

anc.law.ecf@alaska.gov

**IN THE SUPERIOR COURT FOR THE STATE OF ALASKA
THIRD JUDICIAL DISTRICT AT ANCHORAGE**

THE STATE OF ALASKA,)
)
 Plaintiff,)
)
 v.)
)
 JAMES FRANCIS DAINIS; SOCIETE)
 FINANCIAL LLC, an Alaska limited)
 liability corporation; SOCIETE)
 FINANCIAL GROUP LLC, an Alaska)
 limited liability corporation;)
 COMMERCIAL ATM SERVICES OF)
 ALASKA LLC, an Alaska limited)
 liability corporation; COMMERCIAL)
 ATM SERVICES, LLC, an Alaska)
 limited liability corporation; LGD)
 ENTERPRISES LLC, a Washington)
 limited liability corporation; and LGD)
 ENTERPRISES, LLC, a Wyoming)
 limited liability corporation,)
)
 Defendants. _____)

Case No. 3AN-23-_____ CI

**COMPLAINT FOR INJUNCTIVE RELIEF,
CIVIL PENALTIES, AND RESTITUTION
(AS 45.50.501, AS 45.50.551)**

The State of Alaska, by and through the Office of the Attorney General, alleges and complains as follows:

INTRODUCTION

1. Automated Teller Machines (ATMs) contain a safe that is periodically filled with cash by the ATM's owner. When a customer withdraws money from the ATM, cash is distributed from the safe, and funds equal to the withdrawn cash (plus any fees and surcharges) are transferred out of the customer's bank account.

DEPARTMENT OF LAW
OFFICE OF THE ATTORNEY GENERAL
ANCHORAGE BRANCH
1031 W. FOURTH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 269-5100

2. The fees and surcharges that a customer pays may be distributed among the companies involved in the ATM transaction, including the ATM owner. But more importantly, the ATM owner—who filled the safe with cash—must be reimbursed for the amount of cash withdrawn. That transaction is called a “cash settlement” because the debt created when a consumer withdraws funds from the ATM’s safe is settled when the ATM owner is paid back for the cash withdrawn.

3. In a minority of instances relevant to this case, a third party is contracted to supply the safe’s cash, in which case, the cash settlements are owed to the third party. But for the sake of brevity, this complaint uses the term “ATM owner” to refer to the person who supplies and owns the cash inside of a particular ATM.

4. Typically, an ATM owner receives a daily cash settlement, in which funds equal to all the withdrawn cash from the previous business day are deposited into the owner’s account in a single Automated Clearing House (ACH) transfer, which appears as a single item on the ATM owner’s bank statement. Likewise, an ATM owner typically receives a daily surcharge settlement for the ATM owner’s share of all surcharges from the previous business day in a single ACH transfer, which appears as a single line item on the ATM owner’s bank statement.

5. Generally speaking, it is extremely rare for an ATM owner not to receive all cash settlements and surcharge settlements that are owed. But in Alaska, James Dainis, who controls a large share of the non-bank ATM market, has defrauded numerous ATM owners out of cash settlements and surcharge settlements that are rightfully owed to them.

6. James Dainis, a middleman in the ATM industry, sells ATMs to and services ATMs for his clients, which are primarily small businesses, non-profits, and ANCSA village corporations. Dainis' ATM-owner clients enter into business with Dainis because he represents that if they fill their machines with cash, in return they will receive deposits equal to the withdrawn cash plus a surcharge fee for each transaction. Thus, Dainis' clients rely on Dainis to connect their ATMs into the payment processing system so that they will receive their cash settlements and the portions of surcharges that they are owed. In exchange for his services, Dainis is entitled to a portion of the surcharges.

7. However, Dainis steals surcharge settlements—and more importantly—cash settlements that are owed to his clients. Dainis accomplishes this fraud by directing processors (companies that process the transactions) to deposit settlements that are owed to his clients into accounts that are owned or controlled by Dainis. He has been engaging in this fraud since at least 2013.

8. When Dainis steals an ATM owner's surcharge settlement, the ATM owner loses the profits to which they are entitled—typically a few dollars per transaction. But when Dainis steals an ATM owner's cash settlements, the owner loses the cash withdrawn from the machine—frequently a few hundred dollars per transaction. ATM owners whose cash settlements were repeatedly stolen by Dainis suffered tens of thousands of dollars in losses, and in some cases, hundreds of thousands of dollars in losses.

