures.

5. **Kiesel never examined the nebulous nature of the debentures. If he had he would have concluded there was no basis for assigning any value to them.**

6. American National Mortgage Partners, LLC was a one person (Frank Caspare) LLC. Frank Caspare made no direct capital contribution for his LLC interest. (JCS000042) **On February 14, 2002, Frank Caspare executed a \$250,000 promissory note to Creative Financial Funding, LLC. (JCS000040-1) It appears the purpose of the promissory note was to acquire \$250,000 of the Multivest debentures from Creative Financial Funding, LLC and then use the debentures as his capital contribution for American National Mortgage Partners, LLC. (JCS000043)**

7. Frank Caspare owned a 34% (ANM028615 & 6 and ANM030609 & 10) interest in Pontchartrain Realty Fund, LLC on February 14, 2002. There are conflicting records as to his actual ownership percentage on February 14, 2002. Pontchartrain Realty Fund, LLC owned 100% of Creative Financial Funding, LLC at February 14, 2002. It does not appear Kiesel acknowledged or applied any independent audit techniques to this related party transaction.

8. Kiesel's audit opinion is addressed to the "Members". Since it is a single member LLC it should have been addressed to the "Member".

9. Note A-Summary of Significant Accounting Policies: Income Taxes, states the Company will file its income tax return as a partnership. This statement is incorrect. A single member LLC does not file a partnership return. The company would be reported on Schedule C of the individual's tax return.

10. **Creative Financial Funding, LLC paid Kiesel's audit fees for American National Mortgage Partners, LLC; a clear indication of a related party. (ANM048680, ANM047371 and JCS000044)**

11. According to the Company bookkeeper, Kiesel conducted his audit without ever visiting the Company's offices. Selected information was faxed to Kiesel.

Secura Mortgage Management, LLC March 15, 2002 Audited Financial Statements Dated March 20, 2002 (ANM047271-6):

1. Secura Mortgage Management, LLC was wholly owned by Secura Innovative Investments, Inc. (ANM031451 & 2 and ANM031382)

2. Secura Innovative Investments, Inc.'s books and records do not show who the stockholders of the company are. (ANM031410 & 1 and ANM031382-7a)

3. **The capitalization of Secura Mortgage Management, LLC was achieved by the transfer of \$150,000 of the Multivest convertible debentures and either the \$250,000 Robert Rehm promissory note or the \$250,000 Frank Caspare note held by Creative Financial Funding, LLC. (JCS000045 & 6 and 40 & 1) Consequently, Secura Innovative Investments, LLC should have been wholly owned by Creative Financial Funding, LLC not Secura Innovative Investments, Inc. There appears to have been no audit of the related party transactions.**

4. **At March 15, 2002, the Multivest Convertible Debentures were in default and throughout their history had never made the required semi annual interest payments. In addition, had they been current there would have been 2 ½ months of accrued interest on March 15, 2002, due to Creative Financial Funding, LLC.**

5. **The books and records of Creative Financial Funding, LLC show no disbursement of the \$250,000 of loan proceeds to Robert Rehm. During my interview of Mr. Rehm he stated he never borrowed \$250,000 from any of the entities and had not entered into any transaction that would have given rise to his execution of a \$250,000 note to Creative Financial Funding, LLC. A search of the company files did not turn up an original signed note. The only documentation is a photo copy of the purported note. The transaction appears to be a clumsy attempt to manufacture equity and assets.**

6. On March 20, 2002, Robert Rehm, acting in an undisclosed capacity, executed the Management Letter on behalf of Secura Mortgage Management, LLC. (ANM031541 & 2)

7. On March 27, 2002 Corporate Financial Services, Inc. paid Kiesel's fee for auditing Secura Mortgage Management, LLC. (ANM048135, 8a and ANM047363a & 4)

8. According to the Company bookkeeper, Kiesel conducted his audit without ever visiting the Company's offices. Selected information was faxed to Kiesel.

