

JEFF FINE
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**IN THE SUPERIOR COURT OF THE STATE OF ARIZONA
 IN THE COUNTY OF MARICOPA**

PETER S. DAVIS, as Receiver of DENSCO
 INVESTMENT CORPORATION, an
 Arizona corporation,

Plaintiff,

vs.

U.S. BANK, NA, a national banking
 organization; HILDA H. CHAVEZ and
 JOHN DOE CHAVEZ, a married couple; JP
 MORGAN 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.

Case No.: CV2019-011499

COMPLAINT
 (Breach of Contract)

(TIER 3)

(Eligible for Commercial Court)

Plaintiff, Peter S. Davis, as Receiver of DenSco Investment Corporation ("Plaintiff")
 brings this Complaint against Defendants U.S. Bank, N.A. ("US Bank"), JPMorgan Chase
 Bank, N.A. ("Chase"), Hilda Chavez ("Chavez"), Samantha Nelson ("Nelson"), and
 Vikram Dadlani ("Dadlani").¹

¹ US Bank, Chase, Chavez, Nelson, and Dadlani, may be collectively referred to as "Defendants".

INTRODUCTION.

Yomtov Scott Menaged ("Menaged") is sitting in Federal prison for a series of crimes he perpetrated against DenSco Investment Corporation ("DenSco") and its investors. He defrauded DenSco in excess of \$46,000,000.00. His fraudulent scheme required a series of financial transactions that he ran through US Bank and Chase. However, US Bank and Chase (and their employees) are also to blame. Defendants knew that Menaged was defrauding DenSco and continued to facilitate the financial transactions and operations that formed the lifeblood of Menaged's fraudulent scheme. But for Defendants' substantial assistance, Menaged could not have scammed DenSco out of tens-of-millions of dollars. It is time that Defendants make DenSco whole.

Accordingly, Plaintiff brings this action to recover compensatory and punitive damages for the losses DenSco suffered as a result of Defendants' aiding and abetting Menaged's fraud.

PARTIES, JURISDICTION, AND VENUE.

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

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

3. The Receivership Order authorizes Plaintiff, to, among other things, employ attorneys and other professionals that are necessary for the proper collection, preservation, and maintenance of Receivership Assets. This includes bringing claims that the DenSco

1 Receivership Estate may have against third party tortfeasors that have damaged DenSco.

2 4. Plaintiff has determined that DenSco holds significant claims against
3 Defendants for aiding and abetting Menaged's fraudulent scheme.

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

8 6. At all times material hereto, Defendant Chavez and John Doe Chavez, wife
9 and husband, were and are residing in Maricopa County, Arizona.

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

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

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

21 10. At all times alleged Defendant Samantha Nelson was acting for, and on
22 behalf of, the marital community.

23 11. At all times hereto, Defendants Vikram Dadlani and Jane Doe Dadlani, were
24 husband and wife, and were residing in Maricopa County, in the State of Arizona.

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

1 entry of judgment.

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

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

6 **MENAGED'S FRAUDULENT SCHEME.**

7 15. Upon information and belief, Menaged was the sole member of Easy
8 Investments, LLC ("Easy Investments").

9 16. Upon information and belief, Menaged was the sole member of Arizona
10 Home Foreclosures, LLC ("AZHF").

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

13 18. DenSco made "hard money loans" to Menaged, Easy Investments, and AZHF
14 for the stated purpose of purchasing foreclosed upon homes at trustees' sales.

15 19. Menaged, however, defrauded DenSco by not using the funds that he, Easy
16 Investments, or AZHF borrowed from DenSco ("DenSco Loan Proceeds") to purchase
17 homes at trustee's sales, but rather, he used the DenSco Loan Proceeds for his own personal
18 benefit.

19 20. Menaged would email DenSco lists of properties in foreclosure proceedings
20 ("Identified Properties").

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

26 22. These emails included, among other things, (1) the addresses of the Identified
27 Properties that Menaged misrepresented to DenSco that he intended to complete the

1 purchase with the DenSco Loan Proceeds; and (2) the amount of the loan that Menaged
2 needed.

