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13 **ARIZONA SUPERIOR COURT**

14 **COUNTY OF PIMA**

C20086555

15 State of Arizona, ex rel. Terry Goddard,
16 Attorney General,

No. _____

17 Plaintiff,

**COMPLAINT FOR INJUNCTIVE AND
OTHER RELIEF**

18 vs.

(Unclassified Civil)

19 Harvest Properties Inc.; Harvest
20 Properties Inc. dba HomeVestors;
21 Harrington Sterling Holdings LLC; Colin
22 Sterling Reilly; Robert Harrington
23 Reilly; and Jill Lynae Reilly,

MICHAEL MILLER

24 Defendants.

25 **JURISDICTION AND VENUE**

26 1. The State of Arizona brings this action pursuant to the Arizona Consumer
27 Fraud Act, A.R.S. § 44-1521 *et seq.*, to obtain restitution, injunctive relief, civil
28 penalties, attorneys' fees and costs, investigative expenses and other relief to prevent
the unlawful acts and practices alleged in this Complaint and to remedy the
consequences of such unlawful practices.

2. Venue is proper in Pima County, Arizona.

3. The Superior Court has jurisdiction to enter appropriate orders both prior to
and following a determination of liability pursuant to A.R.S. § 44-1528.

PARTIES

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4. Plaintiff is the State of Arizona, ex rel. Terry Goddard, who is authorized to bring this action under the Arizona Consumer Fraud Act, A.R.S. § 44-1521 *et seq.*

5. Defendant Harvest Properties Inc. is an Arizona corporation that does business in Pima County, Arizona. Harvest Properties Inc. also does business as a franchisee of HomeVestors® of America Inc. ("HomeVestors"), a national franchise based in Dallas, Texas. Harvest Properties Inc. has also done business under the name of Harrington Sterling Holdings, LLC, and vice versa.

6. Defendant Harrington Sterling Holding (HSH), LLC is an Arizona corporation doing business in Pima County, Arizona, and has the same owners as Harvest Properties Inc. HSH has done business as Harvest Properties. The majority shareholders of Harvest Properties and HSH are the Colin Sterling Reilly and Sacha Lynn Reilly Revocable Trust and the Robert Harrington Reilly and Jill Lynae Reilly Revocable Trust. The primary beneficiaries and principals of the corporations and trusts are Colin Sterling Reilly, Robert Harrington Reilly, Jill Lynae Reilly, and Sacha Lynn Reilly.

7. Colin Sterling Reilly is named as an individual and as part of his marital community with Sacha Reilly. Colin Reilly acted in his individual capacity and as part of the marital community for the benefit of their marital community. Sacha Reilly is not named as a defendant for purposes of any allegations of consumer fraud.

8. Robert Harrington Reilly and Jill Lynae Reilly are named as individuals and as a marital community. Both acted in their individual capacities and as a marital community for the benefit of themselves and their marital community.

9. "Harvest Properties" and "Defendants" hereafter collectively refers to Harvest Properties Inc., Harvest Properties dba HomeVestors, HSH LLC, Colin Sterling Reilly, Robert Harrington Reilly, and Jill Lynae Reilly, and all members, officers, directors, shareholders, owners, managers, employees, independent contractors and agents of Harvest Properties.

ALLEGATIONS

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2 10. Beginning in late 2003, Harvest Properties became the first HomeVestors'
3 franchise in Pima County and advertised that it was in the business of buying homes.
4 HomeVestors' business model is to buy "distressed" homes at below market value.

5 11. Harvest Properties' advertising consisted of HomeVestors' high visibility
6 billboards, letters, flyers, as well as radio, television and internet ads, and included
7 direct contact with homeowners ("consumers"). The advertising included HomeVestors'
8 trademarked "We Buy Ugly Homes.Com," the 800-44-BUYER telephone number, and
9 HomeVestors' distinct "UG" the caveman ad campaign ("Ug Buys Ugly Homes").

10 12. In 2006, HomeVestors named Harvest Properties as their top-selling
11 franchise for 2005, based on their total number of real estate closings. That year,
12 Harvest Properties made approximately \$12.5 million dollars in revenue. "Cashing In.
13 Flip this House!" *Small Business Opportunities*, Spring 2006.