9. A full accounting of Dainis' fraudulent scheme is not yet complete.

However, on information and belief, Dainis has stolen several million dollars of cash and surcharge settlements.

10. Dainis also defrauded at least four corporations to whom he sold portions of his ATM business interests.

PARTIES

11. The plaintiff is the State of Alaska.

12. Defendant James Francis Dainis ("James Dainis") is a natural person who conducts business in Anchorage, Alaska.

13. Defendant Societe Financial LLC is an Alaska limited liability company (entity 99577) with a previous legal name of Societe Financial Limited Liability Company. Societe Financial LLC does business in Anchorage, Alaska. James Dainis is the sole owner and manager of Societe Financial LLC. Societe Financial LLC is or has been registered to do business in Alaska as: Societe Financial LLC, Alaska ATM Service, Cajeros Automaticos de Mexico, Commercial ATM Services, Northwest ATM Services, and Outpost ATM Services.

14. Defendant Societe Financial Group LLC is a dissolved Alaska limited liability company (entity 10018053), which did business in Anchorage, Alaska, and which owned Commercial ATM Services, LLC until 2016 or 2017. James Dainis was the sole owner of Societe Financial Group LLC. Societe Financial Group LLC continues to exist for the purpose of defending lawsuits against it. Societe Financial

Group LLC is or has been registered to do business in Alaska as Societe Financial Group LLC and Outpost ATM Services.

15. Defendant Commercial ATM Services of Alaska LLC is a dissolved Alaska limited liability company (entity 10025928), which did business in Anchorage, Alaska. Societe Financial Group LLC was the sole owner and manager of Commercial ATM Services of Alaska LLC. Commercial ATM Services of Alaska LLC continues to exist for the purpose of defending lawsuits against it.

16. Defendant Commercial ATM Services, LLC is a dissolved Alaska limited liability company (entity 10018066), which did business in Anchorage, Alaska. Societe Financial Group LLC was the sole owner and manager of Commercial ATM Services, LLC until 2016 or 2017 when ownership was transferred to James Dainis. Commercial ATM Services, LLC continues to exist for the purpose of defending lawsuits against it. Commercial ATM Services, LLC has been registered to do business in Alaska as Commercial ATM Services, LLC, Commercial ATM Services LLC, and Advanced ATM Systems

17. Defendant LGD Enterprises, LLC is a Wyoming limited liability corporation (entity 2019-000866632) that is owned and controlled by James Dainis.

18. Defendant LGD Enterprises LLC is a Washington limited liability corporation (entity 604-941-231) that is owned and controlled by James Dainis.

19. Because all the corporate defendants named in Paragraphs 13-18 operated as alter egos of James Dainis and were used to perpetuate James Dainis' fraudulent scheme, the corporate defendants and James Dainis are collectively referred to as

“Dainis” in this complaint. When referring specifically to the natural person, James Dainis, this complaint will refer to him by his first and last name, “James Dainis.”

JURISDICTION AND VENUE

20. The Attorney General has reason to believe that Dainis engaged in acts or practices declared unlawful by AS 45.50.471, and brings this action in the public interest. This court has jurisdiction over all aspects of the complaint pursuant to AS 45.50.501(a) and AS 22.10.020.

21. Dainis conducted business in Anchorage, Alaska at all times relevant to this complaint. Venue in the Superior Court for the Third Judicial District at Anchorage is proper pursuant to Rule 3 of the Alaska Rules of Civil Procedure and AS 45.50.501(a).

FACTUAL ALLEGATIONS

I. Dainis defrauded his ATM-owner clients.

22. Dainis is a middleman in the ATM industry who has defrauded, and continues to defraud, his clients, which are primarily unsuspecting small businesses, non-profits, and ANCSA corporations that own non-bank ATMs (ATMs that are not owned by a bank or credit union).

23. Dainis’ ATM-owner clients rely on Dainis to connect their ATMs with payment processing services so that consumers can withdraw money and the ATM owners can be paid from those consumers’ bank accounts.

24. Dainis’ ATM-owner clients are typically responsible for filling their ATM’s safe with cash. When a consumer withdraws cash from an ATM, the machine

releases cash from the safe to that consumer. The ATM-owner—who placed the now-withdrawn cash in the safe—is thus entitled to be paid back for the funds the consumer withdrew.

