

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK

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ALLSTATE INSURANCE COMPANY,  
ALLSTATE INDEMNITY COMPANY,  
ALLSTATE PROPERTY & CASUALTY  
INSURANCE COMPANY, AND ALLSTATE NEW  
JERSEY INSURANCE COMPANY,

CIVIL ACTION No. \_\_\_\_\_

**CV 11 - 2391** COMPLAINT

Plaintiffs,

(TRIAL BY JURY DEMANDED)

AMNER KHAIMOV, ZOYA AMINOVA,  
MURDAKHAY KHAIMOV, ALBERT KHAIMOV,  
YAKOV AMINOV, ILYA TAMAYEFF, ABRAHAM  
LAYLIEV, ROBERT TERDJANIAN, GALINA VOVK,  
A/K/A VALENTINA BABUCEA, VLADISLAV  
AGUVAYEV, OLEG SIMAKOV, SERGEY MEZKULA,  
GRIGOL APRESYANTS, MARIFAT  
DAVLATKHONOVA, MICHAEL ZAVRAZHIN,  
LAPERLA SUPPLY, INC., F/K/A NEW MILLENNIUM  
SUPPLY, INC., PARSONS MEDICAL SUPPLY, INC.,  
JAMAICA MEDICAL SUPPLY, INC., QUEENS  
MEDICAL SUPPLY, INC., GRAND MEDICAL  
SUPPLY, INC., ROYAL MEDICAL SUPPLY, INC.,  
UTOPIA EQUIPMENT, INC., GNK MEDICAL  
SUPPLY, INC., HIGHLAWN BEST MEDICAL  
SUPPLY, INC., NEW CAPITAL SUPPLY, INC., AVR  
MEDICAL SUPPLY, INC., FRAZIER TRADING CO.,  
INC., A TO Z WHOLESALE, INC., BULLS EYE  
WHOLESALE, INC., E-Z SUPPLY, INC., GLOBAL  
BEST DEAL, INC., GRIGOL SUPPLY, INC., HONO  
OFFICE SUPPLY, INC., MEDCURE SUPPLIES, INC.,  
TELYA CORP., MAJOR MARKET MERCHANDISE,  
INC., VZ GROUP, INC., JOHN DOES 1 THROUGH 20  
AND ABC CORPORATIONS 1 THROUGH 20,

Defendants.

**FILED**  
IN CLERK'S OFFICE  
U.S. DISTRICT COURT E.D.N.Y.  
★ MAY 18 2011 ★  
BROOKLYN OFFICE  
**GLEESON, J.**  
**AZRACK, M.J.**

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Plaintiffs Allstate Insurance Company, Allstate Indemnity Company, Allstate Property & Casualty Insurance Company, and Allstate New Jersey Insurance Company (collectively "Plaintiffs"), by their attorneys, Stern & Montana, LLP, for their Complaint against Defendants Amner Khaimov ("A. Khaimov"), Zoya Aminova ("Aminova"), Murdakhay Khaimov ("M. Khaimov"), Albert Khaimov ("Khaimov"), Yakov Aminov ("Aminov"), Ilya Tamayeff

("Tamayeff"), Abraham Layliev ("Layliev"), Robert Terdjanian ("Terdjanian"), Galina Vovk, a/k/a Valentina Babucea ("Vovk"), Vladislav Aguvayev ("Aguvayev"), Oleg Simakov ("Simakov"), Sergey Mezkula ("Mezkula"), Grigol Apresyantsi ("Apresyantsi"), Marifat Davlatkhonova ("Davlatkhonova"), Michael Zavrazhin ("Zavrazhin"), LaPerla Supply, Inc., f/k/a New Millennium Supply, Inc. ("LaPerla Supply"), Parsons Medical Supply, Inc. ("Parsons Medical Supply"), Jamaica Medical Supply, Inc. ("Jamaica Medical Supply"), Queens Medical Supply, Inc. ("Queens Medical Supply"), Grand Medical Supply, Inc. ("Grand Medical Supply"), Royal Medical Supply, Inc. ("Royal Medical Supply"), Utopia Equipment, Inc. ("Utopia Equipment"), GNK Medical Supply, Inc. ("GNK Medical Supply"), Highlawn Best Medical Supply, Inc. ("Highlawn Best Medical Supply"), New Capital Supply, Inc. ("New Capital Supply"), AVR Medical Supply, Inc. ("AVR Medical Supply"), Frazier Trading Co., Inc. ("Frazier Trading"), A to Z Wholesale, Inc. ("A to Z Wholesale"), Bulls Eye Wholesale, Inc. ("Bulls Eye Wholesale"), E-Z Supply, Inc. ("E-Z Supply"), Global Best Deal, Inc. ("Global Best Deal"), Grigol Supply, Inc. ("Grigol Supply"), Hono Office Supply, Inc. ("Hono Office Supply"), MedCure Supplies, Inc. ("MedCure Supplies"), Telya Corp. ("Telya"), Major Market Merchandise, Inc. ("Major Market Merchandise"), VZ Group, Inc. ("VZ Group"), John Does 1 through 20 and ABC Corporations 1 through 20 (collectively "Defendants"), allege as follows:

**PRELIMINARY STATEMENT**

1. On information and belief, beginning in or about June 2003, through the date of the filing of this Complaint, Defendants engaged in a massive scheme to defraud automobile insurance companies, including Plaintiffs, through New York State's No-fault system.

2. This action seeks to recover more than \$2,100,000.00 that Defendants stole from Plaintiffs through the submission of hundreds of false and/or fraudulent insurance claims for

durable medical equipment and supplies (“DME”) and/or orthotic devices, including but not limited to cervical pillows, cervical traction units, cold/hot water circulating pumps, electronic muscle stimulator units, hot/cold packs, infrared heat lamps, lumbar cushions, massagers, mattresses, whirlpools, cervical collars and ankle, back, knee, shoulder and wrist braces.

3. At all relevant times mentioned herein, each and every DME and/or orthotic device was provided pursuant to a predetermined course of treatment, irrespective of medical necessity and/or need, based on illicit kickback and/or other financial compensation agreements between and among one or more of the Defendants and the No-fault Clinics, defined below.

