

EXHIBIT S

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THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:

) COPY

) File No. SL-02623-A

AMERICAN PENSION SERVICES,

)

INC.

)

WITNESS: Clare Morse

PAGES: 1 through 83

PLACE: U.S. Securities and Exchange Commission

15 W. South Temple, Suite 1800

Salt Lake City, UT 84101

DATE: Tuesday, March 11, 2014

The above entitled matter came on for hearing,
pursuant to notice, at 10:21 a.m.

RECEIVED

MAR 25 2014

Securities & Exchange Commission
Salt Lake Regional Office

Diversified Reporting Services, Inc.

(202) 467 9200

1 P R O C E E D I N G S

2 MR. FROST: Let's go on the record. It's
3 10:21.

4 Would you please raise your right hand.
5 Do you swear to tell the truth, the whole truth and
6 nothing but the truth?

7 MS. MORSE: I do.

8 Whereupon,

9 CLARE MORSE

10 was called as a witness and, having been first duly
11 sworn, was examined and testified as follows:

12 EXAMINATION

13 BY MR. FROST: Q Would you please state
14 and spell your full name for the record.

15 A Clare Morse, C-l-a-r-e M-o-r-s-e.

16 Q My name is Scott Frost and with me is Paul
17 Feindt. We are both officers of the Commission for
18 purposes of this proceeding. This is an
19 investigation by the United States Securities and
20 Exchange Commission in the matter of American Pension
21 Services, file number SL-2623, to determine whether
22 there have been violations of certain provisions of
23 the federal securities laws. However, the facts
24 developed in this investigation might constitute
25 violations of other federal or state, civil or

1 A He told me.

2 Q So when he gave you the money he told you
3 this is --

4 A This is account holders' money.

5 Q And did he tell you whose accounts?

6 A No.

7 Q So when you paid the money back, did you
8 pay the money back to --

9 A Just to APS.

10 Q To APS?

11 A The title company got payoffs and then they
12 took care of all that.

13 Q So you never knew which APS customers you
14 were borrowing funds from?

15 A No.

16 Q Do you know if that appeared on their APS
17 customer statements, that they were involved in any
18 of these projects with you?

19 A I wouldn't know.

20 Q You never saw those statements?

21 A Huh-uh (negative).

22 BY MR. FROST:

23 Q Going back to the properties, you agreed to
24 take over management of these properties and do the
25 work necessary to be able to sell them?

1 **Q Any other investments in Vernal other than**
2 **through Diamond Mountain?**

3 A Not that I know of.

4 **Q Were there other investment deals that you**
5 **did with APS?**

6 A Yes.

7 **Q You mentioned the first one with the 150**
8 **properties. Was that the first deal you did? Other**
9 **than the --**

10 A Uh-huh, other than my loans, my four or
11 five loans, whatever it was.

12 **Q And then you did the 150?**

13 A Yeah. There was probably 150 properties.
14 There was 65 in Kansas City. I think it was 30 or 35
15 in Oklahoma. There were 30-some-odd here. There
16 were 11 townhomes, if you could call them that, in
17 Harrisburg.

18 **Q And then what was the next deal you did**
19 **with him?**

20 A He had me loan -- this was really -- this
21 is typical Curtis schloky business. I get a call
22 from the bank one day and they says, "You just got
23 \$600,000 in your account."

24 BY MR. FEINDT:

25 **Q What bank was this?**

1 A Bank of American Fork. I says, "I did?
2 Where did I get that?"

3 And she says, "I don't know. I'll check."
4 Then she calls me back and says, "You just got
5 another \$400,000."

6 I says, "Where from?"

7 She says, "I don't know. I'll check and
8 call you back." So she calls me back and says, "It
9 came in from American Pension."

10 I'm going, "Now, why would American Pension
11 send me a million dollars?" So I tried to get ahold
12 of DeYoung. Took me two or three days until I
13 finally rounded him up. I says, "What am I supposed
14 to do with this? Why don't you tell me, I mean."

