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1 GEORGE E. SCHULMAN (State Bar No. 064572)
gschulman@dgdk.com
2 KATHY BAZOIAN PHELPS (State Bar No. 155564)
kphelps@dgdk.com
3 GILBERT MIKALIAN (State Bar No. 244690)
gmikalian@dgdk.com
4 DANNING, GILL, DIAMOND & KOLLITZ, LLP
2029 Century Park East, Third Floor
5 Los Angeles, California 90067-2904
Telephone: (310) 277-0077
6 Facsimile: (310) 277-5735

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

BY: _____

7 Attorneys for David A. Gill, Receiver

8 UNITED STATES DISTRICT COURT
9 CENTRAL DISTRICT OF CALIFORNIA

10

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.)
14 CV 09-01533-R-SS,

Case No. **CV 10-01468-VBF**
(ASWx)

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

15 Plaintiff,

16 vs.

17 PETROREAL ENERGY, INC., a)
Canadian corporation, fka PETROREAL)
18 OIL CORPORATION; PETROREAL OF)
AMERICA, INC. a Nevada corporation;)
19 PETROREAL OF LOUISIANA, LLC, a)
Louisiana limited liability company; and)
20 LENDERS DEPOT, INC., a California)
corporation,

21 Defendants.

22

23
24 Plaintiff David A. Gill, Receiver, for his complaint against Defendants, says:

25 **PARTIES, JURISDICTION AND VENUE**

26 1. David A. Gill is the duly appointed Permanent Receiver (the
27 "Receiver") for Diversified Lending Group, Inc. ("Diversified"), Applied Equities,
28 Inc. ("Applied Equities"), and their subsidiaries and affiliates, including but not

COPY

1 limited to MMHIM, Inc., DLG International, a Panamanian company, and SunWest
2 Bottlers, LLC.

3 2. Defendant PetroReal Energy, Inc., f/k/a PetroReal Oil Corporation
4 ("PetroReal Oil") was at all times mentioned herein an entity organized under the
5 laws of Canada.

6 3. Defendant PetroReal of America, Inc. ("PetroReal America"), was at all
7 times mentioned herein an entity organized under the laws of the State of Nevada.

8 4. Defendant PetroReal of Louisiana, LLC ("PetroReal Louisiana"), is a
9 Louisiana limited liability company. (Collectively, PetroReal Oil, PetroReal
10 America, and PetroReal Louisiana will be referred to herein as the "Defendants" or
11 "PetroReal.")

12 5. Defendant Lenders Depot, Inc. ("Lenders Depot"), is a California
13 corporation whose primary place of business is in Riverside County, California.

14 6. PetroReal Oil and Lenders Depot entered into a commitment letter dated
15 December 13, 2003.

16 7. This Court has jurisdiction over this proceeding under 15 U.S.C.
17 § 77v(a), 15 U.S.C. § 78aa, and Cal. Civ. Code § 3439.04 because the proceeding is
18 ancillary to the case *Securities and Exchange Commission vs. Diversified Lending*
19 *Group, Inc.; Applied Equities, Inc.; Bruce Friedman and Tina M. Placourakis*,
20 presently pending before the United States District Court as Case No. CV 09-01533-
21 R-SS (the "SEC Action").

22 8. Venue is proper in this Court pursuant to 28 U.S.C. § 1391.
23

24 GENERAL ALLEGATIONS

25 A. The SEC Action

26 9. On March 4, 2009, the Securities and Exchange Commission ("SEC")
27 filed a Complaint (the "Complaint") in the SEC Action, alleging two fraud claims for
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1 relief against Diversified, Applied Equities, and Bruce Friedman, as well as Relief
2 Defendant Tina M. Placourakis.

