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10
11 UNITED STATES DISTRICT COURT
12 SOUTHERN DISTRICT OF CALIFORNIA
13

14 _____
15 BLAKE E. ALLRED AND MELISSA
M. ALLRED,

16 Plaintiffs,

17 v.

18 CHICAGO TITLE COMPANY;
19 CHICAGO TITLE INSURANCE
COMPANY; ADELLE E.
20 DUCHARME; BETTY ELIXMAN;
GINA CHAMPION-CAIN; JOELLE
21 HANSON; CRIS TORRES;
RACHAEL BOND; AND DOES 1-
22 10, inclusive,

23 Defendants.
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Case No.: '19CV2129 WQHMD

CLASS ACTION COMPLAINT

DEMAND FOR JURY TRIAL

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1 Plaintiffs, by and through their counsel, bring this action as a class action on
2 behalf of themselves and all others similarly situated who have suffered harm as a
3 result of Defendants' fraudulent liquor license escrow investment conspiracy.
4 Plaintiffs allege the following based upon information and belief, the investigation
5 of their counsel, including interviews with former employees of Defendants, and
6 personal knowledge as to the allegations pertaining to them.

7 **I. INTRODUCTION**

8 *"Our agents act as a disinterest [sic] third party who follows*
9 *the instructions of the principals. Their wealth of technical*
10 *experience and knowledge of how to keep track of all the*
11 *transaction details is your assurance of a smooth closing.*
12 *Chicago Title's escrow settlement agents get the job done*
13 *with efficiency and accuracy."*

14 -Chicago Title website

15 1. Beginning in 2012 and continuing until September 2019, Defendants
16 defrauded Plaintiffs and other investors of hundreds of millions of dollars in an
17 elaborate Ponzi scheme in which Defendants falsely represented that Plaintiffs'
18 investment funds were being used to make high-interest short-term loans to
19 California liquor license applicants through a special lending "program" or
20 "platform" (the "Lending Platform"). Defendants repeatedly reassured Plaintiffs
21 and other investors that their funds were secure because they were being safeguarded
22 by Chicago Title, a household name and trusted fiduciary, and held in special
23 California liquor license escrow accounts. Indeed, Chicago Title touted these same
24 "Special Escrow" services prominently on its website: "We pride ourselves in the
25 fact that we are a full service company with the ability to provide services in many
26 related areas," *including liquor license transfer transactions*, and that "*[o]nly very*
27 *competent, experienced escrow officers handle these transactions.*"

28 2. A Lending Platform investment "overview" touted that "[t]he escrow
company being used in these transactions [Chicago Title] is a very large, well-

1 known, nationwide Title/Escrow provider, and the funds are kept in the individual
2 license escrow until that application has been approved by the CA ABC [California
3 Department of Alcoholic Beverage Control].” Other promotional materials assured
4 investors: “We believe that *any risks* associated with these activities *are exclusively*
5 *borne by Chicago Title* not by any of the funding sources such as the Platform.”

6 3. The Lending Platform supposedly operated as follows: Investors were
7 told that applicants for the grant or transfer of California liquor licenses are required
8 to deposit the amount of the ABC license fee in escrow until the application is
9 approved, pursuant to California Business and Professions Code Section 24074.
10 “On a monthly basis, the Platform receives list(s) from the lawyers as to those
11 Applicant clients that want the Platform to fund their license escrow. At such time
12 that the Platform funds the escrow, Chicago Title Company will notify the ABC that
13 Applicant’s money is in escrow and will provide to the ABC a ‘Statement RE:
14 Consideration Deposited in Escrow’ (form ABC-226), signed by BOTH [Chicago
15 Title] escrow officer and the Applicant indicating that the funds required are in place.
16 This allows the State to continue processing the Applicant’s license application.”

17 4. If the application was approved, the license applicant purportedly
18 would wire money necessary to pay the ABC application fee (to take the place of
19 the Lending Platform bridge loan) and also wire to Chicago Title interest amounts
20 as high as 18% or more owed to the Platform investors, who could elect to cash out
21 or roll their investment back into the Lending Platform to fund new applications.
22 Alternatively, if the application was denied, Platform investors would receive no
23 interest payments. Since Plaintiffs and other investors were told their money would
24 never leave the Chicago Title escrow, their only risk supposedly was the
25 “opportunity cost” of a denied application.

26 5. Indeed, the Lending Platform’s key feature was that investor funds
27 would be held in secure escrows with a highly regarded financial institution and
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1 experienced fiduciary – *i.e.*, Chicago Title – and could not be disbursed to any party
2 other than the investor, which guaranteed that the investor’s principal would be
3 safely returned, at a minimum. In reliance on Defendants’ representations, Plaintiffs
4 and the Class deposited funds into the Chicago Title account through wire transfer,
5 mail, and other transmission means.

6 6. However, as first revealed in a complaint filed by the U.S. Securities
7 and Exchange Commission (“SEC”) on August 28, 2019, not a single investor dollar
8 was used to fund any liquor license application escrows. In fact, none of the Chicago
9 Title escrow accounts used by Defendants to misappropriate investor monies were
10 suitable for the transfer of California liquor licenses, which under California law
11 require special escrows administered by qualified escrow agents who are
12 knowledgeable about California law and ABC procedures.

13 7. Instead of funding liquor license transfer escrows, the scheme’s
14 mastermind, Defendant Gina Champion-Cain (“Champion-Cain”) through her
15 company, ANI Development, LLC (“ANI Development”), and with the assistance
16 of the other Defendants, misused investors’ funds for personal uses and to subsidize
17 Champion-Cain’s vast array of businesses, including approximately 60 restaurants,
18 coffee shops, “lifestyle” brands, retail establishments, properties, and commercial
19 developments. Champion-Cain also used subsequent investor contributions to pay
20 off earlier investors and, in this way, perpetuate the scheme for at least seven years.

21 8. The lynchpin of the scheme and the key to its success was Defendant
22 Chicago Title. Chicago Title’s reputation and standing as a secure financial
23 institution and experienced fiduciary, as well as representations by Chicago Title’s
24 two agents in charge of the escrow accounts, Defendants DuCharme and Elixman,
25 assured investors that their funds were secure. For example, these Chicago Title
26 representatives met with investors and provided purported lists of liquor license
27 applications, and received telephone and email inquiries from investors, which they
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1 dutifully forwarded to Champion-Cain to defuse or deflect. For their assistance in
2 the scheme, the two Chicago Title escrow officers were handsomely rewarded.
3 DuCharme and Elixman accepted at least \$29,000 in “gifts” and thousands of dollars
4 in gratuities from Champion-Cain, such as lavish meals, airfare, Padres baseball
5 tickets, and outings paid for by Champion-Cain.

6 9. Chicago Title cannot disclaim its actual knowledge of, and participation
7 in, the Lending Platform scheme. At all times, DuCharme and Elixman—longtime
8 Chicago Title employees for 22 years and 11 years, respectively—acted in their
9 capacities as Senior Commercial Escrow Officers at Chicago Title.

10 10. Moreover, the very nature of the ANI escrow account provided Chicago
11 Title with knowledge of its fraudulent nature.

12 11. Ordinarily, an escrow is a financial arrangement where a third party
13 holds and regulates payment of the funds required for two or more parties involved
14 in a given transaction – typically, a real estate purchase and sale – for a limited
15 duration. The escrow makes transactions more secure by keeping the payment in an
16 independent account administered by an experienced fiduciary who releases funds
17 only when the parties agree that all terms of an agreement are satisfied.

18 12. Here, unknown to investors, the Lending Platform “Master” escrow
19 account administered by Chicago Title had all the hallmarks of a criminal enterprise.
20 Unlike a typical multi-party escrow that is created for a specific transaction, subject
21 to detailed instructions, and for a limited duration, Defendants created an open-
22 ended *depository* account at Chicago Title that received hundreds of millions of
23 dollars from scores of third parties over a seven-year period. Only Champion-Cain
24 and ANI had the exclusive ability to withdraw money at any time and for any reason,
25 while generating substantial revenue for Chicago Title. In short, the account
26 appeared to serve no commercially sensible purpose other than to ensure a constant,
27 unfettered flow of money to Champion-Cain. Moreover, these activities took place
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1 in California, historically a hotbed of escrow fraud, and within minutes of the
2 Mexican border, a notorious drug- and human-trafficking route.

3 13. Undoubtedly, Chicago Title maintains internal controls to prevent
4 fraud, such as auditing significant accounts, monitoring agent-client relationships,
5 or periodically rotating agents to prevent them from becoming beholden to certain
6 clients or conspiring in criminal enterprises such as this one. Chicago Title's internal
7 Code of Business Conduct & Ethics *requires* every employee to report any actual or
8 suspected illegal or unethical conduct and provides a fraud and ethics hotline phone
9 number at the bottom of each page. The Code states that all employees are expected
10 to be vigilant in discovering evidence of possible fraud or material
11 misrepresentation, *including any misuse of or irregularity in handling and*
12 *reporting escrow funds* by any agent of Chicago Title. Indeed, according to one
13 former San Diego-area Chicago Title escrow officer who worked for the company
14 from November 2013 to 2014 and was interviewed in connection with Plaintiffs'
15 counsel's investigation, Chicago Title employees were required to report suspicious
16 activity *only to an internal Chicago Title security team*, which would decide
17 whether to report the activity to law enforcement or government agencies. "We were
18 told to *never* contact authorities," the former employee said.

