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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

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GOVERNMENT EMPLOYEES INSURANCE
CO., GEICO INDEMNITY CO., GEICO GENERAL
INSURANCE COMPANY and GEICO
CASUALTY CO.,

Docket No.:

Plaintiffs,

**Plaintiff Demands a Trial by
Jury**

-against-

GRAND MEDICAL SUPPLY, INC.,
ROYAL MEDICAL SUPPLY, INC.,
UTOPIA EQUIPMENT, INC., and
ALBERT KHAIMOV,

the "Retail Defendants",

-and-

A TO Z WHOLESALE, INC.,
EASY HILL WHOLESALE MEDICAL SUPPLY
INC.,
DIANA KO, INC.,
VLADISLAV DYATLOV, and
OLEG SIMAKOV,

the "Wholesale Defendants",

Defendants.

-----X

COMPLAINT

Plaintiffs Government Employees Insurance Co., GEICO Indemnity Co., GEICO General Insurance Company and GEICO Casualty Co. (collectively referred to hereinafter as "GEICO" or "Plaintiffs"), as and for their Complaint against the Defendants, hereby allege as follows:

INTRODUCTION

1. This action seeks to recover more than \$477,000.00 that the Defendants wrongfully have stolen from GEICO by submitting, and causing to be submitted, hundreds of fraudulent claims seeking payment for durable medical equipment and orthotic devices (e.g. cervical collars, lumbar-sacral supports, electronic muscle stimulator units, egg crate mattresses, etc.). These goods purportedly were provided to individuals ("Insureds") who were involved in automobile accidents and were eligible for insurance coverage under GEICO insurance policies.

2. In addition, GEICO seeks a declaration that it is not legally obligated to pay more than \$1,421,000.00 in fraudulent claims submitted through Defendants Grand Medical Supply, Inc. ("Grand"), Royal Medical Supply, Inc. ("Royal"), and Utopia Equipment, Inc. ("Utopia") because:

- (i) Defendants Grand, Royal, and Utopia have made false and fraudulent statements to GEICO concerning the maximum permissible charges for the durable medical equipment and orthotic devices they allegedly provided to Insureds in order to obtain from GEICO payment under the New York no-fault laws to which they are not entitled;
- (ii) Defendants Grand, Royal, and Utopia have made false and fraudulent statements to GEICO by submitting charges for durable medical equipment and devices that never were dispensed to Insureds; and
- (iii) Defendants Grand, Royal, and Utopia have failed and/or refused to provide full particulars of the nature and/or extent of the durable medical equipment and orthotic devices they purport to have supplied to Insureds.

3. The Defendants fall into the following categories:

- (i) Defendants Grand, Royal, and Utopia are New York corporations that purport to purchase durable medical equipment and orthotic devices from wholesale durable medical equipment and orthotic device dealers. Grand, Royal, and Utopia then systematically submit fraudulently inflated claims to GEICO and other New York automobile insurers for the durable medical equipment and orthotic devices.
- (ii) Defendant Albert Khaimov (“Khaimov”) is the owner of Grand, Royal, and Utopia.

(Defendants Grand, Royal, Utopia, and Khaimov collectively are referred to as the “Retail Defendants”).

- (iii) Defendant A to Z Wholesale, Inc. (“A to Z”) is a New York corporation that purports to sell durable medical equipment and orthotic devices on a wholesale basis. A to Z purports to sell durable medical equipment and orthotic devices to Royal, which, in turn, purports to provide those categories of supplies to GEICO Insureds. A to Z knowingly provides fraudulent, inflated wholesale invoices to Royal, which, in turn, uses those invoices to support fraudulent claims submitted to GEICO and other New York automobile insurers seeking payment under no-fault insurance policy endorsements.
- (iv) Defendant Easy Hill Wholesale Medical Supply, Inc. (“Easy Hill”) is a New York corporation that purports to sell durable medical equipment and orthotic devices on a wholesale basis. Easy Hill purports to sell durable medical equipment and orthotic devices to Royal which, in turn, provides those categories of supplies to GEICO Insureds. Easy Hill knowingly provides fraudulent, inflated wholesale invoices to Royal, which, in turn, uses those invoices to support fraudulent claims submitted to GEICO and other New York automobile insurers seeking payment under no-fault insurance policy endorsements.
- (v) Defendant Oleg Simakov (“Simakov”) owns and controls A to Z and Easy Hill.
- (vi) Defendant Diana Ko, Inc. (“Ko”) is a New York corporation that purports to sell durable medical equipment and orthotic devices on a wholesale basis. Ko purports to sell durable medical equipment and orthotic devices to Royal which, in turn, provides those categories of supplies to GEICO Insureds. Ko knowingly provides fraudulent, inflated wholesale invoices to Royal, which, in turn, uses those invoices to support fraudulent claims submitted to GEICO and other New York automobile insurers seeking payment under no-fault insurance policy endorsements.
- (vii) Defendant Vladislav Dyatlov (“Dylatov”) owns and controls Diana Ko

(Defendants A to Z, Easy Hill, Ko, Simakov and Dylatov collectively are referred to as the “Wholesale Defendants”)

4. As discussed below, the Defendants at all times have known that the claims for durable medical equipment (“DME”) and orthotic devices they have submitted, or caused to be submitted, to GEICO are fraudulent because: (i) the charges intentionally are inflated based upon an exploitation of the payment formulas set forth in New York’s no-fault laws; (ii) the claims misrepresent the nature and quality of the DME and orthotic devices that actually are provided; and (iii) in many cases, the goods and related services billed to GEICO never actually are provided to the Insureds in the first instance.

5. As such, the Defendants do not now have – and never had – any right to be compensated for their claims for DME and orthotic devices. The charts attached hereto as Exhibits “1” through “3” set forth a representative sample of the hundreds of fraudulent claims that have been identified to-date that the Defendants have submitted, or caused to be submitted, to GEICO. The Defendants’ fraudulent schemes began as early as 2008 and their attempts at reimbursement have continued uninterrupted since that time. As a result of the interrelated schemes, GEICO has incurred damages of more than \$477,000.00.

THE PARTIES

I. Plaintiffs

6. Plaintiffs Government Employees Insurance Co., GEICO Indemnity Co., GEICO General Insurance Company, and GEICO Casualty Co. are Maryland corporations with their principal places of business in Chevy Chase, Maryland. GEICO is authorized to conduct business and to issue policies of automobile insurance in the State of New York.

II. Defendants

7. Defendant Grand is a New York corporation with its principal place of business in Brooklyn, New York, and purports to operate from 113 13th Street, Brooklyn, New York. The location is part of a row of commercial properties, with no indication that Grand conducts

operations there. Grand was incorporated on about April 9, 2008, and since June 2008 knowingly has submitted fraudulent claims to GEICO and continues to seek collection on unpaid claims. Khaimov owns and controls Grand. Grand and Khaimov are no strangers to this type of scheme, and have been named as defendants in actions commenced by automobile insurance carriers for participating in fraudulent schemes such as the one set forth herein. For example, Grand and Khaimov are named defendants in Allstate Insurance Company, et. al. v. Amner Khaimov, et. al., CV 11-2391 (JG)(the "Allstate Action"). A copy of the Complaint filed in the Allstate Action is annexed hereto as Exhibit "4".

8. Defendant Royal is a New York corporation with its principal place of business in Queens, New York, and purports to operate from 108-39 46th Avenue, Corona, New York, a private residence. Royal was incorporated on about July 9, 2008, and since October 2008 knowingly has submitted fraudulent claims to GEICO and continues to seek collection on unpaid claims. Khaimov owns and controls Royal. Royal also is a named defendant in the Allstate Action. See Exhibit "4".

9. Defendant Utopia is a New York corporation with its principal place of business in Queens, New York and purports to operate from 75-84 179th Street, Queens, New York – a commercial building located on a residential block with no identifiable signage other than a hand-written sign on a mailbox. Utopia was incorporated on about April 15, 2010, and since June 2010 knowingly has submitted fraudulent claims to GEICO and continues to seek collection on unpaid claims. Khaimov owns and controls Utopia. Utopia also is a named defendant in the Allstate Action. See Exhibit "4".

10. Defendant Easy Hill is a New York corporation with its principal place of business in New York. Easy Hill was incorporated on about August 13, 2009, and since that date

has provided fraudulent wholesale invoices to Royal. Easy Hill purports to operate from a storefront located at 2407 East 22nd Street in Brooklyn, New York – a row of commercial buildings with no signage indicating Easy Hill’s presence. The fraudulent wholesale invoices provided to Royal by Easy Hill: (i) misrepresent the wholesale prices for the DME and orthotic goods as being many multiples of the actual and legitimate wholesale prices of the DME and orthotic devices; and (ii) deliberately omit any mention of the manufacturer, make and/or model of the DME and the orthotic devices. The durable medical equipment and orthotic devices that Easy Hill purports to “wholesale” to Royal are inferior low quality products, and cost a fraction of the amounts that are represented on Easy Hill’s fraudulent wholesale invoices that are provided to Royal to support the claims ultimately submitted to GEICO and other automobile insurers. Easy Hill and Simakov are no strangers to this type of scheme, having previously been named as defendants by GEICO for participating in a similar fraudulent scheme. See GEICO v. Ivy Med Distributors Inc., et al., CV 10-3037 (SJ)(the “Ivy Medical Distributors Action”). A Copy of the Complaint filed in the Ivy Medical Distributors Action is annexed hereto as Exhibit “5”.

11. Defendant Simakov resides in and is a citizen of New York. Simakov owns and controls Easy Hill. Simakov is a named defendant in numerous actions brought on behalf of insurance companies alleging his participation in fraudulent schemes similar to the one alleged herein. See Exhibits “4” and “5”.