14 13. From late 2003 through at least June 2006, Harvest Properties engaged
15 in foreclosure rescue transactions and focused part of their business on buying homes
16 from consumers in or facing foreclosure or in financial distress. Harvest Properties
17 obtained information on homeowners facing foreclosure, in part, based on information
18 from public records and other sources. Through Jill Reilly, Harvest Properties had
19 access to the Multiple Listing Service (MLS), a service provided to and used by
20 licensed real estate agents and brokers. Harvest Properties targeted consumers
21 whose homes had a certain value or whose homes had a certain amount of equity.

22 14. Harvest Properties contacted, or was contacted by, consumers in or
23 facing foreclosure and offered foreclosure rescue services and offered to buy their
24 homes. These services included, but were not limited to, saving consumers from
25 foreclosure or bankruptcy, saving the consumers' credit "from further destruction," and
26 giving them a fresh start.

27 15. Harvest Properties entered into contracts with consumers to buy their
28 residences and took various actions to complete the purchase and transfer title.

1 16. Harvest Properties obtained a research authorization from consumers
2 that allowed Harvest Properties to obtain information from lenders and lien-holders.
3 Harvest Properties also had consumers assign a Special Power of Attorney to Harvest
4 Properties' employees so that the company could act on the consumers' behalf.
5 Harvest Properties used such documents to obtain information, negotiate with lenders
6 on behalf of the company, and to take actions on behalf of consumers in the sale.

7 17. Harvest Properties primarily used two sophisticated methods of property
8 acquisition. First, Harvest Properties negotiated "Short Sale" transactions,¹ by which
9 Harvest Properties negotiated directly with consumers' lenders to obtain a discounted
10 payoff amount on the consumers' loan in order to buy the property for a lower amount.
11 Second, Harvest Properties negotiated "Subject To" sales with consumers by which
12 Harvest Properties purchased homes "subject to" the consumers' loans (i.e., without
13 paying off the loan as part of the transfer). Harvest Properties separately agreed to
14 pay the consumers' loan payments to the lender until the loans were paid off.

15 **Deceptive Foreclosure Rescue And Credit Rescue Practices**

16 18. Harvest Properties engaged in a deceptive foreclosure rescue scheme
17 and credit rescue scheme. Harvest Properties falsely represented to consumers in
18 foreclosure and financially distressed consumers (consumers were referred to as
19 "clients") that the best and/or only viable way to save their homes from foreclosure
20 and to "save their credit" was to sell their home to HomeVestors (Harvest Properties).

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¹Lenders have various short sale requirements, such as requiring arms-length transactions to prevent fraud. Some lenders require financial records about the consumer's financial status and a "Hardship" letter. Most lenders require advance verification from the homeowner and/or buyer that no (or minimal) proceeds will go to the selling homeowner. For federally insured loans, the Housing and Urban Department (HUD) has strict guidelines for a homeowner to qualify for HUD's "Short Sale" program, including special homeowner/seller counseling.

1 19. Harvest Properties misrepresented to consumers that selling to Harvest
2 Properties would save consumers from having a foreclosure on their credit report and
3 save their credit from further destruction.

4 20. Harvest Properties' use of MLS data misled some consumers to believe
5 that Harvest Properties was a licensed real estate company.

6 21. When offering foreclosure rescue services to consumers and soliciting
7 consumers to sell their homes, Harvest Properties made misrepresentations and
8 concealed facts. Harvest Properties misrepresented aspects of the transactions and
9 either concealed or misled consumers about certain facts, including but not limited to:

- 10 (a) the value of consumers' homes;
- 11 (b) the need for repairs and the extent and cost of estimated repairs;
- 12 (c) the debt and financial status of consumers selling their property;
- 13 (d) consumers' rights and the best or available legal and financial options;
- 14 (e) the closing date of the transaction;
- 15 (f) the true owner of the property;
- 16 (g) that Harvest Properties was a licensed debt management company
17 despite the fact that it is not;
- 18 (h) potential tax consequences from short sale transactions;
- 19 (i) the consequences of concealing the "Subject To" transfers of a home;
- 20 (j) the existence of conflicts of interest and breach of fiduciary obligations;
- 21 (k) possible consequences from "Short Sale" or "Subject To" transactions;
- 22 and
- 23 (l) information on HUD1 settlement statements, including but not limited to,
24 charges for purported real estate services that were not provided,
25 compensation and/or proceeds, and the real party in interest.