25. A consumer who withdraws cash from an ATM is often charged a surcharge for the privilege of using the ATM, and both the ATM owner and Dainis (for his role as a middleman) would typically be entitled to a portion of the surcharge. But this case is primarily about the cash settlements.

26. Dainis operates as a middleman between the owners of ATMs and “processors.”

27. Processors are companies that process ATM transactions. Processors assign a terminal identification number (“terminal ID”) to each ATM they service. When a consumer withdraws money from a particular ATM, the processor routes the transaction through an Electronic Funds Transfer (EFT) network (e.g., VISA’s PLUS and Mastercard’s CIRRUS), receiving payment from the consumer’s bank in the amount withdrawn (plus certain fees and surcharges). The processor then deposits funds in the amount withdrawn into an account associated with the ATM’s terminal ID. The deposit is typically referred to as a “cash settlement” because it settles debt accrued from the withdrawal of cash from the safe. The cash settlement is deposited into an account typically referred to as the “cash settlement account.” However, in some cases other terminology such as “vault cash settlement” and “vault cash settlement account” may be used.

28. Typically, processors provide a single cash settlement for a day's transactions on the following business day. For example, if on Monday three consumers each withdraw \$100 from an ATM with terminal ID XY001, then on Tuesday, the processor will transfer \$300 to the cash settlement account associated with XY001.

29. A typical ATM owner may not know exactly how much money is withdrawn from their ATM on a particular day. And even if they did, they might have additional difficulties accounting for the funds. For example, the processor's day (while always a 24-hour period) may not equate to one day in Alaska's time zone.

30. The ATM industry has dealt with these accounting difficulties in two ways. First, ATMs have a transaction log that allows the owner to see how much money is withdrawn. Second, Processors have an online portal where middlemen like Dainis and ATM owners can log in to see the transactions and download a document showing them.

31. But Dainis typically did not teach his ATM-owner clients how to access their ATMs' transaction logs, provide them with access to log into the online portals, or download and send them transaction reports. In fact, he generally did not even tell his ATM-owner clients that these things were possible.

32. In addition, many of Dainis' ATM-owner clients used the same bank account for their ATM business as for other business. This made it even more difficult for them to recognize troubling patterns in their ATM business.

33. Because Dainis acts as a middleman between his ATM-owner clients and processors, the processors do not have a direct relationship with the ATM owners. Thus,

the processors rely on Dainis to provide them with the account number for the account where cash settlements should be deposited.

34. The cash settlement account associated with a particular terminal ID can be changed. This might need to happen for legitimate reasons. For instance, the ATM owner may change banks. Or a chain of stores might sell one of its stores (including its ATM) to a new company.

35. Some processors allow Dainis to change the cash settlement account associated with a particular terminal ID simply by logging into an online portal and making the change. Others may require a phone call or an email. Regardless, the processors only send cash settlements to the accounts that Dainis directs them to use. And the processors only change the cash settlement account at Dainis' direction.

36. Dainis has abused, and continues to abuse, his role as a trusted middleman. He defrauds his ATM-owner clients by directing processors to use accounts owned or controlled by him as the cash settlement accounts for ATMs that his clients owned and for which his clients provided the safes' cash. His fraudulent scheme involved at least four tactics.

37. First, when Dainis set up a new ATM terminal he would often initially list an account that he owned or controlled as the cash settlement account, then change it to his client's account after a few days or weeks. ATM owners would not typically realize funds were missing because they understood that they would not be paid back for ATM withdrawals immediately.

38. Second, Dainis would sometimes switch the processor for a particular ATM and use that opportunity to switch accounts—initially listing an account that he owned or controlled as the cash settlement account, then changing it to his client’s account after a short time. ATM owners would not typically realize funds were missing because changing a terminal’s processor required Dainis or an associate to physically visit the ATM, and Dainis’ clients—who generally did not understand the ATM industry and often thought Dainis was their processor—believed that Dainis was installing an update to the machine. Thus, even if the ATM owner was carefully watching for cash settlements, they would not be surprised if they did not receive cash settlement funds a few days after the update.

