

**UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

<p>In re: NAJEEB AHMED KHAN,¹ Debtor.</p>	<p>Chapter 11 Case No. 19-04258 (SWD)</p>
<p>In re: KHAN AVIATION, INC., <i>et al.</i>,² Debtors.</p>	<p>Chapter 11 Case No. 19-04261 (SWD) (Jointly Administered)</p>
<p>In re: INTERLOGIC OUTSOURCING, INC., <i>et al.</i>,³ Debtors.</p>	<p>Chapter 11 Case No. 20-00325 (SWD) (Jointly Administered)</p>
<p>MARK T. IAMMARTINO, not individually, but solely in his capacity AS CONSOLIDATED ESTATE TRUSTEE FOR THE CONSOLIDATED ESTATE TRUST FOR THE BANKRUPTCY ESTATES OF NAJEEB A. KHAN, THE KHAN ENTITY DEBTORS, AND THE IOI DEBTORS, Plaintiff, v. LAKE CITY BANK, and LAKELAND FINANCIAL CORPORATION, Defendants.</p>	<p>Adv. Proc. No. 21-____ (___)</p>

COMPLAINT

Mark T. Iammartino, solely in his capacity as Consolidated Estate Trustee for the Consolidated Estate Trust (the “**Trustee**” or “**Plaintiff**”) hereby files this Complaint against Lake City Bank and Lakeland Financial Corporation (together “**Lake City**” or the “**Defendants**”).

PRELIMINARY STATEMENT

1. This action seeks to recover millions of dollars misappropriated from the IOI Debtors (as hereinafter defined), their customers, and creditors, by acts of civil and criminal fraud orchestrated by Najeeb A. Khan (“**Khan**”) through deposit accounts held in the name of Interlogic Outsourcing, Inc. (“**Interlogic**”) and its affiliates over a period of many years beginning as early as 2011, in what may be the largest and longest-running case of blatant check kiting in United States history.

2. Defendants profited from the check kiting scheme by receiving more than \$13 million in fraudulent transfers in the form of uncollected funds fees and other fee and interest payments out of the fraudulent check-kiting scheme. Meanwhile, Interlogic’s customers (many of whom were non-profit organizations (e.g., charities, churches, Boy Scouts of America), cities (e.g., the City of Chicago) and small “main street” restaurants and businesses) and other financial institutions, such as KeyBank National Association (“**KeyBank**”), suffered substantial losses as the direct result of the check kiting fraud and instrumental fraudulent conveyances.

¹ Estate Tax I.D. No.: 84-6804873.

² The Debtors in the Khan Entity Debtors’ cases, along with the last four digits of each Debtor’s federal tax identification number, are: Khan Aviation, Inc. (0145), GN Investments, LLC (3550), KRW Investments, Inc. (4356), NJ Realty, LLC (3761), NAK Holdings, LLC (4717), and Sarah Air, LLC (4718) (the “**Khan Entity Debtors**”).

³ The Debtors in the IOI Debtors’ cases, along with the last four digits of each Debtor’s federal tax identification number are: Interlogic Outsourcing, Inc. (1273); IOI Payroll Services, Inc. (1202); TimePlus Systems, LLC (9477); IOI West, Inc. (1405); Lakeview Technology, Inc. (1451); Lakeview Holdings, Inc. (7589); and ModEarn, Inc. (3473) (the “**IOI Debtors**”).

3. Interlogic did not conduct any material legitimate business activity through Lake City. Instead, on a nearly *daily* basis over at least eight years, Khan deposited into Interlogic’s and certain of the IOI Debtors’ accounts at Lake City checks totaling tens of millions of dollars in customer funds drawn on Interlogic’s accounts at Berkshire Bank (“**Berkshire**”) and withdrew nearly identical amounts for deposit into Interlogic’s accounts at KeyBank. Khan’s pattern of depositing checks into Interlogic’s accounts at Lake City and then withdrawing the funds before the checks cleared generated over \$13 million in “uncollected funds fees” for Lake City—fees paid by the IOI Debtors and for which the IOI Debtors received no value.

4. Additionally, Lake City was one of Khan’s principal offramps—a bank from which Khan withdrew the proceeds of his fraudulent activity. Between 2011 and 2019, Khan transferred over \$70 million in IOI Debtor and customer funds directly and indirectly from Berkshire and KeyBank, to himself and other entities he controlled, for his benefit.

5. Kahn’s scheme resulted in massive losses to the IOI Debtors and the IOI Debtors’ other banks, customers and creditors in excess of **\$180 million**. The over \$13 million in uncollected funds fees from which Lake City profited as a result of Khan’s fraud, and the over \$70 million in transfers that Khan orchestrated through Lake City to himself and his entities are fraudulent transfers that this Court should permit Plaintiff to recover for Khan’s victims, the IOI Debtors’ creditors.

JURISDICTION AND VENUE

6. The United States Bankruptcy Court for the Western District of Michigan (the “**Court**”) has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

7. This adversary proceeding is commenced pursuant to Rule 7001 of the Federal Rules of Bankruptcy Procedures (the “**Bankruptcy Rules**”). Pursuant to Bankruptcy Rule 7008,

Plaintiff consents to the entry of final orders and judgments by this Court in connection with this Complaint.

8. This adversary proceeding is a core proceeding within the meaning of 28 U.S.C. § 157(b).

PARTIES

9. The IOI Debtors include Interlogic, IOI Payroll Services, Inc. (“**IOI Payroll**”), TimePlus Systems, LLC (“**TimePlus**”), IOI West, Inc. (“**IOI West**”); Lakeview Technology, Inc. (“**Lakeview Technology**”); Lakeview Holdings, Inc. (“**Lakeview Holdings**”); and ModEarn, Inc. (“**ModEarn**”) (the IOI Debtors, together with Khan and the Khan Entity Debtors, are collectively referred to as the “**Debtors**”).

10. Khan owned all or a controlling majority of the IOI Debtors’ and Khan Entity Debtors’ issued and outstanding shares.

11. Until July 13, 2019, Khan served as sole director, CEO, and President of the IOI Debtors.

12. The IOI Debtors filed their voluntary chapter 11 petitions in the United States Bankruptcy Court for the Northern District of Indiana on August 10 and 11, 2019 (the “**IOI Petition Date**”). Those cases were transferred to this Court on January 21, 2020 and are being jointly administered.

13. The Khan Entity Debtors include Khan Aviation, Inc., GN Investments, LLC, KRW Investments, Inc. (“**KRW**”), NJ Realty, LLC, NAK Holdings, LLC, and Sarah Air, LLC.

14. The Khan Entity Debtors each filed a voluntary chapter 11 petition in this Court on October 8, 2019 (the “**Khan Entity Petition Date**”).

15. Khan filed a voluntary chapter 11 petition in this Court on October 8, 2021 (the “**Khan Petition Date**” and with the IOI Petition Date and Khan Entity Petition Date, each a “**Petition Date**”).

16. On April 26, 2021, this Court confirmed the Debtors’ Amended Joint Chapter 11 Plan of Liquidation (the “**Plan**”). Under the Plan, all of the Debtors’ estates were substantively consolidated, and all of the estate assets, along with certain causes of action and other property of third party creditors of the estates, were contributed to a Consolidated Estate Trust (the “**Consolidated Estate Trust**”).

17. Plaintiff, Mark T. Iammartino, is the Consolidated Estate Trustee for the Consolidated Estate Trust.

18. Lake City Bank is a wholly owned subsidiary and the operating entity of Lakeland Financial Corporation (“**Lakeland**”). Lake City Bank is a state-chartered bank, incorporated in Indiana with its principal place of business in Warsaw, Indiana. Lake City operates fifty retail banking branches, all of which are located in the state of Indiana.

19. Lakeland “is a \$5.4 billion bank holding company that operates through Lake City Bank, with its headquarters in Warsaw, Indiana.” *See* Lake City, Corporate Profile (<https://www.sn1.com/IRW/CorporateProfile/100608>).

20. Lakeland is publicly traded, with its shares listed on the Nasdaq Stock Market stock exchange under the ticker symbol LKFN.

BACKGROUND

I. INTERLOGIC FORMATION AND BUSINESS

21. Khan’s experience with payroll processing companies dates back thirty-three years. In 1987, Khan formed Interlogic Systems, Inc. (“**ISI**”) as a payroll processing service. Khan sold ISI to CNA Insurance in 1999.

22. Khan formed Interlogic, his second payroll processing company, in 2002 to purchase ISI back from CNA Insurance.

23. In general terms, Interlogic's value proposition for its customer base was to save those customers time and expense by taking the tasks of administering that customer's payroll, tax, and benefits for its employee rather than the customer doing it itself.

24. Interlogic would withdraw funds via pre-authorized ACH transfer from the customer's accounts to Interlogic's payroll, payroll tax, and benefit processing accounts at KeyBank and certain other banks. There were four main drafts: payroll, payroll taxes, benefits, and miscellaneous other items (such as garnishments). IOI conducted substantially all of its legitimate business through ACH transactions at KeyBank.