19 14. Over the approximately seven-year scheme, Chicago Title reaped
20 hundreds of thousands, if not millions, of dollars in fees, commissions, interest and
21 other compensation from the Lending Platform and other accounts controlled by
22 Champion-Cain and ANI yet Chicago Title and its agents failed to notify investors
23 or law enforcement authorities of the fraud. Instead, DuCharme and Elixman acting
24 under authority and as agents of Chicago Title, deceived and defrauded investors,
25 including providing investors with lists of supposed liquor license applicants eligible
26 for investment and ratifying known forged escrow agreements. The inescapable
27 conclusion is that Chicago Title and its agents had actual knowledge of the fraud.
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1 15. The criminal enterprise netted Defendants millions of dollars in
2 unlawful gains. In particular, Chicago Title is believed to have received at least
3 \$1,000 for every escrow it was represented to have established and \$500 each time
4 Champion-Cain withdrew money from the main Chicago Title escrow account,
5 identified as Chicago Title Escrow Acct. No. ##2122. Additionally, Chicago Title,
6 earned significant commissions and fees in connection with providing escrow and
7 title insurance services in connection with Champion-Cain’s other unauthorized
8 transactions funded with Plaintiffs’ money. DuCharme and Elixman likewise reaped
9 commissions, bonuses and other compensation and benefits as the top Chicago Title
10 escrow officers responsible for hundreds of millions of dollars of business from
11 Champion-Cain and ANI. Defendants DuCharme and Elixman also received “gifts”
12 totaling at least \$29,000 from Champion-Cain, as well as gratuities worth thousands
13 of dollars in the form of free meals, alcohol, air travel, Padres baseball tickets, and
14 lavish social events hosted by Champion-Cain and ANI, in exchange for Chicago
15 Title’s assistance in the scheme.

16 16. In this action, Plaintiffs and the Class seek to recover their substantial
17 losses and other harms caused by Defendants’ fraud and conspiracy in violation of
18 the Racketeering Influenced and Corrupt Organizations Act (“RICO”), 18 U.S.C.
19 Section 1962, and violations of California statutory and common law. Plaintiffs seek
20 damages and equitable relief on behalf of themselves and the Class, including, but
21 not limited to: treble their monetary damages; restitution; punitive damages; costs
22 and expenses, including attorneys’ and expert fees; interest; and any additional relief
23 that this Court determines to be necessary or appropriate to provide complete relief
24 to Plaintiffs and the Class.

1 **II. THE PARTIES**

2 **A. Plaintiffs**

3 17. Plaintiff Blake E. Allred is, and was at all relevant times, an individual
4 residing in Fillmore, California, and is a citizen of the State of California.

5 18. Plaintiff Brandy M. Allred is, and was at all relevant times, an
6 individual residing in Fillmore, California, and is a citizen of the State of California.

7 19. Plaintiffs Blake E. Allred and Brandy M. Allred (collectively, “Allred
8 Plaintiffs”) are, and at all relevant times were, a married couple who invested jointly
9 in the ANI Lending Platform.

10 20. The Allred Plaintiffs jointly invested \$125,000 in the ANI Lending
11 Platform on or about October 18, 2018.

12 **B. Defendants**

13 21. Chicago Title Company is, and at all relevant times was, a California
14 corporation with its principal place of business in Los Angeles, California. Together
15 with Chicago Title Insurance Company, it provides various real estate-related
16 financial services, including escrow agent services.

17 22. Chicago Title Insurance Company is, and at all relevant times was, a
18 Florida Corporation with its principal place of business in Jacksonville, Florida.
19 Together with Chicago Title Company, it provides various real estate-related
20 financial services, including escrow agent services.

21 23. Chicago Title Company and Chicago Title Insurance Company
22 (collectively, “Chicago Title”) are agents, alter egos, and instrumentalities of one
23 another. They are under common ownership. They share the same officers and use
24 the same or interconnected websites on the Internet. In connection with the acts
25 stated herein, Chicago Title Company and Chicago Title Insurance Company
26 operated in a consolidated manner whereby a member of the general public dealing
27 with Chicago Title would be unable to ascertain which specific entity he, she, or it
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1 was doing business with. Recognizing the corporate separateness between these
2 companies would sanction fraud and render injustice on Plaintiffs and the Class.

3 24. Defendant Adelle (“Della”) E. DuCharme is, and at all relevant times
4 was, an individual residing in San Diego, California, and a resident of the State of
5 California. At all relevant times, DuCharme was employed as a Senior Commercial
6 Escrow Officer at Chicago Title’s San Diego office.

7 25. Defendant Betty Elixman is, and at all relevant times was, an individual
8 residing in San Diego, California, and a resident of the State of California. At all
9 relevant times, Elixman was employed as a Senior Commercial Escrow Officer at
10 Chicago Title’s San Diego office.

11 26. Defendant Gina Champion-Cain is, and at all relevant times was, an
12 individual residing in San Diego, California, and a resident of the State of California.
13 Champion-Cain is, and at all relevant times was, the sole and managing member of
14 ANI Development, a California limited liability company. ANI Development is,
15 and at all relevant times was, an affiliate of American National Investments, Inc.
16 (“ANI”), a California corporation based in San Diego, California. Plaintiffs are
17 further informed and believe and thereon allege that Champion-Cain is, and at all
18 relevant times was, the founder and CEO of ANI.

19 27. Defendant Cris Torres (“Torres”) is, and at all relevant times was, an
20 individual residing in San Diego, California, and a resident of the State of California.
21 Torres was at all relevant times an employee and the Chief Financial Officer of ANI.

22 28. Defendant Joelle Hanson (“Hanson”) is, and at all relevant times was,
23 an individual residing in San Diego, California, and a resident of the State of
24 California. Hanson was at all relevant times an employee of ANI Development
25 and/or ANI, and an Executive Assistant to Defendant Champion-Cain.

1 29. Defendant Rachael Bond (“Bond”) is, and all relevant times was, an
2 individual residing in San Diego, California, and a resident of the State of California.
3 Bond was at all relevant times employed as an Executive Assistant at ANI.

4 30. The Defendants, and each of them, were and/or are the agents,
5 employees, joint venturers, partners, alter egos, or successors in interest of the other
6 Defendants, and in doing the things alleged in the Complaint were acting in the
7 course and scope of their authority in such capacities, with the knowledge,
8 permission, consent, authorization or ratification of the other Defendants, and each
9 of them.

10 31. The true names and capacities of the defendants identified as DOES 1
11 through 10 are unknown. Plaintiffs will amend this Complaint to identify these
12 unnamed defendants when their identities are discovered. Plaintiffs are informed
13 and believe that each of the DOE defendants has participated in the wrongful acts
14 alleged in this Complaint.

15 32. ANI Development and ANI are believed to be co-conspirators and
16 members of the illicit enterprise alleged here but are not named as defendants in this
17 action in accordance with the September 3, 2019 Preliminary Injunction Order in the
18 action captioned *Securities and Exchange Commission v. Gina Champion-Cain and*
19 *ANI Development, LLC, et al.*, No. 19-cv-1628-LAB-AHG (S.D. Cal.). Plaintiffs
20 reserve all rights to name ANI Development and ANI as defendants in this action.

21 33. Because investigation and discovery are ongoing, Plaintiffs plead each
22 allegation, cause of action, claim and remedy in this Complaint without prejudice to
23 any contradictory current, subsequent or previous allegation, claim or remedy after
24 the true and correct facts have been discovered, pleaded and proven and/or Plaintiffs
25 have expressly elected among alternate remedies. Plaintiffs’ pleading or omission
26 of any alternate theory, cause of action or remedy shall not constitute an election of
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1 one or more theories, claims or remedies over, in place of, or to the exclusion of any
2 other cause of action or remedy.

3 **III. JURISDICTION AND VENUE**

4 34. This Court has subject matter jurisdiction under 18 U.S.C. § 1964 and
5 28 U.S.C. § 1331.

6 35. Venue in this district is proper under 18 U.S.C. § 1965 and 28 U.S.C. §
7 1391(b), (c) and (d) in that each Defendant can be found or transacted business in
8 this District and a substantial part of the events alleged herein occurred in this
9 District.

10 36. In addition, under 28 U.S.C. § 1367, this Court may exercise
11 supplemental jurisdiction over the state law and common law claims because all of
12 the claims are derived from a common nucleus of operative facts and are such that
13 Plaintiffs ordinarily would expect to try them in one judicial proceeding.

