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4 Steven D. Nemecek (#015219) snemecek@sjbrownlaw.com  
5 *Attorneys for Trustee*

6 **IN THE UNITED STATES BANKRUPTCY COURT**  
7 **FOR THE DISTRICT OF ARIZONA**

8  
9 In re:

10 YOMTOV SCOTT MENAGED,

11 Debtor.

In Proceedings Under Chapter 7

Case No. 2:16-bk-04268-PS

12 **TRUSTEE'S MOTION FOR ORDER**  
13 **APPROVING SETTLEMENT**  
14 **BETWEEN TRUSTEE AND DENSCO**  
**RECEIVER PETER S. DAVIS RE:**  
**FURNITURE KING**

15  
16 Pursuant to Bankruptcy Rule 9019, Chapter 7 Trustee Jill H. Ford (the "Trustee")  
17 requests the Court enter an order approving a Settlement Agreement between the Trustee and  
18 Peter S. Davis, state court-appointed Receiver for DenSco Investment Corporation. A copy of  
19 the Settlement Agreement is attached hereto as Exhibit "A" (the "Agreement"). This motion  
20 contains only a summary of the key terms. The settlement is governed by the Agreement. The  
21 settlement is in the best interests of the Estate and its creditors. This Motion is supported by  
22 the following Memorandum Of Points And Authorities.

23 ...

24 ...

25 ...

26 ...

1 DATED this 14th day of September, 2016.

2 STEVE BROWN & ASSOCIATES, LLC

3 By /s/ Steven D. Nemecek

4 Steven J. Brown

5 Steven D. Nemecek

6 1414 East Indian School Road, Suite 200

7 Phoenix, Arizona 85014

8 Attorneys for Trustee

9 **MEMORANDUM OF POINTS AND AUTHORITIES**

10 **I. BACKGROUND**

11 **A. Furniture King**

12 Debtor filed for Chapter 7 relief on April 20, 2016. Trustee Jill Ford was appointed and  
13 retained undersigned counsel by order dated May 4, 2016. This case was dismissed on May  
14 12, 2016, and reinstated on June 2, 2016. Debtor was examined at a Section 341 meeting of  
15 creditors on August 26, 2016.

16 Debtor has stated that he is the sole member and manager of the following Arizona  
17 limited liability companies:

18 (1) Furniture King, LLC, formed on August 26, 2011 ("FK");

19 (2) Furniture & Electronic King LLC, formed on December 4, 2015 ("FEK"); and

20 (3) Scott's Fine Furniture, LLC, formed on March 23, 2016 ("SFF").

21 According to Debtor, FEK is a continuation or successor of FK, and SFF is a  
22 continuation or successor of FEK, and thus FK, FEK, and SFF are referred to herein as  
23 "Furniture King" because they are all one business.

24 Furniture King was in the business of selling furniture until late August 2016, when  
25 Debtor informed the Trustee that he was walking away from Furniture King and taking a loan  
26 from his father and starting a new furniture business called American Furniture. Furniture  
King was operating at the following (leased) three stores and warehouse when Debtor walked

1 away:

- 2 (1) 5905 West Bell Road, Glendale, Arizona (store)
- 3 (2) 13550 West Van Buren Street, Goodyear, Arizona (store)
- 4 (3) 4245 West Thomas Road, Suite 105, Phoenix, Arizona (store)
- 5 (4) 34 North 45th Avenue, Unit C/D, Phoenix, Arizona (warehouse)<sup>1</sup>

6 Debtor informed the Trustee that he left Furniture King's hard assets (mostly furniture  
7 inventory) at each of the above locations, except that he caused the Thomas Road store  
8 location's hard assets to be moved to the warehouse, because he was going to enter into a new  
9 lease and begin operating American Furniture at the Thomas Road store location with new  
10 inventory purchased with the loan being taken from his father. Thus, all of Furniture King's  
11 known hard assets are located at the Bell Road store location, the Van Buren store location,  
12 and the warehouse.

13 Before Debtor informed the Trustee that he was shutting down Furniture King, the  
14 Trustee's auctioneer inspected all three stores and warehouse and concluded that the combined  
15 liquidation value of the furniture inventory across those locations was probably in excess of  
16 \$100,000. However, there are numerous liens filed against Furniture King's assets, including a  
17 UCC-1 lien in favor of DenSco Investment Corporation ("DenSco") filed on May 8, 2014, at  
18 Arizona Secretary of State File Number 2014-001-5063-0.