25. When disbursing funds for payroll, payroll taxes and benefits, if the customer's employees were using direct deposit, then the funds would be transferred to payroll processing accounts at KeyBank, Wells Fargo Bank ("**Wells Fargo**") or Berkshire. If the customer's employees were receiving cashable checks, the funds would go to JPMorgan Chase Bank, N.A., Bank of America, PNC Bank, or another bank close to the customer. Approximately 60% of Interlogic's customers had weekly payroll and the remainder were bi-weekly and bi-monthly. Interlogic did not conduct any material amount of its legitimate business through Lake City.

26. Payroll taxes were sent directly to the taxing authorities and were normally paid sometime after the actual payroll date in accordance with applicable federal, state, or local regulations. Because the customers transferred funds for taxes at the same time that they transferred funds for payroll, Interlogic would have custody of the payroll tax funds until the payment was due, sometimes weeks or months later.

27. Interlogic did not use Lake City for its own corporate funds. Instead, Interlogic’s “legitimate” business revenue (a percentage fee of the funds processed for its customers) was paid out of the customer accounts directly to Interlogic’s business accounts at 1st Source Bank (“**1st Source**”). Those funds were typically withdrawn the day after the customer’s payroll date.

28. In 2009, Khan formed IOI Payroll and TimePlus to purchase the assets of a competitor based in Roswell, Georgia named TimePlus, Inc. Interlogic was sometimes referred to as “IOI North” while IOI Payroll and TimePlus were sometimes referred to as “IOI South.” Interlogic maintained separate books, records, and accounts from IOI South, and all other Debtors.

29. Interlogic had several other affiliates, all of whom are Debtors, including each of the IOI Debtors.

30. By early 2019, the IOI Debtors had close to 6,000 customers. IOI North had approximately 3,200 customers and IOI South had approximately 2,500 customers.

31. As reflected in the chart immediately below, over a period of years, Interlogic’s financial performance—at least as presented by Khan to Lake City—reflected modest annual growth:

	2014	2015	2016	2017	2018 Q1
Total Revenue	\$12,474,246	\$12,933,659	\$13,406,615	\$14,983,148	\$4,550,442
Net Profit	\$1,793,659	\$840,753	\$1,442,064	\$1,420,037	\$709,211
Percentage	14.38%	6.50%	10.76%	9.48%	15.59%

Table 1. Interlogic’s Financial Performance, as Presented by Khan to Lake City.

See LCB-IOID-0036399.⁴

32. Interlogic’s primary office was in Elkhart, Indiana, and it also had offices in Fort Wayne, Indiana; Kentwood, Michigan; Tampa, Florida; Scottsdale and Tucson, Arizona;

⁴ This document is over 800 pages long, and has, therefore, not been attached as an exhibit hereto.

Bensalem, Pennsylvania; Ontario, Canada; and Franklin, Ohio. IOI South was based in Roswell, Georgia.

33. Interlogic employed approximately 170 individuals, more than half of whom were at the main office in Elkhart, Indiana.

34. At the same time that Interlogic was conducting its “legitimate” business through ACH transfers primarily at KeyBank to handle its customer payroll obligations, Khan was conducting an illicit check kiting scheme through Interlogic’s accounts at Lake City, KeyBank, 1st Source Bank and Berkshire in order to steal funds from Interlogic, its customers, and the banks, generating exorbitant uncollected funds fees for Lake City.

II. INTERLOGIC’S BANKING RELATIONSHIPS

35. Interlogic maintained banking relationships with several financial institutions, including 1st Source Bank, Lake City, Berkshire, and KeyBank.

A. Relationship with Lake City

36. In 2011, Khan opened four bank accounts at Lake City in the name of certain Debtors (collectively, the “**Lake City Accounts**”). Three of the Lake City Accounts were intermediary accounts used exclusively by Khan to perpetrate his fraudulent scheme, and were opened in the name of the following Debtor entities: IOI Payroll (the “**IOI Payroll Account**”); Interlogic (the “**Interlogic Outsourcing Account**”); and TimePlus (the “**TimePlus Account**” and, with the IOI Payroll Account and the Interlogic Outsourcing Account, the “**Fraud Accounts**”). These three accounts were personally controlled by Khan. The fourth account opened with Lake City in 2011 was a payroll processing account in the name of Interlogic.

Debtor	Account No.
Interlogic	xxxxxx1318
IOI Payroll (IOI South)	xxxxxx1148
TimePlus (IOI South)	xxxxxx1202

Table 2. The Fraud Accounts at Lake City Bank.

37. Khan’s check deposit pattern into the Fraud Accounts never changed in structure over the years that Khan perpetrated his scheme, but continually increased in volume, quickly reaching volumes that were inconsistent with the IOI Debtors’ ordinary-course payroll-processing activity. Indeed, the activity in the Fraud Accounts was described by a number of Lake City employees as not bearing any logical relation to Interlogic’s payroll processing activities.

38. While perpetrating his scheme, Khan treated the Fraud Accounts as his personal slush fund. He extracted tens of millions of dollars belonging to the IOI Debtors and their customers by transferring such sums, directly and indirectly, to himself and entities that he controlled, including the Khan Entity Debtors. See **Table 6**, *infra*.

B. Khan’s Importance to Lake City

39. Khan’s fraudulent scheme was lucrative for Lake City. Between 2011 and 2019, Lake City charged and was paid \$13,663,095.44 in “uncollected funds fees” by the IOI Debtors (the “**Fraudulently Transferred Fees**”).

Year	Total Fees
2012	\$15,055.15
2013	\$39,063.03
2014	\$115,560.40
2015	\$462,515.64
2016	\$1,232,641.76
2017	\$2,671,987.79
2018	\$4,662,221.44
2019	\$4,464,050.23
Total	\$13,663,095.44

Table 1. LCB fees generated by Khan's check kiting scheme.

40. Nearly all of the Fraudulently Transferred Fees were uncollected funds fees assessed to the IOI Payroll Account. Khan was running significant and frequent negative balances in the Fraud Accounts, sufficient to incur millions of dollars in fees, from which Lake City profited. The negative balances were the result of the endless transfers and the “kiting float” Khan created with the funds he transferred between the IOI Debtors’ accounts at Lake City, Berkshire and KeyBank.

41. The Fraudulently Transferred Fees (including uncollected fund fees) charged and collected by Lake City *dwarfed* Interlogic’s (and all of the IOI Debtors’) net profits.

C. Relationships with KeyBank, Berkshire, and 1st Source Bank

42. In addition to the accounts at Lake City, Interlogic and certain of its affiliates also established relationships with other banks.

43. Interlogic had six accounts at KeyBank (the “**Key Accounts**”), including the following:

Debtor	Account No.	Description
Interlogic	xxxxxx3458	ACH Processing Account (Payroll)
Interlogic	xxxxxx2856	Payroll Tax Account
Interlogic	xxxxxx1017	Benefits Processing Account

Table 4. Interlogic’s Prepetition Accounts at KeyBank.

The three Key Accounts in the chart above were the primary accounts into which Interlogic deposited its customers’ funds. They are also the primary accounts through which Khan operated his check kiting scheme.

44. When Khan acquired the assets of TimePlus in 2009, TimePlus had accounts at Berkshire. The accounts at Berkshire were all connected to IOI South, which maintained its own records and customers separate from Interlogic. The primary accounts retained at Berkshire were:

Debtor	Account No.	Purpose
IOI Payroll Services	xxxxxx9880	Payroll (Direct Deposit)
IOI Payroll Services	xxxxxx9872	Payroll Taxes
TimePlus Systems	xxxxxx9597	

Table 5. IOI Debtors' Accounts at Berkshire Bank.

45. As noted above, Interlogic maintained accounts at 1st Source Bank for its own corporate operating funds. There was no payroll processing activity from or in those accounts.

III. THE FRAUD

A. Check Kiting

46. Check kiting refers to the process of “presenting checks to two or more financial institutions for the purpose of fraudulently obtaining interest-free unauthorized loans.” FFIEC IT Examination Handbook, Retail Payment Systems, *available at* <https://ithandbook.ffiec.gov/it-booklets/retail-payment-systems/retail-payment-systems-risk-management/retail-payment-instrument-specific-risk-management-controls/checks.aspx> (last visited Aug. 3, 2021) (the “FFIEC Handbook”). In its simplest form, a check kiting scheme takes advantage of the time lag between when a check is deposited and when it clears the depositor’s account. In a typical check kiting scheme, an individual will deposit a check at Bank B drawn on his account at Bank A, deposit another check at Bank C drawn on his account at Bank B, and then complete the circuit by depositing a check at Bank A drawn on his account at Bank C. Doing this successfully creates the illusion of having more funds on deposit, which can then be used by the individual either in the operation of his business or personally. Once an individual starts kiting checks, to avoid an overdraft, he needs to either keep depositing checks on a daily basis in ever increasing amounts to keep the kite afloat or deposit real money into one of the bank accounts to cover the eventual overdraft.

