

GREENBERG TRAUIG, LLP
ATTORNEYS AT LAW
SUITE 700
2375 EAST CAMELBACK ROAD
PHOENIX, ARIZONA 85016
(602) 445-8000

Nicole M. Goodwin, SBN 024593, goodwinn@gtlaw.com
Attorney for Defendant JP Morgan Chase Bank, N.A.

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR 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 KUMBALECK and
KRISTOFER NELSON, a married couple,
and VIKRAM DADLANI and JANE
DOE DADLANI, a married couple.

Defendants.

NO. CV2019-011499

**ANSWER AND AFFIRMATIVE
DEFENSES OF DEFENDANT
JPMORGAN CHASE BANK, N.A.**

(Assigned to the Honorable Daniel Martin)

Defendant JPMorgan Chase Bank, N.A. ("Chase"), by and through its undersigned
counsel, and for its Answer to the First Amended Complaint filed by Plaintiff Peter S.
Davis, as Receiver of DenSco Investment Corporation ("Plaintiff" or "Receiver"), states
as follows:

1 1. At all material times relevant to the claims set forth below, DenSco was an
2 investment company that raised approximately \$85 million from investors to make short
3 term “hard money loans” to “foreclosure specialists” who were buying homes in
4 foreclosure proceedings at trustee’s sales. DenSco would charge its borrowers 15% to
5 18% interest for these loans, and they were to be secured by a deed of trust recorded
6 against the purchased property.

7 **RESPONSE:** Chase lacks knowledge or information sufficient to form a belief as
8 to the truth of the allegations in Paragraph 1, which therefore has the effect of a denial
9 pursuant to Ariz. R. Civ. P. 8(c)(5).

10 2. Denny J. Chittick (“Chittick”) was the sole owner, shareholder and operator
11 of DenSco. He served as DenSco’s President, Vice President, Treasurer, and Secretary,
12 and was its only employee.

13 **RESPONSE:** Chase admits that according to the Receiver, Chittick was the sole
14 owner, shareholder, and operator of DenSco. *Peter S. Davis, as Receiver of DenSco*
15 *Investment Corporation v. Clark Hill, PLC*, Case No. CV2017-013832. Chase lacks
16 additional knowledge or information sufficient to form a belief as to the truth of the
17 remaining allegations in Paragraph 2.

18 3. On August 18, 2016, the court in *Arizona Corporation Commission v.*
19 *DenSco Investment Corporation*, Maricopa County Superior Court, Case No. CV2016-
20 014142 entered its *Order Appointing Receiver*, which appointed Plaintiff as Receiver of
21 DenSco Investment Corporation (“Receivership Order”).

22 **RESPONSE:** Chase admits the allegations in Paragraph 3 insofar as they are
23 consistent with the Receivership Order.

24 4. The Receivership Order authorizes Plaintiff, to, among other things,
25 employ attorneys and other professionals that are necessary for the proper collection,
26 preservation, and maintenance of Receivership Assets. This includes bringing claims that
27 the DenSco Receivership Estate may have against third party tortfeasors that have
28 damaged DenSco.

1 **RESPONSE:** Chase admits that the Receivership Order was entered on
2 August 18, 2016. Chase denies the allegations in Paragraph 4 to the extent they are
3 inconsistent with the Receivership Order and the Receivership Order speaks for itself.
4 Chase, denies the allegations in Paragraph 4 to the extent they allege that: (1) Chase
5 tortiously damaged DenSco; and (2) the Receiver has standing to pursue an aiding and
6 abetting claim against Chase given, among other things, that the Receiver expressly
7 admits that DenSco benefitted from the supposedly fraudulent scheme asserted and the
8 Receiver steps into the shoes of DenSco. The claims being raised by DenSco through the
9 Receiver are improper.

10 5. Plaintiff has determined that DenSco holds significant claims against
11 Defendants for aiding and abetting Menaged's fraudulent scheme.

12 **RESPONSE:** Chase lacks knowledge or information sufficient to form a belief as
13 to the truth of Paragraph 5's allegations concerning what the Receiver has determined,
14 which therefore has the effect of a denial pursuant to Ariz. R. Civ. P. 8(c)(5). Answering
15 further, Chase denies the allegations in Paragraph 5 to the extent they allege that DenSco,
16 in fact, holds any claims against Chase for aiding and abetting, as the Receiver has no
17 standing to bring such claims and the Receiver's claims are meritless.

18 6. Defendant US Bank is a national banking association that is authorized to
19 conduct business in the State of Arizona and conducting business in Maricopa County,
20 Arizona. This Court has personal jurisdiction over US Bank because US Bank provided
21 banking services in Arizona to Arizona residents and Arizona businesses.

22 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
23 as to the truth of the allegations in Paragraph 6, which therefore has the effect of a denial
24 pursuant to Ariz. R. Civ. P. 8(c)(5).

25 7. At all times material hereto, Defendant Chavez and John Doe Chavez, wife
26 and husband, were and are residing in Maricopa County, Arizona.

1 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
2 as to the truth of the allegations in Paragraph 7, which therefore has the effect of a denial
3 pursuant to Ariz. R. Civ. P. 8(c)(5).

4 8. At all times material hereto Defendant Chavez was acting for, and on behalf
5 of, the marital community. Plaintiff does not know the true name of the defendant
6 denominated as John Doe Chavez but will substitute the true name of the party prior to
7 entry of judgment.

8 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
9 as to the truth of the allegations in Paragraph 8, which therefore has the effect of a denial
10 pursuant to Ariz. R. Civ. P. 8(c)(5).

11 9. Defendant Chase is a national banking association that is authorized to
12 conduct business in the State of Arizona and conducts business in Maricopa County,
13 Arizona. This Court has personal jurisdiction over Chase because Chase provided
14 banking services in Arizona to Arizona residents and Arizona businesses.

15 **RESPONSE:** Chase admits that it is a national banking association and that it is
16 authorized to do business and conducts business in Maricopa County, Arizona. Chase
17 admits that it is not challenging personal jurisdiction in this case. Chase denies the
18 remaining allegations in Paragraph 9.

19 10. At all times hereto, Defendants Samantha Nelson (formerly known as
20 Samantha Kumbaleck) and Kristofer Nelson, wife and husband, were and are residing in
21 Maricopa County, in the state of Arizona.

22 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
23 as to the truth of the allegations in Paragraph 10, which therefore has the effect of a denial
24 pursuant to Ariz. R. Civ. P. 8(c)(5).

25 11. At all times alleged Defendant Samantha Nelson was acting for, and on
26 behalf of, the marital community.

1 **RESPONSE:** Paragraph 11 contains legal conclusions to which no response is
2 required. To the extent a response is required, Chase denies the allegations in Paragraph
3 11.

4 12. At all times hereto, Defendants Vikram Dadlani and Jane Doe Dadlani,
5 were husband and wife, and were residing in Maricopa County, in the State of Arizona.

6 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
7 as to the truth of the allegations in Paragraph 12, which therefore has the effect of a denial
8 pursuant to Ariz. R. Civ. P. 8(c)(5).

9 13. At all times alleged Defendant Vikram Dadlani was acting for, and on
10 behalf of, the marital community. Plaintiff does not know the true name of the defendant
11 denominated as Jane Doe Dadlani but will substitute the true name of the party prior to
12 entry of judgment.

13 **RESPONSE:** Paragraph 13 contains legal conclusions to which no response is
14 required. To the extent a response is required, Chase denies the allegations in Paragraph
15 13.

16 14. This Court has subject matter jurisdiction under Article VI, § 14 of the
17 Arizona Constitution and A.R.S. § 12-123.

18 **RESPONSE:** Because Chase denies that the Receiver has standing to bring the
19 claims asserted in the Complaint, Chase denies the allegations in Paragraph 14.

20 15. Venue is proper in Maricopa County under A.R.S. §12-401 because US
21 Bank and Chase conduct business or reside in Maricopa County.

22 **RESPONSE:** Because Chase denies that Plaintiff has standing to bring the claims
23 asserted in the Complaint, Chase denies the allegations in Paragraph 15.

24 16. Menaged defrauded DenSco in excess of \$46 million between 2011 and
25 2016.

26 **RESPONSE:** Chase lacks knowledge or information sufficient to form a belief as
27 to the truth of the allegations in Paragraph 16, which therefore has the effect of a denial
28 pursuant to Ariz. R. Civ. P. 8(c)(5).

1 17. Upon information and belief, Menaged was the sole member of Easy
2 Investments, LLC (“Easy Investments”).

3 **RESPONSE:** Chase lacks knowledge or information sufficient to form a belief as
4 to the truth of the allegations in Paragraph 17, which therefore has the effect of a denial
5 pursuant to Ariz. R. Civ. P. 8(c)(5).

6 18. Upon information and belief, Menaged was the sole member of Arizona
7 Home Foreclosures, LLC (“AZHF”).

8 **RESPONSE:** Chase lacks knowledge or information sufficient to form a belief as
9 to the truth of the allegations in Paragraph 18, which therefore has the effect of a denial
10 pursuant to Ariz. R. Civ. P. 8(c)(5).

11 19. Menaged held himself, Easy Investments, and AZHF to be in the business
12 of purchasing homes being foreclosed upon at trustee’s sales.

13 **RESPONSE:** Chase lacks knowledge or information sufficient to form a belief as
14 to the truth of the allegations in Paragraph 19, which therefore has the effect of a denial
15 pursuant to Ariz. R. Civ. P. 8(c)(5).

16 20. DenSco made “hard money loans” to Menaged, Easy Investments, and
17 AZHF for the stated purpose of purchasing foreclosed upon homes at trustees’ sales.

18 **RESPONSE:** Chase lacks knowledge or information sufficient to form a belief as
19 to the truth of the allegations in Paragraph 20, which therefore has the effect of a denial
20 pursuant to Ariz. R. Civ. P. 8(c)(5).

21 21. Menaged, however, defrauded DenSco by not using the funds that he, Easy
22 Investments, or AZHF borrowed from DenSco (“DenSco Loan Proceeds”) to purchase
23 homes at trustee’s sales, but rather, he used the DenSco Loan Proceeds for his own
24 personal benefit.

25 **RESPONSE:** Chase lacks knowledge or information sufficient to form a belief as
26 to the truth of the allegations in Paragraph 21, which therefore has the effect of a denial
27 pursuant to Ariz. R. Civ. P. 8(c)(5).
28

1 22. Menaged perpetrated two separate and distinct fraudulent schemes against
2 DenSco.

3 **RESPONSE:** Chase denies the allegations in Paragraph 22. These allegations are
4 inconsistent with the Receiver's other court filings and admissions.

5 23. In the first fraudulent scheme (the "First Fraud"), Menaged executed
6 multiple promissory notes, deeds of trust and other documents from DenSco and other
7 hard money lenders with the knowledge that he was soliciting two separate loans from
8 two separate lenders who unbeknownst to each other believed that they were the only
9 lender and would be the only secured creditor in first position.

10 **RESPONSE:** Chase denies Paragraph 23's characterization of its allegations as
11 pertaining to a distinct "First Fraud" as inconsistent with the Receiver's other court
12 filings. Chase lacks knowledge or information sufficient to form a belief as to the truth
13 of the remaining allegations in Paragraph 23, which therefore has the effect of a denial
14 pursuant to Ariz. R. Civ. P. 8(c)(5).

15 24. Menaged orchestrated the First Fraud by obtaining two loans from separate
16 lenders through the use of fraud and deception at least one hundred and seventy-nine
17 (179) times between 2011 and 2013.

18 **RESPONSE:** Chase denies Paragraph 24's characterization of its allegations as
19 pertaining to a distinct "First Fraud" as inconsistent with the Receiver's prior court filings.
20 Chase lacks knowledge or information sufficient to form a belief as to the truth of the
21 remaining allegations in Paragraph 24, which therefore has the effect of a denial pursuant
22 to Ariz. R. Civ. P. 8(c)(5).

23 25. Menaged was able to orchestrate the First Fraud in part because Chittick
24 funded the loans by paying the money directly to Menaged rather than to the trustee or
25 escrow company conducting the trustee's sale as DenSco represented in its private
26 offering memoranda to investors.

27 **RESPONSE:** Chase denies Paragraph 25's characterization of its allegations as
28 pertaining to a distinct "First Fraud" as inconsistent with the Receiver's prior court filings.

1 Chase lacks knowledges or information sufficient to form a belief as to the truth of the
2 remaining allegations in Paragraph 25, which therefore has the effect of a denial pursuant
3 to Ariz. R. Civ. P. 8(c)(5).

4 26. DenSco discovered the First Fraud in or around November 2013 when other
5 lenders began to question why certain properties owned by Menaged had two hard money
6 loans secured against the properties.

7 **RESPONSE:** Chase admits that according to the Receiver, DenSco was aware of
8 being defrauded by Menaged by at least November 2013. *Peter S. Davis, as Receiver of*
9 *DenSco Investment Corporation v. Clark Hill, PLC*, Case No. CV2017-013832. Chase
10 denies Paragraph 26's characterization of its allegations as pertaining to a distinct "First
11 Fraud" as inconsistent with the Receiver's prior court filings. Chase lacks additional
12 knowledge or information sufficient to form a belief as to the truth of the remaining
13 allegations in Paragraph 26.

14 27. On November 27, 2013, Menaged met with Chittick about the facts and
15 circumstances of the First Fraud.