4. At all relevant times mentioned herein, each of the enterprises alleged herein operated in a fundamentally identical manner. For instance, on information and belief, to execute their scheme to defraud, Defendants Amner Khaimov, Zoya Aminova, Murdakhay Khaimov, Albert Khaimov, Yakov Aminov, Ilya Tamayeff, Abraham Layliev, Robert Terdjianian, Galina Vovk a/k/a Valentina Babucea (when not referred to individually, referred to collectively herein as the “Retail Owners”), through one or more of the retail medical supply companies, which include Defendants Royal Medical Supply, Grand Medical Supply, Utopia Equipment, Jamaica Medical Supply, Queens Medical Supply, LaPerla Supply, New Capital Supply, Parsons Medical Supply, GNK Medical Supply, Highlawn Best Medical Supply, AVR Medical Supply (collectively the “Retailers”) entered into separate arrangements with one or more medical clinics operating in the New York metropolitan area that bill No-fault insurers for medical services (hereinafter “No-fault Clinics”) and one or more wholesale medical supply companies and their owners, which include Defendants Frazier Trading Co., Inc., A to Z Wholesale, Inc., Bulls Eye Wholesale, Inc., E-Z Supply, Inc., Global Best Deal, Inc., Grigol Supply, Inc., Hono Office Supply, Inc., MedCure Supplies, Inc., Telya Corp., Major Market Merchandise, Inc., VZ

Group, Inc., ABC Corporations 1 through 20 (collectively the “Wholesalers”), Vladislav Aguvayev, Oleg Simakov, Sergey Mezkula, Grigol Apresyantsi, Marifat Davlatkhonova, Michael Zavrazhin and John Does 1 through 20 (collectively the “Wholesale Owners”) (When not referred to individually, the Wholesalers and Wholesale Owners are collectively referred to as the “Wholesale Defendants”).

5. On information and belief, pursuant to these agreements and in exchange for kickbacks and/or other financial compensation, the No-fault Clinics, which are not named as defendants in this action, ensured that (1) their associated doctors and/or chiropractors prescribed large amounts of virtually identical DME and/or orthotic devices to their patient population, pursuant to a predetermined course of treatment, irrespective of medical necessity; and (2) the prescriptions were sufficiently generic so that the nature, quality and cost of any DME and/or orthotic device could not be verified based on the description of the prescribed item alone.

6. On information and belief, in exchange for kickbacks and/or other financial compensation, irrespective of the purported complaints of pain or type of injury documented in connection with a particular claim, the No-fault Clinics, through their associated doctors and/or chiropractors, supplied prescriptions pursuant to a predetermined course of treatment, with the prescribed items being dictated by the Retailers. Even patients who should never be prescribed certain DME and/or orthotic devices due to the existence of a serious medical condition were prescribed items pursuant to a standard protocol of treatment that potentially compromised their health. By way of example and not limitation, in connection with claim 0181193426, a No-fault Clinic operating in Queens County prescribed an Electronic Muscle Stimulation (“EMS”) Unit to a No-fault Claimant with a documented history of heart failure and an implanted defibrillator. On information and belief, an EMS Unit operates by delivering tiny electrical impulses to

stimulate muscles and is not recommended for use by, among others, people fitted with pacemakers and internal defibrillators. Notwithstanding the foregoing, pursuant to its kickback and/or other financial compensation agreement with one or more of the Retailers, the No-fault Clinic prescribed a DME item (the EMS Unit), without any regard to medical necessity, based on a predetermined course of treatment, and in doing so, potentially compromised the health of a No-fault Claimant.

7. On information and belief, pursuant to similar agreements, and in exchange for kickbacks and/or other financial compensation, including but not limited to a share in the profits of the scheme to defraud, the Wholesale Defendants provided the Retailers with inexpensive DME and/or orthotic devices, along with fraudulent wholesale invoices which grossly inflated the amounts the Retailers paid for the DME and/or orthotic devices. By way of example and not limitation, Exhibit "1" in the accompanying Compendium of Exhibits is a spreadsheet identifying, to the extent known, the Wholesalers that provided the Retailers with inflated invoices.

8. On information and belief, it was the usual and customary course of business for prices reflected on wholesale invoices to be grossly inflated for DME and/or orthotic devices. In fact, the wholesale invoices provided typically reflected prices that are up to 10 to 20 times the actual prices that Retailers pay to the Wholesale Defendants. In addition, oftentimes, the Retailers never actually purchased DME and/or orthotic devices, but the Wholesale Defendants provided the Retailers with invoices to create the illusion of a sale.

9. On information and belief, to create the illusion that the Retailers paid the grossly inflated prices on the wholesale invoices, as more fully alleged in the "Money Laundering Scheme" section below, the Retailers issued checks to the Wholesale Defendants, and other

purported wholesalers, for the full amounts reflected on the wholesale invoices. The Retailers then used those checks to demonstrate to Plaintiffs, and others, that they had paid the false wholesale invoice amounts. In reality, on information and belief, the Wholesale Defendants converted the checks they received from the Retailers to cash and secretly returned to the Retailers up to approximately 90% of the wholesale invoice amounts. On information and belief, these covert cash transactions were facilitated through various clandestine arrangements among the Retailers, the Wholesale Defendants, check brokers and check cashers.

10. On information and belief, through these transactions, the Retailers were able to surreptitiously obtain cash, which would in turn be used, for among other things, to pay kickbacks to the No-fault Clinics, from which they purchased prescriptions for DME and/or orthotic devices.

11. On information and belief, after obtaining the prescriptions from the No-fault Clinics and the inflated invoices from the Wholesale Defendants, the Retail Owners, through their respective Retailers, generated and submitted bills to Plaintiffs, among others, knowingly misrepresenting the actual amounts they paid for, and the quality of, the DME and/or orthotic devices purportedly provided.

12. On information and belief, at all times relevant herein, the documents submitted by the Retail Owners, through their respective Retailers, to Plaintiffs in support of their fraudulent claims, including the wholesale invoices, deliberately omitted basic information about the DME and/or orthotic devices, i.e., the manufacturer, make, model, size, features or functions of the item and/or included information that was meaningless in determining the kind and quality of any specific DME and/or orthotic device.