47. While simple in structure, maintaining a check kiting scheme for an extended period requires sophisticated accounting and precise timing of deposits and withdrawals. The typical check kiting scheme lasts no more than a few months and usually involves less than \$10 million. It is highly unusual for a check kiting scheme to last more than a year. In this case, Khan's fraudulent check kiting scheme occurred over at least 7 years with the help of Lake City. Stunningly, for the last two years of Khan's fraud, Interlogic's gross annual revenues were approximately \$15 million, while Khan was kiting \$75 to \$100 million on a daily basis in 2018 and 2019.

B. Khan's Check Kiting Scheme

48. Khan's scheme was obvious to anyone in the banking industry who had even a modicum of training in risk management as required by the Bank Secrecy Act and its attendant regulatory framework. 31 U.S.C. § 5318(h)(1)(C); 31 C.F.R. § 1020.210.

49. Starting in 2011, Khan began depositing checks from Interlogic's accounts at Berkshire into the Fraud Accounts at Lake City. The next day he would deposit checks totaling a similar amount to Interlogic's accounts at KeyBank and then wire funds from KeyBank back to Berkshire to complete the circuit, ensuring there were sufficient funds in the Berkshire accounts to allow the initial checks to clear.

50. Day after day, month after month, and year after year, Khan deposited hundreds of sequentially numbered checks in like, large-dollar amounts. He was not taking these checks to the bank himself; he put them in a bag or bags and had a courier drop them off at a Lake City branch for deposit.⁵ These checks were not in the thousands of dollars, *but in the hundreds of thousands of dollars each, totaling on average \$100 million a day by June of 2019.*

⁵ See LCB-IOID-0413103.

51. The flow of funds of Khan's scheme had no relationship to Interlogic's legitimate business. The volume of sequentially numbered checks in similar denominated amounts deposited on a daily basis at a local bank branch by messenger, in an aggregate amount that dwarfed Interlogic's legitimate business revenue.

52. The Fraud Accounts played an essential role in Khan's scheme. After opening the Lake City Accounts in 2011, Khan targeted the Fraud Accounts as a primary point of withdrawal for extracting and embezzling customer funds and funds belonging to the IOI Debtors. He also used the Fraud Accounts as the fulcrum to maintain the float within his check kiting scheme.

53. Khan would deposit checks drawn from the payroll processing accounts at Berkshire into the Fraud Accounts. He would then issue checks from the Fraud Accounts to perpetuate his kiting scheme or to pay himself the proceeds of the scheme.

54. The checks issued for the purpose of perpetuating his scheme would be deposited back into the payroll processing accounts at KeyBank. These transfers helped facilitate the check kiting scheme by creating the appearance of new, additional funds in the receiving accounts at the bank where Interlogic conducted its legitimate payroll processing business.

55. Moreover, if Khan noticed that there would be insufficient funds on an inter-day basis to support the checks drawn on the Fraud Accounts, he would wire money into the Fraud Accounts to cover the checks presented on the Fraud Accounts. Put differently, while Khan continually ran intra-day negative collected balances, which generated the corresponding float for his scheme and the Fraudulently Transferred Fees for Lake City, he was careful to never generate an inter-day negative balance (a negative ledger balance as opposed to a negative collected balance), which would result in an overdraft on the Fraud Accounts.

56. Khan's transfers in aid of his scheme began steadily increasing in both size and number over the life of the scheme. By 2015, Khan was issuing dozens of six-figure checks from the Fraud Accounts daily. In June 2019, Khan issued 984 checks worth a total of \$756 million from the TimePlus Account alone. This is but a small example of the incredible scope of the fraud that was being perpetrated by Khan through use of the Fraud Accounts.

C. THE AVOIDABLE TRANSFERS

i. Khan caused the IOI Debtors to Transfer Approximately \$13 Million in Fraudulently Transferred Fees to Lake City

57. To keep his scheme afloat, Khan repeatedly transferred to Lake City (or allowed Lake City to transfer to itself) the Fraudulently Transferred Fees on a daily basis.

58. For example, by granting Khan immediate access to deposited funds before the underlying checks had cleared, Lake City allowed Khan to generate a "negative collected balance" in the Fraud Accounts every day. This negative collected balance, in turn, triggered the uncollected funds fee charged by Lake City. Banks typically mandate the imposition of penalties and fees, such as uncollected funds fees, each and every time this conduct occurs.

59. In 2016, the uncollected funds fees charged by Lake City alone were \$100,000 per month. By 2019, Interlogic was paying Lake City on average at least \$700,000 every month in uncollected funds fees. Lake City accepted the Fraudulently Transferred Fees year after year, and in exchange, Khan's scheme was able to continue.

60. By the time the check-kiting scheme finally collapsed in July 2019, Interlogic had paid an aggregate total of approximately \$13.4 million in Fraudulently Transferred Fees to Lake City over the course of eight years.

ii. Khan transferred over \$72 million in Diverted Funds to and through Lake City

61. While Khan utilized multiple banks to perpetuate his scheme, Lake City’s role in the fraud was unique. Khan used Lake City to both generate the float that was integral to his decade-long check kiting scheme and to divert the funds generated by the scheme. In other words, it was through Lake City that Khan actually stole the customer funds and funds belonging to IOI Debtors. Thus, while Khan was operating his scheme to increase the perception of how much money he actually had on deposit across all of his accounts, Lake City served as a principal exit point—the vehicle through which he was personally enriched by many millions of dollars.

62. Checks drawn from the Fraud Accounts that were not directed to other banks within the kiting scheme were deposited into Khan’s own accounts, as well as accounts belonging to the Khan Entity Debtors, and thereby used to enrich Khan himself.

63. By July 2019, Khan had siphoned at least \$72,172,030.21 from the Fraud Accounts into accounts belonging to him or his entities (the “**Diverted Funds**”). More than \$49 million of the Diverted Funds was deposited into Khan’s personal accounts. The chart below shows the ever-increasing sums that Khan directed out of the Fraud Accounts and thus out of the check kiting circuit and into his personal accounts in over an eight-year period.

Year	IOI Payroll Account (x1148)	Interlogic Outsourcing Account (x1318)	TimePlus Account (x1202)	Total
2011	\$158,446.17	\$157,150	N/A	\$315,596.17
2012	\$150,829.40	\$353,370.65	\$103,850.27	\$608,050.32
2013	\$685,905.29	\$2,111,246.82	\$1,316,453.73	\$4,113,605.84
2014	\$1,788,359.66	\$1,389,148.12	\$1,067,466.68	\$4,244,974.46
2015	\$1,046,328.45	\$471,404.30	\$2,645,218.91	\$4,162,951.66
2016	\$2,919,717.52	\$853,579.55	\$4,778,686.51	\$8,551,983.58
2017	\$1,025,458	\$551,010.90	\$5,021,285.94	\$6,597,754.84
2018	\$5,165,120.34	\$2,820,695.97	\$5,089,807.53	\$13,075,623.84
2019	\$2,666,967.15	\$1,760,898.19	\$3,173,137.55	\$7,601,002.89

Total	\$15,607,131.98	\$10,468,543.50	\$23,195,907.12	\$49,271,543.60
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Table 2. Khan's transfers of Interlogic funds to himself.

64. In a similar fashion, Khan deposited more than \$21 million into the Khan Entity Debtors' accounts.

65. Lake City had no good faith reason to believe that the Diverted Funds were legitimate transfers (which were, in fact, the proceeds of Khan's multi-year check kiting scheme perpetrated in and through Lake City through their accounts to enrich Khan, his family members and the entities he controlled).

iii. Khan guaranteed the negative collected funds balances in furtherance of the fraud

66. On May 17, 2019, at Lake City's request, Khan executed a Personal Guaranty (the "**Khan Guaranty**") in which he promised to "unconditionally guarantee[] payment to Lake City Bank of all negative collected funds balances" in his various entities' accounts at Lake City, including the Fraud Accounts.

67. Khan executed the Khan Guaranty as a part of the fraud and without consideration.

iv. Khan laundered millions through loans with Lake City

68. In furtherance of Khan's fraudulent scheme, Lake City loaned millions of dollars to various Debtors, the loan proceeds of which Khan essentially immediately transferred to himself or his entities for his personal benefit and to maintain the fraud.

69. Lake City made multiple loans to the Khan Entity Debtors, including, most notably, a \$1.4 million loan to KRW (the "**KRW Loan**"), by way of a Promissory Note dated January 3, 2018 (the "**KRW Note**").

70. Between 2012 and 2018, Khan transferred over \$9 million in Diverted Funds belonging to IOI Debtors and their customers from the Fraud Accounts to KRW.