16 **RESPONSE:** Chase admits that according to the Receiver, Chittick and Menaged
17 met regarding Menaged defrauding Chittick and DenSco by at least November 2013.
18 *Peter S. Davis, as Receiver of DenSco Investment Corporation v. Clark Hill, PLC*, Case
19 No. CV2017-013832. Chase denies Paragraph 27's characterization of its allegations as
20 pertaining to a distinct "First Fraud" as inconsistent with the Receiver's prior court filings.
21 Chase lacks additional knowledge or information sufficient to form a belief as to the truth
22 of the remaining allegations in Paragraph 27.

23 28. During that meeting, Menaged lied to Chittick about Menaged's
24 involvement in the First Fraud. Menaged falsely told Chittick that his wife had cancer and
25 that his "cousin" had masterminded and perpetuated the First Fraud while he was
26 distracted by caring for his sick wife.

27 **RESPONSE:** Chase denies Paragraph 28's characterization of its allegations as
28 pertaining to a distinct "First Fraud" as inconsistent with the Receiver's prior court filings.

1 Chase lacks knowledges or information sufficient to form a belief as to the truth of the
2 remaining allegations in Paragraph 28, which therefore has the effect of a denial pursuant
3 to Ariz. R. Civ. P. 8(c)(5).

4 29. Chittick owed fiduciary duties to DenSco and its investors, including duties
5 of loyalty and care.

6 **RESPONSE:** Paragraph 29 states a legal conclusion that does not call for a
7 response. To the extent a response is required, Chase lacks knowledge or information
8 sufficient to form a belief as to the truth of the allegations in Paragraph 29, which
9 therefore has the effect of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

10 30. Chittick's fiduciary duties required him to place the interest of the
11 corporation and DenSco's investors above his own interests.

12 **RESPONSE:** Paragraph 30 states a legal conclusion that does not call for a
13 response. To the extent a response is required, Chase lacks knowledge or information
14 sufficient to form a belief as to the truth of the allegations in Paragraph 30, which
15 therefore has the effect of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

16 31. Chittick's fiduciary duties also required him to inform DenSco's investors
17 of all of the facts and existence of the First Fraud.

18 **RESPONSE:** Chase denies Paragraph 31's characterization of its allegations as
19 pertaining to a distinct "First Fraud" as inconsistent with the Receiver's prior court filings.
20 The remainder of Paragraph 31 states a legal conclusion that does not call for a response.
21 To the extent a response is required, Chase lacks knowledge and information sufficient
22 to form a belief as to the truth of the remaining allegations in Paragraph 31, which
23 therefore has the effect of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

24 32. Chittick breached the fiduciary duties he owed to DenSco and DenSco's
25 investors by placing his personal interests above the interests of the corporation and the
26 investors, and by concealing the First Fraud from the investors.

27 **RESPONSE:** Chase denies Paragraph 32's characterization of its allegations as
28 pertaining to a distinct "First Fraud" as inconsistent with the Receiver's prior court filings.

1 The remainder of Paragraph 32 states a legal conclusion that does not call for a response.
2 To the extent a response is required, Chase lacks knowledge or information sufficient to
3 form a belief as to the truth of the remaining allegations in Paragraph 32, which therefore
4 has the effect of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

5 33. Chittick was concerned that if DenSco's investors learned about the First
6 Fraud, they would lose faith in him and would demand the return of their investments,
7 which he did not have because of Menaged's fraud.

8 **RESPONSE:** Chase denies Paragraph 33's characterization of its allegations as
9 pertaining to a distinct "First Fraud" as inconsistent with the Receiver's prior court filings.
10 Chase lacks knowledge and information sufficient to form a belief as to the truth of the
11 remaining allegations in Paragraph 33, which therefore has the effect of a denial pursuant
12 to Ariz. R. Civ. P. 8(c)(5).

13 34. Chittick was also concerned that he may face criminal charges for whatever
14 role he had in allowing Menaged to orchestrate the First Fraud if the investors discovered
15 learned about First Fraud.

16 **RESPONSE:** Chase denies Paragraph 34's characterization of its allegations as
17 pertaining to a distinct "First Fraud" as inconsistent with the Receiver's prior court filings.
18 Chase lacks knowledge and information sufficient to form a belief as to the truth of the
19 remaining allegations in Paragraph 34, which therefore has the effect of a denial pursuant
20 to Ariz. R. Civ. P. 8(c)(5).

21 35. Instead of disclosing the First Fraud to DenSco's investors, Chittick had
22 DenSco enter into a Forbearance Agreement with Menaged whereby DenSco agreed to
23 forbear its rights and remedies against Menaged and his companies provided Menaged
24 agreed, among other things, to pay certain sums and take other actions to repay the
25 amounts owed to DenSco.

26 **RESPONSE:** Chase admits that according to the Receiver, DenSco and Chittick
27 entered into the Forbearance Agreement and chose to continue doing business with
28 Menaged, notwithstanding that DenSco was fully aware of being defrauded and rendered

1 insolvent because of that fraud. *Peter S. Davis, as Receiver of DenSco Investment*
2 *Corporation v. Clark Hill, PLC*, Case No. CV2017-013832. Chase denies Paragraph 35's
3 characterization of its allegations as pertaining to a distinct "First Fraud" as inconsistent
4 with the Receiver's prior court filings. Chase lacks additional knowledge or information
5 sufficient to form a belief as to the truth of the remaining allegations in Paragraph 35,
6 which therefore has the effect of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

7 36. Pursuant to and as of the date of the Forbearance Agreement, Menaged was
8 indebted to DenSco in the amount of \$37,420,120.47.

9 **RESPONSE:** Chase admits that according to the Receiver, DenSco and Chittick
10 entered into the Forbearance Agreement and chose to continue doing business with
11 Menaged, notwithstanding that DenSco was fully aware of being defrauded and rendered
12 insolvent because of the fraud. *Peter S. Davis, as Receiver of DenSco Investment*
13 *Corporation v. Clark Hill, PLC*, Case No. CV2017-013832. Chase denies Paragraph 36's
14 characterization of its allegations as pertaining to a distinct "First Fraud" as inconsistent
15 with the Receiver's prior court filings. Chase lacks additional knowledge or information
16 sufficient to form a belief as to the truth of the remaining allegations in Paragraph 36,
17 which therefore has the effect of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

18 37. Pursuant to the Forbearance Agreement, DenSco continued to fund hard
19 money loans to Menaged for the purchase of real estate from foreclosure auctions.

20 **RESPONSE:** Chase admits that according to the Receiver, DenSco and Chittick
21 entered into the Forbearance Agreement and chose to continue doing business with
22 Menaged, notwithstanding that DenSco was fully aware of being defrauded as part of a
23 continued real estate scheme and rendered insolvent because of the fraud. *Peter S. Davis,*
24 *as Receiver of DenSco Investment Corporation v. Clark Hill, PLC*, Case No. CV2017-
25 013832. Chase lacks additional knowledge or information sufficient to form a belief as
26 to the truth of the allegations in Paragraph 37, which therefore has the effect of a denial
27 pursuant to Ariz. R. Civ. P. 8(c)(5).
28

1 38. This was done to help Menaged “fix” the problem by repaying the losses
2 caused by the First Fraud before Chittick disclosed the First Fraud to DenSco’s investors.

3 **RESPONSE:** Chase admits that according to the Receiver, DenSco and Chittick
4 entered into the Forbearance Agreement and that DenSco knowingly chose to participate
5 in a plan with Menaged to cover up the real estate fraud scheme, which continued. *Peter*
6 *S. Davis, as Receiver of DenSco Investment Corporation v. Clark Hill, PLC*, Case No.
7 CV2017-013832. Chase denies Paragraph 38’s characterization of its allegations as
8 pertaining to a distinct “First Fraud” as inconsistent with the Receiver’s prior court filings.
9 Chase lacks additional knowledge or information sufficient to form a belief as to the truth
10 of the remaining allegations in Paragraph 38, which therefore has the effect of a denial
11 pursuant to Ariz. R. Civ. P. 8(c)(5).

12 39. Chittick informed and sought advice from DenSco’s attorney, David
13 Beauchamp (“Beauchamp”) about the First Fraud in January 2014.

14 **RESPONSE:** Chase admits that according to the Receiver, DenSco informed its
15 attorney about the real estate scheme involving DenSco and Menaged, which continued.
16 *Peter S. Davis, as Receiver of DenSco Investment Corporation v. Clark Hill, PLC*, Case
17 No. CV2017-013832. Chase denies Paragraph 39’s characterization of its allegations as
18 pertaining to a distinct “First Fraud” as inconsistent with the Receiver’s prior court filings.
19 Chase lacks additional knowledge or information sufficient to form a belief as to the truth
20 of the remaining allegations in Paragraph 39, which therefore has the effect of a denial
21 pursuant to Ariz. R. Civ. P. 8(c)(5).

22 40. Beauchamp helped DenSco negotiate and implement the Forbearance
23 Agreement with Menaged.

24 **RESPONSE:** Chase admits that according to the Receiver, DenSco informed its
25 attorney about the real estate scheme involving DenSco and Menaged, which continued.
26 *Peter S. Davis, as Receiver of DenSco Investment Corporation v. Clark Hill, PLC*, Case
27 No. CV2017-013832. Chase lacks additional knowledge or information sufficient to form
28

1 a belief as to the truth of the remaining allegations in Paragraph 40, which therefore has
2 the effect of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

3 41. Beauchamp also advised Chittick that DenSco could raise new money from
4 investors to fund additional loans to Menaged without disclosing the First Fraud to those
5 investors.

6 **RESPONSE:** Chase admits that according to the Receiver, DenSco informed its
7 attorney about the real estate scheme involving DenSco and Menaged, which continued.
8 *Peter S. Davis, as Receiver of DenSco Investment Corporation v. Clark Hill, PLC*, Case
9 No. CV2017-013832. Chase denies Paragraph 41's characterization of its allegations as
10 pertaining to a distinct "First Fraud" as inconsistent with the Receiver's prior court filings.
11 Chase lacks additional knowledge or information sufficient to form a belief as to the truth
12 of the remaining allegations in Paragraph 41, which therefore has the effect of a denial
13 pursuant to Ariz. R. Civ. P. 8(c)(5).

14 42. Beauchamp advised Chittick to alter DenSco's lending practices with
15 Menaged by requiring Menaged to provide copies of the specific cashier's checks issued
16 by Menaged's banks made payable to the respective foreclosure trustee with the property
17 address in the memo line, and to provide copies of the receipts Menaged received from
18 the foreclosure trustee for the purchase of a real property at a trustee's sale.

19 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
20 as to the truth of the allegations in Paragraph 42, which therefore has the effect of a denial
21 pursuant to Ariz. R. Civ. P. 8(c)(5).

22 43. Chittick relied upon Beauchamp's advice in deciding to continue to lend
23 additional monies to Menaged after the discovery of the First Fraud.

24 **RESPONSE:** Chase denies Paragraph 43's characterization of its allegations as
25 pertaining to a distinct "First Fraud" as inconsistent with the Receiver's prior court filings.
26 Chase further denies Paragraph 43's characterization of Chittick's reasoning and decision
27 to continue DenSco's relationship with Menaged in relation to the ongoing real estate
28 fraud insofar as it is inconsistent with the Receiver's prior court filings. Chase lacks

1 knowledge and information sufficient to form a belief as to the truth of the remaining
2 allegations in Paragraph 43, which therefore has the effect of a denial pursuant to Ariz.
3 R. Civ. P. 8(c)(5).

4 44. Beauchamp did not advise Chittick that he must immediately disclose the
5 First Fraud to DenSco's investors or that DenSco should not loan any additional funds to
6 Menaged.

7 **RESPONSE:** Chase denies Paragraph 44's characterization of its allegations as
8 pertaining to a distinct "First Fraud" as inconsistent with the Receiver's prior court filings.
9 Chase lacks knowledge and information sufficient to form a belief as to the truth of the
10 remaining allegations in Paragraph 44, which therefore has the effect of a denial pursuant
11 to Ariz. R. Civ. P. 8(c)(5).

12 45. Chittick breached his fiduciary duties to DenSco and its investors by
13 causing DenSco to (i) make 2,712 new loans to Menaged after the First Fraud for which
14 DenSco has suffered losses in excess of \$25 million; (ii) obtain more than \$15 million
15 from investors who were never told of Chittick's mismanagement of DenSco, the First
16 Fraud, and the Forbearance Agreement; and (iii) misdirect investors' money to fund the
17 "work out" contemplated by the Forbearance Agreement rather than use the money as
18 promised to investors when they invested.

19 **RESPONSE:** Chase admits that according to the Receiver, DenSco and Chittick
20 participated in fraud and Chittick breached his fiduciary duties when they participated in
21 the real estate fraud scheme involving DenSco and Menaged, which continued, including
22 as described in Paragraph 45. *Peter S. Davis, as Receiver of DenSco Investment*
23 *Corporation v. Clark Hill, PLC*, Case No. CV2017-013832. Chase denies Paragraph 45's
24 characterization of its allegations as pertaining to a distinct "First Fraud" as inconsistent
25 with the Receiver's prior court filings. To the extent a further response is required, Chase
26 lacks additional knowledge and information sufficient to form a belief as to the truth of
27 the remaining allegations in Paragraph 45, which therefore has the effect of a denial
28 pursuant to Ariz. R. Civ. P. 8(c)(5).

1 46. After the First Fraud was discovered and ended, DenSco and Menaged
2 altered their business practices for all future loans from DenSco to Menaged.

3 **RESPONSE:** Chase denies Paragraph 46's characterization of its allegations as
4 pertaining to a distinct "First Fraud" as inconsistent with the Receiver's prior court filings.
5 Chase lacks knowledge and information sufficient to form a belief as to the truth of the
6 remaining allegations in Paragraph 46, which therefore has the effect of a denial pursuant
7 to Ariz. R. Civ. P. 8(c)(5).

