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8
9 **IN THE SUPERIOR COURT OF THE STATE OF ARIZONA**

10 **IN AND FOR THE COUNTY OF MARICOPA**

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

13 Plaintiff,

14 v.

15 US Bank, N.A., a national banking
organization; Hilda H. Chavez and John
16 Doe Chavez, a married couple; JP
Morgan Chase Bank, N.A., a national
17 banking organization; Samantha Nelson
f/k/a Samantha Kumbaleck and Kristofer
18 Nelson, a married couple; and Vikram
Dadlani and Jane Doe Dadlani, a
married couple,

19 Defendants.

No. CV2019-011499

SECOND AMENDED COMPLAINT

(Assigned to Hon. Daniel Martin)

20 For his Complaint against Defendants, Plaintiff Peter S. Davis, as the court-
21 appointed receiver of DenSco Investment Corporation (“Plaintiff” or “Receiver”),
22 alleges as follows.

23 **SUMMARY OF PLAINTIFF’S CLAIMS**

24 1. From July 2001 to July 2016, DenSco Investment Corporation
25 (“DenSco”) raised approximately \$85 million from investors. Among other things,
26

1 DenSco told its investors that (i) it would make short-term “hard money” loans to
2 “foreclosure specialists” who were buying foreclosed homes, and (ii) the loans would be
3 “secured through first position trust deeds” so that DenSco would, in the event a
4 borrower defaulted, recover the loaned funds by taking possession of the property.

5 2. Yomtov Scott Menaged (“Menaged”) defrauded DenSco in two distinct
6 frauds. In the first fraud, which ended in the latter half of 2013, Menaged borrowed
7 money from both DenSco and another lender, using the same property as security,
8 leaving DenSco undersecured on hundreds of properties. Menaged used the funds he
9 borrowed from DenSco for his own purposes.

10 3. In early 2014, Densco established new procedures to ensure Menaged
11 used its loans to acquire property that would be secured by first position loans by,
12 among other things, wiring monies to accounts that Menaged maintained with
13 Defendant US Bank, N.A. and Defendant JP Morgan Chase Bank, N.A., respectively,
14 and then having Menaged provide copies of cashier’s checks that on their face were to
15 be used to purchase specific properties. In the second fraud, Menaged evaded these
16 procedures by not using these checks for their intended purpose, immediately
17 redepositing them and converting the funds for his personal use.

18 4. Defendant banks and their named employees knew of Menaged’s tortious
19 and criminal conduct. Nearly every business day between January 2014 and June 2015,
20 for more than 1,400 transactions, Defendants substantially assisted, authorized, ratified
21 and recklessly tolerated Menaged’s unlawful conduct.

22 5. Defendants knew Menaged was in the business of purchasing foreclosed
23 properties and that DenSco wired Menaged monies to issue as cashier’s checks for the
24 specific purpose of purchasing foreclosed properties on DenSco’s behalf.

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1 6. Defendants knew Menaged did not use these funds for their intended
2 purpose, as, almost immediately after they were issued, Menaged re-deposited these
3 cashier's checks, later using these monies for personal expenses unrelated to DenSco.

4 7. Defendants substantially assisted and recklessly tolerated Menaged's
5 unlawful conduct by, among other things, preparing a cashier's check for each
6 transaction, stamping on the back of most of the checks "Not Used for Intended
7 Purposes," observing Menaged or his agent photograph the fronts of the checks,
8 preparing deposit slips and assisting Menaged in re-depositing the cashier's checks
9 immediately after the photos had been taken, and assisting Menaged use these funds, by,
10 among other things, avoiding bank policies to facilitate immediate cash withdrawals,
11 transferring monies to Menaged's personal accounts, and helping him use these funds to
12 pay various casinos.

13 8. Through their knowledge and substantial assistance, Defendants aided and
14 abetted Menaged in defrauding DenSco, converting DenSco's monies and breaching his
15 fiduciary duties to DenSco and its investors.

16 9. Menaged defrauded DenSco, committed theft of its property, and
17 laundered the monies DenSco wired to him to purchase these properties. Defendants
18 transacted, transferred or received DenSco's monies knowing that they belonged to
19 DenSco and not Menaged, and that those monies were the proceeds of Menaged's theft,
20 fraud scheme and money laundering. Defendants authorized, ratified or recklessly
21 tolerated Menaged's unlawful conduct and are therefore liable under Arizona's civil
22 racketeering laws for Menaged's conduct.