12. Defendant A to Z is a New York corporation with its principal place of business in Staten Island, New York, and purports to operate from 118 Olympia Boulevard, Staten Island, New York – the lower level of a residential building. A to Z was incorporated on about September 23, 2009, and since that date has provided fraudulent wholesale invoices to Royal.

The fraudulent wholesale invoices: (i) misrepresent the wholesale prices for the DME and orthotic goods as being many multiples of the actual and legitimate wholesale prices of the DME and orthotic devices; and (ii) deliberately omit any mention of the manufacturer, make and/or model of the DME and the orthotic devices. The durable medical equipment and orthotic devices that A to Z purports to “wholesale” to Royal are inferior low-quality products, and cost a fraction of the amounts that are represented on A to Z’s fraudulent wholesale invoices that are provided to Royal to support the claims ultimately submitted to GEICO and other automobile insurers.

13. Simakov owns and controls A to Z.

14. Defendant Ko is a New York corporation with its principal place of business in Brooklyn, New York and purports to operate from 2753 Harway Avenue, Brooklyn, New York – a wedding photograph and video studio. Ko was incorporated on about August 24, 2008, and since that date has provided fraudulent wholesale invoices to Royal. The fraudulent wholesale invoices: (i) misrepresent the wholesale prices for the DME and orthotic goods as being many multiples of the actual and legitimate wholesale prices of the DME and orthotic devices; and (ii) deliberately omit any mention of the manufacturer, make and/or model of the DME and the orthotic devices. The durable medical equipment and orthotic devices that Ko purports to “wholesale” to Royal are inferior low-quality products, and cost a fraction of the amounts that are represented on Ko’s fraudulent wholesale invoices that have been provided to Royal to support the claims ultimately submitted to GEICO and other automobile insurers. Ko and Dylatov are no strangers to this type of scheme, having been named as defendants in actions commenced by insurance carriers for participating in fraudulent schemes such as the one alleged by GEICO. For example, Ko and Dylatov are named defendants in GEICO v. Park Slope

Medical and Surgical Supply, Inc., et al., CV 11-4028 (SLT)(the “Park Slope Action”). A Copy of the Complaint filed in the Park Slope Action is annexed hereto as Exhibit “6”.

15. Defendant Dylatov resides in and is a citizen of New York. Dylatov owns and controls Diana Ko.

JURISDICTION AND VENUE

16. This Court has jurisdiction over the subject matter of this action under 28 U.S.C. §1332(a)(1) because the matter in controversy exceeds the sum or value of \$75,000.00, exclusive of interest and costs, and is between citizens of different states. Pursuant to 28 U.S.C. § 1331, this Court also has jurisdiction over the claims brought under 18 U.S.C. §1961 et seq. (the Racketeer Influenced and Corrupt Organizations (“RICO”) Act) because they arise under the laws of the United States. In addition, this Court has supplemental jurisdiction over the subject matter of the claims asserted in this action pursuant to 28 U.S.C. § 1367.

17. Venue in this District is appropriate pursuant to 28 U.S.C. § 1391, as the Eastern District of New York is the District where one or more of the Defendants reside and because this is the District where a substantial amount of the activities forming the basis of the Complaint occurred.

ALLEGATIONS COMMON TO ALL CLAIMS

I. An Overview of the No-Fault Laws and Licensing Statutes

18. GEICO underwrites automobile insurance in the State of New York.

19. New York’s no-fault laws are designed to ensure that injured victims of motor vehicle accidents have an efficient mechanism to pay for and receive the healthcare services that they need. Under New York’s Comprehensive Motor Vehicle Insurance Reparations Act (N.Y. Ins. Law §§ 5101 et seq.) and the regulations promulgated pursuant thereto (11 N.Y.C.R.R. §§

65 et seq.) (collectively referred to herein as the “No-Fault Laws”), automobile insurers are required to provide Personal Injury Protection Benefits (“No-Fault Benefits”) to Insureds.

20. No-Fault Benefits include up to \$50,000.00 per Insured for necessary expenses that are incurred for health care goods and services.

21. An Insured can assign his or her right to No-Fault Benefits to the providers of healthcare services in exchange for those services. Pursuant to a duly executed assignment, a healthcare provider may submit claims directly to an insurance company and receive payment for necessary goods and medical services provided, using the claim form required by the New York State Department of Insurance (known as the “Verification of Treatment by Attending Physician or Other Provider of Health Service”, or, more commonly, as an “NF-3”). In the alternative, healthcare providers sometimes submit claims using the Health Care Financing Administration insurance claim form (known as the “HCFA-1500 Form”).

22. Pursuant to Section 403 of the New York State Insurance Law, the NF-3s and HCFA-1500 Forms submitted by healthcare providers to GEICO, and to all other insurers, must be verified subject to the following warning:

Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime.

II. Regulations Governing Maximum Reimbursement for Durable Medical Equipment and Orthotic Devices

23. Durable medical equipment generally consists of items that can withstand repeated use, and primarily consists of items used for medical purposes by individuals in their homes, such as bed boards, cervical pillows, orthopedic mattresses, electronic muscle stimulator units (“EMS units”), hot/cold packs, infrared lamps, lumbar cushions, massagers, orthopedic car

seats, transcutaneous electrical nerve stimulators (“TENs units”), thermophores (electrical moist heating pads), over-the-door cervical traction units, and whirlpool baths. Orthotic devices, a subgroup of DME, are instruments that are applied to the human body to align, support, or correct deformities, or to improve the movement of joints, spine, or limbs. These devices come in direct contact with the outside of the body, and include such items as cervical collars (i.e., “whiplash” collars), ankle supports, wrist braces, and the like.

24. The No-Fault Laws set forth maximum charges that may be submitted by healthcare providers for DME and orthotic devices. One of the primary purposes in limiting the maximum charges for DME and orthotic devices is to ensure that Insureds’ \$50,000 in maximum No-Fault Benefits is not artificially depleted by inflated DME and orthotic device charges. In a June 16, 2004 Opinion Letter, the New York State Insurance Department recognized the harm inflicted on Insureds by inflated DME and orthotic device charges:

[A]n injured person, with a finite amount of No-Fault benefits available, having assigned his rights to a provider in good faith, would have DME items of inflated fees constituting a disproportionate share of benefits, be deducted from the amount of the person’s No-Fault benefits, resulting in less benefits available for other necessary health related services that are based upon reasonable fees.

(A copy of the June 16, 2004 Opinion Letter is attached as Exhibit “7”.)

25. Effective October 6, 2004, the maximum permissible charge for DME and orthotic devices is the fee payable for such DME and orthotic devices under the New York State Medicaid program at the time such DME and orthotic devices are provided. See 11 N.Y.C.R.R. (Appendix 17-C, Part F (a) (effective Oct 6, 2004)).

26. If the New York State Medicaid program has not established a fee payable for the specific item, then the fee payable shall be the lesser of 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 percent, or the usual and customary price charged to the general public. See 11 N.Y.C.R.R. (Appendix 17-C, Part F (a) (effective Oct. 6, 2004)).

27. Insurers such as GEICO are entitled to receive a proper proof of claim. See 11 N.Y.C.R.R. § 65-3.8(f). To be eligible for payment, a claim seeking reimbursement for DME and/or orthotic devices must include a description of the “full particulars of the nature and extent” of the items and services for which payment is sought. See 11 N.Y.C.R.R. § 65-1.1.

III. The Defendants’ Fraudulent Scheme

28. Beginning in April 2008 and continuing through the present day, the Defendants masterminded and implemented a massive fraudulent scheme through which they stole over \$477,000.00 from GEICO and other insurers via the submission of fraudulent claims for DME and orthotic devices.

29. The fraudulent scheme perpetrated by the Defendants involves the participation of physicians and/or chiropractors, the Retail Defendants, and the Wholesale Defendants, as well as other DME wholesalers. Specifically, the Retail Defendants pay kickbacks to multi-disciplinary No-Fault clinics (the “Clinics”) in the New York metropolitan area that purport to provide treatment to high volumes of Insureds. In exchange for the kickbacks, physicians and/or chiropractors associated with the Clinics prescribe large amounts of DME and orthotic devices that purportedly are supplied to Insureds by the Retail Defendants. The prescriptions are never given to the Insureds, but rather are routed directly to the Retail Defendants by the Clinics to ensure that the Insureds do not fill the prescriptions with legitimate DME and orthotic device retailers.

30. In exchange for the kickbacks, the Clinics also ensure that their associated physicians and/or chiropractors prescribe DME and orthotic devices that *are not* covered by the

New York State Medicaid Fee Schedule, thus enabling the Retail Defendants to seek reimbursement on the DME and orthotic devices based on their purported acquisition costs with respect to such goods.

31. To the extent that the physicians and/or chiropractors associated with the Clinics prescribe DME and orthotic devices that *are* covered by the New York State Medicaid Fee Schedule, the physicians and/or chiropractors associated with the Clinics intentionally write the prescriptions in a generic, non-descript manner, thus enabling the Retail Defendants to: (i) misrepresent the nature and quality of the items that are prescribed; and (ii) misrepresent the nature and quality of the items that actually are dispensed so as to claim entitlement to a higher fee payable.

32. In order to maximize the fraudulent charges that they can submit to GEICO and other insurers, the Retail Defendants enter into secret agreements with DME wholesalers, including, with respect to Royal and Khaimov, the Wholesale Defendants. Pursuant to these agreements, and in exchange for a share in the profits of the fraud, these DME wholesalers provide the Retail Defendants with fraudulently inflated wholesale invoices. These fraudulently inflated wholesale invoices: (i) state wholesale prices for the DME and orthotic devices that are far in excess of the actual wholesale price of the DME and orthotic devices; and (ii) deliberately omit any mention of the make and model of the DME and orthotic devices.