14 **IV. COMMON FACTUAL ALLEGATIONS**

15 **A. Defendants' Liquor License Lending Scheme**

16 37. Beginning in approximately 2012, Defendant Champion-Cain, together
17 with the co-conspirator Defendants, began marketing the liquor license Lending
18 Platform to Plaintiffs and other investors. To date, Champion-Cain and ANI raised
19 over \$300 million, including over \$100 million in 2019 alone. When raising those
20 investor funds, Defendants claimed to be offering investors an opportunity to make
21 short-term, high-interest loans to parties seeking to acquire California liquor
22 licenses. In truth, no loans were made to any liquor license applicants. Instead,
23 Plaintiffs' and other investors' funds were used without their knowledge or
24 authorization to benefit the Defendants.

25 38. Under California state law, liquor license applicants are required to
26 escrow an amount equal to the license purchase price while their application remains
27 pending with the ABC. Champion-Cain told investors that this regulatory
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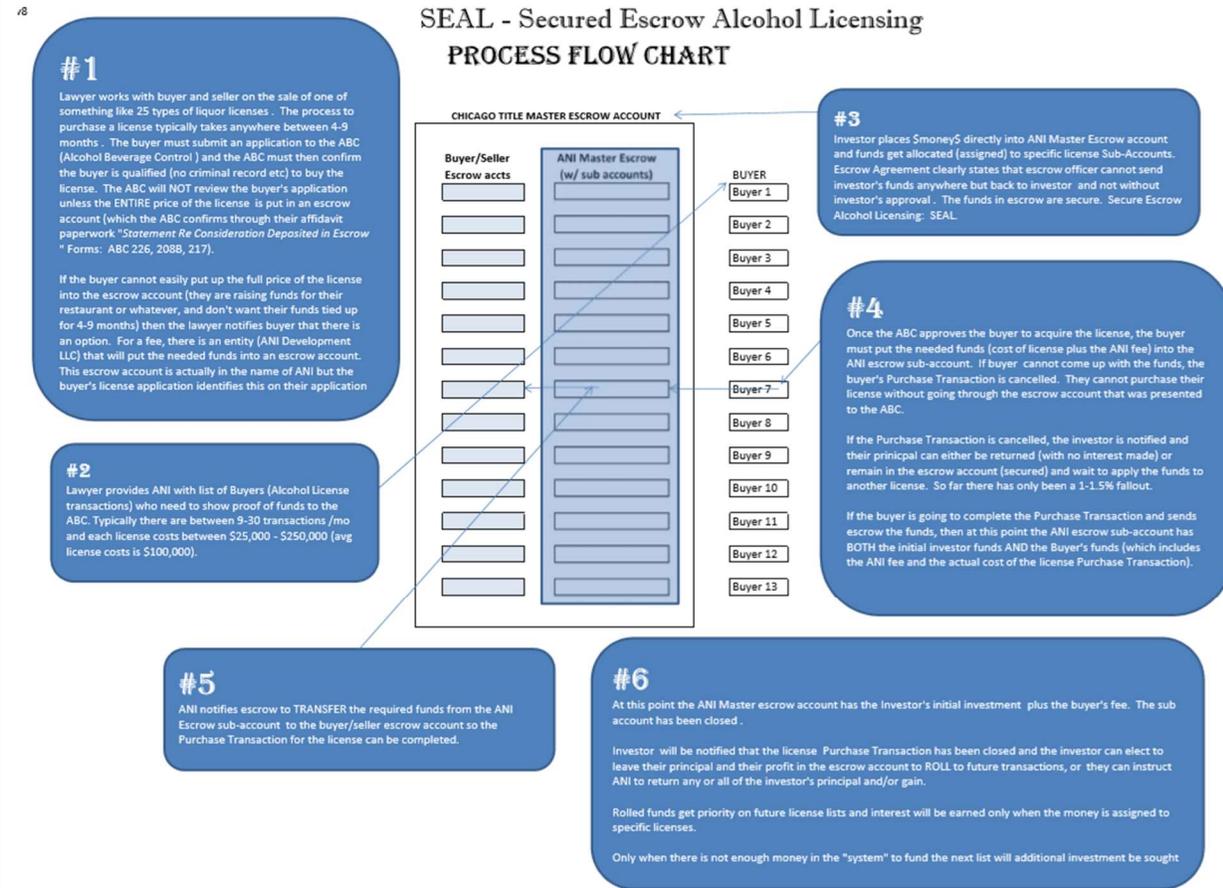
1 requirement presented an investment opportunity. As explained in promotional
2 materials (emphasis below original) distributed to prospective investors:

3 Prior to the ABC beginning its thorough review of [a license
4 application], there must be an escrow established to transfer/buy
5 the license and the applicant/buyer must deposit the **entire**
6 **purchase price** of the license into that escrow [A]n
7 individual buyer/small group that is counting on a Bank/SBA
8 loan, Crowdfunding, or other eventual source of their funds, may
9 not have these funds available in the beginning to place into
10 escrow for 8-10 months.

11 39. Champion-Cain went on to assure investors that “[t]he license
12 applicant/prospective buyer does not get to use or have access to the funds, as the
13 named escrow holder is our Fund After approval by the ABC, the license
14 buyer/applicant or their Bank/SBA Lender, then replaces our funds with their own,
15 plus the fee earned by our Fund, typically 15%.”

16 40. Critically, investors were told “[t]he escrow company being used in
17 these transactions [Chicago Title] is a very large, well-known, nationwide
18 Title/Escrow provider, and the funds are kept in the individual license escrow until
19 that application has been approved by the CA ABC.”
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41. Investors also received a schematic diagram showing Chicago Title as holder of the “Master Escrow Account” for the Lending Platform:



42. A 2017 private placement offering memorandum for the California Opportunity License Fund, LLC, established by Champion-Cain and ANI, similarly explained the Lending Platform:

The LLC engages in a unique form of lending. Its typical borrower is an individual attempting to purchase a business with a liquor license issued by the California Bureau of Alcoholic Beverage Control. Section 24074 of the California Business and Professions Code requires that a purchaser of such a business deposit the entire purchase price into a public escrow pending the approval of the ABC to the transfer of the liquor license. The process typically takes 6 to 10 months. The LLC protects its investment by taking over the position of the buyer in the purchase escrow, thereby controlling the proceeds of its own loan. Buyers/borrowers are first vetted by the attorneys that will handle the

1 liquor license transfer and a recommendation is made to the LLC to
2 fund the escrow. When the transfer is approved by the ABC the actual
3 buyer substitutes his or her funds for those of the LLC and the LLC's
4 funds are returned to it together with a fee, typically 15% of the amount
5 lent. Upon substitution of the buyer's funds, the LLC assigns its
6 position in the escrow to the actual buyer. If for any reason the buyer
7 fails to substitute his or her funds, the LLC will cancel the escrow and
8 receive a refund of the deposit. If the ABC denies the transfer, the
9 LLC's money is returned to it, typically without payment of any fee by
10 the borrower/buyer.

11 43. Champion-Cain instructed investors to deposit their money into the
12 "Master Account" maintained by Chicago Title. She also provided investors with a
13 purported list of pending applications, from which investors could choose the liquor
14 license application(s) that they wished to fund. Champion-Cain represented to
15 investors that their funds were being loaned to fund those selected liquor license
16 applications. She also provided investors with escrow agreements, ostensibly
17 executed between ANI and Chicago Title, which provided that investors' principal
18 would be kept safe in an escrow account, and that once the underlying liquor license
19 application was granted, investors' funds would be returned with simple interest as
20 high as 18% or more.

21 44. Chicago Title also knowing and intentionally facilitated the fraudulent
22 scheme through representations and omissions by its agents, including DuCharme
23 and Elixman. For example, one Lending Platform investor interviewed in
24 connection with Plaintiffs' counsel's investigation reported personally visiting
25 Chicago Title's downtown San Diego office in approximately 2017. The investor
26 asked to speak with the escrow agent(s) responsible for the "ANI License Fund
27 Accounts" and was directed to Defendant Elixman. The investor told Elixman that
28 he was researching a potential investment in the ANI Lending Platform. Elixman
told the investor that Chicago Title received money via wire from investors, which
was deposited into the "license fund" at Chicago Title. The investor asked if there

1 were separate escrows for each ABC liquor license application. Elixman responded
2 that there was a “Master Escrow” that holds money deposited by investors and when
3 Chicago Title would receive notice that there was a liquor license application that
4 needed to be funded, Chicago Title would inform the ABC that it had money held in
5 “Chicago Title trust accounts to fund the application until the deal closes.” The
6 investor asked, “so no money ever leaves Chicago Title?” According to the investor,
7 Elixman responded “no money ever leaves the Chicago Title trust account. The
8 money stays there. We basically pledge it but we don’t let it out, it stays here . . .
9 we don’t wire money to anybody.” The investor asked to see a list of then-pending
10 liquor license escrows in the Lending Platform. According to the investor, Elixman
11 responded “‘sure’ and she went in the back, was gone a couple of minutes, and she
12 came out with some paperwork – at least two or three pages – showing me liquor
13 licenses that were currently in the works. *And with that I felt comfortable . . .*
14 *[because] Chicago Title is a reputable company.”*

15 45. DuCharme and Elixman also assisted Champion-Cain in furtherance of
16 the conspiracy by forwarding investor inquiries to defuse or deflect. For example,
17 in October 2016, an investor emailed DuCharme prior to investing \$100,000 in the
18 Lending Platform. The investor’s email asked, among other things, “[o]nce the
19 funds are in the account are they listed in my name, ANI Development or Gina’s”
20 and [w]ho has access to the funds?” Instead of responding, DuCharme forwarded
21 the investor’s email to Champion-Cain who, in turn, admonished the investor in a
22 reply email responding to the investor’s Chicago Title message: “I am the only
23 contact for Escrow so they don’t get hundreds of emails from this group; it would
24 drive them nuts and it would never work.”