3 23. The DenSco Loan Proceeds were supposed to be secured with deeds of trust
4 recorded against the Identified Properties purchased.

5 24. These misrepresentations were material to DenSco.

6 25. Menaged never intended to purchase the Identified Properties, but rather
7 intended for DenSco to rely on these material misrepresentations and loan him money.

8 26. DenSco relied on the truth of Menaged's material misrepresentations and
9 loaned Menaged, Easy Investments, and AZHF the funds required for Menaged to complete
10 the purchase of the Identified Properties.

11 27. DenSco did not know that Menaged's representations were false.

12 28. DenSco had the right to rely on the truth of Menaged's misrepresentations,
13 and such reliance were reasonable and justified under the circumstances.

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

17 30. Menaged, however, did not use the DenSco Loan Proceeds to purchase the
18 Identified Properties. Rather, he used the DenSco Loan Proceeds for his own personal
19 benefit.

20 31. As a result, DenSco was damaged.

21 **MENAGED'S INDICTMENT AND GUILTY PLEA.**

22 32. On or about May 16, 2017 Menaged was indicted in the United States District
23 Court, District of Arizona, Case No. CR-17-00680-PHX-GMS(MHB) (the "District Court
24 Action"), for Wire Fraud, Aggravated Identity Theft, Conspiracy to Defraud, and Forfeiture,
25 in connection with his ownership, and management, of his real estate and furniture
businesses.

33. On or about August 4, 2017, Menaged and Francine Menaged entered into a

1 Settlement Agreement with Plaintiff, whereby the Menageds consented to the entry of a
2 nondischargeable civil judgment in favor of Plaintiff in the amount of \$31,000,000.00, and
3 whereby Plaintiff agreed to offset the judgment in an amount equal to the gross recovery
4 from third parties that is related to Menaged's cooperation.

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

8 35. Menaged was sentenced to 17 years in a federal prison.

9 36. Menaged could not conduct this scheme on his own. This is where
10 Defendants come in.

MENAGED'S CASHIER'S CHECK SCHEME: THE US BANK YEARS.

11 37. From December 2012 through May 2016, Menaged and his business Easy
12 Investments maintained a series of accounts with US Bank.

13 38. Upon information and belief, Menaged banked at US Bank's branch located
14 at 6611 W. Bell Road, Glendale, Arizona, which is located in a Fry's grocery store.

15 39. Upon information and belief, Defendant Chavez worked at US Bank and was
16 the manager of the US Bank branch at 6611 W. Bell Road, Glendale, Arizona.

17 40. Upon information and belief, Defendant Chavez was Menaged's main contact
18 at US Bank. She committed the wrongful acts set forth below while conducting official US
19 Bank business.

20 41. US Bank and Defendant Chavez may be referred to as "the US Bank
21 Defendants."

22 42. From December 2012 through May 2016, Menaged emailed DenSco a list of
23 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.

43. In those emails, he would set forth the address of the Identified Property that

1 he purportedly purchased, and request financing from DenSco.

2 44. Relying on Menaged's misrepresentations, DenSco made the requested loans
3 and wired the DenSco Loan Proceeds to Menaged's Easy Investments account at US Bank.

4 45. DenSco's wire transfers to US Bank included the following information:

5 a. The name of the originator: "DenSco Investment Corp";

6 b. The name of the recipient: "Easy Investments, LLC"; and

7 c. The amount of the DenSco loan transferred to Menaged for the
8 purchase of the Identified Properties.

9 46. Upon information and belief, nearly all funds in Menaged's Easy Investments
10 account at US Bank consisted of the DenSco Loan Proceeds made to Menaged to purchase
11 the Identified Properties.

12 47. The US Bank Defendants knew almost all of the funds in Menaged's Easy
13 Investments account at US Bank consisted of the DenSco Loan Proceeds because they
14 accepted the wire transfers from DenSco, kept records of Easy Investments' account, and
15 compiled this information in the US Bank bank statements evidencing this.

16 48. On or about the day that DenSco wired the DenSco Loan Proceeds to
17 Menaged's Easy Investments' account, Menaged, or his assistant Veronica Castro, would
18 visit the US Bank branch to obtain cashier's checks.