33. To create the illusion that the Retail Defendants actually pay the inflated prices on the wholesale invoices, the Retail Defendants issue checks to DME wholesalers – including, with respect to Royal and Khaimov, the Wholesale Defendants – for the full invoice amounts, and then submit the checks to GEICO and other New York automobile insurers as proof of payment. The payment methodology is nothing more than a façade, as the DME wholesalers convert these

checks to cash through the use of check cashers and other methods, then pay “rebates” to the Retail Defendants, returning the majority of the amounts received to the Retail Defendants, while retaining a portion for themselves.

34. The Retail Defendants then create and submit hundreds of bills that – like the underlying wholesale invoices – deliberately omit any meaningful information regarding the DME and orthotic devices, including the manufacturer, make and model of the DME and orthotic devices that the Retail Defendants purportedly dispense to Insureds.

35. By creating and submitting billing that deliberately omit any information that would enable GEICO and other insurers to identify the manufacturer, make and model of the DME and orthotic devices, the Retail Defendants knowingly conceal the fact that: (i) the DME and orthotic devices supplied by the Retail Defendants, to the extent that they are provided at all, are cheap and of a low quality; (ii) the Retail Defendants, in virtually every instance, charge GEICO and other insurers far more than the maximum permissible amounts for the DME and orthotic devices that are supplied; and (iii) the Retail Defendants frequently bill GEICO and other insurers for DME and orthotic devices they never supply in the first instance.

36. To further conceal the scheme, the Retail Defendants often fail to provide GEICO and/or refuse to respond to repeated requests made by GEICO seeking information such as the wholesale invoices, descriptions of goods provided (i.e., make and model), proof of payment, and additional information that is necessary to determine whether the charges submitted by the Retail Defendants are legitimate.

37. In furtherance of the scheme, the Retail Defendants also routinely bill GEICO for providing DME that in fact is never provided to Insureds. The Retail Defendants have Insureds

sign blank invoices and receipts and then subsequently submit these documents to GEICO in an attempt to receive reimbursement for DME that never is provided.

A. The Grand Scheme

38. The first part of the scheme commenced in April 2008, when Grand and Khaimov entered into kickback arrangements with several Clinics, and secret agreements with DME wholesalers whereby the wholesalers agreed to supply fraudulent and inflated wholesale invoices in exchange for a share in the profits from the scheme.

39. In exchange for payments from Grand and Khaimov, the Clinics – including but not limited to facilities located at 2174 Flatbush Avenue, Brooklyn, New York, 255 E. 98th Street, Brooklyn, New York, 209-07 Jamaica Avenue, Queens Village, New York, and 41-09 108th Street, Corona, New York – direct their associated physicians and/or chiropractors to: (i) prescribe large amounts of virtually identical DME and orthotic devices to Insureds, without regard to the Insureds' symptoms; (ii) primarily prescribe DME for which the New York State Medicaid program has not established a schedule of fees payable; and (iii) issue generic prescriptions for DME and orthotic devices, omitting specific descriptions of the devices required so as to permit Grand and Khaimov to unilaterally pick and choose what DME or orthotic devices to dispense.

40. Simultaneously, pursuant to agreements with Grand and Khaimov, in exchange for a share in the profits of the scheme, and to support Grand's and Khaimov's efforts to negotiate kickback arrangements with the Clinics, wholesalers provide Grand and Khaimov with fraudulent wholesale invoices, which: (i) state wholesale prices for the DME and orthotic devices far in excess of the actual legitimate wholesale price of the supplies; and (ii) deliberately omit any mention of the manufacturer, make and model of the DME and orthotic devices.

41. In cases where the New York State Medicaid program *has not* prescribed a fee payable for a given item or a class of items, Grand uses the non-descript invoices provided by the DME wholesalers to support charges far in excess of 150 percent of their acquisition cost or the usual cost charged to the general public. For example:

(i) Grand and Khaimov systematically submit charges seeking \$755.00 for “EMS Unit Four Leads”. In fact, the legitimate wholesale cost for the EMS units supplied to Grand and Khaimov never exceeds \$75.00. In many instances, the item dispensed to Insureds is not actually an EMS unit, but rather a TENS unit (for which \$76.25 is the maximum scheduled reimbursable charge) or inexpensive Chinese imports that are available to the general public through internet vendors for between \$75.00 and \$100.00, and to wholesale purchases for even lower prices.

(ii) Grand and Khaimov systematically submit charges of \$186.00 for “massagers”. In fact, the massagers dispensed by Grand to GEICO Insureds, to the extent they are supplied at all, are inexpensive hand-held massagers that are available to the public at retail prices not exceeding \$40.00, and to wholesale purchasers at even lower prices.

(iii) Grand and Khaimov systematically submit charges of \$483.00 for “whirlpools”. In actuality, Grand dispenses cheap, portable air-blowers manufactured in China that can be hung over the side of a bathtub and are available to the public for \$60.00, and to wholesale purchasers at even lower prices.

(iv) Grand and Khaimov systematically submit charges of \$111.00 or \$116.00 for “bed boards”. In actuality, Grand dispenses inexpensive pieces of cardboard that are available to the public for less than \$50.00, and to wholesale purchasers at even lower prices. .

(v) Grand and Khaimov systematically submit charges of \$735.00 for cervical traction frames with a pump. In actuality, the device dispensed by Grand and Khaimov – to the

extent they provide them at all – is a stabilizing neck pillow with an attached pump bulb that allows an individual to control the stiffness of the pillow. These devices are available to the public for less than \$200.00, and to wholesale purchasers for even lower prices.

(vi) Grand and Khaimov systematically submit charges seeking approximately \$545.00 to \$550.00 for “Water Circulating Cold Pad (with pumps).” In fact, water circulating units are available to the public at an approximate retail price of \$200.00, plus the cost of the pad, and to wholesale customers for even less.

(vii) Grand and Khaimov systematically submit charges of \$185.00 for “car seats.” In actuality, Grand dispenses cheap bubbled pads that are available to the public for less than \$10.00, and to wholesale customers for even less.

42. In cases where the New York State Medicaid program *has* prescribed a fee payable for a given item or a class of items, Grand and Khaimov rely on the vague and generic prescriptions issued by the Clinics to misrepresent the nature of the items actually prescribed and furthermore misrepresent the items that Grand purportedly dispenses so as to claim entitlement to a higher fee payable. For instance:

(i) Grand and Khaimov systematically submit charges of \$172.00 using HCPCS Code E0272 pursuant to prescriptions calling for “egg crate mattresses”. The product represented by HCPCS Code E0272 is a thick gel or foam mattress that is a more expensive, substantial product than the egg crate mattress overlays indicated on the non-descript and vague prescriptions provided by the Clinics and actually dispensed by Grand. Such products should properly be coded E0199 at a charge of \$19.48, as opposed to the inflated charges submitted by Grand. (Representative examples of the fraudulent invoices are attached as Exhibit “8”).

(ii) Grand and Khaimov systematically submit charges of \$235.97 or \$345.97 using HCPCS Codes L0627 pursuant to prescriptions calling for “LSOs” or “lumbar supports”. The product assigned to HCPCS Code L0627 is a semi-rigid *custom-fitted* LSO. This item is more complex and far more expensive than the basic, flexible elastic LSOs indicated on the non-descript and vague prescriptions provided by the Clinics, which have an established fee payable of \$65.92, including fitting and adjustment services from the healthcare provider. In fact, Grand actually dispenses inexpensive elastic/velcro back braces to Insureds, to the extent that they provide them at all, which cost no more than \$15.00. (Representative examples of the fraudulent invoices are attached as Exhibit “8”).

(iii) Grand and Khaimov systematically submit charges of \$194.06 or \$203.76 using HCPCS Code E0205 pursuant to prescriptions calling for an “infrared lamp”. The product definition for this item is an upright, standing heat lamp that is more sophisticated and expensive than the hand-held heat lamps indicated on the non-descript and vague prescriptions provided by the Clinics. In fact, the inexpensive heat lamps dispensed by Grand – to the extent that they are dispensed at all – are available to the public through internet retailers for less than \$30.00, and are available to wholesale purchasers at even lower prices. (Representative examples of the fraudulent invoices are attached as Exhibit “9”).

(iv) Grand and Khaimov systematically submit charges of \$285.00 using HCPCS Code E2611 pursuant to prescriptions calling for “lumbar cushions”. The product represented by Code E2611 is a wheelchair back cushion, which is more elaborate and more expensive than the lumbar cushions (ordinary foam back cushions) indicated on the non-descript and vague prescriptions provided by the Clinics. In fact, the basic lumbar cushions dispensed by Grand – to the extent that they are dispensed at all – are available to the public at retail prices ranging from

\$25.60 to \$50.00, and to wholesale purchasers at even lower prices. (Representative examples of the fraudulent invoices are attached as Exhibit "10").

(v) Grand and Khaimov systematically submit charges of \$88.50 or \$118.00 using HCPCS Code L0172 pursuant to a prescriptions calling for "cervical collars". The product represented by HCPCS Code L0172 is a *two-piece, semi-rigid*, thermoplastic foam cervical collar, which is a more substantial and expensive product than the basic collars indicated on the prescriptions and dispensed by Grand, which have an established fee payable of \$6.80. (Representative examples of the fraudulent invoices are attached as Exhibit "10").

(vi) Grand and Khaimov systematically submit charges of \$1,150.00 using HCPCS Code L0632 for lumbosacral supports ("LSOs"). Despite the fact that the prescriptions call for "custom fitted" LSOs to be dispensed to Insureds, Grand bills for *custom-fabricated* LSOs which are made from scratch through molds made to conform to the exact measurements of the patient and are far more expensive than the custom-fitted LSOs actually prescribed. Furthermore, Grand never even dispenses *custom-fitted* LSOs, but rather dispenses inexpensive braces to Insureds, to the extent that they are provided at all, which cost no more than \$15.00. (Representative examples of the fraudulent invoices are attached as Exhibit "11").

