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8
9 **SUPERIOR COURT OF ARIZONA**
10 **COUNTY OF MARICOPA**

11 Peter S. Davis, as Receiver of DenSco
Investment Corporation, an Arizona
12 corporation,

13 Plaintiff,

14 v.

15 Clark Hill PLC, a Michigan limited liability
company; David G. Beauchamp and Jane
16 Doe Beauchamp, husband and wife,

17 Defendants.

No. CV2017-013832

**DEFENDANTS' SUPPLEMENTAL
DISCLOSURE OF EXPERT WITNESS
DR. ERIN NELSON**

(Commercial Case)

(Assigned to the Honorable Daniel Martin)

18 Pursuant to Rule 26.1(d), Defendants provide notice that they have served the
19 Addendum Report of Dr. Erin Nelson, attached hereto.

20 DATED this 8th day of October, 2019.

21
22 **COPPERSMITH BROCKELMAN PLC**

23 By: 

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ORIGINAL of the foregoing e-mailed/mailed this
8th day of October, 2019 to:

Colin F. Campbell, Esq.
Geoffrey M. T. Sturr, Esq.
Joshua M. Whitaker, Esq.
OSBORN MALEDON, P.A.
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ERIN M. NELSON, PSY.D.
Forensic & Clinical Psychology

October 7, 2019

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Re: Addendum Report - Peter S. Davis v. Clark Hill
Maricopa County Superior Court Case No. CV-2017-013832

Dear Mr. DeWulf and Mr. Ruth:

Pursuant to your request, I am providing a supplement to my report dated April 3, 2019 (see attached).

UPDATED SOURCES OF INFORMATION

In-person Observation:

1. September 23, 2019 Deposition testimony of Yomtov Scott Menaged

Pleadings:

2. Plaintiff's Seventh Disclosure Statement, dated September 13, 2019
3. Defendant's Eighth Supplemental Rule 26.1 Disclosure Statement, dated September 13, 2019

Deposition Transcripts:

1. March 20, 2019 Deposition of Warren Bush
2. April 16, 2019 Deposition of Judith E. Siegford
3. April 18, 2019 Deposition of Ranasha Chittick
4. April 23, 2019 Deposition of Gregg Reichman

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5. Jun 20, 2019 Deposition of Scott Allen Gould
6. September 23-24, 2019 Deposition of Yomtov Scott Menaged

Additional Documents:

1. July 1, 2019 Correspondence from Scott Menaged to Mr. Anderson

LIMITATIONS:

The observations/opinions provided herein are based on my training and experience as well as my review of the information listed in the Sources of Information section of this report. I did not conduct a face-to-face evaluation of Mr. Chittick prior to his death, nor have I conducted any collateral interviews. As such, my opinions are thereby limited.

FORENSIC OPINIONS:

Note: This addendum includes footnote citations. The citations are not intended to be all inclusive/exhaustive. Rather, they are intended to highlight salient examples of a given point.

As stated in my April 3, 2019 report, I was asked to provide my psychological impression(s) pertaining to Denny Chittick and factors that may have influenced his behavior. Specifically, you asked to me to address the level of influence, if any, Scott Menaged had over Denny Chittick's decision-making and conduct on or about January 2014 through May 2014.

Subsequent to the submission of my initial report, I had the opportunity to review additional discovery (as outlined in the Updated Sources of Information section above) and to personally observe a portion of the deposition of Yomtov Scott Menaged. After reviewing the aforementioned records and witnessing Mr. Menaged's testimony, you asked me to provide you with a brief written supplement as it pertains to my opinions in this matter, including whether or not my impressions changed, required modification or remained the same.

The additional information I reviewed did not change the opinion outlined in my April 3, 2019 report. Rather, subsequent collateral data was markedly

consistent with the impression previously offered. Additional discovery underscored, in part:

- Denny Chittick was an intelligent, driven businessman with tightly held focus and determination.
- Denny Chittick placed a high value on the accumulation of wealth.^{1,2,3}
- Denny Chittick was relatively frugal with respect to his spending.^{4,5,6}
- Denny Chittick held disdain for attorneys and legal fees.^{7,8,9,10}
- Denny Chittick had few close personal relationships.^{11,12,13}
- Denny Chittick placed his trust in Scott Menaged "completely."¹⁴
- Scott Menaged explicitly sought to gain Mr. Chittick's trust and engender himself to Mr. Chittick as a friend, confidant, and colleague.¹⁵