19 The Trustee has contacted the Furniture King landlords, who have informed the Trustee  
20 that they have completed or are in the midst of lockout procedures and want their spaces  
21 cleared out. Thus, Furniture King's inventory and other hard assets, which are part of  
22 DenSco's collateral, are sitting in the leased locations where Debtor left them and depreciating  
23 in value.

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24 <sup>1</sup> The Trustee is aware of two other store locations at which Furniture King was operating: (1)  
25 1660 South Alma School Road, Mesa, Arizona; and (2) 7320 West Bell Road, Glendale,  
26 Arizona. Debtor informed the Trustee that those stores were closed around the time that he  
filed bankruptcy and their furniture items were either liquidated at going out of business sales  
or moved to other Furniture King locations.

1           **B.     The DenSco State Court Receivership**

2           Debtor and DenSco had previously entered into a Forbearance Agreement dated April  
3 16, 2014, under which among other things, the stated debt owed to DenSco was  
4 \$35,639,880.71, and DenSco was granted a UCC lien against all or almost all of FK's assets  
5 including inventory and equipment and any proceeds.

6           On or about August 18, 2016, Peter S. Davis was appointed as Receiver (the "DenSco  
7 Receiver") over DenSco pursuant to an order entered in Maricopa County Superior Court Case  
8 No. CV2016-014142.

9           The DenSco Receiver believes based on his preliminary investigation that the balance  
10 owed to DenSco may have increased to over \$40,000,000.00 after the Forbearance Agreement  
11 was signed. It also appears that DenSco's UCC lien against Furniture King's assets is in first  
12 position. Thus, the DenSco Receiver asserts first-position lien rights against Furniture King's  
13 assets (which includes the assets of FK, FEK, and SFF) and wants to liquidate those assets for  
14 the benefit of the DenSco Receivership Estate immediately.

15           The Trustee and the DenSco Receiver agree that Furniture King's assets should be  
16 liquidated immediately, and that the DenSco Receiver, who is also an independent, court-  
17 supervised fiduciary, is the appropriate person to pursue that liquidation given DenSco's first-  
18 position lien against Furniture King's assets and asserted \$40 million secured debt.

19           **II.    The Proposed Settlement**

20           The Trustee and the DenSco Receiver, through their respective attorneys, have  
21 discussed the issues and their respective positions. The Trustee, exercising her sound business  
22 judgment, has decided to enter into a settlement. The following only summarizes the key  
23 terms. The settlement is governed by the Agreement attached hereto as Exhibit "A".

24           The Trustee and the DenSco Receiver will execute a stipulation to expand the DenSco  
25 Receivership to include Furniture King, which effectively will place Furniture King (which  
26 includes FK, FEK, and SFF) into the DenSco Receivership pending in Maricopa County

1 Superior Court Case No. CV2016-014142 under the terms of the DenSco Receivership Order.  
2 A copy of the executed Stipulation is attached to the Settlement Agreement as Exhibit "A".  
3 The Trustee and the DenSco Receiver agree that 10% of the net recoveries from the DenSco  
4 Receiver's liquidation of Furniture King's assets will be distributed by the DenSco Receiver to  
5 the Trustee for eventual distribution to Debtor's creditors. While the DenSco Receiver has  
6 determined that DenSco is a secured creditor with the most senior priority as to the assets of  
7 Furniture King, the DenSco Receiver shall notify all other creditors of Furniture King of  
8 Furniture King's inclusion in the DenSco Receivership and, after the assets of Furniture King  
9 are liquidated, if it is determined that there are other creditors who may have a claim that is  
10 senior to that of the DenSco Receiver, the DenSco Receiver shall see that those secured  
11 creditors are paid. The proceeds from the liquidation of Furniture King's assets shall be  
12 retained by the DenSco Receiver in a segregated bank account of the DenSco Receivership  
13 Estate until the Maricopa County Superior Court determines that, after notice to all creditors of  
14 Furniture King, any remaining proceeds can be paid to the DenSco Receiver in partial  
15 satisfaction of DenSco's secured claim.