71. KRW used the Diverted Funds to build a commercial building commonly known as 2800 Aeroplex Drive, Elkhart, IN (“Aeroplex”) for Khan’s personal use. Khan thereafter obtained the KRW Loan from Lake City, secured by a mortgage on the Aeroplex dated January 3, 2018 (the “KRW Mortgage”). A copy of the KRW Note and KRW Mortgage is attached as exhibits to the proof of claim filed by Lake City in the KRW case. *See* Case No. 19-04264 [Proof of Claim 41-1].

72. Khan opened a new account with Lake City in KRW’s name specifically for the purpose of receiving the proceeds of the KRW Loan. The intention of both Khan and Lake City was that the loan proceeds would flow to Khan, with no intention of the funds remaining with or benefitting KRW.

73. Specifically, on January 5, 2018, the funds from the KRW Loan were disbursed into KRW’s account. Approximately two weeks later, Khan executed two checks in the amounts of \$950,000 and \$246,700 to himself (more than 85% of the LRW Loan proceeds). Upon information and belief, Mr. Khan deposited these two checks into his personal accounts.

74. KRW was a straw entity and mere conduit with regards to the KRW Loan proceeds as neither Khan nor Lake City intended the KRW Loan proceeds to benefit or be under the actual control of KRW. Lake City’s own underwriting records reflect that the “purpose” of the KRW Loan was to “reimburse the owner [Khan] for construction costs.” But the Aeroplex was already largely constructed with the diverted check-kiting proceeds withdrawn by Khan from Lake City accounts—and the loan proceeds effectively “laundered” the kited Diverted Funds. Because the funds were ultimately transferred to Khan, KRW received no benefit from the KRW Loan, and the KRW Mortgage entirely lacked consideration.

75. Lake City was aware that the KRW Loan and KRW Mortgage benefitted Khan personally and were unrelated to IOI Debtors' business. Nevertheless, Lake City did not question the transfer of over \$9 million in Diverted Funds from the Lake City Accounts to KRW accounts. Nor did Lake City question where KRW obtained the money to construct the Aeroplex that secured the KRW Loan.

76. Lake City also made a series of other loans to various Debtors, some of the proceeds of which were transferred to Khan or one of his entities. These loans include, but are not limited to:

- (a) a \$326,103 loan dated October 1, 2017, from Lake City to Interlogic;
- (b) a \$641,620 loan dated October 1, 2018, from Lake City to Interlogic, the proceeds of which, on October 5, 2018, were immediately transferred out of Interlogic's account at Lake City, just two days after said proceeds were received by Interlogic; and
- (c) a \$1.6 million loan dated April 13, 2015, from Lake City to Lakeview Technologies, the proceeds of which were transferred either to Khan or other the entities he controlled.

(collectively with the KRW Loan, the "**Lake City Loans**").

77. Upon information and belief, each of the Lake City Loans was made in furtherance of Khan's fraud, and the repayments on these loans were made with the intent to hinder, delay or defraud creditors, or were for less than reasonably equivalent value, because each Debtor and alleged "borrower" under such Lake City Loans did not receive or ultimately retain or benefit from the proceeds thereof.

iv. Khan's Fraud Scheme Was for Khan's Benefit, Not Interlogic's

78. As evidenced by Interlogic's anemic year-over-year net profit growth, the benefits of Khan's check kiting scheme were for Khan and not Interlogic. The scheme in fact harmed Interlogic and ultimately left it insolvent.

79. Khan took the proceeds from his scheme to support his own personal lifestyle and to fund the ever-increasing bank fees, including the Fraudulently Transferred Fees incurred as a result of his fraud. For example, Khan purchased luxury cars, boats, airplanes, yachts, real estate, and multiple investments. His luxury car collection alone consisted of over 230 exotic cars with an estimated value of \$30 million to \$40 million.

v. The Debtors were insolvent as of or as a result of the Fraudulently Transferred Fees, Diverted Funds, and each transfer

80. As with a Ponzi scheme, the very nature of Khan's check kiting scheme rendered the Debtors insolvent from the start.

81. The operation of a kite creates an unsecured float across bank accounts that the account holder, in this case the IOI Debtors, are required to repay. The IOI Debtors' obligations arising as a result of such "uncollected fund balances" constituted loans due to Lake City.

82. The unfunded liability at some points exceeded \$125 million per day, which the IOI Debtors had no ability to repay. The IOI Debtors were, therefore, insolvent from the inception of and for the duration of the check kiting scheme.

83. Likewise, KRW was insolvent at the time of or by virtue of the KRW Loan and KRW Mortgage. The Aeroplex was purchased with Diverted Funds that were not KRW's to spend. The KRW Mortgage was granted on that fraudulently acquired property. And the proceeds of the KRW Loan were transferred to Khan and did not benefit KRW. Likewise, to the extent other Debtors received Lake City Loans only to have the funds for those loans transferred to Khan or his entities, such Debtor was, at the time of or as a result of such transfers, insolvent.

84. As of the Petition Date, the United States Internal Revenue Service was a creditor with unsecured claims against the IOI Debtors.

CLAIMS FOR RELIEF

COUNT I: AVOIDANCE OF THE FRAUDULENTLY TRANSFERRED FEES AS ACTUAL FRAUDULENT TRANSFERS UNDER 11 U.S.C. § 548(A)(1)(A)

85. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs and incorporates them by reference as though fully set forth herein.

86. Khan directed a massive fraudulent scheme including a check kiting scheme which began no later than 2011.

87. Khan deposited dozens of checks worth as much as \$125 million in the Fraud Accounts on a daily basis. Almost immediately, before the checks had cleared, he would draw dozens of checks for comparable amounts and deposit them in another bank. Khan engaged in this behavior every day for nearly a decade in order to sustain his fraud.

88. In turn, Lake City charged the Fraudulently Transferred Fees, including a fee based on Khan's use of uncollected funds, along with fees charged for each of the checks that Khan deposited with the bank, and other miscellaneous fees. The Fraudulently Transferred Fees were the price that Lake City charged Khan in exchange for allowing him to engage in the activity that sustained his fraudulent scheme.

89. The payment of the Fraudulently Transferred Fees to Lake City from the IOI Payroll Accounts transferred an interest in property belonging to IOI Debtors to or for the benefit of Lake City.

90. The transfers of the Fraudulently Transferred Fees were made with the actual intent to hinder, delay, or defraud creditors of the IOI Debtors and enabled Khan to steal millions from the IOI Debtors and their customers.

91. At the time of such transfers, the IOI Debtors were insolvent or had been rendered insolvent by such transfers.

92. Accordingly, the Fraudulently Transferred Fees paid to Lake City are avoidable under 11 U.S.C. § 548(a)(1)(A).

COUNT II: AVOIDANCE OF THE FRAUDULENTLY TRANSFERRED FEES AS CONSTRUCTIVE FRAUDULENT TRANSFERS UNDER 11 U.S.C. § 548(A)(1)(B)

93. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs and incorporates them by reference as though fully set forth herein.

94. Khan directed a massive fraudulent scheme including a check kiting scheme which began no later than 2011.

95. Khan deposited dozens of checks worth as much as \$125 million in the Fraud Accounts on a daily basis. Almost immediately, before the checks had cleared, he would draw dozens of checks for comparable amounts and deposit them in another bank. Khan engaged in this behavior every day for nearly a decade in order to sustain his fraud.

96. In turn, Lake City charged the Fraudulently Transferred Fees, including a fee based on Khan's use of uncollected funds, along with fees charged for each of the checks that Khan deposited with the bank, and other miscellaneous fees. The Fraudulently Transferred Fees were the price that Lake City charged Khan in exchange for allowing him to engage in the activity that sustained his fraudulent scheme.

97. The payment of the Fraudulently Transferred Fees to Lake City from the IOI Payroll Accounts transferred an interest in property belonging to the IOI Debtors to or for the benefit of Lake City.

98. The IOI Debtors received less than reasonably equivalent value for each such transfer of the Fraudulently Transferred Fees.

99. At the time of such transfers, the IOI Debtors were insolvent or had been rendered insolvent by such transfers.

100. In the alternative, the IOI Debtors were engaged in a business or a transaction, or were about to engage in a business or a transaction, for which any property remaining constituted unreasonably small capital, or the IOI Debtors intended to incur, or believed that it would incur, debts that would be beyond their respective ability to pay as such debts matured.

101. Accordingly, the Fraudulently Transferred Fees paid to Lake City are avoidable under 11 U.S.C. § 548(a)(1)(B).

COUNT III: AVOIDANCE OF THE FRAUDULENTLY TRANSFERRED FEES AS ACTUAL FRAUDULENT TRANSFERS UNDER 11 U.S.C. § 544 AND IC § 32-18-2-14(A)(1)

102. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs and incorporates them by reference as though fully set forth herein.

103. Khan directed a massive fraudulent scheme including a check-kiting scheme which began no later than 2011.

104. Khan deposited dozens of checks worth as much as \$125 million in the Fraud Accounts on a daily basis. Almost immediately, before the checks had cleared, he would draw dozens of checks for comparable amounts and deposit them in another bank. Khan engaged in this behavior every day for nearly a decade in order to sustain his fraud.