15 He says, "I need you to loan it to
16 Charlevoix Homes in Scottsdale. They're a builder."

17 BY MR. FROST:

18 **Q So when was this?**

19 A In '05. Maybe it was '06. I says, "Okay."
20 And Mike Roberts of Charlevoix Homes was a good
21 friend with Jim Piccolo with Nouveau Riche Real
22 Estate University that you guys shut down, by the
23 way, and have an \$8 million judgment against. And
24 Curtis put on seminars for Nouveau Riche, so he's
25 trying to impress Piccolo, so he wanted to send this.

1 So they sent me all their statements and everything.

2 And I looked at Mike and says, "Curtis, are
3 you sure you want to loan these guys a million
4 dollars? They're one month away from not being
5 there. If they have a bad month, they're gone." They
6 had \$87 million out in bank loans and they had \$13 or
7 \$18 million in private money at 18 to 24 percent. I
8 says, "They can't do it." They had 13 communities
9 going.

10 He says, "Yeah, yeah, yeah, loan it to
11 them."

12 I'm like, "Okay." I says, "What about
13 notes and trust deeds and everything?"

14 And he goes, "We'll worry about it later."

15 I thought, "That doesn't work for me." So
16 I sat on it a couple days, and I called him back and
17 I says, "I'm just going to wire this million back to
18 you."

19 He says, "Well, I can't loan it. I've got
20 to go through somebody."

21 I says, "Why?"

22 He says, "I just do."

23 I says, "I'm not comfortable sending a
24 million dollars of other people's. How many
25 accounts?"

1 He said, "80 accounts."

2 I said, "Okay, you have 80 people that own
3 this million dollars, and you want me just to send it
4 to somebody with no collateral, no note, no
5 anything?" I says, "If it was, like, \$20,000 or 50,
6 you know, I'd consider it. But a million dollars,
7 I'm not going to do it."

8 So he was a little pissy and says, "Well,
9 get what you need, then."

10 So I called Mike Roberts and says, "I got
11 the money sitting here, but I need notes and deeds of
12 trust," and blah, blah, all that. And he was a
13 little put out, but he was okay, and he got them to
14 me. And I reviewed it, and the note said -- and it
15 was on one particular subdivision, one community that
16 would have a second trust deed for this million.
17 However, it said in the note it would be due and
18 payable upon sale of the final house.

19 And I thought about that, and I called him
20 back and I says, "That isn't going to do it for me.
21 What if you don't sell the final house and you put
22 Grandma in it and let her live there? Then the
23 loan's never due." So he changed it and he sent it
24 back. We got it recorded and I wired the million
25 dollars down to Biltmore Bank in Scottsdale.

1 Q So whose name was it recorded in?

2 A Charlevoix Homes.

3 Q And what name was the interest that you had
4 in it?

5 A In Remington, and then I assigned it to
6 APS.

7 BY MR. FEINDT:

8 Q So you said that the million dollars was
9 from 80 different accounts. Is that 80 different --

10 A APS accounts.

11 Q -- APS customers?

12 A Correct.

13 Q And did you have any contact, any
14 discussions with any of those customers?

15 A Did not.

16 Q Did they have any discussions with anyone
17 from Charlevoix Homes? Do you know?

18 A Not until after. Not until way later.

19 Q So this was kind of just organized by Mr.
20 DeYoung?

21 A Correct. Charlevoix Homes filed bankruptcy
22 for \$130 million in July of '08.

23 Q Did you ever receive any payments on this
24 million dollars?

25 A One payment of \$13,000.

1 **Q One interest payment?**

2 A But then it was shortly after that that
3 Curtis DeYoung loaned Charlevoix Homes another
4 \$600,000 directly without going through me, so he put
5 a million six into it.