25 46. Similarly, as alleged in the SEC’s complaint against Champion-Cain,
26 in a July 18, 2017 email to DuCharme and Elixman, Champion-Cain apologized for
27 an investor who had contacted them directly, stating “I told them NEVER to call and
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4 bother you ladies.” Champion-Cain concluded, “If they call asking about escrow
5 agreements and alcohol licenses, blah, blah, blah . . . just say ‘SURE WHATEVER
6 NOW SHOW ME THE MONEY . . . HAHAAAAHA.”

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47. Defendants Hanson, Torres and Bond also made false and misleading
representations and omissions to Plaintiffs and other investors in furtherance of the
conspiracy. Defendants Hanson, Torres and Bond created or transmitted false
documents to Plaintiffs and other investors, including promissory notes, wire
receipts, lists of supposed liquor license applications for lending opportunities,
financial reports, and email correspondence.¹ As investors began to scrutinize the
Lending Platform beginning in January 2019, Bond told one investor that “we’ve
had to change some policies and I am no longer able to send out lists.” Later, when
new investor funds were drying up, Defendant Bond would inform noteholders that
closings for their licenses – and, by extension, their payments of principal and
interest – were being “delayed” due to backlog at the ABC. For example, on August
5, 2019, Bond informed an investor via email that a supposed liquor license
application closing had been “delayed.” When questioned about the cause of the
delay – the *third* consecutive delay for that license – Bond responded:

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It’s the same reason it has been for the last few years. We’re still seeing
a 60 to 90, sometimes up to 120, day delay mainly due to major under-
staffing with the ABC but also because there have been a whole slew
of new license types issued in the past few years, think craft brewery
and spirits and the tasting rooms opening up all over, and compound

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¹ Similar false and misleading statements and omissions made by Defendants
Champion-Cain, Torres and Hanson in furtherance of the fraudulent scheme are
alleged in plaintiffs’ complaint (“Watermiser Complaint”) filed on October 1, 2019,
in the action titled *Watermiser Mfg. Co., et al. v. Gina Champion-Cain, et al.*, Case
No. 37-2019-00052134-CU-BC-CTL, pending in Superior Court for the State of
California, County of San Diego, Central Division. See, e.g., Watermiser
Complaint, ¶¶ 89-90, 92, 147.

1 that with the legalizing of cannabis which requires it's [sic] own types
2 of licensing. It's a mad house over there.

3 48. Defendant Hanson similarly falsely told investors that license closings
4 were "delayed," in order to forestall repayment obligations or demands. For
5 example, Hanson told an investor in February 2017, "[i]t looks like this one has been
6 delayed to the end of March. Things have been lagging at the ABC by a month or
7 two because of the holidays and the crazy election year."

8 49. When licenses supposedly did close, Defendant Champion-Cain
9 discouraged investors from withdrawing funds and urged them to roll their principal
10 and interest into funding new licenses in order to further perpetuate the fraud. For
11 example, Champion-Cain told an investor via email in January 2017 that she was
12 "partnering up" with the attorney who finds the borrower-applicants on a "new
13 enormous list" of licenses and trying to "fill out the last one with rollovers." She
14 claimed the lawyer was going to have "his biggest year yet" with the Lending
15 Platform and wanted to continue for "2-4 more years . . . so I say let's make the
16 mooolaaahhh while we can!☺"

17 50. Champion-Cain would also report that other investors were rolling *both*
18 their principal and interest into new license loans, claiming investors could defer
19 taxes on any gains: "when that occurs, it is not considered a taxable event so there
20 will not be a 1099 issued for that year."

21 51. Champion-Cain's first investor ("First Investor") was a high net-worth
22 real-estate investor with whom Cain had previously done business. To ensure that
23 his investment was secure, First Investor drafted a form escrow agreement to be
24 executed by ANI and Chicago Title. That form escrow agreement provided that: (i)
25 First Investor's money could only be used to fund a specified underlying liquor
26 license transfer(s); (ii) First Investor's money would be held in an escrow account
27 for this purpose at Chicago Title; and (iii) at the conclusion of the license transfer,
28 First Investor's money would then be transferred back to him with interest.

1 According to the form agreement, First Investor’s escrowed funds could be used for
2 no other purpose and transferred under no other circumstances (“Form Escrow”).

3 52. Champion-Cain falsely represented to First Investor that his agreement
4 would be the operative Form Escrow agreement governing his investments.

5 53. For each license funded going forward, Champion-Cain and ANI also
6 claimed to other investors that their investments would be subject to the same form
7 of escrow agreement.

8 54. However, Champion-Cain and ANI maintained complete control over
9 the Lending Platform, instructing investors never to contact Chicago Title to inquire
10 about their investments.

11 55. For example, a representative escrow agreement stated that ANI and
12 Chicago Title “understand that this is a limited escrow only and is being opened for
13 the benefit of” a specified liquor license applicant, “who is applying for approval of
14 a transfer to Applicant of a license issued by the California Department of Alcoholic
15 Beverage Control.” The escrow agreement then identified the license to be
16 transferred by license number.

17 56. With respect to the escrowed funds, ANI Development’s Form Escrow
18 agreement stated that they would be placed “into an interest-bearing account,” and
19 would only be released upon written instructions by ANI Development, and in that
20 event, could only be transferred to a financial account maintained by ANI
21 Development’s investors.

22 57. But in reality, with Chicago Title’s knowing assistance, Champion-
23 Cain and ANI Development had unfettered access to investor funds, and, at least in
24 part, used that access to fund ANI’s unrelated business operations.

25 58. For example, in 2017, investors cumulatively deposited approximately
26 \$87.7 million into a pooled escrow account, yet no money was ever escrowed to
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1 actually facilitate, as represented to investors, the transfer of the alcohol licenses
2 identified in the false investor escrow agreements.

3 59. At no point did Chicago Title ever notify California liquor licensing
4 authorities that these funds had been placed in escrow for the transfer of a liquor
5 license, as required under state regulations.

6 60. Instead, Champion-Cain, who controlled ANI Development's and
7 ANI's bank accounts, primarily used Lending Platform investor funds to pay back
8 earlier investors the principal and interest they were owed, as well as to transfer
9 approximately \$22 million to ANI.

10 61. A reasonable investor would have wanted to know, among other things,
11 that the Lending Platform was wholly fictitious; that the real escrow agreements
12 allowed Champion-Cain to withdraw investor funds at any time; that ANI does not
13 appear to have made a single loan to alcohol-license applicants; that the Chicago
14 Title accounts were not suitable for the transfer of alcohol licenses; that the Chicago
15 Title escrow officers involved did not handle liquor license transfers or possess the
16 "experience and knowledge" to act as an escrow agent for these types of transactions;
17 and that the Chicago Title escrow officers responsible for safeguarding investor
18 monies were beholden to Champion-Cain and accepting thousands of dollars in
19 bribes and other valuable consideration to do her bidding.

20 62. Champion-Cain and ANI Development's efforts in identifying liquor
21 license escrow participants who were appropriate for investment, executing the loans
22 to those entities, and collecting the purported interest payments from those
23 participants, were critical to the enterprise's success, as investors were not allowed
24 to play an active role in managing ANI Development's investment decisions under
25 the Lending Platform.

26 63. Section 24074 of the California Business & Professions Code requires
27 an applicant for the transfer of an alcoholic beverage license to establish an escrow
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1 account and deposit with the escrow holder the full amount of the purchase price or
2 consideration while the application is pending. Depending on location and type, a
3 liquor license can cost more than \$400,000 and the application can take more than
4 one year to process.

5 64. In 2012, Champion-Cain began to solicit and obtain financing
6 supposedly for these transactions. This financing was structured such that a third-
7 party investor/lender would deposit funds directly into an account maintained by
8 Chicago Title only after Champion-Cain provided the investor/lender with
9 information regarding the applicant name and license number of the application.
10 Champion-Cain also provided the investor/lender with a Form Escrow agreement
11 signed by Champion-Cain and by a Chicago Title escrow officer. Champion-Cain
12 represented to investors orally and in offering documents that, under the “Form
13 Escrow,” the funds being deposited by the lender could only then be used to fund a
14 single, specific liquor license escrow. The investor/lender was a stated third-party
15 beneficiary of the Form Escrow, which prohibited Chicago Title from releasing the
16 escrowed loan amount to anyone other than the lender or using the funds for any
17 other purpose. When the application was granted, Chicago Title would return the
18 principal to the lender, with the lender also to receive an agreed share of the interest,
19 returning the balance of the interest to Champion-Cain. This arrangement was
20 designed to secure Lending Platform investors’ funds and make certain they were
21 never at risk.