8 47. Starting in January 2014, for new loans between DenSco and Menaged,
9 DenSco required that Menaged provide copies of the specific cashier's checks issued by
10 US Bank and Chase Bank to the respective foreclosure trustee, as well as copies of the
11 receipts received by Menaged from the foreclosure trustee for the purchase of a property
12 by Menaged at a trustee's sale.

13 **RESPONSE:** Chase admits that according to the Receiver, DenSco and Chittick
14 continued to participate in a real estate fraud scheme involving DenSco and Menaged
15 even after DenSco discovered the fraud. *Peter S. Davis, as Receiver of DenSco*
16 *Investment Corporation v. Clark Hill, PLC*, Case No. CV2017-013832. To the extent a
17 further response is required, Chase lacks additional knowledge and information sufficient
18 to form a belief as to the truth of the allegations in Paragraph 47, which therefore has the
19 effect of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

20 48. Menaged then engaged in a systematic and comprehensive scheme to
21 defraud DenSco for a second time through the use and creation of falsified checks, deeds,
22 contracts and receipts related to the purported purchase of real estate at a trustee's sale
23 (the "Second Fraud").

24 **RESPONSE:** Chase admits that according to the Receiver, DenSco and Chittick
25 continued to participate in a real estate fraud scheme involving DenSco and Menaged
26 even after DenSco discovered the fraud. *Peter S. Davis, as Receiver of DenSco*
27 *Investment Corporation v. Clark Hill, PLC*, Case No. CV2017-013832. Chase denies
28 Paragraph 48's characterization of its allegations as pertaining to a distinct "Second

1 Fraud” as inconsistent with the Receiver’s prior court filings. To the extent a further
2 response is required, Chase lacks additional knowledge and information sufficient to form
3 a belief as to the truth of the remaining allegations in Paragraph 48, which therefore has
4 the effect of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

5 49. As part of the Second Fraud, Menaged obtained a total of over 1,400 loans
6 from DenSco between January 2014 and June 2016. However, Menaged did not use these
7 loan proceeds for the purpose for which they were intended—to actually purchase real
8 estate at a trustees’ sale or otherwise.

9 **RESPONSE:** Chase admits that according to the Receiver, DenSco and Chittick
10 continued to participate in a real estate fraud scheme involving DenSco and Menaged
11 even after DenSco discovered the fraud. *Peter S. Davis, as Receiver of DenSco*
12 *Investment Corporation v. Clark Hill, PLC*, Case No. CV2017-013832. Chase denies
13 Paragraph 49’s characterization of its allegations as pertaining to a distinct “Second
14 Fraud” as inconsistent with the Receiver’s prior court filings. To the extent a further
15 response is required, Chase lacks additional knowledge and information sufficient to form
16 a belief as to the truth of the remaining allegations in Paragraph 49, which therefore has
17 the effect of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

18 50. Menaged would email DenSco lists of properties in foreclosure proceedings
19 (“Identified Properties”).

20 **RESPONSE:** Chase admits that according to the Receiver, DenSco and Chittick
21 continued to participate in a real estate fraud scheme involving DenSco and Menaged
22 even after DenSco discovered the fraud and that Menaged would email DenSco as
23 described above. *Peter S. Davis, as Receiver of DenSco Investment Corporation v. Clark*
24 *Hill, PLC*, Case No. CV2017-013832. To the extent a further response is required, Chase
25 lacks additional knowledge and information sufficient to form a belief as to the truth of
26 the allegations in Paragraph 50, which therefore has the effect of a denial pursuant to Ariz.
27 R. Civ. P. 8(c)(5).
28

1 51. In those emails, Menaged intentionally misrepresented to DenSco that (1)
2 he was the winning bidder on properties that were sold at a trustee's sale; (2) his
3 companies, Easy Investments or AZHF, needed financing to purchase the Identified
4 Properties; and (3) requested that DenSco loan Easy Investments or AZHF the funds
5 required to complete the purchase of the Identified Properties.

6 **RESPONSE:** Chase admits that according to the Receiver, DenSco and Chittick
7 continued to participate in a real estate fraud scheme involving DenSco and Menaged
8 even after DenSco discovered the fraud and that Menaged would email DenSco as
9 described above. *Peter S. Davis, as Receiver of DenSco Investment Corporation v. Clark*
10 *Hill, PLC*, Case No. CV2017-013832. To the extent a further response is required, Chase
11 lacks additional knowledge and information sufficient to form a belief as to the truth of
12 the allegations in Paragraph 51, which therefore has the effect of a denial pursuant to Ariz.
13 R. Civ. P. 8(c)(5).

14 52. These emails included, among other things, (1) the addresses of the
15 Identified Properties that Menaged misrepresented to DenSco that he intended to
16 complete the purchase with the DenSco Loan Proceeds; and (2) the amount of the loan
17 that Menaged needed.

18 **RESPONSE:** Chase admits that according to the Receiver, DenSco and Chittick
19 continued to participate in a real estate fraud scheme involving DenSco and Menaged
20 even after DenSco discovered the fraud and that Menaged would email DenSco as
21 described above. *Peter S. Davis, as Receiver of DenSco Investment Corporation v. Clark*
22 *Hill, PLC*, Case No. CV2017-013832. To the extent a further response is required, Chase
23 lacks additional knowledge and information sufficient to form a belief as to the truth of
24 the allegations in Paragraph 52, which therefore has the effect of a denial pursuant to Ariz.
25 R. Civ. P. 8(c)(5).

26 53. The DenSco Loan Proceeds were supposed to be secured with deeds of trust
27 recorded against the Identified Properties purchased.
28

1 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
2 as to the truth of the allegations in Paragraph 53, which therefore has the effect of a denial
3 pursuant to Ariz. R. Civ. P. 8(c)(5).

4 54. These misrepresentations were material to DenSco.

5 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
6 as to the truth of the allegations in Paragraph 54, which therefore has the effect of a denial
7 pursuant to Ariz. R. Civ. P. 8(c)(5).

8 55. Menaged never intended to purchase the Identified Properties, but rather
9 intended for DenSco to rely on these material misrepresentations and loan him money.

10 **RESPONSE:** Chase denies Paragraph's 55 allegations regarding Menaged's
11 intent and purchase of Identified Properties as inconsistent with the Receiver's prior court
12 filings. Answering further, to the extent Paragraph 55 purports to allege what, in fact,
13 Menaged did or did not intend, Chase lacks knowledge and information sufficient to form
14 a belief as to the truth of that allegation, which therefore has the effect of a denial pursuant
15 to Ariz. R. Civ. P. 8(c)(5).

16 56. DenSco relied on the truth of Menaged's material misrepresentations and
17 loaned Menaged, Easy Investments, and AZHF the funds required for Menaged to
18 complete the purchase of the Identified Properties.

19 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
20 as to the truth of the allegations in Paragraph 56, which therefore has the effect of a denial
21 pursuant to Ariz. R. Civ. P. 8(c)(5).

22 57. DenSco did not know that Menaged's representations were false.

23 **RESPONSE:** Chase denies the allegations in Paragraph 57.

24 58. DenSco had the right to rely on the truth of Menaged's misrepresentations,
25 and such reliance were reasonable and justified under the circumstances.

26 **RESPONSE:** Chase denies the allegations in Paragraph 58. This allegation is
27 inconsistent with the Receiver's other court filings.
28

1 59. DenSco expected that the DenSco Loan Proceeds would be used for the
2 specific purpose of purchasing the Identified Properties, secured by a deed of trust at the
3 agreed upon interest rate of 15%-18%.

4 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
5 as to the truth of the allegations in Paragraph 59, which therefore has the effect of a denial
6 pursuant to Ariz. R. Civ. P. 8(c)(5).

7 60. Menaged, however, did not use the DenSco Loan Proceeds to purchase the
8 Identified Properties. Rather, he used the DenSco Loan Proceeds for his own personal
9 benefit.

10 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
11 as to the truth of the allegations in Paragraph 60, which therefore has the effect of a denial
12 pursuant to Ariz. R. Civ. P. 8(c)(5).

13 61. As a result, DenSco was damaged.

14 **RESPONSE:** Chase denies the allegations in Paragraph 61.

15 62. In April 2016, Menaged filed for Chapter 7 bankruptcy.

16 **RESPONSE:** Chase admits that according to the Receiver, Menaged filed for
17 Chapter 7 bankruptcy in April 2016. *Peter S. Davis, as Receiver of DenSco Investment*
18 *Corporation v. Clark Hill, PLC*, Case No. CV2017-013832. To the extent a further
19 response is required, Chase lacks additional knowledge and information sufficient to form
20 a belief as to the truth of the allegations in Paragraph 62, which therefore has the effect
21 of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

22 63. At the time, Menaged, AZHF and Easy Investments owed DenSco
23 approximately \$30 million in loans.

24 **RESPONSE:** Chase admits that according to the Receiver, DenSco and Chittick
25 continued to participate in a real estate fraud scheme involving DenSco and Menaged
26 even after DenSco discovered the fraud and that as part of that fraud Menaged owed
27 DenSco money. *Peter S. Davis, as Receiver of DenSco Investment Corporation v. Clark*
28 *Hill, PLC*, Case No. CV2017-013832. To the extent a further response is required, Chase

1 lacks additional knowledge and information sufficient to form a belief as to the truth of
2 the allegations in Paragraph 63, which therefore has the effect of a denial pursuant to Ariz.
3 R. Civ. P. 8(c)(5).

4 64. When Chittick confronted Menaged about the amounts owed to DenSco,
5 Menaged lied to Chittick and told him the money owed to DenSco was safe and was being
6 held at Auction.com, an online marketplace for foreclosure buyers.

7 **RESPONSE:** Chase admits that according to the Receiver, DenSco and Chittick
8 continued to participate in a real estate fraud scheme involving DenSco and Menaged
9 even after DenSco discovered the fraud. *Peter S. Davis, as Receiver of DenSco*
10 *Investment Corporation v. Clark Hill, PLC*, Case No. CV2017-013832. To the extent a
11 further response is required, Chase lacks additional knowledge and information sufficient
12 to form a belief as to the truth of the allegations in Paragraph 64, which therefore has the
13 effect of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

14 65. Menaged lied and told Chittick that he would be able to retrieve the money
15 from Auction.com and repay DenSco as soon as the bankruptcy action was discharged.

16 **RESPONSE:** Chase admits that according to the Receiver, DenSco and Chittick
17 continued to participate in a real estate fraud scheme involving DenSco and Menaged
18 even after DenSco discovered the fraud. *Peter S. Davis, as Receiver of DenSco*
19 *Investment Corporation v. Clark Hill, PLC*, Case No. CV2017-013832. To the extent a
20 further response is required, Chase lacks additional knowledge and information sufficient
21 to form a belief as to the truth of the allegations in Paragraph 65, which therefore has the
22 effect of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

23 66. Menaged told Chittick that no one can know about Auction.com because
24 the bankruptcy court would go after the money if it discovered it and Menaged would be
25 unable to repay DenSco and its investors.

26 **RESPONSE:** Chase admits that according to the Receiver, DenSco and Chittick
27 continued to participate in a real estate fraud scheme involving DenSco and Menaged
28 even after DenSco discovered the fraud. *Peter S. Davis, as Receiver of DenSco*

1 *Investment Corporation v. Clark Hill, PLC*, Case No. CV2017-013832. To the extent a
2 further response is required, Chase lacks additional knowledge and information sufficient
3 to form a belief as to the truth of the allegations in Paragraph 66, which therefore has the
4 effect of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

5 67. Menaged also threatened Chittick by telling him that if Chittick told anyone
6 about Auction.com, Menaged would testify that Chittick was complicit in the First Fraud
7 and knew all along that DenSco's loans were unsecured.

8 **RESPONSE:** Chase admits that according to the Receiver, DenSco and Chittick
9 continued to participate in a real estate fraud scheme involving DenSco and Menaged
10 even after DenSco discovered the fraud. *Peter S. Davis, as Receiver of DenSco*
11 *Investment Corporation v. Clark Hill, PLC*, Case No. CV2017-013832. Chase denies
12 Paragraph 67's characterization of the allegations as pertaining to a distinct "First Fraud"
13 as inconsistent with the Receiver's prior court filings. To the extent a further response is
14 required, Chase lacks additional knowledge and information sufficient to form a belief as
15 to the truth of the remaining allegations in Paragraph 67, which therefore has the effect
16 of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

17 68. On July 28, 2016, Chittick committed suicide.

18 **RESPONSE:** Chase admits that according to the Receiver, Chittick committed
19 suicide on July 28, 2016. *Peter S. Davis, as Receiver of DenSco Investment Corporation*
20 *v. Clark Hill, PLC*, Case No. CV2017-013832. To the extent a further response is
21 required, Chase lacks additional knowledge and information sufficient to form a belief as
22 to the truth of the allegations in Paragraph 68, which therefore has the effect of a denial
23 pursuant to Ariz. R. Civ. P. 8(c)(5).

24 69. Chittick was not aware of the Second Fraud when he committed suicide.

25 **RESPONSE:** Chase denies the allegations in Paragraph 69, as it is inconsistent
26 with the Receiver's prior court filings. Chase further denies Paragraph 69's
27 characterization of the allegations as pertaining to a distinct "First Fraud" and "Second
28 Fraud" as inconsistent with the Receiver's prior court filings.

