

Colin F. Campbell, 004955  
Geoffrey M. T. Sturr, 014063  
Timothy J. Eckstein, 018321  
Joseph N. Roth, 025725  
Osborn Maledon, P.A.  
2929 North Central Avenue, 21st Floor  
Phoenix, Arizona 85012-2793  
(602) 640-9000  
[ccampbell@omlaw.com](mailto:ccampbell@omlaw.com)  
[gsturr@omlaw.com](mailto:gsturr@omlaw.com)  
[teckstein@omlaw.com](mailto:teckstein@omlaw.com)  
[jroth@omlaw.com](mailto:jroth@omlaw.com)

Attorneys for Plaintiff

**IN THE SUPERIOR COURT OF THE STATE OF ARIZONA**

**IN THE COUNTY OF MARICOPA**

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

Plaintiff,

v.

U.S. Bank, NA, a national banking  
organization; Hilda H. Chavez and John  
Doe Chavez, a married couple; JPMorgan  
Chase Bank, N.A., a national banking  
organization; Samantha Nelson f/k/a  
Samantha Kumbalek and Kristofer Nelson,  
a married couple; and Vikram Dadlani and  
Jane Doe Dadlani, a married couple,

Defendants.

No. CV2019-011499

**PLAINTIFF'S SIXTH  
SUPPLEMENTAL RULE 26.1  
DISCLOSURE STATEMENT RE  
CHASE BANK DEFERRAL OF  
PROSECUTION AGREEMENTS,  
GUILTY PLEA AND CONSENT  
AGREEMENTS; ADDITIONAL  
EXHIBITS**

For its Sixth Supplemental Disclosure Statement, Plaintiff Peter S. Davis, as Receiver of DenSco Investment Corporation, sets forth the following in addition to its prior disclosure statements:

1 **I. FACTUAL BASIS OF CLAIMS**

2 **Chase Bank's Violations of Federal Banking Law Including Its Anti-**  
3 **Money Laundering Program**

4 Chase Bank has a remarkable record of violations of federal banking laws.  
5 Plaintiff discloses a list of banking violations and fines imposed upon Chase Bank since  
6 2000. Chase has been fined over \$35,000,000,000 for violations of federal law. The  
7 offenses include anti-money laundering deficiencies, banking violations, mortgage  
8 abuses, investor protection violations, and toxic securities abuses.

9 In January 2014, at the very start of Menaged's second fraud against DenSco,  
10 Chase entered into a deferred prosecution agreement with the U.S. Department of Justice  
11 for its failure to maintain an effective anti-money laundering program and failure to file a  
12 suspicious activities report, both charged in a two-count criminal information. Chase was  
13 fined or forfeited \$1,700,000,000 as a result of its criminal conduct. Chase agreed to a  
14 statement of facts with respect to its actions, and agreed not to contradict that statement of  
15 facts in any private proceedings. The fine/forfeiture monies were to be distributed to the  
16 victims of fraud committed by Bernie Madoff. Chase also entered into a consent  
17 agreement with the Comptroller of the Currency.

18 The statutory allegations against Chase was that "the defendant did willfully fail to  
19 establish an adequate anti-money laundering program, including, at a minimum, (a) the  
20 development of internal policies, procedures, and controls designed to guard against  
21 money laundering; (b) the designation of a compliance officer to coordinate and monitor  
22 day to day compliance with the Bank Secrecy Act and anti-money laundering  
23 requirements; (c) the establishment of an ongoing employee training program; and (d) the  
24 implementation of independent testing for compliance conducted by bank personnel or an  
25 outside party, to wit, JPMorgan Chase Bank, N.A., failed to enact policies, procedures,  
26 and controls to ensure that information about the Bank's clients obtained through activities  
27 in and concerning JPMC's other lines of business was shared with compliance and anti-  
28 money laundering personnel . . . ."

1 The Comptroller of the Currency consent order states:

2 The Comptroller finds the following:

3 The Comptroller incorporates the following findings from Article I of the  
4 January 2013 Order:

5 (1) The OCC's examination findings establish that the Bank has  
6 deficiencies in its BSA/AML compliance program. These deficiencies  
7 have resulted in the failure to correct a previously reported problem and a  
8 BSA/AML compliance program violation under 12 U.S.C. § 1818(s) and  
9 its implementing regulation, 12 C.F.R. § 21.21 (BSA Compliance 2  
10 Program). In addition, the Bank has violated 12 C.F.R. § 21.11 (Suspicious  
11 Activity Report Filings).