Secura Mortgage Management, LLC May 24, 2002 Audited Financial Statements Dated May 28, 2002 (ANM047277-84):

1. Kiesel continues to accept the accrual of interest on the Multivest Debentures which have not made an interest payment since their inception. The Debentures have been in default since approximately July 1, 2001. The only audit technique Kiesel appears to have used was the obtaining of a Client Representation Letter that the Multivest Convertible Debentures were not in default. Kiesel had dealt with the Multivest Convertible Debentures since early 2001. He never observed any payments and he calculated the accrued interest. If he had read the terms of the Debentures he would have known they required semi-annual interest payments. Instead, Kiesel relied upon a Management Representation (that may or may not have been executed) by Eric Strasser, in an undisclosed capacity, on behalf of Secura Mortgage Management, LLC. (ANM031456 & 7)

2. Note B-Note Receivable reported the \$250,000 note receivable from a member plus accrued interest was repaid on May 24, 2004. In addition, the member contributed an additional \$95,935 in cash to give the Company liquidity. An examination of the transaction reveals the \$350,000 was an improper loan from ANMP's investor trust account. The source of \$150,000 of the \$350,000 was the payoff of the High Chaparral Loan. \$50,000 was a loan from Stocker to ANMP and \$131,000 came from Barton's repayment of a loan from CORPORATE FIDUCIAL SERVICES. The High Chaparral and Stocker loan proceeds should have been repaid to the respective loan investors. The High Chaparral loan investors did not know the loan was paid off. The Company continued to make interest payments to the investors as though the loan had been extended. A review of the source of the funds would have disclosed the true nature of the transaction and debunked any representation the \$350,000 was a capital contribution.

3. On May 29 and 30, 2002 (the day after and the second day after the audit report date) Secura Mortgage Management, LLC issued four checks to transfer the \$350,000 back to American National Mortgage Partners, LLC. (ANM049048, JCS000047, ANM095381-4 and ANM095377-80)

4. The High Chaparral loan investors continued to receive interest payments on a no longer existing loan. The High Chaparral funds were not paid to the investors but were diverted.

5. The \$350,000 transaction was submitted to the Arizona State Banking Department on June 4, 2002 as evidence of the Company's capitalization. No disclosure of

the May 29, 2002 back transfer of funds was made to the Banking Department. (ANM031435 & 6)

6. Secura Mortgage Management, LLC appears to be wholly owned by Secura Innovative Investments, Inc. (previously discussed).

7. According to the Company bookkeeper, Kiesel conducted his audit without ever visiting the Company's offices. Selected information was faxed to Kiesel.

Secura Innovative Investment, Inc. March 15, 2002 Audited Financial Statements Dated April 3, 2002 (ANM031497-503)

1. Robert Rehm transferred the Sedona Residence to the Company. \$400,000 of his purported equity was based on a forged \$400,000 check. Larry Dunning attempted to cover up the forgery by persuading a compromised banker to write a \$400,000 cashiers check when the issuing entity, Corporate Fiducial Services, Inc. had approximately \$4,539.67 in its account. (JCS000048-53)

2. Kiesel knew that all of the parties involved in the Sedona transaction were related parties.

3. If Kiesel had reviewed the Zion Bank loan documents executed by Rehm he would have discovered that Rehm represented that the property was to be used as a personal residence and the sale or transfer to Secura Innovative Investments, Inc. would have been in violation of the loan provisions. See Deed of Trust, Article 6, Principal Residence; Article 17, Transfer of Property (due on sale clause); Adjustable Rate Rider, Article B and Second Home Rider, Article 6. (ZIB000022)

4. The second position loan from National Bank of Arizona, a wholly owned subsidiary of Zion Bank, had similar provisions. (Article 6, JCS000140; Article 17, JCS000142; Article B, JCS000145 & 6 and Article 6, JCS000147)

5. **The second property transferred for stock was 998 East Indian School Road. There was no equity in the property. The property was over encumbered.**

6. **Kiesel doesn't appear to have audited the \$250,000 shown on the balance sheet as a Note Receivable. It appears this is the Rehm note used to capitalize Secura Mortgage Management, LLC.**

7. A brief history of the Sedona property: September 28, 2000 Corporate Fiducial Services, Inc. transfers to Rehm (JCS000054); February 27, 2002 Rehm transfers to Secura Innovative Investments, Inc. (ANM056664 & 5); April 29, 2002 Secura Innovative Investments, Inc. transfers to Rehm (ANM056662 & 3); April 30, 2002 Rehm transfers to Bed, Boat & Breakfast, LLC (ANM056660 & 1) and March 31, 2003 Bed, Boat & Breakfast transfers to Rehm. (ANM056659)

8. In Note B Kiesel reports the Sedona transaction occurred on March 15, 2002, via quit claim. The actual quit claim was executed on February 27, 2002 and recorded on March 15, 2002. It appears Kiesel used the March 15, 2002 date so that he would not have had to calculate interest expense for 16 days.