3 10. The Complaint alleged, among other things, that Diversified, Applied
4 Equities and Bruce Friedman perpetrated an ongoing fraudulent investment scheme
5 whereupon Diversified raised at least \$216 million by offering and selling securities
6 in the form of one or five year "Secured Investment Notes" to numbers of investors
7 nationwide, many of whom are older Americans. The Complaint further alleged that
8 Diversified did not invest Diversified investor money as represented; rather, it
9 diverted a substantial amount of investor money to undisclosed business ventures or
10 investments, as well as to Bruce Friedman and his family members and friends.

11 11. At the time it filed the Complaint, the SEC also filed in the SEC Action
12 an ex parte application (the "TRO Application") for a temporary restraining order
13 and for orders: (1) freezing assets, (2) appointing a temporary receiver, (3)
14 prohibiting the destruction of documents, (4) granting expedited discovery, and (5)
15 requiring accountings, and for an order to show cause re preliminary injunction and
16 appointment of a permanent receiver.

17 12. On March 4, 2009, this Court granted the TRO Application and, among
18 other things, appointed David A. Gill as Temporary Receiver. Mr. Gill received the
19 Temporary Restraining Order appointing him as Temporary Receiver early on March
20 5, 2009, and, within the hour, with his counsel, accountants and field personnel, took
21 possession of the business premises of Diversified and Applied Equities in Sherman
22 Oaks, California. The order was amended and superseded by two additional orders
23 of the Court. One, entered on March 10, 2009, appointed Mr. Gill as Permanent
24 Receiver and another, entered on or about March 31, 2009, clarified the earlier orders
25 by specifically naming certain wholly owned subsidiaries and their assets as subject
26 to administration in the receivership (Diversified, Applied Equities, and their
27 subsidiaries and affiliates are collectively referred to as the "Receivership Entities").
28

1 **B. The Ponzi Scheme**

2 13. Diversified was formed on May 18, 2004, by Friedman, but it has been
3 represented that its business had been conducted by Friedman since about 1983.

4 14. Friedman was convicted of grand theft in 1981 and was incarcerated for
5 about 23 months. Friedman also filed for personal bankruptcy in April 1993, and
6 received a discharge. In 2000, the United States Attorney for the Southern District of
7 New York filed a criminal complaint against Friedman alleging that he had
8 committed wire fraud, which was dismissed.

9 15. Diversified, Friedman, among others, solicited and obtained
10 approximately \$227,844,000 million of investor deposits between 2004 and March 4,
11 2009 (the "Investor Funds"), from the investors in Diversified (the "Diversified
12 investors").

13 16. On or about December 16, 2008, with the assistance of the law firm of
14 Kirkland & Ellis, Friedman sent a letter to the Diversified investors advising them of
15 his criminal conviction, personal bankruptcy filing, and the wire fraud allegations.

16 17. Diversified, through its employees, officers, insiders, and sales people,
17 was run as a classic Ponzi scheme throughout its existence up until the time of the
18 appointment of the Receiver on March 4, 2009. Diversified, either directly or
19 through the actions of Friedman and others, solicited investments from individuals
20 and trusts, offering them above-market guaranteed or insured rates of return, and
21 representing to them that their funds would be used in the operation of Diversified's
22 business of investing in income producing "scratch and dent" real estate properties.

23 18. Diversified, through its employees, officers, insiders, and sales people,
24 represented to its investors that its business operations consisted of the "acquisition
25 and operation of income producing property, insurance and financial service
26 brokerage business and private investment pools." Diversified and Friedman, among
27 others, further represented to its investors that Diversified and its subsidiaries
28 "engaged in asset management, real estate lending and other financial services."

1 19. Diversified, through its employees, officers, sales people and others,
2 further represented that its programs were safe and falsely assured investors that their
3 investments were secure. In marketing and selling its investment product,
4 Diversified, through its employees, officers and sales people, repeatedly touted the
5 program's safety and security and consistent high returns on its investment portfolio.