16 **III. The Court Should Approve The Settlement.**

17 Bankruptcy Rule 9019(a) allows the Court to approve a settlement on motion by the  
18 Trustee. The Ninth Circuit requires that the bankruptcy court consider the following factors in  
19 evaluating a settlement or compromise: (1) the probability of success in the litigation; (2) the  
20 likely difficulties in collection; (3) the complexity of the litigation; (4) the expense,  
21 inconvenience, and delay necessarily attending it; and (5) the paramount interest of the  
22 creditors. Martin v. Kane (In re A & C Properties), 784 F.2d 1377 (9th Cir.), cert. denied sub  
23 nom. Martin v. Robinson, 479 U.S. 854 (1986). Thus, the standard for approving a settlement,  
24 whether it is in the best interest of the estate, entails an examination of the settlement's terms  
25 with the litigation's probable cost and benefits.

1 Here, the settlement will help bring monies into the Estate. The Trustee stands in  
2 Debtor's shoes with respect to the 100% membership interests in Furniture King and does not  
3 believe pursuing a sale of the membership interests will result in a better recovery, as the  
4 amount of debt owed by Furniture King, including the \$40 million secured debt asserted by the  
5 DenSco Receiver, far exceeds the value of Furniture King's assets. There simply is no way for  
6 the Trustee to administer the 100% membership interests in Furniture King or conduct a  
7 liquidation of Furniture King's assets and net more than she will net under the settlement with  
8 the DenSco Receiver.

9 **IV. Conclusion**

10 Based on the foregoing, the Trustee respectfully requests that the Court enter an order  
11 approving the Agreement.

12 DATED this 14th day of September, 2016.

13 STEVE BROWN & ASSOCIATES, LLC

14 By /s/ Steven D. Nemecek

15 Steven J. Brown

16 Steven D. Nemecek

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19 Attorneys for Trustee

20 Copy of the foregoing electronically filed and  
21 served via emailed this 14th day of  
22 September, 2016, to:

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By: /s/ Karen Flaaen



# **EXHIBIT A**

## SETTLEMENT AGREEMENT

This settlement agreement (the "Agreement") is made by and between Jill Ford, as Chapter 7 Trustee of the bankruptcy estate of In re: Yomtov S. Menaged, Case No. 2:16-bk-04268-PS (the "Trustee") and Peter S. Davis, as Receiver of DenSco Investment Corporation (the "Receiver"). The parties hereto are sometimes individually referred to herein as a "Party" and collectively as the "Parties."

### RECITALS

1. On or about April 20, 2016 ("Petition Date"), Yomtov S. Menaged (the "Debtor") filed for relief under Chapter 7 of the United States Bankruptcy Code. Soon thereafter the Trustee was appointed;

2. On or about August 18, 2016, Peter S. Davis was appointed by the Maricopa County Superior Court pursuant to an *Order Appointing Receiver* in Cause No. CV2016-014142 as the Receiver of DenSco Investment Corporation (hereinafter "DenSco"), an Arizona corporation;

3. The Debtor has stated that he is the sole member and manager of Furniture King, LLC, an Arizona limited liability company formed on August 26, 2011, according to public records;

4. The Debtor also has stated that he is the sole member and manager of Furniture & Electronic King LLC, an Arizona limited liability company formed on December 4, 2015 ("FEK"), and Scott's Fine Furniture, LLC, an Arizona limited liability company formed on March 23, 2016 ("SFF"). According to the Debtor, FEK is a continuation or successor of Furniture King, LLC, and SFF is a continuation or successor of FEK, and thus Furniture King, LLC, FEK, and SFF are sometimes referred to herein as "Furniture King";

5. Accordingly, the Debtor's membership interests in Furniture King are property of the Bankruptcy Estate under the sole control of the Trustee;

6. The Receiver, during his investigation into the assets of DenSco has determined that pursuant to a Forbearance Agreement dated April 16, 2014 between DenSco and the Debtor, DenSco is a secured creditor of Furniture King, LLC and pursuant to the terms of a UCC-1 Financing Statement [Recorded at 2014-001-5063-0] DenSco has a secured interest in all of Furniture King LLC's accounts, assets, equipment and proceeds thereof. Given that FEK and SFF are the continuation of Furniture King, LLC, the Receiver contends he is a secured creditor of all assets of Furniture King;

7. According to the Forbearance Agreement between the Debtor and DenSco, a total of at least \$35,639,880.71 was owed to DenSco as of the date of the Forbearance Agreement. Based on the Receiver's review of records of DenSco, the Receiver believes that the balance owed to DenSco by the Debtor may have increased to over \$40,000,000.00;