¹ Deposition Testimony of Warren Bush, Page 75-76

² Deposition Testimony of Scott Gould, Page 99-102

³ Deposition Testimony of Yomtov Scott Menaged, Page 43; 59

⁴ Deposition Testimony of Renasha Chittick, Page 71-72

⁵ Deposition Testimony of Scott Gould, Page 94-96

⁶ Deposition Testimony of Yomtov Scott Menaged, Page 59

⁷ CH_REC_CHI_0060457

⁸ CH_REC_MEN_0027814

⁹ CH_REC_MEN0027218

¹⁰ Deposition Testimony of Yomtov Scott Menaged, Page 37-38; 229

¹¹ Deposition Testimony of Renasha Chittick, Page 96-97

¹² Deposition Testimony of Scott Gould, Page 94-96

¹³ Deposition Testimony of Yomtov Scott Menaged, Page 29-31; 46-47

¹⁴ Deposition Testimony of Greg Reichman, Page 68; Page 76

¹⁵ Deposition Testimony of Yomtov Scott Menaged, Page 46-479

- Scott Menaged intentionally exploited Mr. Chittick's trust and deliberately mislead him with false explanations, reassurances and promises.^{16,17,18,19,20}
- Scott Menaged's pervasive deception created a stranglehold on Mr. Chittick, rendering him essentially incapable of identifying or engaging a rational remedy.
- Scott Menaged crafted and nurtured a narrative whereby he was the only person who could help "save" Mr. Chittick from financial catastrophe.
- As time went on, and the pressure mounted, Mr. Chittick clung desperately to what he saw as the only way out – help from Scott Menaged.
- Ultimately, Denny Chittick succumbed to the painful realization that Scott Menaged could not, and would not, be able to extricate him from the results of his (Mr. Chittick's) misplaced faith and trust.

Superficially, it may be difficult to understand how Denny Chittick, an intelligent successful businessman could not only be lured in by someone like Scott Menaged but could allow himself to be repeatedly jeopardized and manipulated. When viewed through the lens of psychological/behavioral science, however, the relationship between Mr. Chittick and Mr. Menaged can be explained through basic tenets of human behavior. Mr. Chittick's faith in Mr. Menaged was built on a foundation of positive reinforcement. Mr. Menaged followed through on early promises and demonstrated himself to be a reliable colleague and business associate. As their relationship evolved the positive reinforcement pattern continued. Mr. Chittick's attachment to Mr. Menaged intensified as Mr. Menaged ingratiated himself in Mr. Chittick's world beyond the workplace. By the time Mr. Menaged's double-lien practice was initially discovered for example, Mr. Menaged was a central figure in Mr.

¹⁶ Deposition Testimony of Greg Reichman, Page 142

¹⁷ Deposition Testimony of Yomtov Scott Menaged, Page 126-127

¹⁸ CH_REC_CHI_0042251-59

¹⁹ CH_REC_CHI_0058450-59

²⁰ CH_REC_MEN_0026749-50

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Chittick's life. This allowed Mr. Menaged to capitalize on the foundation of faith and good will he had developed with Mr. Chittick. Although clearly troubling for him, Mr. Chittick had already become attached to Mr. Menaged, and, as a result, his internal need to rely upon Mr. Menaged was again reinforced - now by his desire to alleviate stress associated with financial losses. Repetition ensued and the feedback loop was solidified. Engrained patterns of behavior are not easily extinguished, especially when complicated by a veiled power differential. Mr. Menaged relied on Mr. Chittick's sense of fairness and reciprocity to manipulate Mr. Chittick into a series of poor decisions, each predicated on the prior, digging himself deeper and deeper into an insurmountable deficit. Concurrently, Mr. Chittick became increasingly desensitized to the situation as he was no match for the duplicity of Mr. Menaged's tactics. As the gravity of the situation emerged as unavoidable, Mr. Chittick's lens narrowed. From his perspective, and with intentional crafting of the message from Mr. Menaged, Mr. Chittick came to believe that Scott Menaged was the only hope he had left. Not unlike a person who has lost significant money at the racetrack, only to "bet it all" on one more race, or the person who has lost significant money in a slot machine, but is driven to keep going, with the perception that the very next pull of the handle could bring everything back into balance. Mr. Chittick's attachment to Mr. Menaged was perpetuated at each step in the process and Mr. Menaged's exploitation of Mr. Chittick persisted in kind.