9. According to the Company bookkeeper, Kiesel conducted his audit without ever visiting the Company's offices. Selected information was faxed to Kiesel.

Secura Innovative Investment, Inc. April 15, 2002 Audited Financial Statements Dated April 24, 2002 (ANM047252-61)

1. Note B describes a related party transaction. ANM063474-77 discloses the true nature of the transaction.

2. **Note C-Note Receivable doesn't make sense. If Rehm loaned the Company \$250,000 it would be a note payable, not a note receivable. Kiesel is describing the \$250,000 Rehm note that may have been used to capitalize Secura Mortgage Management, LLC.**

3. Note B-Investments state a shareholder of the Company contributed \$200,000 to the capital of the Company. On March 18, 2002, the Company's books reflect a \$200,000 journal entry to the capital account. The purpose of the entry was to cover up the true source of the \$200,000, Tony Pisacano. (JCS000055, ANM049488, ANM096744-5, ANM077693 and JCS000056)

4. **On April 29, 2002, the Company's attorney expressed his concerns to the Company's controller about Kiesel's audited financial statements. It appears the Company is engaged in a process of creating financial statements to satisfy questions raised by the Arizona Corporation Commission Securities Division. (JCS000057)**

5. According to the Company bookkeeper, Kiesel conducted his audit without ever visiting the Company's offices. Selected information was faxed to Kiesel.

Secura Fund Arizona, LLC April 15, 2002 Audited Financial Statement Dated April 25, 2002 (ANM047238-44)

1. **On April 15, 2002, \$200,000 of notes receivable and its related accrued interest appear in the Company's financial statements. Kiesel completed his audit on April 25, 2002. He did not disclose that \$100,000 of the \$200,000 of notes receivable was from a related party, Corporate Fiducial Services, Inc. (ANM142502) Note B to the financial statements states the notes were investments in deeds of trust. The Corporate Fiducial Services, Inc. note was not secured by a deed of trust. (ANM142502)**

2. The other note receivable was from Castle Megastore Corporation, Deer Valley/25th. Ave, LLC and Taylor R. Coleman, Individually. (ANM142503)

3. Note C of the financial statements state the source of the funds for the \$200,000 of loans receivable was Secura Innovative Investments, Inc. The actual source of the funds was a wire transfer from Tony Pisacano to Western + Gulf, a Larry Dunning entity. (ANM049488) Dunning then wrote a \$200,000 check from Western + Gulf to Secura Fund Arizona, LLC not Secura Innovative Investments, Inc. (ANM096744 & 5) On March 18, 2002 a journal entry for \$200,000 was made on the books of Secura Innovative Investments, Inc. in an attempt to create the illusion that Secura Innovative Investments, Inc. had loaned \$200,000 to Secura Fund Arizona, LLC and that Dunning and/or Western + Gulf made a \$200,000 capital contribution to Secura Innovative Investments, Inc.

4. Kiesel failed to disclose another related party note from Corporate Fiducial Services, Inc. for \$15,000 dated March 21, 2002. (ANM142501).

5. According to the Company bookkeeper, Kiesel conducted his audit without ever visiting the Company's offices. Selected information was faxed to Kiesel.

Secura Fund Arizona, LLC July 23, 2002 Audited Financial Statements Dated July 30, 2002 (ANM047216-22)

1. At April 25, 2002, the Company's audited financial statements presented assets of \$201,987. The liabilities included \$20 of accounts payable, \$880 of accrued interest payable and \$200,000 of investor funds payable. Members Equity was reported as \$1,087. How did Kiesel get from his April 25, 2002 audited financial data to his July 23, 2002, audit presentation? Did the Company create a new set of books to audit?

