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*Attorney for Defendant Samantha Nelson f/k/a Samantha Kumbaleck*

**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  
SAMANTHA NELSON F/K/A  
SAMANTHA KUMBALECK**

(Assigned to the Honorable Daniel Martin)

Defendant Samantha Nelson (“Nelson”), by and through her undersigned counsel,  
and for her 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:** Nelson lacks knowledge or information sufficient to form a belief  
8 as 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:** Nelson lacks knowledge or information sufficient to form a belief  
14 as to the truth of the allegations in Paragraph 2, which therefore has the effect of a denial  
15 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

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

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

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

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

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

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

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

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

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

24           8.       At all times material hereto Defendant Chavez was acting for, and on behalf  
25 of, the marital community. Plaintiff does not know the true name of the defendant  
26 denominated as John Doe Chavez but will substitute the true name of the party prior to  
27 entry of judgment.  
28

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

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

8           **RESPONSE:** Nelson admits that Chase is a national banking association and that  
9 it is authorized to do business and conducts business in Maricopa County, Arizona.  
10 Nelson lacks knowledge and information sufficient to form a belief as to the truth of the  
11 remaining allegations in Paragraph 9, which therefore has the effect of a denial pursuant  
12 to Ariz. R. Civ. P. 8(c)(5).

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

16           **RESPONSE:** Nelson admits the allegations in Paragraph 10.

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

19           **RESPONSE:** Paragraph 11 contains legal conclusions to which no response is  
20 required. To the extent a response is required, Nelson denies the allegations in Paragraph  
21 11.

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

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

27           13. At all times alleged Defendant Vikram Dadlani was acting for, and on  
28 behalf of, the marital community. Plaintiff does not know the true name of the defendant

1 denominated as Jane Doe Dadlani but will substitute the true name of the party prior to  
2 entry of judgment.

3 **RESPONSE:** Paragraph 13 contains legal conclusions to which no response is  
4 required. To the extent a response is required, Nelson lacks knowledge and information  
5 sufficient to form a belief as to the truth of the allegations in Paragraph 13, which  
6 therefore has the effect of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

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

9 **RESPONSE:** Because Nelson denies that the Receiver has standing to bring the  
10 claims asserted in the Complaint, Nelson denies the allegations in Paragraph 14.

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

13 **RESPONSE:** Because Nelson denies that Plaintiff has standing to bring the claims  
14 asserted in the Complaint, Nelson denies the allegations in Paragraph 15.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26           23.     In the first fraudulent scheme (the "First Fraud"), Menaged executed  
27 multiple promissory notes, deeds of trust and other documents from DenSco and other  
28 hard money lenders with the knowledge that he was soliciting two separate loans from

1 two separate lenders who unbeknownst to each other believed that they were the only  
2 lender and would be the only secured creditor in first position.

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

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

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

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

16 **RESPONSE:** Nelson lacks knowledges or information sufficient to form a belief  
17 as to the truth of the allegations in Paragraph 25, which therefore has the effect of a denial  
18 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

22 **RESPONSE:** Nelson lacks knowledges or information sufficient to form a belief  
23 as to the truth of the allegations in Paragraph 26, which therefore has the effect of a denial  
24 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

1           **RESPONSE:** Nelson lacks knowledges or information sufficient to form a belief  
2 as to the truth of the allegations in Paragraph 27, which therefore has the effect of a denial  
3 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

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

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

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

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

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

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

25           **RESPONSE:** Paragraph 31 states a legal conclusion that does not call for a  
26 response. To the extent a response is required, Nelson lacks knowledge and information  
27 sufficient to form a belief as to the truth of the allegations in Paragraph 31. which  
28 therefore has the effect of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).



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

4           **RESPONSE:** Paragraph 32 states a legal conclusion that does not call for a  
5 response. To the extent a response is required, Nelson lacks knowledge or information  
6 sufficient to form a belief as to the truth of the allegations in Paragraph 32, which  
7 therefore has the effect of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

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

11           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
12 as to the truth of the allegations in Paragraph 33, which therefore has the effect of a denial  
13 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

17           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
18 as to the truth of the allegations in Paragraph 34, which therefore has the effect of a denial  
19 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

25           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
26 as to the truth of the allegations in Paragraph 35, which therefore has the effect of a denial  
27 pursuant to Ariz. R. Civ. P. 8(c)(5).  
28

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

3           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
4 as to the truth of the allegations in Paragraph 36, which therefore has the effect of a denial  
5 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

