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**IN THE SUPERIOR COURT OF THE STATE OF ARIZONA**  
**IN AND FOR THE COUNTY OF MARICOPA**

ARIZONA CORPORATION  
COMMISSION,

Plaintiff,

v.

DENSCO INVESTMENT  
CORPORATION, an Arizona  
corporation,

Defendant.

Cause No. CV2016-014142

**PETITION NO. 157**

PETITION FOR ORDER AMENDING  
MENAGED JUDGMENT AND  
ASSIGMENT TO ARIZONA  
CORPORATION COMMISSION

(Assigned to the Honorable John  
Hannah)

Peter S. Davis, as the court appointed Receiver, respectfully petitions the Court as follows:

**I. THE SETTLEMENT WITH MENAGED AND JUDGMENT**

On August 18, 2016, this Court entered its *Order Appointing Receiver*, which appointed Peter S. Davis as Receiver of DenSco Investment Corporation (“Receivership Order”).

DenSco Investment Corporation (“DenSco”) was an Arizona corporation formed by Denny Chittick (“Chittick”) in April 2001. Since at least 2009, DenSco was engaged primarily in funding the purchase of real estate secured by deeds of trust using money raised from investors. Generally, this business practice is described as a “hard money” lender. As detailed in the Receiver’s multiple Status Reports to this Court, the Receiver

1 uncovered a series of fraud schemes perpetrated upon DenSco and Chittick by Yomtov  
2 Scott Menaged (“Menaged”) in the purchase of these properties. Between 2007 and 2008,  
3 DenSco began a lending relationship with Yomtov Scott Menaged (“Menaged”) and  
4 loaning Menaged monies for the purchase of residential real estate through foreclosure  
5 auctions. Menaged utilized two limited liability companies to solicit loans from DenSco.  
6 Menaged learned through his ongoing relationship with DenSco that he could take  
7 advantage of DenSco’s lending practices and defraud DenSco by employing a series of  
8 fraudulent schemes including: (1) intentionally obtaining two hard money loans on a  
9 single property that Menaged had purchased at a foreclosure auction by tricking different  
10 hard money lenders into believing that their respective loan was going to be secured  
11 against the real property in a first position; and (2) falsifying documents to trick DenSco  
12 into believing that Menaged had “purchased” property at a foreclosure auction and that  
13 DenSco’s loan was secured against the related property, when in fact Menaged had not  
14 purchased the property at all.

15 While the Receivership was in its initial weeks, the Receiver learned that on  
16 April 20, 2016, Menaged filed for relief under Chapter 7 of the United States Bankruptcy  
17 Code. In his initial bankruptcy filings Menaged did not list DenSco as a creditor or  
18 disclose that he owed any money to DenSco. After conducting an initial forensic analysis  
19 of the books and records of DenSco, the Receiver determined that Menaged may have  
20 owed as much as \$47 million to DenSco.

21 On January 1, 2017, the Receiver filed his *Verified Complaint to Determine*  
22 *Dischargeability of Debt* (the “Adversary Proceeding”) in the United States Bankruptcy  
23 Court for the District of Arizona against Menaged and his wife, Francine Menaged  
24 (hereinafter referred to as the “Menageds”) seeking a judicial determination that the  
25 amount of \$47,156,641.92 constitutes a nondischargeable obligation of the Menageds  
26  
27  
28

1 under 11.U.S.C. §523(1), and seeking a judgment in favor of the Receiver against the  
2 Menageds' marital community of \$47,156,641.92<sup>1</sup>.

3 Eventually, Menaged admitted that he devised and facilitated a series of fraudulent  
4 schemes against DenSco to utilize the loan proceeds from DenSco from his actions for  
5 other purposes, including repayment of other DenSco loans, living expenses, gambling,  
6 and the acquisition of personal assets.