26 22. For example, Harvest Properties misled and deceived consumers and
27 others as to the actual value of the home and cost of estimated repairs. Harvest
28 Properties' internal documents reflected two values: the value of the property or cost

1 of overstated repairs represented to consumers or lenders and the values which
2 Harvest Properties really believed the property to be worth or the true cost of repairs.

3 23. Harvest Properties misrepresented the amount of consumers' equity and
4 debt in relation to the value of the homes. Harvest Properties misled consumers and
5 others by claiming that the consumers "owe[d] more than their home [was] worth."

6 24. Harvest Properties misrepresented consumers' financial and legal
7 options and viable alternatives by deceptively failing to fully inform consumers of their
8 rights, legal options, and potential results of selling, pursuing bankruptcy or permitting
9 a trustee sale to occur. For example, Harvest Properties represented that consumers
10 could file bankruptcy and stall foreclosure for awhile but stated that the best way to
11 save their credit and avoid further destruction of their credit was to sell to Harvest
12 Properties.

13 25. Harvest Properties deceptively failed to adequately disclose the profit
14 (equity) that the company would receive resulting from the discounted payoff of the
15 consumers' loans in Short Sales.

16 26. Harvest Properties deceptively failed to disclose the extent to which
17 Harvest Properties fraudulently increased their own equity in Short Sales by deceiving
18 consumers and lenders about the real value of the home or estimated cost of repairs.

19 27. Harvest Properties deceptively failed to disclose that the Short Sale
20 transactions had federal or state tax consequences to consumers because
21 cancellation or discharge of debt (debt forgiveness) did or could result in reportable
22 and taxable income to the consumer.

23 28. Harvest Properties misled consumers by improperly paying "moving
24 fees" outside of escrow (typically \$1,000.00 or less) and by failing to disclose that
25 lenders who accept Short Sales require that the sellers, in this case the consumers,
26 receive little or no proceeds from the sale.

27 29. Harvest Properties misled consumers by failing to disclose that banks
28 with FHA or VHA loans and other lenders have policies requiring arms-length

1 transactions between buyers and sellers. Harvest violated such policies by
2 deceptively soliciting consumers to give Special Powers of Attorneys to its employees,
3 which allowed Harvest Properties to manipulate the purported arms-length
4 transactions.

5 30. Harvest Properties deceptively failed to disclose at the outset of entering
6 into a contract to purchase consumers' property that the signing of contracts to
7 purchase could immediately affect the consumers' contractual obligations with lenders
8 if the loan agreement contained a "due-on-sale" or acceleration clause, which allows a
9 lender to accelerate the loan debt upon sale of the property or change of ownership.

10 31. In some transactions, Harvest Properties deceptively charged fees to
11 consumers in HUD-1 settlement statements and other documents. These fees were
12 for real estate commissions to Jill Reilly Realty and/or others. Harvest Properties
13 deceptively failed to disclose that these expenses were unearned and/or were not
14 incurred by the consumers. Harvest Properties deceptively failed to disclose the
15 business and family relationship they have with Jill Reilly and the others.

16 32. Harvest Properties often deceptively obtained a substantial amount of
17 cash back from the escrow transactions, including short sales, because the properties
18 were worth more than Harvest Properties had represented to consumers or lenders.

19 **Deceptive "Subject To" Sales and "Due On Sale" Acknowledgement Forms**

20 33. In "Subject To" transactions, Harvest Properties made payments on the
21 loan until it was ready to pay off the loan, or it would negotiate a discounted pay-off for
22 the purposes of clearing title to allow Harvest Properties to sell the home. In various
23 instances, Harvest Properties did not "close" the underlying transaction by paying off
24 the consumers' loan until months – and in some cases—a year or more had passed.