In sum, based on the totality of information available to me, it remains my opinion, to a reasonable degree of psychological probability, that on or about January 2014 to May 2014 Scott Menaged had substantial influence over Denny Chittick's decision-making and resultant conduct.

My opinions are based on the information listed at the beginning of this report. I reserve the right to supplement and/or modify my opinions as additional information becomes available. To this end, please forward any additional records/discovery to my office. Please do not hesitate to contact me at 480.250.4601, if I can be of any further assistance.

John E. DeWulf, Esq.
Marvin C. Ruth, Esq.
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Respectfully submitted,

A handwritten signature in black ink, appearing to be 'Erin M. Nelson', with a long horizontal stroke extending to the right.

Erin M. Nelson, Psy.D.
Forensic and Clinical Psychologist

*Enclosures: (Exhibit "A" Report Re: Peter S. Davis v. Clark Hill Maricopa
County Superior Court Case No. CV-2017-013832, dated
April 3, 2019)*

ADDENDUM EXHIBIT "A"



ERIN M. NELSON, PSY.D.

Forensic & Clinical Psychology

April 4, 2019

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Re: *Peter S. Davis v. Clark Hill*
Maricopa County Superior Court Case No. CV-2017-013832

Dear Mr. DeWulf and Mr. Ruth:

Pursuant to your request, I recently performed a record review and analysis pertaining to the above captioned matter.

BACKGROUND INFORMATION

Denny Chittick was a 48-year-old, divorced, Caucasian father of two at the time of his July 28, 2016 death by suicide. Mr. Chittick obtained a Bachelor of Science degree in Business Finance from Arizona State University.¹ Mr. Chittick was the Senior Vice President and CIO of Insight Enterprises, Inc., at the time of his retirement in 1997.² Mr. Chittick subsequently founded, and was the president and sole shareholder of, DenSco Investment Corporation ("DenSco"). Over the years Mr. Chittick/DenSco developed a substantial base of investors, many of whom were his family and friends.

Given your familiarity with the events leading up to the instant record review, I will forgo a detailed review of that information. Suffice it to say, David Beauchamp served as legal counsel to the decedent, Denny Chittick, for many years. Toward the end of Mr. Chittick's life, he withheld critical information from Mr. Beauchamp, particularly as it pertained to the scope and magnitude of his unfortunate business dealings with Mr. Scott Menaged.

¹ BC_000296

² BC_000296

When he took his own life, Mr. Chittick/DenSco's financial losses related to his involvement with Mr. Menaged was in the tens of millions of dollars. Mr. Menaged is currently incarcerated as a result of crimes perpetrated against Mr. Chittick/DenSco and others.

As outlined in Defendants' Sixth Supplemental Disclosure Statement³, David Beauchamp served as counsel for Denny Chittick/DenSco Investment Corporation ("DenSco") dating back to the early 2000's. In 2013, Mr. Beauchamp discussed with DenSco that it should update its Private Offering Memorandum ("POM"). This update was initiated but not completed. In June 2013, Mr. Chittick advised Mr. Beauchamp that DenSco, along with Scott Menaged, had been sued by FREO Arizona, LLC. Although Mr. Beauchamp did not represent DenSco in that matter, he did advise Mr. Chittick, in part, that the litigation should be disclosed in DenSco's 2013 POM. Mr. Chittick represented to Mr. Beauchamp that Scott Menaged was "...someone he had 'done a ton of business with...hundreds of loans for several years'..." In December 2013, Mr. Chittick advised Mr. Beauchamp that several of DenSco's loans to Mr. Menaged were in jeopardy as a result of double-lien issues. Mr. Chittick indicated to Mr. Beauchamp that he intended to pursue a remediation plan independently and directly with Mr. Menaged. In January 2014, Mr. Chittick described Mr. Menaged as someone he had lent a "...total of \$50 million since 2007 and that he'd 'never had a problem with payment or issue that hasn't been resolved'." However:

While it was true that DenSco had lent Menaged approximately \$50 million since 2007, DenSco had lent Menaged \$31 million in 2013 alone, and had \$28.5 million in loans to Menaged outstanding as of the end of 2013, a large portion of which were more than six months past due, including a significant number of 2012 loans. Further, Mr. Chittick had known as of September 2012 that Menaged had double-liened multiple properties with DenSco loans, thereby jeopardizing DenSco's lien position, yet not only did he keep this a secret, Mr. Chittick thereafter drastically increased DenSco's lending to Menaged, from \$4.65 million outstanding at the end of 2012 to more than \$28 million outstanding by the end of 2013 (all of which Mr. Chittick also failed

³ Defendants' Sixth Supplemental Rule 26.1 Disclosure Statement, dated March 13, 2019

to timely disclose to Mr. Beauchamp). Rather than provide Mr. Beauchamp with any of this information, Chittick instead misrepresented to Mr. Beauchamp in January 2014 that Menaged was a good borrower with a sterling track record. Mr. Chittick made similar misrepresentations to Mr. Beauchamp regarding his positive lending relationship with Menaged when he disclosed the FREO lawsuit.

Mr. Chittick further explained that Menaged's wife had become critically ill in the past year, and that Menaged had turned the day-to-day operations of his companies over to his cousin. According to Mr. Chittick, the cousin would receive loan funds directly from DenSco, then request loans for the same property from another lender, including the Miller Lenders. The other lenders, who had funded their loans directly to the trustee, would record their deed of trust, as would DenSco, leaving DenSco in second position. The cousin, unfortunately, then purportedly absconded with the funds DenSco lent directly to Menaged. This "double lien" issue consequently jeopardized DenSco's secured position and its loan-to-value ratios. Mr. Chittick feared that a lawsuit with the Miller Lenders would jeopardize DenSco's entire enterprise.

According to Mr. Chittick's email, Menaged purportedly found out about his cousin's scam in November and revealed the fraud to Mr. Chittick at the time. Yet rather than consult legal counsel, Mr. Chittick devised a plan to fix the double lien issue with Menaged. The initial plan included DenSco paying off the other lenders. That required additional capital, which Menaged and Mr. Chittick agreed would come from DenSco lending Menaged an additional \$1 million and Menaged investing additional capital, including \$4-\$5 million from the liquidation of other assets, as set forth in a term sheet DenSco and Menaged signed after having already put their plan into effect. As the scope of the problem appeared to grow, Mr. Chittick and Menaged agreed to terms of an expanded plan, which included further investment from both DenSco and Menaged, who would also continue to flip and rent homes to raise the necessary profits needed to pay off the other lenders.

Unbeknownst to Mr. Beauchamp, and according to Mr. Chittick's January 7, 2014 email, DenSco and Menaged had already been "proceeding with this plan since November [2013]."...In other words, by the time Mr. Chittick approached Mr. Beauchamp with a partial disclosure of the issues in late 2013 and early 2014, Mr. Chittick had already agreed to a business plan with Menaged to work out the double lien problems, and had already advanced Menaged significant sums pursuant to that agreement. As Mr. Beauchamp explained in a February 20, 2014 email to his colleagues, Mr. Chittick "without any additional documentation or any legal advice...has been reworking his loans and deferring interest payments to assist Borrower...When we became aware of this issue, we advised our client that he needs to have a Forbearance Agreement in place to evidence the forbearance and the additional protections he needs."⁴

The instant record review and analysis was requested in order to provide my psychological impression(s) pertaining to the relevant behavior of Denny Chittick and factors that may have influenced such behavior. Specifically, you asked me to address the level of influence, if any, Scott Menaged had over Denny Chittick's decision-making and conduct on or about January 2014 through May 2014.