8           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
9 as to the truth of the allegations in Paragraph 37, which therefore has the effect of a denial  
10 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

13           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
14 as to the truth of the allegations in Paragraph 38, which therefore has the effect of a denial  
15 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

18           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
19 as to the truth of the allegations in Paragraph 39, which therefore has the effect of a denial  
20 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

23           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
24 as to the truth of the allegations in Paragraph 40, which therefore has the effect of a denial  
25 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

1           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
2 as to the truth of the allegations in Paragraph 41, which therefore has the effect of a denial  
3 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

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

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

14          **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
15 as to the truth of the allegations in Paragraph 43, which therefore has the effect of a denial  
16 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

20          **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
21 as to the truth of the allegations in Paragraph 44, which therefore has the effect of a denial  
22 pursuant to Ariz. R. Civ. P. 8(c)(5).

23          45.     Chittick breached his fiduciary duties to DenSco and its investors by  
24 causing DenSco to (i) make 2,712 new loans to Menaged after the First Fraud for which  
25 DenSco has suffered losses in excess of \$25 million; (ii) obtain more than \$15 million  
26 from investors who were never told of Chittick's mismanagement of DenSco, the First  
27 Fraud, and the Forbearance Agreement; and (iii) misdirect investors' money to fund the  
28

1 “work out” contemplated by the Forbearance Agreement rather than use the money as  
2 promised to investors when they invested.

3 **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
4 as to the truth of the allegations in Paragraph 45, which therefore has the effect of a denial  
5 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

8 **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
9 as to the truth of the allegations in Paragraph 46, which therefore has the effect of a denial  
10 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

16 **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
17 as to the truth of the allegations in Paragraph 47, which therefore has the effect of a denial  
18 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

23 **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
24 as to the truth of the allegations in Paragraph 48, which therefore has the effect of a denial  
25 pursuant to Ariz. R. Civ. P. 8(c)(5).

26 49. As part of the Second Fraud, Menaged obtained a total of over 1,400 loans  
27 from DenSco between January 2014 and June 2016. However, Menaged did not use these  
28

1 loan proceeds for the purpose for which they were intended—to actually purchase real  
2 estate at a trustees’ sale or otherwise.

3 **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
4 as to the truth of the allegations in Paragraph 49, which therefore has the effect of a denial  
5 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

8 **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
9 as to the truth of the allegations in Paragraph 50, which therefore has the effect of a denial  
10 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

16 **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
17 as to the truth of the allegations in Paragraph 51, which therefore has the effect of a denial  
18 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

23 **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
24 as to the truth of the allegations in Paragraph 52, which therefore has the effect of a denial  
25 pursuant to Ariz. 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:** Nelson 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:** Nelson 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:** Nelson lacks knowledge and information sufficient to form a belief  
11 as to the truth of the allegations in Paragraph 55, which therefore has the effect of a denial  
12 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

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

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

20          **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
21 as to the truth of the allegations in Paragraph 57, which therefore has the effect of a denial  
22 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

25          **RESPONSE:** Paragraph 58 contains legal conclusions to which no response is  
26 required. To the extent a response is required, Nelson lacks knowledge and information  
27 sufficient to form a belief as to the truth of the allegations in Paragraph 58, which  
28 therefore has the effect of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

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:** Nelson 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:** Nelson 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:** Paragraph 61 contains legal conclusions to which no response is  
15 required. To the extent a response is required, Nelson lacks knowledge and information  
16 sufficient to form a belief as to the truth of the allegations in Paragraph 61, which  
17 therefore has the effect of a denial pursuant to Ariz. R. Civ. P. 8(c)(5).

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

19          **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
20 as to the truth of the allegations in Paragraph 62, which therefore has the effect of a denial  
21 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:** Nelson lacks knowledge and information sufficient to form a belief  
25 as to the truth of the allegations in Paragraph 63, which therefore has the effect of a denial  
26 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

4           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
5     as to the truth of the allegations in Paragraph 64, which therefore has the effect of a denial  
6     pursuant to Ariz. R. Civ. P. 8(c)(5).

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

9           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
10    as to the truth of the allegations in Paragraph 65, which therefore has the effect of a denial  
11    pursuant to Ariz. R. Civ. P. 8(c)(5).

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

15          **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
16    as to the truth of the allegations in Paragraph 66, which therefore has the effect of a denial  
17    pursuant to Ariz. R. Civ. P. 8(c)(5).