6 20. Diversified and its officers, employees, sales people and others prepared
7 and delivered to Diversified investors a monthly Investor Information Sheet
8 containing an "Investment Overview" which stated that Diversified's "investment
9 philosophy is built on the following three pillars:

- 10 i. Preservation of our investors' capital
- 11 ii. Delivering absolute returns
- 12 iii. Having lower volatility than major traditional indices.

13 To meet these objectives, Diversified Lending Group uses only investments in
14 Income Stream Real Estate. . ." A sample of one the monthly Investor Information
15 Sheets, for the month ended September 20, 2008, is attached hereto as Exhibit "1".

16 21. Diversified and Friedman, among others, further provided financial
17 statements to interested investors and others which were materially false.

18 22. Contrary to the representations of Diversified and Friedman, as well as
19 others, regarding the alleged portfolio of real property, Diversified did not use any of
20 the Investor Funds to purchase any income producing "scratch and dent" real
21 properties. In fact, Diversified did not purchase any such property at any time.

22 23. Instead, significant portions of the Investor Funds were misappropriated
23 by Diversified and Friedman and were either placed in speculative investments
24 (many of them illiquid, such as private loan and equity deals), diverted to Friedman
25 and other Diversified insiders, and used to finance Friedman's lavish lifestyle (e.g.,
26 jet planes, vacation homes, luxury cars, travel, gambling, company credit card, etc.).
27 Friedman also made loans and gifts to family and friends totaling over \$10 million.
28

1 24. Diversified also paid over \$37,833,000 of the Investor Funds to certain
2 Diversified investors as fictitious returns on their investments, in order to induce
3 them and other investors into making further investments.

4 25. Diversified, Applied Equities and others represented that Applied
5 Equities was Diversified's "Investment Servicing Division".

6 26. Diversified, either directly or through its officers, employees, sales
7 people and others, offered two investment options to the Diversified investors.

8 27. One option offered the Diversified investors a promissory note bearing a
9 12% interest rate with a corporate guarantee of both the principal and the promised
10 interest. Diversified represented that investors placing their money in the 12%
11 investment program (the "12% Program") would receive a securitized note and
12 would receive a guaranteed annual return of 12%. The corporate guaranty was
13 illusory because it was from Diversified. These notes bore maturities of 1 or 5 years.

14 28. The second investment option offered the Diversified investors a
15 promissory note bearing a 9% interest rate, with an endorsement that the principal
16 amount of the investment "will be insured by a AA rated or better insurance
17 company" (the "9% Program"). In some instances, it was specifically represented
18 that the principal was insured by Jackson National or American National Insurance
19 Company.

20 29. The 9% Program provided that the investors in that program would
21 receive a collateral assignment of annuities issued by Jackson National in which
22 Diversified was the owner (the "Collateral Assignments"). Diversified's marketing
23 materials explained that the reinsurance of the principal amount was to be
24 accomplished by the Collateral Assignments.

25 30. In order to provide the Collateral Assignments, Diversified would
26 purchase an annuity at Jackson National through Diane Cano ("Cano"), as an
27 authorized representative of Jackson National, and Cano would then prepare a
28

1 collateral assignment of the annuity to the investor who had invested in the 9%
2 Program.

3 31. Although it was represented to the Diversified investors in the 9%
4 Program that their principal investment would be 100% secured by the Collateral
5 Assignment, in most instances the annuity that was purchased by Diversified through
6 Cano was only funded in an amount of 10% of the principal amount invested, not
7 100%. Friedman, Cano and others knew that the annuities were funded with only
8 10% of the principal amount of investments, and Friedman and Cano also knew that
9 Diversified was representing that the principal amounts were fully reinsured by
10 Jackson National. Cano was responsible for preparing the Collateral Assignments on
11 Jackson National forms.