B. The Royal Scheme

43. The second part of the scheme commenced in July 2008, when Royal and Khaimov entered into kickback arrangements with several Clinics, and secret agreements with Easy Hill, A To Z, Ko, Simakov and Dyatlov, whereby Easy Hill, A To Z, Ko, Simakov and Dyatlov agreed to supply fraudulent and inflated wholesale invoices in exchange for a share in the profits from the scheme.

44. In exchange for payments from Royal and Khaimov, the Clinics – including but not limited to facilities located at 9121 Avenue L, Brooklyn, New York, 2100 Flatbush Avenue, Brooklyn, New York, 37 Fifth Avenue, Brooklyn, New York, 8 Clinton Place, Bronx, New York, and 295-299 Hempstead Turnpike, Elmont, New York – direct their associated physicians and chiropractors to: (i) prescribe large amounts of virtually identical DME and orthotic devices to Insureds, without regard to the Insureds' symptoms; (ii) primarily prescribe DME for which the New York State Medicaid program has not established a schedule of fees payable; and (iii) issue generic prescriptions for DME and orthotic devices, omitting specific descriptions of the devices required so as to permit Royal and Khaimov to unilaterally pick and choose what DME or orthotic devices to dispense

45. Simultaneously, pursuant to their agreement with Royal and Khaimov, in exchange for a share in the profits of the scheme, and to support Royal and Khaimov's efforts to negotiate kickback arrangements with the Clinics, Easy Hill, A To Z, Ko, Simakov and Dyatlov provide fraudulent wholesale invoices, which: (i) state wholesale prices for the DME and orthotic devices far in excess of the actual legitimate wholesale price of the supplies; and (ii) deliberately omit any mention of the manufacturer, make and model of the DME and orthotic devices

46. Easy Hill, A To Z, Ko, Simakov and Dyatlov provided the fraudulent wholesale invoices to Royal and Khaimov with the knowledge that they could and would be submitted to GEICO and other New York automobile insurers in support of Royal's fraudulent billing.

47. In cases where the New York State Medicaid program *has not* prescribed a fee payable for a given item or a class of items, Royal uses the non-descript and fraudulently inflated invoices provided by Easy Hill, A To Z, Ko, Simakov and Dyatlov to support charges far in

excess of 150 percent of their acquisition cost or the usual cost charged to the general public. For example:

(i) Royal and Khaimov systematically submit charges seeking \$775.00 for “EMS Unit Four Leads” supported by fraudulently inflated non-descript wholesale invoices from Easy Hill, A To Z, Ko, Simakov and Dyatlov which represent that their acquisition cost is approximately \$500.00 to \$526.00 per unit. In fact, the legitimate wholesale cost for the EMS units supplied by Easy Hill, A To Z, Ko, Simakov and Dyatlov never exceeds \$75.00. In many instances, the item dispensed to Insureds is not actually an EMS unit, but rather a TENS unit (for which \$76.25 is the maximum scheduled reimbursable charge) or inexpensive Chinese imports that are available through internet vendors between \$75.00 and \$100.00. (Representative examples of the fraudulent invoices are attached as Exhibit “12”).

(ii) Royal and Khaimov systematically submit charges seeking approximately \$189.00 for “massagers” supported by fraudulently inflated non-descript wholesale invoices from Easy Hill, A To Z, Ko, Simakov and Dyatlov which represent that their acquisition cost is approximately \$126.00 to \$ 129.00 per massager. However, Royal and Khaimov never pay Easy Hill, A To Z, Ko, Simakov and Dyatlov more than \$20.00 for the devices they purport to supply to Insureds. (Representative examples of the fraudulent invoices are attached as Exhibit “12”).

(iii) Royal and Khaimov systematically submit charges seeking \$483.00 for “whirlpools”, supported by fraudulently inflated non-descript wholesale invoices from Easy Hill, A To Z, Ko, Simakov and Dyatlov which represent that their acquisition cost is approximately \$322.00 to \$332.00 per whirlpool. In actuality, Royal and Khaimov never pay Easy Hill, A To Z, Ko, Simakov and Dyatlov more than \$40.00 for the “whirlpools” they dispense, which essentially are inexpensive, portable air-blowers manufactured in China that are available to the

public at retail prices not exceeding \$60.00, and to wholesale customers for even less. (Representative examples of the fraudulent invoices are attached as Exhibit "13")

(iv) Royal and Khaimov systematically submit charges of \$111.00 for "bed boards" supported by fraudulently inflated non-descript wholesale invoices from Easy Hill, A To Z, Ko, Simakov and Dyatlov which represent that their acquisition cost was approximately \$75.00 to \$78.00 per bed board. In actuality, Royal and Khaimov never pay Easy Hill, A To Z, Ko, Simakov and Dyatlov more than \$20.00 for the "bed boards" they dispense, which essentially are inexpensive pieces of cardboard that are available to the public at retail prices not exceeding \$50.00, and to wholesale customers for even less. (Representative examples of the fraudulent invoices are attached as Exhibit "14").

(v) Royal and Khaimov systematically submit charges seeking approximately \$535.00 for "Water Circulating Cold Pad (with pumps)", supported by fraudulently inflated non-descript wholesale invoices from Easy Hill, A To Z, Ko, Simakov and Dyatlov which represent that their acquisition cost was \$357.00 per unit. In actuality, the legitimate wholesale cost of the units supplied to Royal by Easy Hill, A To Z, Ko, Simakov and Dyatlov never exceeds \$150.00 per device. In fact, water circulating units are available to the public at an approximate retail price of \$200.00, plus the cost of the pad, and to wholesale customers for even less. (Representative examples of the fraudulent invoices are attached as Exhibit "15".)

(vi) Royal and Khaimov systematically submit charges of \$755.00 for cervical traction frames with a pump, supported by fraudulently inflated non-descript wholesale invoices from Easy Hill, A To Z, Ko, Simakov and Dyatlov which represent that their acquisition cost was \$506.00. The device Royal actually dispenses is a stabilizing neck pillow with an attached pump bulb that allows an individual to control the stiffness of the pillow. These devices are

available to the public for less than \$200.00, and to wholesale customers for even less. (Representative examples of the fraudulent invoices are attached as Exhibit "16").

(vii) Royal and Khaimov systematically submit charges of \$185.00 for "car seats" supported by fraudulently inflated non-descript wholesale invoices from Easy Hill, A To Z, Ko, Simakov and Dyatlov which represent that their acquisition cost was approximately \$123.00 to \$127.00 per seat. In actuality, Royal dispenses cheap bubbled pads that are available to the public for less than \$10.00, and to wholesale customers for even less. (Representative examples of the fraudulent invoices are attached as Exhibit "17").

48. In cases where the New York State Medicaid program *has* prescribed a fee payable for a given item or a class of items, Royal and Khaimov rely on the vague and generic prescriptions issued by the Clinics to misrepresent the nature of the items actually prescribed and furthermore misrepresent the item that Royal purportedly dispenses so as to claim entitlement to a higher fee payable. For instance:

(i) Royal and Khaimov systematically submit charges of between \$97.50 to \$153.13 using HCPCS Code E0272 or E0184 pursuant to prescriptions calling for "egg crate mattresses". The product represented by HCPCS code E0272 is a thick gel or foam mattress that is a more expensive, substantial product than the egg crate mattress overlays indicated on the prescriptions provided by the Clinics and dispensed by Royal. The product represented by HCPCS code E0184 is a thick foam/rubber mattress that is a more expensive, substantial product than the egg crate mattress overlays indicated on the prescriptions and dispensed by Royal. Such products should properly be coded E0199 at a charge of \$19.48, as opposed to the inflated charges submitted by Royal. (Representative examples of the fraudulent invoices are attached as Exhibit "18").

(ii) Royal and Khaimov systematically submit charges of \$322.98 using HCPCS Code L0627 pursuant to prescriptions calling for “LSOs” or “lumbar supports”. The product assigned to HCPCS Code L0627 is a semi-rigid *custom-fitted* LSO. This item is more complex and far more expensive than the basic, flexible elastic LSOs indicated on the non-descript and vague prescriptions provided by the Clinics, which have an established a fee payable of \$65.92, including fitting and adjustment services from the healthcare provider. In fact, Royal dispenses inexpensive braces to Insureds, to the extent that they provide them at all, which cost no more than \$15.00. (Representative examples of the fraudulent invoices are attached as Exhibit “19”).

(iii) Royal and Khaimov systematically submit charges of \$130.00 using HCPCS Code L0174 pursuant to prescriptions calling for “cervical collars”. The product represented by HCPCS code L0174 is a *two-piece semi-rigid*, thermoplastic foam cervical collar with a thoracic extension, which is a more substantial and expensive product than the basic collars indicated on the non-descript and vague prescriptions provided by the Clinics and provided by Royal, which have an established a fee payable of \$6.80. (Representative examples of the fraudulent invoices are attached as Exhibit “20”)

(iv) Royal and Khaimov systematically submit charges of \$297.45 using HCPCS Code E2611 pursuant to prescriptions calling for “lumbar cushions”. The product represented by Code E2611 is a wheelchair back cushion, which is more elaborate and more expensive than the lumbar cushions (ordinary foam back cushions) indicated on the non-descript and vague prescriptions provided by the Clinics. In fact, the basic lumbar cushions actually dispensed by Royal are available to the public at retail prices ranging from \$25.60 to \$50.00. (Representative examples of the fraudulent invoices are attached as Exhibit “21”).

