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**SUPERIOR COURT OF ARIZONA**

10

**COUNTY OF MARICOPA**

11

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

No. CV2017-013832

13

Plaintiff,

**DEFENDANTS' NOTICE OF  
NON-PARTIES AT FAULT**

14

v.

15

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

17

Defendants.

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Defendants Clark Hill PLC, David G. Beauchamp, and Jane Doe Beauchamp  
20 (collectively, "Defendants"), by and through counsel undersigned and pursuant to Ariz. R. Civ.  
21 P. 26(b)(5) and A.R.S. § 12-2506(B), hereby give notice that the following persons or entities,  
22 who are not parties to this action, caused or contributed to all or part of the damages alleged  
23 by Plaintiff in this case. By giving this notice, Defendants do not concede that Plaintiff has in  
24 fact sustained damages or that Defendants were in any way responsible for a portion of  
25 Plaintiff's claimed damages.

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1 This case is in its infancy and thus the content of this Notice is preliminary and subject  
2 to supplementation, amendment, explanation, change and amplification. Because the parties  
3 are in the midst of discovery, there may be information, documents, and materials related to  
4 this Notice of which Defendants are presently unaware. Defendants note that they do not  
5 currently have access to all potentially relevant documents of the Plaintiff, or third parties, and  
6 that this Notice is based upon information currently available to Defendants.

7 1. Dennis J. Chittick  
8 Deceased

9 Dennis J. Chittick was the President and sole shareholder of DenSco Investment  
10 Corporation (“DenSco”) from its inception in 2001 until his death in 2016. He controlled all  
11 operations of DenSco and retained complete, unchecked authority to make loans, modify loans,  
12 bring in new investors, and raise capital. He likely was the only individual that at all times  
13 was aware of: (1) the total value of DenSco’s portfolio; (2) the number and identity of  
14 DenSco’s investors; (3) the number of loans that DenSco had made to third party borrowers;  
15 (4) the terms of the loans made to those third parties; (5) the identity of those third party  
16 borrowers; and (6) the rate and frequency at which those loans were being repaid to DenSco.  
17 Mr. Chittick was thus probably the only individual who could ensure that the capital raised  
18 from DenSco’s investors was being managed prudently and according to the terms of the  
19 private offering memoranda and associated documents that DenSco provided to investors.

20 Based on the facts currently known it appears, however, that Mr. Chittick failed to  
21 follow the guidelines provided in the private offering memoranda and associated documents in  
22 making loans to third party borrowers. Among other things, first, Mr. Chittick failed to  
23 diversify the number of borrowers to whom he made loans on behalf of DenSco, loaning  
24 Mr. Menaged significantly more than 10-15% of DenSco’s portfolio, which was the cap for  
25 loans to a single borrower. Second, Mr. Chittick does not appear to have followed DenSco’s  
26 practices and procedures, including those set forth in his loan documents, in lending money

1 directly to borrowers such as Mr. Menaged, rather than to a trustee or escrow company. Third,  
2 Mr. Chittick chose to continue making loans to Mr. Menaged after he became aware that some  
3 of the previous loans made to Mr. Menaged had issues and after Mr. Menaged failed to honor  
4 commitments he made to DenSco, both in the forbearance agreement and otherwise.

5 Finally, Mr. Chittick seemingly did not follow the advice of his counsel from late 2013  
6 through mid-2014. Specifically, he ignored the advice of his attorney regarding how the loans  
7 made to Mr. Menaged (and other borrowers) should be documented and verified, and how the  
8 loans made by DenSco should be secured. Mr. Chittick's counsel repeatedly reminded  
9 Mr. Chittick that he needed to fund all loans directly to a trustee or escrow company, rather  
10 than Mr. Menaged or his affiliated entities – this advice went unheeded. He also ignored his  
11 attorney's explicit direction that he must make disclosures regarding the double lien issue  
12 and proposed workout to investors from whom Mr. Chittick was raising funds. He also refused  
13 to update and disclose a revised private offering memorandum, prepared by his attorneys, in  
14 2014 that would have disclosed to his investors the double lien issue and the workout agreed  
15 to between Mr. Chittick and Mr. Menaged. It is thus likely that the losses experienced by  
16 DenSco were due directly to the action, or inaction, of Mr. Chittick. Mr. Chittick accordingly  
17 bears fault for DenSco's injuries and is jointly and severally liable for those injuries with both  
18 the named parties in this Notice and potential other unnamed parties.

19 2. DenSco Investment Corporation

20 To the extent a determination is made that DenSco is not subject to comparative fault  
21 or contributory negligence principles because DenSco is determined not to be a party to these  
22 proceedings, then Defendants give notice that DenSco shall be considered a third party that  
23 caused or contributed to all or part of the damages alleged by Plaintiff in this case, for the  
24 same reasons set forth with respect to Mr. Chittick above.

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1           3.     Yomotov “Scott” Menaged  
2                     Last known address: In custody of Federal Bureau of Prisons

3           Mr. Menaged was one of DenSco’s most prolific borrowers. Starting in 2007 and  
4 continuing until Mr. Chittick’s death, Mr. Menaged obtained loans from DenSco personally or  
5 through entities in which he was the sole owner and manager purportedly in order to buy  
6 distressed properties around Arizona. Mr. Menaged represented to Mr. Chittick that the loans  
7 he obtained from DenSco would be placed in a first lien position, as DenSco required, but  
8 beginning in 2011 or 2012, they were not. According to the Receiver’s December 23, 2016  
9 report, in fact, Mr. Menaged used a single property to secure loans from multiple hard money  
10 lenders and the loans acquired from lenders other than DenSco were frequently placed in the  
11 first lien position.

12           To explain how the double liening issue arose, Mr. Menaged told Mr. Chittick that his  
13 wife had been diagnosed with cancer and he had turned over the day-to-day operations of his  
14 company to his cousin. According to Mr. Menaged, his cousin would receive loan funds  
15 directly from DenSco, then request loans for the same property from another lender. The other  
16 lenders, who had funded their loans directly to the trustee, would record their deed of trust  
17 before DenSco, leaving DenSco in the second position. The cousin then allegedly absconded  
18 with the funds DenSco lent directly to him. All of this was a lie and a fraud perpetrated by  
19 Mr. Menaged to DenSco’s detriment.

