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2009 AUG - 7 PM 2:35

CLERK U.S. DISTRICT COURT
CENTRAL DIST. OF CALIF.
LOS ANGELES

BY

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7 Attorneys for David A. Gill, Receiver

8 UNITED STATES DISTRICT COURT
9 CENTRAL DISTRICT OF CALIFORNIA

10 CV09-0579Z DSF (Ex)
Case No.

11 DAVID A. GILL, solely in his capacity as)
Permanent Receiver in the matter of)
12 Securities and Exchange Commission vs.)
Diversified Lending Group, Inc.; Applied)
13 Equities, Inc.; Bruce Friedman and Tina)
M. Placourakis, U.S.D.C. Case No. CV)
14 09-01533-R-JTLx,)
15 Plaintiff,)
16 vs.)
17 KEVIN T. MEHLMAN,)
18 Defendant.)
19

COMPLAINT TO AVOID AND
RECOVER FRAUDULENT
TRANSFER, FOR UNJUST
ENRICHMENT, CONSTRUCTIVE
TRUST AND EQUITABLE LIEN

COPY

20
21 Plaintiff David A. Gill, Receiver, for his complaint against Defendant, says:

22 PARTIES, JURISDICTION AND VENUE

- 23 1. David A. Gill is the duly appointed Permanent Receiver (the
24 "Receiver") for Diversified Lending Group ("DLG"), Applied Equities, Inc.
25 ("AEL"), and their subsidiaries and affiliates.
26 2. Defendant Kevin T. Mehlman ("Mehlman" or the "Defendant") is, and
27 at all times mentioned herein was, a resident of Los Angeles County, California.

28 ///

1 8. On March 4, 2009, this Court granted the TRO Application and, among
2 other things, appointed David A. Gill as Temporary Receiver. Mr. Gill received the
3 Temporary Restraining Order appointing him as Temporary Receiver early on March
4 5, 2009, and, within the hour, with his counsel, accountants and field personnel, took
5 possession of the business premises of DLG and AEI in Sherman Oaks, California.
6 The order was amended and superseded by two additional orders of the Court. One,
7 entered on March 10, 2009, appointed Mr. Gill as Permanent Receiver and another,
8 entered on or about April 3, 2009, clarified the earlier orders by specifically naming
9 certain wholly owned subsidiaries and their assets as subject to administration in the
10 receivership (AEI, DLG, and their wholly owned subsidiaries are collectively
11 referred to as the "Receivership").

12 **B. The Transfer of Funds.**

13 9. The Receiver is informed and believes, and on that basis alleges that on
14 or about October 25, 2006, the Defendant, funded at least in part by DLG, purchased
15 a parcel of real property improved by a single family dwelling commonly known as
16 5740 Jumilla Avenue, Woodland Hills, CA 91367 (the "Property"). The legal
17 description of the Property is: the Lot 49 of Tract No. 13057 as per Map recorded in
18 Book 324, Pages 4 to 6 inclusive of Maps, in the Office of County Recorder of Los
19 Angeles County, California, Assessor's Parcel Number 2153-019-018.

20 10. The Receiver is informed and believes, and on that basis alleges that the
21 Property was paid for, at least in part, by DLG from investor funds, in the total
22 amount of \$310,000.00.

23 11. The Receiver is informed and believes, and on that basis alleges that
24 DLG transferred \$294,000.00 on October 25, 2006, to Encore Escrow for the
25 purchase of the Property.

26 12. The Receiver is informed and believes, and on that basis alleges that
27 DLG transferred \$16,000.00 on October 26, 2006, to Encore Escrow for the purchase
28 of the Property.

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SIXTH CLAIM FOR RELIEF

(To Impose Constructive Trust)

30. The Receiver repeats and re-alleges the allegations contained in paragraphs 1 through 27, inclusive, hereof and incorporates the same herein by this reference.

31. The Receiver is informed and believes, and based thereon alleges, that the Transfers by DLG to Mehlman constitutes identifiable and traceable property which was fraudulently transferred to the Defendant or for which title improperly remains in the Defendant, so that the Receiver is entitled to, among other things, a determination that the Defendant holds such property in trust for the benefit of the Receiver.

SEVENTH CLAIM FOR RELIEF

(For Imposition of Equitable Lien)

32. The Receiver repeats and re-alleges the allegations contained in paragraphs 1 through 27, inclusive, hereof and incorporates the same herein by this reference.