1 70. Based on Menaged’s misrepresentations, Chittick believed that the money
2 owed to DenSco was tied up at Auction.com pursuant to a supposed agreement between
3 Auction.com and Menaged, the details of which he did not fully understand and, because
4 of the bankruptcy action, Menaged could not repay DenSco.

5 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
6 as to the truth of the allegations in Paragraph 70, which therefore has the effect of a denial
7 pursuant to Ariz. R. Civ. P. 8(c)(5).

8 71. The facts involving the Second Fraud were not discovered until after the
9 Receiver was appointed on August 18, 2016.

10 **RESPONSE:** Chase denies the allegations in Paragraph 71, as it is inconsistent
11 with the Receiver’s prior court filings. Chase further denies Paragraph 71’s
12 characterization of the allegations as pertaining to a distinct “First Fraud” and “Second
13 Fraud” as inconsistent with the Receiver’s prior court filings.

14 72. On August 23, 2016, the Receiver obtained a document that vaguely
15 referenced the method in which Menaged and DenSco altered their business practices
16 after the Forbearance Agreement.

17 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
18 as to the truth of the allegations in Paragraph 72, which therefore has the effect of a denial
19 pursuant to Ariz. R. Civ. P. 8(c)(5).

20 73. The Receiver immediately began investigating to track and document the
21 funds DenSco loaned to Menaged after the Forbearance Agreement and to determine how
22 those funds were used by Menaged.

23 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
24 as to the truth of the allegations in Paragraph 73, which therefore has the effect of a denial
25 pursuant to Ariz. R. Civ. P. 8(c)(5).

26 74. During that investigation, the Receiver discovered that Menaged did not use
27 the funds obtained from DenSco to purchase the Identified Properties.
28

1 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
2 as to the truth of the allegations in Paragraph 74, which therefore has the effect of a denial
3 pursuant to Ariz. R. Civ. P. 8(c)(5).

4 75. On or about October 3, 2016, the Receiver obtained a forensic image of
5 Menaged's computers and cellphone.

6 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
7 as to the truth of the allegations in Paragraph 75, which therefore has the effect of a denial
8 pursuant to Ariz. R. Civ. P. 8(c)(5).

9 76. The Receiver located a number of emails from Menaged to Chase
10 employees from Menaged's computers, but still did not fully understand the nature and
11 extent of the Second Fraud and the damages.

12 **RESPONSE:** The Chase Defendants deny Paragraph 76's characterization of its
13 allegations as pertaining to a distinct "Second Fraud" as inconsistent with the Receiver's
14 prior court filings. Chase lacks knowledge and information sufficient to form a belief as
15 to the truth of the remaining allegations in Paragraph 76, which therefore has the effect
16 of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

17 77. On October 20, 2016, the Receiver deposed Menaged.

18 **RESPONSE:** Chase admits that according to the Receiver, Menaged was deposed
19 by the Receiver on October 20, 2016. *Peter S. Davis, as Receiver of DenSco Investment*
20 *Corporation v. Clark Hill, PLC*, Case No. CV2017-013832. To the extent a further
21 response is required, Chase lacks additional knowledge and information sufficient to form
22 a belief as to the truth of the allegations in Paragraph 77, which therefore has the effect
23 of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

24 78. In November 2016, the Receiver issued subpoenas to US Bank and to Chase
25 and slowly began to receive documents from both US Bank and Chase.

26 **RESPONSE:** Chase admits that the Receiver issued a subpoena to Chase. Chase
27 denies the characterization of the production. Chase lacks knowledge and information
28

1 sufficient to form a belief as to the truth of the remaining allegations in Paragraph 78,
2 which therefore has the effect of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

3 79. By December 2016, the Receiver understood the general nature of the
4 Second Fraud but did not yet know the full extent of it.

5 **RESPONSE:** Chase denies Paragraph 79's characterization of its allegations as
6 pertaining to a distinct "Second Fraud" as inconsistent with the Receiver's prior court
7 filings. Chase lacks knowledge and information sufficient to form a belief as to the truth
8 of the remaining allegations in Paragraph 79, which therefore has the effect of a denial
9 pursuant to Ariz. R. Civ. P. 8(c)(5).

10 80. The Receiver ultimately performed a complete forensic recreation of
11 Menaged's banking activity.

12 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
13 as to the truth of the allegations in Paragraph 80, which therefore has the effect of a denial
14 pursuant to Ariz. R. Civ. P. 8(c)(5).

15 81. The Receiver finally understood the extent and losses constituting the
16 Second Fraud, and the substantial assistance U.S. Bank and Chase provided to Menaged,
17 when it completed an initial draft of that forensic recreation of Menaged's banking
18 activity on or about June 13, 2017.

19 **RESPONSE:** Chase denies Paragraph 81's characterization of its allegations as
20 pertaining to a distinct "Second Fraud" as inconsistent with the Receiver's other court
21 filings. Chase denies that it provided substantial assistance to Menaged. Chase lacks
22 knowledge and information sufficient to form a belief as to the truth of the remaining
23 allegations in Paragraph 81, which therefore has the effect of a denial pursuant to Ariz.
24 R. Civ. P. 8(c)(5).

25 82. The Receiver continued to learn additional information regarding the
26 substantial assistance US Bank and Chase Bank provided to Menaged in relation to the
27 Second Fraud after June 13, 2017.
28

1 **RESPONSE:** Chase denies Paragraph 82’s characterization of its allegations as
2 pertaining to a distinct “Second Fraud” as inconsistent with the Receiver’s other court
3 filings. Chase denies Paragraph 82’s allegations to the extent they allege that Chase
4 substantially assisted Menaged in the carrying out of any purported fraud. Chase lacks
5 knowledge and information sufficient to form a belief as to the truth of the remaining
6 allegations in Paragraph 82, which therefore has the effect of a denial pursuant to Ariz.
7 R. Civ. P. 8(c)(5).

8 83. On or about May 16, 2017 Menaged was indicted in the United States
9 District Court, District of Arizona, Case No. CR-17-00680-PHX-GMS(MHB) (the
10 “District Court Action”), for Wire Fraud, Aggravated Identity Theft, Conspiracy to
11 Defraud, and Forfeiture, in connection with his ownership, and management, of his real
12 estate and furniture businesses.

13 **RESPONSE:** Chase admits that according to the Receiver, Menaged was indicted
14 as indicated in Paragraph 83. *Peter S. Davis, as Receiver of DenSco Investment*
15 *Corporation v. Clark Hill, PLC*, Case No. CV2017-013832. To the extent a further
16 response is required, Chase lacks additional knowledge and information sufficient to form
17 a belief as to the truth of the allegations in Paragraph 83, which therefore has the effect
18 of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

19 84. On or about August 4, 2017, Menaged and Francine Menaged entered into
20 a Settlement Agreement with Plaintiff, whereby the Menageds consented to the entry of
21 a nondischargeable civil judgment in favor of Plaintiff in the amount of \$31,000,000.00,
22 and whereby Plaintiff agreed to offset the judgment in an amount equal to the gross
23 recovery from third parties that is related to Menaged’s cooperation.

24 **RESPONSE:** Chase admits that according to the Receiver, Menaged and Francine
25 Menaged entered into a Settlement Agreement as indicated in Paragraph 84. *Peter S.*
26 *Davis, as Receiver of DenSco Investment Corporation v. Clark Hill, PLC*, Case No.
27 CV2017-013832. To the extent a further response is required, Chase lacks additional
28 knowledge and information sufficient to form a belief as to the truth of the allegations in

1 Paragraph 84, which therefore has the effect of a denial pursuant to Ariz. R. Civ. P.
2 8(c)(5).

3 85. On or about October 17, 2017, Menaged pleaded guilty to Conspiracy to
4 Commit Bank Fraud, Aggravated Identity Theft, and Money Laundering Conspiracy, in
5 the District Court Action.

6 **RESPONSE:** Chase admits that according to the Receiver, Menaged pleaded
7 guilty as indicated in Paragraph 85. *Peter S. Davis, as Receiver of DenSco Investment*
8 *Corporation v. Clark Hill, PLC*, Case No. CV2017-013832. To the extent a further
9 response is required, Chase lacks additional knowledge and information sufficient to form
10 a belief as to the truth of the allegations in Paragraph 85, which therefore has the effect
11 of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

12 86. Menaged was sentenced to 17 years in a federal prison.

13 **RESPONSE:** Chase admits that according to the Receiver, Menaged was
14 sentenced as indicated in Paragraph 86. *Peter S. Davis, as Receiver of DenSco Investment*
15 *Corporation v. Clark Hill, PLC*, Case No. CV2017-013832. To the extent a further
16 response is required, Chase lacks additional knowledge and information sufficient to form
17 a belief as to the truth of the allegations in Paragraph 86, which therefore has the effect
18 of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

19 87. Menaged could not conduct this scheme on his own. This is where
20 Defendants come in.

21 **RESPONSE:** Chase denies the allegation in Paragraph 87. This is inconsistent
22 with the Receiver's other court filings.

23 88. From December 2012 through May 2016, Menaged and his business Easy
24 Investments maintained a series of accounts with US Bank.

25 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
26 as to the truth of the allegations in Paragraph 88, which therefore has the effect of a denial
27 pursuant to Ariz. R. Civ. P. 8(c)(5).
28

1 89. Upon information and belief, Menaged banked at US Bank’s branch located
2 at 6611 W. Bell Road, Glendale, Arizona, which is located in a Fry’s grocery store.

3 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
4 as to the truth of the allegations in Paragraph 89, which therefore has the effect of a denial
5 pursuant to Ariz. R. Civ. P. 8(c)(5).

6 90. Upon information and belief, Defendant Chavez worked at US Bank and
7 was the manager of the US Bank branch at 6611 W. Bell Road, Glendale, Arizona.

8 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
9 as to the truth of the allegations in Paragraph 90, which therefore has the effect of a denial
10 pursuant to Ariz. R. Civ. P. 8(c)(5).

11 91. Upon information and belief, Defendant Chavez was Menaged’s main
12 contact at US Bank. She committed the wrongful acts set forth below while conducting
13 official US Bank business.

14 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
15 as to the truth of the allegations in Paragraph 91, which therefore has the effect of a denial
16 pursuant to Ariz. R. Civ. P. 8(c)(5).

17 92. US Bank and Defendant Chavez may be referred to as “the US Bank
18 Defendants.”

19 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
20 as to the truth of the allegations in Paragraph 92, which therefore has the effect of a denial
21 pursuant to Ariz. R. Civ. P. 8(c)(5).

22 93. From December 2012 through May 2016, Menaged emailed DenSco a list
23 of Identified Properties that were in foreclosure proceedings. Menaged intentionally
24 misrepresented that he (or his company) attended the various trustee’s sale public auctions
25 and was the winning bidder to purchase the Identified Properties.

26 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
27 as to the truth of the allegations in Paragraph 93, which therefore has the effect of a denial
28 pursuant to Ariz. R. Civ. P. 8(c)(5).

1 94. In those emails, he would set forth the address of the Identified Property
2 that he purportedly purchased, and request financing from DenSco.

3 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
4 as to the truth of the allegations in Paragraph 94, which therefore has the effect of a denial
5 pursuant to Ariz. R. Civ. P. 8(c)(5).

6 95. Relying on Menaged's misrepresentations, DenSco made the requested
7 loans and wired the DenSco Loan Proceeds to Menaged's Easy Investments account at
8 US Bank.

9 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
10 as to the truth of the allegations in Paragraph 95, which therefore has the effect of a denial
11 pursuant to Ariz. R. Civ. P. 8(c)(5).

12 96. DenSco's wire transfers to US Bank included the following information:

- 13 a. The name of the originator: "DenSco Investment Corp";
14 b. The name of the recipient: "Easy Investments, LLC"; and
15 c. The amount of the DenSco loan transferred to Menaged for the purchase of
16 the Identified Properties.

17 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
18 as to the truth of the allegations in Paragraph 96, which therefore has the effect of a denial
19 pursuant to Ariz. R. Civ. P. 8(c)(5).

20 97. Upon information and belief, nearly all funds in Menaged's Easy
21 Investments account at US Bank consisted of the DenSco Loan Proceeds made to
22 Menaged to purchase the Identified Properties.

23 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
24 as to the truth of the allegations in Paragraph 97, which therefore has the effect of a denial
25 pursuant to Ariz. R. Civ. P. 8(c)(5).

26 98. The US Bank Defendants knew almost all of the funds in Menaged's Easy
27 Investments account at US Bank consisted of the DenSco Loan Proceeds because they
28

1 accepted the wire transfers from DenSco, kept records of Easy Investments' account, and
2 compiled this information in the US Bank bank statements evidencing this.

3 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
4 as to the truth of the allegations in Paragraph 98, which therefore has the effect of a denial
5 pursuant to Ariz. R. Civ. P. 8(c)(5).

6 99. On or about the day that DenSco wired the DenSco Loan Proceeds to
7 Menaged's Easy Investments' account, Menaged, or his assistant Veronica Castro, would
8 visit the US Bank branch to obtain cashier's checks.

9 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
10 as to the truth of the allegations in Paragraph 99, which therefore has the effect of a denial
11 pursuant to Ariz. R. Civ. P. 8(c)(5).

12 100. The cashier's checks that Menaged or Castro obtained from US Bank
13 consisted of the DenSco Loan Proceeds.

14 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
15 as to the truth of the allegations in Paragraph 100, which therefore has the effect of a
16 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

17 101. The amount of the cashier's checks that the US Bank Defendants created
18 for Menaged were equal to the amount of the DenSco Loan Proceeds that DenSco wired
19 to Menaged's Easy Investments account on or about that particular day, less the
20 \$10,000.00 deposit that Menaged would have had to deposit with the trustee as the
21 winning bidder.