25 (a) Under the circumstances, Harvest Properties deceptively failed to
26 disclose the full extent to which "Subject To" transfers affected
27 consumers' ability to obtain credit in the future.
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- (b) Harvest Properties misled consumers by failing to disclose that a foreclosure could still occur under the consumers' name if Harvest Properties failed to make payments.
- (c) Harvest Properties deceptively failed to inform consumers that the consumers were still legally obligated to pay off the loan.
- (d) Harvest Properties misled consumers by failing to disclose that a "Subject To" sale provided Harvest Properties with ownership benefits and benefits of the consumer's loan terms and no liability to Harvest Properties because they were not legally obligated to the lender to make loan payments. The transactions still left consumers with all of the legal and financial obligations from the debt.
- (e) Harvest Properties misled consumers into concealing the transfer and new owner from the lender and others. Harvest Properties used consumers to send change of address requests to lenders and insurers, changing the consumers' billing address to Harvest Properties. (Exhibit A.)
- (f) Harvest Properties' change of address letters falsely stated that the consumer had hired a debt management company to collect rents and make payments. (Exhibit A.) The concealment was done, in part, to ensure that lenders would not accelerate the consumers' loans pursuant to any "due-on-sale" acceleration clause in the consumers' loan agreements.

34. Harvest Properties deceptively failed to fully explain "Subject To" sales and failed to disclose salient facts, including but not limited to, the fact that:

- (a) Harvest Properties was using consumers to facilitate the filing of false or misleading information for the benefit of Harvest Properties;
- (b) the loan would continue to stay under the consumer's name even though a consumer had sold the property and moved out;

- 1 (c) consumers were still legally responsible for paying off the loan;
- 2 (d) the property sale agreement did not require Harvest Properties to pay off
- 3 the loan;
- 4 (e) the consumers' loan debt would continue to appear on the consumers'
- 5 credit report until the loan was paid in full;
- 6 (f) the consumers might be violating their loan agreement in various ways
- 7 that would cause consumers to breach the loan agreement;
- 8 (g) if Harvest Properties failed to make consumers' loan payments or was
- 9 unable to pay off the loan, a lender could foreclose, and any default or
- 10 foreclosure would be under the consumers' name and credit report;
- 11 (h) a lender could have allowed Harvest Properties to assume the
- 12 consumers' loans either on the original terms or modified terms; and
- 13 (i) the consumers might have civil liability in relation to the property
- 14 because the loan would still be in the consumers' name.

15 35. In "Subject To" purchases, Harvest Properties obtained the consumers'

16 signature on what was called a "Due On Sale Acknowledgment" document. (Exhibit

17 B.) This misleading document failed to disclose that it was actually a contract for

18 Harvest Properties to make the payments on the consumers' loan.

19 36. The "Due on Sale Acknowledgment" document deceptively purported to

20 "acknowledge" consumers' understanding that the lender could accelerate the loan if

21 the property was sold and that the consumer's name would remain on the loan. The

22 document deceptively stated that both parties would make all reasonable efforts to

23 pay off the loan if the lender accelerated the loan and that both parties would

24 "indemnify" each other.

25 37. Harvest Properties deceptively arranged "subject to" purchases, "Due on

26 Sale Acknowledgement" forms, and related practices were false and misleading and

27 harmful to consumers.

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Deceptive and Misleading Use of Blank Documents

38. Harvest Properties solicited, obtained and/or altered consumers' signatures on contracts or documents which had blank and/or partially blank spaces.

39. Harvest Properties altered documents signed by consumers which contained blank or partially blank spaces for the price or other terms when first signed.

40. Harvest Properties presented false or misleading contracts to consumers, financial institutions, government agencies, insurance companies and the like.

41. For example, when Harvest Properties initially obtained consumers' signatures on some real estate purchase agreements, they would leave terms of the contract blank, including but not limited to the purchase price, earnest money, and date of signing. In some transactions, Harvest Properties included the terms but changed them later. Harvest Properties often changed terms several times when negotiating with lenders, without notice to or consent from consumers. Harvest Properties made copies of the originals and changed the purchase price on a new copy as Harvest Properties' negotiated with lenders over the "Short Sale" price. This practice misled consumers as to the actual terms, including the final price.