12 32. In order to entice investors to invest in the 9% Program and the 12%
13 Program, Diversified disseminated information circulars to prospective investors.
14 For example, an Information Circular dated July 2007, represented, among other
15 things, that Diversified had assets of \$501,242,761 as of December 31, 2005, and
16 assets of \$571,679,792 as of December 31, 2006. The July 2007 Information
17 Circular further stated that Diversified had revenue of \$161,786,242 as of December
18 31, 2005, and revenue of \$197,105,784 as of December 31, 2006. A copy of the July
19 2007 Information Circular is attached hereto as Exhibit "2".

20 33. In 2008, Diversified retained the law firm of Kirkland & Ellis to prepare
21 a private placement memorandum so that the notes could be sold under an exemption
22 to the securities laws.

23 34. Diversified disseminated a Private Placement Memorandum dated
24 October 1, 2008 (the "October 2008 PPM"), which contained false financial
25 statements. A copy of the October 2008 PPM is attached hereto as Exhibit "3". The
26 October 2008 PPM misrepresented, among other things, that Diversified had
27 \$501,242,761 in assets under management as of December 31, 2005, \$571,679,792
28 in assets under management as of December 31, 2006, and \$655,463,336 in assets

1 under management as of December 31, 2007. Diversified did not have assets worth
2 anywhere near these amounts in 2005, 2006 and 2007, or at any time. The October
3 2008 PPM also misrepresented that Diversified had revenue of \$161,786,242 as of
4 December 31, 2005, \$197,105,784 of revenue as of December 31, 2006, and revenue
5 of \$268,982,326 as of December 31, 2007. Diversified never had revenue anywhere
6 near the represented sums.

7 35. The October 2008 PPM did not disclose Friedman's prior criminal
8 felony conviction, his bankruptcy, or the wire fraud charges.

9 36. On or about December 16, 2008, with the assistance of Kirkland &
10 Ellis, Diversified sent a letter from Friedman to its investors disclosing for the first
11 time that Friedman had served approximately two years in prison on a conviction for
12 grand theft of personal property, that he had filed for personal bankruptcy in April
13 1993, and that a criminal complaint had been filed against him in 2000 for wire
14 fraud, which complaint was subsequently dismissed. Diversified's letter additionally
15 disclosed that it had been the subject of securities investigations in the states of
16 Michigan, Arkansas and Wisconsin. Additionally, Diversified falsely stated that it
17 had engaged Deloitte & Touche LLP as an independent auditor, and falsely stated
18 that Deloitte & Touche LLP had declined the engagement.

19 37. Diversified provided statements to its investors on a quarterly basis.
20 The statements contained reports that the value of their accounts was increasing and
21 reflected false profits.

22 38. During the scheme, some Diversified investors requested distributions
23 of their profits identified on statements sent to them, which were in reality fictitious
24 profits. Diversified had dissipated the investors' principal and had not made any
25 profits. However, in order to conceal the ongoing fraud and in order to bolster the
26 false representations of profits, Diversified paid to certain investors the amounts of
27 fictitious profits reflected in the falsified statements, including both the dissipated
28 principal and fictitious profits.

1 39. Between 2004 and March 4, 2009, Diversified paid at least \$37,833,000
2 of the Investor Funds obtained from new investments made in Diversified to earlier
3 investors as fictitious profits. Virtually none of the funds paid back to investors were
4 funds obtained from legitimate business operations of Diversified, and none of those
5 funds were from revenues from income producing properties.

6 40. Some of the Diversified investors who received payments of fictitious
7 profits or return of principal later re-invested funds with Diversified.

8 41. Diversified used funds deposited by new investors and new investments
9 from existing customers to continue operations and to make distributions to earlier
10 investors or to make other transfers. Since new funds were used to pay requests for
11 distributions to older investors, Diversified did not have sufficient funds from
12 income to repay the principal amounts due to the new investors. Diversified was
13 only able to continue operations by using the principal invested by new investors to
14 pay the old investors.

15 42. The money obtained from new investments was used to keep the
16 operation going, and to enrich Friedman, as well as other insiders. Friedman, with
17 the substantial assistance of other insiders, was able to maintain the fraud, attracting
18 millions of dollars of investments and then paying off older investors with new
19 monies that he fraudulently obtained from new investors.