13. On information and belief, the wholesale invoices were deliberately vague and

non-descript to conceal the actual make, model, type or quality of the DME and/or orthotic device purportedly provided to prevent Plaintiffs from determining the appropriate charges associated with any such DME and/or orthotic device or whether the specific DME and/or orthotic device billed was medically necessary.

14. On information and belief, the Retail Owners, through their respective Retailers, routinely purchased basic, low-quality and inexpensive items from the Wholesale Defendants, but submitted documents, including, but not limited to, inflated wholesale invoices that failed to correctly reflect the actual purchase price of each item.

15. On information and belief, in support of their claims for reimbursement, and to facilitate the fraud described herein, the Retailer Owners, through their respective Retailers, generated “delivery receipts” which included a space for No-fault claimants to sign in order to confirm receipt of each item for which the Retail Owners, through their respective Retailers, billed Plaintiffs.

16. On information and belief, the Retailers, working with the No-fault Clinics that prescribed the DME and/or orthotic devices, arranged for the No-fault Claimants to sign the delivery receipts in blank thereby allowing the Retail Owners, through their respective Retailers, to fill in the delivery receipt with whatever DME and/or orthotic devices that the Retailers wanted to bill without the No-fault Claimant’s actual confirmation that they received the items identified therein. In other instances, where the No-fault Claimant did not sign the delivery receipt, the Retailers, working with the No-fault Clinics, arranged for the No-fault Claimant’s signature to be forged on the delivery receipt, thereby falsely representing that the No-fault Claimant acknowledged receipt of the billed for DME and/or orthotic devices.

17. On information and belief, in these and other ways, Defendants’ interrelated

schemes to defraud operated in a fundamentally similar manner. By way of further example and not limitation of Defendants' near identical parallel schemes to defraud, every Retailer submitted the same type of documentation in support of their claims for reimbursement, including but not limited to, delivery receipt and substantially similar assignment of benefit forms, containing the same typos, misspelling and stray marks. By way of example and not limitation, Exhibit "2" in the accompanying Compendium of Exhibits is a spreadsheet containing a representative sample of claims submitted by one or more of the Retailers containing identical delivery receipt and/or assignment of benefit forms that were obviously based on a shared template.

18. On information and belief, in carrying out their scheme to defraud, Defendants stole millions of dollars from Plaintiffs by submitting, or causing to be submitted, fraudulent claims for persons who allegedly sustained injuries covered by the New York Comprehensive Motor Vehicle reparations Act (popularly known as the "No-fault Law"). Under that law, policyholders and others who sustain injuries in automobile accidents (hereinafter "No-fault Claimants" or "Claimants") can obtain payments from the policyholder's automobile insurance companies for necessary medical care, including treatments, tests and medical equipment ordered by the No-fault Claimant's physicians. Claimants can also assign those benefits to doctors and other properly licensed healthcare providers, enabling them to bill insurance companies directly for their services. Defendants exploited that system by obtaining such assignments and billing insurers for DME and/or orthotic devices that were never provided, or not provided as billed or if provided, were of inferior quality relative to what was represented in the bills submitted to Plaintiffs to have been provided and/or were otherwise medically unnecessary and provided pursuant to a predetermined course of treatment in which virtually all Claimants received substantially similar DME and/or orthotic devices.

**STATUTORY/REGULATORY SCHEME**

19. Section 5108 of the No-fault Law circumscribes the amount that a licensed healthcare provider or other authorized person, such as a DME provider, may recover for health service related expenses. In particular, under this section, such persons are only entitled to reimbursement of necessary medically related expenses in accordance with the applicable fee schedules adopted by the Superintendent of Insurance.

20. Pursuant to 11 N.Y.C.R.R. § 65-3, payment for medical expenses must be in accordance with fee schedules promulgated under Section 5108 of the Insurance Law.

21. Effective October 6, 2004, the Department of Insurance, through the Superintendent's promulgation and amendment to Regulation 83 (11 N.Y.C.R.R. § 68 *et. seq.*), established a fee schedule for the reimbursement of durable medical equipment and medical supplies by adopting the New York State Medicaid fee schedules for durable medical equipment (the "Fee Schedule"), medical/surgical supplies, orthopedic footwear and orthotic and prosthetic appliances.

22. The Amendment to Regulation 83, which was in effect at all relevant times mentioned herein, provides:

the "maximum permissible charge for the purchase of durable medical equipment, medical/surgical supplies, orthopedic footwear and orthotic and prosthetic appliances is the fee payable for such equipment and supplies under the New York State Medicaid program at the time such equipment and supplies are provided. If the New York State Medicaid program has not established a fee payable for the specific item, then the fee payable, in accordance with Medicaid rules, shall be the lesser of: (1) the acquisition cost (i.e. the line item cost from a manufacturer or wholesaler net of any rebates, discounts or other valuable considerations, mailing, shipping, handling, insurance costs or any sales tax) to the provider plus 50%; or (2) the usual and customary price charged to the general public."

11 N.Y.C.R.R. § 68 (Appendix 17-C, Part F).

23. Pursuant to Section 5108 (c) of the No-fault Law, “no provider of health services ... may demand or request any payment in addition to the charges authorized pursuant to this section.”

24. Pursuant to the No-fault Law and its implementing regulations, providers of DME are entitled to reimbursement in amounts set forth in the Fee Schedule. In instances where an item of DME is not set forth in the Fee Schedule, and therefore, there is no established fee schedule, the provider is entitled to reimbursement in an amount equal to the lesser of the acquisition cost of the medical equipment to the provider, plus 50%; or the usual and customary price charged to the public. 11 N.Y.C.R.R. § 68 (Appendix 17-C, Part F).

25. At all relevant times mentioned herein, nearly each and every bill mailed by the Retail Owners, through their respective Retailers, to Plaintiffs for reimbursement misrepresented the DME and/or orthotic devices provided, if provided at all, as well as the cost and quality of the billed for DME and/or orthotic device. In particular, on information and belief, the Retailers, as a matter of pattern and practice, submitted bills to Plaintiffs that materially misrepresented the DME and/or orthotic devices for which they were seeking reimbursement. For instance, the Retailers sought reimbursement from Plaintiffs in exorbitant amounts for complex, expensive DME and/or orthotic devices that they never actually provided. To the extent the DME was provided at all, each item was a basic, low-quality piece of medical equipment for which the Retailers’ wholesale cost was a mere fraction of the amount they charged Plaintiffs and/or was medically unnecessary because it was provided pursuant to a predetermined course of treatment, irrespective of need.