Deceptive and Misleading Use of Special Powers of Attorney

42. Harvest Properties created conflicts of interest by acting on behalf of consumers when seeking to buy the consumers' property, including but not limited to, creating misleading agency and other fiduciary relationships. Harvest Properties requested consumers to assign a Special Power of Attorney to its own employees. This made the employee into the consumers' attorney-in-fact, i.e., the consumers' legal representative for purposes of selling the consumers' property, which created a fiduciary obligation to act in the consumers' best interest. This deceptively created an unavoidable conflict of interest which automatically breached any fiduciary duty. The practice gave Harvest Properties control and power over both sides of the transaction.

1 43. Harvest Properties deceptively solicited, created, or used special,
2 limited, or general Powers of Attorney assigned by consumers to Harvest Properties'
3 employees to act as the consumers' attorney-in-fact in transactions in which Harvest
4 Properties sought to, or was in the process of, purchasing the consumers' property.

5 44. Harvest Properties misrepresented that the Special Power of Attorney
6 was to facilitate consumers' interests when in fact the attorney-in-fact was working for
7 the benefit of, and at the direction of, Harvest Properties.

8 45. Harvest Properties' misrepresented or concealed that their employees
9 who acted as attorneys-in-fact failed to fulfill their agency and fiduciary duties to the
10 consumers. The agents did not act in the best interest of consumers and violated
11 their duty to inform homeowners about material facts concerning the transaction.

12 46. Harvest Properties deceptively failed to disclose that its regular use of
13 Special Powers of Attorney in this manner constituted regulated real estate broker
14 activity, but the company was not licensed to operate as a real estate broker or agent.

15 47. Harvest Properties deceptively purported to act on behalf of several
16 consumers using non-existent Special Powers of Attorney at times when the
17 consumers had not yet given a power of attorney. These actions included, but were
18 not limited to, signing Deeds transferring property and signing escrow instructions.
19 Harvest Properties also deceptively represented to others that consumers had given a
20 Power of Attorney when this was not true at the time but occurred later. In addition,
21 Harvest Properties deceptively recorded Deeds attesting to a transfer of property via a
22 Special Power of Attorney which did not exist at the time the property was transferred.

23 48. For example, the Special Power of Attorney gave Harvest Properties the
24 right to act on behalf of consumers to transfer the consumers' property, but without the
25 consumers' further involvement and without disclosing important facts to the
26 consumer. In many transactions involving a Power of Attorney, Harvest Properties
27 deceptively failed to disclose actions it purportedly took on behalf of consumers.

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1 49. Harvest Properties deceptively created and/or used consumers' family
2 trusts to facilitate transferring consumers' property in several "subject to" transactions.

3 50. Harvest Properties' deceptive or misleading acts and practices involving
4 Special Powers of Attorney and trusts violated the Arizona Consumer Fraud Act.

5 **Deceptive Use of Misleading "Seller's Acknowledgments"**

6 51. Harvest Properties required many consumers to sign a "Seller's
7 Acknowledgments" document. (Exhibit C.) The document included various
8 misleading statements which included, but were not limited to, the following examples.

9 52. The "Seller's Acknowledgments" stated that the consumer received
10 good, valuable and sufficient consideration; in fact, the consideration was inadequate
11 due to Harvest Properties' deception about the value of the service, the property, and
12 the cost of repairs, and because the consumer might not have received anything at
13 the time of the signing of contract documents.

14 53. The "Seller's Acknowledgments" stated that the consumer was fully
15 informed and understood all terms, was not confused about anything, was satisfied
16 with the sale price they negotiated, and had not been promised anything other than
17 what was in the contract; in fact, the terms, including sale price, payoffs, and
18 consideration to the consumer, often were not final terms when the consumer first
19 signed the documents.

20 54. The "Seller's Acknowledgments" stated that Harvest Properties advised
21 consumers to seek independent legal counsel but the company provided a prepared
22 list of possible attorneys to consult; some acknowledgements were not signed before
23 the contract; and Harvest misled consumers by failing to disclose the pre-existing
24 referral relationship.