22 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
23 as to the truth of the allegations in Paragraph 101, which therefore has the effect of a
24 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

25 102. Upon information and belief, Defendant Chavez, or other US Bank
26 employees, would assist Managed and Castro in obtaining the cashier's checks.

1 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
2 as to the truth of the allegations in Paragraph 102, which therefore has the effect of a
3 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

4 103. Menaged or Castro instructed the US Bank Defendants to (1) make the
5 cashier's checks payable to the trustee who allegedly conducted the public sale of the
6 foreclosed property; and (2) in the amount for which Menaged misrepresented to DenSco
7 that he purchased the property, less the \$10,000.00 deposit that Menaged would have had
8 to deposit with the trustee as the winning bidder.

9 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
10 as to the truth of the allegations in Paragraph 103, which therefore has the effect of a
11 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

12 104. Menaged or Castro also instructed the US Bank Defendants to memorialize
13 on each individual cashier's checks' memo line: "DenSco Payment [and address of the
14 property]" or "DenSco [and address of the property]".

15 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
16 as to the truth of the allegations in Paragraph 104, which therefore has the effect of a
17 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

18 105. The US Bank Defendants prepared the cashier's checks in accordance with
19 Menaged's or Castro's instructions.

20 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
21 as to the truth of the allegations in Paragraph 105, which therefore has the effect of a
22 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

23 106. On almost all occasions, Menaged did not use the US Bank cashier's checks
24 to purchase the Identified Properties as he had represented to DenSco.

25 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
26 as to the truth of the allegations in Paragraph 106, which therefore has the effect of a
27 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

1 107. Rather, the purpose of these cashier's checks was to defraud DenSco, as it
2 was Menaged's intention to use the DenSco Loan Proceeds for his personal benefit.

3 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
4 as to the truth of the allegations in Paragraph 107, which therefore has the effect of a
5 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

6 108. Specifically, Menaged used the US Bank cashier's checks to provide
7 assurances to DenSco, and make DenSco believe, that he would be using the DenSco
8 Loan Proceeds to purchase the Identified Properties.

9 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
10 as to the truth of the allegations in Paragraph 108, which therefore has the effect of a
11 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

12 109. To provide these assurances to DenSco, Menaged or Castro took a picture
13 of each cashier's check prepared and issued by US Bank.

14 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
15 as to the truth of the allegations in Paragraph 109, which therefore has the effect of a
16 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

17 110. Upon information and belief, if Menaged was at the US Bank branch
18 obtaining the cashier's checks, he would electronically send the photos of the cashier's
19 checks to DenSco while at the branch.

20 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
21 as to the truth of the allegations in Paragraph 110, which therefore has the effect of a
22 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

23 111. Upon information and belief, if Castro was at the US Bank branch obtaining
24 the cashier's checks, she would take these pictures and send them to Menaged while at
25 the US Bank branch, and then Menaged would forward them to DenSco.

26 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
27 as to the truth of the allegations in Paragraph 111, which therefore has the effect of a
28 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

1 112. Immediately after the electronic photo of the cashier's checks was sent to
2 DenSco, the US Bank Defendants would then redeposit the cashier's checks, which
3 consisted of the DenSco Loan Proceeds, back into Menaged's Easy Investments' account.
4 After providing DenSco with photographic evidence of the cashier's check, Menaged
5 would falsify a trustee's sale receipt purporting to evidence the purchase of a real property
6 that never happened. The forged sales receipts typically contained information directly
7 from the cashier's check issued and redeposited by Chase. This provided further
8 legitimacy to DenSco that Menaged was using the loan proceeds for their intended
9 purpose.

10 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
11 as to the truth of the allegations in Paragraph 112, which therefore has the effect of a
12 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

13 113. Then, Menaged would use the DenSco Loan Proceeds for his own personal
14 benefit.

15 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
16 as to the truth of the allegations in Paragraph 113, which therefore has the effect of a
17 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

18 114. Menaged and the US Bank Defendants worked together to create,
19 photograph, and then immediately redeposit at least 41 cashier's checks in the total
20 amount of \$6,931,048.00, which allowed Menaged to use the DenSco Loan Proceeds for
21 his own personal benefit.

22 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
23 as to the truth of the allegations in Paragraph 114, which therefore has the effect of a
24 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

25 115. The US Bank Defendants knew, and were generally aware, that Menaged
26 was using the cashier's checks to commit the Second Fraud for several reasons.

27 **RESPONSE:** Chase denies Paragraph 115's characterization of its allegations as
28 pertaining to a distinct "Second Fraud" as inconsistent with the Receiver's prior court

1 filings. Chase lacks knowledge and information sufficient to form a belief as to the truth
2 of the remaining allegations in Paragraph 115, which therefore has the effect of a denial
3 pursuant to Ariz. R. Civ. P. 8(c)(5).

4 116. First, the US Bank Defendants knew that Menaged promoted himself and
5 Easy Investments as being in the business of purchasing foreclosed homes from public
6 auctions because he regularly told them.

7 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
8 as to the truth of the allegations in Paragraph 116, which therefore has the effect of a
9 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

10 117. Also, upon information and belief, Defendant Chavez knew that Menaged
11 and Easy Investments were in the business of purchasing foreclosed homes at public
12 auctions because she was interested in purchasing foreclosed properties as rentals, and
13 Defendant Chavez met with Menaged to mentor her in the business.

14 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
15 as to the truth of the allegations in Paragraph 117, which therefore has the effect of a
16 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

17 118. Second, Menaged told the US Bank Defendants that DenSco was his and
18 Easy Investments' lender and that DenSco loaned funds to Managed and his companies
19 for the intended purchase of homes in foreclosure proceedings.

20 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
21 as to the truth of the allegations in Paragraph 118, which therefore has the effect of a
22 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

23 119. The US Bank Defendants knew that DenSco loaned money to Menaged and
24 Easy Investments because DenSco wired the DenSco Loan Proceeds to Menaged's Easy
25 Investments account at US Bank and the wire transfers listed DenSco as "the originator."

26 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
27 as to the truth of the allegations in Paragraph 119, which therefore has the effect of a
28 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

1 120. The US Bank Defendants knew that the cashier's checks that Menaged or
2 Castro obtained consisted of DenSco Loan Proceeds because it would receive DenSco's
3 wire transfer which listed DenSco as "the originator" and then they created the cashier's
4 checks which memorialized that they were DenSco's payment for a certain property on
5 the cashier's checks' memo lines.

6 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
7 as to the truth of the allegations in Paragraph 120, which therefore has the effect of a
8 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

9 121. Third, the US Bank Defendants knew that DenSco had the expectation that
10 the DenSco Loan Proceeds wired into Menaged's Easy Investments account would be
11 used to purchase the Identified Properties because the US Defendants would prepare
12 cashier's checks that would:

- 13 a. be approximately equal to the total amount that DenSco wired to Menaged's
- 14 Easy Investments' account;
- 15 b. be made payable to a trustee that conducted the public auction; and
- 16 c. memorialize the cashier's checks' purported purpose by stating in their
- 17 memo lines: "DenSco Payment [property address]."

18 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
19 as to the truth of the allegations in Paragraph 121, which therefore has the effect of a
20 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

21 122. Fourth, the US Bank Defendants knew that Menaged was not using the
22 DenSco Loan Proceeds to complete the purchase of the Identified Properties, but rather
23 to perpetuate his fraud, because the US Bank Defendants would immediately redeposit
24 the cashier's checks back into the Easy Investments account for him.

25 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
26 as to the truth of the allegations in Paragraph 122, which therefore has the effect of a
27 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

1 123. Fifth, the US Bank Defendants knew that Menaged was not using the
2 DenSco Loan Proceeds for their intended purpose of purchasing the Identified Properties
3 at trustee's sales, but rather, Menaged was using the DenSco Loan Proceeds for his
4 personal benefit because, upon information and belief, he would withdraw large amounts
5 of the redeposited DenSco Loan Proceeds in cash from the US Bank's Easy Investments'
6 account and transfer redeposited DenSco Loan Proceeds from his US Bank Easy
7 Investments account to his other US Bank accounts.

8 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
9 as to the truth of the allegations in Paragraph 123, which therefore has the effect of a
10 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

11 124. Because Menaged and U.S. Bank re-deposited the cashier's check 41 times
12 totaling almost \$7 million, and U.S. Bank knew that Menaged was not using DenSco's
13 loan proceeds for their intended purpose, U.S. Bank knew that the cashier's check scheme
14 had no legitimate banking or business purpose, and despite this, continued to provide
15 Menaged banking services because of its own heightened motivation of maintaining
16 accounts worth millions of dollars.

17 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
18 as to the truth of the allegations in Paragraph 124, which therefore has the effect of a
19 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

20 125. As discussed above, the US Bank Defendants had actual knowledge of the
21 Second Fraud and substantially assisted Menaged in defrauding DenSco by knowing that
22 Menaged was defrauding DenSco and performing routine banking services that allowed
23 him to perpetuate his fraudulent scheme.

24 **RESPONSE:** Chase denies Paragraph 125's characterization of its allegations as
25 pertaining to a distinct "Second Fraud" as inconsistent with the Receiver's prior court
26 filings. Chase lacks knowledge and information sufficient to form a belief as to the truth
27 of the remaining allegations in Paragraph 125, which therefore has the effect of a denial
28 pursuant to Ariz. R. Civ. P. 8(c)(5).

1 126. Upon information and belief, these routine banking services included, but
2 were not limited to:

- 3 a. accepting wire transfers from DenSco knowing that the DenSco Loan
4 Proceeds were not going to be used for their intended purpose of purchasing
5 homes in foreclosure proceedings;
6 b. creating cashier's checks knowing that they consisted of DenSco Loan
7 Proceeds and were not going to be used for their intended purpose of
8 purchasing homes in foreclosure proceedings;
9 c. redepositing the cashier's checks for Menaged into his Easy Investments
10 account knowing that they consisted of DenSco Loan Proceeds and that
11 Menaged would use the redeposited DenSco Loan Proceeds for his own
12 benefit;
13 d. allowing Menaged to withdraw substantial amounts of DenSco Loan
14 Proceeds in the form of cash from the Easy Investments Account; and
15 e. transferring the DenSco Loan Proceeds from Menaged's Easy Investments
16 accounts to his other accounts at US Bank.

17 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
18 as to the truth of the allegations in Paragraph 126, which therefore has the effect of a
19 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

20 127. Also, and upon information and belief, Menaged requested that the US
21 Bank Defendants keep substantial amounts of cash at US Bank branch at 6611 W. Bell
22 Road, Glendale, Arizona to ensure adequate cash was available for Menaged's regular
23 and substantial cash withdrawals.

24 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
25 as to the truth of the allegations in Paragraph 127, which therefore has the effect of a
26 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

27 128. Upon information and belief, the US Bank Defendants accommodated this
28 request and changed its policies at the US Bank branch at 6611 W. Bell Road, Glendale,

1 Arizona and kept up to \$20,000.00 of cash at any given time for Menaged's cash
2 withdrawals.

3 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
4 as to the truth of the allegations in Paragraph 128, which therefore has the effect of a
5 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

6 129. The US Bank Defendants also substantially assisted Menaged in
7 committing the Second Fraud by ignoring its own policies and procedures.

8 **RESPONSE:** Chase denies Paragraph 129's characterization of its allegations as
9 pertaining to a distinct "Second Fraud" as inconsistent with the Receiver's prior court
10 filings. Chase lacks knowledge and information sufficient to form a belief as to the truth
11 of the remaining allegations in Paragraph 129, which therefore has the effect of a denial
12 pursuant to Ariz. R. Civ. P. 8(c)(5).

13 130. Upon information and belief, US Bank has a "hold period" on redeposited
14 cashier's checks, where the redeposited funds would not be available to the account owner
15 for several days.

16 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
17 as to the truth of the allegations in Paragraph 130, which therefore has the effect of a
18 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

19 131. Upon information and belief, the US Bank Defendants materially assisted
20 the Second Fraud by violating their own internal policies and procedures by intentionally
21 "over-riding" these holds on the redeposited cashier's checks to allow Menaged
22 immediate access to the redeposited DenSco Loan Proceeds.

23 **RESPONSE:** Chase denies Paragraph 131's characterization of its allegations as
24 pertaining to a distinct "Second Fraud" as inconsistent with the Receiver's prior court
25 filings. Chase lacks knowledge and information sufficient to form a belief as to the truth
26 of the remaining allegations in Paragraph 131, which therefore has the effect of a denial
27 pursuant to Ariz. R. Civ. P. 8(c)(5).

28

1 132. The US Bank Defendants materially assisted the Second Fraud by
2 continuing to furnish routine banking services to Menaged, despite:

- 3 a. knowing that Easy Investments' business account was used for the purchase
4 of properties at trustee's sales;
5 b. knowing DenSco loaned money to Easy Investments for purchasing the
6 Identified Properties at trustee's sales;
7 c. knowing that Menaged was obtaining cashier's checks with the DenSco
8 Loan Proceeds for the purported purchase of the Identified Properties, but
9 instead was redepositing them back into his Easy Investments account; and
10 d. knowing that Menaged instead used the DenSco Loan Proceeds for his own
11 personal use.

12 **RESPONSE:** Chase denies Paragraph 132's characterization of its allegations as
13 pertaining to a distinct "Second Fraud" as inconsistent with the Receiver's prior court
14 filings. Chase lacks knowledge and information sufficient to form a belief as to the truth
15 of the remaining allegations in Paragraph 132, which therefore has the effect of a denial
16 pursuant to Ariz. R. Civ. P. 8(c)(5).