20           Believing Mr. Menaged, Mr. Chittick and DenSco executed a workout agreement in  
21 2014 whereby Mr. Menaged and his affiliated entities agreed to make DenSco whole again by  
22 raising capital from third parties and taking additional loans from DenSco, and investing that  
23 money such that the loans to both the other lenders and DenSco could be paid off.  
24 Unfortunately, the only thing that changed in 2014 was the nature of Mr. Menaged’s fraud  
25 vis-à-vis DenSco, documented in an investigation conducted by the Department of Justice and  
26 filings in the associated criminal case No. CR 17-00680-PHX-GMS in the District of Arizona.

1 As the plea agreement executed by Mr. Menaged in that criminal case explains,  
2 Mr. Menaged began to identify homes to purchase and when money was wired from DenSco  
3 to Mr. Menaged to purchase that property, he would: (1) have a cashier's check drawn on his  
4 bank accounts representing the purchase amount of the property he allegedly was going to buy;  
5 (2) email a picture of the cashier's check to Mr. Chittick to "prove" he was going to purchase  
6 the property; and (3) forge a copy of the receipt received from the trustee for the purchase of  
7 the property at a trustee's sale. He would then promptly cancel the cashier's check and  
8 redeposit the money into accounts he controlled, leaving Mr. Chittick to believe that DenSco's  
9 funds had been used to purchase property, and that the loan was secured by such property.  
10 Further, when Mr. Chittick questioned why his loan balances to Mr. Menaged were not  
11 dropping, and at times increasing, Mr. Menaged came up with additional falsehoods, including,  
12 but not limited to, false claims regarding his cousin, his wife's mental health, a purported  
13 divorce, and the sheltering of funds with "auction.com" in attempt to keep Mr. Chittick at bay  
14 so that Mr. Menaged could maintain the fraud he was perpetrating on DenSco and Mr. Chittick.

15 According to the plea agreement in Mr. Menaged's criminal case, he personally and  
16 through his affiliated companies obtained 2,712 loans from DenSco between January 2013 and  
17 June 2016, which totaled approximately \$734,484,440.67. Of the 2,712 loans made by  
18 DenSco, only 96 involved actual property transactions – the remaining 2,616 were phantom  
19 real estate purchases. Mr. Menaged admitted that he defrauded DenSco out of at least  
20 \$34,000,000 and consented to a federal criminal judgment against him for defrauding DenSco.  
21 In addition to perpetrating the above-described fraud, Mr. Menaged also failed to comply with  
22 the obligations imposed upon him in the Forbearance Agreement executed in April 2014. That  
23 agreement broadly provided that Mr. Menaged would use good faith efforts after April 2014  
24 to satisfy and pay off any and all financial obligations secured by liens in favor of lenders other  
25 than DenSco that had first position liens on DenSco collateral. Mr. Menaged did not do so,  
26 and in fact continued the fraud described above.

1 The losses DenSco experienced were a direct result of the fraud perpetrated by  
2 Mr. Menaged. Mr. Menaged accordingly bears fault for DenSco's injuries and is jointly and  
3 severally liable for those injuries with both the named parties in this Notice and potential other  
4 unnamed parties. Mr. Menaged has pled guilty to conspiracy to commit bank fraud (18 U.S.C.  
5 § 371), aggravated identity theft (18 U.S.C. § 1028A) and money laundering conspiracy  
6 (18 U.S.C. § 1956(h)), and was sentenced to 17 years in prison. The details of Mr. Menaged's  
7 widespread fraud continue to be developed in discovery.

8 4. Arizona Home Foreclosures, LLC  
9 7320 West Bell Road  
10 Glendale, Arizona 85308

11 Arizona Home Foreclosures, LLC ("AHF") was an entity that was solely owned and  
12 managed by Mr. Menaged. Mr. Menaged used AHF purportedly to purchase foreclosed  
13 properties at trustee's sales to quickly rehabilitate and sell at a profit. According to an  
14 investigation conducted by the Department of Justice and the filings in the associated criminal  
15 case No. CR 17-00680-PHX-GMS in the District of Arizona, AHF began to defraud DenSco  
16 in 2014. The plea agreement executed in that case explains that Mr. Menaged would identify  
17 properties to purchase at trustee's sales and request that DenSco loan AHF the money to  
18 purchase the property. DenSco would electronically transfer the requested funds from  
19 DenSco's bank account to AHF's account, which was controlled by Mr. Menaged.  
20 Mr. Menaged, acting through AHF, would then: (1) have a cashier's check drawn on the AHF  
21 bank account representing the purchase amount of the property he allegedly was going to buy;  
22 (2) email a picture of the cashier's check to Mr. Chittick to "prove" AHF was going to purchase  
23 the property; and (3) forge a copy of the receipt received from the trustee for the purchase of  
24 the property at a trustee's sale. Mr. Menaged would then promptly cancel the cashier's check  
25 and redeposit the money into accounts he controlled personally, leaving Mr. Chittick to believe  
26 that DenSco's funds had been used to purchase property, and that the loan was secured by such  
property.

1 According to the plea agreement in Mr. Menaged's criminal case, he personally and  
2 through his affiliated companies like AHF obtained 2,712 loans from DenSco between January  
3 2013 and June 2016, which totaled approximately \$734,484,440.67. Of the 2,712 loans made  
4 by DenSco, only 96 involved actual property transactions – the remaining 2,616 were phantom  
5 real estate purchases. Mr. Menaged admitted that he defrauded DenSco out of at least  
6 \$34,000,000 personally and through companies he controlled, and consented to a federal  
7 criminal judgment for defrauding DenSco.