(v) Royal and Khaimov systematically submit charges of \$223.75 using HCPCS Code E0205 pursuant to prescriptions calling for “infrared lamp”. The product definition for this item is an upright, standing heat lamp, which is more sophisticated and expensive than the hand-held heat lamps indicated on the non-descript and vague prescriptions provided by the Clinics. In fact, the inexpensive heat lamps dispensed by Royal are available to the public through internet retailers for less than \$40.00, and to wholesale customers for even less. (Representative examples of the fraudulent invoices are attached as Exhibit “22”)

(vi) Royal and Khaimov systematically submit charges of \$1,150.00 for LSOs using HCPCS Code L0632. Despite the fact that the prescriptions call for “custom fitted” LSOs to be dispensed to Insureds, Royal and Khaimov bills for *custom-fabricated* LSOs that are made from scratch through molds made to conform to the exact measurements of the patient and are far more expensive than the custom-fitted LSOs actually prescribed. Furthermore, Royal never even dispenses custom-fitted LSOs but rather inexpensive braces to Insureds, to the extent that it provides them at all, which cost no more than \$15.00. (Representative examples of the fraudulent invoices are attached as Exhibit “23”).

(vii) Royal and Khaimov systematically submit charges of \$75.00 using HCPCS Code L0172 pursuant to a prescriptions calling for “cervical collars”. The product represented by HCPCS Code L0172 is a *two-piece, semi-rigid*, thermoplastic foam cervical collar, which is a more substantial and expensive product than the basic collars indicated on the prescriptions, which have an established fee payable of \$6.80. (Representative examples of the fraudulent invoices are attached as Exhibit “24”).

C. The Utopia Scheme

49. The third stage of the fraudulent scheme commenced in April 2010, when Khaimov incorporated Utopia. At this time, Utopia and Khaimov entered into kickback arrangements with several Clinics, and secret agreements with DME wholesalers whereby the wholesalers agreed to supply fraudulent and inflated wholesale invoices in exchange for a share in the profits from the scheme.

50. In exchange for payments from Utopia and Khaimov, the Clinics – including but not limited to facilities located at 632 Flatbush Avenue, Brooklyn, New York, 219-16 Linden Boulevard, Cambria Heights, New York, 77-16 164th Street, Fresh Meadows, New York, 56-02 137th Street, Flushing, New York, 8 Clinton Place, Bronx, New York, and 1967 Turnbull Avenue, Bronx, New York – direct their associated physicians and/or chiropractors to: (i) prescribe large amounts of virtually identical DME and orthotic devices to Insureds, without regard to the Insureds' symptoms; (ii) primarily prescribe DME for which the New York State Medicaid program has not established a schedule of fees payable; and (iii) issue generic prescriptions for DME and orthotic devices, omitting specific descriptions of the devices required so as to permit Utopia and Khaimov to unilaterally pick and choose what DME or orthotic devices to dispense.

51. Simultaneously, pursuant to agreements with Utopia and Khaimov, and in exchange for a share in the profits of the scheme and to support Utopia and Khaimov's efforts to negotiate kickback arrangements with the Clinics, DME wholesalers provide Utopia and Khaimov with fraudulent wholesale invoices, which: (i) state wholesale prices for the DME and orthotic devices far in excess of the actual legitimate wholesale price of the supplies; and (ii) deliberately omit any mention of the manufacturer, make and model of the DME and orthotic devices.

52. In cases where the New York State Medicaid program *has not* prescribed a fee payable for a given item or a class of items, Utopia uses the non-descript invoices provided by the DME wholesalers to support charges far in excess of 150 percent of their acquisition cost or the usual cost charged to the general public. For example:

(i) Utopia and Khaimov systematically submit charges seeking \$790.00 for “EMS Unit Four Leads”. In fact, the legitimate wholesale cost for the EMS units supplied to Utopia and Khaimov never exceeds \$75.00. In many instances, the item dispensed to Insureds is not actually an EMS unit, but rather a TENS unit (for which \$76.25 is the maximum scheduled reimbursable charge), or inexpensive Chinese imports that are available through internet vendors between \$75.00 and \$100.00, and to wholesale customers at much lower prices.

(ii) Utopia and Khaimov systematically submit charges of \$193.00 for “massagers”, (representing that their acquisition cost was \$129.00 per unit). In fact, the massagers dispensed by Utopia and Khaimov to GEICO Insureds are inexpensive hand-held massagers that are available to the public at retail prices not exceeding \$40.00, and to wholesale customers at much lower prices.

(iii) Utopia and Khaimov systematically submit charges of \$495.00 for “whirlpools”, representing that their acquisition cost is \$330.00 per unit. In actuality, to the extent these products ever are dispensed, Utopia dispenses inexpensive, portable air-blowers that are manufactured in China, are available to the public for \$60.00, and to wholesale customers at much lower prices.

(iv) Utopia and Khaimov systematically submit charges of \$101.00 for “bed boards”, representing that their acquisition cost is \$68.00 per unit. In actuality, Utopia dispenses

inexpensive pieces of cardboard that are available to the public for less than \$50.00, and to wholesale customers at much lower prices.

(v) Utopia and Khaimov systematically submit charges of \$763.50 for cervical traction frames with a pump. In actuality, Utopia dispenses a stabilizing neck pillow with an attached pump bulb that allows an individual to control the stiffness of the pillow. These devices are available to the public for less than \$200.00, and to wholesale customers at much lower prices.

(vi) Utopia and Khaimov systematically submit charges seeking approximately \$443.00 for "Water Circulating Cold Pad (with pumps)", representing that their acquisition cost is \$295.00 per unit. In actuality, the water circulating units are available to the public at an approximate retail price of \$200.00, plus the cost of the pad, and to wholesale customers at much lower prices.

(vii) Utopia and Khaimov systematically submit charges of \$185.00 for "car seats" representing that their acquisition cost is \$125.00 per seat. In actuality, Utopia dispenses cheap bubbled pads to Insureds, to the extent that it dispenses anything at all. These devices are available to the public for less than \$10.00, and to wholesale customers at much lower prices.

(viii) Utopia and Khaimov systematically submit charges of \$210.00 pursuant to prescriptions calling for an "infrared lamp". The product definition for this item is an upright, standing heat lamp which is more sophisticated and expensive than the hand-held heat lamps indicated on the non-descript and vague prescriptions provided by the Clinics. In fact, the inexpensive heat lamps actually dispensed by Utopia, to the extent that they are dispensed at all, are available to the public through internet retailers for less than \$30.00, and to wholesale customers at much lower prices.

53. In cases where the New York State Medicaid program *has* prescribed a fee payable for a given item or a class of items, Utopia and Khaimov rely on the vague and generic prescriptions issued by the Clinics to misrepresent the nature of the items actually prescribed and furthermore misrepresent the item that Utopia purportedly dispenses so as to claim entitlement to a higher fee payable. For instance:

(i) Utopia and Khaimov systematically submit charges of \$97.50 using HCPCS E0184 pursuant to prescriptions calling for “egg crate mattresses”. The product represented by HCPCS code E0184 is a thick foam/rubber mattress, which is a more expensive, more substantial product than the egg crate mattress overlays indicated on prescriptions and dispensed by Utopia. Such products should properly be coded E0199 at a charge of \$19.48, as opposed to the inflated charges submitted by Utopia. (Representative examples of the fraudulent invoices are attached as Exhibit “25”).

(ii) Utopia and Khaimov systematically submit charges \$322.98 using HCPCS Codes L0627 pursuant to prescriptions calling for “LSOs” or “lumbar supports”. The product assigned to HCPCS Code L0627 is a semi-rigid *custom-fitted* LSO. This item is more complex and far more expensive than the basic, flexible elastic LSOs indicated on the non-descript and vague prescriptions provided by the Clinics, which have an established a fee payable of \$65.92, including fitting and adjustment services from the healthcare provider. In fact, Utopia actually dispenses inexpensive elastic/velcro back braces to Insureds, to the extent that it provides them at all, which cost no more than \$15.00. (Representative examples of the fraudulent invoices are attached as Exhibit “25”).

(iii) Utopia and Khaimov systematically submit charges of \$282.68 using HCPCS Code E2611 pursuant to prescriptions calling for “lumbar cushions”. The product represented by

Code E2611 is a wheelchair back cushion, which is more elaborate and more expensive than the lumbar cushions (ordinary foam back cushions) indicated on the non-descript and vague prescriptions provided by the Clinics. In fact, the basic lumbar cushions actually dispensed by Utopia are available to the public at retail prices ranging from \$25.60 to \$50.00. (Representative examples of the fraudulent invoices are attached as Exhibit "25").

(iv) Utopia and Khaimov systematically submit charges of \$75.00 using HCPCS Code L0172 pursuant to a prescriptions calling for "cervical collars". The product represented by HCPCS Code L0172 is a *two-piece, semi-rigid*, thermoplastic foam cervical collar, which is a more substantial and expensive product than the basic collars indicated on the prescriptions provided by the Clinics, which have an established fee payable of \$6.80. (Representative examples of the fraudulent invoices are attached as Exhibit "25").

(v) Utopia and Khaimov systematically submit charges of \$1,150.00 using HCPCS Code L0632 for lumbosacral supports ("LSOs"). Despite the fact that the prescriptions call for "custom fitted" LSOs to be dispensed to Insureds, Utopia bills for *custom-fabricated* LSOs which are made from scratch through molds made to conform to the exact measurements of the patient and are far more expensive than the custom-fitted LSOs actually prescribed. Furthermore, Utopia never even dispenses *custom-fitted* LSOs, but rather dispenses inexpensive braces to Insureds, to the extent that they are provided at all, which cost no more than \$15.00.

IV. The Defendants' Fraudulent Concealment and GEICO's Justifiable Reliance

54. The Defendants legally and ethically are obligated to act honestly and with integrity in connection with the provision of DME and orthotic devices to Insureds, and their actual submission of charges to GEICO.