8. Prior to the Debtor closing Furniture King in or around late August 2016, the Trustee conducted an inspection and initial valuation of the furniture assets in the Furniture

King stores and warehouse and concluded that those furniture assets probably have a liquidation value in excess of \$100,000.00;

9. The Receiver has also determined that Furniture King, LLC has other secured creditors<sup>1</sup>, but based on independent investigation of the priority of the other secured creditors, the Receiver is confident that DenSco is in a priority position to receive the overwhelming majority of funds from the liquidation of the assets of Furniture King<sup>2</sup>;

10. The Parties agree that the assets of Furniture King, which include furniture located in stores and a warehouse, need to be liquidated and that it is critical that the Receiver be granted immediate access to the assets of Furniture King and the authority to begin the process of liquidating those assets;

11. The Parties agree that with DenSco as the likely first position secured creditor of Furniture King and the Receiver of DenSco another independent, court-supervised fiduciary, that the Receiver shall be the single fiduciary that should take control of Furniture King and facilitate the orderly liquidation of its assets;

## **AGREEMENT**

In consideration of the above Recitals and the mutual promises contained herein, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Parties agree as follows:

A. Stipulation for the Appointment of the Receiver. The Trustee and the Receiver agree to execute a *Stipulated Consent to Order Placing Furniture King in Receivership* (The "Stipulation") which shall effectively result in placing Furniture King immediately into the Receivership proceeding currently pending in Maricopa County Superior Court Cause No. CV2016-014142 under the terms of the current Order Appointing Receiver. A copy of the executed Stipulation is attached hereto as Exhibit "A".

B. Payment to Trustee. In an effort to resolve any disputes, the Receiver and Trustee agree that 10% of the net recovery<sup>3</sup> from DenSco's portion from the Receiver's liquidation of the assets of Furniture King will be distributed by the Receiver to the Trustee for eventual distribution to the creditors of the Debtor.

C. Resolution of other secured claims and Priority. While the Receiver has determined that DenSco is a secured creditor with the most senior priority as to the assets of Furniture King, the Receiver shall notify all other creditors of Furniture King of its inclusion into the Receivership and, after the assets of Furniture King are liquidated, if it is determined that

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<sup>1</sup> The Receiver is unaware of any other secured creditors of Scott's Fine Furniture, LLC and Furniture & Electronic King LLC.

<sup>2</sup> The Receiver believes that there may be a secured creditor of Furniture King, LLC in priority to the Receiver, but this creditor may be owed less than \$8,500.00.

<sup>3</sup> The net recovery will be the funds payable to DenSco's Receiver, after the Receiver's actual costs and expenses of the liquidation of the Furniture King furniture assets are paid.

there are other creditors who may have a claim that is senior to that of the Receiver, the Receiver shall see that these secured creditors are paid in the order of priority and to the extent the funds permit.

D. Proceeds from Furniture King to remain segregated. The proceeds from the liquidation of the assets of Furniture King shall be retained by the Receiver in a segregated bank account of the Receivership Estate until the Receivership Court in Maricopa County Superior Court Cause No. CV2016-014142 determines that after notice to all creditors of Furniture King any remaining proceeds can be paid to DenSco in partial satisfaction of its secured claim.

E. Stipulation to be Effective Immediately. Upon execution of this Agreement and the Stipulation, the Receiver shall file the Stipulation with the Receivership Court in Maricopa County Superior Court Cause No. CV2016-014142 and upon the entry of an Order have the immediate exclusive access and control of the assets of Furniture King. If for any reason the Superior Court fails to enter an Order placing Furniture King, LLC, Furniture & Electronic King LLC, and Scott's Fine Furniture, LLC into Receivership or the Bankruptcy Court fails to approve the compromise between the Receiver and the Trustee, the Receiver shall return control of the assets of Furniture King to the Trustee.

F. Approval of Agreement. This Agreement is conditioned on the approval of the Bankruptcy Court. If such approval is not obtained, this Agreement shall be considered null and void and the Receiver shall return control of the assets of Furniture King to the Trustee. With the understanding that the value of the assets of Furniture King will dissipate over time, the Trustee agrees to seek expedited approval of this Agreement.

G. Rule 9019 Motion. Upon execution of this Agreement, Trustee shall file a motion for approval of this Agreement with the Bankruptcy Court pursuant to Bankruptcy Rule 9019, and shall provide appropriate notice of the same as required by the Bankruptcy Rules and local rules of bankruptcy procedure, and shall actively seek the Bankruptcy Court's approval of the same.