17 133. Without the material and substantial assistance that the US Bank
18 Defendants provided to Menaged, Menaged could not have conducted the Second Fraud
19 from December 2012 through April of 2014.

20 **RESPONSE:** Chase denies Paragraph 133's characterization of its allegations as
21 pertaining to a distinct "Second Fraud" as inconsistent with the Receiver's prior court
22 filings. Chase lacks knowledge and information sufficient to form a belief as to the truth
23 of the remaining allegations in Paragraph 133, which therefore has the effect of a denial
24 pursuant to Ariz. R. Civ. P. 8(c)(5).

25 134. The US Bank Defendants intended to assist Menaged in because the Second
26 Fraud Menaged moved millions of dollars through his Easy Investment account at US
27 Bank, and therefore, the US Bank Defendants had a financial motive to maintain
28 Menaged's business at US Bank.

1 **RESPONSE:** Chase denies Paragraph 134's characterization of its allegations as
2 pertaining to a distinct "Second Fraud" as inconsistent with the Receiver's prior court
3 filings. Chase lacks knowledge and information sufficient to form a belief as to the truth
4 of the remaining allegations in Paragraph 134, which therefore has the effect of a denial
5 pursuant to Ariz. R. Civ. P. 8(c)(5).

6 135. The US Bank Defendants benefited from the Second Fraud by maintaining
7 Menaged's business accounts.

8 **RESPONSE:** Chase denies Paragraph 135's characterization of its allegations as
9 pertaining to a distinct "Second Fraud" as inconsistent with the Receiver's prior court
10 filings. Chase lacks knowledge and information sufficient to form a belief as to the truth
11 of the remaining allegations in Paragraph 135, which therefore has the effect of a denial
12 pursuant to Ariz. R. Civ. P. 8(c)(5).

13 136. The US Bank Defendants, through their actions as described above, acted
14 to serve US Bank's own interests, having reason to know and consciously disregarding a
15 substantial risk that their conduct might significantly injure the rights of others, including
16 DenSco.

17 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
18 as to the truth of the allegations in Paragraph 136, which therefore has the effect of a
19 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

20 137. The US Bank Defendants, through the actions as described above,
21 consciously pursued a course of conduct knowing that it created a substantial risk of
22 significant harm to others, including DenSco.

23 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
24 as to the truth of the allegations in Paragraph 137, which therefore has the effect of a
25 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

26 138. Because the US Bank Defendants aided and abetted Menaged in defrauding
27 DenSco, DenSco was damaged in an amount to be proved at trial, but no less than
28 \$1,000,000.00.

1 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
2 as to the truth of the allegations in Paragraph 138, which therefore has the effect of a
3 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

4 139. From April 2014 through at least November 2016, Menaged and AZHF
5 banked with Chase.

6 **RESPONSE:** Chase admits that AZHF opened an account with Chase in April
7 2014. Chase denies the remaining allegations in Paragraph 139.

8 140. Upon information and belief, Menaged banked at Chase's branch located at
9 8999 East Shea Boulevard, Scottsdale, Arizona.

10 **RESPONSE:** Chase admits the allegations in Paragraph 140.

11 141. From April 2014 through at least November 2016, Defendants Nelson and
12 Dadlani worked at Chase and were managers at the Chase branch located at 8999 East
13 Shea Boulevard, Scottsdale, Arizona. They committed the wrongful acts set forth below
14 while conducting official Chase business.

15 **RESPONSE:** Chase denies the allegations in Paragraph 141.

16 142. Upon information and belief, Defendants Nelson and Dadlani were
17 Menaged's main contacts at Chase.

18 **RESPONSE:** Chase admits that Nelson and Dadlani assisted Menaged in their
19 roles as Chase employees. Chase denies the remaining allegations in Paragraph 142.

20 143. Chase, Nelson, and Dadlani may be referred to as "the Chase Defendants."

21 **RESPONSE:** Paragraph 143 does not call for a response. To the extent Paragraph
22 143 does call for a response, Chase admits that Plaintiff has created this definition.

23 144. From April 2014 through at least November 2016, Menaged emailed
24 DenSco a list of properties that were in foreclosure proceedings. He intentionally
25 misrepresented that he (or his company) attended the trustee's sale public auctions and
26 was the winning bidder to purchase the Identified Properties.

27 **RESPONSE:** Chase admits that according to the Receiver, DenSco and Chittick
28 continued to participate in a real estate fraud scheme involving Menaged and that as part

1 of the fraud scheme Menaged would email DenSco as indicated above. *Peter S. Davis,*
2 *as Receiver of DenSco Investment Corporation v. Clark Hill, PLC*, Case No. CV2017-
3 013832. To the extent a further response is required, Chase lacks additional knowledge
4 and information sufficient to form a belief as to the truth of the allegations in Paragraph
5 144, which therefore has the effect of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

6 145. In those emails, he would set forth the address of the Identified Property
7 purportedly purchased, and request financing from DenSco.

8 **RESPONSE:** Chase admits that according to the Receiver, DenSco and Chittick
9 continued to participate in a real estate fraud scheme involving Menaged and that as part
10 of the fraud scheme Menaged would email DenSco as indicated above. *Peter S. Davis,*
11 *as Receiver of DenSco Investment Corporation v. Clark Hill, PLC*, Case No. CV2017-
12 013832. To the extent a further response is required, Chase lacks additional knowledge
13 and information sufficient to form a belief as to the truth of the allegations in Paragraph
14 145, which therefore has the effect of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

15 146. Relying on Menaged's misrepresentations, DenSco wired the requested
16 DenSco Loan Proceeds to Menaged's AZHF account at Chase.

17 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
18 as to the truth of the allegations in Paragraph 146, which therefore has the effect of a
19 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

20 147. DenSco's wire transfers to Chase included the following information:

- 21 a. The name of the originator: "DenSco Investment Corp";
22 b. The name of the recipient: "Arizona Home Foreclosure, LLC"; and
23 c. The amount of the DenSco loan transferred to Menaged for the purchase of
24 the Identified Properties.

25 **RESPONSE:** Chase admits that, during the time that Menaged banked with
26 Chase, AZHF at times received wire transfers that would come in standard formatting.
27 Chase denies the remaining allegations in Paragraph 147.
28

1 148. Upon information and belief, nearly all funds in Menaged's AZHF account
2 at Chase consisted of the DenSco Loan Proceeds to purchase the Identified Properties.

3 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
4 as to the truth of the allegations in Paragraph 148, which therefore has the effect of a
5 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

6 149. The Chase Defendants knew that most of the funds in Menaged's Easy
7 AZHF account at Chase consisted of the DenSco Loan Proceeds because Chase accepted
8 the wire transfers from DenSco, kept records of AZHF's account transactions, and
9 compiled this information in the Chase bank statements evidencing this.

10 **RESPONSE:** Chase denies the allegations in Paragraph 149.

11 150. After Chase received a DenSco wire transfer, Menaged would email the
12 Chase Defendants and request them to issue cashier's checks from his AZHF account.

13 **RESPONSE:** Chase admits that, during the time that Menaged banked with
14 Chase, he at times sent emails to Chase, seeking assistance in obtaining cashier's checks.
15 Chase lacks knowledge and information sufficient to form a belief as to the truth of the
16 remaining allegations in Paragraph 150, which therefore has the effect of a denial
17 pursuant to Ariz. R. Civ. P. 8(c)(5).

18 151. In those emails to the Chase Defendants, Menaged instructed them to (1)
19 make the cashier's check payable to the trustee who allegedly conducted the public
20 auction of the foreclosed property; and (2) in the amount for which Menaged
21 misrepresented to DenSco that he purchased the property, less the \$10,000.00 deposit that
22 Menaged would have had to deposit with the trustee as the winning bidder.

23 **RESPONSE:** Chase admits that, during the time that Menaged banked with
24 Chase, he at times sent emails to Chase, seeking assistance in obtaining cashier's checks.
25 Chase lacks knowledge and information sufficient to form a belief as to the truth of the
26 remaining allegations in Paragraph 151, which therefore has the effect of a denial
27 pursuant to Ariz. R. Civ. P. 8(c)(5).
28

1 152. In those emails to the Chase Defendants, Menaged also instructed the Chase
2 Defendants to memorialize on each individual cashier's check's memo line: "DenSco
3 Payment [and address of the property]" or "DenSco [and address of the property]".

4 **RESPONSE:** Chase admits that, during the time that Menaged banked with
5 Chase, he at times sent emails to Chase that contained information to be inserted on a
6 memo line on a cashier's check. Chase lacks knowledge and information sufficient to
7 form a belief as to the truth of the remaining allegations in Paragraph 152, which therefore
8 has the effect of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

9 153. The Chase Defendants prepared the cashier's checks from AZHF's account
10 in accordance with Menaged's emailed instructions.

11 **RESPONSE:** Chase admits that, during the time that Menaged banked with
12 Chase, Chase assisted Menaged at times in obtaining cashier's checks. Chase lacks
13 knowledge and information sufficient to form a belief as to the truth of the remaining
14 allegations in Paragraph 153, which therefore has the effect of a denial pursuant to Ariz.
15 R. Civ. P. 8(c)(5).

16 154. The Chase cashier's checks consisted of DenSco Loan Proceeds.

17 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
18 as to the truth of the allegations in Paragraph 154, which therefore has the effect of a
19 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

20 155. In addition, when a Chase Defendant prepared the cashier's checks in
21 accordance with Menaged's instructions, he or she stamped the back of the cashier's
22 checks "Not Used For Intended Purposes," and prepared a withdrawal slip and a
23 corresponding deposit slip for the identical amount of the cashier's checks so that
24 Menaged could redeposit the cashier's checks back into his AZHF account after he took
25 pictures of them.

26 **RESPONSE:** Chase denies the allegations in Paragraph 155.
27
28

1 156. The withdrawal slip would contain the total amount of all cashier's checks
2 being issued (e.g., four or five checks at a time) and the deposit slip would be for the same
3 amount as the withdrawal slip.

4 **RESPONSE:** Chase denies the allegations in Paragraph 156.

5 157. The Chase Defendants prepared this packet prior to Menaged's arrival at
6 the branch and had the packet waiting for him to further his fraudulent scheme.

7 **RESPONSE:** Chase denies the allegations in Paragraph 157.

8 158. When Menaged arrived at the Chase branch, the Chase Defendants would
9 then hand him the withdrawal slips, cashier's checks, and deposit slips in one paperclip.

10 **RESPONSE:** Chase denies the allegations in Paragraph 158

11 159. Menaged did not prepare any of the paperwork himself. He instead relied
12 on Chase to fill out the withdrawal slips and the deposit slips for him before he arrived at
13 the branch.

14 **RESPONSE:** Chase denies the allegations in Paragraph 159.

15 160. On almost all occasions, Menaged did not use the DenSco Loan Proceeds
16 to purchase the Identified Properties as he had represented to DenSco.

17 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
18 as to the truth of the allegations in Paragraph 160, which therefore has the effect of a
19 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

20 161. Rather, the purpose of these cashier's checks was to defraud DenSco, as it
21 was Menaged's intention to use the DenSco Loan Proceeds for his personal benefit.

22 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
23 as to the truth of the allegations in Paragraph 161, which therefore has the effect of a
24 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

25 162. Specifically, Menaged used the Chase cashier's checks to provide
26 assurances to DenSco, and make DenSco believe, that he would be using the DenSco
27 Loan Proceeds to purchase the Identified Properties.
28

1 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
2 as to the truth of the allegations in Paragraph 162, which therefore has the effect of a
3 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

4 163. To provide these assurances to DenSco, Menaged would take photos of the
5 cashier's checks and electronically send the photos to DenSco.

6 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
7 as to the truth of the allegations in Paragraph 163, which therefore has the effect of a
8 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

9 164. Menaged often took a picture of the cashier's checks in front of a Chase
10 Defendant.

11 **RESPONSE:** Chase admits that Menaged at times took photos of cashier's
12 checks. Chase denies the remaining allegations in Paragraph 164.

13 165. The Chase Defendants had no problem assisting Menaged in defrauding
14 DenSco. Upon information and belief, on at least one occasion, a Chase Defendant took
15 the picture for Menaged on his cell phone so that he could provide the false assurances to
16 DenSco.

17 **RESPONSE:** Chase denies the allegations in Paragraph 165.

18 166. The Chase Defendants typically did not ask Menaged to show his
19 identification at any point during the transaction of receiving and redepositing the
20 cashier's checks.

21 **RESPONSE:** Chase denies the allegations in Paragraph 166.

22 167. Immediately after Menaged sent the electronic photo of the cashier's checks
23 to DenSco, the Chase Defendants would then redeposit the cashier's check, comprised of
24 the DenSco Loan Proceeds, back into Menaged's AZHF account.

25 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
26 as to the truth of the allegations in Paragraph 167, which therefore has the effect of a
27 denial pursuant to Ariz. R. Civ. P. 8(c)(5).
28

1 168. After providing DenSco with photographic evidence of the cashier's check,
2 Menaged would falsify a trustee's sale receipt purporting to evidence the purchase of a
3 real property that never happened.

4 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
5 as to the truth of the allegations in Paragraph 168, which therefore has the effect of a
6 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

7 169. The forged sales receipts typically contained information directly from the
8 cashier's check issued and redeposited by Chase. This provided further legitimacy to
9 DenSco that Menaged was using the loan proceeds for their intended purpose.

10 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
11 as to the truth of the allegations in Paragraph 169, which therefore has the effect of a
12 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

13 170. Then, Menaged would use the DenSco Loan Proceeds for his own personal
14 benefit.