2. At April 25, 2002, the Company's audited financial statements disclosed interest income of \$1,967 and interest expense of \$880. The audited financial statements at July 23, 2002, disclosed no income and no interest expense. What happened to income and interest expense between April 25, 2002, and July 23, 2002?

3. According to the Company bookkeeper, Kiesel conducted his audit without ever visiting the Company's offices. Selected information was faxed to Kiesel.

BANK FRAUD/LOAN FRAUD/FORGERY

300 Acacia Drive, Sedona Arizona

"The house at 300 Acacia was our first foreclosure. I have been trying to make lemonade out of it ever since."(Larry Dunning memo paragraph e. ANM110752)

On July 16, 2000, Robert Rehm agreed to purchase a luxury house at 300 Acacia Drive, Sedona, Arizona from the 3414 N. 44 Street Trust dated December 17, 1999 for \$1,400,000. (ZIB000413-19) Corporate Fiducial Services, Inc. was the trustee of the 3416 N. 44 St. Trust (ANM058489 and ZIB000419). The purchase contract contemplated a \$400,000 down payment. Escrow account #43-43-03085-FL was opened at Security Title Agency. (JCS000206-8)

The following sequence of events was perpetrated by Corporate Fiducial Services, Larry Dunning and Robert Rehm because they didn't have the \$400,000 to make the down payment on the Sedona House.

Robert Rehm purportedly deposited a Cashier's Check for \$400,000 into the escrow account for the down payment on the Sedona House. Cashier Check #4791773020 was issued by Western Security Bank to Security Title Agency for \$400,000 on July 28, 2000. The purported Remitter stated on the Cashier's Check was Robert Rehm. The Cashier's Check was signed by Marshall Boyce. (JCS000223)

Corporate Fiducial Services, Inc. issued Check #1099 on July 28, 2000, to Western Security Bank for the purchase of the Cashier's Check. Corporate Fiducial Services Check # 1099 bears the notation "For Robert Rehm". Larry Dunning was the signor of Check # 1099. (JCS000221 & 2)

At the time Larry Dunning wrote Check #1099 for the \$400,000 Cashier's Check there was a maximum of \$4,539.67 in CORPORATE FIDUCIAL SERVICES's Western Security Bank account. (JCS000224 and JCS000231-3)

According to Marshall Boyce, the Western Security Bank officer that issued the Cashier's Check, CORPORATE FIDUCIAL SERVICES didn't have sufficient funds in its account to cover the purchase of the cashier's check. **When I asked Marshall Boyce why he did it; he stated that he did it to accommodate a friend.** Marshall Boyce may not have known Larry Dunning's overall plan, he may not have known how his actions fit into the Sedona Property sale or loan fraud and he may not have known how his actions were aiding the developing Ponzi scheme. However, what Boyce did know was that Dunning did not have sufficient funds in his account at the time he executed and tendered Check # 1099 to purchase the cashier's check Boyce issued. In addition, **Boyce knew Robert Rehm was not the remitter of the \$400,000.** Boyce believes he hand carried the \$400,000 cashier's check to the title company and hand carried the title company's \$400,000 check back to the bank to cover Dunning's \$400,000 NSF check. **Boyce knew he was part of a sham real estate transaction. Boyce was a willing participant in Dunning's "Check Kiting Scheme".** Boyce should have known that he was aiding Dunning in a sham real estate transaction and, if a lender was involved, he was aiding a related loan fraud. **By his actions, Boyce provided crucial assistance to the developing Ponzi scheme.**

Upon receipt of the \$400,000 Security Title Agency check (JCS000225 and 6), Boyce returned to Western Security Bank and deposited the \$400,000 into CORPORATE FIDUCIAL SERVICES's checking account to cover the \$400,000 Check #1099 written by Larry Dunning and in turn the Cashier's Check #4791773020 written by Boyce. The bank recording sequence clearly shows the insufficient funds check issued by Dunning occurred before the recording of the deposit of the Security Title Agency check. (JCS000222 & 26)

Robert Rehm applied for a loan through Darrell Coulter at National Bank of Arizona, a wholly owned subsidiary of Zions Bancorp. (JCS000227) Zions bank loaned Rehm \$838,860 for the purchase of the Sedona House. (ZIB000271)