105. In turn, Lake City charged the Fraudulently Transferred Fees, including a fee based on Khan's use of uncollected funds, along with fees charged for each of the checks that Khan deposited with the bank, and other miscellaneous fees. The Fraudulently Transferred Fees were the price that Lake City charged Khan in exchange for allowing him to engage in the activity that sustained his fraudulent scheme.

106. The payment of the Fraudulently Transferred Fees to Lake City from the IOI Payroll Account transferred an interest in property belonging to IOI Debtors to or for the benefit of Lake City.

107. The transfers of the Fraudulently Transferred Fees were made with actual intent to hinder, delay, or defraud creditors of the IOI Debtors. The transfers enabled Khan to steal millions from the IOI Debtors and, by extension, from the IOI Debtors' clients.

108. At the time of such transfers, the IOI Debtors were insolvent or had been rendered insolvent by such transfers.

109. As of each Debtor's Petition Date, there existed at least one unsecured creditor of each respective IOI Debtor with an allowable claim under 11 U.S.C. § 502 with standing to avoid the fraudulent transfers identified herein, and the IOI Debtors are indebted to the IRS, which holds an unsecured claim.

110. Accordingly, the Fraudulently Transferred Fees paid to Lake City are avoidable under 11 U.S.C. § 544 and IC § 32-18-2-14(a)(1).

COUNT IV: AVOIDANCE OF THE FRAUDULENTLY TRANSFERRED FEES AS CONSTRUCTIVE FRAUDULENT TRANSFERS UNDER 11 U.S.C. § 544 AND IC § 32-18-2-14(A)(2)

111. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs and incorporates them by reference as though fully set forth herein.

112. Khan directed a massive fraudulent scheme including a check kiting scheme which began no later than 2011.

113. Upon information and belief, Khan deposited dozens of checks worth as much as \$125 million in the Fraud Accounts on a daily basis. Almost immediately, before the checks had cleared, he would draw dozens of checks for comparable amounts and deposit them in another bank. Khan engaged in this behavior every day for nearly a decade in order to sustain his fraud.

114. In turn, Lake City charged the Fraudulently Transferred Fees, including a fee based on Khan's use of uncollected funds, along with fees charged for each of the checks that Khan deposited with the bank, and other miscellaneous fees. The Fraudulently Transferred Fees were

the price that Lake City charged Khan in exchange for allowing him to engage in the activity that sustained his fraudulent scheme.

115. The payment of the Fraudulently Transferred Fees to Lake City from the IOI Payroll Account transferred an interest in property belonging to the IOI Debtors to or for the benefit of Lake City.

116. The IOI Debtors received less than reasonably equivalent value for each such transfer of the Fraudulently Transferred Fees.

117. At the time of such transfers, the IOI Debtors were insolvent or had been rendered insolvent by such transfers.

118. In the alternative, the IOI Debtors were engaged in a business or a transaction, or were about to engage in a business or a transaction, for which any property remaining constituted unreasonably small capital, or the IOI Debtors intended to incur, or believed that it would incur, debts that would be beyond their respective ability to pay as such debts matured.

119. As of each Debtor's Petition Date, there existed at least one unsecured creditor of each respective Debtor with an allowable claim under 11 U.S.C. § 502 with standing to avoid the fraudulent transfers identified herein, and the IOI Debtors are indebted to the IRS, which holds an unsecured claim.

120. Accordingly, the Fraudulently Transferred Fees paid to Lake City are avoidable under 11 U.S.C. § 544 and IC § 32-18-2-14(a)(2).

COUNT V: AVOIDANCE OF THE DIVERTED FUNDS AS ACTUAL FRAUDULENT TRANSFERS UNDER 11 U.S.C. § 548(A)(1)(A)

121. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs and incorporates them by reference as though fully set forth herein.

122. Khan directed a massive fraudulent scheme including a check-kiting scheme which began no later than 2011.

123. Khan deposited dozens of checks worth as much as \$125 million in the Fraud Accounts on a daily basis. Almost immediately, before the checks had cleared, he would draw dozens of checks for comparable amounts and deposit them in another bank. Khan engaged in this behavior every day for nearly a decade in order to sustain his fraud.

124. Over the course of his fraudulent scheme, Khan transferred Interlogic customer funds and Interlogic funds directly and indirectly from KeyBank and Berkshire Bank to Lake City Bank, before subsequently transferring those funds to himself, other entities that he controlled, and other third parties.

125. The transfer of the Diverted Funds to Lake City and then on to Khan and other entities was a transfer of an interest in property belonging to IOI Debtors to or for the benefit of Lake City.

126. The transfers of the Diverted Funds were made with the actual intent to hinder, delay, or defraud creditors of the IOI Debtors and enabled Khan to steal millions from the IOI Debtors and their customers.

127. At the time of such transfers, the IOI Debtors were insolvent or had been rendered insolvent by such transfers.

128. Accordingly, the Diverted Funds paid to Lake City are avoidable under 11 U.S.C. § 548(a)(1)(A).

COUNT VI: AVOIDANCE OF THE DIVERTED FUNDS AS CONSTRUCTIVE FRAUDULENT TRANSFERS UNDER 11 U.S.C. § 548(A)(1)(B)

129. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs and incorporates them by reference as though fully set forth herein.

130. Khan directed a massive fraudulent scheme including a check-kiting scheme which began no later than 2011.

131. Khan deposited dozens of checks worth as much as \$125 million in the Fraud Accounts on a daily basis. Almost immediately, before the checks had cleared, he would draw dozens of checks for comparable amounts and deposit them in another bank. Khan engaged in this behavior every day for nearly a decade in order to sustain his fraud.

132. Over the course of his fraudulent scheme, Khan transferred Interlogic customer funds and Interlogic funds directly and indirectly from KeyBank and Berkshire Bank to Lake City, before subsequently transferring those funds to himself, other entities that he controlled, and other third parties.

133. The transfer of the Diverted Funds to Lake City and then on to Khan and other entities was a transfer of an interest in property belonging to IOI Debtors to or for the benefit of Lake City.

134. The IOI Debtors received less than reasonably equivalent value for each such transfer of Diverted Funds.

135. At the time of such transfers, the IOI Debtors were insolvent or had been rendered insolvent by such transfers.

136. In the alternative, the IOI Debtors were engaged in a business or a transaction, or were about to engage in a business or a transaction, for which any property remaining constituted unreasonably small capital, or the IOI Debtors intended to incur, or believed that it would incur, debts that would be beyond their respective ability to pay as such debts matured.

137. Accordingly, the Diverted Funds paid to Lake City are avoidable under 11 U.S.C. § 548(a)(1)(B).

COUNT VII: AVOIDANCE OF THE DIVERTED FUNDS AS ACTUAL FRAUDULENT TRANSFERS UNDER 11 U.S.C. § 544 AND IC § 32-18-2-14(A)(1)

138. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs and incorporates them by reference as though fully set forth herein.

139. Khan directed a massive fraudulent scheme including a check-kiting scheme which began no later than 2011.

140. Khan deposited dozens of checks worth as much as \$125 million in the Fraud Accounts on a daily basis. Almost immediately, before the checks had cleared, he would draw dozens of checks for comparable amounts and deposit them in another bank. Khan engaged in this behavior every day for nearly a decade in order to sustain his fraud.

141. Over the course of his fraudulent scheme, Khan transferred Interlogic customer funds and Interlogic funds directly and indirectly from KeyBank and Berkshire Bank to Lake City Bank, before subsequently transferring those funds to himself, other entities that he controlled, and other third parties.

142. The transfer of the Diverted Funds to Lake City and then on to Khan and other entities was a transfer of an interest in property belonging to IOI Debtors to or for the benefit of Lake City.

143. The transfers of the Diverted Funds were made with the actual intent to hinder, delay, or defraud creditors of the IOI Debtors and enabled Khan to steal millions from the IOI Debtors and their customers.

144. At the time of such transfers, the IOI Debtors were insolvent or had been rendered insolvent by such transfers.

145. As of each Debtor's Petition Date, there existed at least one unsecured creditor of each respective IOI Debtor with an allowable claim under 11 U.S.C. § 502 with standing to avoid

the fraudulent transfers identified herein, and the IOI Debtors are indebted to the IRS, which holds an unsecured claim..

146. Accordingly, the Diverted Funds paid to Lake City are avoidable under 11 U.S.C. § 544 and IC § 32-18-2-14(a)(1).

COUNT VIII: AVOIDANCE OF THE DIVERTED FUNDS AS CONSTRUCTIVE FRAUDULENT TRANSFERS UNDER 11 U.S.C. § 544 AND IC § 32-18-2-14(A)(2)

147. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs and incorporates them by reference as though fully set forth herein.