33. Based upon the above-mentioned conduct, the Receiver is entitled to impress upon the Property with equitable liens to prevent unjust enrichment, to do justice in equity and to prevent unfair results.

WHEREFORE, Receiver prays Judgment as follows:

FOR THE FIRST, SECOND, THIRD AND FOURTH AND FIFTH CLAIMS FOR RELIEF:

34. That a judgment be entered in favor of the Receiver recovering either the Property or the value thereof from the Defendants for the benefit of the Receivership, plus interest thereon at the legal rate;

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1 FOR THE SIXTH CLAIM FOR RELIEF:

2 35. For a judgment imposing a constructive trust on the Property and
3 determining that the Defendants, or each of them, hold said Property in trust for the
4 Receiver;

5 FOR THE SEVENTH CLAIM FOR RELIEF:

6 36. For a judgment imposing an equitable lien upon the Property;

7 FOR ALL CLAIMS FOR RELIEF:

8 37. For interest on the sums recovered;

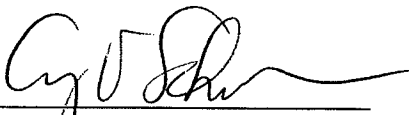
9 38. For costs of suit incurred herein; and

10 39. For all other and further relief as the Court deems just and proper.

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Dated: ^{Augt} July 5, 2009

DANNING, GILL, DIAMOND & KOLLITZ, LLP

By: 
George E. Schulman
Attorneys for David A. Gill, Receiver

**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

NOTICE OF ASSIGNMENT TO UNITED STATES MAGISTRATE JUDGE FOR DISCOVERY

This case has been assigned to District Judge Dale S. Fischer and the assigned discovery Magistrate Judge is Charles Eick.

The case number on all documents filed with the Court should read as follows:

CV09- 5797 DSF (Ex)

Pursuant to General Order 05-07 of the United States District Court for the Central District of California, the Magistrate Judge has been designated to hear discovery related motions.

All discovery related motions should be noticed on the calendar of the Magistrate Judge

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NOTICE TO COUNSEL

A copy of this notice must be served with the summons and complaint on all defendants (if a removal action is filed, a copy of this notice must be served on all plaintiffs).

Subsequent documents must be filed at the following location:

Western Division
312 N. Spring St., Rm. G-8
Los Angeles, CA 90012

Southern Division
411 West Fourth St., Rm. 1-053
Santa Ana, CA 92701-4516

Eastern Division
3470 Twelfth St., Rm. 134
Riverside, CA 92501

Failure to file at the proper location will result in your documents being returned to you.

George E. Schulman (SBN 064...)
Danning, Gill, Diamond & Kollitz, LLP
2029 Century Park East, Third Floor
Los Angeles, CA 90067
Phone (310) 277-0077 | Fax (310) 277-5735
GSchulman@dgdg.com

Attorneys for Plaintiff David A. Gill, Receiver

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

DAVID A. GILL, solely in his capacity as Permanent Receiver in the matter of Securities and Exchange Commission vs. Diversified Lending Group, Inc.; Applied Equities, Inc.; Bruce Friedman and Tina M. Placourakis, U.S.D.C. Case No. CV 09-01533-R-JTLx,

PLAINTIFF(S)

v.

KEVIN T. MEHLMAN,

DEFENDANT(S).

CASE NUMBER

CV 09-05797 DSF (EX)

SUMMONS

TO:DEFENDANT(S): Kevin T. Mehlman

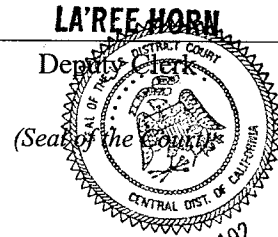
A lawsuit has been filed against you.

Within 20 days after service of this summons on you (not counting the day you received it), you must serve on the plaintiff an answer to the attached complaint _____ amended complaint counterclaim cross-claim or a motion under Rule 12 of the Federal Rules of Civil Procedure. The answer or motion must be served on the plaintiff's attorney, George E. Schulman, whose address is Danning, Gill, Diamond & Kollitz, LLP, 2029 Century Park East, Third Floor, Los Angeles, CA 90067. If you fail to do so, judgment by default will be entered against you for the relief demanded in the complaint. You also must file your answer or motion with the court.