22 65. Extensive regulation of escrow companies exists under the California
23 Escrow Law, Cal. Fin. Code § 17000, *et seq.*, and escrowed funds are insured
24 through the Escrow Agents’ Fidelity Corporation and additional state-law bonding
25 requirements. *See* Cal. Fin. Code § 17314.
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1 **B. The True Nature Of The Lending Platform Scheme**

2 66. The ANI Lending Platform was a fraudulent scheme. Nothing was as
3 represented to Plaintiffs.

4 67. There were no liquor license applicants applying for loans from ANI
5 Development.

6 68. There were no individual escrow accounts established under the Form
7 Escrow where the lenders/investors were third-party beneficiaries.

8 69. Many of the executed Form Escrow agreements provided to the
9 lenders/investors are believed to be forgeries. According to an individual complaint
10 filed in this District by other investors (the “Ovation Finance Complaint”),²
11 Champion-Cain has reportedly admitted to federal law enforcement authorities, and
12 will testify that Chicago Title knew that Champion-Cain was signing Form Escrows
13 in the names of Chicago Title escrow agents. Plaintiffs’ and other investors’ funds
14 were not deposited into accounts in the names of investors that were earmarked for
15 individual liquor license applicants.

16 70. Instead, the “Master Account” at Chicago Title was governed by an
17 entirely different contract (the “Concealed Non-Escrow”) over which Champion-
18 Cain had unfettered discretion to withdraw funds for any reason for a fee, payable
19 to Chicago Title, of \$500 per transaction. Indeed, the Concealed Non-Escrow was
20 facially unlawful under the California Escrow Law, because it was not an “escrow”
21 at all. A licensed escrow company like Chicago Title may not describe an account
22 as an escrow, unless it meets the statutory definition of that term. Cal. Fin. Code §
23 17403.1.

24 71. Under the Escrow Law, an “escrow” is a “transaction in which one
25 person, for the purpose of effecting the sale, transfer, encumbering, or leasing of real
26 or personal property to another person, delivers any written instrument, money,
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28 ² See *Ovation Finance Holdings 2 LLC, et al. v. Chicago Title Ins. Co., et al.*, No. 19-cv-2013-GPC-KSC (S.D. Cal.), ECF No. 1, filed Oct. 22, 2019.

1 evidence of title to real or personal property, or other thing of value to a third person
2 to be held by that third person until the happening of a specified event or the
3 performance of a prescribed condition, when it is then to be delivered by that third
4 person to a grantee, grantor, promisee, promisor, obligee, obligor, bailee, bailor, or
5 any agent or employee of any of the latter.” Cal. Fin. Code § 17003(a).

6 72. Although the Form Escrows satisfy that definition, the Concealed Non-
7 Escrow does not. The Concealed Non-Escrow was not made for “the purpose of
8 effecting the sale, transfer, encumbering, or leasing of real or personal property to
9 another person”—it was essentially just a depository account. Nor did it condition
10 release on “the happening of a specified event or the performance of a prescribed
11 condition”—Champion-Cain could, and did, withdraw funds at will for any reason.
12 Nor did it entail delivery by Chicago Title to “a grantee, grantor, promisee, promisor,
13 obligee, obligor, bailee, bailor, or any agent or employee of any of the latter.” In
14 reality, the funds were simply returned to Champion-Cain, the only beneficiary of
15 the Concealed Non-Escrow contract, which notably makes no mention that third
16 parties would be wiring hundreds of millions of dollars through the account.

17 73. Despite the unlawfulness of the arrangement, Chicago Title facilitated
18 the scheme by permitting Champion-Cain to take investors’ funds out of accounts
19 represented to Plaintiffs to be escrow accounts as if the accounts were simply
20 Champion-Cain’s checking account.

21 74. Hundreds of millions of investors’ dollars flowed through Champion-
22 Cain’s Concealed Non-Escrow account and Champion-Cain skimmed off tens of
23 millions of dollars to fund various real estate, restaurant, and hospitality ventures by
24 ANI, Champion-Cain’s investment company and ANI Development’s parent.

25 75. When federal law enforcement authorities seized the scheme and placed
26 ANI into receivership on August 28, 2019, only \$11 million remained in the Chicago
27 Title escrow account. According to the most recent report by the Court-appointed
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1 receiver, the remaining assets of Champion-Cain, ANI and ANI Development are
2 valued at approximately \$12-\$14 million.

3 76. Although the full magnitude of the fraud is currently unknown, based
4 on available information, it has been estimated that Lending Platform fraud resulted
5 in at least \$400 million cycling through the Concealed Non-Escrow account,
6 resulting in \$140 million in lost principal by 50 or more investors.

7 **C. Chicago Title Was Complicit In The Lending Platform Scheme**

8 **1. Chicago Title Had Actual Knowledge Of,**
9 **And Participated In, The Scheme Through Its Agents**

10 77. At least two Chicago Title escrow agents, Defendants DuCharme and
11 Elixman, had actual knowledge of and participated in the Lending Platform scheme.
12 While acting in their capacities as Chicago Title escrow agents, they were
13 simultaneously working as part of the criminal Lending Platform conspiracy with
14 Champion-Cain.

15 78. Both knew all along that, although Champion-Cain was soliciting loans
16 for liquor license escrow accounts under the Form Escrow, those loans were, in fact,
17 being deposited into an account governed by the Concealed Non-Escrow, under
18 which Champion-Cain had full discretionary control. DuCharme and Elixman knew
19 that Champion-Cain was engaged in a massive fraud and provided her substantial
20 assistance.

21 79. Chicago Title, by and through Elixman and DuCharme also knew that
22 Champion-Cain was imitating them using “@chicagotitleescrows.com” email
23 addresses. Despite knowing that Champion-Cain was using fake email accounts
24 designed to look like they were emails sent from Elixman’s and DuCharme’s
25 legitimate Chicago Title email accounts, neither Elixman nor DuCharme did
26 anything to stop this deceitful conduct. Indeed, they were willing participants who
27 benefitted substantially from the scheme, by accepting payoffs and bonus
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1 compensation for their efforts. DuCharme and Elixman’s misconduct was integral
2 to their roles as escrow officers for Chicago Title—setting up escrows and ensuring
3 that the parties who deposited money into them could have confidence that it was
4 handled according to their instructions. Their misconduct involved misuse of
5 Chicago Title’s core service and undermined the essential purpose of placing funds
6 in escrow—to ensure the safety of the escrowed funds.

7 80. Chicago Title, through DuCharme and Elixman, knew that Champion-
8 Cain was creating forged Chicago Title escrow agreements to defraud Plaintiffs and
9 other investors. For example, in early 2017, investor Kim Funding, LLC (“Kim
10 Funding”) was attempting to secure additional funding from Torrey Pines Bank to
11 invest in the Lending Platform. In connection with a due diligence investigation, the
12 bank called Chicago Title to confirm executed form escrow agreements between
13 Kim Funding and ANI signed by a Chicago Title escrow officer identified as
14 “Wendy Reynolds.” However, there was no “Wendy Reynolds” at Chicago Title.
15 The signature had been forged by Champion-Cain. When questioned by Kim
16 Funding’s principal, Kim Peterson, Champion-Cain claimed that Wendy Reynolds
17 was a *former* Chicago Title employee and, to satisfy the bank, Champion-Cain could
18 obtain substitute form escrows signed by a current Chicago Title escrow officer.
19 According to the Ovation Finance Complaint, “[a]fter Champion-Cain’s story was
20 relayed to the bank, the bank told Peterson that it would consider loaning him money
21 based on newly signed documentation, but it would need an officer of Chicago Title
22 to sign an incumbency certificate certifying that the escrow officer had full authority
23 to sign the Form Escrows on behalf of Chicago Title.”

24 81. On or around February 1, 2017, Champion-Cain went to Chicago
25 Title’s San Diego office to obtain fresh signatures on the form escrows. There,
26 DuCharme and Thomas M. Schwiebert, a Chicago Title Vice President, executed an
27 Incumbency Certificate and Authorization of Chicago Title. The Incumbency
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1 Certificate certified that DuCharme was “authorized to execute Escrow Agreements
2 for the purpose of requesting draws from [the bank] pursuant to” a credit agreement
3 between Kim Funding and the bank, and that DuCharme was “duly elected,
4 qualified, and acting as members, managers and(or) [sic] officers, as indicated, of
5 [Chicago Title] and hold on the date hereof the offices or titles set forth opposite
6 their respective names, and [that] the signatures set opposite each of their respective
7 names are their genuine signatures[.]” Simultaneous with executing the Incumbency
8 Certificate, and in the presence of Schweibert, DuCharme then re-signed twenty-
9 four phony Form Escrow agreements in her own hand.

10 82. Champion-Cain’s cell phone records confirm a series of telephone calls
11 between Champion-Cain and Kim Peterson, Schwiebert, and DuCharme (via
12 DuCharme’s mobile phone) between January 31, 2017, and February 24, 2017,
13 consistent with the above-described activity and in furtherance of the scheme.