19 49. The cashier's checks that Menaged or Castro obtained from US Bank
20 consisted of the DenSco Loan Proceeds.

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

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

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

6 53. Menaged or Castro also instructed the US Bank Defendants to memorialize
7 on each individual cashier's checks' memo line: "DenSco Payment [and address of the
8 property]" or "DenSco [and address of the property]".

9 54. The US Bank Defendants prepared the cashier's checks in accordance with
10 Menaged's or Castro's instructions.

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

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

15 57. Specifically, Menaged used the US Bank cashier's checks to provide
16 assurances to DenSco, and make DenSco believe, that he would be using the DenSco Loan
17 Proceeds to purchase the Identified Properties.

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

20 59. Upon information and belief, if Menaged was at the US Bank branch
21 obtaining the cashier's checks, he would electronically send the photos of the cashier's
22 checks to DenSco while at the branch.

23 60. 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 the
25 US Bank branch, and then Menaged would forward them to DenSco.

 61. Immediately after the electronic photo of the cashier's checks was sent to
DenSco, the US Bank Defendants would then redeposit the cashier's checks, which

1 consisted of the DenSco Loan Proceeds, back into Menaged's Easy Investments' account.

2 62. Then, Menaged would use the DenSco Loan Proceeds for his own personal
3 benefit.

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

8 **US BANK DEFENDANTS KNEW THAT MENAGED WAS DEFRAUDING**
9 **DENSCO.**

10 64. The US Bank Defendants knew, and were generally aware, that Menaged was
11 using the cashier's checks to defraud DenSco for several reasons.

12 65. First, the US Bank Defendants knew that Menaged promoted himself and
13 Easy Investments as being in the business of purchasing foreclosed homes from public
14 auctions because he regularly told them.

15 66. Also, upon information and belief, Defendant Chavez knew that Menaged
16 and Easy Investments were in the business of purchasing foreclosed homes at public
17 auctions because she was interested in purchasing foreclosed properties as rentals, and
18 Defendant Chavez met with Menaged to mentor her in the business.

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

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

25 69. The US Bank Defendants knew that the cashier's checks that Menaged or
Castro obtained consisted of DenSco Loan Proceeds because it would receive DenSco's
wire transfer which listed DenSco as "the originator" and then they created the cashier's

1 checks which memorialized that they were DenSco's payment for a certain property on the
2 cashier's checks' memo lines.

3 70. Third, the US Bank Defendants knew that DenSco had the expectation that
4 the DenSco Loan Proceeds wired into Menaged's Easy Investments account would be used
5 to purchase the Identified Properties because the US Defendants would prepare cashier's
6 checks that would:

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

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

15 72. Fifth, the US Bank Defendants knew that Menaged was not using the DenSco
16 Loan 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 redeposited
19 DenSco Loan Proceeds in cash from the US Bank's Easy Investments' account and transfer
20 redeposited DenSco Loan Proceeds from his US Bank Easy Investments account to his
other US Bank accounts.

21 **THE US BANK DEFENDANTS SUBSTANTIALLY ASSISTED MENAGED.**

22 73. As discussed above, the US Bank Defendants had actual knowledge of
23 Menaged's fraud and substantially assisted Menaged in defrauding DenSco by knowing that
24 Menaged was defrauding DenSco and performing routine banking services that allowed him
25 to perpetuate his fraudulent scheme.

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

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

17 76. Upon information and belief, the US Bank Defendants accommodated this
18 request and changed its policies at the US Bank branch at 6611 W. Bell Road, Glendale,
19 Arizona and kept up to \$20,000.00 of cash at any given time for Menaged's cash
20 withdrawals.

21 77. The US Bank Defendants also substantially assisted Menaged in defrauding
22 DenSco by ignoring its own policies and procedures.

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

1 79. Upon information and belief, the US Bank Defendants materially assisted
2 Menaged's fraudulent scheme against DenSco by violating their own internal policies and
3 procedures by intentionally "over-riding" these holds on the redeposited cashier's checks to
4 allow Menaged immediate access to the redeposited DenSco Loan Proceeds.