8 In addition to perpetrating the above-described fraud, AHF also failed to comply with  
9 the obligations imposed upon it in the Forbearance Agreement executed in April 2014. That  
10 agreement broadly provided that AHF would use its best efforts to generate additional income  
11 to pay off those lenders other than DenSco that had first position liens on properties so that  
12 DenSco could be moved into the first position. AHF did not do so, and in fact continued the  
13 fraud described above, contributing to the loss experienced by DenSco. AHF accordingly  
14 bears fault for DenSco's injuries and is jointly and severally liable for those injuries with both  
15 the named parties in this Notice and potential other unnamed parties.

16 5. Easy Investments, LLC  
17 10510 East Sunnyside Drive  
18 Scottsdale, Arizona 85259

19 Upon information and belief, starting in 2007 and continuing until Mr. Chittick's death,  
20 Mr. Menaged obtained loans from DenSco through Easy Investments, LLC ("Easy  
21 Investments") in which he was the sole owner and manager purportedly in order to buy  
22 distressed properties around Arizona. Mr. Menaged represented to Mr. Chittick that the loans  
23 he obtained from DenSco would be placed in a first lien position, as DenSco required, but  
24 beginning in 2011 or 2012, they were not. According to the Receiver's December 23, 2016  
25 report, in fact, Mr. Menaged used a single property to secure loans from multiple hard money  
26 lenders and the loans acquired from lenders other than DenSco were frequently placed in the  
first lien position.

1           Upon information and belief, Mr. Menaged also began to use Easy Investments to  
2 defraud DenSco in 2014 similarly to how he used AHF. According to an investigation  
3 conducted by the Department of Justice and the filings in the associated criminal case  
4 No. CR 17-00680-PHX-GMS in the District of Arizona, Mr. Menaged would identify  
5 properties to purchase at trustee's sales and request that DenSco loan Mr. Menaged, or one of  
6 his companies, such as Easy Investments, the money to purchase the property. DenSco would  
7 electronically transfer the requested funds from DenSco's bank account to an account  
8 controlled by Mr. Menaged, who would then: (1) have a cashier's check drawn on the Easy  
9 Investments bank account representing the purchase amount of the property he allegedly was  
10 going to buy; (2) email a picture of the cashier's check to Mr. Chittick to "prove" Easy  
11 Investments was going to purchase the property; and (3) forge a copy of the receipt received  
12 from the trustee for the purchase of the property at a trustee's sale. Mr. Menaged would then  
13 promptly cancel the cashier's check and redeposit the money into accounts he controlled  
14 personally.

15           Based on the plea agreement in Mr. Menaged's criminal case concerning AHF, it is  
16 probable that Mr. Menaged used Easy Investments to obtain a portion of 2,712 loans from  
17 DenSco between January 2013 and June 2016, which totaled approximately \$734,484,440.67.  
18 Of the 2,712 loans made by DenSco, only 96 involved actual property transactions – the  
19 remaining 2,616 were phantom real estate purchases. Mr. Menaged admitted that he defrauded  
20 DenSco out of at least \$34,000,000 personally and through companies he controlled like Easy  
21 Investments, and consented to a federal criminal judgment.

22           In addition to perpetrating the above-described fraud, Easy Investments also failed to  
23 comply with the obligations imposed upon it in the Forbearance Agreement executed in April  
24 2014. That agreement broadly provided that Easy Investments would use its best efforts to  
25 generate additional income to pay off those lenders other than DenSco that had first position  
26 liens on properties so that DenSco could be moved into the first position. Easy Investments



1 did not do so, and in fact continued the fraud described above, contributing to the loss  
2 experienced by DenSco. Easy Investments accordingly bears fault for DenSco's injuries and  
3 is jointly and severally liable for those injuries with both the named parties in this Notice and  
4 potential other unnamed parties.

5           6.     Furniture King, LLC  
6                     3200 North Central Avenue  
7                     Suite 2460  
8                     Phoenix, Arizona 85012

8           Furniture King, LLC ("Furniture King") was yet another Menaged-owned and operated  
9 entity through which Mr. Menaged perpetuated the fraud against DenSco. According to an  
10 investigation conducted by the Department of Justice and the filings in the associated criminal  
11 case No. CR 17-00680-PHX-GMS in the District of Arizona, Mr. Menaged created Furniture  
12 King in 2011 solely to obtain cash to prop up the fraud against DenSco. The plea agreement  
13 Mr. Menaged executed in that criminal case explains that Mr. Menaged, through Furniture  
14 King, established a merchant dealer account with Wells Fargo that allowed Furniture King to  
15 offer a line of credit to customers wanting to make furniture purchases. Beginning in or around  
16 December 2015, Mr. Menaged submitted false and fraudulent credit applications to Wells  
17 Fargo using the names and personal identification information of deceased individuals who  
18 purportedly wanted to buy furniture. This caused Wells Fargo to deposit payments to the  
19 Furniture King deposit account that was located at JP Morgan Chase Bank. Mr. Menaged  
20 would then use the funds obtained by Furniture King to pay back funds he had fraudulently  
21 obtained or embezzled from DenSco. Furniture King thus contributed directly to sustaining  
22 the fraud against DenSco.

23           Furniture King also guaranteed the obligations of both Easy Investments and AHF in  
24 the Forbearance Agreement executed by Easy Investments and AHF. After Easy Investments  
25 and AHF defaulted on their obligations under the Forbearance Agreement, Furniture King was  
26 unable to guarantee the loans as promised, contributing to the losses DenSco experienced.

1 Furniture King accordingly bears fault for DenSco's injuries and is jointly and severally liable  
2 for those injuries with both the named parties in this Notice and potential other unnamed  
3 parties.