Darrell Coulter, in a memo dated September 28, 2000, facilitated the approval of Robert Rehm's loan with Zions by waiving a bank requirement for a second appraisal and approving the appraiser, Richard L. Cox, who performed the appraisal for CORPORATE FIDUCIAL SERVICES. (JCS000228)

As part of the loan review process by Zions, they requested proof of Rehm's \$400,000 down payment and the source of those funds. (ZIB000377-412)

Rick Neuman, a loan officer with Valley Financial Funding, an ANMP affiliate, transmitted the requested documents to Zions on September 19, 2000. (ZIB000379)

CFS provided Nick Newman with the documents requested by Zions. (ZIB000377)

Item 3. of the CFS response reads "is the Beneficiary Agreement identifying Mr. Rehm as a 40% owner of: The Note from Castle to the 2nd Beneficiaries of which Mr. Rehm owned a 40% interest (\$400,000)". (ZIB000337) **Altered Trust documents were provided to Newman and Zions as proof of Rehm's 40% \$400,000 interest. (ZIB000410 and 11) ZIB000410 was photocopied from ANM004082. After it was copied, ownership %s' and Robert K. Rehm's name was added to the document. Robert Rehm has denied ever having a \$400,000 investment in any Castle related loan at any time. During my interview of Robert Rehm, he denied ever having made a \$400,000 down payment on the Sedona House or any knowledge of the altered Second Beneficiary document. (ZIB000410)**

If Rehm had a 40% ownership interest (he didn't) and if a Castle entity had made a \$400,000 repayment (it didn't) then Rehm would have only been entitled to \$160,000 of the \$400,000 (40% of \$400,000 not 100% of \$400,000). (ZIB000392)

Item 5. of the CFS response was a photo copy of a Castle entity check and remittance advise for Check #002054 dated July 28, 2000 made payable to Corporate Fiducial Services, Inc. The remittance advice description field reads "LOAN REPAY-FEDWY LOAN-RK REHM". (ZIB000411) **This document is a forgery. The \$400,000 bogus Castle entity check was represented as being deposited into CFS's Western Security Bank, bank account. As previously described, Security Title Agency Check # 4327106 was the actual \$400,000 check deposited into CFS's account on July 28, 2000.**

At my request, on April 15, 2004, Vern Schweigert, Chief Restructuring Officer for the Castle entities, provided me with a copy of the original Castle entity Check #002054 for \$20.00 written to the New Mexico Public Reg Comm on September 18, 2000. (JCS000205)

The difference in the issue dates between the real check and the bogus check was significant from a detection standpoint. The bogus checks apparent out of sequence issuance was a transactional red flag.

Whoever altered the check had to back date the altered check to match the date of the purported deposit. On September 18, 2000, CFS provided the bogus check to Nick Newman,

the loan officer from Valley Financial Funding (an affiliate of American National). In the haste to create the bogus check, the maker either was not concerned about using a non July sequenced check or overlooked this detail. Additional evidence of the bogus nature of the \$400,000 Castle entity check is the missing MICR encoding of the \$400,000 on the lower right hand corner of the check. (JCS000201-5)

To complete the purchase, Robert Rehm borrowed \$161,000 from National Bank of Arizona. National Bank of Arizona recorded a second position lien against the Sedona property to collateralize its interest. On October 3, 2000, Security Title disbursed to CFS \$170,872.97 representing the net sales proceeds. On October 3, 2000, CFS disbursed to Robert Rehm \$166,698.30 of the net proceeds. (JCS000283)

2302 North 36th Street Returns for Another Round of Financing

On February 5, 2003, the property was transferred from Herb Fisher to Robert Rehm subject to only the \$200,000 Gordon loan. (JCS000423 and 4 and JCS000430 and 1) The American National investor loan of approximately \$365,000 was conspicuous by its absence.

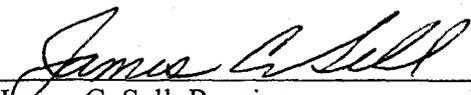
On January 15, 2003, Robert Rehm, through Marshall Boyce, applied for a \$375,000 loan with First International Bank. (FIB000645-7) The loan closed on approximately February 5, 2003. (JCS000425-9 and FIB000659-63 and 871)

The purpose of the loan was to pay off Gordon and provide additional funds to complete the repairs to the property.