5 80. The US Bank Defendants materially assisted Menaged's fraudulent scheme
6 against DenSco by continuing to furnish routine banking services to Menaged, despite:

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

17 81. Without the material and substantial assistance that the US Bank Defendants
18 provided to Menaged, Menaged could not have conducted his fraudulent scheme against
19 DenSco from December 2012 through April of 2014.

20 82. The US Bank Defendants intended to assist Menaged in this scheme because
21 Menaged moved millions of dollars through his Easy Investment account at US Bank, and
22 therefore, the US Bank Defendants had a financial motive to maintain Menaged's business
23 at US Bank.

24 83. The US Bank Defendants benefited from Menaged's fraudulent scheme by
25 maintaining Menaged's business accounts.

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

1 DenSco.

2 85. The US Bank Defendants, through the 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 86. Because the US Bank Defendants aided and abetted Menaged in defrauding
6 DenSco, DenSco was damaged in an amount to be proved at trial, but no less than
7 \$1,000,000.00.

8 **MENAGED'S CASHIER'S CHECK SCHEME: THE CHASE YEARS.**

9 87. From April 2014 through at least November 2016, Menaged and AZHF
10 banked with Chase.

11 88. Upon information and belief, Menaged banked at Chase's branch located at
12 8999 East Shea Boulevard, Scottsdale, Arizona.

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

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

18 91. Chase, Nelson, and Dadlani may be referred to as "the Chase Defendants."

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

23 93. In those emails, he would set forth the address of the Identified Property
24 purportedly purchased, and request financing from DenSco.

25 94. Relying on Menaged's misrepresentations, DenSco wired the requested
DenSco Loan Proceeds to Menaged's AZHF account at Chase.

1 95. DenSco's wire transfers to Chase included the following information:

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

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

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

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

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

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

22 101. The Chase Defendants prepared the cashier's checks from AZHF's account in
23 accordance with Menaged's emailed instructions.

24 102. The Chase cashier's checks consisted of DenSco Loan Proceeds.

25 103. In addition, when a Chase Defendant prepared the cashier's checks in
accordance with Menaged's instructions, he or she stamped the back of the cashier's checks
"Not Used For Intended Purposes," and prepared a withdrawal slip and a corresponding

1 deposit slip for the identical amount of the cashier's checks so that Menaged could redeposit
2 the cashier's checks back into his AZHF account after he took pictures of them.

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

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

8 106. 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.

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

13 108. On almost all occasions, Menaged did not use the DenSco Loan Proceeds to
14 purchase the Identified Properties as he had represented to DenSco.

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

17 110. Specifically, Menaged used the Chase cashier's checks to provide assurances
18 to DenSco, and make DenSco believe, that he would be using the DenSco Loan Proceeds to
19 purchase the Identified Properties.

20 111. To provide these assurances to DenSco, Menaged would take photos of the
21 cashier's checks and electronically send the photos to DenSco.

22 112. Menaged often took a picture of the cashier's checks in front of a Chase
23 Defendant.

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

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

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

116. Then, Menaged would use the DenSco Loan Proceeds for his own personal benefit.

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

**CHASE DEFENDANTS KNEW THAT MENAGED WAS DEFRAUDING
DENSCO.**

118. The Chase Defendants knew, and were generally aware, that Menaged was using this cashier's check scheme to defraud DenSco for several reasons.

119. The Chase Defendants knew that Menaged promoted himself and AZHF as being in the business of purchasing foreclosed homes from public auctions because he regularly sold them.

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

121. Managed told the Chase Defendants that DenSco was his and AZHF's lender and that DenSco loaned funds to Managed and his companies for the intended purchase of homes in foreclosure proceedings.

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

1 123. The Chase Defendants knew that the cashier's checks consisted of DenSco
2 Loan Proceeds because Chase would receive DenSco's wire transfer which listed DenSco as
3 "the originator," and then they created the cashier's checks which memorialized that the
4 checks were DenSco's payment for a certain property on the cashier's checks' memo lines.

5 124. The Chase Defendants knew that DenSco had the expectation that the DenSco
6 Loan Proceeds that it wired into Menaged's Chase accounts would be used to purchase the
7 Identified Properties because the Chase Defendants would prepare cashier's checks that
8 would:

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

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

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

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

1 128. The Chase Defendants and Menaged came up with a system whereby
2 Menaged provided them with notice that he was going to take a cashier's check and did not
3 want the Chase Defendants to redeposit that particular cashier's check back into AZHF's
4 account.