26. As more fully alleged in the “Fee Schedule Scheme to Defraud” section below, at

all relevant times mentioned herein, the Retail Owners, through their respective Retailers, as a matter of pattern and practice, fraudulently submitted bills to Plaintiffs for DME and/or orthotic devices that were never provided, or if provided, did not correspond with the code descriptions in the Fee Schedule for which they sought reimbursement. In that regard, the Retail Owners, through their respective Retailers, submitted bills to Plaintiffs seeking reimbursement under codes which had significantly higher reimbursement rates than the codes for the items they actually supplied (hereinafter referred to as “upcoding”) and, as a result, the Retail Owners, through the Retailers, were paid substantial sums by Plaintiffs far in excess of the amounts they were otherwise entitled to receive under the No-fault Law. By way of example and not limitation, Exhibit “3” in the accompanying Compendium of Exhibits is a representative sample of claims Plaintiffs paid to the Retailers where the DME and/or orthotic devices were never provided, or if provided, were upcoded so that the code descriptions failed to correspond with the DME and/or orthotic devices purportedly provided.

27. In addition to fraudulently upcoding bills for the DME and/or orthotic devices actually provided, the Retail Owners, through their respective Retailers, also perpetrated their massive scheme to defraud by submitting bills to Plaintiffs wherein they misrepresented that certain DME were reimbursable under the relevant Fee Schedule in existence at the time when, in fact, they were utilizing phantom codes for which there was no published fee schedule.

28. By submitting bills to Plaintiffs which contained phantom codes not recognized under the relevant Fee Schedule in existence at the time or that materially misrepresented the nature, quality and cost of the DME and/or orthotic device, the Retail Owners, through their respective Retailers, deliberately misrepresented the amounts they were entitled to receive under the No-fault Law.

29. Separate and apart from submitting bills that materially misrepresented the DME and/or orthotic devices purportedly provided, in furtherance of their scheme to defraud, the Retail Owners, through their respective Retailers, as a matter of practice and procedure, submitted bills and supporting documentation, for customized DME and/or orthotic devices that were never provided.

30. On information and belief, to maximize their reimbursement, the Retail Owners, through their respective Retailers, submitted bills for, among other things, custom fit back and knee braces under Fee Schedule codes L0632 and L1844, among others. To be eligible for reimbursement under codes L0632 and L1844, the Retailers were required to take the specific measurements of the No-fault Claimant, including where appropriate height, weight and waist size. In addition, to be eligible for reimbursement under codes L0627 and L1820, among others, the Retailers were required to fit and adjust the DME and/or orthotic devices for the No-fault Claimant for whom the items(s) was prescribed.

31. On information and belief, notwithstanding Defendants' routine and systematic submission of bills to Plaintiffs under Fee Schedule codes L0632, L1844, L0627 and L1820, as more fully alleged in Fee Schedule Scheme to Defraud section below, the Retail Owners, through their respective Retailers, did not actually provide the billed for custom fit DME and/or orthotic devices as reflected by the fact that they routinely failed to measure, fit or adjust the No-fault Claimants. By way of example and not limitation, Exhibit "4" in the accompanying Compendium of Exhibits is a representative sample of claims in which the No-fault Claimants denied having received customized DME and/or orthotic devices and/or having ever been measured, specially fit or adjusted for any item. By way of further example and not limitation, Exhibit "5" in the accompanying Compendium of Exhibits is a representative sample of

fraudulent claims paid by Plaintiffs where one or more of the Retailers submitted fraudulent bills for customized DME and/or orthotic devices that were never provided, not provided as billed or provided pursuant to a predetermined course of treatment without regard to medical necessity and/or need.

32. On information and belief, in numerous other instances, the Retail Owners, through their respective Retailers, intentionally submitted documents containing measurements that they falsely represented pertained to the No-fault Claimant, under whose policy, they were seeking reimbursement. In reality, the measurements reflected in the documents submitted to Plaintiffs were entirely artificial and contrived, a fact confirmed through the No-fault Claimants' examinations under oath. By way of example and not limitation, in connection with claim 0171290851, Defendant Khaimov, through Utopia Equipment, submitted a measurement form representing that the waist size for a certain No-fault Claimant was 32 inches, when in reality, the No-fault Claimant testified during the course of an examination under oath that not only was his waist size 40 inches, but also that no-one had ever taken his measurements.

33. On information and belief, in furtherance of the scheme to defraud, Defendants also submitted or caused to be submitted fraudulent bills for DME and/or orthotic devices for which the Fee Schedule does not have a recognized code or permissible charge. As more fully set forth in the Non-Fee Schedule Scheme to Defraud section below, at all relevant times mentioned herein, the Retailers, as a matter of pattern and practice, fraudulently submitted bills to Plaintiffs for Non-Fee Schedule DME and/or orthotic devices that were never provided, or if provided, were inexpensive, poor quality items, that Defendants falsely represented were expensive and sophisticated items, when they were not. In furtherance of the scheme to defraud, Defendants submitted or caused to be submitted fraudulent bills for Non-Fee Schedule items that

they falsely represented were Fee Schedule items to maximize their reimbursement under the No-fault Law. By way of example and not limitation, Exhibit “6” in the accompanying Compendium of Exhibits is a representative sample of claims Plaintiffs paid where the Retail Owners, through their respective Retailers, fraudulently billed for Non-Fee Schedule items.

34. On information and belief, the Defendant DME companies, retailers and wholesalers alike, were created for the singular purpose of fraudulently billing insurance companies under the No-fault Law.

35. Every aspect of Defendants’ fraudulent scheme was motivated by money, without regard to the grave harm inflicted on the public at large by the Defendants, who provided, to the extent any DME and/or orthotic devices were provided, inferior, low quality items to No-fault Claimants that potentially compromised their health.

