MICHIGAN LAWYERS WEEKLY
milawyersweekly.com
Vol. 32, No. 38
July 23, 2018
$8.50 per copy

Verdicts & Settlements

Plaintiff prevails in jet fuel RICO dispute

Damages trebled by jury under statutory conversion

Type of action: Civil RICO	**Demand**: $2,000,000
Injuries alleged: Money damages in the amount of $4,100,972.89	**Verdict amount**: $12,302,918
Name of case: Kalitta Air, LLC v. GSBD et. al	**Special damages**: Treble damages and attorney fees
Court/Case no./Date: United States District Court for the Eastern District of Michigan/ 2:12-cv-13554/April 13, 2018	**Most helpful expert**: Computing Source (trial support)
Tried before: Jury	**Attorneys for plaintiff**: Angela L. Jackson, Adam M. Linkner
Name of judge: Hon. Bernard A. Friedman	**Attorney for defendant**: Dan McGlynn
Name of mediator: Christopher Darrow	

$12.3 million

GSBD & Associates was formed for the purpose of buying and selling petroleum products, including jet fuel. One of the members of GSBD approached Kalitta about selling jet fuel to Kalitta at less than market prices. GSBD represented that it could buy directly from overseas refineries and that it had a banking relationship with the Atlantic Bank, a private, overseas bank (which was owned by Dhafir Dalaly along with his U.S. affiliated companies, FIEC and FIEG). GSBD allegedly had a $500,000,000 line of credit with Atlantic Bank and was backed by the Saudi Royal Family, according to plaintiff's counsel. Kalitta agreed to enter into a Jet Fuel Purchase and Escrow Agreement. Dalaly was the escrow agent and each month Kalitta transferred money into the escrow account to be held until fuel was delivered.

JACKSON

LINKNER

Instead, the defendants used the escrowed funds for their own personal purposes, for operational expense, and to gamble on risky oil deals, according to plaintiff's counsel. At the same time, the defendants were purchasing quantities of jet fuel on the open market at high prices to sell to Kalitta and others. GSBD did not actually have a relationship with a refinery, and Atlantic Bank was never licensed in the United States and was shut down by the U.S. government for suspected money laundering in 2003, plaintiff's counsel stated.

The defendants' gambles did not work and eventually, they began to ask for additional advances into the escrow account. Since there was no "line of credit" with Atlantic Bank, the only money the defendants had to use was Kalitta's and their other victims' money, according to plaintiff's counsel. As soon as additional advances were requested, Kalitta demanded an accounting of the escrow account and learned that approximately $5,000,000 that should have been in the escrow account was not, plaintiff's counsel stated. Kalitta was able to recover roughly $1 million from various sources and at the time of filing the complaint was still missing roughly $4,100,000. Kalitta settled with or defaulted all parties except the three Dalaly defendants.

During trial, the jury learned that the Dalaly defendants used their fraudulent banking business to sell these $500,000,000 "lines of credit" or "Bank Comfort letters" for anywhere from $100,000 to $250,000 but there was no money behind the lines of credit, according to plaintiff's counsel. In 2010, the State of Michigan enjoined Dalaly and his companies from using the word "bank" in his business name, or representing that he was affiliated with a bank, or operating a bank. The jury also learned that at the time of trial Dalaly was still holding himself out as a bank, but now it is "Pacific Bank," plaintiff's counsel stated.

The jury found in Kalitta's favor on all counts and awarded damages in the amount of $4,100,972.89. Those damages were trebled by the jury under the count for statutory conversion under Michigan law, and also awarded by the judge on the RICO count for a total verdict of $12,302,918. The court awarded attorney fees and prejudgment interest and taxed costs for a total judgment amount of $15,100,871.

Angela L. Jackson, counsel for plaintiff, provided case information.