H. Attorneys' Fees. Each Party hereto shall be responsible for the payment of its own costs, attorneys' fees and all other expenses incurred in connection with the each party's investigation and this Agreement. If any Party commences an action against the other Party to enforce or interpret any of the terms hereof, the losing or defaulting Party shall pay to the prevailing Party as determined by the Bankruptcy Court all costs and expenses, including reasonable attorneys' fees and disbursements, incurred in connection with the prosecution or defense of such action.

I. Further Assurances. The Parties to this Agreement shall execute any further or additional instruments, and they shall perform any acts which may become necessary, in order to effectuate and carry out the purposes hereof.

J. Entire Agreement. This Agreement contains the entire agreement and understanding among the Parties concerning the subject hereof and supersedes and replaces all prior negotiations, agreements and proposed agreements, written or oral, relating thereto. Each of the Parties hereto acknowledges that no other Party, nor any agent or attorney of any Party,

has made any promise, representation, or warranty whatsoever, express or implied, not contained herein concerning the subject matter hereof, to induce it to execute this Agreement and acknowledges that this Agreement has not been executed in reliance on any promise, representation or warranty not contained herein. This Agreement shall not be amended, modified or supplemented at any time unless by a writing executed by the Parties hereto.

K. Opportunity to Consult with Counsel. The Parties acknowledge that they have had the opportunity to consult with and obtain the advice of counsel prior to entering this Agreement, and have entered this Agreement voluntarily and free from coercion, duress or undue influence.

L. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the state of Arizona applicable to contracts executed and intended to be performed entirely within the state of Arizona by residents of the state of Arizona. Any action at law, suit in equity or judicial proceeding for the enforcement or interpretation of this Agreement or any provision therefore shall be instituted only in the Bankruptcy Court.

M. Counterparts. This Agreement may be signed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

N. Representation of Authority. The signatories to this Agreement represent and warrant that they have full authority to execute this Agreement and to bind the Party on whose behalf they are signing to the provisions hereof.

O. Severability. Should any portion of this Agreement be ruled unenforceable or invalid, such ruling shall not affect the enforceability or validity of the remaining portions of this Agreement.

P. Headings. Article and section headings are inserted herein solely for convenience and the same shall not by themselves alter, modify, limit, expand or otherwise affect the meaning of any provision of this Agreement.

Q. Assignment and Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and assigns; provided, however, that nothing herein shall relieve any Party of any obligation under this Agreement, except upon the express written consent of the other Party.

R. Interpretation. This Agreement shall be interpreted fairly in light of the intentions of the Parties as set forth in this Agreement. The Parties each hereby waive the benefit of any rule or law or statute requiring that ambiguities be interpreted against the Party preparing the Agreement or causing the ambiguity.

S. No Admissions. The execution of this Agreement is not to be construed as an admission of liability by either Party, or an acknowledgement by either Party that the other Party's claims have any basis, but is a compromise and settlement of disputed claims.

**IN WITNESS WHEREOF**, the Parties hereto have executed this Agreement as of the day and year written below.

Jill Ford, as Chapter 7 Trustee for the Estate of In re: Yomtov S. Menaged, Case No. 2:16-bk-04268-PS

Steven D. Mamak  
Attorney in fact for

Jill Ford, as Chapter 7 Trustee  
Jill Ford, as Chapter 7 Trustee

Dated: 09-14-16

Peter S. Davis, as Receiver of DenSco Investment Corporation



Peter S. Davis

Dated: 09/14/16

# **EXHIBIT A**

1 **Guttilla Murphy Anderson**  
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8 Attorneys for Receiver

9 IN THE SUPERIOR COURT OF THE STATE OF ARIZONA  
10 IN AND FOR MARICOPA COUNTY

11 ARIZONA CORPORATION  
12 COMMISSION,

13 Plaintiff,

14 v.