14 83. The Ovation Finance Complaint alleges further communications with
15 Chicago Title, DuCharme and Elixman evidencing their participation in and
16 knowledge of the fraud. *See* Ovation Finance Complaint, ¶¶ 105-108.

17 84. DuCharme and Elixman conducted their fraudulent activities out of
18 Chicago Title’s offices, using Chicago Title’s bank accounts, telephones, computers,
19 form escrow agreements and other documents, and, on some occasions, its email
20 system.

21 85. DuCharme and Elixman’s deceitful actions were thus reasonably
22 related to the kinds of tasks that a Chicago Title officer would be employed to
23 perform. Their actions were also reasonably foreseeable in light of Chicago Title’s
24 business and DuCharme and Elixman’s job responsibilities. That a Chicago Title
25 escrow officer might participate in fraud using fraudulent escrow agreements and
26 related documentation was a generally foreseeable risk inherent and incidental to
27 Chicago Title’s escrow business.

1 86. Given the circumstances, breadth, and length of the fraud, there is
2 substantial circumstantial evidence that higher management at Chicago Title would
3 have been aware of the misconduct, had Chicago Title employed reasonable internal
4 controls or followed its own internal policies for identifying and reporting suspicious
5 activity.

6 87. Through DuCharme and Elixman, Chicago Title knew that the Lending
7 Platform investors believed that the money they funded through escrows held at
8 Chicago Title would be used only for specific liquor license escrows under escrow
9 agreements that did not permit Champion-Cain or ANI to unilaterally withdraw it.

10 88. Through DuCharme and Elixman, and likely others, Chicago Title
11 knew that Lending Platform investors' money was not, in fact, being used for those
12 purposes.

13 89. Chicago Title did not disclose those facts to Plaintiffs or other investors.

14 90. Chicago Title is responsible for its authorized agents' misconduct in
15 performing their core functions as Chicago Title escrow officers.

16 91. Moreover, as a financial institution, Chicago Title is responsible to
17 know if its employees are using the instrumentalities of its business to facilitate and
18 engage in fraud.

19 92. As a "licensed sender of money or any other person who engages as a
20 business in the transmission of funds," Chicago Title is a "financial institution,"
21 subject to the Bank Secrecy Act. 31 U.S.C. § 5312(a)(2)(R). The PATRIOT Act
22 requires every financial institution covered by the Bank Secrecy Act to establish an
23 anti-money laundering program. 31 U.S.C. § 5318(h). In particular, under the
24 PATRIOT Act, "each financial institution shall establish anti-money laundering
25 programs, including, at a minimum—(A) the development of internal policies,
26 procedures, and controls; (B) the designation of a compliance officer; (C) an ongoing
27 employee training program; and (D) an independent audit function to test programs."
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1 Treasury regulations enacted under the PATRIOT Act further require non-bank
2 financial institutions to employ “know your customer” practices and to keep accurate
3 records of financial transactions, including records regarding the verification of the
4 identity of those transmitting funds. 31 C.F.R. §§ 1010.220, 1010.410(e).
5 Moreover, California Escrow Law, Cal. Fin. Code § 17000, *et seq.*, further regulates
6 the conduct of escrow agents and imposes detailed recordkeeping and auditing
7 requirements of its own. Cal. Fin. Code §§ 17404, 17406, 17406.1.

8 93. As a financial institution and fiduciary responsible for safeguarding the
9 funds of others, Chicago Title maintains internal controls to prevent fraud, such as
10 auditing significant accounts, monitoring agent-client relationships, or periodically
11 rotating agents to prevent them from becoming beholden to certain clients or
12 conspiring in criminal enterprises such as this one. Chicago Title’s internal Code of
13 Business Conduct & Ethics *requires* every employee to report any actual or
14 suspected illegal or unethical conduct and provides a fraud and ethics hotline phone
15 number at the bottom of each page. The Code states that all employees are expected
16 to be vigilant in discovering evidence of possible fraud or material
17 misrepresentation, *including any misuse of or irregularity in handling and*
18 *reporting escrow funds* by any agent of Chicago Title. Indeed, according to one
19 former San Diego-area Chicago Title escrow officer who worked for the company
20 from November 2013 to 2014 and was interviewed in connection with Plaintiffs’
21 counsel’s investigation, Chicago Title employees were required to report suspicious
22 activity *only to an internal Chicago Title security team*, which would decide
23 whether to report the activity to law enforcement or government agencies. “We were
24 told to *never* contact authorities,” the former employee said. The former Chicago
25 Title escrow officer also stated that, under Chicago Title’s internal policies, it was
26 “absolutely not allowed” and against Company policy for an escrow officer to accept
27 gifts from a client. “That is total[ly] against the law,” he/she said, “you can’t take
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1 gifts” of any value or accept free food at restaurants owned by a client, as DuCharme
2 and Elixman did.

3 94. Acts by Defendants Chicago Title, DuCharme and Elixman in
4 furtherance of the conspiracy also violated California statutory law. California
5 Financial Code § 17414(a) makes it illegal to: (1) “knowingly or recklessly direct,
6 participate in, or aid or abet in a material way, any activity which constitutes theft or
7 fraud in connection with any escrow transaction”; or (2) “[k]nowingly or recklessly
8 make or cause to be made any misstatement or omission to state a material fact,
9 orally or in writing, in escrow books, accounts, files, reports, exhibits, statements, or
10 any other document pertaining to an escrow or escrow affairs.” Any director, officer,
11 stockholder, trustee, employee, or agent of an escrow agent who abstracts or
12 willfully misappropriates money, funds, trust obligations or property deposited with
13 an escrow agent is guilty of a felony.

14 95. Despite all of this regulatory scrutiny—scrutiny whose purpose is to
15 give confidence to the public—Chicago Title facilitated the scheme by permitting it
16 to go on for years, using internal systems that should have been subject to review
17 and audit by Chicago Title employees and consultants. The ongoing fraud created a
18 permanent record of escrow agreements, wire transfers, and electronic
19 communications that could have been easily detected and stopped if Chicago Title
20 followed the basic anti-money-laundering and “know your customer” procedures or
21 internal control measures that any reasonable financial institution would follow.

22 **2. Chicago Title, DuCharme, And Elixman**
23 **Profited From The Lending Platform Fraud**

24 96. Chicago Title profited from the scheme. Over the life of the Lending
25 Platform, hundreds of millions of dollars were wired into and out of Champion-
26 Cain’s Concealed Non-Escrow account. Chicago Title was paid either \$1,000 per
27 non-existent Form Escrow (as represented by ANI) or \$500 per withdrawal by
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1 Champion-Cain (under the terms of the Concealed Non-Escrow). There were
2 thousands of such transactions and Chicago Title received more than \$1,000,000 in
3 exchange for its participation in this criminal enterprise. Chicago Title also
4 benefitted from Champion-Cain's misappropriation of Plaintiffs' and other
5 investors' money by selling her escrow, title insurance, and other services in
6 connection with the unauthorized business ventures, earning ample fees and
7 commissions at each step. In addition, Champion-Cain directed tens of millions of
8 dollars of lender funds into other Chicago Title escrows for her investments,
9 generating additional compensation and fees for Chicago Title. All of this activity
10 increased profitability and likely led to compensation and bonus increases for the
11 escrow officers and various Chicago Title executives.

12 97. DuCharme and Elixman personally profited from the ANI criminal
13 enterprise, too. During the early years of the scheme, Champion-Cain paid
14 DuCharme and Elixman thousands of dollars in cash bribes each year. Later,
15 DuCharme also asked Champion-Cain to pay for a vacation to San Jose del Cabo,
16 Mexico. Champion-Cain complied, and in February 2019, Champion-Cain used
17 280,000 United Airlines miles from her account to purchase first-class tickets for
18 DuCharme and her husband. Champion-Cain paid any taxes or insurance costs for
19 the DuCharmes' travel via her corporate credit card. DuCharme also demanded that
20 Champion-Cain similarly subsidize an overseas trip for DuCharme's son, which
21 Champion-Cain subsidized using approximately 172,500 airline miles.

22 98. Champion-Cain also wined and dined DuCharme and Elixman at
23 restaurants owned by Champion-Cain, providing them, along with their family and
24 friends, with free food and drink. For example, a former ANI Vice President of
25 Development employed from September 2012 to January 2019, and who reported to
26 Champion-Cain, explained that Champion-Cain insisted that ANI only use Della
27 DuCharme at Chicago Title for all escrows. "She absolutely would not allow a
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1 project to move forward unless it was Della DuCharme” assigned to the escrow. “If
2 Della didn’t handle the escrow and title, it was a deal killer. Every single deal that
3 we did [was with DuCharme]. There wasn’t a single deal that we did that wasn’t.”
4 He explained that Champion-Cain was very protective of DuCharme and never
5 waived from using her to do escrow and title work.

6 99. Another former ANI Vice President of Development who worked with
7 and reported to Champion-Cain from October 2010 to September 2019 confirmed
8 that he/she regularly saw DuCharme at social events hosted by Champion-Cain,
9 including Padres baseball games, concerts and holiday festivities. Champion-Cain
10 would give Padres tickets to DuCharme—enough tickets so the escrow officer could
11 bring her family and friends.