23 10. Plaintiff brings this action to recover compensatory damages for the
24 financial losses DenSco suffered as a result of Defendants' aiding and abetting
25 Menaged's fraud, conversion, and breaches of fiduciary duty, and Defendants' civil
26 racketeering.

1 **PARTIES, JURISDICTION, AND VENUE**

2 11. DenSco is an Arizona corporation that began operating in April 2001. Its
3 primary business was making short-term, high-interest loans to “foreclosure specialists”
4 who bought homes that were being foreclosed upon, usually through a trustee’s sale.
5 DenSco’s office was in Chandler, Arizona.

6 12. Denny Chittick (“Chittick”) was DenSco’s sole shareholder. He was the
7 Company’s only Director, served as its President, Vice President, Treasurer, and
8 Secretary, and was its only employee.

9 13. Plaintiff was appointed as DenSco’s Receiver in *Arizona Corporation*
10 *Commission v. DenSco Investment Corporation, an Arizona Corporation*, Maricopa
11 County Superior Court, Case No. CV2016-014142 (the “Receivership Court”). He has
12 obtained approval from the Receivership Court to pursue this action.

13 14. Defendant US Bank, N.A. is a national banking association that is
14 authorized to conduct business in the State of Arizona and which maintains branches in
15 Maricopa County, among other places.

16 15. Defendant Hilda Chavez was an employee and branch manager for US
17 Bank in Maricopa County. She is an Arizona resident who is married to Defendant
18 John Doe Chavez. Hilda Chavez was acting for the benefit of her marital community
19 during the relevant time period.

20 16. Defendant JP Morgan Chase Bank, N.A. (“Chase”) is a national banking
21 association that is authorized to conduct business in the State of Arizona and which
22 maintains branches in Maricopa County, among other places.

23 17. Defendant Samantha Nelson (formerly known as Samantha Kumbaleck)
24 was an employee, assistant branch manager and branch manager for Chase in Maricopa
25 County. She is an Arizona resident who is married to Defendant Kristofer Nelson.

1 Samantha Nelson was acting for the benefit of her marital community during the
2 relevant time period.

3 18. Defendant Vikram Dadlani was a Chase employee and branch manager in
4 Maricopa County. He is married to Defendant Jane Doe Dadlani. Vikram Dadlani was
5 an Arizona resident and was acting for the benefit of his marital community during the
6 relevant time period.

7 19. This Court has subject matter jurisdiction under Article VI, § 14 of the
8 Arizona Constitution and A.R.S. § 12-123. It has personal jurisdiction over Defendants
9 because they provided professional services in Arizona to an Arizona corporation.

10 20. Venue is proper in Maricopa County under A.R.S. § 12-401 because
11 Defendants US Bank and Chase do business in Maricopa County and the acts that are
12 the subject of this action took place at bank branches located in Maricopa County.

13 **MENAGED’S FRAUD SCHEMES**

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

16 22. Upon information and belief, Menaged was the sole member of Arizona
17 Home Foreclosures, LLC (“AZHF”).

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

20 24. DenSco made “hard money loans” to Menaged, Easy Investments, and
21 AZHF for the purpose of purchasing foreclosed upon homes at trustees’ sales (the
22 “DenSco Loan Proceeds”). Menaged defrauded DenSco by not using the DenSco Loan
23 Proceeds to purchase homes at trustee’s sales, but for his personal benefit.

24 25. Menaged perpetrated two separate and distinct fraudulent schemes against
25 DenSco.

26

1 26. In the first scheme (the “First Fraud”), which ended in the latter half of
2 2013, on multiple occasions, Menaged obtained loans from DenSco and another hard
3 money lender to acquire property being sold through a trustee’s sale that was intended
4 to be secured by that property. This resulted in DenSco being undersecured on multiple
5 loans and the DenSco Loan Proceeds being used by Menaged for other purposes.
6 Menaged was able to orchestrate the First Fraud in part because Chittick funded
7 DenSco’s loans by paying the proceeds directly to Menaged rather than the trustee or
8 escrow company conducting the trustee’s sale.