15 DENSCO INVESTMENT  
16 CORPORATION, an Arizona  
17 corporation,

18 Defendant.

Cause No. CV2016-014142

**STIPULATED CONSENT TO ORDER  
PLACING FURNITURE KING,LLC,  
SCOTT'S FINE FURNITURE, LLC  
AND FURNITURE & ELECTRONIC  
KING, LLC IN RECEIVERSHIP**

(Assigned to Judge Lori Horn Bustamante)

19 Peter S. Davis, as the Receiver of DenSco Investment Corporation, and Jill Ford as  
20 the duly appointed Chapter 7 Trustee of the bankruptcy estate of Yomtov S. Menaged,  
21 hereby stipulate to an Order placing Furniture King, LLC, Scott's Fine Furniture, LLC and  
22 Furniture & Electronic King LLC into Receivership and agree as follows:

23 1. Peter S. Davis (the "Receiver") was appointed by this Court pursuant to its  
24 *Order Appointing Receiver* as the Receiver of DenSco Investment Corporation ("DenSco"),  
25 an Arizona corporation, on August 18, 2016.  
26



1           2.     Jill Ford was appointed as Chapter 7 Trustee (“Trustee”) of the bankruptcy  
2 estate of Yomtov S. Menaged (“Debtor”) in the United States Bankruptcy Court for the  
3 District of Arizona in Case No. 2:16-bk-04268-PS on April 20, 2016.

4  
5           3.     The Receiver and the Trustee have concluded that the Debtor is the sole  
6 Manager and Member of Furniture King, LLC, an Arizona limited liability company formed  
7 on August 26, 2011, Furniture & Electronic King LLC, (“FEK”) an Arizona limited liability  
8 company formed on December 4, 2015, and Scott's Fine Furniture, LLC, ("SFF") an Arizona  
9 limited liability company formed on March 23, 2016.

10  
11           4.     According to the Debtor, FEK is continuation or successor of Furniture King,  
12 LLC, and SFF is a continuation or successor of FEK, and thus Furniture King, LLC, FEK,  
13 and SFF are sometimes referred to herein as "Furniture King". It is the position of the parties  
14 that all rights, title and interests of Furniture King are an asset of the Debtor’s Bankruptcy  
15 Estate and under the exclusive control of the Trustee.  
16

17           5.     Pursuant to relevant case law and the Federal Bankruptcy Code, the Debtor’s  
18 membership/management interests in Furniture King, LLC, Scott's Fine Furniture, LLC and  
19 Furniture & Electronic King LLC are property of the Debtor’s bankruptcy estate, under the  
20 control of the Trustee. Accordingly, the Trustee, pursuant to the Federal Bankruptcy Code  
21 and applicable case law, has the exclusive legal authority, to act on behalf of Furniture King,  
22 LLC, Scott's Fine Furniture, LLC and Furniture & Electronic King LLC and therefore has  
23 the authority to consent to the appointment of a Receiver over Furniture King, LLC, Scott's  
24 Fine Furniture, LLC and Furniture & Electronic King LLC.  
25  
26

1           6.     The Receiver, during his investigation into the assets of DenSco has  
2 determined that, pursuant to a Forbearance Agreement dated April 16, 2014 between DenSco  
3 and the Debtor, DenSco is a secured creditor of Furniture King. Pursuant to the terms of  
4 perfected security agreement and a UCC-1 Financing Statement [Recorded at 2014-001-  
5 5063-0], DenSco has a secured interest in all of Furniture King's accounts, assets, equipment  
6 and the proceeds thereof. Given that FEK and SFF are the continuation of Furniture King,  
7 LLC, the Receiver contends he is a secured creditor of all assets of Furniture King<sup>1</sup>;  
8

9           7.     The Receiver has determined that under the Forbearance Agreement between  
10 the Debtor and DenSco, a total of at least \$35,639,880.71 is owed by the Debtor to DenSco.  
11 The Receiver's reviews of records of DenSco indicate that the balance owed to DenSco, by  
12 the Debtor may have increased to over \$40,000,000.  
13

14           8.     The Receiver has also determined that Furniture King may have other  
15 creditors, but based on independent investigation of the priority of the other potential secured  
16 creditors, the Receiver is confident that DenSco is in a priority position to receive the  
17 overwhelming majority of funds from the liquidation of the assets of Furniture King.  
18

19           9.     The Trustee has investigated the assets of Furniture King and has determined  
20 that Furniture King owns and controls a significant amount of new and used furniture that is  
21 currently located in a series of different locations across Maricopa County, Arizona. The  
22 Trustee believes that the assets of Furniture King probably have a liquidation value of  
23 approximately \$100,000.00.  
24

25  
26 

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<sup>1</sup> The Receiver is unaware of any other secured creditors of Scott's Fine Furniture, LLC and Furniture & Electronic King LLC.