36. The duration, scope and nature of the Defendants’ illegal conduct brings this case well within the realm of criminal conduct to which the Racketeer Influenced and Corrupt Organizations Act (“RICO”) applies. Defendants did not engage in sporadic acts of fraud -- although that would be troubling enough -- they adopted a fraudulent blueprint as their business plan, and used it to participate in a systematic pattern of racketeering activity. Every facet of Defendants’ operation, from securing prescriptions for DME and/or orthotic devices pursuant to a predetermined course of treatment to obtaining inflated wholesale invoices for inexpensive, low quality items to ensuring that No-fault Claimants signed blank delivery receipts falsely representing an acknowledgement of receipt of the billed for items to generating bills that contained codes not recognized under the relevant Fee Schedule in existence at the time or misrepresented the nature, quality and cost of DME and/or orthotic devices purportedly provided was carried out for the purpose of committing fraud.

**NATURE OF THE ACTION**

37. This action is brought pursuant to:
- i) The United States Racketeer Influenced and Corrupt Organizations Act (“RICO”); 18 U.S.C. §§ 1961, 1962(c)&(d) and 1964(c); and
  - ii) New York State common law.

**NATURE OF RELIEF SOUGHT**

38. Plaintiffs seek treble damages that they sustained as a result of the Defendants’ schemes and artifices to defraud, and acts of mail fraud (pursuant to 18 U.S.C. § 1341), in connection with their use of the facilities of the No-fault system and their assignment of benefits mechanism to fraudulently obtain payments from Plaintiffs for DME and/or orthotic devices they allegedly provided to individuals covered by Plaintiffs under New York State’s No-fault Law.

39. As a result of Defendants’ actions alleged herein, Plaintiffs were defrauded of an amount in excess of \$2,100,000.00, the exact amount to be determined at trial, in payments which Defendants received for fraudulently billing Plaintiffs for DME and/or orthotic devices that was never provided, or if provided, not the billed for item.

**THE PARTIES**

**A. Plaintiffs**

40. Plaintiff Allstate Insurance Company is a corporation duly organized and existing under the laws of the State of Illinois, having its principal place of business in Northbrook, Illinois.

41. Plaintiff Allstate Indemnity Company is a corporation duly organized and existing under the laws of the State of Illinois, having its principal place of business in Northbrook, Illinois.

42. Plaintiff Allstate Property & Casualty Insurance Company is a corporation duly organized and existing under the laws of the State of Illinois, having its principal place of business in Northbrook, Illinois.

43. Plaintiff Allstate New Jersey Insurance Company is a corporation duly organized and existing under the laws of the State of Illinois, having its principal place of business in Bridgewater, New Jersey.

44. Allstate Insurance Company, Allstate Indemnity Company, Allstate Property & Casualty Insurance Company and Allstate New Jersey Insurance Company are collectively referred to as "Plaintiffs."

45. Plaintiffs are duly organized and licensed to engage in the writing of automobile insurance policies in the State of New York, and provide automobile insurance coverage to their policyholders under and in accordance with New York State Law.

**B. The Individual Retail Owner Defendants**

46. Amner Khaimov ("A. Khaimov") is a natural person residing in the State of New York and is the principal, officer and/or director of Retailer LaPerla Supply and, at all times relevant herein, controlled every aspect of its activities.

47. Zoya Aminova ("Aminova") is a natural person residing in the State of New York and is the principal, officer and/or director of Retailer Parsons Medical Supply and, at all times relevant herein, controlled every aspect of its activities.

48. Murdakhay Khaimov ("M. Khaimov") is a natural person residing in the State of New York and is the principal, officer and/or director of Retailers Jamaica Medical Supply and Queens Medical Supply and, at all times relevant herein, controlled every aspect of their activities.

49. Albert Khaimov is a natural person residing in the State of New York and is the principal, officer and/or director of Retailers Grand Medical Supply, Royal Medical Supply and Utopia Equipment and, at all times relevant herein, controlled every aspect of their activities.

50. Yakov Aminov (“Aminov”) is a natural person residing in the State of New York and is the principal, officer and/or director of Retailers GNK Medical Supply and Highlawn Best Medical Supply and, at all times relevant herein, controlled every aspect of their activities.

51. Ilya Tamayeff (“Tamayeff”) is a natural person residing in the State of New York and is the principal, officer and/or director of Retailer New Capital Supply and, at all times relevant herein, controlled every aspect of its activities.

52. Abraham Layliev (“Layliev”) is a natural person residing in the State of New York and is the principal, officer and/or director of Retailer New Capital Supply and, at all times relevant herein, controlled every aspect of its activities.

53. Robert Terdjanian (“Terdjanian”) is a natural person residing in the State of New York and is a principal, officer and/or director of Retailer AVR Medical Supply and Wholesaler Teyla Corp., and, at all times relevant herein, controlled every aspect of their activities. On information and belief, on or about October 7, 2010, Terdjanian was indicted by the United States Attorney’s Office for the Southern District of New York for insurance fraud related-crimes. Specifically, Terdjanian was indicted for, *inter alia*, conspiracy to commit mail fraud and health care fraud in violation of Title 18 United State Code §§ 1341, 1347 and 1349, in connection with a vast conspiracy to systematically defraud No-fault insurance carriers by submitting fraudulent claims for DME.

54. On information and belief, under indictment number 10-cr-918, Defendant Terdjanian is accused of, *inter alia*, creating AVR Medical Supply as a shell company to facilitate

his fraudulent billing scheme and being part of a conspiracy that involved several other members, some of which provided patient identities and/or fraudulent prescriptions for DME, which Defendant Terdjanian then used to submit hundreds of fraudulent claims to No-fault insurance carriers worth hundred of thousands of dollars.

55. Galina Vovk (“Vovk”) a/k/a Valentina Babucea is a natural person residing in the State of New York and is a principal, officer and/or director of Retailer AVR Medical Supply and, at all times relevant herein, controlled every aspect of its activities. On information and belief, Vovk is the wife of Defendant Terdjanian and was also indicted by the United States Attorney’s Office for the Southern District of New York for insurance fraud related-crimes on or about October 7, 2010. Similarly, Vovk was indicted for, *inter alia*, conspiracy to commit mail fraud and health care fraud in violation of Title 18 United State Code §§ 1341, 1347 and 1349, in connection with a vast conspiracy to systematically defraud No-fault insurance carriers by submitting fraudulent claims for DME.