25 55. The "Seller's Acknowledgments" stated that the consumer understood
26 that each party had fairly negotiated the agreement on their own behalf, and that
27 Harvest Properties had not taken advantage of the consumer or their situation.
28 Harvest Properties' deceptively used Special Powers of Attorney to control the

1 transaction and Harvest Properties negotiated terms with lenders on behalf of the
2 homeowner but for the direct benefit of Harvest Properties.

3 **Deceptive Referrals to Purportedly "Independent Counsel"**

4 56. Harvest Properties provided a letter advising consumers to seek
5 independent legal counsel to review the documents involved in the sale of the
6 consumers' property. (Exhibit D.) Harvest Properties would verbally offer to pay
7 attorney fees for certain consumers who could not pay for the legal review of the
8 documents. However, Harvest Properties' letter deceptively referred consumers to
9 several specific attorneys with whom Harvest Properties had already arranged an
10 informal referral relationship. This practice was misleading and violated the Arizona
11 Consumer Fraud Act.

12 **VIOLATIONS OF THE CONSUMER FRAUD ACT**

13 57. A.R.S. § 44-1522 (A) of the Arizona Consumer Fraud Act, states the
14 following:

The act, use, or employment by any person of any deception, deceptive
act or practice, fraud, false pretense, false promise, misrepresentation,
or concealment, suppression or omission of any material fact with intent
that others rely upon such concealment, suppression or omission, in
connection with the sale or advertisement of any merchandise whether
or not any person has in fact been misled, deceived, or damaged
thereby, is declared to be an unlawful practice.

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19 58. In all matters alleged above, Harvest Properties falsely and deceptively
20 acted in violation of the Arizona Consumer Fraud Act, A.R.S. § 44-1522(A).

21 59. In all matters alleged above, Harvest Properties acted willfully in
22 violation of the Arizona Consumer Fraud Act, A.R.S. § 44-1531(A).

23 **RELIEF REQUESTED**

24 WHEREFORE, the State respectfully requests that the Court:

25 1. Prohibit Harvest Properties from violating the Consumer Fraud Act,
26 A.R.S. § 44-1521 *et seq.*

27 2. Prohibit Harvest Properties from engaging in the course of conduct
28 alleged herein as a violation of A.R.S. § 44-1522(A).

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3. Prohibit Harvest Properties from offering foreclosure rescue, assistance, credit repair, debt management and similar services.

4. Order Harvest Properties to restore to all persons any money or property, real or personal, acquired by any means or practice alleged to be in violation of A.R.S. § 44-1522(A) as deemed proper by the Court pursuant to A.R.S. § 44-1528.

5. Order Harvest Properties to pay the Attorney General a civil penalty of up to \$10,000 for each violation of the Consumer Fraud Act pursuant to A.R.S. § 44-1531.

6. Order Harvest Properties to reimburse the Attorney General for costs of investigation and reasonable attorneys' fees pursuant to A.R.S. § 44-1534.

7. Order any other and further relief as the Court may deem just and proper.

DATED this 19th day of September 2008.

TERRY GODDARD
Attorney General

BY: 
VINCE RABAGO
Assistant Attorney General

TUC40735 - v1

EXHIBIT A

Change of Address for Home Insurance

Name: _____

Property Address: _____

City/State/Zip: _____

Date: 1/15/2006

Homeowners Insurance: _____

Policy Number: _____

Address: _____

Re Loan#: _____

Please be advised that I have retained a management company in Tucson, Arizona to manage my debts in regards to the above -mentioned property.

The company's name is listed below.

Harvest Properties, Inc.
705 N 7th Avenue
Tucson, AZ 85705
520-882-9200

Please add Harvest Properties, Inc. as an additional insurer, change the policy to a landlord policy, and direct any future statements or notices regarding changes to the insurance payment and coverage to Harvest Properties, Inc.

Sincerely,

Signature

Printed

Signature

Printed

Change of Address

Name: _____

Property Address: _____

City/State/Zip: Tucson / AZ / 85705

Date: _____

Mortgage Lender: _____

Payment Amount: _____

Address: _____

Re Loan#: _____

Please be advised that I have retained a management company in Tucson, Arizona to collect the rents and make loan payments on the above -mentioned property.