9 27. Chittick discovered the First Fraud in or around November 2013.

10 28. On November 27, 2013, in a face-to-face meeting, Chittick confronted
11 Menaged about the loans he had obtained from DenSco and another hard money lender
12 for the same property. Menaged falsely said that his wife had cancer and that his
13 “cousin” had masterminded and perpetrated the First Fraud while he was distracted by
14 caring for his sick wife.

15 29. Chittick, believing Menaged’s story, agreed with Menaged that DenSco
16 would continue loaning money to Menaged’s entities so that DenSco and Menaged
17 could jointly and collaboratively “work out” the problem loans that resulted from the
18 conduct of Menaged’s cousin.

19 30. In January 2014, Chittick sought advice from DenSco’s attorney, David
20 Beauchamp (“Beauchamp”) about his plan to continue DenSco’s lending relationship
21 with Menaged’s entities.

22 31. DenSco eventually entered into a Forbearance Agreement with Menaged
23 and his entities under which DenSco would forbear its rights and remedies against
24 Menaged and those entities provided Menaged would among other things, pay certain
25 sums and take other actions to repay the amounts owed to DenSco.

1 32. In addition to negotiating and entering into the Forbearance Agreement, in
2 January 2014, Chittick took steps to protect DenSco from any further misappropriation
3 of its loan proceeds by requiring Menaged to document his receipt and use of those loan
4 proceeds, which DenSco had not previously required. Specifically, DenSco agreed to
5 continue wiring money to Menaged but required Menaged to provide, for each loan
6 made for a specific property, copies of: (i) the individual cashier's check issued by
7 Menaged's bank made payable to the respective foreclosure trustee, with DenSco's
8 name and the property address in the memo line, and (ii) the corresponding receipt
9 Menaged received from the trustee for the purchase of that property.

10 33. Chittick did not believe that Menaged had perpetrated the First Fraud and
11 continued to accept as true Menaged's stories about his wife's compromised health.
12 Chittick understood that he owed fiduciary duties to his investors, many of whom were
13 family members or friends, to recoup DenSco's losses from the First Fraud and to
14 protect DenSco from further losses. He relied on his counsel, Beauchamp, in
15 implementing these new procedures and believed they would adequately protect
16 DenSco from any further misappropriation of loan proceeds.

17 34. Menaged, however, fooled Chittick a second time and began a systematic
18 and comprehensive scheme to defraud DenSco by obtaining, but then redepositing,
19 cashier's checks, and then creating false deeds, contracts and receipts documenting the
20 fictitious purchase of real estate at a trustee's sale (the "Second Fraud"). As part of the
21 Second Fraud, Menaged obtained over 1,400 loans from DenSco beginning in January
22 2014. Menaged did not use these loan proceeds for their intended purpose—to purchase
23 real estate at a trustee's sale.

24 35. Starting in January 2014, Menaged emailed to DenSco nearly every
25 weekday a list of properties in foreclosure proceedings ("Identified Properties").
26

1 36. In those emails, Menaged misrepresented that (i) he was the winning
2 bidder on the listed properties at a trustee’s sale, (ii) his companies, Easy Investments or
3 AZHF, needed financing to purchase the Identified Properties, and (iii) he would use
4 DenSco’s loaned funds to complete the purchase of the Identified Properties.

5 37. These emails included, among other things, the addresses of the Identified
6 Properties and the purchase prices needed to be reflected in the loan amounts.

7 38. Menaged never intended to purchase the Identified Properties. Rather, he
8 intended for DenSco to rely on these material misrepresentations and wire him the
9 DenSco Loan Proceeds that he would convert for his personal use.

10 39. DenSco relied on these material misrepresentations and continued to wire
11 the DenSco Loan Proceeds to Menaged.

12 40. Menaged concealed from DenSco his scheme and his wrongful actions.

13 41. DenSco was damaged as a result of Menaged’s fraudulent scheme.

14 **THE US BANK DEFENDANTS KNEW OF, SUBSTANTIALLY ASSISTED,**
15 **AND RECKLESSLY TOLERATED MENAGED’S UNLAWFUL CONDUCT**

16 42. From December 2012 through May 2016, Menaged and Easy Investments
17 maintained a series of accounts with US Bank.