4           7.     Veronica Castro AKA Veronica Gutierrez Reyes  
5                   c/o Thomas W. Warshaw Attorney at Law  
6                   33147 North 71st Way  
7                   Scottsdale, Arizona 85266

8           According to an investigation conducted by the Department of Justice and the pleadings  
9 in the associated criminal case No. CR 17-00680-PHX-GMS in the District of Arizona,  
10 Ms. Castro was Mr. Menaged's associate and employee who aided the fraud against DenSco.  
11 Ms. Castro began working as Mr. Menaged's assistant in 2011. As the Information filed in  
12 that criminal case on October 16, 2017 describes, Mr. Menaged would direct employees like  
13 Ms. Castro to identify properties and request hard money loans from DenSco. DenSco would  
14 electronically transfer the requested funds from DenSco's bank account to accounts that  
15 Mr. Menaged controlled personally or accounts affiliated with Menaged-controlled entities.  
16 Mr. Menaged personally or acting through one of his companies, would then: (1) have a  
17 cashier's check drawn on the bank account representing the purchase amount of the property  
18 he allegedly was going to buy; (2) email a picture of the cashier's check to Mr. Chittick to  
19 "prove" the property was being purchased; and (3) forge a copy of the receipt received from  
20 the trustee for the purchase of the property at a trustee's sale. Ms. Castro admitted in  
21 Mr. Menaged's sentencing hearing that she participated in forging the paperwork documenting  
22 the property purchases and was further aware that Mr. Menaged would promptly cancel the  
23 cashier's check and redeposit the money into accounts he controlled personally.

24           Ms. Castro also propagated the fraud against DenSco through her involvement in  
25 Furniture King. Ms. Castro was an employee of Furniture King. On or around September 8,  
26 2015, Mr. Menaged established a merchant dealer account with Walls Fargo Bank, N.A. in the  
name of Furniture King that allowed the store to offer customers instant access to a line of

1 credit to make furniture purchases. Beginning in December 2015, Ms. Castro would create  
2 false and fraudulent credit applications and receipts for deceased individuals, causing Wells  
3 Fargo to deposit payments into Furniture King's merchant bank account that was located at  
4 JP Morgan Chase Bank. No furniture purchases by the deceased individuals obviously ever  
5 took place. Mr. Menaged would instead use the money obtained from the Furniture King fraud  
6 to pay back the previous loans DenSco had made to Mr. Menaged personally and entities he  
7 controlled. Ms. Castro personally reaped \$135,000 from the Furniture King fraud. She was  
8 indicted along with Mr. Menaged in criminal case No. CR 17-00680-PHX-GMS in the District  
9 of Arizona and pled guilty to Conspiracy to Commit Bank Fraud (18 U.S.C. § 371). The loss  
10 DenSco investors experienced is a direct result of the fraud perpetrated by Ms. Castro.  
11 Ms. Castro accordingly bears fault for DenSco's injuries and is jointly and severally liable for  
12 those injuries with both the named parties in this Notice and potential other unnamed parties.

13           8.     Alberto Pena  
14                     c/o Law Office of Cameron A. Morgan  
15                     4356 North Civic Center Plaza  
16                     Suite 101  
17                     Scottsdale, Arizona 85251

18           According to an investigation conducted by the Department of Justice and the pleadings  
19 in the associated criminal case No. CR 17-00680-PHX-GMS in the District of Arizona, Alberto  
20 Pena was indicted with Mr. Menaged and Ms. Castro in criminal case No. CR 17-00680-PHX-  
21 GMS in the District of Arizona. Mr. Pena was an employee of a company called American  
22 Furniture, which was an alias for Furniture King. On or about December 21, 2016, Mr. Pena  
23 established a merchant dealer account on behalf of American Furniture with Synchrony  
24 Financial ("Synchrony"). Mr. Pena listed himself as the owner of American Furniture (even  
25 though Mr. Menaged was the true owner and operator) and began submitting false and  
26 fraudulent credit applications to Synchrony using the names and personal identification  
information of deceased individuals who purportedly wanted to buy furniture. This caused  
Synchrony to deposit payments to the American Furniture deposit account that was located at

1 JP Morgan Chase Bank. Mr. Menaged would then use the funds obtained by American  
2 Furniture to pay back outstanding loans DenSco previously had made to Mr. Menaged and  
3 entities he controlled that he had embezzled.

4 Not only did Mr. Pena thus aid and abet Mr. Menaged in the fraud against DenSco, but  
5 he likely benefitted financially from the scheme as well. Mr. Pena therefore contributed  
6 directly to the losses DenSco investors experienced. Mr. Pena accordingly bears fault for  
7 DenSco's injuries and is jointly and severally liable for those injuries with both the named  
8 parties in this Notice and potential other unnamed parties.

9 9. Troy Flippo  
10 c/o Storrs Law Firm PLLC  
11 1421 East Thomas Road  
12 Phoenix, Arizona 85014

12 According to an investigation conducted by the Department of Justice and the pleadings  
13 in the associated criminal case No. CR 17-00680-PHX-GMS in the District of Arizona, Troy  
14 Flippo was indicted with Mr. Menaged and Ms. Castro in criminal case No. CR 17-00680-  
15 PHX-GMS. Mr. Flippo was an employee of a company called Furniture Pluss, which was an  
16 alias for Furniture King. On or about January 12, 2017, Mr. Flippo and Mr. Menaged  
17 established a merchant dealer account on behalf of Furniture Pluss with Synchrony Financial  
18 ("Synchrony"). Mr. Flippo listed himself as the owner of Furniture Pluss (even though  
19 Mr. Menaged was the true owner and operator) and began submitting false and fraudulent  
20 credit applications to Synchrony using the names and personal identification information of  
21 deceased individuals who purportedly wanted to buy furniture. This caused Synchrony to  
22 deposit payments to the Furniture Pluss deposit account that was located at BBVA Compass  
23 Bank. Mr. Menaged would then use the funds obtained by Furniture Pluss to pay back  
24 outstanding loans DenSco previously had made to Mr. Menaged and entities he controlled that  
25 he had embezzled.

1 Not only did Mr. Flippo thus aid and abet Mr. Menaged in the fraud against DenSco,  
2 but he likely benefitted financially from the scheme as well. Mr. Flippo therefore contributed  
3 directly to the losses DenSco investors experienced. Mr. Flippo accordingly bears fault for  
4 DenSco's injuries and is jointly and severally liable for those injuries with both the named  
5 parties in this Notice and potential other unnamed parties. He pled guilty to Misprision of  
6 Felony (18 U.S.C. § 4) in criminal case No. CR 17-00680-PHX-GMS.