12 (2) The Bank has failed to adopt and implement a compliance program that  
13 adequately covers the required BSA/AML program elements due to an  
14 inadequate system of internal controls and ineffective independent testing.  
15 The Bank did not develop adequate due diligence on customers, particularly  
16 in the Commercial and Business Banking Unit, a repeat problem, and failed  
17 to file all necessary SARs related to suspicious customer activity.

18 (3) The Bank failed to correct previously identified systemic weaknesses in  
19 the adequacy of customer due diligence and the effectiveness of monitoring  
20 in light of the customers' cash activity and business type, constituting a  
21 deficiency in its BSA/AML compliance program and resulting in a  
22 violation of 12 U.S.C. § 1818(s)(3)(B).

23 (4) Some of the critical deficiencies in the elements of the Bank's  
24 BSA/AML compliance program, resulting in a violation of 12 U.S.C.  
25 § 1818(s)(3)(A) and 12 C.F.R. § 21.21, include the following: (a) The Bank  
26 has an inadequate system of internal controls and independent testing.  
27 (b) The Bank has less than satisfactory risk assessment processes that do  
28 not provide an adequate foundation for management's efforts to identify,

1 manage, and control risk. (c) The Bank has systemic deficiencies in its  
2 transaction monitoring systems, due diligence processes, risk management,  
3 and quality assurance programs. (d) The Bank does not have enterprise-  
4 wide policies and procedures to ensure that foreign branch suspicious  
5 activity involving customers of other bank branches is effectively  
6 communicated to other affected branch locations and applicable AML  
7 operations staff. The Bank also does not have enterprise-wide policies and  
8 procedures to ensure that on a risk basis, customer transactions at foreign  
9 branch locations can be assessed, aggregated, and monitored. (e) The Bank  
10 has significant shortcomings in SAR decision-making protocols and an  
11 ineffective method for ensuring that referrals and alerts are properly  
12 documented, tracked, and resolved.

13 (5) The Bank failed to identify significant volumes of suspicious activity  
14 and file the required SARs concerning suspicious customer activities, in  
15 violation of 12 C.F.R. § 21.11. In some of these cases, the Bank self-  
16 identified the issues and is engaged in remediation.

17 (6) The Bank's internal controls, including filtering processes and  
18 independent testing, with respect to Office of Foreign Asset Control  
19 ("OFAC") compliance are inadequate.

20 Since 2014, Chase has admitted to five criminal felony counts and has been put on  
21 criminal probation three times. Aside from the anti-money laundering related charges,  
22 Chase entered into a deferred prosecution agreement in 2020 and admitted to the facts of  
23 two felony counts for manipulating the precious metals and the U.S. Treasury markets. In  
24 that deferred prosecution agreement, Chase admitted to a guilty plea on May 20, 2015 for  
25 engaging in manipulative and deceptive trading practices in the foreign currency market.  
26 The fine in the deferred prosecution agreement was \$920,203,609. Chase also entered  
27 into a consent agreement and order with the Comptroller of the Currency.  
28

## II. LEGAL BASIS OF CLAIMS

At the start of Menaged's second fraud, Chase Bank admitted that it maintained an inadequate anti-money laundering program. It resulted in Chase's entering into a deferred prosecution agreement for a two-count criminal information for violation of federal law.

Chase Bank has a remarkable history of deferred prosecutions and fines from the U.S. Government. Under Ariz. R. Evid. 404(b), evidence of other crimes, wrongs or acts are admissible to show intent and absence of mistake or accident. Plaintiff intends to use Chase Bank's prior crimes, wrongs or acts to show Chase Bank's intent and willful blindness.

Dependent on how it presents its case-in-chief, the issue of corporate character may become relevant, allowing for impeachment under Ariz. R. Evid. 608.

Chase Bank has plead guilty to a criminal offense in the FX Investigation. Chase Bank plead guilty to a one-count felony charge of conspiring to fix prices and rig bids for U.S. dollars and euros exchanged in the FX spot market in the United States. This conviction is admissible in evidence under Ariz. R. Evid. 609.

The evidence of prior bad acts is also relevant to the issue of punitive damages against Chase.