12 **V. CLASS ACTION ALLEGATIONS**

13 100. Plaintiffs bring this suit as a class action on behalf of themselves and
14 all other persons similarly situated, pursuant to Federal Rules of Civil Procedure
15 23(a) and (b)(3), on behalf of a class of all persons who invested in the ANI Lending
16 Platform (the “Class”). Excluded from the Class are Defendants and their parents,
17 affiliates, subsidiaries, agents, legal representatives, predecessors, successors,
18 assigns, employees, immediate family members, and any entity in which each of
19 these has a controlling interest or which has a controlling interest in any of them.

20 101. **Numerosity**. Plaintiffs are informed and believe and upon that basis
21 allege that the Class is comprised of at least sixty-five members. The Class members
22 are too numerous to be practicably joined. The Class members are identifiable from
23 information and records in the possession, custody, or control of Chicago Title.
24 Notice of this action can be provided to all members of the Class, and the disposition
25 of their claims in a single action will provide substantial benefits to all parties and
26 to the Court.

1 102. **Typicality.** Plaintiffs’ claims are typical of the claims of other
2 members of the Class. Plaintiffs and each Class member invested in the ANI
3 Lending Platform and were subject to the wrongful conduct alleged in this
4 complaint.

5 103. **Adequacy of Representation.** Plaintiffs are members of the Class and
6 will fairly and adequately represent and protect its interests. Plaintiffs have no
7 interests contrary to or in conflict with the interests of the other Class members.

8 104. Plaintiffs’ counsel are competent and experienced in class action and
9 investor fraud litigation and will pursue this action vigorously.

10 105. **Commonality and Predominance.** Common questions of fact and law
11 exist as to all members of the Class and predominate over any questions pertaining
12 to individual Class members. Among the questions common to the Class are:

13 a. Whether Defendants committed fraud, engaged in a racketeering
14 enterprise and/or breached duties to Plaintiffs and members of the Class;

15 b. Whether Chicago Title aided and abetted, joined, and/or
16 participated in the fraudulent scheme, racketeering and/or breach of duties;

17 c. Whether Chicago Title knowingly carried out transactions in
18 furtherance of the fraudulent scheme with knowledge and reckless disregard that
19 other Defendants were engaged in a racketeering enterprise, committing investor
20 fraud, breaching fiduciary duties, and/or misappropriating investor funds;

21 d. Whether Chicago Title’s continued support for the fraudulent
22 scheme, to the detriment of Plaintiffs and members of the Class, constitutes
23 negligence;

24 e. Whether Chicago Title’s conduct alleged herein violates
25 California’s Unfair Competition Law, Cal. Bus. & Prof. Code § 17200, *et seq.*; and

26 f. Whether, in view of the harms suffered, Plaintiffs and Class
27 members are entitled to damages, restitution and other remedies.

1 110. As a limited liability company created for the sole purpose of operating
2 the Lending Platform scheme, ANI Development operated as an “enterprise”
3 through Defendants Champion-Cain, Torres, Hanson and Bond.

4 111. Chicago Title—through its agents DuCharme, Elixman, and others yet
5 unknown—conducted and participated in the affairs of the ANI Lending Platform
6 scheme through a pattern of racketeering activity, as defined by 18 U.S.C. § 1961(5),
7 consisting of numerous and repeated instances of wire fraud, bank fraud, money
8 laundering, and bribery in violation of 18 U.S.C. § 1962(c).

9 112. Chicago Title benefitted from the acts of DuCharme, Elixman, and its
10 other unnamed agents. It was paid \$1,000 for each fictional “escrow” that
11 DuCharme and Elixman accepted funds for and falsely purported to set up and/or
12 \$500 for each withdrawal or disbursement to ANI, Champion-Cain, or affiliated
13 entities.

14 113. ANI Development was created and/or used as a tool to carry out the
15 elements of the illegal scheme and pattern of racketeering activity. ANI
16 Development had an ascertainable structure beyond the scope and commission of
17 the predicate acts and conspiracy to commit such acts. ANI Development is further
18 a corporate entity separate and distinct from defendants.

19 114. Champion-Cain and Chicago Title—through their agents and their
20 co-conspirators—conducted the affairs of ANI Development and all had the
21 common purpose to secure benefits and profit by obtaining access to capital and
22 diverting it to their own uses through wire fraud, bank fraud, money laundering, and
23 commercial bribery.

24 115. ANI Development engaged in, and its activities affected, interstate and
25 foreign commerce by, among other things, unlawfully borrowing money in interstate
26 transactions and investing it in other businesses that engaged in interstate commerce.
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1 116. Chicago Title participated in the operation and managed the affairs of
2 the enterprise as described herein.

3 117. Chicago Title committed, or aided and abetted, the commission of
4 multiple discrete predicate acts of racketeering activity. The multiple acts of
5 racketeering activity that Defendants committed and/or conspired to, or aided and
6 abetted in the commission of, were related to each other, extended for several years,
7 had fifty or more victims, and, had the government not placed ANI Development
8 into a receivership, posed a threat of further continuing criminal activity, and
9 therefore constitute a “pattern of racketeering activity.”

10 118. Defendants’ predicate acts of racketeering within the meaning of
11 18 U.S.C. § 1961(1) include, but are not limited to:

12 **a. Racketeering Act 1:** During, at minimum, 2015 and 2016, DuCharme
13 and Elixman accepted cash gifts in excess of \$250 from Champion-Cain, corruptly
14 and without the knowledge or consent of Chicago Title, in return for using or
15 agreeing to use their positions as Chicago Title escrow officers for the benefit of
16 ANI Development’s ongoing scheme, acts of bribery in violation of California Penal
17 Code § 641.3.

18 **b. Racketeering Act 2:** From at least 2015 and continuing to August 28,
19 2019, DuCharme and Elixman accepted complimentary dining experiences and
20 other entertainment valued in excess of \$250 from Champion-Cain, corruptly and
21 without the knowledge or consent of Chicago Title, in return for using or agreeing
22 to use their positions as Chicago Title escrow officers for the benefit of Champion-
23 Cain and the ANI scheme, acts of bribery in violation of California Penal Code §
24 641.3.

25 **c. Racketeering Act 3:** Plaintiffs and the Class wired millions of dollars
26 to an account controlled by Chicago Title, with the understanding that the funds
27 would be placed in an escrow account to fund specific liquor license application
28

1 escrows arranged by ANI Development, and under escrow conditions mandating
2 that the funds could not be distributed to any person other than Plaintiffs or other
3 Class members. Without disclosing it to Plaintiffs and the Class, Chicago Title
4 caused their money to be deposited into the Concealed Non-Escrow account at
5 Chicago Title over which Champion-Cain had full discretionary authority to
6 withdraw funds at will for a fee of \$500 per transaction, in violation of 18 U.S.C.
7 §§ 2 and 1343.

8 **d. Racketeering Act 4:** On or about January 20, 2018, DuCharme
9 accepted a \$13,000 check from the personal account of Champion-Cain, corruptly
10 and without the knowledge or consent of Chicago Title, in return for using or
11 agreeing to use her position as a Chicago Title escrow officer for the benefit of ANI
12 Development's ongoing scheme, an act of bribery in violation of California Penal
13 Code § 641.3.

14 **e. Racketeering Act 5:** On or about January 20, 2018, Elixman accepted
15 a \$5,000 check from the personal account of Champion-Cain, corruptly and without
16 the knowledge or consent of Chicago Title, in return for using or agreeing to use her
17 position as a Chicago Title escrow officer for the benefit of ANI Development's
18 ongoing scheme, an act of bribery in violation of California Penal Code § 641.3.

19 **f. Racketeering Act 6:** On or about December 16, 2018, DuCharme
20 accepted a \$10,000 check from the personal account of Champion-Cain, corruptly
21 and without the knowledge or consent of Chicago Title, in return for using or
22 agreeing to use her position as a Chicago Title escrow officer for the benefit of ANI
23 Development's ongoing scheme, an act of bribery in violation of California Penal
24 Code § 641.3.

25 **g. Racketeering Act 7:** On or about December 16, 2018, Elixman
26 accepted a \$1,000 check from the personal account of Champion-Cain, corruptly and
27 without the knowledge or consent of Chicago Title, in return for using or agreeing
28

1 to use her position as a Chicago Title escrow officer for the benefit of ANI
2 Development's ongoing scheme, an act of bribery in violation of California Penal
3 Code § 641.3.

4 **h. Racketeering Act 8:** On or about February 21, 2019 and thereafter,
5 DuCharme accepted airline travel and other valuable consideration from the personal
6 account of Champion-Cain, corruptly and without the knowledge or consent of
7 Chicago Title, in return for using or agreeing to use her position as a Chicago Title
8 escrow officer for the benefit of ANI Development's ongoing scheme, an act of
9 bribery in violation of California Penal Code § 641.3.