7 10. Francine Menaged  
8 10510 East Sunnyside Drive  
9 Scottsdale, Arizona 85259

10 Francine Menaged at all material times was married to Mr. Menaged. This case is still  
11 in its early stages and discovery has not been completed, however, Mrs. Menaged may have  
12 benefitted financially from the widespread fraud perpetrated by Mr. Menaged against DenSco  
13 and may have been aware of components of the fraud. For example, the Receiver identified in  
14 his Verified Complaint to Determine Dischargeability of Debt filed in bankruptcy case number  
15 2:16-bk-04268 that Mrs. Menaged was aware that Mr. Menaged was procuring multiple loans  
16 for the same property from several hard money lenders, yet said nothing about the fraud.  
17 Pending further discovery, and based on those allegations, it is also possible that Mrs. Menaged  
18 may have known about the fraud related to AHF, Easy Investments, and Furniture King and  
19 its affiliated companies that further perpetuated the fraud against DenSco, yet did not come  
20 forward and tell anyone about it. Thus, it is possible that Francine Menaged may have  
21 contributed directly to the losses experienced by DenSco. Mrs. Menaged accordingly may  
22 bear fault for DenSco's injuries and may be jointly and severally liable for those injuries with  
23 both the named parties in this Notice and potential other unnamed parties.

24 11. Joseph Menaged  
25 3315 Collins Avenue, Unit 9C  
26 Miami Beach, Florida 33140

Joseph Menaged is Mr. Menaged's father. According to the Trustee's Complaint to  
Recover Money Or Property filed in bankruptcy case number 2:16-bk-04268, Joseph Menaged

1 received millions of dollars that were embezzled from DenSco from Mr. Menaged personally,  
2 AHF, Easy Investments and Furniture King. Thus, although this case is still in its early stages  
3 and discovery has not been completed, based on those allegations, Joseph Menaged may have  
4 been aware that the money he was receiving from Mr. Menaged was fraudulently obtained  
5 from DenSco, yet did nothing to alert anyone to that fact. Joseph Menaged thus may have  
6 contributed directly to the losses experienced by DenSco. Joseph Menaged accordingly may  
7 bear fault for DenSco's injuries and is jointly and severally liable for those injuries with both  
8 the named parties in this Notice and potential other unnamed parties.

9 12. Michelle Menaged  
10 9103 East Charter Oak Drive  
11 Scottsdale, Arizona 85260

12 Michelle Menaged is Mr. Menaged's mother. According to the Trustee's Complaint to  
13 Recover Money Or Property filed in bankruptcy case number 2:16-bk-04268, she received well  
14 over \$500,000 that was embezzled from DenSco by Mr. Menaged, AHF, Easy Investments  
15 and Furniture King. This case is still in its early stages and discovery has not been completed,  
16 however, based on those allegations, Ms. Michelle Menaged may have been aware that the  
17 money she was receiving from Mr. Menaged was fraudulently obtained from DenSco, yet did  
18 nothing to alert anyone to that fact. Michelle Menaged thus may have contributed directly to  
19 the losses experienced by DenSco. Michelle Menaged accordingly may bear fault for  
20 DenSco's injuries and is jointly and severally liable for those injuries with both the named  
21 parties in this Notice and potential other unnamed parties.

22 13. Jennifer Bonfiglio  
23 15425 North Tatum Boulevard  
24 Apartment 212  
25 Phoenix, Arizona 85032

26 Jennifer Bonfiglio is Mr. Menaged's sister. According to the Trustee's Complaint to  
Recover Money Or Property filed in bankruptcy case number 2:16-bk-04268, she received well  
over \$50,000 that was embezzled from DenSco from Mr. Menaged, AHF, Easy Investments

1 and Furniture King. This case is still in its early stages and discovery has not been completed,  
2 however, based on those allegations, Ms. Bonfiglio may have been aware that the money she  
3 was receiving from Mr. Menaged was fraudulently obtained from DenSco, but she did nothing  
4 to alert anyone to that fact. Ms. Bonfiglio thus may have contributed directly to the losses  
5 experienced by DenSco. Mr. Bonfiglio accordingly may bear fault for DenSco's injuries and  
6 is jointly and severally liable for those injuries with both the named parties in this Notice and  
7 potential other unnamed parties.

8           14.     Joy Menaged  
9                     8619 East Bonnie Rose Avenue  
10                    Scottsdale, Arizona 85250

11           Joy Menaged is Mr. Menaged's sister. According to the Trustee's Complaint to  
12 Recover Money Or Property filed in bankruptcy case number 2:16-bk-04268, she received  
13 nearly \$100,000 that was embezzled from DenSco by Mr. Menaged, AHF, Easy Investments  
14 and Furniture King. This case is still in its early stages and discovery has not been completed,  
15 however, based on those allegations, Ms. Joy Menaged may have been aware that the money  
16 she was receiving from Mr. Menaged was fraudulently obtained from DenSco, but she did  
17 nothing to alert anyone to that fact. Joy Menaged thus may have contributed directly to the  
18 losses experienced by DenSco. Joy Menaged accordingly may bear fault for DenSco's injuries  
19 and is jointly and severally liable for those injuries with both the named parties in this Notice  
20 and potential other unnamed parties.

21           15.     Jess Menaged  
22                     8108 West Hazelwood Street  
23                    Phoenix, Arizona 85033

24           Jess Menaged is Mr. Menaged's brother. According to the Trustee's Complaint to  
25 Recover Money Or Property filed in bankruptcy case number 2:16-bk-04268, he received over  
26 \$50,000 that was embezzled from DenSco from Mr. Menaged, AHF, Easy Investments and  
Furniture King. This case is still in its early stages and discovery has not been completed,  
however, based on those allegations, Jess Menaged may have been aware that the money he

1 was receiving from Mr. Menaged was fraudulently obtained from DenSco, but she did nothing  
2 to alert anyone to that fact. Jess Menaged thus may have contributed directly to the losses  
3 experienced by DenSco. Jess Menaged accordingly may bear fault for DenSco's injuries and  
4 is jointly and severally liable for those injuries with both the named parties in this Notice and  
5 potential other unnamed parties.