39. Third, Dainis would sometimes switch accounts back and forth with no such pretense, simply listing an account he owned or controlled as the cash settlement account for a particular terminal ID for a period of time, then changing back to his client’s account. For many terminals, Dainis flipped the cash settlement account back and forth over and over again. Dainis’ clients rarely noticed this because—as described above—they were in a poor position to conduct an accounting of their ATM business. Further, Dainis focused this third type of fraud on small entities, including small ANCSA village corporations that normally lacked full-time accountants or qualified bookkeepers. Exhibit 1 to the complaint contains a list of Dainis’ ATM-owner clients whose ATMs went through two or more such sequences.

40. Fourth, Dainis sometimes listed an account that he owned or controlled as the cash settlement account, but did not flip it back to his client’s account. ATM owners

were more likely to eventually notice this fourth form of fraud because they would not receive cash settlements at all.

41. Dainis also defrauded his clients out of their portions of surcharge settlements—i.e., their share of fees paid by ATM customers to use the ATM—using the same or similar tactics to those described above.

42. When ATM owners noticed that they were missing funds, Dainis would typically respond by telling them that the processor failed to remit the cash settlements.

43. Dainis sometimes claimed that the processor made an error. But processor errors are extremely rare. If processors errantly routed cash settlements to the wrong accounts in more than a tiny fraction of a percent of all transactions, the entire ATM system would cease to function.

44. Other times, Dainis told his ATM-owner clients that they did not receive cash settlements due to problems with their banks. But a processor is rarely unable to deposit a cash settlement into an ATM owner's account. And if such a deposit were to fail, a processor would not then deposit the money into one of Dainis' accounts. Instead, the processor would hold the money until the Dainis told the processor where to deposit the funds that failed to transfer.

45. In many cases, Dainis would eventually transfer money to his ATM-owner clients who complained to him. Generally, Dainis would claim that the transfer equaled the amount that the clients had been shorted. But the amount that Dainis refunded to his ATM-owner clients was often less than what he had actually stolen from them.

46. Because Dainis' clients knew little about how ATMs work, even when they realized they were being defrauded, many did not know how to stop the fraud. However, some of Dainis' clients realized that by unplugging their ATM they could at least guarantee that customers would not withdraw money, and thus that Dainis could not steal their cash settlements. Further, in some instances, these clients found other companies willing to replace Dainis. The new companies were able to obtain new terminal IDs for the ATMs, and connect the ATMs back into the financial system. After finding new companies to replace Dainis, Dainis' former clients had no trouble receiving their cash and surcharge settlements.

47. Dainis has been sued by at least fourteen of his ATM-owner clients since 2017.

48. But the vast majority of Dainis' defrauded clients have not sued Dainis. The vast majority of his defrauded clients likely do not yet realize that they have been defrauded.

II. Dainis' frauds related to the sale of business rights and future receivables.

49. Dainis also defrauded at least four corporations that purchased portions of his business interests.

50. On January 16, 2016, Dainis entered into a contract with Know-Tone Incorporated (Know-Tone) to sell his exclusive contractual rights to provide ATM processing services for 307 particular ATM terminals, identified by location and terminal ID, owned by his ATM-owner clients for \$1,080,000. Dainis also agreed to assist Know-Tone in the transition of the business. He further agreed not to assist or

provide ATM services to the ATM-owner clients whose business would be transferred to Know-Tone.

51. Dainis did not have exclusive contractual rights to provide processing services for the 307 identified terminals. But Dainis did act as a middleman between the ATM-owner and the processor for many of the ATM terminals listed, and thus many of the terminals were within his business portfolio.

52. In any event, Dainis never turned his portfolio of ATM-owner clients over to Know-Tone, and instead continued to service those ATM-owner clients.

53. In 2019 and 2020, Dainis entered into four separate contracts with three separate receivables purchasing companies: EBF Partners, LLC (EBF), Fox Capital Group, LLC (Fox), and Pearl Delta Funding, LLC (Pearl). In each of the contracts Dainis agreed to provide future receivables (income) from his ATM businesses to the purchasing companies in exchange for an immediate cash payment.

54. On April 22, 2019, Dainis sold EBF the rights to \$436,320 in future receivables from Societe Financial LLC. The agreement allowed EBF to obtain the receivables by debiting Societe Financial's bank account in an amount equal to 15% of Societe Financial LLC's daily receivables. In exchange, EBF paid Dainis \$303,000.