148. Khan directed a massive fraudulent scheme including a check-kiting scheme which began no later than 2011.

149. Upon information and belief, Khan deposited dozens of checks worth as much as \$125 million in the Fraud Accounts on a daily basis. Almost immediately, before the checks had cleared, he would draw dozens of checks for comparable amounts and deposit them in another bank. Khan engaged in this behavior every day for nearly a decade in order to sustain his fraud.

150. Over the course of his fraudulent scheme, Khan transferred Interlogic customer funds and Interlogic funds directly and indirectly from KeyBank and Berkshire Bank to Lake City Bank, before subsequently transferring those funds to himself, other entities that he controlled, and other third parties.

151. The transfer of the Diverted Funds to Lake City and then on to Khan and other entities was a transfer of an interest in property belonging to IOI Debtors to or for the benefit of Lake City.

152. The IOI Debtors received less than reasonably equivalent value for each such transfer of the Diverted Funds.

153. At the time of such transfers, the IOI Debtors were insolvent or had been rendered insolvent by such transfers.

154. In the alternative, the IOI Debtors were engaged in a business or a transaction, or were about to engage in a business or a transaction, for which any property remaining constituted unreasonably small capital, or the IOI Debtors intended to incur, or believed that it would incur, debts that would be beyond their respective ability to pay as such debts matured.

155. As of each Debtor's Petition Date, there existed at least one unsecured creditor of each respective Debtor with an allowable claim under 11 U.S.C. § 502 with standing to avoid the fraudulent transfers identified herein, and the IOI Debtors are indebted to the IRS, which holds an unsecured claim.

156. As of the Petition Date, the United States Internal Revenue Service was a creditor with unsecured claims against the IOI Debtors.

157. Accordingly, the Diverted Funds paid to Lake City are avoidable under 11 U.S.C. § 544 and IC § 32-18-2-14(a)(2).

COUNT IX: AVOIDANCE OF THE LAKE CITY LOANS, PAYMENTS ON THE LAKE CITY LOANS, AND THE TRANSFER OF THE PROCEEDS OF THE LAKE CITY LOANS AS ACTUAL FRAUDULENT TRANSFERS UNDER 11 U.S.C. 548(A)(1)(A)

158. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs and incorporate them by reference as though fully set forth herein.

159. The transfers of payments from the Debtors for their loans to Lake City and the proceeds of any Lake City Loan to Khan or one of his entities each transferred an interest in property belonging to one of the Debtors to or for the benefit of Lake City and Khan.

160. Each of the Lake City Loans constitutes the incurrence of an obligation by one of the Debtors.

161. The transfers of payments on the Lake City Loans and the proceeds of the Lake City Loans, and the incurrence of the Lake City Loans, were made with actual intent to hinder, delay, or defraud creditors of the Debtors. The Lake City Loans enabled Khan to steal millions from the Debtors.

162. At the time of such transfers, with respect to each Debtor from which a transfer was made or an obligation was incurred, such Debtor was insolvent or had been rendered insolvent by such transfer.

163. In the alternative, each such Debtor was engaged in a business or a transaction, or were about to engage in a business or a transaction, for which any property remaining constituted unreasonably small capital, or intended to incur, or believed that it would incur, debts that would be beyond their respective ability to pay as such debts matured.

164. Accordingly, the incurrence of the Lake City Loans and the transfer of the payments on the Lake City Loans and the proceeds of the Lake City Loans are avoidable under 11 U.S.C. § 548(a)(1)(A).

COUNT X: AVOIDANCE OF THE LAKE CITY LOANS, PAYMENTS ON THE LAKE CITY LOANS, AND THE TRANSFER OF THE PROCEEDS OF THE LAKE CITY LOANS AS CONSTRUCTIVE FRAUDULENT TRANSFERS UNDER 11 U.S.C. § 548(A)(1)(B)

165. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs and incorporate them by reference as though fully set forth herein.

166. The transfers of payments from the Debtors for their loans to Lake City and the proceeds of any Lake City Loan to Khan or one of his entities each transferred an interest in property belonging to one of the Debtors to or for the benefit of Lake City and Khan.

167. Each of the Lake City Loans constitutes the incurrence of an obligation by one of the Debtors.

168. The Debtors received less than reasonably equivalent value for the incurrence of the Lake City Loans and the transfer of payments on the Lake City Loan and the proceeds of the Lake City Loans.

169. At the time of such transfers, with respect to each Debtor from which a transfer was made or an obligation was incurred, such Debtor was insolvent or had been rendered insolvent by such transfers.

170. In the alternative, each such Debtor was engaged in a business or a transaction, or were about to engage in a business or a transaction, for which any property remaining constituted unreasonably small capital, or intended to incur, or believed that it would incur, debts that would be beyond their respective ability to pay as such debts matured.

171. Accordingly, the incurrence of the Lake City Loans and the transfers of the payments on the Lake City Loans and the proceeds of the Lake City Loans are avoidable under 11 U.S.C. § 548(a)(1)(B).

COUNT XI: AVOIDANCE OF THE LAKE CITY LOANS, PAYMENTS ON THE LAKE CITY LOANS, AND THE TRANSFER OF THE PROCEEDS OF THE LAKE CITY LOANS AS ACTUAL FRAUDULENT TRANSFERS UNDER 11 U.S.C. § 544 AND IC § 32-18-2-14(A)(1)

172. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs and incorporate them by reference as though fully set forth herein.

173. The transfers of payments from the Debtors for their loans to Lake City and the proceeds of any Lake City Loan to Khan or one of his entities each transferred an interest in property belonging to one of the Debtors to or for the benefit of Lake City and Khan.

174. Each of the Lake City Loans constitutes the incurrence of an obligation by one of the Debtors.

175. The incurrence of the Lake City Loans and the transfer of payments on the Lake City Loans and the proceeds of the Lake City loans were made with actual intent to hinder, delay, or defraud creditors of the Debtors. The Lake City Loans enabled Khan to steal millions from the Debtors.

176. At the time of such transfers, the Debtors were insolvent or had been rendered insolvent by such transfers.

177. As of each Debtor's Petition Date, there existed at least one unsecured creditor of each respective Debtor with an allowable claim under 11 U.S.C. § 502 with standing to avoid the fraudulent transfers identified herein, and the Debtors are indebted to the IRS, which holds an unsecured claim.

178. Accordingly, the incurrence of the Lake City Loans and the transfers of the payments on the Lake City Loans and the proceeds of the Lake City Loans are avoidable under 11 U.S.C. § 544 and IC § 32-18-2-14(a)(1).

COUNT XII: AVOIDANCE OF THE LAKE CITY LOANS, PAYMENTS ON THE LAKE CITY LOANS, AND THE TRANSFER OF THE PROCEEDS OF THE LAKE CITY LOAN AS CONSTRUCTIVE FRAUDULENT TRANSFERS UNDER 11 U.S.C. § 544 AND IC § 32-18-2-14(A)(2)

179. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs and incorporate them by reference as though fully set forth herein.

180. The transfers of payments from the Debtors for their loans to Lake City and the proceeds of any Lake City Loan to Khan or one of his entities each transferred an interest in property belonging to one of the Debtors to or for the benefit of Lake City and Khan.

181. Each of the Lake City Loans constitutes the incurrence of an obligation by one of the Debtors.

182. The Debtors received less than reasonably equivalent value for the incurrence of the Lake City Loans and the transfer of the payments on the Lake City Loans and the proceeds of the Lake City Loans.

183. At the time of such transfers, with respect to each Debtor from which a transfer was made or an obligation was incurred, such Debtor was insolvent or had been rendered insolvent by such transfers.

184. In the alternative, each such Debtor was engaged in a business or a transaction, or were about to engage in a business or a transaction, for which any property remaining constituted unreasonably small capital, or intended to incur, or believed that it would incur, debts that would be beyond their respective ability to pay as such debts matured.

185. As of each Debtor's Petition Date, there existed at least one unsecured creditor of each respective Debtor with an allowable claim under 11 U.S.C. § 502 with standing to avoid the fraudulent transfers identified herein, and the Debtors are indebted to the IRS, which holds an unsecured claim.

186. Accordingly, the incurrence of the Lake City Loans and the transfer of payments on the Lake City Loans and the proceeds of the Lake City Loans are avoidable under 11 U.S.C. § 544 and IC § 32-18-2-14(a)(2).

COUNT XIII: AVOIDANCE OF THE KHAN GUARANTY AS AN ACTUAL FRAUDULENT TRANSFER UNDER 11 U.S.C. § 548(A)(1)(A)

187. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs and incorporate them by reference as though fully set forth herein.

188. The Khan Guaranty constitutes the incurrence of an obligation by Khan.

189. The incurrence of the Khan Guaranty was made with actual intent to hinder, delay, or defraud creditors of the Debtors. The Khan Guaranty enabled Khan to steal millions from the Debtors.

190. At the time of such transfer, Khan was insolvent or had been rendered insolvent by such transfer.

191. In the alternative, Khan was engaged in a business or a transaction, or was about to engage in a business or a transaction, for which any property remaining constituted unreasonably small capital, or intended to incur, or believed that he would incur, debts that would be beyond his ability to pay as such debts matured.