56. On information and belief, under indictment 10-cr-918, Vovk is accused of acting in furtherance of a conspiracy to defraud No-fault insurers by, among other things, opening or causing to open a bank account for Retailer AVR Medical Supply in the name of “Valentina Babucea,” an alias used by Vovk, and using the home address of Defendant Terdjanian’s parents as the business address for Retailer AVR Medical Supply.

**C. The Individual Wholesale Owner Defendants**

57. Vladislav Aguvayev (“Aguvayev”) is a natural person residing in the State of New York and is the principal, officer and/or director of Wholesale Defendant Frazier Trading and, at all times relevant herein, controlled every aspect of its activities.

58. Oleg Simakov (“Simakov”) is a natural person residing in the State of New York

and is the principal, officer and/or director of Wholesale Defendant A to Z Wholesale and, at all times relevant herein, controlled every aspect of its activities.

59. Sergey Mezcula (“Mezkula”) is a natural person residing in the State of New York and is the principal, officer and/or director of Wholesale Defendant Global Best Deal Wholesale and, at all times relevant herein, controlled every aspect of its activities.

60. Grigol Apresyantsi (“Apresyanti”) is a natural person residing in the State of New York and is the principal, officer and/or director of Wholesale Defendant Grigol Supply and, at all times relevant herein, controlled every aspect of its activities.

61. Marifat Davlatkhonova (“Davlatkhonova”) is a natural person residing in the State of New York and is the principal, officer and/or director of Wholesale Defendant Hono Office Supply and, at all times relevant herein, controlled every aspect of its activities.

62. Michael Zavrazhin (“Zavrazhin”) is a natural person residing in the State of New York and is the principal, officer and/or director of Wholesale Defendant Major Market Merchandise and, at all times relevant herein, controlled every aspect of its activities.

**D. The Corporate Retailer Defendants**

63. On information and belief, LaPerla Supply, Inc., f/k/a New Millennium Supply, Inc. (“LaPerla Supply”), was incorporated on June 20, 2003, and is a retail DME supply company authorized to do business in the State of New York, with its principal place of business located at 79-72 Cooper Ave., Glendale, New York 11385. LaPerla Supply is owned, controlled and/or operated by Defendant A. Khaimov and, on information and belief, has submitted fraudulent claims to Plaintiffs for reimbursement of DME and/or orthotic devices under the No-fault Law.

64. On information and belief, Parsons Medical Supply, Inc. (“Parsons Medical

Supply”) was incorporated on June 23, 2005, and is a retail DME supply company authorized to do business in the State of New York, with its principal place of business located at 150-60 Coolidge Ave., Jamaica, New York 11432. Parsons Medical Supply is owned, controlled and/or operated by Defendant Aminova and, on information and belief, has submitted fraudulent claims to Plaintiffs for reimbursement of DME and/or orthotic devices under the No-fault Law.

65. On information and belief, Jamaica Medical Supply, Inc. (“Jamaica Medical Supply”) was incorporated on April 13, 2006, and is a retail DME supply company authorized to do business in the State of New York, with its principal place of business located at 150-60 Coolidge Ave., Jamaica, New York 11432. Jamaica Medical Supply is owned, controlled and/or operated by Defendant M. Khaimov and, on information and belief, has submitted fraudulent claims to Plaintiffs for reimbursement of DME and/or orthotic devices under the No-fault Law.

66. On information and belief, Queens Medical Supply, Inc. (“Queens Medical Supply”) was incorporated on January 29, 2007, and is a retail DME supply company authorized to do business in the State of New York, with its principal place of business located at 82-69 Parsons Blvd., Jamaica, New York 11432. Queens Medical Supply is owned, controlled and/or operated by Defendant M. Khaimov and, on information and belief, has submitted fraudulent claims to Plaintiffs for reimbursement of DME and/or orthotic devices under the No-fault Law.

67. On information and belief, Grand Medical Supply, Inc. (“Grand Medical Supply”) was incorporated on April 9, 2008, and is a retail DME supply company authorized to do business in the State of New York, with its principal place of business located at 113 13th Street, Brooklyn, New York 11215. Grand Medical Supply is owned, controlled and/or operated by Defendant Khaimov and, on information and belief, has submitted fraudulent claims to Plaintiffs for reimbursement of DME and/or orthotics under the No-fault Law.

68. On information and belief, Royal Medical Supply, Inc. (“Royal Medical Supply”) was incorporated on July 9, 2008, and is a retail DME supply company authorized to do business in the State of New York, with its principal place of business located at 108-39 46th Ave., Corona, New York 11368. Royal Medical Supply is owned, controlled and/or operated by Defendant Khaimov and, on information and belief, has submitted fraudulent claims to Plaintiffs for reimbursement of DME and/or orthotic devices under the No-fault Law.

69. On information and belief, Utopia Equipment, Inc. (“Utopia Equipment”) was incorporated on April 15, 2010, and is a retail DME supply company authorized to do business in the State of New York, with its principal place of business located at 75-84 179th Street, Flushing, New York 11432. Utopia Equipment is owned, controlled and/or operated by Defendant Khaimov and, on information and belief, has submitted fraudulent claims to Plaintiffs for reimbursement of DME and/or orthotics under the No-fault Law.

70. On information and belief, GNK Medical Supply, Inc. (“GNK Medical Supply”) was incorporated on September 24, 2008, and is a retail DME supply company authorized to do business in the State of New York, with its principal place of business located at 118-40 Metropolitan Avenue, Kew Gardens, New York 11415. GNK Medical Supply is owned, controlled and/or operated by Defendant Aminov and, on information and belief, has submitted fraudulent claims to Plaintiffs for reimbursement of DME and/or orthotic devices under the No-fault Law.

71. On information and belief, Highlawn Best Medical Supply, Inc. (“Highlawn Best Medical Supply”) was incorporated on June 9, 2009, and is a retail DME supply company authorized to do business in the State of New York, with its principal place of business located at 134 Highlawn Avenue, Brooklyn, New York 11223. Highlawn Best Medical Supply is owned,

controlled and/or operated by Defendant Aminov and, on information and belief, has submitted fraudulent claims to Plaintiffs for reimbursement of DME and/or orthotic devices under the No-fault Law.