15 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
16 as to the truth of the allegations in Paragraph 170, which therefore has the effect of a
17 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

18 171. Menaged and the Chase Defendants worked together to create, photograph,
19 and then immediately redeposit at least 1,349 cashier's checks, in the total amount of
20 \$312,108,679.00, which Menaged used for his personal benefit.

21 **RESPONSE:** Chase denies the allegations in Paragraph 171.

22 172. The Chase Defendants knew, and were generally aware, that Menaged was
23 using this cashier's check scheme to commit the Second Fraud for several reasons.

24 **RESPONSE:** Chase denies the allegations in Paragraph 172.

25 173. The Chase Defendants knew that Menaged promoted himself and AZHF as
26 being in the business of purchasing foreclosed homes from public auctions because he
27 regularly told them.

28 **RESPONSE:** Chase denies the allegations in Paragraph 173.

1 174. Also, upon information and belief, Defendant Nelson (or another bank
2 officer or employee) knew that Menaged was in the business of purchasing foreclosed
3 properties as she expressed interest in purchasing a foreclosed home for her personal use.

4 **RESPONSE:** Chase denies the allegations in Paragraph 174.

5 175. Menaged told the Chase Defendants that DenSco was his and AZHF's
6 lender and that DenSco loaned funds to Menaged and his companies for the intended
7 purchase of homes in foreclosure proceedings.

8 **RESPONSE:** Chase denies the allegations in Paragraph 175.

9 176. The Chase Defendants knew that DenSco loaned money to Menaged and
10 AZHF because DenSco wired the DenSco Loan Proceeds to Menaged's accounts at Chase
11 and the wire transfers listed DenSco as "the originator."

12 **RESPONSE:** Chase denies the allegations in Paragraph 176.

13 177. The Chase Defendants knew that the cashier's checks consisted of DenSco
14 Loan Proceeds because Chase would receive DenSco's wire transfer which listed DenSco
15 as "the originator," and then they created the cashier's checks which memorialized that
16 the checks were DenSco's payment for a certain property on the cashier's checks' memo
17 lines.

18 **RESPONSE:** Chase denies the allegations in Paragraph 177.

19 178. The Chase Defendants knew that DenSco had the expectation that the
20 DenSco Loan Proceeds that it wired into Menaged's Chase accounts would be used to
21 purchase the Identified Properties because the Chase Defendants would prepare cashier's
22 checks that would:

- 23 a. be approximately equal to the total amount that DenSco wired to Menaged's
24 Easy Investments' account;
- 25 b. be made payable to a particular trustee that conducted the public auction;
26 and
- 27 c. memorialize the cashier's checks' purported purpose by stating in their
28 memo lines: "DenSco Payment [property address]."

1 **RESPONSE:** Chase denies the allegations in Paragraph 178.

2 179. The Chase Defendants knew that Menaged was using the cashier's checks
3 to provide false assurances to DenSco because (1) a Chase Defendant had asked Menaged
4 why he would take pictures of the cashier's checks; (2) Menaged told her that he was
5 sending photos of the cashier's checks to DenSco to provide assurances to DenSco that
6 the DenSco funds were actually being used to purchase the Identified Properties; and (3)
7 the Chase Defendants redeposited the checks back into Menaged's AZHF's account.

8 **RESPONSE:** Chase denies the allegations in Paragraph 179.

9 180. The Chase Defendants knew that Menaged was generally not using the
10 cashier's checks to purchase the Identified Properties because (1) when a Chase
11 Defendant prepared the cashier's checks in accordance with Menaged's instructions, he
12 or she stamped the back of the cashier's checks "Not Used For Intended Purpose;" and
13 (2) they prepared a corresponding deposit slip for the identical amount of the cashier's
14 checks so that Menaged could redeposit cashier's checks back into his AZHF account
15 after he took pictures of them.

16 **RESPONSE:** Chase denies the allegations in Paragraph 180.

17 181. From time to time, Menaged used a cashier's check for its intended purpose
18 to purchase one of the Identified Properties at a trustee's sale.

19 **RESPONSE:** Chase admits that according to the Receiver, Menaged used
20 cashier's checks to purchase Identified Properties from time to time. *Peter S. Davis, as*
21 *Receiver of DenSco Investment Corporation v. Clark Hill, PLC*, Case No. CV2017-
22 013832. To the extent a further response is required, Chase lacks additional knowledge
23 and information sufficient to form a belief as to the truth of the allegations in Paragraph
24 181, which therefore has the effect of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

25 182. The Chase Defendants and Menaged came up with a system whereby
26 Menaged provided them with notice that he was going to take a cashier's check and did
27 not want the Chase Defendants to redeposit that particular cashier's check back into
28 AZHF's account.

1 **RESPONSE:** Chase denies the allegations in Paragraph 182.

2 183. Upon information and belief, the Chase Defendants instructed Menaged
3 that Chase would assume all of the cashier's checks would be redeposited in the AZHF
4 account and would mark the cashier's checks as "Not Used For Intended Purposes" prior
5 to Menaged's arrival at the Chase branch, unless Menaged indicated in his email to the
6 Chase Defendants that he intended to take a certain cashier's check with him when he left
7 the branch.

8 **RESPONSE:** Chase denies the allegations in Paragraph 183.

9 184. If Menaged did not inform the Chase Defendants that he intended to take a
10 cashier's check with him when he left the branch, Chase would automatically prepare the
11 cashier's checks for redeposit and would mark the cashier's checks "Not Used For
12 Intended Purposes" before Menaged arrived to "pick up" the checks.

13 **RESPONSE:** Chase denies the allegations in Paragraph 184.

14 185. When Menaged intended to take a cashier's check, he indicated in his
15 emails to Chase "taking with me," or something similar, next to the dollar amount or
16 trustee's name. That was Menaged's signal to the Chase Defendants that the cashier's
17 check would not be redeposited so that the Chase Defendants would not mark it "Not
18 Used For Intended Purposes."

19 **RESPONSE:** Chase denies the allegations in Paragraph 185.

20 186. In nearly every other case, however, and unbeknownst to DenSco, Menaged
21 and the Chase Defendants redeposited the checks back into AZHF's account at Chase.

22 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
23 as to the truth of the allegations in Paragraph 186, which therefore has the effect of a
24 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

25 187. Menaged and the Chase Defendants did this nearly every single business
26 day of the week from April 2014 through June 2015.

1 **RESPONSE:** Chase admits that Menaged deposited cashier's checks into the
2 AZHF account during the period identified in Paragraph 187. Chase denies the remaining
3 allegations in Paragraph 187.

4 188. Upon information and belief, there are thousands of transactions whereby
5 Menaged and the Chase Defendants would withdraw the DenSco Loan Proceeds in the
6 form of cashier's checks and redeposit those funds on the very same day.

7 **RESPONSE:** Chase admits that Menaged deposited certain cashier's checks into
8 the AZHF account on the same day he purchased the cashier's checks during the pertinent
9 period. Chase denies the remaining allegations in Paragraph 188.

10 189. The Chase Defendants knew that Menaged was not using the DenSco Loan
11 Proceeds to complete the purchase of the Identified Properties because the Chase
12 Defendants would redeposit the cashier's checks back into Menaged's bank account for
13 him immediately after he took pictures of the cashier's checks.

14 **RESPONSE:** Chase denies the allegations in Paragraph 189.

15 190. The Chase Defendants knew that Menaged was not using the DenSco Loan
16 Proceeds for their intended purpose of purchasing the Identified Properties at trustee's
17 sales, but rather, Menaged was using the DenSco Loan Proceeds for his personal benefit
18 because, upon information and belief, he would withdraw large amounts of the
19 redeposited DenSco Loan Proceeds in cash from his Chase accounts and transfer the
20 redeposited DenSco Loan Proceeds from his AZHF account to Menaged's other Chase
21 accounts.

22 **RESPONSE:** Chase denies the allegations in Paragraph 190.

23 191. Because Menaged and Chase re-deposited the cashier's check 1,349 times
24 totaling over \$312,108,679.00, and Chase knew that Menaged was not using DenSco's
25 loan proceeds for their intended purpose, Chase knew that the cashier's check scheme
26 had no legitimate banking or business purpose, and despite this, continued to provide
27 Menaged banking services because of its own heightened motivation of maintaining
28 accounts worth millions of dollars.

1 **RESPONSE:** Chase denies the allegations in Paragraph 191.

2 192. As discussed above, the Chase Defendants had actual knowledge of the
3 Second Fraud and substantially assisted Menaged in defrauding DenSco by knowing that
4 Menaged was defrauding DenSco and performing routine banking services that allowed
5 him to perpetuate his fraudulent scheme.

6 **RESPONSE:** Chase denies the allegations in Paragraph 192.

7 193. Upon information and belief, these routine banking services included, but
8 were not limited to:

- 9 a. accepting wires from DenSco knowing that the funds were not going to be
10 used for their intended purpose of purchasing homes in foreclosure
11 proceedings;
- 12 b. creating cashier's checks knowing that they consisted of DenSco Loan
13 Proceeds and that they were not going to be used for their intended purposes
14 of purchasing homes in foreclosure proceedings;
- 15 c. redepositing the cashier's checks for Menaged into his accounts knowing
16 that they consisted of DenSco Loan Proceeds and that Menaged would use
17 the redeposited DenSco Loan Proceeds for his own benefit;
- 18 d. allowing Menaged to withdraw substantial amounts of DenSco Loan
19 Proceeds in the form of cash;
- 20 e. and transferring DenSco Loan Proceeds from Menaged's AZHF Accounts
21 to his other accounts at Chase.

22 **RESPONSE:** Chase denies the allegations in Paragraph 193.

23 194. The Chase Defendants materially assisted the Second Fraud by instructing
24 Menaged on how to circumvent Chase and government procedures to avoid scrutiny when
25 he engaged in these cash transactions.

26 **RESPONSE:** Chase denies the allegations in Paragraph 194.

27 195. For instance, the Chase Defendants informed Menaged that a cash
28 transaction over \$10,000 needed to be reported to government authorities.

1 **RESPONSE:** Chase denies the allegations in Paragraph 195.

2 196. The Chase Defendants also informed Menaged that any cash transactions
3 just under \$10,000, such as \$9,900, could trigger an internal suspicious activity report,
4 which is a report Chase generates when it appears someone is conducting transactions in
5 a manner that suggests that the person is trying to intentionally circumvent the \$10,000
6 reporting requirement.

7 **RESPONSE:** Chase denies the allegations in Paragraph 196.

8 197. The Chase Defendants advised and instructed Menaged to withdraw or
9 deposit cash in amounts that would not cause Chase to write up a suspicious activity
10 report.

11 **RESPONSE:** Chase denies the allegations in Paragraph 197.

12 198. Menaged followed the Chase Defendants' instructions on how to avoid
13 scrutiny and deposited or withdrew cash from his AZHF's account in amounts that did
14 not require the transaction to be reported to governmental authorities, nor cause Chase to
15 write up a suspicious activity report.

16 **RESPONSE:** Chase denies the allegations in Paragraph 198.

17 199. The Chase Defendants also substantially assisted the Second Fraud by
18 facilitating Menaged's gambling with DenSco Loan Proceeds.

19 **RESPONSE:** Chase denies the allegations in Paragraph 199.

20 200. Menaged frequently gambled with DenSco Loan Proceeds by using his
21 AZHF debit card at casinos.

22 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
23 as to the truth of the allegations in Paragraph 200, which therefore has the effect of a
24 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

25 201. The Chase Defendants knew that Menaged gambled significant amounts of
26 DenSco Loan Proceeds at casinos because they kept records and because of the facts set
27 forth below.

28 **RESPONSE:** Chase denies the allegations in Paragraph 201.

1 202. The Chase Defendants assisted the Second Fraud by helping him use
2 DenSco Loan Proceeds in the AZHF account for gambling purposes.

3 **RESPONSE:** Chase denies the allegations in Paragraph 202.

4 203. Menaged's AZHF debit card had a spending limit and Chase would decline
5 the card when Menaged exceeded the limit at the casino.

6 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
7 as to the truth of the allegations in Paragraph 203, which therefore has the effect of a
8 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

9 204. The Chase Defendants assisted the Second Fraud by increasing the
10 spending limits on Menaged's AZHF debit card to approximately \$40,000 so he could
11 gamble at casinos with the DenSco Loan Proceeds without Chase's fraud prevention
12 department flagging the account or declining his debit card.

13 **RESPONSE:** Chase denies the allegations in Paragraph 204.

14 205. Upon Menaged's request, the Chase Defendants assisted the Second Fraud
15 by contacting the Chase debit-card fraud prevention department to remove suspensions
16 or "flags" on the AZHF debit card due to the high dollar amounts that were being charged
17 at casinos so that he could gamble with the DenSco Loan Proceeds.

18 **RESPONSE:** Chase denies the allegations in Paragraph 205.

19 206. The Chase Defendants also assisted the Second Fraud by initiating outgoing
20 wire transfers and issuing cashier's checks from the DenSco Loan Proceeds in Menaged's
21 AZHF account to various casinos.

22 **RESPONSE:** Chase denies the allegations in Paragraph 206.

23 207. In short, the Chase Defendants knew that the funds in Menaged's AZHF
24 account were DenSco Loan Proceeds, but facilitated Menaged's fraud by making it easier,
25 among other things, to gamble with those funds.

26 **RESPONSE:** Chase denies the allegations in Paragraph 207.