20 43. For all relevant time periods, Diversified operated its business as a
21 Ponzi scheme and concealed the ongoing fraud in an effort to hinder, delay and
22 defraud its current and prospective investors and other creditors from discovering the
23 fraud.

24 44. Diversified used registered brokers, unregistered sales people and
25 insurance agents (the "Sales People") to solicit new investor funds in furtherance of
26 the fraudulent scheme, whereby Diversified would use new investor funds to pay
27 promised returns to earlier investors. Over a six-year period, these Sales People
28 received commissions ranging in amounts up to over \$1.7 million each, to promote

1 the sales of Diversified's investment products. Collectively, these Sales People and
2 others received more than \$16 million in commissions and other compensation paid
3 from the Investor Funds during that period.

4 45. Commissions paid to Sales People in connection with the fraudulent
5 Ponzi scheme described above were transferred by Diversified solely for the purpose
6 of concealing and perpetuating the fraudulent scheme. The commissions were not
7 paid from legitimate investment returns or returns of principal but were paid from
8 funds supplied by other investors who invested new funds after the earlier investors
9 had invested their funds. The Sales People did not perform services (or performed
10 only services that were in furtherance of the fraudulent scheme) in exchange for
11 these payments. Therefore, the Sales People do not have any rightful ownership
12 interest that could justify their retaining possession of these funds, which are
13 properly considered assets of the Receivership Estate.

14 46. The notes sold by Diversified were securities. Until at least September
15 15, 2008, all sales were illegal. The Sales People were paid commissions for the
16 sales of unregistered securities not subject to any exemption.

17 47. The Ponzi scheme collapsed when the requests for withdrawals
18 exceeded the flow of new investments which was a result of, among other things:
19 Friedman's disclosure by letter to Diversified investors that he was a convicted felon
20 and had previously filed bankruptcy, thereby significantly slowing down the inflow
21 of new investor funds; new investor funds were hard to attract due to the collapse of
22 the financial markets in 2008; and Diversified was the subject of securities fraud
23 investigations in at least three states.

24 48. At all relevant times herein, the liabilities of Diversified were
25 significantly greater than the assets of Diversified.

26 49. At all relevant times herein, Diversified was insolvent in that (i) its
27 assets were worth less than the value of its liabilities; (ii) it could not meet its
28

1 obligations as they came due; and (iii) at the time of the transfers, it was left with
2 insufficient capital.

3 **C. Facts Relating to Ponzi Proceeds Taken By Bruce Friedman**

4 50. During all relevant times herein, Friedman was considered a successful
5 businessman. However, Friedman operated a Ponzi scheme by using Diversified and
6 its false investment program in order to generate over \$227,844,000 in investor
7 funds, much of which he used to fund his lavish lifestyle and his pet projects, often
8 involving family members and friends.

9 51. During the years 2004 through 2009, Friedman withdrew cash from
10 Diversified in the amount of at least \$943,831.

11 52. Friedman paid personal credit card bills of himself and a woman
12 sometimes identified as his wife, Wendy Mehlman, in the amount of at least
13 \$830,491.

14 53. Friedman purchased jewelry for himself and family members using
15 Diversified Ponzi proceeds in the amount of at least \$1,480,509.67.

16 54. Friedman purchased numerous vehicles for himself and his family
17 members using Diversified Ponzi proceeds in the amount of at least \$1,418,739.75.

18 55. Friedman used at least \$530,000.69 of Diversified Ponzi proceeds to
19 shop for himself and buy gifts for others.

20 56. Friedman purchased artwork for himself and family members using
21 Diversified Ponzi proceeds in the amount of at least \$76,036.64.

22 57. Friedman spent at least \$1,244,353.25 of Diversified Ponzi proceeds for
23 hotels and gambling losses at casinos.