6           16.     Preston CPA, P.C.  
7                     1949 East Broadway Road  
8                     Suite 101  
9                     Tempe, Arizona 85282

10           Preston CPA, P.C. ("Preston") was DenSco's financial accounting firm that created  
11 corporate tax returns for DenSco and personal tax returns for Mr. Chittick. Preston appears to  
12 have been privy to financial information related to DenSco and Mr. Chittick beginning in 2004  
13 and may have been in a position to discover the fraud being perpetrated on DenSco. It is  
14 possible that Preston had access to information such as the balance of loans made by DenSco,  
15 the status of loans, the solvency of DenSco, and Mr. Chittick's personal finances. If Preston  
16 had access to such corporate and personal financial information, he may have been able to (and  
17 may have had the duty to) discover discrepancies in the accounting and take action to mitigate  
18 the effect of the fraud perpetrated on DenSco. Preston accordingly may bear fault for DenSco's  
19 injuries and be jointly and severally liable for those injuries with both the named parties in this  
20 Notice and potential other unnamed parties.

21           17.     JP Morgan Chase Bank, NA  
22                     3800 North Central Avenue  
23                     Suite 460  
24                     Phoenix, Arizona 85012

25           As described in his December 26, 2017 update, the Receiver has retained special  
26 counsel to assist with investigating claims against JP Morgan Chase Bank, NA ("Chase")  
because "[t]he Receiver has determined that DenSco may hold significant claims against . . .  
Chase . . . for [its] participation in Menaged's massive fraudulent loan scheme upon DenSco."



1 Beginning in 2014, Mr. Menaged would have a cashier's check drawn on the money that  
2 DenSco sent Mr. Menaged (or one of his companies) and send a picture of that cashier's check  
3 to Mr. Chittick as proof that the money was being used properly. Soon after taking the picture,  
4 however, Mr. Menaged would cancel the cashier's check and redeposit the money into separate  
5 accounts with the same teller that had prepared the cashier's check. According to  
6 Mr. Menaged's testimony, at least two employees working at the Chase branch where  
7 Mr. Menaged made most of these transactions knew that the cashier's checks were not being  
8 used for their intended purposes. These employees would prepare both the cashier's checks  
9 and redeposit slips *simultaneously* and write on the back of the cashier's checks "not used for  
10 intended purpose," even though they knew that the checks were supposed to be for the purchase  
11 of foreclosed properties. Such aid and actions may also have violated bank regulations. Never  
12 once did Chase alert anyone to the suspicious activities. On the contrary, according to  
13 Mr. Menaged, the employees of Chase told Mr. Menaged that they "owe[d] [Mr. Menaged]  
14 breakfast" for making the Chase branch's numbers look higher than they were.

15 Between January 2014 and June 2015 alone, the Receiver estimates that Mr. Menaged  
16 did this no less than 1,340 times. Chase's failure to identify and stop the facially suspicious  
17 activities of Mr. Menaged allowed the fraud to continue, causing injury to DenSco. Chase  
18 accordingly bears fault for DenSco's injuries and is jointly and severally liable for those  
19 injuries with both the named parties in this Notice and potential other unnamed parties.

20 18. Samantha Kumbalek and other bank employees to be identified  
21 Address Unknown

22 Ms. Kumbalek was an employee of JP Morgan Chase Bank, NA ("Chase") who  
23 facilitated Mr. Menaged's fraudulent scheme upon DenSco according to Mr. Menaged's  
24 testimony. As described in Mr. Menaged's deposition in the matter of *Arizona Corporation*  
25 *Commission v. DenSco Investment Corporation*, No. CV 2016-014142, Mr. Menaged would  
26 email Ms. Kumbalek on a daily basis and inform her of what trustee the various cashier's

1 checks needed to be made out to, the dollar amount, and the property address to put in the  
2 reference line. Ms. Kumbalek would prepare the checks prior to Mr. Menaged arriving in the  
3 bank, hand the checks over to Mr. Menaged when he arrived, and then watch as he took pictures  
4 of the checks to send to DenSco. Ms. Kumbalek once took a photo of one of the cashier's  
5 checks for Mr. Menaged. Then, she would redeposit those checks into bank accounts that  
6 Mr. Menaged controlled. Again, according to Mr. Menaged's testimony, she would frequently  
7 have the deposit slip prepared for the value of the cashier's check before Mr. Menaged even  
8 arrived at the bank.

9 Ms. Kumbalek thus should have known that Mr. Menaged was not using the cashier's  
10 checks to purchase the property identified on the checks, that the procedure she was using did  
11 not comport with Chase's policies and procedures, and that her actions may not have  
12 comported with applicable bank regulations. According to Mr. Menaged's testimony,  
13 Ms. Kumbalek was aware that the process she was using with Mr. Menaged was not proper  
14 because she overrode the Chase system's safeguards that would have at least partially alerted  
15 the bank to the fraud. As described by Mr. Menaged, the Chase system would flag the  
16 redeposits made into the bank accounts Mr. Menaged controlled and ordinarily the funds would  
17 not be available in the account for five to seven days until the bank confirmed the money  
18 actually existed. Ms. Kumbalek, however, overwrote the system's safeguards and released the  
19 funds immediately, so that Mr. Menaged could reuse those same dollars in the fraud over and  
20 over again and pass those dollars off as "new" money.

21 According to Mr. Menaged, Ms. Kumbalek also transferred money from business  
22 accounts into Mr. Menaged's personal account, increased Mr. Menaged's debit withdrawal  
23 limit to \$40,000 or \$50,000, wired money to Las Vegas for Mr. Menaged's gambling expenses  
24 from Mr. Menaged's business accounts, and advised Mr. Menaged of how to deposit smaller  
25 sums of cash into the bank accounts he controlled to avoid reporting requirements to the IRS.  
26 According to Mr. Menaged, Ms. Kumbalek engaged in this manner with Mr. Menaged both as

1 a bank employee and then when she was made the manager of the branch. Ms. Kumbalek thus  
2 may have contributed directly to the losses experienced by DenSco. Ms. Kumbalek  
3 accordingly may bear fault for DenSco's injuries and is jointly and severally liable for those  
4 injuries with both the named parties in this Notice and potential other unnamed parties.