55. On information and belief, on September 9, 2019, Dainis sold Pearl the rights to \$119,840 in future receivables from Societe Financial LLC. The agreement allowed Pearl to debit receivables directly from Societe Financial LLC's account. However, the exact terms of the agreement are not currently known.

56. On November 5, 2019, Dainis sold Fox the rights to \$625,800 in future receivables from Societe Financial LLC, Societe Financial Group LLC, Commercial ATM Services, LLC, and Commercial ATM Services of Alaska, LLC (the Alaska companies). The agreement allowed Fox to debit the Alaska companies' bank account in an amount equal to 25% of their daily receivables. In exchange, Fox paid Dainis \$420,000.

57. On February 13, 2020, Dainis sold EBF the rights to \$407,520 in receivables from Commercial ATM Services, LLC. The agreement allowed EBF to obtain the receivables by debiting Commercial ATM Services, LLC's bank account in an amount equal to 15% of Commercial ATM Services, LLC's daily receivables. In exchange, EBF paid Dainis \$283,000.

58. Dainis breached all four of the receivables purchasing agreements in late February and early March of 2020, by preventing the receivables purchasing companies from accessing his accounts and otherwise failing to remit the receivables owed.

59. On information and belief, Dainis induced the receivables purchasing companies to enter into agreements by vastly misrepresenting his revenue.

60. For example, Dainis led EBF Partners to believe that Societe Financial LLC's monthly revenue was approximately \$1,276,374.25. On information and belief, Dainis led EBF Partners to this false conclusion by misrepresenting stolen cash and surcharge settlements as legitimate revenue and by misrepresenting cash settlements for ATMs for which Dainis was the safe's cashier as revenue, when such settlements are not actually revenue.

61. Dainis did not breach his contracts with Know-Tone and the receivables purchasing companies for any legitimate business reason. Dainis entered into the contracts with the intent to commit fraud.

III. Dainis evaded lawsuits and hid assets from his creditors.

A. The lawsuits from Dainis' ATM-Owner clients.

62. Dainis had been sued for fraudulent behavior in the past, but starting in late 2017 Dainis faced an increasing number of lawsuits.

63. On December 11, 2017, Manakotak Natives Limited, Manuquutaq Trading Co., Nunakauyak Traditional Council, and Qemirtalek Coast Corp. filed suit against Dainis.

64. In 2019, Chefarmute Incorporated, Qanirtuuq Inc., and Denali's Cannabis Cache LLC filed suit against Dainis.

65. In 2020, Qinarmiut Corporation, Raney Investments Inc., and MJ Corporation sued Dainis.

66. In 2021, Napaskiak Incorporated, Kwik Incorporated, and Tyonek Native Corporation sued Dainis.

67. In 2022, Tununrmiut Rinit Corporation sued Dainis and Erik Emert filed a counterclaim against Dainis.

68. In 2023, the Aleut Community of St. Paul Island sued Dainis.

69. While some of the lawsuits from the ATM-owner clients settled and others are still pending in court, at least two of the ATM-owner clients obtained judgments that on information and belief, remain unsatisfied. The first unsatisfied

judgment debt is owed to Qemirtalek Coast Corp. in the amount of \$99,487.46. The second is owed to MJ Corporation in the amount of \$71,976.54.

70. On information and belief, the pending lawsuits filed by Dainis' ATM-owner clients and the valid claims of those ATM-owner clients who have not filed suit are worth millions of dollars.

B. The business rights and future receivables lawsuits.

71. Know-Tone sued Dainis in 2018. The case was originally filed in Indiana, but was refiled in Alaska in 2019. On information and belief, the parties settled the matter on or about October, 2020.

72. EBF, Fox, and Pearl all sued Dainis in 2020. EBF and Fox ultimately obtained judgments of \$435,293.57 and \$394,799.43 respectively against Dainis. On information and belief, Dainis entered into a settlement agreement with Pearl.

73. On information and belief, Dainis has not satisfied the judgment debts owed to EBF or Fox.

C. Evasion of lawsuits and hiding assets.

74. Dainis has gone to great lengths to evade service of lawsuits, hide assets from his ATM-owner clients and other creditors, and generally create confusion.