6 **Q How do you know that?**

7 A Mike told me. Curtis told me.

8 **Q Okay, Curtis told you that he did this. And**
9 **why did he do it on his own as opposed to going**
10 **through you this time?**

11 A I don't know. I never asked him. I just
12 thought it was odd.

13 **Q So the million dollars, the original \$1**
14 **million that was loaned, was lost?**

15 A Correct. So was the \$600,000.

16 **Q So 1.6 was lost in this?**

17 A \$130 million bankruptcy. And that's when
18 all 80 of the account holders became aware, because
19 they all filed claims with the -- what do you call
20 it? With the bankruptcy. And Mike was aware of all
21 of them then, and he said that very few of them had
22 given Curtis what he called a direction letter that
23 authorized him to use their money for that project.

24 Instead -- and he took my wife's money as
25 well out of her account, because she went to get her

1 him, right about the end of when we separated, he has
2 a piece of property in Peru he needs to buy. Curtis
3 loans him \$450,000 to buy it.

4 Then a couple years later he went to
5 foreclose it, and he sends a guy in his office named
6 Lamont Smith down to Peru. The property was bought
7 under his brother's name and nothing recorded, so he
8 couldn't foreclose. So he not only lost the money on
9 the houses, the balance of the houses, but the
10 \$450,000 new money.

11 Q So with the half dozen houses, you were
12 able to sell some of those, so Mr. DeYoung recouped
13 some of the \$2 million?

14 A Right.

15 Q Do you know how much was lost, in total, on
16 that?

17 A With the 450, probably a million and a
18 half.

19 Q And that would have also been funds that
20 came out of APS client accounts?

21 A Accounts.

22 Q And did Mr. DeYoung tell you that?

23 A Yes. He said he was kind of worried
24 because some of them wanted their money and he
25 couldn't step up.

1 mother still worked for him there until a couple
2 years ago.

3 BY MR. FEINDT:

4 Q You had mentioned another transaction, the
5 Old Town office building?

6 A Oh, yes.

7 Q What was that?

8 A That's an office building, 40,000-foot,
9 four-story office building in Old Town Wichita,
10 Kansas. We bought the building way below value
11 because it was in foreclosure on an IRV, and not that
12 the building was in trouble, but the borrower
13 cross-collateralized it with a subdivision, lost the
14 subdivision so he lost the building.

15 We bought the building. APS put up \$2.8
16 million. And then when I had the separation with
17 Curtis DeYoung, it was in Remington's name, and I
18 went and renovated. The top floor was 75 percent
19 leased. When I ended up it was 96 percent rented. It
20 was doing really well. And in our settlement he
21 wanted that building. It's like, "Well, it's APS'
22 money. I don't care." So I deeded it to him.

23 Then he borrowed money from a group out in
24 Sandy or Draper called Northstar Funding. It's Kerry
25 Rolfe, I think his name is, that owns that, and Rob

1 Olsen. And they had this great big smart idea from
2 Jeff Anderson that they were going to empty all the
3 tenants out of there and re-lease it at higher rates.
4 It's, like, news flash, dumb asses. We're already
5 top of the market. We had national tenants in there.

6 So anyway, I don't know what they did, but
7 they got it foreclosed and lost it in a trustee sale.
8 Last I heard Northstar still had it and they were
9 trying to sell it.

10 Q So when you first went in to buy the
11 building, do you know roughly when that would have
12 been?

13 A '06.

14 Q '06. And you said "we" bought this,
15 meaning you?

16 A It was Remington, and Curtis and I would
17 have split the profit on it.

18 Q So did all the funds to buy the building
19 come from APS?

20 A Remington. I put some in, but not a lot.
21 Maybe \$200,000.

22 Q Did anyone else?

23 A No.

24 Q The 2.8 million?

25 A APS customers.

1 Q Did Mr. DeYoung tell you that?

2 A Yes, he did.

3 Q Was this assigned, then, to APS customers?
4 Were they on the deed of trust?

5 A No. They showed no loan on it. They just
6 showed it as free and clear, Remington as the owner,
7 till I deeded it to him.