1 208. The Chase Defendants also assisted the Second Fraud by confirming with
2 various casinos that the cashier's checks or wire transfers from AZHF's account were
3 legitimate, if the casinos called them to verify the transactions.

4 **RESPONSE:** Chase denies the allegations in Paragraph 208.

5 209. The Chase Defendants also assisted the Second Fraud because even though
6 the Chase Defendants knew the DenSco Loan Proceeds were to be used for the purchase
7 of Identified Properties at trustee's sales, the Chase Defendants transferred DenSco Loan
8 Proceeds funds from AZHF's account into other accounts held by Menaged personally
9 and by his other businesses, for Menaged's own use.

10 **RESPONSE:** Chase denies the allegations in Paragraph 209.

11 210. The Chase Defendants substantially assisted the Second Fraud by not
12 following its own policies and procedures.

13 **RESPONSE:** Chase denies the allegations in Paragraph 210.

14 211. Upon information and belief, Chase's system does not recognize wire
15 transferred funds as being immediately available to be withdrawn.

16 **RESPONSE:** Chase denies the allegations in Paragraph 211.

17 212. The Chase Defendants routinely and intentionally "over-rode" holds on the
18 AZHF account to allow them to immediately issue cashier's checks after Chase received
19 DenSco's wire transfer.

20 **RESPONSE:** Chase denies the allegations in Paragraph 212.

21 213. Upon information and belief, Chase ordinarily had a policy for a 5-7 day
22 hold on redeposited cashier's checks. Against its own policy, Chase routinely and
23 intentionally "over-rode" those holds to allow Menaged to immediately use the
24 redeposited DenSco Loan Proceeds for his own gain. Thus, Chase would release these
25 holds so that the funds were immediately available to Menaged for his own personal use.

26 **RESPONSE:** Chase denies the allegations in Paragraph 213.

27 214. It was also contrary to Chase's policy to issue cashier's checks by email
28 request. Upon information and belief, Chase's policy required the account holder to be at

1 the bank in person to sign the required documentation to obtain a cashier's check. Chase
2 ignored that policy and issued cashier's checks to Menaged based upon his email requests.

3 **RESPONSE:** Chase denies the allegations in Paragraph 214.

4 215. The Chase Defendants also substantially assisted the Second Fraud by
5 continuing to furnish routine banking services to Menaged, despite:

- 6 a. knowing the AZHF business account was for the purchase of Identified
7 Properties at trustee's sales;
- 8 b. knowing DenSco loaned the DenSco Loan Proceeds to AZHF for
9 purchasing properties at trustee's sales;
- 10 c. knowing Menaged was assuring DenSco the DenSco Loan Proceeds were
11 being used to purchase properties at trustee's sales; and
- 12 d. knowing that Menaged instead used the DenSco Loan Proceeds for his own
13 personal use.

14 **RESPONSE:** Chase denies the allegations in Paragraph 215.

15 216. Without the material and substantial assistance that the Chase Defendants
16 provided to Menaged, Menaged could not have operated the Second Fraud against
17 DenSco from April of 2014 through June 2015.

18 **RESPONSE:** Chase denies the allegations in Paragraph 216.

19 217. The Chase Defendants intended to assist Menaged in the Second Fraud
20 because Menaged moved millions of dollars through his accounts at Chase, and therefore,
21 the Chase Defendants had a financial motive to maintain Menaged's business.

22 **RESPONSE:** Chase denies the allegations in Paragraph 217.

23 218. The Chase Defendants benefited from the Second Fraud by, among other
24 things, maintaining Menaged's business accounts.

25 **RESPONSE:** Chase denies the allegations in Paragraph 218.

26 219. The Chase Defendants, through its actions as described above, acted to
27 serve Chase's interests, having reason to know and consciously disregard a substantial
28 risk that its conduct might significantly injure the rights of others, including DenSco.

1 **RESPONSE:** Chase denies the allegations in Paragraph 219.

2 220. The Chase Defendants, through their actions as described above,
3 consciously pursued a course of conduct knowing that it created a substantial risk of
4 significant harm to others, including DenSco.

5 **RESPONSE:** Chase denies the allegations in Paragraph 220.

6 221. Because the Chase Defendants aided and abetted Menaged in defrauding
7 DenSco, DenSco was damaged in an amount to be proved at trial, but no less than
8 \$1,000,000.00.

9 **RESPONSE:** Chase denies the allegations in Paragraph 221.

10 **COUNT ONE (Aiding and Abetting: US Bank; Chavez)**

11 222. DenSco re-alleges and reincorporates paragraphs 1 through 221 of this
12 Complaint as if fully set forth herein.

13 **RESPONSE:** Paragraph 222 does not call for a response from Chase. To the
14 extent a response is required, Chase re-asserts and incorporates herein its responses to
15 Paragraphs 1 through 221 above.

16 223. Menaged was engaged in fraudulent conduct for which he would be liable
17 to DenSco.

18 **RESPONSE:** Paragraph 223 states a legal conclusion to which no response is
19 required. To the extent a response is required, Chase lacks knowledge and information
20 sufficient to form a belief as to the truth of the allegations in Paragraph 223, which
21 therefore has the effect of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

22 224. The US Bank Defendants were aware that Menaged was engaging in such
23 conduct.

24 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
25 as to the truth of the allegations in Paragraph 224, which therefore has the effect of a
26 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

27 225. The US Bank Defendants provided substantial assistance or encouragement
28 to Menaged with the intent of promoting Menaged's fraudulent conduct.

1 **RESPONSE:** Chase lacks knowledge and information sufficient to form a belief
2 as to the truth of the allegations in Paragraph 225, which therefore has the effect of a
3 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

4 **COUNT TWO (Aiding and Abetting: Chase; Nelson; Dadlani)**

5 226. DenSco re-alleges and reincorporates Paragraphs 1 through 225 of this
6 Complaint as if fully set forth herein.

7 **RESPONSE:** Chase re-asserts and incorporates herein its responses to paragraphs
8 1 through 225 above.

9 227. Menaged was engaged in fraudulent conduct for which he would be liable
10 to DenSco.

11 **RESPONSE:** Paragraph 227 states a legal conclusion to which no response is
12 required. To the extent a response is required, Chase lacks knowledge and information
13 sufficient to form a belief as to the truth of the allegations in Paragraph 227, which
14 therefore has the effect of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

15 228. The Chase Defendants were aware that Menaged was engaging in such
16 conduct.

17 **RESPONSE:** Chase denies the allegations in Paragraph 228.

18 229. The Chase Defendants provided substantial assistance or encouragement to
19 Menaged with the intent of promoting Menaged's fraudulent conduct.

20 **RESPONSE:** Chase denies the allegations in Paragraph 229.

21 230. Wherefore, based upon the foregoing, Plaintiff prays for judgment against
22 Defendants as follows:

- 23 A. For an award of compensatory damages against U.S. Bank, N.A. in an amount
24 to be determined at trial.
- 25 B. For an award of compensatory damages against Defendants Hilda Chavez and
26 John Doe Chavez, wife and husband, in an amount to be determined at trial.
- 27 C. For an award of compensatory damages against J.P. Morgan Chase Bank, N.A.
28 to be determined at trial;

1 D. For an award of compensatory damages against Defendants Samantha Nelson
2 and Kristofer Nelson, wife and husband, in an amount to be determined at trial.

3 E. For an award of compensatory damages against Defendants Vikram Dadlani
4 and Jane Doe Dadlani, husband and wife, in an amount to be determined at
5 trial.

6 F. For an award of punitive damages;

7 G. For an award of prejudgment interest and costs;

8 H. For such other and further relief as this Court deems just and proper under the
9 circumstances.

10 **RESPONSE:** Chase denies the allegations in Paragraph 230, including that
11 DenSco is entitled to damages from Chase.

12 WHEREFORE, having fully answered, Chase prays that the Receiver take nothing
13 by his Amended Complaint, that judgment be entered in Chase's favor and against the
14 Receiver, that Chase be awarded its costs, and that the Court enter such other and further
15 relief as it deems appropriate.

16 **DENIAL OF ALLEGATIONS AND AFFIRMATIVE DEFENSES**

17 Except as expressly and specifically admitted above, Chase denies each and every
18 allegation contained in the First Amended Complaint. Chase hereby sets forth its
19 Affirmative Defenses to the First Amended Complaint. By listing any matter as a
20 defense, Chase does not assume the burden of proof or any other burden if such burden
21 would be on the Receiver filing this matter on behalf of DenSco under applicable law.
22 Chase reserves the right to add to, delete from, and/or modify its affirmative defenses as
23 this matter proceeds and its investigation continues.

24 **First Affirmative Defense**

25 The Receiver lacks standing to bring its claim. Any purported injury alleged herein
26 was to DenSco's investors, not DenSco itself. Thus, the third-party tort theory of liability
27 asserted here belongs to those investors, and not the Receiver, who stands in DenSco's
28 shoes, not DenSco's investors' shoes. Because the Receiver stands in the shoes of a

1 tarnished entity that benefitted from an alleged Ponzi scheme, he lacks standing to bring
2 third-party claims for aiding and abetting on behalf of the entity because the corporation
3 cannot be said to have suffered an injury from the scheme it helped to perpetrate.

4 **Second Affirmative Defense**

5 The Receiver's claim is barred by the applicable three-year statute of limitations,
6 which accrued no later than December 2014, after DenSco discovered Menaged's alleged
7 fraud.

8 **Third Affirmative Defense**

9 The Receiver's claim is barred in whole or in part by the doctrine of laches, as
10 DenSco's delay in filing until 2019 constitutes an at-least-five-year delay in asserting its
11 purported claim.

12 **Fourth Affirmative Defense**

13 The Receiver's claim is barred in whole or in part by the doctrine of waiver.
14 DenSco waived any tort claim against Chase by assenting to the conduct alleged herein
15 during the time Menaged banked with Chase.

16 **Fifth Affirmative Defense**

17 The Receiver's claim is barred in whole or in part by the doctrine of acquiescence.
18 DenSco acquiesced to the conduct alleged herein during the time that Menaged banked
19 with Chase.

20 **Sixth Affirmative Defense**

21 The Receiver's claim is barred in whole or in part by the doctrine of estoppel.
22 Plaintiff's claim inequitably and improperly repudiates DenSco's knowing and intelligent
23 assent to Chase's conduct alleged herein during the time Menaged banked with Chase.

24 **Seventh Affirmative Defense**

25 The Receiver's claim is barred in whole or in part by the doctrine of unclean hands.
26 Any injury alleged herein was due in whole or in part to DenSco's own misconduct and
27 mismanagement of investor funds.
28

Eighth Affirmative Defense

The Receiver's claim is barred in whole or in part by the doctrine of *in pari delicto*. Any injury alleged herein is at least equally the fault of DenSco's own misconduct and mismanagement of funds.

Ninth Affirmative Defense

The Receiver's claim is barred in whole or in part by the doctrine of comparative fault. Any injury alleged herein was caused, at least in part, by DenSco's own misconduct and mismanagement of funds.

Tenth Affirmative Defense

The Receiver's claim is barred in whole or in part by the doctrine of assumption of risk. In continuing to engage with Menaged after discovering that Menaged was using DenSco Loan Proceeds for his personal benefit, DenSco assumed the risks attendant to that continued engagement, including the potential that Menaged would injure DenSco investors by continuing to use DenSco Loan Proceeds for his personal benefit.

Eleventh Affirmative Defense

The Receiver's claim is barred in whole or in part by the doctrine of fraud, as its sole director and shareholder, Denny Chittick, acted in concert with the underlying alleged fraudster.

Twelfth Affirmative Defense

The Receiver's claim is barred based on the admissions and other statements made or adopted by the Receiver in the other court filings by the Receiver, including, without limitation, those admissions that demonstrate that the Receiver cannot state an aiding and abetting claim because there is no viable underlying tort of fraud. Given the Receiver's admissions concerning DenSco and Chittick's knowledge of Menaged conduct, DenSco could never have reasonably relied on any purported representations by Menaged concerning transactions and/or cashier's checks at Chase.

Thirteenth Affirmative Defense

The Receiver's claim may be barred in whole or in part by the doctrines of res judicata, estoppel, issue preclusion, and/or claim preclusion to the extent that they and/or any issues relating thereto have been previously decided in any related state court proceeding.

RESPECTFULLY SUBMITTED this 7th day of October, 2020.

GREENBERG TRAURIG, LLP

By: /s/ Nicole M. Goodwin
Nicole M. Goodwin
*Attorney for Defendant JPMorgan Chase Bank,
N.A.*

1 ORIGINAL of the foregoing e-filed with the
2 Clerk of Court this 7th day of October, 2020.

3 COPY of the foregoing electronically
4 distributed this 7th day of October, 2020 to:

5 Hon. Daniel Martin

6 COPY of the foregoing served via
7 TurboCourt e-Service and E-Mail this 7th
8 day of October, 2020 to:

9 Brian Bergin
10 Kenneth Frakes
11 BERGIN FRAKES SMALLEY &
12 OBERHOLTZER, PLLC
13 4343 East Camelback Rd., Suite 210
14 Phoenix, AZ 85018
15 bbergin@bfsolaw.com
16 kfrakes@bfsolaw.com
17 *Attorneys for Plaintiff*

18 Gregory J. Marshall
19 Amanda Z. Weaver
20 SNELL & WILMER, L.L.P.
21 One Arizona Center
22 400 E. Van Buren Street, Suite 1900
23 Phoenix, AZ 85004-2202
24 gmarshall@swlaw.com
25 aweaver@swlaw.com
26 *Attorneys for U.S. Bank National*
27 *Association and Hilda Chavez*

28 /s/ Diane Linn