Clerk, U.S. District Court

Dated: AUG -7 2009

By: LA'REE HORN



[Use 60 days if the defendant is the United States or a United States agency, or is an officer or employee of the United States. Allowed 60 days by Rule 12(a)(3)].

**UNITED STATES DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA
CIVIL COVER SHEET**

I (a) PLAINTIFFS (Check box if you are representing yourself <input type="checkbox"/>) David A. Gill, Reciever Danning, Gill, Diamond & Kollitz, LLP 2029 Century Park East, Third Floor Los Angeles, CA 90067	DEFENDANTS Kevin T. Mehlman
(b) Attorneys (Firm Name, Address and Telephone Number. If you are representing yourself, provide same.) George E. Schulman Danning, Gill, Diamond & Kollitz, LLP 2029 Century Park East, Third Floor Los Angeles, CA 90067 (310) 277-0077	Attorneys (If Known)

II. BASIS OF JURISDICTION (Place an X in one box only.) <input type="checkbox"/> 1 U.S. Government Plaintiff <input checked="" type="checkbox"/> 3 Federal Question (U.S. Government Not a Party) <input type="checkbox"/> 2 U.S. Government Defendant <input type="checkbox"/> 4 Diversity (Indicate Citizenship of Parties in Item III)	III. CITIZENSHIP OF PRINCIPAL PARTIES - For Diversity Cases Only (Place an X in one box for plaintiff and one for defendant.) <table style="width:100%; border: none;"> <tr> <td style="width:30%;"></td> <td style="width:10%; text-align: center;">PTF</td> <td style="width:10%; text-align: center;">DEF</td> <td style="width:40%;"></td> <td style="width:10%; text-align: center;">PTF</td> <td style="width:10%; text-align: center;">DEF</td> </tr> <tr> <td>Citizen of This State</td> <td align="center"><input checked="" type="checkbox"/> 1</td> <td align="center"><input checked="" type="checkbox"/> 1</td> <td>Incorporated or Principal Place of Business in this State</td> <td align="center"><input type="checkbox"/> 4</td> <td align="center"><input type="checkbox"/> 4</td> </tr> <tr> <td>Citizen of Another State</td> <td align="center"><input type="checkbox"/> 2</td> <td align="center"><input type="checkbox"/> 2</td> <td>Incorporated and Principal Place of Business in Another State</td> <td align="center"><input type="checkbox"/> 5</td> <td align="center"><input type="checkbox"/> 5</td> </tr> <tr> <td>Citizen or Subject of a Foreign Country</td> <td align="center"><input type="checkbox"/> 3</td> <td align="center"><input type="checkbox"/> 3</td> <td>Foreign Nation</td> <td align="center"><input type="checkbox"/> 6</td> <td align="center"><input type="checkbox"/> 6</td> </tr> </table>		PTF	DEF		PTF	DEF	Citizen of This State	<input checked="" type="checkbox"/> 1	<input checked="" type="checkbox"/> 1	Incorporated or Principal Place of Business in this State	<input type="checkbox"/> 4	<input type="checkbox"/> 4	Citizen of Another State	<input type="checkbox"/> 2	<input type="checkbox"/> 2	Incorporated and Principal Place of Business in Another State	<input type="checkbox"/> 5	<input type="checkbox"/> 5	Citizen or Subject of a Foreign Country	<input type="checkbox"/> 3	<input type="checkbox"/> 3	Foreign Nation	<input type="checkbox"/> 6	<input type="checkbox"/> 6
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Citizen or Subject of a Foreign Country	<input type="checkbox"/> 3	<input type="checkbox"/> 3	Foreign Nation	<input type="checkbox"/> 6	<input type="checkbox"/> 6																				

IV. ORIGIN (Place an X in one box only.)

1 Original Proceeding
 2 Removed from State Court
 3 Remanded from Appellate Court
 4 Reinstated or Reopened
 5 Transferred from another district (specify):
 6 Multi-District Litigation
 7 Appeal to District Judge from Magistrate Judge

V. REQUESTED IN COMPLAINT: JURY DEMAND: Yes No (Check 'Yes' only if demanded in complaint.)

CLASS ACTION under F.R.C.P. 23: Yes No **MONEY DEMANDED IN COMPLAINT:** \$ 294,000.00

VI. CAUSE OF ACTION (Cite the U. S. Civil Statute under which you are filing and write a brief statement of cause. Do not cite jurisdictional statutes unless diversity.)
 15 U.S.C. § 77v(a), 15 U.S.C. § 78aa