18 43. Menaged banked at US Bank’s branch located at 6611 W. Bell Road,
19 Glendale, Arizona (the “US Bank Branch”).

20 44. Chavez worked at US Bank and was the manager of the US Bank Branch.

21 45. Chavez was Menaged’s main contact at US Bank. She committed the
22 wrongful acts set forth below while conducting official US Bank business.

23 46. US Bank and Defendant Chavez may be referred to as “the US Bank
24 Defendants.”

1 47. Menaged told the US Bank Defendants that, through Easy Investments, he
2 was in the business of purchasing foreclosed homes from public auctions.

3 48. Menaged further told the US Bank Defendants that DenSco funded these
4 transactions, lending money to Easy Investments for the purpose of buying foreclosed
5 homes.

6 49. Between January 13 and April 7, 2014, DenSco wired to Menaged's Easy
7 Investments US Bank account \$7,228,002 in DenSco Loan Proceeds for the purpose of
8 issuing cashier's checks to purchase 40 separate Identified Properties.

9 50. The US Bank Defendants knew the source of these monies as each wire
10 transfer included the name of the originator -- "DenSco Investment Corporation" -- the
11 entity the US Bank Defendants knew was the funding source for Menaged's Easy
12 Investments home foreclosure business.

13 51. Approximately 78% of the deposits to Menaged's US Bank Easy
14 Investments account consisted of the DenSco Loan Proceeds wired to Menaged to
15 purchase the Identified Properties.

16 52. On or about the day DenSco wired monies to the Easy Investments
17 account, Menaged, or his assistant, Veronica Castro, visited the US Bank Branch, where
18 Chavez and other US Bank employees assisted them.

19 53. Among other things, Chavez and other US Bank employees issued
20 cashier's checks made payable to the trustee for each of the Identified Properties.

21 54. Chavez and the other US Bank employees printed on each check in the
22 memo line: "DenSco Payment [and address of the property]" or "DenSco [and address
23 of the property]".

24 55. For nearly each of the 40 checks, which totaled \$6,823,039, Menaged did
25 not use the check for its intended purpose -- the payment to the trustee for the purchase
26 of real property described on each check.

1 56. Rather, Menaged or Castro took a photo of each check while at the US
2 Bank Branch, usually in the presence of Chavez or another US Bank employee. After
3 taking these photos, Menaged or Castro had Chavez or another US Bank employee re-
4 deposit the check into his Easy Investments account.

5 57. Upon information and belief, neither Chavez nor any US Bank employee
6 asked Menaged or Castro why, at least 40 times, they undertook to have US Bank draft
7 cashier's checks clearly and expressly intended to purchase from trustees specific
8 foreclosed homes as part of Menaged's business partnership with DenSco, take photos
9 of those checks and then immediately re-deposit them. A single such transaction lacks
10 any legitimate business or banking purpose. Forty or more of them, involving nearly \$7
11 million dollars, is inexplicable.

12 58. For every one of these issued and redeposited cashier's checks, Menaged
13 or Castro emailed a photo of the check to DenSco as proof that the DenSco Loan
14 Proceeds were being used for their intended purpose. Menaged or Castro would later
15 create false trustee's sale receipts for each transaction, which included information from
16 the photograph of the cashier's check connected to the same fictitious transactions.
17 Menaged or Castro emailed these receipts to DenSco, as well. Chittick relied upon the
18 photographs of the cashier's checks and accepted these photos and sales receipts as
19 confirmation that the DenSco Loan Proceeds were being used for their intended
20 purpose.

21 59. The US Bank Defendants knew that Menaged was taking photos of the
22 checks and had to have known that he was sending them to DenSco as proof that the
23 DenSco Loan Proceeds were being used for their intended purpose. And the US Bank
24 Defendants knew that Menaged used the DenSco Loan Proceeds for his personal benefit
25 and for the benefit of his other businesses, as they assisted him in obtaining large cash
26 withdrawals of the re-deposited funds and transferring those funds to his personal US

1 Bank accounts, and were otherwise aware that he used these funds to pay off personal
2 credit card debt and to fund unrelated business activities.

3 60. Upon information and belief, Menaged requested and the US Bank
4 Defendants agreed to change US Bank policies at the US Bank Branch, keeping on hand
5 as much as \$20,000 in cash to accommodate Menaged's withdrawal requests.