7 After negotiations, the Menageds agreed to a Settlement Agreement which  
8 included the consent to the entry of a nondischargeable civil judgment in favor of the  
9 Receiver in the amount of \$31,000,000, and an agreement that Menaged would cooperate  
10 with the Receiver's ongoing investigation into activities relating to DenSco, to the extent  
11 that such cooperation and testimony does not violate his privilege against self-  
12 incrimination under the Fifth Amendment to the United States Constitution. In exchange  
13 for his cooperation, the Receiver agreed that funds that were recovered at least partially  
14 as a result of Menaged's cooperation would be offset against the principal balance of the  
15 Judgment.

16 On August 8, 2017, the Receiver filed his *Petition No. 32: Petition for Order*  
17 *Approving Settlement Agreement with Yomtov Scott Menaged and Francine Menaged*,  
18 which was approved by this Court on August 11, 2017.

## 19 **II. MENAGED COOPERATION AND ESTATE RECOVERIES**

20  
21 During the course of the administration of the Receivership, the Receiver has  
22 recovered over \$29 million from the liquidation of DenSco assets and the litigation of  
23 claims held by DenSco. During this time, Menaged has provided the Receiver with  
24 significant cooperation to identify potential claims, explain suspicious transactions, and  
25 provide testimony and other assistance in advancing the Receiver's claims. While the  
26 actual benefit of Menaged's cooperation is difficult to quantify, the Receiver  
27

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28 <sup>1</sup> The Receiver named Francine Menaged for the sole purpose of binding the Menageds' marital community.

1 recommends that Menaged be credited against the Judgment the amount of \$17,896,746.  
2 More specifically, the Receiver recommends that Menaged is credited for settlement  
3 proceeds totaling \$16,375,000 from the litigation settlements with US Bank<sup>2</sup>, Clark Hill<sup>3</sup>  
4 and Active Funding<sup>4</sup>; and \$1,521,746 that the Receiver recovered as a result of the  
5 liquidation of Menaged's furniture stores, recoveries from civil and criminal proceedings  
6 against Menaged's family, and other related recoveries. The Receiver's recommended  
7 credit of \$17,896,746 against Menaged's Judgment provides Menaged with a credit of  
8 100% of the civil recoveries as detailed in the attached *Calculation of Menaged*  
9 *Judgment*. (See Exhibit "A").

### 10 11 **III. AMENDMENT OF JUDGMENT AND ASSIGNMENT TO ARIZONA CORPORATION COMMISSION**

12 As the DenSco Receivership comes to a close, the Receiver recommends that the  
13 Court approve the Receiver's recommendation to amend the Judgment to reduce the  
14 principal amount owed to \$16,946,287<sup>5</sup> and approve the assignment of the Judgment to  
15 the Arizona Corporation Commission for future judgment collection.

16 Given that Menaged is not scheduled to be released from incarceration until 2030,  
17 and the prospect that Menaged may have the ability to generate significant income to pay  
18 back some of the Judgment after his release, the Arizona Corporation Commission has  
19 agreed to accept the assignment of the Judgment and continue efforts to collect under the  
20 Judgment for the benefit of the DenSco approved creditors.

21 If this Court approves the amendment and assignment of the Judgment, the  
22 Receiver will file a *Notice of Balance of Judgment* in the Bankruptcy Court to (1) reflect  
23 the outstanding balance of \$16,946,287; and (2) detail that future judgment collection  
24 will be the responsibility of the Arizona Corporation Commission. Once filed, the  
25

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26 <sup>2</sup> Order Re: Petition No. 137

27 <sup>3</sup> Order Re: Petition No. 91

28 <sup>4</sup> Order Re: Petition No. 107

<sup>5</sup> The principal of the Judgment will be amended to \$16,946,287 which represents principal of \$13,103,885 and accrued interest of \$3,843,033 as of April 30, 2025.

1 Receiver will have the *Notice of Balance of Judgment* recorded in all counties in Arizona  
2 where the original judgment was recorded.

3 Additionally, at the conclusion of the Receivership and after this Court has  
4 approved the final distribution to creditors and the Receiver has paid said distributions,  
5 the Receiver will provide the Arizona Corporation Commission with a final outstanding  
6 accounting of the remaining amounts owed to each DenSco creditor and related contact  
7 information for each creditor to allow future distributions under the Judgment to be made  
8 to the DenSco approved creditors by the Arizona Corporation Commission.