55. To induce GEICO to promptly pay the charges for the DME and orthotic devices, the Defendants have gone to great lengths to systematically conceal their fraud. Specifically:

- (i) Grand, Royal and Utopia deliberately failed to submit wholesale invoices with their initial bill submissions, thereby concealing the amounts that they actually paid for the DME and orthotic devices, the manufacturer, make, model, size, and quality of the goods, and the actual value of the goods in the legitimate marketplace. At the same time, Royal obtained fraudulent wholesale invoices from the Wholesale Defendants and Grand and Utopia obtained fraudulent wholesale invoices from other DME wholesalers, stating prices far in excess of those actually paid by Grand, Royal and Utopia, that may be produced to the extent necessary to support the fraudulent charges.
- (ii) To the extent that the New York State Medicaid program established fees payable for a given class of DME and orthotic devices, Grand, Royal and Utopia misrepresented in the billing submitted to GEICO that they supplied more expensive items from the middle or top end of the class, rather than the inexpensive, basic items that actually were supplied.
- (iii) Grand and Utopia often failed and/or refused to respond to repeated requests made by GEICO seeking information such as the wholesale invoices, descriptions of goods provided (*i.e.*, make and model), proof of payment and additional information that was necessary to determine whether the charges submitted by Grand and Utopia were legitimate.
- (iv) The Defendants' fraudulent concealment also is manifest in their failure to disclose the existence of the kickback arrangements with the Clinics.

56. To induce GEICO to promptly pay the fraudulent charges, Grand, Royal, Utopia, and Khaimov routinely file expensive and time-consuming litigation against GEICO and other insurers if the fraudulent charges are not promptly paid in full, despite the fact that the Defendants are aware that their billing and claims are fraudulent.

57. GEICO is under a statutory and contractual obligation to promptly and fairly process claims within 30 days. The documents submitted to GEICO in support of the fraudulent charges at issue, combined with the material misrepresentations, omissions, and acts of fraudulent concealment described above, were designed to and did cause GEICO to justifiably

rely on them. As a proximate result, GEICO has incurred damages of more than \$477,000.00 based upon the fraudulent charges.

58. Because of the material misrepresentations and other affirmative acts taken by the Defendants to conceal their fraud from GEICO, GEICO did not discover and should not reasonably have discovered that their damages were attributable to fraud until shortly before it filed this Complaint.

FIRST CAUSE OF ACTION AGAINST GRAND, ROYAL AND UTOPIA
(Declaratory Judgment Under 28 U.S.C. § 2201)

59. GEICO repeats and realleges each and every allegation contained in Paragraphs 1 through 58 of this Complaint as if fully set forth at length herein.

60. There is an actual case in controversy between GEICO and Grand, Royal and Utopia regarding more than \$1,421,000.00 in fraudulent billing for DME and orthotic devices that allegedly have been provided to GEICO's Insureds.

61. GEICO contends that Grand, Royal and Utopia have no right to receive payment for any pending bills they have submitted because:

- (i) Grand, Royal and Utopia have made false and fraudulent misrepresentations to GEICO concerning the maximum permissible charges for the durable medical equipment and orthotic devices in order to obtain from GEICO payment under the New York no-fault laws to which they are not entitled; and
- (ii) Grand, Royal and Utopia have made false and fraudulent misrepresentations to GEICO by submitting or causing to be submitted charges for durable medical equipment and devices that never are dispensed to Insureds; and
- (iii) Grand, Royal and Utopia have failed and/or refused to provide full particulars of the nature and/or extent of the durable medical equipment and orthotic devices they purport to have dispensed to Insureds.

62. Accordingly, GEICO requests a judgment pursuant to the Declaratory Judgment Act, 28 U.S.C. §§ 2201 and 2202, declaring that:

- (i) Grand, Royal and Utopia have no right to receive payment on any pending bills submitted to GEICO because they knowingly have made false and fraudulent misrepresentations to GEICO concerning the maximum permissible charges for the durable medical equipment and orthotic devices in order to obtain from GEICO payment under the New York no-fault laws to which they are not entitled;
- (ii) Grand, Royal and Utopia have no right to receive payment on any pending bills submitted to GEICO because they knowingly have made false and fraudulent misrepresentations to GEICO by submitting or causing to be submitted charges for durable medical equipment and devices that never were dispensed to Insureds and
- (iii) Grand, Royal and Utopia have failed and/or refused to provide full particulars of the nature and/or extent of the durable medical equipment and orthotic devices they purport to have dispensed to Insureds.

SECOND CAUSE OF ACTION AGAINST KHAIMOV
(Violation of 18 U.S.C. 1962(c))

63. GEICO repeats and realleges each and every allegation contained in Paragraphs 1 through 62 of this Complaint as if fully set forth at length herein.

64. Grand Medical Supply, Inc. is an ongoing "enterprise", as that term is defined in 18 U.S.C. § 1961(4), that engages in activities that affect interstate commerce.

65. Khaimov knowingly conducted and/or participated, directly or indirectly, in the conduct of Grand's affairs through a pattern of racketeering activity consisting of repeated violations of the federal mail fraud statute, 18 U.S.C. § 1341, based upon the use of the United States mails to submit or cause to be submitted hundreds of fraudulent bills on a continuous basis for more than two years. Furthermore, this pattern of racketeering activity poses a specific threat of repetition extending indefinitely into the future, inasmuch as Grand continues seek collection on the fraudulent billing submitted to GEICO. These acts of mail fraud include, but are not limited to, those that are described in the chart which is annexed hereto as Exhibit "1".

66. The predicate acts of mail fraud are the regular way in which Khaimov operates Grand, insofar as the majority of the bills submitted to GEICO and other New York automobile

insurers through Grand are fraudulently inflated and knowingly are predicated, in turn, on fraudulent wholesale invoices. Grand never was entitled to bill for or to collect these charges from GEICO, and the acts of mail fraud therefore are essential in order for Grand to function. Furthermore, the intricate planning required to carry out and to conceal the predicate acts of mail fraud implies a threat of continued criminal activity.

67. GEICO has been injured in its business and property by reason of the above-described conduct in that it has paid at least Two Hundred Eighty Thousand (\$280,000.00) Dollars pursuant to the fraudulent bills submitted by Khaimov through Grand.

68. By reason of its injury, GEICO is entitled to treble damages, costs and reasonable attorneys' fees pursuant to 18 U.S.C. §1964(c), and any other relief the Court deems just and proper.

**THIRD CAUSE OF ACTION AGAINST
GRAND AND KHAIMOV
(Common Law Fraud)**

69. GEICO repeats and realleges each and every allegation contained in Paragraphs 1 through 68 of this Complaint as if fully set forth at length herein.

70. Grand and Khaimov intentionally and knowingly made false and fraudulent statements of material fact to GEICO and concealed material facts from GEICO in the course of their submission of hundreds of fraudulent bills seeking payment for DME and orthotic devices.

71. The false and fraudulent statements of material fact and acts of fraudulent concealment include:

- (i) In every claim for DME and orthotic devices for which the New York State Medicaid program has not established fees payable, the representation that Grand's charges for DME and orthotic devices did not exceed the lesser of 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 percent, or the usual and customary price charged to the general public.

- (ii) In every claim for DME and orthotic devices for which the New York State Medicaid program has established fees payable, the representation that the goods represented in the billing actually were the goods supplied to Insureds.
- (iii) In every claim, concealment of the fact that the DME and orthotic devices actually provided to Insureds were inexpensive, low-quality goods, rather than the far more expensive goods for which billing was submitted.
- (iv) In every claim, concealment of the fact that Grand was rebated a large percentage of the money that it represented to have paid to wholesalers.
- (v) In every claim, concealment of the fact that the DME and orthotic devices were prescribed and supplied pursuant to a pre-determined, fraudulent protocol whereby, Grand and Khaimov paid kickbacks to the Clinics to induce the Clinics to direct their associated physicians and chiropractors to: (a) prescribe large amounts of medically unnecessary DME and orthotic devices; (b) primarily prescribe DME not covered by the New York State Medicaid fee schedule; and (c) with respect to DME and orthotic devices covered by the New York State Medicaid Fee Schedule, write the prescriptions in a generic non-descript manner, all of which was designed to permit Grand and Khaimov to manipulate the payment formulas and their claims submissions in order to maximize the charges that they could submit to GEICO and other New York automobile insurers.

72. Grand and Khaimov made false and fraudulent statements and concealed material facts in a calculated effort to induce GEICO to pay charges that were not compensable under the No-Fault Laws, or that were far in excess of the charges that otherwise would be compensable under the No-Fault Laws.

73. GEICO justifiably relied on Grand and Khaimov's false and fraudulent representations, and as a proximate result has incurred damages of more than \$280,000.00 Dollars based upon the fraudulent charges.

74. Grand's and Khaimov's extensive fraudulent conduct demonstrates a high degree of moral turpitude and wanton dishonesty that entitles GEICO to recover punitive damages.

75. Accordingly, by virtue of the foregoing, GEICO is entitled to compensatory and punitive damages, together with interest and costs, and any other relief the Court deems just and proper.

**FOURTH CAUSE OF ACTION AGAINST
GRAND AND KHAIMOV
(Unjust Enrichment)**

76. GEICO incorporates, as though fully set forth herein, each and every allegation in paragraphs 1 through 75 above.

77. As set forth above, Grand and Khaimov engaged in improper, unlawful, and/or unjust acts, all to the harm and detriment of GEICO.

78. When GEICO paid the bills and charges submitted by or on behalf of Grand for No-Fault Benefits, it reasonably believed that it was legally obligated to make such payments based on the improper, unlawful, and/or unjust acts of Grand and Khaimov.

79. Grand and Khaimov, have been enriched at GEICO's expense by GEICO's payments which constituted a benefit that Defendants voluntarily accepted notwithstanding their improper, unlawful, and unjust billing scheme.

80. Retention of GEICO's payments by Grand and Khaimov violates fundamental principles of justice, equity and good conscience.

81. By reason of the above, the Grand and Khaimov have been unjustly enriched in an amount to be determined at trial, but in no event less than the total sum of \$280,000.00 Dollars.