6 61. Upon information and belief, the US Bank Defendants violated their
7 internal policies by not requiring a several-day hold period on redeposited funds,
8 making them immediately available to Menaged.

9 62. The US Bank Defendants were motivated to assist Menaged in these
10 transactions to keep Menaged as a banking customer, particularly one who maintained
11 accounts worth millions of dollars. The US Bank Defendants kept silent as to
12 Menaged's scheme and wrongful actions; they never informed DenSco about
13 Menaged's scheme and wrongful actions.

14 63. Without the substantial assistance of the US Bank Defendants, Menaged
15 could not have defrauded DenSco of more than \$7 million in DenSco Loan Proceeds.

16 **THE CHASE BANK DEFENDANTS KNEW OF, SUBSTANTIALLY ASSISTED,**
17 **AND RECKLESSLY TOLERATED MENAGED'S UNLAWFUL CONDUCT**

18 64. From April 2014 through at least November 2016, Menaged and AZHF
19 banked with Chase.

20 65. Menaged banked at Chase's branch located at 8999 East Shea Boulevard,
21 Scottsdale, Arizona (the "Chase Branch").

22 66. From April 2014 through at least November 2016, Defendants Nelson and
23 Dadlani worked at Chase as the assistant manager and/or manager at the Chase Branch.
24 They committed the wrongful acts set forth below while conducting official Chase
25 business.

1 67. Upon information and belief, Defendants Nelson and Dadlani were
2 Menaged's main contacts at Chase.

3 68. Chase, Nelson, and Dadlani may be referred to as "the Chase
4 Defendants."

5 69. Menaged regularly told the Chase Defendants that, through AZHF, he was
6 in the business of purchasing foreclosed homes from public auctions.

7 70. Menaged further told the Chase Defendants that DenSco funded these
8 transactions, lending money to AZHF for the purpose of buying foreclosed homes.

9 71. On information and belief, Nelson told Menaged that she was interested in
10 purchasing a home that he acquired through this process.

11 72. Between April 10, 2014 and June 22, 2015, DenSco wired to Menaged's
12 AZHF account \$323,638,517 in DenSco Loan Proceeds for the purpose of issuing
13 cashier's checks to purchase 1,344 separate Identified Properties.

14 73. The Chase Defendants knew the source of these monies as each wire
15 transfer included the name of the originator -- "DenSco Investment Corp" -- the entity
16 the Chase Defendants knew was the funding source for Menaged's AZHF home
17 foreclosure business.

18 74. Approximately 96% of all deposits in Menaged's AZHF account
19 consisted of the DenSco Loan Proceeds wired to Menaged to purchase the Identified
20 Properties.

21 75. Nearly every weekday between April 2014 and June 2015, Menaged
22 emailed the Chase Defendants for assistance in converting to cashier's checks for the
23 purchase of the Identified Properties the monies DenSco had wired or was wiring into
24 the AZHF account.

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1 76. In these emails, Menaged provided the Chase Defendants a list of the
2 Identified Properties for which he purported to have submitted the winning bid, the
3 name of the trustee, the purchase price, and the property address.

4 77. Menaged directed the Chase Defendants and other Chase employees to
5 prepare cashier's checks for each of the Identified Properties.

6 78. Menaged directed the Chase Defendants and other Chase employees to
7 include on each check the name of the trustee, the purchase price, and in the memo line:
8 "DenSco Payment [and address of the property]" or "DenSco [and address of the
9 property]".

10 79. The Chase Defendants knew that Menaged did not use the 1,344 cashier's
11 checks for their intended and obvious purpose -- the payment to the trustee for the
12 purchase of real property described on each check -- because they were at all times
13 willing to, and in fact did, almost immediately redeposit those funds so that Menaged
14 could use them for other purposes.

15 80. Nearly every weekday between April 2014 and June 2015, Menaged or
16 Castro would physically go into the Chase Bank Branch where they would receive the
17 cashier's checks the Chase Defendants had prepared for that day. Menaged or Castro
18 would, usually in the presence of Nelson, Dadlani or another Chase employee, take a
19 photo of each cashier's check, after which Nelson, Dadlani or another Chase employee
20 would re-deposit the check in Menaged's AZHF account.