9 **WHEREFORE**, the Receiver respectfully requests that the Court enter an order:

10 (1) Approving the Receiver's recommendation that Menaged should be credited  
11 \$17,896,115.00 against the Judgment; (2) Amending the principal amount of the  
12 Judgment to **\$16,946,287**; (3) Directing the Receiver to file a *Notice of Balance of*  
13 *Judgment* in reflecting the new principal amount of the Judgment; (4) Ordering that when  
14 the amended Judgment is assigned to the Arizona Corporation Commission it will be a  
15 civil judgment of the state and pursuant to A.R.S. § 12-1551(E)(3) and exempt from any  
16 judgment renewal requirements; and (5) directing the Receiver to facilitate the  
17 assignment of the Amended Judgment to the Arizona Corporation Commission for future  
18 collection.

19 **RESPECTFULLY SUBMITTED** this 13<sup>th</sup> day of May, 2025.

20 **BURCH & CRACCHIOLO, P.A.**

21  
22 By: /s/ Ryan W. Anderson  
23 Ryan W. Anderson  
Attorneys for the Receiver

24 **E-filed** through AZTurboCourt  
25 this 13<sup>th</sup> day of May, 2025 with  
26 the Clerk of the Maricopa County  
27 Superior Court; and  
28

1 **COPY** emailed and/or mailed  
2 this same day to:

3 Wendy L. Coy, Director of Enforcement  
4 Securities Division  
5 Arizona Corporation Commission  
6 1300 W. Washington  
7 Phoenix, AZ 85007-2929  
8 [wcoy@azcc.gov](mailto:wcoy@azcc.gov)  
9 *Attorney for Plaintiffs*

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11 Densco Receivership  
12 J.S. Held, LLC  
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15 [pdavis@jsheld.com](mailto:pdavis@jsheld.com)  
16 *Receiver*

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23 *and Densco Investment Corporation*

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1 dgoulding@qualityloan.com

2 *Counsel for Quality Loan Service Corp.*

3 Yomtov Scott Menaged

4 Prisoner Number 74322-408

5 Federal Correctional Institute Texarkana

6 4001 Leopard Dr.

7 Texarkana, TX 755-1

8 By: /s/ Kim Runyan

# **Exhibit “A”**



J.S. Held LLC  
Arizona Corporation Commission v. DenSco Investment Corporation

Receivership of DenSco Investment Corp.  
Calculation of Menaged Judgment Balance: Summary  
August 18, 2016 through April 30, 2025

Description	Amount	Notes
Beginning Judgment Amount	\$ 31,000,000	[1]
Adjustments for Menaged-Assisted Recoveries:		
Settlement proceeds from the litigation settlements with Clark Hill, US Bank, and Active Funding	(16,375,000)	[2]
Scott Menaged Federal Restitution	(3,610)	
Furniture King, et al. Income	(273,663)	
Easy - Marilyn Property Proceeds	(35,067)	
Joseph Menaged Forfeiture	(709,405)	
Joseph Menaged Settlement	(350,000)	
Stephen Brown Settlement	(150,000)	
Total Adj. for Menaged-Assisted Recoveries	(17,896,746)	
Remaining Judgment Principal	13,103,254	
Plus Interest Accrued through 04/30/25	3,843,033	
Judgment Balance as of 04/30/25	\$ 16,946,287	

**Notes:**

- [1] Pursuant to Section A of the Settlement Agreement, Menaged consented to a \$31,000,000 nondischargeable civil judgment in favor of the Receiver.
- [2] Pursuant to Section D of the Settlement Agreement, "In the event that [Menaged]'s cooperation results in monetary recoveries for the Receiver against third parties after the date of this Agreement, the Receiver agrees to reduce the amount of the Judgment in an amount equal to the gross recovery from the third party that is related to [Menaged]'s cooperation."