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

21          **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
22    as to the truth of the allegations in Paragraph 67, which therefore has the effect of a denial  
23    pursuant to Ariz. R. Civ. P. 8(c)(5).

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

25          **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
26    as to the truth of the allegations in Paragraph 68, which therefore has the effect of a denial  
27    pursuant to Ariz. R. Civ. P. 8(c)(5).

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



1           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
2 as to the truth of the allegations in Paragraph 69, which therefore has the effect of a denial  
3 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

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

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

13          **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
14 as to the truth of the allegations in Paragraph 71, which therefore has the effect of a denial  
15 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

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

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

25          **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
26 as to the truth of the allegations in Paragraph 73, which therefore has the effect of a denial  
27 pursuant to Ariz. R. Civ. P. 8(c)(5).  
28

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

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

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

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

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

14          **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
15 as to the truth of the allegations in Paragraph 76, which therefore has the effect of a denial  
16 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

18          **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
19 as to the truth of the allegations in Paragraph 77, which therefore has the effect of a denial  
20 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

23          **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
24 as to the truth of the allegations in Paragraph 78, which therefore has the effect of a denial  
25 pursuant to Ariz. R. Civ. P. 8(c)(5).

26          79.     By December 2016, the Receiver understood the general nature of the  
27 Second Fraud but did not yet know the full extent of it.  
28

1           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
2 as to the truth of the allegations in Paragraph 79, which therefore has the effect of a denial  
3 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

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

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

13           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
14 as to the truth of the allegations in Paragraph 81, which therefore has the effect of a denial  
15 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

19           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
20 as to the truth of the allegations in Paragraph 82, which therefore has the effect of a denial  
21 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

1           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
2 as to the truth of the allegations in Paragraph 83, which therefore has the effect of a denial  
3 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

9           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
10 as to the truth of the allegations in Paragraph 84, which therefore has the effect of a denial  
11 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

15           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
16 as to the truth of the allegations in Paragraph 85, which therefore has the effect of a denial  
17 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

19           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
20 as to the truth of the allegations in Paragraph 86, which therefore has the effect of a denial  
21 pursuant to Ariz. R. Civ. P. 8(c)(5).

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

24           **RESPONSE:** Nelson lacks knowledge or information sufficient to form a belief  
25 as to the truth of Paragraph 87's allegations concerning what Menaged could or could not  
26 have done on his own, which therefore has the effect of a denial pursuant to Ariz. R. Civ.  
27 P. 8(c)(5). Answering further, Nelson denies the allegations in Paragraph 87 to the extent  
28 they allege that Nelson was, in fact, involved in any alleged scheme.

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

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

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

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

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

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

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

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

22          92.     US Bank and Defendant Chavez may be referred to as "the US Bank  
23 Defendants."

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

27          93.     From December 2012 through May 2016, Menaged emailed DenSco a list  
28 of Identified Properties that were in foreclosure proceedings. Menaged intentionally

1 misrepresented that he (or his company) attended the various trustee's sale public auctions  
2 and was the winning bidder to purchase the Identified Properties.

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

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

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

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

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

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

- 18           a. The name of the originator: "DenSco Investment Corp";  
19           b. The name of the recipient: "Easy Investments, LLC"; and  
20           c. The amount of the DenSco loan transferred to Menaged for the purchase of  
21 the Identified Properties.

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

25       97. Upon information and belief, nearly all funds in Menaged's Easy  
26 Investments account at US Bank consisted of the DenSco Loan Proceeds made to  
27 Menaged to purchase the Identified Properties.  
28

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

4           98.     The US Bank Defendants knew almost all of the funds in Menaged's Easy  
5 Investments account at US Bank consisted of the DenSco Loan Proceeds because they  
6 accepted the wire transfers from DenSco, kept records of Easy Investments' account, and  
7 compiled this information in the US Bank bank statements evidencing this.

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

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

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

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

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

22          101.    The amount of the cashier's checks that the US Bank Defendants created  
23 for Menaged were equal to the amount of the DenSco Loan Proceeds that DenSco wired  
24 to Menaged's Easy Investments account on or about that particular day, less the  
25 \$10,000.00 deposit that Menaged would have had to deposit with the trustee as the  
26 winning bidder.