SOURCES OF INFORMATION:

Pleadings:

1. Complaint
2. Defendants' Initial Rule 26.1 Disclosure Statement
3. Plaintiff's Initial Rule 26.1 Disclosure Statement
4. Plaintiff's Notice of Service of Preliminary Expert Opinion
5. Plaintiff's Disclosure of Areas of Expert Testimony (9/7/18)
6. Defendants' Disclosure of Areas of Expert Testimony (9/7/18)
7. Defendants' 6th Supplemental Disclosure Statement

⁴ Defendants' Sixth Supplemental Rule 26.1 Disclosure Statement, dated March 13, 2019

Deposition Transcripts:

1. July 19, 2018 Deposition of David Beauchamp (Vol. I)
2. July 20, 2018 Deposition of David Beauchamp (Vol. II)
3. August 22, 2018 Deposition of Shawna Heuer
4. November 16, 2018 Deposition of Peter Davis (w/Exhibits)
5. December 3, 2019 Deposition of Steve Bunker (w/Exhibits)
6. December 17, 2018 Deposition of Victor Gojcaj (w/Exhibits)
7. December 12, 2018 Deposition of Brian Imdieke (w/Exhibits)
8. February 20, 2019 Deposition of Russ Dupper
9. March 7, 2019 Deposition of Barry Luchtel
10. March 9, 2019 Deposition of DoriAnn Davis

Miscellaneous Transcripts:

1. 2016-08-26 Scott Menaged 341 Testimony
2. Menaged Rule 2004 Testimony
3. Transcript of Interview of Menaged in ACC Litigation
4. Audio & Transcript of Chittick and Menaged Conversation

Additional Documents:

1. Chittick Estate Documents – Personal Journals
 2. October 20, 2017 Menaged Judgment in a Criminal Case
 3. Chittick Corporate Journals
 4. Chittick Letter to Investors
 5. Chittick Letter to Robert Koehler
 6. Chittick Letter to Shawna Heuer
 7. Chittick To Do List
 8. Menaged Indictment
 9. Menaged Information-Indictment
 10. Menaged Plea Agreement
 11. Chronology for E. Nelson
 12. DOCID_00383613
 13. DOCID_00386378
 14. DOCID_00432523
 15. DOCID_00432524
 16. CTRL_00062082
 17. DOCID_00432525
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18. Misc Chittick Device Documents
 19. DOCID_00074182
 20. DOCID_00074098
 21. DOCID_00074789
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264. DIC0006904
265. DIC0006958
266. DIC0006968
267. DIC0007075
268. DIC0007085
269. DIC0007125
270. DIC0007135
271. DIC0007145
272. DIC0007165-7168
273. DIC0007341
274. DIC0007521
275. DIC0008036
276. DIC0008607
277. DIC0008660
278. DIC0009149
279. DIC0010755
280. DIC0010791
281. DIC0010830
282. DOCID_00017178
283. DOCID_00017206
284. DOCID_00019226
285. DOCID_00030170
286. DOCID_00030177
287. DOCID_00033018
288. DOCID_00044699
289. DOCID_00044736
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297. DOCID_00049396
298. DOCID_00049465
299. DOCID_00049595
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302. DOCID_00058805
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304. DOCID_00063731
305. DOCID_00063842
306. DOCID_00069048
307. DOCID_00074080
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309. DOCID_00074172
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315. DOCID_00074248
316. DOCID_00074251
317. DOCID_00075186
318. DOCID_00075439
319. DOCID_00075465
320. DOCID_00078185
321. DOCID_00470840
322. DP000046
323. DP000101
324. DP000190
325. DP0000296-340
326. RECEIVER_000001
327. RECEIVER_000044
328. RECEIVER_000093
329. RECEIVER_000136

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330. R-RFP-Respons.000014
331. R-RFP-Response000911

QUALIFICATIONS OF EXAMINER:

I have enclosed a copy of my curriculum vitae which outlines my qualifications to perform this analysis (*Exhibit "A"*). I have also attached my Testimony List and Fee Schedule (*Exhibits "B" and "C"*).

LIMITATIONS:

The observations/opinions provided herein are based on my training and experience as well as my review of the information listed in the Sources of Information section of this report. I did not conduct a face-to-face evaluation of Mr. Chittick prior to his death, nor have I conducted any collateral interviews. As such, my opinions are thereby limited.

FORENSIC OPINIONS:

Note: This report includes multiple footnote citations. The citations are not intended to be all inclusive/exhaustive. Rather, they are intended to highlight salient examples of a given point.

As previously stated, the instant record review was requested in order to provide my psychological impression(s) pertaining to the relevant behavior of Denny Chittick and factors that may have influenced such behavior. Specifically, you asked to me to address the level of influence, if any, Scott Menaged had over Denny Chittick's decision-making and conduct on or about January 2014 through May 2014.