24 58. Friedman spent at least \$538,131.24 of Diversified Ponzi proceeds for
25 travel.

26 59. Friedman spent at least \$681,357.26 of Diversified Ponzi proceeds for
27 food and entertainment for himself and his family and friends.

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1 60. Friedman purchased interests or leases in airplanes for his and his
2 family and friends' private use using Diversified Ponzi proceeds in the amount of at
3 least \$8,893,737.39.

4 61. Friedman used at least \$4,876,078.64 of Diversified Ponzi proceeds to
5 make contributions to various charitable organizations.

6 62. Friedman used at least \$610,206.27 of Diversified Ponzi proceeds for
7 personal expenses, and another \$396,069.24 of Diversified Ponzi proceeds were used
8 for unknown purposes.

9 63. Friedman used at least \$1,089,828 of Diversified Ponzi proceeds to pay
10 premiums for his own personal life insurance policies.

11 64. Diversified acquired a house in the name of MMHIM, Inc., a subsidiary
12 of Diversified, located at 31610 Broad Beach, Malibu, California, which was
13 purchased and improved using Diversified Ponzi proceeds in the amount of at least
14 \$8,460,699.40. The Receiver is informed and believes Friedman intended to live in
15 the house.

16 65. Diversified acquired a house in the name of MMHIM, Inc., located at
17 127 North Mountain Rd., Montclair, New Jersey, which was purchased using
18 Diversified Ponzi proceeds in the amount of at least \$668,311.14.

19 66. Friedman owned a house in his own name located at 174 Upper
20 Mountain Ave., Montclair, New Jersey, which he purchased using Diversified Ponzi
21 proceeds in the amount of at least \$2,945,845.29.

22 67. Friedman owned a 50% interest in 55 Edgemere LLC, which owned the
23 residential property located at 55 Edgemere, Greenwood Lake, New York, which he
24 purchased and improved using Diversified Ponzi proceeds in the amount of at least
25 \$634,564.18.

26 68. Friedman had an agreement regarding ownership in a condominium in
27 Cancun Mexico, which he purchased and furnished using Diversified Ponzi proceeds
28 in the amount of at least \$328,500.

1 69. Friedman made an unsecured loan of at least \$6 million of Diversified
2 Ponzi proceeds to his cousin, Mark Friedman.

3 70. Friedman made an unsecured loan to a friend, Robert Fields, for at least
4 \$250,000 using Diversified Ponzi proceeds and then advised Fields that he need not
5 pay back the loan.

6 71. Friedman paid at least \$4.3 million of Diversified Ponzi proceeds in an
7 undocumented transaction to Wind Options, LLC, a company in which his brother,
8 Gary Friedman, owns an interest and made other payments for the benefit of Wind
9 Options and Gary Friedman, bringing the total paid to or for the benefit of this
10 business to at least \$5,503,415.

11 72. Friedman diverted at least \$1.3 million of Diversified Ponzi proceeds to
12 fund the purchase of a house in the name of the Chief Financial Officer of
13 Diversified and friend, Karen O'Callaghan (O'Callaghan). O'Callaghan
14 subsequently refinanced the house and pulled out \$500,000 of equity, the use of
15 which she has concealed.

16 73. Friedman diverted at least \$1.3 million of Diversified Ponzi proceeds to
17 fund the purchase of a house in the name of his assistant and friend, Kevin Keller.

18 74. Friedman diverted at least \$310,480 of Diversified Ponzi proceeds to
19 fund part of the purchase of a house in the name of his son-in-law Kevin Mehlman.

20 75. Friedman diverted at least \$325,772 of Diversified Ponzi proceeds to
21 fund part of the purchase of a house in the name of his daughter, Shawna Friedman.

22 76. Friedman diverted at least \$471,314 of Diversified Ponzi proceeds to
23 fund part of the purchase of a house in the name of his daughter-in-law, Julie
24 Sitomer, aka Julie Melhman, and her husband.