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

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

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

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

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

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

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

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

25           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
26 as to the truth of the allegations in Paragraph 105, which therefore has the effect of a  
27 denial pursuant to Ariz. R. Civ. P. 8(c)(5).  
28



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

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

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

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

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

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

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

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

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

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

28

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

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

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

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

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

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

24           114. Menaged and the US Bank Defendants worked together to create,  
25 photograph, and then immediately redeposit at least 41 cashier's checks in the total  
26 amount of \$6,931,048.00, which allowed Menaged to use the DenSco Loan Proceeds for  
27 his own personal benefit.  
28

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

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

6           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
7 as to the truth of the allegations in Paragraph 115, which therefore has the effect of a  
8 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

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

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

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

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

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

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

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

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

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

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

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

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

27           122. Fourth, the US Bank Defendants knew that Menaged was not using the  
28 DenSco Loan Proceeds to complete the purchase of the Identified Properties, but rather

1 to perpetuate his fraud, because the US Bank Defendants would immediately redeposit  
2 the cashier's checks back into the Easy Investments account for him.

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

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

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

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

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

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

1           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
2 as to the truth of the allegations in Paragraph 125, which therefore has the effect of a  
3 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

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

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

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

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

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

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

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

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

13           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
14 as to the truth of the allegations in Paragraph 129, which therefore has the effect of a  
15 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

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

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

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

26           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
27 as to the truth of the allegations in Paragraph 131, which therefore has the effect of a  
28 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

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:** Nelson lacks knowledge and information sufficient to form a belief  
13 as to the truth of the allegations in Paragraph 132, which therefore has the effect of a  
14 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

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

18           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
19 as to the truth of the allegations in Paragraph 133, which therefore has the effect of a  
20 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

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

25           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
26 as to the truth of the allegations in Paragraph 134, which therefore has the effect of a  
27 denial pursuant to Ariz. R. Civ. P. 8(c)(5).  
28



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

3           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
4 as to the truth of the allegations in Paragraph 135, which therefore has the effect of a  
5 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

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

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

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

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

19           138. Because the US Bank Defendants aided and abetted Menaged in defrauding  
20 DenSco, DenSco was damaged in an amount to be proved at trial, but no less than  
21 \$1,000,000.00.

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

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

27           **RESPONSE:** Nelson admits that AZHF had an account with Chase. Nelson lacks  
28 knowledge and information sufficient to form a belief as to the truth of the remaining

1 allegations in Paragraph 139, which therefore has the effect of a denial pursuant to Ariz.  
2 R. Civ. P. 8(c)(5).

3 140. Upon information and belief, Menaged banked at Chase's branch located at  
4 8999 East Shea Boulevard, Scottsdale, Arizona.

5 **RESPONSE:** Nelson admits the allegations in Paragraph 140.

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

10 **RESPONSE:** Nelson denies the allegations in Paragraph 141 that pertain to  
11 Nelson. Nelson lacks knowledge and information sufficient to form a belief as to the  
12 truth of the remaining allegations in Paragraph 141, which therefore has the effect of a  
13 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

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

16 **RESPONSE:** Nelson admits that she assisted Menaged in her role as a Chase  
17 employee. Nelson lacks knowledge and information sufficient to form a belief as to the  
18 truth of the remaining allegations in Paragraph 142, which therefore has the effect of a  
19 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

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, Nelson 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.

1           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
2 as to the truth of the allegations in Paragraph 144, which therefore has the effect of a  
3 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

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

6           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
7 as to the truth of the allegations in Paragraph 145, which therefore has the effect of a  
8 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

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

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

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

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

19           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
20 as to the truth of the allegations in Paragraph 147, which therefore has the effect of a  
21 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

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

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

27           149. The Chase Defendants knew that most of the funds in Menaged's Easy  
28 AZHF account at Chase consisted of the DenSco Loan Proceeds because Chase accepted

1 the wire transfers from DenSco, kept records of AZHF's account transactions, and  
2 compiled this information in the Chase bank statements evidencing this.

3 **RESPONSE:** Nelson denies the allegations in Paragraph 149.

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

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

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

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

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

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

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

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

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

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

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

18           **RESPONSE:** Nelson denies the allegations in Paragraph 155.

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

22           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
23 as to the truth of the allegations in Paragraph 156, which therefore has the effect of a  
24 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

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

27           **RESPONSE:** Nelson denies the allegations in Paragraph 157.  
28

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

3           **RESPONSE:** Nelson denies the allegations in Paragraph 158.

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

7           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
8 as to the truth of the allegations in Paragraph 159, which therefore has the effect of a  
9 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

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

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

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

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

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

26          163. To provide these assurances to DenSco, Menaged would take photos of the  
27 cashier's checks and electronically send the photos to DenSco.  
28

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

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

6           **RESPONSE:** Nelson admits that Menaged at times took photos of cashier's  
7 checks. Nelson denies the remaining allegations in Paragraph 164.