21 81. For each of the 1,344 checks, which totaled \$311,241,842, Menaged did
22 not use the check for its intended purpose -- the payment to the trustee for the purchase
23 of real property described on each check.

24 82. Upon information and belief, on one occasion, Nelson asked Menaged
25 why he obtained and redeposited cashier's checks, to which he responded:
26 "bookkeeping." Nelson did not ask Menaged what he meant by "bookkeeping" or how

1 that related to his use of the cashier's checks. Nelson further did not ask Menaged why
2 he was taking photos of each cashier's check.

3 83. Upon information and belief, Nelson electronically filed in or about
4 April/May 2014 two unusual activity reports, she says, because (i) of the number and
5 amounts of the cashier's checks Menaged was redepositing on a daily basis, (ii) "his
6 transactions were different," and (iii) "the entire thing was unusual."

7 84. Upon information and belief, Chase performed no investigation in
8 response to these reports, and Nelson did not file an additional report or conduct any
9 further inquiry.

10 85. Upon information and belief, Nelson did not share her concerns with
11 Dadlani or any other employee at the Chase Branch, as she felt she need do nothing
12 more than file two reports in response to which, to the best of her knowledge, nothing
13 further was done.

14 86. Upon information and belief, neither Nelson, Dadlani nor any Chase
15 employee asked Menaged or Castro why, more than 1,344 times, they undertook to have
16 Chase draft cashier's checks clearly and expressly intended to purchase from trustees
17 specific foreclosed homes as part of Menaged's business partnership with DenSco, take
18 photos of those checks and immediately re-deposit them. A single such transaction
19 lacks any legitimate business or banking purpose. 1,344 of them, involving over \$300
20 million, is inexplicable.

21 87. Menaged or Castro would email to DenSco each cashier's check photo as
22 proof of the transaction. Menaged or Castro would later create false trustee's sale
23 receipts for each transaction that included information from the cashier's check
24 connected to the same fictitious transactions. Menaged or Castro emailed these receipts
25 to DenSco, as well. Chittick relied upon the photographs of the cashier's checks and
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1 accepted these photos and sales receipts as confirmation that the DenSco Loan Proceeds
2 were being used for their intended purpose.

3 88. The Chase Defendants knew that Menaged was taking photos of the
4 checks and had to have known that he was sending them to DenSco as proof that
5 DenSco's Loan Proceeds were being used for their intended purpose. And the Chase
6 Defendants knew that Menaged used the DenSco Loan Proceeds for his personal
7 benefit, as they assisted him in re-depositing these funds, obtaining large cash
8 withdrawals of the re-deposited funds, and transferring these funds to Menaged's
9 personal Chase accounts.

10 89. Upon information and belief, shortly after Menaged began deploying this
11 scheme through the Chase Defendants in April 2014, and in recognition of the fact that
12 Menaged was every weekday having Chase issue and immediately re-deposit multiple
13 cashier's checks, each for hundreds of thousands of dollars, Nelson or another Chase
14 employee began stamping on the back of each check the words "Not Used For Intended
15 Purposes". The Chase Defendants told Menaged they would stamp each check with
16 those words unless he communicated to them before coming into the Chase Branch his
17 intent to not immediately re-deposit the check.

18 90. Upon information and belief, the Chase Defendants informed Menaged
19 that they were legally obligated to report to the government any cash transaction over
20 \$10,000 and that their internal processes would likely trigger a suspicious activity report
21 if a transaction was just under \$10,000, such that the Chase Defendants advised
22 Menaged to withdraw or deposit cash in amounts that would avoid either report being
23 made. Menaged followed this advice.

24 91. The Chase Defendants further knew of, assisted with, and recklessly
25 tolerated Menaged's misappropriation of the DenSco Loan Proceeds that had been
26 deposited in his AZHF account for, among other things, recreational gambling. Among

1 other things, the Chase Defendants (*i*) increased to approximately \$40,000 the spending
2 limit on Menaged’s AZHF debit card to avoid Chase’s fraud prevention department
3 flagging the account or declining the card, (*ii*) asked Chase’s fraud prevention
4 department to remove suspensions or “flags” on the AZHF debit card due to the high
5 dollar amounts that were being charged at casinos, (*iii*) initiated outgoing wire transfers
6 and issued cashier’s checks from Menaged’s AZHF account to various casinos, and (*iv*)
7 confirmed with various casinos that these cashier’s checks or wire transfers were
8 legitimate.