5 19. Vikram [Unknown]  
6 Address Unknown

7 Vikram was the bank manager of the branch of JP Morgan Chase Bank, NA ("Chase")  
8 from which Mr. Menaged primarily perpetrated the fraudulent scheme upon DenSco. As  
9 described in Mr. Menaged's deposition in the matter of *Arizona Corporation Commission v.*  
10 *DenSco Investment Corporation*, No. CV 2016-014142, Vikram was aware that Mr. Menaged  
11 and Samantha Kumbalek, a Chase employee, were not following Chase's policies and  
12 procedures with regards to the withdrawal and deposit of money. As noted in Mr. Menaged's  
13 testimony, Mr. Menaged would email Ms. Kumbalek on a daily basis and inform her of what  
14 trustee the various cashier's checks needed to be made out to, the dollar amount, and the  
15 property address to put in the reference line. Ms. Kumbalek would prepare the checks prior to  
16 Mr. Menaged arriving in the bank, hand the checks over to Mr. Menaged when he arrived, and  
17 then watch as he took pictures of the checks to send to DenSco. Then, she would redeposit  
18 those checks into bank accounts that Mr. Menaged controlled and would frequently have the  
19 deposit slip prepared for the value of the cashier's check before Mr. Menaged even arrived at  
20 the bank.

21 According to Mr. Menaged, Vikram was aware of what Mr. Menaged and  
22 Ms. Kumbalek were doing because Mr. Menaged copied Vikram on the email correspondence  
23 with Ms. Kumbalek. In the event Ms. Kumbalek was not in the branch to prepare the cashier's  
24 checks and deposit slips, Vikram stepped in to do so. Vikram thus may have or should have  
25 known that Mr. Menaged was not using the cashier's checks to purchase the property identified  
26 on the checks, and that the procedure that Mr. Menaged was using did not comport with

1 Chase's policies and procedures. According to Mr. Menaged, Vikram continued to facilitate  
2 the fraud until he was transferred to a different branch. Vikram thus may have contributed  
3 directly to the losses experienced by DenSco. Vikram accordingly may bear fault for DenSco's  
4 injuries and is jointly and severally liable for those injuries with both the named parties in this  
5 Notice and potential other unnamed parties.

6       20.    US Bank, NA  
7               3800 North Central Avenue  
8               Suite 460  
9               Phoenix, Arizona 85012

9       As described in his December 26, 2017 update, the Receiver has retained special  
10 counsel to assist with investigating claims against US Bank, NA ("US Bank") because "[t]he  
11 Receiver has determined that DenSco may hold significant claims against . . . US Bank . . . for  
12 [its] participation in Menaged's massive fraudulent loan scheme upon DenSco." Beginning in  
13 2014, Mr. Menaged would have a cashier's check drawn on the money that DenSco sent  
14 Mr. Menaged and send a picture of that cashier's check to Mr. Chittick as proof that the money  
15 was being used properly. Soon after taking the picture, however, Mr. Menaged would return  
16 to US Bank and cancel the cashier's check. Between January 2014 and June 2015 alone, the  
17 Receiver estimates that Mr. Menaged did this no less than 43 times. US Bank's failure, as  
18 alleged by the Receiver, to identify and stop the facially suspicious activities of Mr. Menaged  
19 allowed the fraud to continue, causing injury to DenSco. US Bank accordingly bears fault for  
20 DenSco's injuries and is jointly and severally liable for those injuries with both the named  
21 parties in this Notice and potential other unnamed parties.

22       21.    Active Funding Group, LLC  
23               Attention: Andrew Abraham  
24               702 East Osborn Road, Suite 200  
25               Phoenix, Arizona 85014

25       As described in his December 26, 2017 update, the Receiver has retained special  
26 counsel to assist with investigating claims against Active Funding Group, LLC (and its

1 principals) (“Active Funding”) because “[t]he Receiver has determined that DenSco may hold  
2 claims against [Active Funding] for [its] participation in Menaged’s fraudulent loan scheme  
3 upon DenSco.” Active Funding is a hard money lender similar to DenSco. The Receiver  
4 alleges that Active Funding uncovered Mr. Menaged’s scheme to defraud DenSco sometime  
5 in 2011 or 2012. Instead of alerting DenSco and its investors to the scheme, Active Funding  
6 moved to protect the loans that it previously had made to Mr. Menaged by working to place  
7 those loans in first position. The Receiver has asserted that Active Funding cooperated with  
8 Mr. Menaged to allow Mr. Menaged to continue defrauding DenSco. Discovery is still early,  
9 however, as alleged by the Receiver, Active Funding contributed directly to the losses  
10 experienced by DenSco. Active Funding accordingly bears fault for DenSco’s injuries and is  
11 jointly and severally liable for those injuries with both the named parties in this Notice and  
12 potential other unnamed parties.

13           22.    50780 L.L.C.  
14                    Attention: Kevin Ahern  
15                    1122 E. Jefferson Street  
16                    Phoenix, Arizona 85036

17           Defendants list 50780, L.L.C. to avoid waiving any rights. 50780 L.L.C. is a hard money  
18 lender similar to DenSco. Upon information and belief, 50780 L.L.C. was a hard money lender  
19 from whom Mr. Menaged obtained loans that competed with DenSco’s loans for priority. In  
20 January 2014, 50780 L.L.C. learned of the double liening issue and threatened to file suit  
21 against Mr. Menaged and DenSco. After the ensuing negotiations, and upon information and  
22 belief, 50780 L.L.C.’s loans were eventually paid off, often using DenSco funds. If 50780  
23 L.L.C. learned information regarding the scheme to defraud DenSco (and there is currently no  
24 evidence to suggest that it did), then 50780 L.L.C. did not share that information with DenSco,  
25 and instead recovered the monies it was owed, thereby potentially profiting from the fraud  
26 against DenSco. 50870 L.L.C. accordingly may bear fault for DenSco’s injuries and may be  
jointly and severally liable for those injuries with both the named parties in this Notice and

1 potential other unnamed parties. Discovery of relevant documents from 50780 L.L.C. is  
2 continuing.