192. Accordingly, the incurrence of the Khan Guaranty is avoidable under 11 U.S.C. § 548(a)(1)(A).

COUNT XIV: AVOIDANCE OF THE KHAN GUARANTY AS A CONSTRUCTIVE FRAUDULENT TRANSFER UNDER 11 U.S.C. § 548(A)(1)(B)

193. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs and incorporate them by reference as though fully set forth herein.

194. The Khan Guaranty constitutes the incurrence of an obligation by Khan.

195. Khan received less than reasonably equivalent value for the incurrence of the Khan Guaranty.

196. At the time of such transfer, Khan was insolvent or had been rendered insolvent by such transfer.

197. In the alternative, Khan was engaged in a business or a transaction, or was about to engage in a business or a transaction, for which any property remaining constituted unreasonably small capital, or intended to incur, or believed that he would incur, debts that would be beyond his ability to pay as such debts matured.

198. Accordingly, the incurrence of the Khan Guaranty is avoidable under 11 U.S.C. § 548(a)(1)(B).

COUNT XV: AVOIDANCE OF THE KHAN GUARANTY AS AN ACTUAL FRAUDULENT TRANSFER UNDER 11 U.S.C. § 544 AND IC § 32-18-2-14(A)(1)

199. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs and incorporate them by reference as though fully set forth herein.

200. The Khan Guaranty constitutes the incurrence of an obligation by Khan.

201. The incurrence of the Khan Guaranty was made with actual intent to hinder, delay, or defraud creditors of the Debtors. The Khan Guaranty enabled Khan to steal millions from the Debtors.

202. At the time of such transfer, Khan insolvent or had been rendered insolvent by such transfer.

203. As of each Khan's Petition Date, there existed at least one unsecured creditor of Khan with an allowable claim under 11 U.S.C. § 502 with standing to avoid the fraudulent transfers identified herein.

204. Accordingly, the incurrence of the Khan Guaranty is avoidable under 11 U.S.C. § 544 and IC § 32-18-2-14(a)(1).

COUNT XVI: AVOIDANCE OF THE KHAN GUARANTY AS A CONSTRUCTIVE FRAUDULENT TRANSFER UNDER 11 U.S.C. § 544 AND IC § 32-18-2-14(A)(2)

205. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs and incorporate them by reference as though fully set forth herein.

206. The Khan Guaranty constitutes the incurrence of an obligation by Khan.

207. Khan received less than reasonably equivalent value for incurrence of the Khan Guaranty.

208. At the time of such transfer, Khan was insolvent or had been rendered insolvent by such transfer.

209. In the alternative, Khan was engaged in a business or a transaction, or was about to engage in a business or a transaction, for which any property remaining constituted unreasonably small capital, or intended to incur, or believed that he would incur, debts that would be beyond his ability to pay as such debts matured.

210. As of each Khan's Petition Date, there existed at least one unsecured creditor of Khan with an allowable claim under 11 U.S.C. § 502 with standing to avoid the fraudulent transfers identified herein.

211. Accordingly, the incurrence of the Khan Guaranty is avoidable under 11 U.S.C. § 544 and IC § 32-18-2-14(a)(2).

COUNT XVII: AVOIDANCE OF THE KRW LOAN AND THE KRW MORTGAGE, PAYMENTS ON THE KRW LOAN, AND THE TRANSFER OF THE PROCEEDS OF THE KRW LOAN AS ACTUAL FRAUDULENT TRANSFERS UNDER 11 U.S.C. § 548(A)(1)(A)

212. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs and incorporate them by reference as though fully set forth herein.

213. The transfer of the KRW Mortgage from KRW to Lake City, payments from the Debtors for the KRW Loan to Lake City, and the proceeds of the KRW Loan to Khan or one of his entities each transferred an interest in property belonging to one of the Debtors to or for the benefit of Lake City and Khan.

214. The KRW Loan constitutes the incurrence of an obligation by KRW.

215. The transfer of the KRW Mortgage, payments on the KRW Loan, and the proceeds of the KRW Loan, and the incurrence of the KRW Loan, were made with actual intent to hinder,

delay, or defraud creditors of the Debtors. The KRW Mortgage and KRW Loan enabled Khan to steal millions from the Debtors.

216. At the time of such transfers, with respect to each Debtor from which a transfer was made or an obligation was incurred, such Debtor was insolvent or had been rendered insolvent by such transfer.

217. In the alternative, each such Debtor was engaged in a business or a transaction, or were about to engage in a business or a transaction, for which any property remaining constituted unreasonably small capital, or intended to incur, or believed that it would incur, debts that would be beyond their respective ability to pay as such debts matured.

218. Accordingly, the incurrence of the KRW Loan and the transfers of the KRW Mortgage, the payments on the KRW Loan, and the proceeds of the KRW Loan are avoidable under 11 U.S.C. § 548(a)(1)(A).

COUNT XVIII: AVOIDANCE OF THE KRW LOAN, KRW MORTGAGE, PAYMENTS ON THE KRW LOAN, AND THE TRANSFER OF THE PROCEEDS OF THE KRW LOAN AS CONSTRUCTIVE FRAUDULENT TRANSFERS UNDER 11 U.S.C. § 548(A)(1)(B)

219. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs and incorporate them by reference as though fully set forth herein.

220. The transfer of the KRW Mortgage from KRW to Lake City, payments from the Debtors for the KRW Loan to Lake City, and the proceeds the KRW Loan to Khan or one of his entities each transferred an interest in property belonging to one of the Debtors to or for the benefit of Lake City and Khan.

221. The KRW Loan constitutes the incurrence of an obligation by one of the Debtors.

222. The Debtors received less than reasonably equivalent value for the incurrence of the KRW Loan and the transfer of the KRW Mortgage, payments on the KRW Loan, and the proceeds of the KRW Loan.

223. At the time of such transfers, with respect to each Debtor from which a transfer was made or an obligation was incurred, such Debtor was insolvent or had been rendered insolvent by such transfers.

224. In the alternative, each such Debtor was engaged in a business or a transaction, or were about to engage in a business or a transaction, for which any property remaining constituted unreasonably small capital, or intended to incur, or believed that it would incur, debts that would be beyond their respective ability to pay as such debts matured.

225. Accordingly, the incurrence of the KRW Loan and the transfers of the KRW Mortgage, the payments on the KRW Loan, and the proceeds of the KRW Loan are avoidable under 11 U.S.C. § 548(a)(1)(B).

COUNT XIX: AVOIDANCE OF THE KRW LOAN, KRW MORTGAGE, PAYMENTS ON THE KRW LOAN, AND THE TRANSFER OF THE PROCEEDS OF THE KRW LOAN, AS ACTUAL FRAUDULENT TRANSFERS UNDER 11 U.S.C. § 544 AND IC § 32-18-2-14(A)(1)

226. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs and incorporate them by reference as though fully set forth herein.

227. The transfer of the KRW Mortgage from KRW to Lake City, payments from the Debtors for the KRW Loan to Lake City, and the proceeds of the KRW Loan to Khan or one of his entities each transferred an interest in property belonging to one of the Debtors to or for the benefit of Lake City and Khan.

228. The KRW Loan constitutes the incurrence of an obligation by KRW.

229. The incurrence of the KRW Loan the transfers of the KRW Mortgage, payments on the KRW Loan, and the proceeds of the KRW Loan were made with actual intent to hinder, delay, or defraud creditors of the Debtors. The KRW Mortgage and KRW Loan enabled Khan to steal millions from the Debtors.

230. At the time of such transfers, the Debtors were insolvent or had been rendered insolvent by such transfers.

231. As of each Debtor's Petition Date, there existed at least one unsecured creditor of each respective Debtor with an allowable claim under 11 U.S.C. § 502 with standing to avoid the fraudulent transfers identified herein, and the Debtors are indebted to the IRS, which holds an unsecured claim.

232. Accordingly, the incurrence of the KRW Loan and the transfers of the KRW Mortgage, the payments on the KRW Loan, and the proceeds of the KRW Loan are avoidable under 11 U.S.C. § 544 and IC § 32-18-2-14(a)(1).

COUNT XX: AVOIDANCE OF THE KRW LOAN, KRW MORTGAGE, PAYMENTS ON THE KRW LOAN, AND THE TRANSFER OF THE PROCEEDS OF THE KRW LOAN AS CONSTRUCTIVE FRAUDULENT TRANSFERS UNDER 11 U.S.C. § 544 AND IC § 32-18-2-14(A)(2)

233. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs and incorporate them by reference as though fully set forth herein.

234. The transfer of the KRW Mortgage from KRW to Lake City, payments from the Debtors for the KRW Loan to Lake City, and the proceeds of the KRW Loan to Khan or one of his entities each transferred an interest in property belonging to one of the Debtors to or for the benefit of Lake City and Khan.