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

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

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

20 132. 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.

22 133. Menaged and the Chase Defendants did this nearly every single business day
23 of the week from April 2014 through June 2015.

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

 135. The Chase Defendants knew that Menaged was not using the DenSco Loan

1 Proceeds to complete the purchase of the Identified Properties because the Chase
2 Defendants would redeposit the cashier's checks back into Menaged's bank account for him
3 immediately after he took pictures of the cashier's checks.

4 136. The Chase Defendants knew that Menaged was not using the DenSco Loan
5 Proceeds for their intended purpose of purchasing the Identified Properties at trustee's sales,
6 but rather, Menaged was using the DenSco Loan Proceeds for his personal benefit because,
7 upon information and belief, he would withdraw large amounts of the redeposited DenSco
8 Loan Proceeds in cash from his Chase accounts and transfer the redeposited DenSco Loan
9 Proceeds from his AZHF account to Menaged's other Chase accounts.

10 **THE CHASE DEFENDANTS SUBSTANTIALLY ASSISTED MENAGED.**

11 137. As discussed above, the Chase Defendants had actual knowledge of
12 Menaged's fraud and substantially assisted Menaged in defrauding DenSco by knowing that
13 Menaged was defrauding DenSco and performing routine banking services that allowed him
14 to perpetuate his fraudulent scheme.

15 138. Upon information and belief, these routine banking services included, but
16 were not limited to:

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

Accounts to his other accounts at Chase.

139. The Chase Defendants materially assisted Menaged in defrauding DenSco by instructing Menaged on how to circumvent Chase and government procedures to avoid scrutiny when he engaged in these cash transactions.

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

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

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

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

144. The Chase Defendants also substantially assisted Menaged's fraud by facilitating Menaged's gambling with DenSco Loan Proceeds.

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

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

147. The Chase Defendants assisted Menaged in defrauding DenSco by helping him use DenSco Loan Proceeds in the AZHF account for gambling purposes.

148. Menaged's AZHF debit card had a spending limit and Chase would decline

1 the card when Menaged exceeded the limit at the casino.

2 149. The Chase Defendants assisted Menaged in defrauding DenSco by increasing
3 the spending limits on Menaged's AZHF debit card to approximately \$40,000 so he could
4 gamble at casinos with the DenSco Loan Proceeds without Chase's fraud prevention
5 department flagging the account or declining his debit card.

6 150. Upon Menaged's request, the Chase Defendants assisted Menaged in
7 defrauding DenSco by contacting the Chase debit-card fraud prevention department to
8 remove suspensions or "flags" on the AZHF debit card due to the high dollar amounts that
9 were being charged at casinos so that he could gamble with the DenSco Loan Proceeds.

10 151. The Chase Defendants also assisted Menaged in defrauding DenSco by
11 initiating outgoing wire transfers and issuing cashier's checks from the DenSco Loan
12 Proceeds in Menaged's AZHF account to various casinos.

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

16 153. The Chase Defendants also assisted Menaged in defrauding DenSco by
17 confirming with various casinos that the cashier's checks or wire transfers from AZHF's
18 account were legitimate, if the casinos called them to verify the transactions.

19 154. The Chase Defendants also assisted Menaged in defrauding DenSco because
20 even though the Chase Defendants knew the DenSco Loan Proceeds were to be used for the
21 purchase of Identified Properties at trustee's sales, the Chase Defendants transferred
22 DenSco Loan Proceeds funds from AZHF's account into other accounts held by Menaged
23 personally and by his other businesses, for Menaged's own use.

24 155. The Chase Defendants substantially assisted Menaged's fraud by not
25 following its own policies and procedures.

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

1 157. The Chase Defendants routinely and intentionally “over-rode” holds on the
2 AZHF account to allow them to immediately issue cashier’s checks after Chase received
3 DenSco’s wire transfer.