The company is

Harvest Properties, Inc.
705 N. 7th Avenue
Tucson, AZ 85705
520-882-9200

Beginning with the payment due on _____, your check for my loan payment will come directly from Harvest Properties, Inc. Please send directly to them, future statements or notices regarding changes in the amount of our payment.

Sincerely,

Signature

Printed

Signature

Printed

EXHIBIT B

"DUE-ON-SALE" ACKNOWLEDGEMENT

WHEREAS, _____ as Seller and _____ as Purchaser have entered in to a certain purchase and sales agreement even date herewith, the parties fully understand, acknowledge and agree as follows:

1. Both Seller and Purchase are fully aware that the mortgage(s)/deeds of trust securing the property located at _____ contain(s) provisions prohibiting the transfer of any interest in the property without satisfying the principal balance remaining on the underlying loans and/or obtaining the lender's prior written consent (i.e., a "due-on-sale" clause), and that this transaction may violate said mortgage. **Seller specifically understands that this loan will be paid on a monthly basis by buyer, but will not be assumed or paid off completely at this time, and that this loan will remain in Seller's name and may continue to appear on Seller's credit report.**

2. Seller and Purchaser execute this disclosure form after having had the opportunity to seek legal counsel as to the legal and financial implications of the due-on-sale clause. The parties agree and understand that if said due on sale clause is enforced by the holders of said mortgages, the entire balance due under said mortgages/deeds of trust will have to be paid off. In this event, Seller and Purchaser agree to take all reasonable steps to satisfy said lender, including both parties taking steps to obtain financing and/or Purchaser submitting an application to formally assume liability for said obligations. Purchaser understands that in the event that the underlying debt is not paid off, the lender holding the deeds of trust may foreclose the property which will extinguish Purchaser's interest under the property.

3. Seller and Purchaser hereby agreed to defend, indemnify and hold all parties involved in this transaction harmless from any liability in the event that the holders of the mortgages and/or deeds of trust on the aforementioned property are called due and payable.

Seller

Purchaser

On _____, 200____, before me, _____, a notary public in and for said state personally appeared _____, personally known to me (or proved to me based upon satisfactory evidence) to be the person(s) whose name(s) are subscribed to the within instrument and acknowledged that (s)he/they executed the same in his/her/their signature on the instrument the person(s) or entity on behalf of which they acted, executed the instrument.

Witness my hand and official seal

NOTARY PUBLIC

My commission expires _____

[SEAL]

EXHIBIT C

Seller's Acknowledgements

I _____ (Seller),
on this _____ day of _____, 20____, have agreed in writing to sell the
property commonly known as _____,
(The Property) to _____ (Buyer) and or assigns, according to the
terms and conditions contained in the Purchase and Sale Agreement (The Agreement) of even
date, a copy of which is attached hereto. I further state as follows:

_____ **1. OWNERSHIP OF THE PROPERTY:** I am the owner of The Property (or I have
an equitable interest in the Property) and am able to contract for its sale.

_____ **2. ACCEPTANCE:** I have reviewed the terms and conditions contained in The
Agreement and have accepted Buyer's offer the purchase The Property.

_____ **3. GOOD AND VALUABLE CONSIDERATION:** I have received good and
valuable consideration in signing The Agreement, and I acknowledge both the receipt and the
sufficiency of the consideration.

_____ **4. IN MY BEST INTEREST:** I am satisfied with The Agreement and have agreed
to sell The Property because it is in my best interest to do so.

_____ **5. FULLY FORMED AND NOT CONFUSED:** I have signed The Agreement being
fully informed and with sufficient understanding of all terms and conditions contained therein. I
am not confused about any aspect of The Agreement.

_____ **6. SATISFIED WITH THE SALES PRICE:** I understand I may be selling The
Property for less than market value but have chosen to do so because circumstances dictate
that an immediate sale, even at a discounted price, is in my best interest. I am satisfied with the
sale price I have negotiated.

_____ **7. SALE IS FINAL:** I understand by signing The Agreement, I have agreed to sell
The Property to Buyer and am now bound by the terms and conditions described in The
Agreement. I further understand that I cannot "change my mind" or cancel the contract at some
later date, nor can I continue to market The Property to any other buyer.