75. James Dainis and his wife Lusestela Gamez Dainis have repeatedly provided an address on Medfra Street in Anchorage on government documents. But neither James Dainis nor Lusestela Gamez Dainis has ever lived at the Medfra Street address.

76. In addition, James Dainis has falsely testified in depositions and in at least one judgment creditor hearing that he and/or his wife live at the Medfra street address.

77. Dainis lists 510 Tudor Road #8, Anchorage, AK as the physical address for his corporate alter egos in Anchorage, but the unit is virtually never open for business, and Dainis is almost never present at the unit.

78. Dainis' use of the false address has made it difficult for plaintiffs to serve him with lawsuits.

79. Dainis created two shell corporations: Defendants LGD Enterprises, LLC (a Wyoming corporation) and LGD Enterprises LLC (a Washington corporation) to hide his ill-gotten gains and evade creditors.

80. Dainis used these shell corporations to purchase homes in Anchorage and Spokane, Washington. On information and belief, James Dainis and his wife, Lusestela Gamez Dainis, have lived in homes owned by the shell corporations.

81. Dainis has never disclosed the existence of the shell corporations, the real property owned by the shell corporations, or any other assets owned by the shell corporations to plaintiffs and/or judgment creditors, even when asked about the companies he has owned, controlled, or incorporated during proceedings where he was under oath.

82. The states of Washington and Wyoming do not require LLCs to provide the name of their owners or governors on paperwork that is publicly searchable, and Dainis did not voluntarily provide this information.

83. Thus, it is difficult, if not impossible, for most of Dainis' ATM owner-clients to discover that Dainis owns these shell companies.

84. Dainis created three new Washington LLCs in 2020, 2021, and 2022 respectively, Northwest Bank Equipment, LLC (entity 604-781-788), Commercial ATM Services LLC (entity 604-781-788), and Northwest Bank Equipment LLC (entity 604 694 214). Dainis also created an Oregon company, Commercial ATM Services, LLC (entity 1617127-90) on November 21, 2019, which is registered to do business in Oregon as Northwest ATM.

85. On information and belief, Dainis created these corporations to hide assets or for the purpose of continuing to provide (fraudulent) ATM services to many of his ATM-owner clients while evading the notice, scrutiny, and collection efforts of his creditors.

86. On information and belief, Dainis is engaged in additional efforts to hide his ill-gotten gains, including transferring funds to Mexico.

IV. Common Enterprise.

87. The corporate defendants are mere instruments of James Dainis that were created and used to further a fraudulent common enterprise.

88. James Dainis caused the incorporation of the corporate defendants and acts as their sole owner and manager.

89. The corporate defendants are completely intertwined in the fraudulent scheme and co-mingle assets.

90. Many of Dainis' clients have had their cash settlements or surcharge settlements stolen by multiple corporate defendants.

91. Dainis continues to do business under the name Advanced ATM Systems despite the facts that: (1) Advanced ATM Systems' business license is expired; and (2) Advanced ATM Systems' business license was owned by Commercial ATM Services, LLC, which is—according to DCCED filings—a dissolved corporation.

COUNT I
VIOLATIONS OF THE UNFAIR TRADE PRACTICES AND
CONSUMER PROTECTION ACT, AS 45.50.471 - .561

92. The Attorney General is empowered to enforce Alaska's Unfair and Deceptive Trade Practices and Consumer Protection Act, AS 45.50.471 - .561.

93. AS 45.50.471(a) provides that "Unfair methods of competition and unfair or deceptive acts or practices in the conduct of trade or commerce are declared to be unlawful."

94. AS 45.50.471(b) provides a list of acts and practice that are per se violations of AS 45.50.471, including:

(b)(11)—engaging in any other conduct creating a likelihood of confusion or of misunderstanding and that misleads, deceives, or damages a buyer or a competitor in connection with the sale or advertisement of goods or services; and

(b)(12)—using or employing deception, fraud, false pretense, false promise, misrepresentation, or knowingly concealing, suppressing, or omitting a material fact with intent that others rely upon the concealment, suppression, or omission in

connection with the sale or advertisement of goods or services whether or not a person has in fact been misled, deceived, or damaged.

95. Acts and practices may be considered unfair or deceptive under AS 45.50.471 regardless of whether they are listed as per se violations under AS 45.50.471(b).