72. On information and belief, New Capital Supply, Inc. (“New Capital Supply”) was incorporated on November 6, 2009, and is a retail DME supply company authorized to do business in the State of New York, with its principal place of business located at 124-18 Metropolitan Ave., Kew Gardens, New York 11415. New Capital Supply is owned, controlled and/or operated by Defendants Tamayeff and Layliev and, on information and belief, has submitted fraudulent claims to Plaintiffs for reimbursement of DME and/or orthotic devices under the No-fault Law.

73. On information and belief, AVR Medical Supply, Inc. (“AVR Medical Supply”) was incorporated on November 6, 2009, and is a retail DME supply company authorized to do business in the State of New York, with its principal place of business located at 1755 Ocean Parkway, Suite 4-A, Brooklyn, New York, 11223. AVR is owned, controlled and/or operated by Defendants Terdjanian and Vovk and, on information and belief, has submitted fraudulent claims to Plaintiffs for reimbursement of DME and/or orthotic devices under the No-fault Law.

**E. The Corporate Wholesale Defendants**

74. On information and belief, Frazier Trading Co., Inc. (“Frazier Trading”) was incorporated on June 2, 2005, and is a wholesale DME supply company authorized to do business in the State of New York, with its principal place of business located at 2700 Stillwell Avenue, Brooklyn, New York 11224. Frazier Trading is owned, controlled and/or operated by Defendant Aguvayev and, on information and belief, supplies Retailers Jamaica Medical Supply and Queens Medical Supply, and other retailers unknown to Plaintiffs, with basic, inexpensive

DME and/or orthotic devices, coupled with fraudulent wholesale invoices that greatly inflate the true cost and/or quantity of the DME and/or orthotic devices provided to the Retailers. These wholesale invoices: (1) misrepresent the wholesale prices for the DME and/or orthotic devices purportedly provided; and (2) intentionally omit any model number, make, manufacturer or other identifiable information so that the Retailers, in turn, can submit the fraudulent wholesale invoices to insurers, including Plaintiffs, in support of their fraudulent claims for reimbursement.

75. On information and belief, A to Z Wholesale, Inc. (“A to Z Wholesale”) was incorporated on September 23, 2009, and is a wholesale DME supply company authorized to do business in the State of New York, with its principal place of business located at 118 Olympia Blvd., Staten Island, New York 10305. A to Z Wholesale is owned, controlled and/or operated by Defendant Simakov and, on information and belief, supplies Retailer Royal Medical Supply, and other retailers unknown to Plaintiffs, with basic, inexpensive DME and/or orthotic devices, coupled with fraudulent wholesale invoices that greatly inflate the true cost and/or quantity of the DME and/or orthotic devices actually provided to the Retailers. These wholesale invoices: (1) misrepresent the wholesale prices for the DME and/or orthotic devices purportedly provided; and (2) intentionally omit any model number, make, manufacturer or other identifiable information so that the Retailers, in turn, can submit the fraudulent wholesale invoices to insurers, including Plaintiffs, in support of their fraudulent claims for reimbursement.

76. On information and belief, Bulls Eye Wholesale, Inc. (“Bulls Eye Wholesale”) was incorporated on February 10, 2010, and is a wholesale DME supply company authorized to do business in the State of New York, with its principal place of business located at 184 Robin Road, Staten Island, New York 10305. Bulls Eye Wholesale is owned, controlled and/or operated by John Doe 1 and, on information and belief, supplies Retailer Royal Medical Supply

and Utopia Equipment, and other retailers unknown to Plaintiffs, with basic, inexpensive DME and/or orthotic devices, coupled with fraudulent wholesale invoices that greatly inflate the true cost and/or quantity of the DME and/or orthotic devices actually provided to the Retailers. These wholesale invoices: (1) misrepresent the wholesale prices for the DME and/or orthotic devices purportedly provided; and (2) intentionally omit any model number, make, manufacturer or other identifiable information so that the Retailers, in turn, can submit the fraudulent wholesale invoices to insurers, including Plaintiffs, in support of their fraudulent claims for reimbursement.

77. On information and belief, E-Z Supply, Inc. (“E-Z Supply”) was incorporated on January 30, 2008, and is a wholesale DME supply company authorized to do business in the State of New York, with its principal place of business located at 79-72 Cooper Avenue, Glendale, New York 11385. E-Z Supply is owned, controlled and/or operated by John Doe 2 and, on information and belief, supplies Retailer New Capital Supply, and other retailers unknown to Plaintiffs, with basic, inexpensive DME and/or orthotic devices, coupled with fraudulent wholesale invoices that greatly inflate the true cost and/or quantity of the DME and/or orthotic devices actually provided to the Retailers. These wholesale invoices: (1) misrepresent the wholesale prices for the DME and/or orthotic devices purportedly provided; and (2) intentionally omit any model number, make, manufacturer or other identifiable information so that the Retailers, in turn, can submit the fraudulent wholesale invoices to insurers, including Plaintiffs, in support of their fraudulent claims for reimbursement.

78. On information and belief, Global Best Deal, Inc. (“Global Best Deal”) was incorporated on February 27, 2008, and is a wholesale DME supply company authorized to do business in the State of New York, with its principal place of business located at 316 Avenue X,

Brooklyn, New York 11223. Global Best Deal is owned, controlled and/or operated by Defendant Mezkula and, on information and belief, supplies Retailer New Capital Supply, and other retailers unknown to Plaintiffs, with basic, inexpensive DME and/or orthotic devices, coupled with fraudulent wholesale invoices that greatly inflate the true cost and/or quantity of the DME and/or orthotic devices actually provided to the Retailers. These wholesale invoices: (1) misrepresent the wholesale prices for the DME and/or orthotic devices purportedly provided; and (2) intentionally omit any model number, make, manufacturer or other identifiable information so that the Retailers, in turn, can submit the fraudulent wholesale invoices to insurers, including Plaintiffs, in support of their fraudulent claims for reimbursement.