10 **i. Racketeering Act 9:** Beginning in 2015 and continuing through
11 August 28, 2019, Chicago Title, DuCharme, Elixman and others acting in the interest
12 of Chicago Title knew of and participated in ANI Development, Champion-Cain,
13 and other Defendants' numerous acts of transferring over \$10,000 of the proceeds
14 of wire fraud from the Concealed Non-Escrow account at Chicago Title to accounts
15 possessed and controlled by Champion-Cain and/or ANI Development's parent
16 company, ANI, for use in funding the business activities of ANI, in violation of 18
17 U.S.C. §§ 2, 1956, and 1957.

18 119. As discussed above, as a direct and proximate result of Defendants'
19 racketeering activities and violations of 18 U.S.C. § 1962(c), Plaintiffs have been
20 injured in their business and property.

21 **SECOND CAUSE OF ACTION**

22 **RICO Conspiracy**

23 **Violation of 18 U.S.C. § 1962(d) Against All Defendants**

24 120. Plaintiffs hereby incorporate the above allegations by reference as if
25 fully set forth herein.

1 121. This claim alleges a violation of 18 U.S.C. § 1962(d), which makes it
2 “unlawful for any person to conspire to violate any of the provisions of subsection
3 (a), (b), or (c) of [18 U.S.C. § 1962].”

4 122. Chicago Title conspired with Champion-Cain to violate 18 U.S.C.
5 § 1962(a) and (c), as described herein.

6 123. Champion-Cain, together with Torres, Hanson and Bond, participated
7 as a co-conspirator with Chicago Title in the above listed offenses and performed
8 those acts in furtherance of the conspiracy.

9 124. Chicago Title—through its agents DuCharme and Elixman—and
10 Champion-Cain agreed, whether expressly or tacitly, that some person would
11 commit at least of two predicate acts set forth above in the course of participating in
12 the affairs or operations of the ANI scheme, in violation of 18 U.S.C. § 1962(c).

13 125. Chicago Title—through its agents DuCharme and Elixman—and
14 Champion-Cain agreed, whether expressly or tacitly, that some person would
15 commit at least of two predicate acts set forth above in the course of using the
16 proceeds of the conduct alleged above to wrongfully transmit funds to ANI, in
17 violation of 18 U.S.C. § 1962(a).

18 126. Chicago Title—through its agents DuCharme and Elixman—was
19 aware of the essential scope and nature of and intended to participate in the scheme
20 to corruptly operate ANI Development to the benefit of Champion-Cain and to use
21 the proceeds of the conduct alleged above to wrongfully transmit Plaintiffs’ and
22 other Class members’ funds to ANI.

23 127. There was no plausible lawful rationale for the manner in which
24 Chicago Title and its co-conspirators participated in the affairs of ANI Development
25 or wrongfully transfer Plaintiffs’ and other Class members’ funds to ANI.
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1 128. As discussed above, Plaintiffs have been injured in their business and
2 property as a direct and proximate result of the unlawful agreement between Chicago
3 Title and Champion-Cain.

4 **THIRD CAUSE OF ACTION**
5 **Violation of California Business and Professions Code Section 17200, *et seq.*,**
6 **Against Chicago Title, DuCharme and Elixman**

7 129. Plaintiffs hereby incorporate the above allegations by reference as if
8 fully set forth herein.

9 130. California Business and Professions Code Sections 17200, *et seq.*, of
10 the Unfair Competition Law, defines unfair business competition to include any
11 “unlawful, unfair and fraudulent” business act or practice, as well as any “unfair,
12 deceptive, untrue or misleading” advertising.

13 131. Pursuant to California Business and Professions Code Sections 17200,
14 *et seq.*, and the common law of unfair competition, the business practices of
15 Defendant described above are, and have been, unlawful, unfair and fraudulent and
16 have a tendency to mislead the general public.

17 132. Specifically, Defendants created and disseminated false and misleading
18 promotional materials, investment overviews, emails, promissory notes, financial
19 statements, and other reports and communications that were designed to mislead
20 Plaintiffs and other Class members to invest in the Lending Platform. Additionally,
21 Defendants’ conduct was unfair and deceptive in that Defendants omitted to disclose
22 material information known only to themselves that a reasonable investor and
23 member of the public would want to know.

24 133. As a result of Defendants’ unlawful and unfair business practices,
25 Plaintiffs and the proposed Class have suffered actual monetary damages in an
26 amount that will be established during trial.

1 in the scope of their authority and employment, DuCharme and Elixman made
2 various fraudulent statements to facilitate the scheme; (2) Chicago Title failed to
3 disclose facts while under an obligation to do so, under circumstances that permitted
4 the scheme to continue; (3) DuCharme and Elixman assisted Champion-Cain in
5 signing numerous Form Escrows after a bank's diligence revealed them to be likely
6 forgeries, thereby perpetuating the scheme; (4) Chicago Title, DuCharme, and
7 Elixman all personally profited from the scheme; (5) DuCharme and Elixman, while
8 acting in the scope of their authority and employment with Chicago Title, processed
9 hundreds of wire transfers into and out of ANI Development's escrow accounts
10 under the Concealed Non-Escrow, knowingly permitting Champion-Cain and ANI
11 to steal Plaintiffs' principal and accrued interest.

12 141. DuCharme and Elixman acted with oppression, fraud, or malice in
13 aiding and abetting Champion-Cain's fraud.

14 142. Chicago Title had actual knowledge of the unfitness of DuCharme and
15 Elixman and acted with reckless disregard of the rights of Plaintiffs in continuing to
16 employ DuCharme and Elixman for years while they participated in the ANI
17 Lending Platform scheme.

18 143. Defendants Hanson, Torres and Bond had actual knowledge of the ANI
19 Lending Platform fraud and acted with oppression, fraud, or malice in aiding and
20 abetting Champion-Cain's fraud. Defendants Hanson, Torres, and Bond assisted
21 Champion-Cain in creating and disseminating false and misleading investor
22 promotional materials, promissory notes, liquor license application lists, emails,
23 reports and other communications that were designed to and, in fact, did perpetuate
24 the ANI Lending Platform fraud.

25 144. As discussed above, Plaintiffs were injured by Defendants' aiding and
26 abetting of the Lending Platform fraud.

FIFTH CAUSE OF ACTION
Breach of Fiduciary Duty
Against Chicago Title, DuCharme and Elixman

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3 145. Plaintiffs hereby incorporate the above allegations by reference as if
4 fully set forth herein.

5 146. Acting through agents upon whom Chicago Title endowed with
6 ostensible authority in their interactions with Plaintiffs and other Class members,
7 Chicago Title became party to Form Escrows for the benefit of Plaintiffs.

8 147. Under the Form Escrows, Chicago Title received millions of dollars in
9 investor funds from Plaintiffs and other Class members through wire transmissions
10 and other means.

11 148. Under the Form Escrows, Chicago Title agreed, among other things,
12 not to release the escrowed funds to any persons other than Plaintiffs and other
13 investors.

14 149. Chicago Title served as the Escrow Holder for these escrow accounts.

15 150. As the Escrow Holder, Chicago Title owed a fiduciary duty to Plaintiffs
16 and other Class members, including, but not limited to, duties to: (1) refrain from
17 acting against Plaintiffs' interests in administering funds Plaintiffs deposited into
18 accounts Plaintiffs believed to be controlled by the Form Escrows; (2) disclosing
19 any materially adverse information, such as the existence of the Concealed Non-
20 Escrow; and (3) exercising reasonable skill and diligence in carrying out the Form
21 Escrow agreements.

22 151. Chicago Title, through its agents acting within the scope of their
23 employment, breached its fiduciary duty to Plaintiffs and other Class members by
24 knowingly wiring Plaintiffs' deposited funds into the Concealed Non-Escrow, from
25 which Champion-Cain was regularly withdrawing funds contrary to the terms of the
26 Form Escrows.
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1 157. Chicago Title's duty of care included, among other things, a duty to
2 monitor its business to ensure that its employees were not using the instrumentalities
3 of the company to carry out and aid and abet fraudulent schemes to deprive Plaintiffs
4 of funds, which Plaintiffs had been led to believe would be deposited into safe
5 escrow accounts at Chicago Title.

6 158. Chicago Title breached its duty of care by, among other things, failing
7 to detect or prevent DuCharme and Elixman from using its instrumentalities to carry
8 out the ANI Lending Platform scheme.

9 159. As discussed above, Plaintiffs and other Class members have been
10 harmed as a result of Chicago Title's failures to abide by its duty of care.

11 **VII. PRAYER FOR RELIEF**

12 Plaintiffs pray for the following remedies:

13 A. Certifying this action as a class action and certifying Plaintiffs as class
14 representatives and Plaintiffs' counsel as class counsel.

15 B. Awarding monetary damages according to proof, including
16 compensatory damages, lost interest, lost profits, incidental and consequential
17 damages and treble damages for the RICO violations.

18 C. Awarding punitive damages.

19 D. Awarding pre-judgment interest.

20 E. Awarding attorneys' fees and costs of suit to the extent permitted by
21 law.

22 F. Awarding such other relief as the Court determines just and proper.

23 **VIII. DEMAND FOR JURY TRIAL**

24 Plaintiffs request a jury trial for any counts for which a trial by jury is
25 permitted by law.
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1 Date: November 5, 2019

Respectfully submitted,

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