1           10. As a result of his initial investigations, the Receiver has reason to believe that  
2 assets and funds of DenSco have been improperly diverted and transferred to Furniture King  
3 by the Debtor.  
4

5           11. The Trustee has concluded that the Receiver is better positioned as the secured  
6 creditor of Furniture King and as another independent court-appointed fiduciary to most  
7 effectively and efficiently collect and liquidate assets of Furniture King to protect the  
8 interests of all potential creditors of Furniture King.  
9

10           12. The Receiver and Trustee have entered into a settlement agreement in the  
11 Bankruptcy Case to resolve any issues between the Trustee and the Receiver with respect to  
12 the assets of Furniture King and the authority to liquidate the assets of Furniture King.  
13 Pursuant to the Settlement Agreement<sup>2</sup>, the Trustee and the Receiver have agreed as follows:  
14

- 15           • The Trustee and Receiver have executed the foregoing Stipulation that  
16           memorializes the Trustee's consent to place Furniture King, LLC, Scott's Fine  
17           Furniture, LLC and Furniture & Electronic King LLC in Receivership, subject  
18           to the provisions of the Order Appointing Receiver.
- 19           • Receiver and Trustee have agreed that 10% of the net recoveries from  
20           DenSco's portion of the liquidation proceeds from the furniture assets of  
21           Furniture King will be distributed by the Receiver to the Trustee for eventual  
22           distribution to the creditors of the Debtor in the Bankruptcy Case.  
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<sup>2</sup> A true and correct copy of the Settlement Agreement is attached hereto as Exhibit "A".


- 1           • The Receiver will notify all other creditors of Furniture King of its inclusion  
2           into the Receivership and, after the assets of Furniture King are liquidated, if  
3           it is determined that there are other creditors who may have a claim that is  
4           senior to that of the Receiver, the Receiver will see that these secured  
5           creditors are paid in the order of priority and to the extent funds permit.  
6
- 7           • The proceeds from the liquidation of the assets of Furniture King will be  
8           retained by the Receiver in a segregated interest bearing bank account of the  
9           Receivership Estate until this Court determines that after notice to all creditors  
10          of Furniture King, any remaining proceeds can be paid to DenSco in partial  
11          satisfaction of its secured claim.  
12
- 13          • The Receiver upon filing the Settlement Agreement in the Bankruptcy Court  
14          and the entry of an Order approving this Stipulation, the Receiver will have  
15          the exclusive access and control of the assets of Furniture King. If for any  
16          reason the Bankruptcy Court fails to approve the compromise between the  
17          Receiver and the Bankruptcy Estate, the Receiver will return control of the  
18          assets of Furniture King to the Trustee.  
19  
20

21           Based upon the stipulation and agreement of the parties, Peter Davis, as Receiver of  
22          DenSco Investment Corporation, and Jill Ford, as Chapter 7 Trustee of Yomtov S. Menaged  
23          Chapter 7 bankruptcy estate, requests that this Court enter an Order placing Furniture King,  
24          LLC, Scott's Fine Furniture, LLC and Furniture & Electronic King LLC into Receivership  
25          under the provisions set forth above.  
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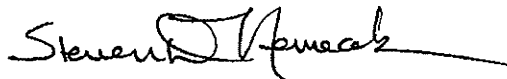
Dated this day of September, 2016

By:   
Peter S. Davis, Receiver  
Simon Consulting, LLC  
The Great American Tower  
3200 North Central, Suite 2460  
Phoenix, Arizona 85012  
Receiver of DenSco Receivership

  
Attorney in fact for  
By: Jill Ford, Chapter 7 Trustee  
Jill Ford, Chapter 7 Trustee  
P. O. Box 5845  
Carefree, AZ 85377  
Chapter 7 Trustee in *In re: Yomov S. Menaged*,  
Case No. 2:16-bk-04628-PS

Accepted and Agreed by:

By: /s/ Ryan W. Anderson  
Ryan W. Anderson  
Guttilla Murphy Anderson, P.C.  
5415 E. High Street, Suite 200  
Phoenix, AZ 85054  
Attorney for Receiver

  
By: /s/ Steven D. Nemecek (with permission)  
Steven D. Nemecek  
Steven Brown & Associates, LLC  
1414 E. Indian School Road, Suite 200  
Phoenix, AZ 85014  
Attorney for Chapter 7 Trustee, Jill Ford,  
*In re: Yomov S. Menaged*, Case No. 2:16-  
bk-04628-PS

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