**FIFTH CAUSE OF ACTION AGAINST KHAIMOV
(Violation of 18 U.S.C. 1962(c))**

82. GEICO repeats and realleges each and every allegation contained in Paragraphs 1 through 81 of this Complaint as if fully set forth at length herein.

83. Royal Medical Supply, Inc. is an ongoing "enterprise", as that term is defined in 18 U.S.C. § 1961(4), that engages in activities which affect interstate commerce.

84. Khaimov knowingly conducted and/or participated, directly or indirectly, in the conduct of Royal's affairs through a pattern of racketeering activity consisting of repeated violations of the federal mail fraud statute, 18 U.S.C. § 1341, based upon the use of the United States mails to submit or cause to be submitted hundreds of fraudulent bills on a continuous basis for more than two years. Furthermore, this pattern of racketeering activity poses a specific threat of repetition extending indefinitely into the future, inasmuch as Royal continues to seek collection on the fraudulent billing submitted to GEICO. These acts of mail fraud include, but are not limited to, those that are described in the chart which is annexed hereto as Exhibit "2".

85. The predicate acts of mail fraud are the regular way in which Khaimov operates Royal, insofar the majority of the bills submitted to GEICO and other New York automobile insurers through Royal are fraudulently inflated and knowingly are predicated, in turn, on fraudulent wholesale invoices. Royal never was entitled to bill for or to collect these charges from GEICO, and the acts of mail fraud therefore are essential in order for Royal to function. Furthermore, the intricate planning required to carry out and to conceal the predicate acts of mail fraud implies a threat of continued criminal activity.

86. GEICO has been injured in its business and property by reason of the above-described conduct in that it has paid at least \$167,000.00 pursuant to the fraudulent bills submitted by Khaimov through Royal.

87. By reason of its injury, GEICO is entitled to treble damages, costs and reasonable attorneys' fees pursuant to 18 U.S.C. §1964(c), and any other relief the Court deems just and proper.

**SIXTH CAUSE OF ACTION AGAINST KHAIMOV, A TO Z, EASY HILL, KO,
DYLATOV AND SIMAKOV**
(Violation of 18 U.S.C. 1962(d))

88. GEICO repeats and realleges each and every allegation contained in Paragraphs 1 through 87 of this Complaint as if fully set forth at length herein.

89. Royal Medical Supply, Inc. is an ongoing "enterprise", as that term is defined in 18 U.S.C. § 1961(4), that engages in activities which affects interstate commerce.

90. Khaimov, A to Z, Easy Hill, Ko, Dylatov and Simakov, each have been employed by and/or associated with the Royal enterprise.

91. Khaimov, A to Z, Easy Hill, Ko, Dylatov and Simakov knowingly have agreed, combined and conspired to conduct and/or participate, directly or indirectly, in the conduct of the Royal enterprise through a pattern of racketeering activity consisting of repeated violations of the federal mail fraud statute, 18 U.S.C. § 1341, based upon the use of the United States mails to submit or cause to be submitted hundreds of fraudulent bills on a continuous basis for more than two years. Furthermore, this pattern of racketeering activity poses a specific threat of repetition extending indefinitely into the future, inasmuch as the Royal continues attempt collection on fraudulent billing submitted to GEICO. These acts of mail fraud include, but are not limited to, those that are described in the chart annexed hereto as Exhibit "2".

92. Khaimov, A to Z, Easy Hill, Ko, Dylatov and Simakov knew of, agreed to and acted in furtherance of the common and overall objective (i.e., to defraud GEICO and other New York automobile insurers of money) by submitting or facilitating the submission of the fraudulent charges to GEICO.

93. GEICO has been injured in its business and property by reason of the above-described conduct of Khaimov, A to Z, Easy Hill, Ko, Dylatov and Simakov in that it has paid an

amount to be determined at trial, but in no event less than \$167,000.00, pursuant to the fraudulent bills submitted through Royal.

94. By reason of its injury, GEICO is entitled to treble damages, costs and reasonable attorney's fees pursuant to 18 U.S.C. Section 1964(c), and any other relief the Court deems just and proper.

**SEVENTH CAUSE OF ACTION AGAINST
ROYAL AND KHAIMOV
(Common Law Fraud)**

95. GEICO repeats and realleges each and every allegation contained in Paragraphs 1 through 94 of this Complaint as if fully set forth at length herein.

96. Royal and Khaimov intentionally and knowingly made false and fraudulent statements of material fact to GEICO and concealed material facts from GEICO in the course of their submission of hundreds of fraudulent bills seeking payment for DME and orthotic devices.

97. The false and fraudulent statements of material fact and acts of fraudulent concealment include:

- (i) In every claim for DME and orthotic devices for which the New York State Medicaid program has not established fees payable, the representation that Royal's charges for DME and orthotic devices did not exceed the lesser of 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 percent, or the usual and customary price charged to the general public.
- (ii) In every claim for DME and orthotic devices for which the New York State Medicaid program has established fees payable, the representation that the goods represented in the billing actually were the goods supplied to Insureds.
- (iii) In every claim, concealment of the fact that the DME and orthotic devices actually provided to Insureds were inexpensive, low-quality goods, rather than the far more expensive goods for which billing was submitted.
- (iv) In every claim, concealment of the fact that Royal was rebated a large percentage of the money that it represented to have paid to the Wholesale Defendants.

- (v) In every claim, concealment of the fact that the DME and orthotic devices were prescribed and supplied pursuant to a pre-determined, fraudulent protocol whereby, in coordination with A to Z, Easy Hill, Ko, Dylatov and Simakov, Royal and Khaimov paid kickbacks to the Clinics to induce the Clinics to direct their associated physicians and chiropractors to: (a) prescribe large amounts of medically unnecessary DME and orthotic devices; (b) primarily prescribe DME not covered by the New York State Medicaid fee schedule; and (c) with respect to DME and orthotic devices covered by the New York State Medicaid Fee Schedule, write the prescriptions in a generic non-descript manner, all of which was designed to permit Royal and Khaimov to manipulate the payment formulas and their claims submissions in order to maximize the charges that they could submit to GEICO and other New York automobile insurers.

98. Royal and Khaimov made false and fraudulent statements and concealed material facts in a calculated effort to induce GEICO to pay charges that were not compensable under the No-Fault Laws, or that were far in excess of the charges that otherwise would be compensable under the No-Fault Laws.

99. GEICO justifiably relied on Royal and Khaimov's false and fraudulent representations, and as a proximate result has incurred damages of more than \$167,000.00 Dollars based upon the fraudulent charges.

100. Royal and Khaimov's extensive fraudulent conduct demonstrates a high degree of moral turpitude and wanton dishonesty that entitles GEICO to recover punitive damages.

101. Accordingly, by virtue of the foregoing, GEICO is entitled to compensatory and punitive damages, together with interest and costs, and any other relief the Court deems just and proper.

**EIGHTH CAUSE OF ACTION AGAINST A TO Z, EASY HILL, KO, DYLATOV AND
SIMAKOV**
(Aiding and Abetting Fraud)

102. GEICO repeats and realleges each and every allegation contained in Paragraphs 1 through 101 of this Complaint as if fully set forth at length herein.

103. A to Z, Easy Hill, Ko, Dylatov, and Simakov knowingly aided and abetted the fraudulent scheme perpetrated on GEICO by Royal and Khaimov.

104. The acts taken by A to Z, Easy Hill, Ko, Dylatov, and Simakov in furtherance of the fraudulent scheme include: (i) knowingly creating fraudulent wholesale invoices by intentionally inflating the amounts represented to constitute the wholesale costs in order to support the fraudulent billing submitted to GEICO and other New York automobile insurers through Royal; (ii) knowingly creating fraudulent invoices through the deliberate omission of the most basic information associated with the DME and orthotic supplies provided, including the manufacturer, make and/or model of the supplies; (iii) converting check payments received from Royal and Khaimov into cash, and then returning/rebating the bulk of the cash to Royal and Khaimov, to make it appear as if Royal and Khaimov actually paid the prices for the DME and orthotic devices as set forth on the fraudulent wholesale invoices; and (iv) knowingly supporting the negotiation and performance of kickback agreements between Royal and Khaimov and the Clinics.

105. The conduct of A to Z, Easy Hill, Ko, Dylatov, and Simakov in furtherance of the fraudulent scheme is significant and material. The conduct of A to Z, Easy Hill, Ko, Dylatov, and Simakov is a necessary part of and is critical to the success of the fraudulent scheme because without their actions, there would be no opportunity for Royal and Khaimov to obtain fraudulently-inflated payments from GEICO and from other New York automobile insurers.

106. A to Z, Easy Hill, Ko, Dylatov, and Simakov aided and abetted the fraudulent scheme in a calculated effort to induce GEICO into paying charges to Royal and Khaimov for DME and orthotic devices that were not compensable under the No-Fault Laws, or were

compensable at a much lower rate, because they sought to continue profiting through the fraudulent scheme.

107. The conduct of A to Z, Easy Hill, Ko, Dylatov, and Simakov caused GEICO to pay money based upon the fraudulent charges submitted through Infinity in an amount to be determined at trial, but in no event less than \$167,000.00.

108. A to Z, Easy Hill, Ko, Dylatov, and Simakov's extensive fraudulent conduct demonstrates a high degree of moral turpitude and wanton dishonesty that entitles GEICO to recover punitive damages.

109. Accordingly, by virtue of the foregoing, GEICO is entitled to compensatory and punitive damages, together with interest and costs, and any other relief the Court deems just and proper.

**NINTH CAUSE OF ACTION AGAINST
ROYAL AND KHAIMOV
(Unjust Enrichment)**

110. GEICO incorporates, as though fully set forth herein, each and every allegation in paragraphs 1 through 109 above.

111. As set forth above, Royal and Khaimov engaged in improper, unlawful, and/or unjust acts, all to the harm and detriment of GEICO.