3 23. Azben Limited, L.L.C.  
4 Attention: Berry Riddell LLC  
5 6750 East Camelback Road, Suite 100  
6 Scottsdale, Arizona 85251

7 Defendants list Azben Limited, L.L.C. (“Azben”) to avoid waiving any rights. Azben  
8 is a hard money lender similar to DenSco. Upon information and belief, Azben was a hard  
9 money lender from whom Mr. Menaged obtained loans that competed with DenSco’s loans for  
10 priority. In January 2014, Azben learned of the double liening issue and threatened to file suit  
11 against Mr. Menaged and DenSco. After the ensuing negotiations, and upon information and  
12 belief, Azben’s loans were eventually paid off, often using DenSco funds. If Azben learned  
13 information regarding the scheme to defraud DenSco (and there is currently no evidence to  
14 suggest that it did), then Azben did not share that information with DenSco, and instead  
15 recovered the monies it was owed, thereby potentially profiting from the fraud against DenSco.  
16 Azben accordingly may bear fault for DenSco’s injuries and may be jointly and severally liable  
17 for those injuries with both the named parties in this Notice and potential other unnamed  
18 parties. Discovery of relevant documents from Azben is continuing.

19 24. Geared Equity, LLC  
20 Attention: Daniel E. Deithelm  
21 6109 North Palo Cristi  
22 Paradise Valley, Arizona 85253

23 Defendants list Geared Equity, L.L.C. (“Geared Equity”) to avoid waiving any rights.  
24 Geared Equity is a hard money lender similar to DenSco. Upon information and belief, Geared  
25 Equity was a hard money lender from whom Mr. Menaged obtained loans that competed with  
26 DenSco’s loans for priority. In January 2014, Geared Equity learned of the double liening  
issue and threatened to file suit against Mr. Menaged and DenSco. After the ensuing  
negotiations, and upon information and belief, Geared Equity’s loans were eventually paid off,

1 often using DenSco funds. If Geared Equity learned information regarding the scheme to  
2 defraud DenSco (and there is currently no evidence to suggest that it did), then Geared Equity  
3 did not share that information with DenSco, and instead recovered the monies it was owed,  
4 thereby potentially profiting from the fraud against DenSco. Geared Equity accordingly may  
5 bear fault for DenSco's injuries and may be jointly and severally liable for those injuries with  
6 both the named parties in this Notice and potential other unnamed parties. Discovery of  
7 relevant documents from Geared Equity is continuing.

8           25.    Sell Wholesale Funding, LLC  
9                    Attention: Angel Aaneson  
10                   4105 North 20<sup>th</sup> Street, Suite 210  
11                   Phoenix, AZ 85016

11           Defendants list Sell Wholesale Funding, L.L.C. ("Sell Wholesale") to avoid waiving  
12 any rights. Sell Wholesale is a hard money lender similar to DenSco. Upon information and  
13 belief, Sell Wholesale was a hard money lender from whom Mr. Menaged obtained loans that  
14 competed with DenSco's loans for priority. In January 2014, Sell Wholesale learned of the  
15 double liening issue and threatened to file suit against Mr. Menaged and DenSco. After the  
16 ensuing negotiations, and upon information and belief, Sell Wholesale's loans were eventually  
17 paid off, often using DenSco funds. If Sell Wholesale learned information regarding the  
18 scheme to defraud DenSco (and there is currently no evidence to suggest that it did), then Sell  
19 Wholesale did not share that information with DenSco, and instead recovered the monies it  
20 was owed, thereby potentially profiting from the fraud against DenSco. Sell Wholesale  
21 accordingly may bear fault for DenSco's injuries and may be jointly and severally liable for  
22 those injuries with both the named parties in this Notice and potential other unnamed parties.  
23 Discovery of relevant documents from Sell Wholesale is continuing.

24           26.    DenSco Investors

25           Based on Mr. Chittick's final letter to his investors (the admissibility of which is not  
26 conceded), some of DenSco's investors were aware of the issues with the loans made to


1 Mr. Menaged as early as 2013. The evidence suggests that Mr. Chittick communicated  
2 regularly with a number of his investors on virtually every matter related to DenSco including,  
3 but not limited to, the status of the Menaged loans, the number of loans made to Mr. Menaged,  
4 the Forbearance Agreement working out the issues with the Menaged loans, and the fact that  
5 DenSco was lending money directly to investors (rather than to a trustee or other fiduciary).  
6 Notwithstanding that information, the investors continued to invest with DenSco and  
7 Mr. Chittick. If several investors were in fact aware of the issues plaguing DenSco beginning  
8 in 2013 and continued to make loans to DenSco, they may bear fault for DenSco's injuries and  
9 may be jointly and severally liable for those injuries with both the named parties in this Notice  
10 and potential other unnamed parties. Further, to the extent Mr. Chittick consulted with a group  
11 of investors regarding his loans to Mr. Menaged and the workout agreement, as Mr. Chittick  
12 represented to David Beauchamp, those investors may have taken on a heightened duty with  
13 respect to other investors, and may thereby also bear fault for DenSco's injuries.

14 Defendants reserve the right to amend and revise this Notice as discovery progresses.

15  
16 DATED this 7<sup>th</sup> day of June, 2018.

17 **COPPERSMITH BROCKELMAN PLC**

18  
19 By: \_\_\_\_\_

  
John E. DeWulf  
Marvin C. Ruth  
Vidula U. Patki  
2800 North Central Avenue, Suite 1900  
Phoenix, Arizona 85004  
Attorneys for Defendants



1 ORIGINAL of the foregoing was mailed and emailed  
2 this 7<sup>th</sup> day of June, 2018, to:

3 Colin F. Campbell, Esq.  
4 Geoffrey M. T. Sturr, Esq.  
5 Joshua M. Whitaker, Esq.  
6 OSBORN MALEDON, P.A.  
7 2929 N. Central Ave., Suite 2100  
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9 ccampbell@omlaw.com  
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11 jwhitaker@omlaw.com  
12 Attorneys for Plaintiff



11 Georgina S. Hadley

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