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

12           **RESPONSE:** Nelson denies the allegations in Paragraph 165.

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

16           **RESPONSE:** Nelson denies the allegations in Paragraph 166.

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

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

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

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

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

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

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

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

12           171. Menaged and the Chase Defendants worked together to create, photograph,  
13 and then immediately redeposit at least 1,349 cashier's checks, in the total amount of  
14 \$312,108,679.00, which Menaged used for his personal benefit.

15           **RESPONSE:** Nelson denies the allegations in Paragraph 171.

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

18           **RESPONSE:** Nelson denies the allegations in Paragraph 172.

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

22           **RESPONSE:** Nelson denies the allegations in Paragraph 173.

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

26           **RESPONSE:** Nelson denies the allegations in Paragraph 174.



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

4 **RESPONSE:** Nelson denies the allegations in Paragraph 175.

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

8 **RESPONSE:** Nelson denies the allegations in Paragraph 176.

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

14 **RESPONSE:** Nelson denies the allegations in Paragraph 177.

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

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

25 **RESPONSE:** Nelson denies the allegations in Paragraph 178.

26 179. The Chase Defendants knew that Menaged was using the cashier's checks  
27 to provide false assurances to DenSco because (1) a Chase Defendant had asked Menaged  
28 why he would take pictures of the cashier's checks; (2) Menaged told her that he was

1 sending photos of the cashier's checks to DenSco to provide assurances to DenSco that  
2 the DenSco funds were actually being used to purchase the Identified Properties; and (3)  
3 the Chase Defendants redeposited the checks back into Menaged's AZHF's account.

4 **RESPONSE:** Nelson denies the allegations in Paragraph 179.

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

12 **RESPONSE:** Nelson denies the allegations in Paragraph 180.

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

15 **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
16 as to the truth of the allegations in Paragraph 181, which therefore has the effect of a  
17 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

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

22 **RESPONSE:** Nelson denies the allegations in Paragraph 182.

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

1           **RESPONSE:** Nelson denies the allegations in Paragraph 183.

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

6           **RESPONSE:** Nelson denies the allegations in Paragraph 184.

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

12           **RESPONSE:** Nelson denies the allegations in Paragraph 185.

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

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

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

20           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
21 as to the truth of the allegations in Paragraph 187, which therefore has the effect of a  
22 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

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

26           **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
27 as to the truth of the allegations in Paragraph 188, which therefore has the effect of a  
28 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

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

5           **RESPONSE:** Nelson denies the allegations in Paragraph 189.

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

13           **RESPONSE:** Nelson denies the allegations in Paragraph 190.

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

20           **RESPONSE:** Nelson denies the allegations in Paragraph 191.

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

25           **RESPONSE:** Nelson denies the allegations in Paragraph 192.

26           193. Upon information and belief, these routine banking services included, but  
27 were not limited to:  
28

- a. accepting wires from DenSco knowing that the funds were not going to be used for their intended purpose of purchasing homes in foreclosure proceedings;
- b. creating cashier's checks knowing that they consisted of DenSco Loan Proceeds and that they were not going to be used for their intended purposes of purchasing homes in foreclosure proceedings;
- c. redepositing the cashier's checks for Menaged into his accounts knowing that they consisted of DenSco Loan Proceeds and that 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.

**RESPONSE:** Nelson denies the allegations in Paragraph 193.

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

**RESPONSE:** Nelson denies the allegations in Paragraph 194.

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

**RESPONSE:** Nelson denies the allegations in Paragraph 195.

196. 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.

**RESPONSE:** Nelson denies the allegations in Paragraph 196.

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

4           **RESPONSE:** Nelson denies the allegations in Paragraph 197.

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

9           **RESPONSE:** Nelson denies the allegations in Paragraph 198.

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

12          **RESPONSE:** Nelson denies the allegations in Paragraph 199.

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

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

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

21          **RESPONSE:** Nelson denies the allegations in Paragraph 201.

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

24          **RESPONSE:** Nelson denies the allegations in Paragraph 202.

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

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

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

8           **RESPONSE:** Nelson denies the allegations in Paragraph 204.

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

13           **RESPONSE:** Nelson denies the allegations in Paragraph 205.

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

17           **RESPONSE:** Nelson denies the allegations in Paragraph 206.

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

21           **RESPONSE:** Nelson denies the allegations in Paragraph 207.