96. As described in this Complaint, Dainis engaged in unfair and deceptive acts and practices by defrauding their ATM-owner clients, who trusted the defendants to ensure that they received the cash settlements and surcharge settlements that they were entitled to. Dainis further engaged in unfair and deceptive acts and practices by defrauding Know-Tone, EBF, Pearl, and Fox Capital.

97. As the owner of the corporate defendants in this matter, James Dainis is personally liable for all acts and practices in violation of AS 45.50.471 that he personally committed. In addition, James Dainis is personally liable for violations of AS 45.50.471 for which he either: (a) had actual knowledge of the acts or practices; (b) was recklessly indifferent as to whether the acts or practices were occurring; or (c) knew it was highly probable that the acts or practices were occurring and intentionally avoided the truth.

COUNT II FRAUD AND NONDISCLOSURE

98. AS 44.23.020(b)(9) empowers the attorney general to initiate fraud claims against defendants who caused injury to persons in the state, when doing so is in the public interest.

99. Dainis defrauded his ATM-owner clients by intentionally making the false or misleading statements that by engaging in business with him they would receive the cash and surcharge settlements they were entitled to, when in fact, Dainis intended to defraud his ATM-owner clients by stealing their cash settlements, which he did.

100. When Dainis' ATM-owner clients recognized that they were missing funds, Dainis intentionally provided false explanations for why the funds were missing, in order to induce his ATM-owner clients to continue doing business with him so that he could continue to steal their cash and surcharge settlements, which he did.

101. Dainis' ATM-owner clients justifiably relied on Dainis' false and misleading statements and suffered monetary losses as a result.

102. It is in the public interest for the attorney general to prevent Dainis from being unjustly enriched by the widespread fraud, misrepresentation, and non-disclosure described in this complaint.

COUNT III CONVERSION

103. AS 44.23.020(b)(9) empowers the attorney general to bring common law conversion claims against defendants who caused injury to persons in the state, when doing so is in the public interest.

104. Dainis misappropriated and improperly retained cash settlements and surcharge settlements that were owed to his ATM-owner clients, with the intent to deprive them of such funds.

105. It is in the public interest for the attorney general to prevent Dainis from being unjustly enriched by the widespread conversion of cash settlements and surcharge settlements described in this complaint.

COUNT IV VEIL PIERCING

106. James Dainis organized the corporate defendants and acted as their sole owner and manager. James Dainis used the corporate entities as an extension of himself, commingled assets among the corporations, used the corporation's assets as his own, and ignored corporate formalities. James Dainis further allowed the corporations to be grossly undercapitalized.

107. James Dainis abused the corporate form of the corporate defendants to defeat public convenience, justify wrong, commit fraud, and defend crime.

108. Dainis is personally liable for the conduct of the corporate defendants alleged in this complaint.

COUNT V CIVIL CONSPIRACY

109. All defendants entered into a civil conspiracy by agreeing to participate in a scheme to defraud the ATM-owner clients, Know-Tone, and the receivables purchasing companies, and to hide the ill-gotten gains from creditors.

110. Thus, all defendants are jointly liable for each other's conduct.

PRAYER FOR RELIEF

111. The State of Alaska seeks the following relief.

112. Pursuant to AS 45.50.501, an order enjoining the defendants, and all who act under, by, or through the defendants, from continuing to engage in the unlawful acts and practices alleged in this complaint.

113. Pursuant to AS 45.50.501(b), an order to restore to any person, any money or property which may have been acquired through the unlawful acts and practices alleged in this complaint.

114. Pursuant to AS 45.50.551(b), awards of separate civil penalties against each defendant in an amount of \$25,000 per violation of AS 45.50.471, with the total number of violations to be proven at trial;


115. Pursuant to AS 45.50.537(d), an award of full reasonable costs and attorney fees, including the cost of investigation, to the State of Alaska pursuant to AS 45.50.537(d).

116. An order requiring defendants to return all surcharge and cash settlements, including interest, that rightfully belong to Defendants' ATM-owner clients, and through which Defendants were unjustly enriched.

117. An order granting such additional relief as the Court may deem proper.

DATED August 16, 2023.

TREG TAYLOR
ATTORNEY GENERAL

By: 
John Haley
Assistant Attorney General
Alaska Bar No. 1402010