Available records suggest that Mr. Chittick was a highly competitive and driven man who placed tremendous value on money and equated the accumulation of wealth as a primary marker of success.⁵ Notwithstanding his apparent focus on financial achievement, by many accounts, Mr. Chittick was not lavish in his spending habits.⁶ To the contrary, he was relatively frugal. Although

⁵ CH_REC_CHI_0074014

⁶ D. Beauchamp deposition, 202:13-16 and 206:06-07;
CH_EstateSDT_0039964; CH_EstateSDT_0040401;

he had numerous personal and professional associates, Mr. Chittick seems to have been guarded interpersonally and to have had few trusted relationships.⁷ It appears that Mr. Chittick was deeply devoted to his wife prior to discovering [REDACTED] in 2009, and remained deeply devoted to his children until the time of his death.⁸ In fact, despite his wife's [REDACTED], Mr. Chittick postponed divorce for three more years as he believed this to be in the best interest of his children.⁹

Mr. Chittick began doing business with Scott Menaged in approximately 2007.¹⁰ For the first several years of their relationship, Mr. Menaged demonstrated the capacity to fully execute and fulfill his professional obligation(s) to Mr. Chittick.¹¹ Mr. Menaged appears to have sought, obtained, and nurtured Mr. Chittick's trust. Although it is unclear precisely when Mr. Menaged began to violate that trust, available records suggest that Mr. Chittick first became aware of any wrongdoing by Scott Menaged sometime in the fall of 2012.¹² At that time, and despite the disturbing nature of his discovery, Mr. Chittick apparently chose to address the problem with Mr. Menaged privately and elected to withhold the information from his counsel and his investors. Moreover, it appears that rather than limit the scope of his business with Mr. Menaged in response to his discovery, Mr. Chittick expanded the amount and number of loans provided to Menaged exponentially.¹³ Mr. Chittick's collective business dealings with Menaged put him in violation of representations and/or commitments made to his investors. Over the next

CH_EstateSDT_0040837; CH_EstateSDT_0065302

⁷ R. Dupper deposition, 17:5-15; B. Luchtel deposition, 67:17-68:6; D. Davis deposition, 17:1-3; D. Davis deposition, 30:25.

⁸ CH_EstateSDT_0027935; B. Luchtel deposition, 36:15-16.

⁹ CH_REC_CHI_0095659

¹⁰ DIC0007135

¹¹ DIC0007135

¹² CH_REC_CHI_0009504; CH_REC_CHI_0009542

¹³ Counsel has represented to me that the balance of loans made by DenSco to Mr. Menaged between the fall of 2012 and fall of 2013 grew from less than \$5 million to approximately \$25.5 million. In November 2013 when Mr. Menaged revealed more detail about the double-lien issue to Mr. Chittick, Mr. Chittick loaned Mr. Menaged another \$3 million before the end of the year. I anticipate receipt of documentation of these figures will be forthcoming.

12-14 months, Mr. Chittick continued to withhold information about the problems with Mr. Menaged from critical vested parties. Unfortunately, Denny Chittick remained inextricably intertwined with Scott Menaged for the remainder of his life.¹⁴

Specifically, as it pertains to the January to April 2014 time period in question, I have several noteworthy observations. Those observations include, but are not limited to:

- On January 7, 2014, Denny Chittick sent an e-mail message to David Beauchamp that purported to explain the scope of Mr. Menaged's misuse of DenSco's funds.¹⁵
- However, Mr. Chittick's January 7, 2014 email contained inaccuracies that suggest he was deliberately deceiving Mr. Beauchamp. For example, Mr. Chittick wrote, in part, "...I have never had problem with payment or issue that hasn't been resolved."¹⁶
- A January 7, 2014 email from Mr. Chittick to Mr. Beauchamp also referenced a series of issues with DenSco's lien positions. In this email, Mr. Chittick also outlined a "plan to fix" the problem that he and Mr. Menaged crafted and had already begun to implement.¹⁷
- On January 9, 2014, Mr. Chittick and Mr. Menaged met with David Beauchamp. During this meeting, Mr. Chittick and Mr. Menaged broadly explained the nature of the problem with the liens and cited Mr. Menaged's personal difficulties (e.g., wife's cancer, cousin's mishandling of funds) as the explanation for their predicament.¹⁸
- With respect to their aforementioned explanation, it is now clear that the personal difficulties Mr. Menaged put forth were fiction.¹⁹ That said, there is no evidence to suggest that Mr. Chittick was aware of

¹⁴ Transcript of Recorded Conversation between Chittick and Menaged

¹⁵ DIC0007135

¹⁶ DIC0007135

¹⁷ DIC0007135

¹⁸ DIC0005403

¹⁹ Menaged 2004 Testimony

Mr. Menaged's deception in January 2014. In fact, it is unclear if Mr. Chittick ever seriously doubted the veracity of Menaged's story.