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

25           **RESPONSE:** Nelson denies the allegations in Paragraph 208.

26           209. The Chase Defendants also assisted the Second Fraud because even though  
27 the Chase Defendants knew the DenSco Loan Proceeds were to be used for the purchase  
28 of Identified Properties at trustee's sales, the Chase Defendants transferred DenSco Loan

1 Proceeds funds from AZHF's account into other accounts held by Menaged personally  
2 and by his other businesses, for Menaged's own use.

3 **RESPONSE:** Nelson denies the allegations in Paragraph 209.

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

6 **RESPONSE:** Nelson denies the allegations in Paragraph 210.

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

9 **RESPONSE:** Nelson lacks knowledge and information sufficient to form a belief  
10 as to the truth of the allegations in Paragraph 211, which therefore has the effect of a  
11 denial pursuant to Ariz. R. Civ. P. 8(c)(5).

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

15 **RESPONSE:** Nelson denies the allegations in Paragraph 212.

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

21 **RESPONSE:** Nelson denies the allegations in Paragraph 213.

22 214. It was also contrary to Chase's policy to issue cashier's checks by email  
23 request. Upon information and belief, Chase's policy required the account holder to be at  
24 the bank in person to sign the required documentation to obtain a cashier's check. Chase  
25 ignored that policy and issued cashier's checks to Menaged based upon his email requests.

26 **RESPONSE:** Nelson denies the allegations in Paragraph 214.

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



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

**RESPONSE:** Nelson denies the allegations in Paragraph 215.

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

**RESPONSE:** Nelson denies the allegations in Paragraph 216.

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

**RESPONSE:** Nelson denies the allegations in Paragraph 217.

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

**RESPONSE:** Nelson denies the allegations in Paragraph 218.

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

**RESPONSE:** Nelson denies the allegations in Paragraph 219.

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

**RESPONSE:** Nelson denies the allegations in Paragraph 220.

1           221. Because the Chase Defendants aided and abetted Menaged in defrauding  
2 DenSco, DenSco was damaged in an amount to be proved at trial, but no less than  
3 \$1,000,000.00.

4           **RESPONSE:** Nelson denies the allegations in Paragraph 221.

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

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

8           **RESPONSE:** Paragraph 222 does not call for a response from Nelson. To the  
9 extent a response is required, Nelson re-asserts and incorporates herein her responses to  
10 Paragraphs 1 through 221 above.

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

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

17           224. The US Bank Defendants were aware that Menaged was engaging in such  
18 conduct.

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

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

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

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

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

**RESPONSE:** Nelson re-asserts and incorporates herein her responses to Paragraphs 1 through 225 above.

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

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

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

**RESPONSE:** Nelson denies the allegations in Paragraph 228.

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

**RESPONSE:** Nelson denies the allegations in Paragraph 229.

230. 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.

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

4 F. For an award of punitive damages;

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

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

8 **RESPONSE:** Nelson denies the allegations in Paragraph 230, including that  
9 DenSco is entitled to damages from Nelson.

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

14 **DENIAL OF ALLEGATIONS AND AFFIRMATIVE DEFENSES**

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

22 **First Affirmative Defense**

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

1 third-party claims for aiding and abetting on behalf of the entity because the corporation  
2 cannot be said to have suffered an injury from the scheme it helped to perpetrate.

3 **Second Affirmative Defense**

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

7 **Third Affirmative Defense**

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

11 **Fourth Affirmative Defense**

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

15 **Fifth Affirmative Defense**

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

19 **Sixth Affirmative Defense**

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

23 **Seventh Affirmative Defense**

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

27 **Eighth Affirmative Defense**

28 The Receiver's claim is barred in whole or in part by the doctrine of *in pari delicto*.

1 Any injury alleged herein is at least equally the fault of DenSco's own misconduct and  
2 mismanagement of funds.

3 **Ninth Affirmative Defense**

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

7 **Tenth Affirmative Defense**

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

13 **Eleventh Affirmative Defense**

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

17 **Twelfth Affirmative Defense**

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

25 **Thirteenth Affirmative Defense**

26 The Receiver's claim may be barred in whole or in part by the doctrines of res  
27 judicata, estoppel, issue preclusion, and/or claim preclusion to the extent that they and/or  
28

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 Samantha Nelson f/k/a  
Samantha Kumbaleck

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

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

Hon. Daniel Martin

COPY of the foregoing served via  
TurboCourt e-Service and E-Mail this 7th  
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