9 92. Upon information and belief, the Chase Defendants knew of, assisted, and
10 recklessly tolerated Menaged’s unlawful use of the DenSco Loan Proceeds by not
11 following their own policies and procedures, including (*i*) regularly violating Chase’s
12 multi-day hold policy before wire-transferred funds can be withdrawn, (*ii*)
13 systematically overriding the 5-7 day hold policy for the funds of re-deposited cashier’s
14 checks, and (*iii*) contravening Chase’s policy requiring an account holder to sign in-
15 person the documentation for a cashier’s check, and issuing them in response to
16 Menaged’s emails.

17 93. The Chase Defendants were motivated to assist Menaged in these
18 transactions to keep Menaged as a banking customer, particularly one who maintained
19 accounts worth millions of dollars. The Chase Defendants kept silent as to Menaged’s
20 scheme and wrongful actions; they never informed DenSco about Menaged’s scheme
21 and wrongful actions.

22 94. Without the substantial assistance of the Chase Defendants, Menaged
23 could not have defrauded DenSco of more than \$300 million in DenSco Loan Proceeds.

24 **DISCOVERY OF THE SECOND FRAUD**

25 95. In April 2016, Menaged filed for Chapter 7 bankruptcy.
26

1 96. At the time, Menaged, AZHF and Easy Investments owed DenSco
2 approximately \$44 million in loans.

3 97. When Chittick learned of the bankruptcy filings, he confronted Menaged,
4 who falsely said that the money owed to DenSco was safe and was being held at
5 Auction.com, an online marketplace for foreclosure buyers.

6 98. Menaged further lied and told Chittick that Menaged would be able to
7 retrieve the money from Auction.com and repay DenSco when the bankruptcy action
8 was discharged.

9 99. Menaged warned Chittick not tell anyone about the Auction.com
10 arrangement because the bankruptcy court would, if it learned of the funds, attempt to
11 pull them into the Chapter 7 action.

12 100. Menaged also threatened Chittick that if he told anyone about
13 Auction.com, Menaged would testify that Chittick was complicit in the First Fraud and
14 knew all along that DenSco's loans were unsecured.

15 101. On July 28, 2016, Chittick committed suicide.

16 102. Chittick died unaware of the Second Fraud.

17 103. The Receiver was appointed on August 18, 2016.

18 104. On August 23, 2016, the Receiver obtained a document that vaguely
19 referenced how DenSco had altered its lending practices with Menaged and his entities
20 in January 2014. The Receiver immediately began investigating all funds DenSco had
21 loaned to Menaged, discovering that Menaged had not used the DenSco Loan Proceeds
22 for their intended purpose -- to purchase the Identified Properties.

23 105. On or about October 3, 2016, the Receiver obtained selected documents
24 from a forensic image of Menaged's computers and cellphone, which included some
25 email communication with Chase employees.

26 106. On October 20, 2016, the Receiver deposed Menaged.

1 e. DenSco, in fact, continued to act upon these representations, as it
2 wired Menaged additional DenSco Loan Proceeds to purchase new Identified
3 Properties.

4 f. DenSco did not know Menaged's representations were false.

5 g. DenSco relied on Menaged's representations.

6 h. DenSco's reliance was reasonable and justified under the
7 circumstances.

8 i. As a result, DenSco suffered damages for which it is entitled to
9 compensation.

10 113. The US Bank Defendants knew that Menaged was engaging in such
11 conduct.

12 114. The US Bank Defendants substantially assisted or encouraged Menaged in
13 his fraud against DenSco.

14 **COUNT TWO**
15 **(Aiding and Abetting Fraud: Chase, Nelson and Dadlani)**

16 115. Paragraphs 1 through 114 are incorporated by reference.

17 116. Menaged engaged in fraudulent conduct that caused DenSco harm. In
18 particular:

19 a. Menaged represented to DenSco that, through the use of the
20 individual cashier's checks issued by the Chase Defendants and fabricated trustees'
21 receipts, he was using the DenSco Loan Proceeds to purchase the Identified Properties.

22 b. These representations were false.