- After the January 9, 2014 meeting, Mr. Chittick and Mr. Menaged, along with their respective counsel, engaged in a lengthy negotiation in order to document the terms of Mr. Chittick and Mr. Menaged's proposed solution.²⁰ Note: This was ultimately memorialized on April 16, 2014.²¹
- During the course of the January-April 2014 negotiations, Mr. Chittick repeatedly acquiesced to Mr. Menaged's attempts to manipulate the agreement in his own interest.²²
- During the course of the January-April 2014 negotiations, Mr. Beauchamp repeatedly advised Mr. Chittick against Mr. Menaged's revisions and insisted that he protect DenSco's interests and investors.²³
- Also during the course of the January-April 2014 negotiations, and despite David Beauchamp's explicit advice to the contrary, Mr. Chittick persisted in sharing information with Mr. Menaged.²⁴
- During this same time period, Scott Menaged repeatedly made significant unfulfilled promises to Mr. Chittick about potential solutions to their financial woes.²⁵

²⁰ DIC0006242; DIC0006068; DIC0006528; DIC0006079;
DIC0006615; DIC0006602; DIC0007598; DIC0007630

²¹ DIC0008036

²² DIC00006242; DIC0006261; DIC0006221; DIC0005418;
DIC0006673; CH_0002080; DIC0006707

²³ DIC0006625; DIC0006707; DIC0006803

²⁴ CH_REC_MEN_0031108; CH_REC_MEN_0027195;
CH_REC_MEN_0026580; CH_0000915

²⁵ CH_REC_CHI_0060228; DIC0007075; CH_REC_MEN_0014382;
CH_REC_CHI_0068720; CH_REC_CHI_0062356; DIC0007135;
CH_REC_CHI_0065965; CH_REC_MEN_0025912

- As of April 2014, Mr. Menaged was indebted to Mr. Chittick/DenSco for almost \$40 million.²⁶
- Mr. Beauchamp continually advised Mr. Chittick about his disclosure obligations before and after the April 16, 2014 memorialization.²⁷
- Despite the gravity of the position Mr. Menaged put him in, Mr. Chittick appears to have remained steadfast in his trust in, and support of, Mr. Menaged.
- In an effort to conceal the seriousness of the problems created by Mr. Menaged, Mr. Chittick intentionally misled (by omission and/or commission) his closest associates, including his accountant, investors, family and friends.²⁸
- It appears as if Mr. Chittick disliked lawyers (and legal fees). Throughout Mr. Beauchamp's representation of Mr. Chittick, Mr. Chittick routinely made disparaging comments about Mr. Beauchamp professionally, as well as the legal profession generally.²⁹
- According to David Beauchamp's testimony, as of May 2014, Mr. Chittick was unwilling to finalize preparation of documents to inform DenSco's investors of the Menaged-associated problems.³⁰
- According to David Beauchamp's testimony, Mr. Chittick would not agree to update the investors as Mr. Beauchamp advised.³¹

²⁶ DIC0008036

²⁷ DIC0006673; DIC0006707; DIC0006803; DIC0006656

²⁸ RECIEVER_002570; 2013 Tax Return & Work Papers; DIC0007135;
S. Heuer deposition, 45