On February 26, 2003, Marshal Boyce authorized a \$27,000 construction draw. Marshal Boyce issued cashier Check # 24080 to Larry Dunning for the \$27,000. (FIB000851 & 2)

On May 2, 2003, Robert Rehm submitted the sixth and final draw request to Marshall Boyce at First International Bank. **In the draw request, Rehm acknowledges the diversion of the previously disbursed \$27,000 to Larry Dunning when he wrote "The \$27,000 was supposed to be returned by Larry by the 26th of April but it looks like it may be another couple of weeks before we get it back."** (FIB000839)

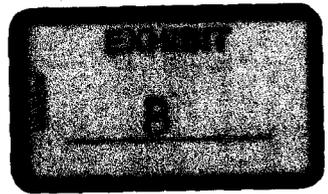
The preceding report does not include an analysis of all American National transactions. The Receiver reserves the right to supplement or file additional reports based on his continuing analysis of the transactions. The Receiver reserves the right to amend this report based on the discovery of new additional information.



James C. Sell, Receiver
American National Receivership, et al

**American National Mortgage Partners, LLC
Settlements**

<u>Description</u>			
Dr. Richard Gordon - 998 E. Indian School Rd. property		46,000.00	
Tony Lungaro - 3303 Medina property		400,000.00	
Castle Megastore Corporation		14,000,000.00	
Taylor Coleman		2,000,000.00	
M&M&M and Friends Investors		2,000,000.00	
Castle Megastore Corp Legal Fees:			
Paid directly to Jaburg & Wilk	77,639.22		
Paid directly to Michael Carmel	69,685.00		
		147,324.22	
Flora Maria Schule - Castle Megastore Investor		(5,000.00)	
Proceeds from sale of 35824 N. Secluded Lane property	736,887.53		
Less: fees paid by Receivership to maintain property	(6,496.26)		
		730,391.27	
Bankruptcy Distribution payment on R L Wickman claim		2,045.51	
		19,320,761.00	



**American National Mortgage Partners, LLC
Settlements**

Date	Description		
3/12/2004	Settlement - Dr. Richard Gordon - 998 E. Indian School Rd. property		46,000.00
5/11/2004	Proceeds from sale of furniture & equipment		1,808.80
6/16/2004	Settlement - Tony Lungaro - 3303 Medina property		400,000.00
8/2/2004	Castle Megastore Corp - settlement payment		170,141.45
9/17/2004	Proceeds from sale of 35824 N. Secluded Lane property	736,887.53	
7/29/2003	Payment to Boulder Vista HOA for 35824 N. Secluded Lane	(1,116.17)	
11/4/2003	Payment to Boulder Vista HOA for 35824 N. Secluded Lane	(119.41)	
11/26/2003	Payment to Boulder Vista HOA for 35824 N. Secluded Lane	(209.29)	
9/30/2004	Reimbursement to Jerry Zwack for maintaining Secluded Lane property	(5,051.44)	
			730,391.22
9/30/2004	Castle board fees paid directly to James C. Sell	1,000.00	
12/31/2004	Castle board fees paid directly to James C. Sell	500.00	
			1,500.00
10/1/2004	Payments made directly to Jaburg & Wilk by Castle Megastore Corp:		
	check #106418 - Jaburg & Wilk	50,000.00	
	check #108041 - Jaburg & Wilk	13,819.61	
	check #109725 - Jaburg & Wilk	13,819.61	
			77,639.22
10/1/2004	Payments made directly to Michael Carmel by Castle Megastore Corp:		
	check #106417 - Michael Carmel	50,000.00	
	check #108042 - Michael Carmel	19,685.00	
			69,685.00
10/12/2004	Bankruptcy Distribution payment on R L Wickman claim - Bonita Springs, Florida property		2,045.51
11/9/2004	Castle Megastore Corp - settlement payment		213,233.71
1/6/2005	Settlement payment to Flora Maria Schule - Castle Megastore Investor		(5,000.00)
			1,712,444.91