23 c. These representations were material, as DenSco relied on them to
24 conclude that Menaged had purchased the Identified Properties.

25 d. Menaged knew these representations were false and intended that
26 DenSco would act upon them in the manner Menaged reasonably intended.

1 e. DenSco, in fact, continued to act upon these representations, as it
2 wired Menaged additional DenSco Loan Proceeds to purchase new Identified
3 Properties.

4 f. DenSco did not know Menaged's representations were false.

5 g. DenSco relied on Menaged's representations.

6 h. DenSco's reliance was reasonable and justified under the
7 circumstances.

8 i. As a result, DenSco suffered damages for which it is entitled to
9 compensation.

10 117. The Chase Defendants knew that Menaged was engaging in such conduct.

11 118. The Chase Defendants substantially assisted or encouraged Menaged in
12 his fraud against DenSco.

13 **COUNT THREE**
14 **(Aiding and Abetting Conversion: US Bank and Chavez)**

15 119. Paragraphs 1 through 118 are incorporated by reference.

16 120. Menaged exercised wrongful dominion over DenSco's property by re-
17 depositing and using on a personal basis the DenSco Loan Proceeds, in denial of
18 DenSco's rights.

19 121. The US Bank Defendants knew that Menaged was engaging in such
20 conduct.

21 122. The US Bank Defendants substantially assisted or encouraged Menaged in
22 his conversion against DenSco.

23 123. By reason of this conduct, DenSco was damaged.

24 **COUNT FOUR**
25 **(Aiding and Abetting Conversion: Chase, Nelson and Dadlani)**

26 124. Paragraphs 1 through 123 are incorporated by reference.

1 were the proceeds of an offense and by intentionally or knowingly evading reporting
2 requirements through structuring transactions and by causing Chase to fail to file
3 required reports for transfers over \$10,000. A.R.S. § 13-2317(B).

4 157. Menaged, Castro and others engaged in a scheme or artifice to defraud
5 DenSco by knowingly obtaining a benefit by means of false or fraudulent pretenses,
6 representation, promises or material omissions. A.R.S. § 13-2310.

7 158. This pattern of unlawful activity caused DenSco's damages.

8 159. DenSco's damages were a reasonably foreseeably result of this pattern of
9 unlawful activity.

10 160. The Chase Defendants authorized, ratified and recklessly tolerated the
11 conduct of Menaged, Castro and others and are therefore liable for it. A.R.S. § 13-
12 2314.04(L).

13 **PRAYER FOR RELIEF**

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

- 16 A. For an award of compensatory damages against U.S. Bank, N.A. in an
17 amount to be determined at trial.
- 18 B. For an award of compensatory damages against Defendants Hilda Chavez
19 and John Doe Chavez, wife and husband, in an amount to be determined
20 at trial.
- 21 C. For an award of compensatory damages against J.P. Morgan Chase Bank,
22 N.A. in an amount to be determined at trial.
- 23 D. For an award of compensatory damages against Defendants Samantha
24 Nelson and Kristofer Nelson, wife and husband, in an amount to be
25 determined at trial.
- 26

- 1 E. For an award of compensatory damages against Defendants Vikram
- 2 Dadlani and Jane Doe Dadlani, husband and wife, in an amount to be
- 3 determined at trial.
- 4 F. For an award of treble damages under A.R.S. § 13-2314.04(A).
- 5 G. For an award of costs and reasonable attorneys' fees under A.R.S. § 13-
- 6 2314.04(A).
- 7 H. For an award of punitive damages.
- 8 I. For an award of prejudgment interest and costs.
- 9 J. For such other and further relief as this Court deems just and proper under
- 10 the circumstances.

11 DATED this 5th day of February, 2021.

12 OSBORN MALEDON, P.A.

13
14 /s/ Timothy J. Eckstein
15 Colin F. Campbell
16 Geoffrey M. T. Sturr
17 Timothy J. Eckstein
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19 This document was electronically filed
20 and served via AZTurboCourt
21 this 5th day of February, 2021, on:

22 Honorable Daniel Martin
23 c/o Irene Jones, JA
24 Maricopa County Superior Court
25 101 West Jefferson, ECB-412
26 Phoenix, Arizona 85003
Irene.Jones@JBAZMC.Maricopa.Gov

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/s/ J. Rial _____