²⁹ CH_REC_MED_0026584; CH_REC_MEN_0026600;
CH_REC_CHI_0067611; CH_REC_CHI_0084775

³⁰ D. Beauchamp deposition, 279:13-14; D. Beauchamp deposition,
408:12-21

³¹ D. Beauchamp deposition, 164:1-14

- According to David Beauchamp's testimony, he terminated representation of Mr. Chittick in May 2014.³²
- Between January 2013 and June 2016, Mr. Menaged obtained approximately 2,712 loans from DenSco. Of those, only 96 involved actual property transactions. The remaining 2,712 were fraudulent/phantom properties.³³
- Not only did Mr. Menaged utilize DenSco funds for personal luxury (trips to Las Vegas, gambling, cars, etc.), he also used the fraudulent loans to pay back prior DenSco loans in order to conceal the embezzlement.³⁴
- Over the course of their relationship, Mr. Menaged defrauded Mr. Chittick/DenSco out of at least \$34 million.³⁵
- DenSco was not Scott Menaged's only victim. Mr. Menaged was indicted for crimes committed against a number of entities, including but not limited to, banks and financial institutions.³⁶
- Scott Menaged is currently serving a 17-year sentence with the Federal Bureau of Prisons.

By all outward appearances, Denny Chittick was an intelligent, driven, successful businessman. He seems to have cared deeply about the perception of others and worked hard to portray himself as having full command of his personal and professional lives. However, in Mr. Chittick's case, there was a disconnect between external appearance and internal reality. Although many people thought they knew Mr. Chittick, and he had many positive acquaintances, he appears to have had few intimate personal relationships. Mr. Chittick married his first love, Ranasha, in September 2000. Unfortunately, he appears to have been devastated by his wife's [REDACTED]. [REDACTED]. Ranasha was one of the few people who Mr. Chittick "let in" and the

³² D. Beauchamp deposition, 121:22-122:1

³³ Menaged Plea Agreement

³⁴ Menaged Plea Agreement

³⁵ Menaged Plea Agreement

³⁶ 2017-10-20 Menaged Judgment In a Criminal Case

demise of their relationship seems to have had an indelible impact. Unfortunately for Mr. Chittick, one of the only other people he appears to have placed his full faith in was Scott Menaged.

It is not uncommon for^a bright, well-educated people to fall prey to financial crime. In fact, financial predators engage a wide range of victims. In their effort to identify and cultivate a potential target, offenders typically seek to establish a trusting relationship. The preliminary demonstration of credibility becomes the foundation upon which the fraud can be built. The victim's trust is reinforced by the "reward" of initial follow-through. Once trust is established, the loyalty of the victim is a conduit for exploitation. In Mr. Chittick's case it seems his vulnerability was, in part, borne of a need to avoid failure, not only in the eyes of others, but also to himself. To this end, Mr. Chittick appears to have employed the most pervasive and effective of defense mechanisms - denial.

Although in retrospect it may seem counterintuitive, Mr. Chittick's decision to "double down" on his attachment to Mr. Menaged's false narrative, is consistent with a typology of victims of financial crime. It is not uncommon for vulnerable parties, especially those whose conduct is incongruent with their self-perception, to cling to their course no matter how problematic. In the face of a reality that is too much to bear, people often engage in seemingly irrational decisions to avoid confronting the truth. While in hindsight a better course of action may seem obvious, for the individual at a given period in time, internal and external psychological mechanisms can eclipse logic and reason. Mr. Chittick's behavior, prior, during and subsequent to the time period in question, reveals a pattern of enduring and intensifying attachment to his relationship with Mr. Menaged. Mr. Chittick's decision-making demonstrates his capacity to essentially discount information that interfered with his tightly held belief that Scott Menaged would not only rectify the problems he caused, but would be a central figure in his (Mr. Chittick's) future success.

In sum, based on the totality of information available to me, it is my opinion to a reasonable degree of psychological probability that, on or about January 2014 to May 2014 Scott Menaged had substantial influence over Denny Chittick's decision-making and resultant conduct.

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My opinions are based on the information listed at the beginning of this report. I reserve the right to supplement and/or modify my opinions as additional information becomes available. To this end, please forward any additional records/discovery to my office. Please do not hesitate to contact me at 480.250.4601, if I can be of any further assistance.

Respectfully submitted,

A handwritten signature in black ink, appearing to be 'Erin', written in a cursive style.

Erin M. Nelson, Psy.D.
Forensic and Clinical Psychologist

Enclosures: Curriculum Vitae: Erin M. Nelson, Psy.D. (*Exhibit "A"*)
Court Testimony List: Erin M. Nelson, Psy.D. (*Exhibit "B"*)
Fee Schedule: Erin M. Nelson, Psy.D. (*Exhibit "C"*)