_____ **8. CONTINGENCIES MAY EXIST:** I understand the sale may be contingent upon
Buyer's inspection and approval of certain items described in The Agreement. I further
understand that if Buyer does not approve of these items, Buyer may cancel The Agreement
and if cancelled, I must return Buyer's earnest money in full.

_____ **9. NOT A LOAN:** I understand The Agreement I have signed is for the outright
sale of The Property and is not intended to be a loan of any kind.

_____ **10. AGREEMENT MAY BE ASSIGNED:** I understand The Buyer may assign The
Agreement to another party and may be closing the sale with someone other than Buyer.

_____ **11. NO ESCROW:** in understand Buyer may choose to "close" this transaction without the use of an escrow company and may record the conveyance document himself.

_____ **12. CLOSING DOCUMENTS:** in understand there will be additional closing document to sign and upon receipt, agree to sign, and deliver the closing document either into Escrow or directly to Buyer, as Buyer may direct, in a timely manner.

_____ **13. COPIES OF THE PAPERWORK:** I understand that copies of the paperwork I've signed will be provided to me in a timely manner and I acknowledge that circumstances dictate that copies may not be immediately made available to me.

_____ **14. BUYER ENTITLED TO MAKE A PROFIT:** I understand Buyer may resell The Property and may realize a profit in doing so. I agree Buyer is entitled to any profit that may ultimately result in the subsequent resale of The Property.

_____ **15. LEGAL COUNSEL ADVISED:** I acknowledge Buyer has advised me to seek independent legal counsel to review The Agreement.

_____ **16. FINANCIAL REVIEW ADVISED:** I acknowledge Buyer has advised me to seek an independent financial advisor to review The Agreement.

_____ **17. FAIRLY NEGOTIATED:** I understand Buyer has negotiated on his own behalf and likewise, I have negotiated on mine. I acknowledge The Agreement has been negotiated fairly and Buyer has not taken advantage of me or my current situation.

_____ **18. NO PRECLUDING AILMENTS:** I have no physical, mental or emotional ailments that preclude me from signing The Agreement.

_____ **19. NOT UNDER THE INFLUENCE:** I am not now under the influence of alcohol or any other mind-altering substance, nor am I taking medication that would cloud my judgment or make me unable to thing clearly.

_____ **20. NO OTHER PROMISES:** I have not been promised anything other than what is described in The Agreement. There are no unresolved issues, no "side agreement," nor are there other terms not disclosed in The Agreement.

_____ **21. NOT UNDER DURESS:** I am not under duress and have signed The Agreement of my own free will, without any undue financial pressure. I have signed of my own free will and Buyer has in no way pressured me into signing The Agreement.

_____ **22. FULLY SATISFIED WITH AGREEMENT:** I am fully satisfied with all terms and conditions contained in The Agreement.

Dated this _____ day of _____, 20____.

√ _____
Seller (Signature)

√ _____
Seller (Signature)

EXHIBIT D



RE: PROPERTY ADDRESS: _____

Dear Seller:

We recommend that you seek the advice of a lawyer to review the documents involved in the sale of your home to Harvest Properties, Inc. Most attorneys charge between \$150 and \$200 per hour. It is your responsibility to pay for legal representation.

Listed below are three attorneys versed in real estate transactions. If you hire a lawyer (whether one listed below or any one you choose) we would like a letter from him or her stating that you have been advised and understand all aspects of the sale and your legal rights under the purchase and sale agreement.

_____, Attorney at Law
(520) 232-1222

_____ PLLC
(520) 7_____

_____ Attorney at Law
(520) _____

Lawyer Referral Service
(520) 623-4625

If you require any additional information from us, please contact us at (520) 882-9200.

Sincerely,

Harvest Properties, Inc.

I _____, have been advised by Harvest Properties, Inc to seek legal council within three days of the date of this contract regarding the sale of my property.

SELLER'S PRINTED NAME SELLER'S SIGNATURE DATE

SELLER'S PRINTED NAME SELLER'S SIGNATURE DATE

Received copy of letter on _____, 200_.