4 158. Upon information and belief, Chase ordinarily had a policy for a 5-7 day hold
5 on redeposited cashier’s checks. Against its own policy, Chase routinely and intentionally
6 “over-rode” those holds to allow Menaged to immediately use the redeposited DenSco Loan
7 Proceeds for his own gain. Thus, Chase would release these holds so that the funds were
8 immediately available to Menaged for his own personal use.

9 159. It was also contrary to Chase’s policy to issue cashier’s checks by email
10 request. Upon information and belief, Chase’s policy required the account holder to be at
11 the bank in person to sign the required documentation to obtain a cashier’s check. Chase
12 ignored that policy and issued cashier’s checks to Menaged based upon his email requests.

13 160. The Chase Defendants also substantially assisted Menaged in defrauding
14 DenSco by continuing to furnish routine banking services to Menaged, despite:

- 15 a. knowing the AZHF business account was for the purchase of
16 Identified Properties at trustee’s sales;
- 17 b. knowing DenSco loaned the DenSco Loan Proceeds to AZHF for
18 purchasing properties at trustee’s sales;
- 19 c. knowing Menaged was assuring DenSco the DenSco Loan Proceeds
20 were being used to purchase properties at trustee’s sales; and
- 21 d. knowing that Menaged instead used the DenSco Loan Proceeds for his
22 own personal use.

23 161. Without the material and substantial assistance that the Chase Defendants
24 provided to Menaged, Menaged could not have operated his fraudulent scheme against
25 DenSco from April of 2014 through June 2015.

 162. The Chase Defendants intended to assist Menaged in this scheme because
Menaged moved millions of dollars through his accounts at Chase, and therefore, the Chase

1 Defendants had a financial motive to maintain Menaged's business.

2 163. The Chase Defendants benefited from Menaged's fraudulent scheme by,
3 among other things, maintaining Menaged's business accounts.

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

7 165. The Chase Defendants, through their actions as described above, consciously
8 pursued a course of conduct knowing that it created a substantial risk of significant harm to
9 others, including DenSco.

10 166. Because the Chase Defendants aided and abetted Menaged in defrauding
11 DenSco, DenSco was damaged in an amount to be proved at trial, but no less than
12 \$1,000,000.00.

13 **COUNT ONE**

14 **(Aiding and Abetting: US Bank; Chavez)**

15 167. DenSco re-alleges and reincorporates paragraphs 1 through 166 of this
16 Complaint as if fully set forth herein.

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

19 169. The US Bank Defendants were aware that Menaged was engaging in such
20 conduct.

21 170. The US Bank Defendants provided substantial assistance or encouragement to
22 Menaged with the intent of promoting Menaged's fraudulent conduct.

23 **COUNT TWO**

24 **(Aiding and Abetting: Chase; Nelson; Dadlani)**

25 171. DenSco re-alleges and reincorporates paragraphs 1 through 170 of this
Complaint as if fully set forth herein.

172. Menaged was engaged in fraudulent conduct for which he would be liable to
DenSco.

173. The Chase Defendants were aware that Menaged was engaging in such conduct.

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

PRAAYER FOR RELIEF

Wherefore, based upon the foregoing, Plaintiff prays for judgment against Defendants as follows:

- A. For an award of compensatory damages against U.S. Bank, N.A. in an amount to be determined at trial.
- B. For an award of compensatory damages against Defendants Hilda Chavez and John Doe Chavez, wife and husband, in an amount to be determined at trial.
- C. For an award of compensatory damages against J.P. Morgan Chase Bank, N.A. to be determined at trial;
- D. For an award of compensatory damages against Defendants Samantha Nelson and Kristofer Nelson, wife and husband, in an amount to be determined at trial.
- E. For an award of compensatory damages against Defendants Vikram Dadlani and Jane Doe Dadlani, husband and wife, in an amount to be determined at trial.
- F. For an award of punitive damages;
- G. For an award of prejudgment interest and costs;
- H. For such other and further relief as this Court deems just and proper under the circumstances.

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DATED this ____ day of August, 2019.

**Bergin, Frakes, Smalley & Oberholtzer,
PLLC**

A handwritten signature in black ink, appearing to read 'K Frakes', written over a horizontal line.

Ken Frakes
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