

How it all started...

I must admit that the idea of creating an empire built on deception was not exactly what I had in mind. Of course at this juncture in my life I could for the most part rationalize just about anything – a conscious deliberation to blur the gray line just enough to believe it's off white.

“What’s the big deal, it’s just sales and marketing? We’re helping small businesses survive – what a noble cause. The banks get what they want... deals, deals deals, and everyone wins – a no brainer! We’re giving the little guy the ‘inside track’ on ‘how to beat the box’ – teaching them a little known secret on how to access capital without a personal guarantee. And what’s a little extra equipment packed into the deal to bring it all together? Best Buy gives manufacturer rebates on select units to encourage sales, why can’t we? The end user/lessee will no doubt benefit from an upgrade in technology, faster machines, new software, a little CRM to kick up sales.”

This glimpse of interpersonal thought is not intended to strike a sympathy chord with any industry veterans, nor color the act of “non disclosure” any other shade but red, but to encourage a journey from an outsider’s perspective to take look inside at the delicate balance between creativity and criminal compromise. What will you see? Moreover, MAKE NO MISTAKE, I have absolutely no delusions that these past reflections hold any water as excuse or justification for the hard and fast TRUTH – I crossed the line. I merely wish to demonstrate that by abdicating to these dangerous thoughts, at EXACTELY the wrong time, we are all capable of justifying whatever it is that suits us.

Our organization was initially just a new iteration of previous marketing company called Heatrock - one that we had once used to run call centers and market Pre-Paid Legal services within a 30,000 square foot, state of the art, “business accelerator,” located in the Irvine Spectrum (sort of like Enfrastructure was back in the day, now



TechSpace). It was a magical place where young growth companies could afford to expand, while being supported by a plethora of essential legal, financial, creative and technical service providers.

It was during this time that I met Jim Raeder and Mark McQuitty (mentioned in my opening post). Jim introduced himself as Mark business partner in CapitalWerks/Preferred Lease. He seemed very personable, honest and had an air about him that made you want to chit chat about things. Chit chat fast turned to friendship and friendship remained the only bridge between Jim and me for many years. McQuitty of course was a different animal, who made no bones about getting to the heart of the matter. He quickly agreed (through an attorney friend, Barry Falk) to invest \$50k in Heatrock. He loved the idea, and of course had some ideas of his own.

Mark wanted to place a few of his “companies” inside of Heatrock as tenants. In fact, within a week, came back with Jim and their new partner, Tim Lueison, to better determine how much of the building they actually could use. After a few rounds of negotiation, Heatrock won a few new tenants. Sales Stream Inc. , ISystems, and a renegade named Beau Welch would soon take residence at The Rock.



It wasn't long before chaos ensued. Beau had somehow obtained ISystems GE Capital database of prospects and decided to create his own promotional piece. I found this odd considering he was supposed to be working with ISystems and Sales Stream, so I thought. Soon thereafter, I learned that Beau really just worked for McQuitty – hence the reason he was buried in the caverns of our building, isolated. Beau was the “go to guy” for what I know now to be “broker driven dirty deals.” Say that 10 times fast. Of course the mystery of Beau’s craft began to unfold after he approached me to solicit a “helping hand” in obtaining “capital for our growing business.” I asked “what’s the catch,” and “how does it work.” He suavely comported...*“just tell me what you need and I’ll get it done. Do you have any equipment here that’s paid off, servers, phone equipment, etc? If not, no*

issue, just leave the invoice to me." I said ok, and figured he knew his business enough to get to the job done.

Right around this time Raeder and Mcquitty showed up for a "sit down" with Beau and Chant Vartanian from ISystems. Richard Norris was also present. I was not privy to the actual conversation, but I gleaned enough to surmise that Beau had somehow compromised Chant's broker/vendor relationship with GE Capital by sending out advertising under a different company name. And worse, I then learned that he had used one of mine, BrickBanc Capital. Beau just seemed to take liberties with everyone else's property, regardless of the penalty. Better to ask forgiveness than permission, his motto. This is a good time to state for the record, that I was in NO WAY involved in the leasing biz in 2000-01 – not until nearly four years later.

To round of the periodic shenanigans that now seem to be a central theme back in those days, I remember a few local business owners showing up at the front desk. They wanted to speak to Beau and didn't ask politely. They claimed that Beau had fleeced them for more than \$30k in advanced rentals with the promise of financing, equipment, and delivery well past due. Going into the details as to what happened next would be both futile and insulting to this audience, so I'll move on. Beau didn't show up for work the next day and I never saw him again. More irate CFO's and local business owners soon found their way to our front door. I was starting to understand Beau Welch and why he was placed in my building instead of the new Capitalwerks headquarters. It was anyone's guess as to what would come next. I figured I'd ask Mark and Jim.