79. On information and belief, Grigol Supply, Inc. (“Grigol Supply”) was incorporated on March 18, 2010, and is a wholesale DME supply company authorized to do business in the State of New York, with its principal place of business located at 1479 Dahill Rd. Ste #A4, Brooklyn, New York 11204. Grigol Supply is owned, controlled and/or operated by Defendant Apresyanti and, on information and belief, supplies Retailer New Capital Supply, and other retailers unknown to Plaintiffs, with basic, inexpensive DME and/or orthotic devices, coupled with fraudulent wholesale invoices that greatly inflate the true cost and/or quantity of the DME and/or orthotic devices actually provided to the Retailers. These wholesale invoices: (1) misrepresent the wholesale prices for the DME and/or orthotic devices purportedly provided; and (2) intentionally omit any model number, make, manufacturer or other identifiable information so that the Retailers, in turn, can submit the fraudulent wholesale invoices to insurers, including Plaintiffs, in support of their fraudulent claims for reimbursement.

80. On information and belief, Hono Office Supply, Inc. (“Hono Office Supply”) was incorporated on August 19, 2009, and is a wholesale DME supply company authorized to do

business in the State of New York, with its principal place of business located at 2534 East 12<sup>th</sup> Street, Suite #2, Brooklyn, New York 11235. Hono Office Supply is owned, controlled and/or operated by Defendant Davlatkhonova and, on information and belief, supplies Retailer New Capital Supply, and other retailers unknown to Plaintiffs, with basic, inexpensive DME and/or orthotic devices, coupled with fraudulent wholesale invoices that greatly inflate the true cost and/or quantity of the DME and/or orthotic devices actually provided to the Retailers. These wholesale invoices: (1) misrepresent the wholesale prices for the DME and/or orthotic devices purportedly provided; and (2) intentionally omit any model number, make, manufacturer or other identifiable information so that the Retailers, in turn, can submit the fraudulent wholesale invoices to insurers, including Plaintiffs, in support of their fraudulent claims for reimbursement.

81. On information and belief, MedCure Supplies, Inc. (“MedCure Supplies”) was incorporated on February 9, 2009, and is a wholesale DME supply company authorized to do business in the State of New York, with its principal place of business located at 73-20 Austin Street #4F, Forest Hills, New York, 11375. MedCure Supplies is owned, controlled and/or operated by John Doe 3 and, on information and belief, supplies Retailer New Capital Supply, and other retailers unknown to Plaintiffs, with basic, inexpensive DME and/or orthotic devices, coupled with fraudulent wholesale invoices that greatly inflate the true cost and/or quantity of the DME and/or orthotic devices actually provided to the Retailers. These wholesale invoices: (1) misrepresent the wholesale prices for the DME and/or orthotic devices purportedly provided; and (2) intentionally omit any model number, make, manufacturer or other identifiable information so that the Retailers, in turn, can submit the fraudulent wholesale invoices to insurers, including Plaintiffs, in support of their fraudulent claims for reimbursement.

82. On information and belief, Telya Corp. (“Telya”) was incorporated on August 30,

2007, and is a wholesale DME supply company authorized to do business in the State of New York, with its principal place of business located at 73-20 Austin Street #4F, Forest Hills, New York 11375. Telya is owned, controlled and/or operated by Defendant Terdjanian and, on information and belief, is a shell company with no legitimate purpose, used by Defendants Terdjanian and Vovk to generate fraudulent wholesale invoices. These wholesale invoices: (1) misrepresent the wholesale prices for the DME and/or orthotic devices purportedly provided; and (2) intentionally omit any model number, make, manufacturer or other identifiable information so that the Retailers, in turn, can submit the fraudulent wholesale invoices to insurers, including Plaintiffs, in support of their fraudulent claims for reimbursement.

83. On information and belief, Major Market Merchandise, Inc. (“Major Market Merchandise”) was incorporated on August 10, 2007, and is a wholesale DME supply company authorized to do business in the State of New York, with its principal place of business located at 2369 81st Street, Brooklyn, New York 11214. Major Market Merchandise is owned, controlled and/or operated by Defendant Zavrazhin and, on information and belief, supplies Retailer AVR Medical Supply, and other retailers unknown to Plaintiffs, with basic, inexpensive DME and/or orthotic devices, coupled with fraudulent wholesale invoices that greatly inflate the true cost and/or quantity of the DME and/or orthotic devices actually provided to the Retailers. These wholesale invoices: (1) misrepresent the wholesale prices for the DME and/or orthotic devices purportedly provided; and (2) intentionally omit any model number, make, manufacturer or other identifiable information so that the Retailers, in turn, can submit the fraudulent wholesale invoices to insurers, including Plaintiffs, in support of their fraudulent claims for reimbursement.

84. On information and belief, VZ Group, Inc. (“VZ Group”) was incorporated on September 18, 2008, and is a wholesale DME supply company authorized to do business in the

State of New York, with its principal place of business located at 2753 Harway Avenue, Brooklyn, NY 11214-5538. VZ Group is owned, controlled and/or operated by John Doe 4 and, on information and belief, supplies Retailer New Capital Supply, and other retailers unknown to Plaintiffs, with basic, inexpensive DME and/or orthotic devices, coupled with fraudulent wholesale invoices that greatly inflate the true cost and/or quantity of the DME and/or orthotic devices actually provided to the Retailers. These wholesale invoices: (1) misrepresent the wholesale prices for the DME and/or orthotic devices purportedly provided; and (2) intentionally omit any model number, make, manufacturer or other identifiable information so that the Retailers, in turn, can submit the fraudulent wholesale invoices to insurers, including Plaintiffs, in support of their fraudulent claims for reimbursement.

**F. The John Doe Defendants**

85. John Doe 1 is the principal, officer and/or director of Wholesale Defendant Bulls Eye Wholesale and, at all times relevant herein, controlled every aspect of its activities.

86. John Doe 2 is the principal, officer and/or director of Wholesale Defendant E-Z Supply and, at all times relevant herein, controlled every aspect of its activities.

87. John Doe 3 is the principal, officer and/or director of Wholesale Defendant MedCure Supplies and, at all times relevant herein, controlled every aspect of its activities.

88. John Doe 4 is the principal, officer and/or director of Wholesale Defendant VZ Group and, at all times relevant herein, controlled every aspect of its activities.

89. On information and belief, John Does 5 through 20 are the principals, officers and/or directors of the ABC Corporations. On information and belief, John Doe Defendants 5 through 20, through the ABC Corporations, entered into kickback and/or other financial compensation agreements with the Retailers to provide inexpensive DME and/or orthotic devices