## IV. PERSONS WITH RELEVANT KNOWLEDGE

Chase Bank has not yet disclosed the persons involved in its anti-money laundering compliance programs.

## VIII. EXHIBITS

Photos of Chase cashier's checks **R-003665 to R-005531.**

Chase deposit slips **R-005532 to R-005671.**

Chase loan files **R-005672 to R-011766.**

Fraudulent Trustee Receipts **R-011767 to R-012190.**

1 Consent agreements and Orders **R-012191 to R-012209, R-012342 to R-**  
2 **012350.**

3 Deferred prosecution agreement **R-012210 to R-012296, R-012297-012341.**

4 List of fines for violations of federal law **R-012351-R-012354.**

5  
6 **IX. RELEVANT DOCUMENTS**

7 Photos of Chase cashier's checks **R-003665 to R-005531.**

8 Chase deposit slips **R-005532 to R-005671.**

9 Chase loan files **R-005672 to R-011766.**

10 Fraudulent Trustee Receipts **R-011767 to R-012190.**

11 Consent agreements and Orders **R-012191 to R-012209, R-012342 to R-**  
12 **012350.**

13 Deferred prosecution agreement **R-012210 to R-012296, R-012297-012341.**

14 List of fines for violations of federal law **R-012351 to R-012354.**

15  
16 DATED this 28th day of May, 2021.

17 OSBORN MALEDON, P.A.

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

Colin F. Campbell

Geoffrey M. T. Sturr

Timothy J. Eckstein

Joseph N. Roth

2929 North Central Avenue, 21st Floor

Phoenix, Arizona 85012-2793

23 Attorneys for Plaintiff

1 COPY of the foregoing (with thumb drive\*\*) served  
2 via first-class email (and courtesy copy emailed)  
3 this 28th day of May, 2021, on:

4 Greg Marshall\*\*  
5 Amanda Z. Weaver  
6 Bradley R. Pollock  
7 SNELL & WILMER, L.L.P.  
8 400 East Van Buren Street, Suite 1900  
9 Phoenix, Arizona 85004-2202  
10 [gmarshall@swlaw.com](mailto:gmarshall@swlaw.com)  
11 [aweaver@swlaw.com](mailto:aweaver@swlaw.com)  
12 [bpollack@swlaw.com](mailto:bpollack@swlaw.com)  
13 *Attorneys for U.S. Bank National Association and Hilda Chavez*

14 Nicole M. Goodwin\*\*  
15 GREENBURG TRAURIG, LLP  
16 2375 East Camelback Road, Suite 700  
17 Phoenix, Arizona 85016  
18 [goodwinn@gtlaw.com](mailto:goodwinn@gtlaw.com)

19 Paul J. Ferak  
20 Jonathan H. Claydon  
21 GREENBERG TRAURIG, LLP  
22 77 West Wacker Drive, Suite 3100  
23 Chicago, Illinois 60601  
24 [ferakp@gtlaw.com](mailto:ferakp@gtlaw.com)  
25 [claydonj@gtlaw.com](mailto:claydonj@gtlaw.com)

26 *Attorneys for Defendant JP Morgan Chase Bank, N.A.,*  
27 *Samantha Nelson, Kristofer Nelson,*  
28 *Vikram Dadlani, and Jane Doe Dadlani*



90075321

1 **VERIFICATION**

2

3 Pursuant to Rule 8(h), Ariz.R.Civ.P., I, Peter S. Davis, as receiver for Plaintiff,

4 DenSco Investment Corporation, an Arizona corporation, verify under penalty of perjury

5 the foregoing is true and correct:

- 6 1. DenSco Investment Corporation is the Plaintiff for the above-entitled action.
- 7 2. I have read the foregoing Plaintiff's Sixth Supplemental Rule 26.1 Disclosure
- 8 Statement and know the contents thereof.
- 9 3. The statements and matters alleged are true of my own personal knowledge as
- 10 the receiver for DenSco Investment Corporation, except as to those matters
- 11 stated upon information and belief, and as to such matters, I reasonably believe
- 12 them to be true.

13 **DATED** this 28th day of May, 2021.

14 **DENSCO INVESTMENT**

15 **CORPORATION, an Arizona corporation**

16

17 

18 By: Peter S. Davis

19 Its: Receiver

20

21

22

23

24

25

26

27

28