25 **D. The Transfers to Lenders Depot**

26 77. From July through November 2005, Diversified, using investor funds,
27 paid the sum of not less than \$256,524.00 to Lenders Depot (the "Lender Depot
28 Transfers"). Specifically, the Lenders Depot Transfers are as follows:

<u>Clear Date</u>	<u>Payee</u>	<u>Amount</u>
07/29/2005	Lenders Depot, Inc.	\$25,000.00
08/08/2005	Lenders Depot, Inc.	\$81,524.00
08/23/2005	Lenders Depot, Inc.	\$50,000.00
11/07/2005	Lenders Depot, Inc.	<u>\$100,000.00</u>
Sub-Total		\$256,524.00

E. The Transfers to PetroReal on Behalf of Lenders Depot

78. On May 10, 2004, PetroReal Oil filed a complaint against Lenders Depot, Inc., for breach of contract, failure to deal in good faith, and unjust enrichment in the matter *International PetroReal Oil Corporation v. Lenders Depot Inc.*, in U.S. District Court for the Eastern District of Louisiana, case number 2:04-cv-01348-KDE-JCW ("PetroReal Action").

79. On December 22, 2004, PetroReal Oil filed its Supplemental and Amended Complaint wherein PetroReal America and PetroReal Louisiana were added as additional plaintiffs in the PetroReal Action alleging the identical claims for relief against Lenders Depot based on a commitment letter entered into by.

80. In the PetroReal Action, PetroReal's attorneys of record were James M. Jacobs and Ronald J. White from Liskow & Lewis, a Louisiana professional law corporation.

81. On March 7, 2005, PetroReal filed its Second Supplemental and Amended Complaint wherein Bruce Friedman was added as an additional defendant in the PetroReal Action.

82. On or about March 9, 2005, Lenders Depot and PetroReal reached an agreement whereby PetroReal Oil was to be paid the sum of \$500,000 by Lenders Depot in settlement of the PetroReal Action (the "Settlement Agreement").

83. On March 11, 2005, an Order of Dismissal was entered in the PetroReal Action based on a compromise reached by all parties to that action.

1 84. On May 27, 2005, a Judgment was entered in the PetroReal Action in
2 favor of PetroReal Oil and against only Lenders Depot for the sum of \$500,000.00
3 (the "Judgment").

4 85. From June through December 2005, Diversified paid the sum of no less
5 than \$511,877.27 to Lenders Depot's attorneys, for the benefit of PetroReal Oil and
6 Lenders Depot, in satisfaction of the Judgment against Lenders Depot (the
7 "PetroReal Transfers"). Specifically, the transfers are as follows:

<u>Clear Date</u>	<u>Payee</u>	<u>Amount</u>
06/13/2005	Liskow & Lewis	\$50,000.00
07/18/2005	Liskow & Lewis	\$10,000.00
07/22/2005	Liskow & Lewis	\$200,000.00
07/26/2005	Liskow & Lewis	\$150,000.00
12/19/2005	Liskow & Lewis	<u>\$101,877.27</u>
Sub-Total		\$511,877.27

13
14 86. The Transfers were made by Diversified on behalf of Lenders Depot
15 pursuant to the Settlement Agreement so that Lenders Depot would be dismissed as a
16 defendant in the PetroReal Action.

17 87. PetroReal accepted the Transfers from Diversified which were made on
18 behalf of Lenders Depot.

19 88. On August 19, 2005, the PetroReal Action was dismissed in its entirety.

20 89. On August 22, 2005, PetroReal filed its Satisfaction of Judgment as to
21 Lenders Depot.

22 **FIRST CLAIM FOR RELIEF**

23 **(For Avoidance and Recovery of Fraudulent Transfers)**

24 **(Against All Defendants)**

25 90. The Receiver repeats and re-alleges the allegations contained in
26 paragraphs 1 through 89, inclusive, hereof and incorporates the same herein by this
27 reference.