112. When GEICO paid the bills and charges submitted by or on behalf of Royal for No-Fault Benefits, it reasonably believed that it was legally obligated to make such payments based on the improper, unlawful, and/or unjust acts of Royal and Khaimov.

113. Royal and Khaimov, have been enriched at GEICO's expense by GEICO's payments which constituted a benefit that Defendants voluntarily accepted notwithstanding their improper, unlawful, and unjust billing scheme.

114. Retention of GEICO's payments by Royal and Khaimov violates fundamental principles of justice, equity and good conscience.

115. By reason of the above, the Royal and Khaimov have been unjustly enriched in an amount to be determined at trial, but in no event less than the total sum of \$167,000.00.

TENTH CAUSE OF ACTION AGAINST KHAIMOV
(Violation of 18 U.S.C. 1962(c))

116. GEICO repeats and realleges each and every allegation contained in Paragraphs 1 through 115 of this Complaint as if fully set forth at length herein.

117. Utopia Equipment, Inc. is an ongoing "enterprise", as that term is defined in 18 U.S.C. § 1961(4), that engages in activities which affect interstate commerce.

118. Khaimov knowingly conducted and/or participated, directly or indirectly, in the conduct of Utopia's affairs through a pattern of racketeering activity consisting of repeated violations of the federal mail fraud statute, 18 U.S.C. § 1341, based upon the use of the United States mails to submit or cause to be submitted hundreds of fraudulent bills on a continuous basis for two years. Furthermore, this pattern of racketeering activity poses a specific threat of repetition extending indefinitely into the future, inasmuch as Utopia continues seek collection on the fraudulent billing submitted to GEICO. These acts of mail fraud include, but are not limited to, those that are described in the chart which is annexed hereto as Exhibit "3".

119. The predicate acts of mail fraud are the regular way in which Khaimov operates Utopia, insofar the majority of the bills submitted to GEICO and other New York automobile insurers through Utopia are fraudulently inflated and knowingly are predicated, in turn, on fraudulent wholesale invoices. Utopia never was entitled to bill for or to collect these charges from GEICO, and the acts of mail fraud therefore are essential in order for Utopia to function.

Furthermore, the intricate planning required to carry out and to conceal the predicate acts of mail fraud implies a threat of continued criminal activity.

120. GEICO has been injured in its business and property by reason of the above-described conduct in that it has paid at least \$30,000.00 pursuant to the fraudulent bills submitted by Khaimov through Utopia.

121. By reason of its injury, GEICO is entitled to treble damages, costs and reasonable attorneys' fees pursuant to 18 U.S.C. §1964(c), and any other relief the Court deems just and proper.

**ELEVENTH CAUSE OF ACTION AGAINST
UTOPIA AND KHAIMOV
(Common Law Fraud)**

122. GEICO repeats and realleges each and every allegation contained in Paragraphs 1 through 121 of this Complaint as if fully set forth at length herein.

123. Utopia and Khaimov intentionally and knowingly made false and fraudulent statements of material fact to GEICO and concealed material facts from GEICO in the course of their submission of hundreds of fraudulent bills seeking payment for DME and orthotic devices.

124. The false and fraudulent statements of material fact and acts of fraudulent concealment include:

- (i) In every claim for DME and orthotic devices for which the New York State Medicaid program has not established fees payable, the representation that Utopia's charges for DME and orthotic devices did not exceed the lesser of 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 percent, or the usual and customary price charged to the general public.
- (ii) In every claim for DME and orthotic devices for which the New York State Medicaid program has established fees payable, the representation that the goods represented in the billing actually were the goods supplied to Insureds.

- (iii) In every claim, concealment of the fact that the DME and orthotic devices actually provided to Insureds were inexpensive, low-quality goods, rather than the far more expensive goods for which billing was submitted.
- (iv) In every claim, concealment of the fact that Utopia was rebated a large percentage of the money that it represented to have paid to wholesalers.
- (v) In every claim, concealment of the fact that the DME and orthotic devices were prescribed and supplied pursuant to a pre-determined, fraudulent protocol whereby, Utopia and Khaimov paid kickbacks to the Clinics to induce the Clinics to direct their associated physicians and chiropractors to: (a) prescribe large amounts of medically unnecessary DME and orthotic devices; (b) primarily prescribe DME not covered by the New York State Medicaid fee schedule; and (c) with respect to DME and orthotic devices covered by the New York State Medicaid Fee Schedule, write the prescriptions in a generic non-descript manner, all of which was designed to permit Utopia and Khaimov to manipulate the payment formulas and their claims submissions in order to maximize the charges that they could submit to GEICO and other New York automobile insurers.

125. Utopia and Khaimov made false and fraudulent statements and concealed material facts in a calculated effort to induce GEICO to pay charges that were not compensable under the No-Fault Laws, or that were far in excess of the charges that otherwise would be compensable under the No-Fault Laws.

126. GEICO justifiably relied on Utopia and Khaimov's false and fraudulent representations, and as a proximate result has incurred damages of more than Thirty Thousand (\$30,000.00) Dollars based upon the fraudulent charges.

127. Utopia and Khaimov's extensive fraudulent conduct demonstrates a high degree of moral turpitude and wanton dishonesty that entitles GEICO to recover punitive damages.

128. Accordingly, by virtue of the foregoing, GEICO is entitled to compensatory and punitive damages, together with interest and costs, and any other relief the Court deems just and proper.

**TWELFTH CAUSE OF ACTION AGAINST
UTOPIA AND KHAIMOV
(Unjust Enrichment)**

129. GEICO incorporates, as though fully set forth herein, each and every allegation in paragraphs 1 through 128 above.

130. As set forth above, Utopia and Khaimov engaged in improper, unlawful, and/or unjust acts, all to the harm and detriment of GEICO.

131. When GEICO paid the bills and charges submitted by or on behalf of Utopia for No-Fault Benefits, it reasonably believed that it was legally obligated to make such payments based on the improper, unlawful, and/or unjust acts of Utopia and Khaimov.

132. Utopia and Khaimov have been enriched at GEICO's expense by GEICO's payments which constituted a benefit that Defendants voluntarily accepted notwithstanding their improper, unlawful, and unjust billing scheme.

133. Retention of GEICO's payments by Utopia and Khaimov violates fundamental principles of justice, equity and good conscience.

134. By reason of the above, the Utopia and Khaimov have been unjustly enriched in an amount to be determined at trial, but in no event less than the total sum of Thirty Thousand (\$30,000.00) Dollars.

JURY DEMAND

135. Pursuant to Federal Rule of Civil Procedure 38(b), GEICO demands a trial by jury.

WHEREFORE, Plaintiffs Government Employees Insurance Co., GEICO Indemnity Co., GEICO General Insurance Company and GEICO Casualty Co. demand that a Judgment be entered in their favor and against the Defendants, as follows:

A. On the First Cause of Action, a declaration pursuant to the Declaratory Judgment Act, 28 U.S.C. §§ 2201 and 2202, that Grand, Royal and Utopia have no right to receive payment for any pending bills submitted to GEICO;

B. On the Second Cause of Action against Khaimov, compensatory damages in favor of GEICO an amount to be determined at trial but in excess of \$280,000.00, together with treble damages, costs, and reasonable attorneys' fees pursuant to 18 U.S.C. § 1964(c) plus interest;

C. On the Third Cause of Action against Grand and Khaimov, compensatory damages in favor of GEICO in an amount to be determined at trial but in excess of \$280,000.00, together with punitive damages, costs, interest and such other and further relief as this Court deems just and proper;

D. On the Fourth Cause of Action against Grand and Khaimov, more than \$280,000.00 in compensatory damages, plus costs and interest and such other and further relief as this Court deems just and proper;

E. On the Fifth Cause of Action against Khaimov, compensatory damages in favor of GEICO an amount to be determined at trial but in excess of \$167,000.00, together with treble damages, costs, and reasonable attorneys' fees pursuant to 18 U.S.C. § 1964(c) plus interest;

F. On the Sixth Cause of Action against Khaimov, A to Z, Easy Hill, Ko, Dylatov and Simakov, compensatory damages in favor of GEICO an amount to be determined at trial but in excess of \$167,000.00, together with treble damages, costs, and reasonable attorneys' fees pursuant to 18 U.S.C. § 1964(c) plus interest;

G. On the Seventh Cause of Action against Royal and Khaimov, compensatory damages in favor of GEICO in an amount to be determined at trial but in excess of \$167,000.00,

together with punitive damages, costs, interest and such other and further relief as this Court deems just and proper;

H. On the Eighth Cause of Action against A to Z, Easy Hill, Ko, Dylatov and Simakov, compensatory damages in favor of GEICO in an amount to be determined at trial but in excess of \$167,000.00, together with punitive damages, costs, interest and such other and further relief as this Court deems just and proper.

I. On the Ninth Cause of Action against Royal and Khaimov, more than \$167,000.00 in compensatory damages, plus costs and interest and such other and further relief as this Court deems just and proper.

J. On the Tenth Cause of Action against Khaimov, compensatory damages in favor of GEICO an amount to be determined at trial but in excess of \$30,000.00, together with treble damages, costs, and reasonable attorneys' fees pursuant to 18 U.S.C. § 1964(c) plus interest;

K. On the Eleventh Cause of Action against Utopia and Khaimov, compensatory damages in favor of GEICO in an amount to be determined at trial but in excess of \$30,000.00, together with punitive damages, costs, interest and such other and further relief as this Court deems just and proper; and

L. On the Twelfth Cause of Action against Utopia and Khaimov, more than \$30,000.00, in compensatory damages, plus costs and interest and such other and further relief as this Court deems just and proper.

Dated: Uniondale, New York
October 31, 2011

RIVKIN RADLER LLP

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