VII. NATURE OF SUIT (Place an X in one box only.)

OTHER STATUTES <input type="checkbox"/> 410 Add State Bar and Barning <input type="checkbox"/> 430 Bankruptcy <input type="checkbox"/> 450 Commerce/ICC Rates/etc. <input type="checkbox"/> 460 Deportation <input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations <input type="checkbox"/> 480 Consumer Credit <input type="checkbox"/> 490 Cable/Sat TV <input type="checkbox"/> 810 Selective Service <input type="checkbox"/> 850 Securities/Commodities/Exchange <input type="checkbox"/> 875 Customer Challenge 12 USC 3410 <input type="checkbox"/> 890 Other Statutory Actions <input type="checkbox"/> 891 Agricultural Act <input type="checkbox"/> 892 Economic Stabilization Act <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 894 Energy Allocation Act <input type="checkbox"/> 895 Freedom of Info. Act <input type="checkbox"/> 900 Appeal of Fee Determination Under Equal Access to Justice <input type="checkbox"/> 950 Constitutionality of State Statutes	CONTRACT <input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 151 Medicare Act <input type="checkbox"/> 152 Recovery of Defaulted Student Loan (Excl. Veterans) <input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits <input type="checkbox"/> 160 Stockholders' Suits <input type="checkbox"/> 190 Other Contract <input type="checkbox"/> 195 Contract Product Liability <input type="checkbox"/> 196 Franchise REAL PROPERTY <input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 220 Foreclosure <input type="checkbox"/> 230 Rent Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 290 All Other Real Property	TORTS PERSONAL INJURY <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Fed. Employers' Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury <input type="checkbox"/> 362 Personal Injury-Med Malpractice <input type="checkbox"/> 365 Personal Injury-Product Liability <input type="checkbox"/> 368 Asbestos Personal Injury Product Liability IMMIGRATION <input type="checkbox"/> 462 Naturalization Application <input type="checkbox"/> 463 Habeas Corpus-Alien Detainee <input type="checkbox"/> 465 Other Immigration Actions	TORTS PERSONAL PROPERTY <input checked="" type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability BANKRUPTCY <input type="checkbox"/> 22 Appeal 28 USC 158 <input type="checkbox"/> 423 Withdrawal 28 USC 157 CIVIL RIGHTS <input type="checkbox"/> 441 Voting <input type="checkbox"/> 442 Employment <input type="checkbox"/> 443 Housing/Accommodations <input type="checkbox"/> 444 Welfare <input type="checkbox"/> 445 American with Disabilities - Employment <input type="checkbox"/> 446 American with Disabilities - Other <input type="checkbox"/> 440 Other Civil Rights	PRISONER PETITIONS <input type="checkbox"/> 510 Motions to Vacate Sentence Habeas Corpus <input type="checkbox"/> 530 General <input type="checkbox"/> 535 Death Penalty <input type="checkbox"/> 540 Mandamus/Other <input type="checkbox"/> 550 Civil Rights <input type="checkbox"/> 555 Prison Condition FORFEITURE / PENALTY <input type="checkbox"/> 610 Agriculture <input type="checkbox"/> 620 Other Food & Drug <input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> 630 Liquor Laws <input type="checkbox"/> 640 R.R. & Truck <input type="checkbox"/> 650 Airline Regs <input type="checkbox"/> 660 Occupational Safety /Health <input type="checkbox"/> 690 Other	LABOR <input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor/Mgmt. Relations <input type="checkbox"/> 730 Labor/Mgmt. Reporting & Disclosure Act <input type="checkbox"/> 740 Railway Labor Act <input type="checkbox"/> 790 Other Labor Litigation <input type="checkbox"/> 791 Empl. Ret. Inc. Security Act PROPERTY RIGHTS <input type="checkbox"/> 820 Copyrights <input type="checkbox"/> 830 Patent <input type="checkbox"/> 840 Trademark SOCIAL SECURITY <input type="checkbox"/> 61 HIA(1395ff) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DIWC/DIWW 405(g) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI (405(g)) FEDERAL TAX SUITS <input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> 871 IRS-Third Party 26 USC 7609
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FOR OFFICE USE ONLY: Case Number: _____

AFTER COMPLETING THE FRONT SIDE OF FORM CV-71, COMPLETE THE INFORMATION REQUESTED BELOW.