28

1 **THIRD CLAIM FOR RELIEF**

2 **(For Avoidance and Recovery of Fraudulent Transfers)**

3 **(Against All Defendants)**

4 97. The Receiver repeats and re-alleges the allegations contained in
5 paragraphs 1 through 89, inclusive, hereof and incorporates the same herein by this
6 reference.

7 98. The Receiver is informed and believes, and based thereon alleges, that
8 when Diversified made the Lenders Depot Transfers and PetroReal Transfers, it was
9 engaged in, or was about to engage in, business or a transaction, for which any
10 property remaining with Diversified was an unreasonably small capital.

11 99. The Receiver is entitled to avoid the Lenders Depot Transfers and
12 PetroReal Transfers under California Civil Code section 3439.04(b)(1).
13 Furthermore, under California Civil Code section 3439.08, the Receiver is entitled to
14 recover from the Defendant the value of the Lenders Depot Transfers and PetroReal
15 Transfers plus interest thereon as allowed by law.

16 **FOURTH CLAIM FOR RELIEF**

17 **(For Avoidance and Recovery of Fraudulent Transfers)**

18 **(Against All Defendants)**

19 100. The Receiver repeats and re-alleges the allegations contained in
20 paragraphs 1 through 89, inclusive, hereof and incorporates the same herein by this
21 reference.

22 101. The Receiver is informed and believes, and based thereon alleges, that
23 when Diversified made the Lenders Depot Transfers and PetroReal Transfers, it had
24 already incurred, or believed or reasonably should have believed that it would incur,
25 debts that would be beyond its ability to pay as such debts matured.

26 102. The Receiver is entitled to avoid the Lenders Depot Transfers and
27 PetroReal Transfers under California Civil Code section 3439.04(b)(2).

28 Furthermore, under California Civil Code section 3439.08, the Receiver is entitled to

1 recover from the Defendants the property transferred to them or the value of the
2 Lenders Depot Transfers and PetroReal Transfers plus interest thereon as allowed by
3 law.

4 **FIFTH CLAIM FOR RELIEF**

5 **(To Avoid Unjust Enrichment)**

6 **(Against All Defendants)**

7 103. The Receiver repeats and re-alleges the allegations contained in
8 paragraphs 1 through 89, inclusive, hereof and incorporates the same herein by this
9 reference.

10 104. The Receiver is informed and believes, and based thereon alleges, that
11 as a result of the Lenders Depot Transfers and PetroReal Transfers herein alleged,
12 the Defendants have been unjustly enriched, so that the Receiver is entitled to
13 recover from the Defendants the property transferred to them or the value of the
14 Transfers plus interest thereon at the legal rate.

15 **SIXTH CLAIM FOR RELIEF**

16 **(To Impose Constructive Trust)**

17 **(Against All Defendants)**

18 105. The Receiver repeats and re-alleges the allegations contained in
19 paragraphs 1 through 104, inclusive, hereof and incorporates the same herein by this
20 reference.

21 106. The Receiver is informed and believes, and based thereon alleges, that
22 the Lenders Depot Transfers and PetroReal Transfers by Diversified to Defendants
23 constitutes identifiable and traceable property which was fraudulently transferred to
24 the Defendants so that the Receiver is entitled to, among other things, a
25 determination that the Defendants holds such property in trust for the benefit of the
26 Receiver.

1 **FOR ALL CLAIMS FOR RELIEF:**

2 112. For interest on the sums recovered;

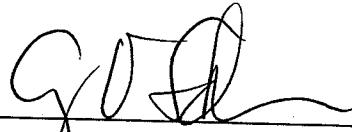
3 113. For costs of suit incurred herein; and

4 114. For all other and further relief as the Court deems just and proper.

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6 Dated: February 26, 2010

DANNING, GILL, DIAMOND & KOLLITZ, LLP

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9 By:



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

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