235. The KRW Loan constitutes the incurrence of an obligation by KRW.

236. The Debtors received less than reasonably equivalent value for the incurrence of the KRW Loan and the transfer of the KRW Mortgage, payments on the KRW Loan, and the proceeds of the KRW Loan.

237. At the time of such transfers, with respect to each Debtor from which a transfer was made or an obligation was incurred, such Debtor was insolvent or had been rendered insolvent by such transfers.

238. In the alternative, each such Debtor was engaged in a business or a transaction, or were about to engage in a business or a transaction, for which any property remaining constituted unreasonably small capital, or intended to incur, or believed that it would incur, debts that would be beyond their respective ability to pay as such debts matured.

239. As of each Debtor's Petition Date, there existed at least one unsecured creditor of each respective Debtor with an allowable claim under 11 U.S.C. § 502 with standing to avoid the fraudulent transfers identified herein, and the Debtors are indebted to the IRS, which holds an unsecured claim.

240. Accordingly, the incurrence of the KRW Loan and the transfer of the KRW Mortgage, payments on the KRW Loan, and the proceeds of the KRW Loan are avoidable under 11 U.S.C. § 544 and IC § 32-18-2-14(a)(2).

COUNT XXI: AVOIDANCE OF PREFERENCES UNDER 11 U.S.C. § 547

241. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs and incorporate them by reference as though fully set forth herein.

242. Lake City's level of control over the Debtors renders it an insider of the Debtors.

243. The transfers of the Fraudulently Transferred Fees, payments made by or on behalf of the IOI Debtors on the Lake City Loans, and all payments made by one or more of the Debtors to Lake City within one year of such Debtor's Petition Date was a transfer of an interest in property

belonging to one of the Debtors and were for or on account of an antecedent debt owing by the Debtors to Lake City, including liability for the Lake City Loans.

244. Each respective Debtor was insolvent at the time of the transfers or such transfers rendered each respective Debtor insolvent.

245. Such transfers were each made within one year of the filing of each respective Debtor's petition under the Bankruptcy Code.

246. Such transfers enabled Lake City to receive more than it would have received if (A) each respective Debtor's case were a case under Chapter 7, (B) the transfers had not been made, and (C) Lake City received payment on the debts owed to it by each respective Debtor to the extent provided for by the Bankruptcy Code.

247. Such transfers are therefore avoidable under 11 U.S.C. § 547.

COUNT XXII: RECOVERY OF AVOIDED TRANSFERS UNDER 11 U.S.C. § 550

248. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs and incorporate them by reference as though fully set forth herein.

249. The transfers described in Counts I through XXI above are each avoidable under 11 U.S.C. §§ 544, 547 and/or 548. Lake City was the initial transferee of the transfers or obligations consisting of the Fraudulently Transferred Fees, the KRW Mortgage, and the Khan Guaranty and an initial transferee, immediate transferee, or mediate transferee of the transfers or obligations consisting of the Diverted Funds, the Lake City Loans, payments on the Lake City Loans, and transfers of the proceeds of the Lake City Loans.

250. Plaintiff is entitled to recover the property so transferred or the value of such property from Lake City for each respective estate.

COUNT XXIII: PRESERVATION OF AVOIDED TRANSFERS UNDER 11 U.S.C. § 551

251. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs and incorporate them by reference as though fully set forth herein.

252. The transfers described in Counts I through XXI above are each avoidable under 11 U.S.C. §§ 544, 547 and/or 548. Accordingly, each avoided transfer should be preserved for the benefit of each respective estate.

COUNT XXIV: DISALLOWANCE OF CLAIMS

253. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs and incorporate them by reference as though fully set forth herein.

254. Lake City Bank filed the following proofs of claims against one or more of the Debtors: Interlogic, Case No. 20-00325 [Proof of Claim 2061]; KRW, Case No 19-04264 [Proof of Claim 41-1] (the “**LCB Proofs of Claims**”).

255. Lake City was a transferee of avoidable transfers and any and all of its claims against any Debtor holding an avoidance claim against Lake City should be disallowed under 11 U.S.C. § 502(d).

256. Accordingly, all LCB Proofs of Claims should be disallowed.

COUNT XXV: DETERMINATION OF LCB RESERVED AMOUNT

257. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs and incorporate them by reference as though fully set forth herein.

258. Paragraph 29 of the Court’s *FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER CONFIRMING AMENDED JOINT CHAPTER 11 PLAN OF LIQUIDATION FOR (I) NAJEEB AHMED KHAN, (II) KHAN AVIATION AND ITS JOINTLY ADMINISTERED DEBTORS, AND (III) INTERLOGIC OUTSOURCING AND ITS JOINTLY ADMINISTERED*

DEBTORS entered April 27, 2021 (the “**Confirmation Order**”), established the creation of a \$750,000 reserve (the “**LCB Reserved Amount**”).

259. Based on the above, Lake City should not be entitled to any of the LCB Reserved Amount, and same should be distributed to Plaintiff for payment to creditors pursuant to the terms of the Confirmation Order and Plan.

COUNT XXVI: EQUITABLE SUBORDINATION OF CLAIMS UNDER 11 U.S.C. § 510(C)

260. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs and incorporate them by reference as though fully set forth herein.

261. Lake City’s inequitable conduct warrants the equitable subordination of some or all of its Claims.

262. While Khan operated his scheme, Lake City profited. Over the course of Interlogic’s relationship with Lake City, Lake City collected at least \$13,663,095.44 in fees, the incurrence of which should have put Lake City on notice of Khan’s misconduct. Further, Lake City knew of Khan’s lavish lifestyle, yet continued to solicit his business. Lake City had knowledge of Khan’s scheme, participated willingly, and profited.

263. When the scheme finally came to light, Lake City exerted undue influence on the Debtors in order to improve its position, to the detriment of the Debtors’ unsecured creditors.

264. Lake City’s level of control over the Debtors renders it an insider of the Debtors, and Lake City’s actions ultimately gave it an unfair advantage over other similarly situated unsecured creditors.

265. Based upon Lake City’s conduct, the Court should equitably subordinate Lake City’s claims to the general unsecured creditors of the Debtors’ estates.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for relief and judgment:

1. Avoiding the transfer of the Fraudulently Transferred Fees, the Diverted Funds, the Lake City Loans, payments on the Lake City Loans, the proceeds of the Lake City Loans, the KRW Mortgage, the KRW Loan, payments on the KRW Loan, the proceeds of the KRW Loan, and the Khan Guaranty for the benefit of the Debtors' estates;

2. Preserving the transfer of the Fraudulently Transferred Fees, the Diverted Funds, the Lake City Loans, payments on the Lake City Loans, the proceeds of the Lake City Loans, the KRW Mortgage, the KRW Loan, payments on the KRW Loan, the proceeds of the KRW Loan, and the Khan Guaranty for the benefit of the Debtors' estates;

3. Ordering Lake City to turn over the value of the Fraudulently Transferred Fees, the Diverted Funds, the Lake City Loans, payments on the Lake City Loans, the proceeds of the Lake City Loans, the KRW Mortgage, the KRW Loan, payments on the KRW Loan, the proceeds of the KRW Loan, and the Khan Guaranty for distribution to creditors or otherwise entering judgment in favor of Plaintiff for the value thereof;

4. Determining that Lake City is not entitled to any of the LCB Reserved Amount and ordering that the same be surrendered and turned over to the Consolidated Estate Trustee for distribution to creditors pursuant to the Confirmation Order and Plan;

5. Disallowing any and all LCB Proofs of Claims asserted and filed by Lake City against any and all of the Debtors pursuant to section 502(d) of the Bankruptcy Code;

6. Equitably subordinating Lake City's claims to those of the Debtors' unsecured creditors.

7. Awarding Plaintiff reasonable costs and expenses incurred in this action, including attorneys' fees and expert fees; and

8. Such other and further relief as the Court may deem just and proper.

Dated: August 9, 2021

Respectfully submitted,

/s/Louis T. DeLucia

Louis T. DeLucia (admitted *pro hac vice*)

Alyson M. Fiedler (admitted *pro hac vice*)

ICE MILLER LLP

1500 Broadway, Suite 2900

New York, NY 10036

Telephone: (212) 835-6312

Email: louis.delucia@icemiller.com

Telephone: (212) 835-6315

Email: alyson.fiedler@icemiller.com

Dan Polatsek (admitted *pro hac vice*)

Michael Ott (admitted *pro hac vice*)

ICE MILLER LLP

200 West Madison, Suite 3500

Chicago, IL 60606-3417

Telephone: (312) 726-6245

Email: daniel.polatsek@icemiller.com

Telephone: (312) 726-7103

Email: michael.ott@icemiller.com

*Counsel for Mark T. Iammartino, not individually,
but solely in his capacity as Consolidated Estate
Trustee for the Consolidated Estate Trust for the
Bankruptcy Estates of Najeeb A. Khan, the Khan
Entity Debtors, and the IOI Debtors*