8 BY MR. FROST:

9 Q And you deeded it to APS?

10 A Yes. Yes, I did.

11 Q And then APS got a loan from Northstar?

12 A Correct.

13 Q And they didn't pay back the loan so they
14 lost the building?

15 A What I understand and what Dean's telling
16 me -- and this doesn't make sense -- is that it was a
17 hard-money loan. And whether they made payments on
18 it or not I don't know, but they didn't pay the
19 taxes, and so Northstar foreclosed on it because the
20 taxes were delinquent.

21 BY MR. FEINDT:

22 Q Why did APS borrow the money from
23 Northstar?

24 A I don't know. I didn't know Northstar.
25 Well, I knew Northstar. I kind of did. I knew

1 **Q This Diamond Mountain Homes, was that a**
2 **Curtis DeYoung entity?**

3 A It is. Curtis DeYoung, Jeff Anderson and
4 Brad Kendrick, the three amigos, 33, 33 and 33. See,
5 and this is -- Remington Commercial was shut down. I
6 shut it down in April of '08. So this in August of
7 2012 is plain fraud, once again.

8 **Q So if we see any statements, 2012, 2013,**
9 **that list Remington Commercial --**

10 A It's fraud.

11 **Q There's no --**

12 A You can check with the State. We shut it
13 down April of '08, filed our final taxes.

14 **Q There are no properties in the name of**
15 **Remington Commercial?**

16 A Not that I know of. Not that are legal.
17 Not that are legit. This is a smokescreen, see, and
18 he was suing me and Remington for everything there
19 was so he could go to these guys and say, "Hey, Dean
20 and Darlene Snow, Remington's got all your money. But
21 we're suing them. We're going to get it back." It's
22 a slicky trick he did.

23 **Q Do you know Dean or Darlene Snow?**

24 A I don't.

25 **Q Never met them? No idea who they are?**

1 recorded him. Then he brought the recording over and
2 it was basically saying the same thing. And I called
3 Jeff and hit him up about it and he denied it.

4 And I said, "Well, I know what I heard."
5 Then he tried to -- before he died he texted me and
6 asked him if I'd forgive him for what he did to me
7 and my family, because he caused me undue grief. And
8 I talked to Curtis about that. I says, "Now do you
9 wish" -- and I told him about that. I says, "I got a
10 recording of what Jeff said so I know he went and
11 told you. Now do you wish you would have listened to
12 me and not him?"

13 And he said, "Yes."

14 I says, "Well, you know, regrets, we have a
15 few, but what do you do?" So I talked to him about
16 that, and then that's when I hit him up and says,
17 "Did you ever get any of your money out of the Perry
18 Farm lots?"

19 And he goes, "No. I don't know what
20 happened to them."

21 I said, "I can tell you. Jeff's widow is
22 living on one and his brother and his dad. There's
23 APS' \$375,000."

24 **Q Other than the transactions that we've**
25 **talked about today, did Mr. DeYoung ever tell you**

1 **about any other investments that he made that he lost**
2 **funds on?**

3 A Yeah, there were some. There was something
4 he did in Idaho. I don't remember what it was,
5 though, and there was some more he did in Ogden.
6 There was an office building on Chamber Street, I
7 think. He loaned them 80 grand and he lost that.

8 There was another guy named Mike. Mike --
9 I can't remember his name -- in Pomona, California,
10 and he lost a quarter million on that. I've got a
11 list at the office of different ones that I know
12 about, so I may be missing one or two, I don't know.
13 The way I calculate it, that I know of, is about \$20
14 million that's missing.

15 So you guys want me to go get you the forms
16 so you can open accounts with APS this afternoon?
17 (Laughter)

18 MR. FROST: Well, we appreciate you coming
19 in, and we'll probably have questions.

20 THE WITNESS: Just call. I've got that
21 other box of stuff for you, too.

22 MR. FROST: Okay. I think we'd like to
23 look through it.

24 THE WITNESS: I've got the documents that I
25 found one day on Interim Funding, if you'd like those