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8 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**  
9 **FOR THE COUNTY OF ORANGE-CENTRAL JUSTICE CENTER**

10 JESSIE RODRIGUEZ, an individual; JOSH ) Case No.: 30-2022-01282981-CU-FR-CJC  
11 PAINTER, an individual; J. PAINTER, INC., a )  
12 California Corporation; J. PAINTER REAL ) **Assigned for all purposes to:**  
13 ESTATE, LLC, a California limited liability ) **Judge Melissa R. McCormick**  
14 company; AMY GREEN, individually and as )  
15 trustee of the Amy Green Trust u/a/d May 15, ) **COMPLAINT FOR:**  
16 2001; DANNY MOREL, an individual; AVANCE )  
17 REAL ESTATE INC., a California Corporation; )  
18 JOSE ZAVALZA, an individual; ZMR REAL ) **(1) Fraud;**  
19 ESTATE, INC., a California Corporation; OSCAR ) **(2) Breach of Contract-Asset Purchase**  
20 MENDOZA, an individual; JASON LUCERO, an ) **Agreement;**  
21 individual; LMM REAL ESTATE, INC., a ) **(3) Breach of Contract-Operating Agreement;**  
22 California Corporation, ) **and**  
23 ) **(4) Declaratory Relief**

24 Plaintiffs,

25 vs.

**DEMAND FOR JURY TRIAL**

26 MICHAEL MAHON, an individual; OBIE )  
27 WALLI, an individual; ELI REALTY )  
28 INVESTMENTS, LLC, a Nevada Limited Liability )  
Company, EXCLUSIVE LIFESTYLES SOCAL, )  
LLC, a California Limited Liability Company; )  
DOES 1 THROUGH 10, INCLUSIVE, )

Defendants.

1 Plaintiffs Jessie Rodriguez (“Rodriguez”); Josh Painter, J. Painter Real Estate, LLC and J. Painter,  
2 Inc. (“Painter,” “JPRE” and “JPI” individually and “Painter Plaintiffs” collectively); Amy Green,  
3 individually, and as trustee of the Amy Green Trust u/a/d May 15, 2001 (“Green”); and Danny Morel  
4 (“Morel”), Jose Zavalza (“Zavalza”), Oscar Mendoza (“Mendoza”), Jason Lucero (“Lucero”), Avance  
5 Real Estate Inc. (“Avance”), ZMR Real Estate, Inc. (“ZMR”) and LMM Real Estate, Inc. (“LMM”)  
6 collectively referred to as the “Morel Plaintiffs”<sup>1</sup> allege as follows:

7 **SUMMARY ALLEGATIONS**

8 Defendants used lies, false financial statements and every other conceivable fraudulent financial  
9 artifice to convince Plaintiffs to sell their thriving, profitable real estate businesses. After the purchases,  
10 Defendants continued their scheme of all-out subterfuge to keep their true financial condition secret  
11 from Plaintiffs. Unaware, Plaintiffs continued, for years, to provide ample profits to Defendants,  
12 believing that they would see massive returns and earnings bonuses. In reality, all of Plaintiffs’ money  
13 was used to keep Defendants’ companies afloat and line the individual Defendants’ pockets. Defendants’  
14 scheme has been publicly revealed, and Plaintiffs are entitled to be returned to the financial condition  
15 that they would have enjoyed had Defendants not lied. They are also entitled to punitive damages,  
16 attorney’s fees and equitable relief. Defendants’ gift has now been exposed and come to an end.

17 **PARTIES**

- 18 1. Plaintiff Jessie Rodriguez is a citizen of California with a principal place of business in Los Angeles  
19 County.
- 20 2. Plaintiff Josh Painter is a citizen of California with a principal place of business in San Diego  
21 County.
- 22 3. Plaintiff J. Painter Real Estate, LLC is a limited liability company incorporated and licensed to do  
23 business in the state of California, with its principal place of business at 1346 Thomas Avenue, San Diego,  
24 CA 92109. Plaintiff Painter is the sole shareholder of J. Painter Real Estate, LLC.
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<sup>1</sup> “Plaintiffs” when referred to collectively.

1 4. Plaintiff J. Painter Inc. is a corporation incorporated and licensed to do business in the state of  
2 California, with its principal place of business at 28693 Old Town Front St. #300 Temecula, CA 92590.  
3 Plaintiff Painter is the sole shareholder of J. Painter Real Estate, LLC.

4 5. Plaintiff Amy Green is a citizen of California with a principal place of business in San Diego  
5 County. She is also the trustee of the Amy Green Trust u/a/d May 15, 2001.

6 6. Plaintiff Danny Morel is a citizen of California with a principal place of business in San  
7 Bernardino County.

8 7. Plaintiff Jose Zavalza is a citizen of California with a principal place of business in San Bernardino  
9 County.

10 8. Plaintiff Oscar Mendoza is a citizen of California with a principal place of business in Los Angeles  
11 County.

12 9. Plaintiff Jason Lucero is a citizen of California with a principal place of business in Los Angeles  
13 County.

14 10. Plaintiff Avance Real Estate Inc. is a corporation incorporated and licensed to do business in the  
15 state of California, with its principal place of business at 10641 Church Street, Rancho Cucamonga, CA  
16 91730. Plaintiff Morel is the sole shareholder of Avance Real Estate Inc.

17 11. Plaintiff ZMR Real Estate, Inc. is a corporation incorporated and licensed to do business in the  
18 state of California, with its principal place of business at 38700 5th Street W, Palmdale, CA 93551.  
19 Plaintiffs Morel and Zavalza are the sole shareholders of ZMR Real Estate, Inc.

20 12. Plaintiff LMM Real Estate, Inc. is a corporation incorporated and licensed to do business in the  
21 state of California, with its principal place of business at 9529 Lakewood Blvd., Downey, CA 90240.  
22 Plaintiffs Morel, Mendoza and Lucero are the sole shareholders of LMM Real Estate, Inc.

23 13. Defendant Michael Mahon (“Mahon”) is a citizen of the state of California and a resident of the  
24 County of Orange.

25 14. Defendant Obie Walli (“Walli”) is a citizen and resident of the state of Pennsylvania, who, at all  
26 relevant times related to this action, has done business in California.

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1 15. Defendant ELI Realty Investments, LLC (“ELI”) is a limited liability company organized and  
2 existing under the laws of the state of Nevada, with its principal place of business located at 65 Foothill  
3 Road, Suite 2, Reno, NV, 89511.

4 16. Defendant Exclusive Lifestyles SoCal, LLC, (“SoCal”) is a limited liability company organized  
5 and existing under the laws of the state of California, with its principal places of business in Orange  
6 County.

7 17. Plaintiffs are unaware of the names of Defendants identified herein as DOES 1-10, inclusive, and  
8 therefore sue them by those fictitious names. Plaintiffs are informed and believe, and thereon allege,  
9 that Defendants sued herein as DOES 10 are responsible in some manner for the practices, acts, conduct  
10 and occurrences alleged herein, as either actual perpetrators or co-conspirators, aiders and abettors,  
11 officers, directors, and/or managing agents with the knowledge, control, authority, direction, and/or  
12 ratification of the other Defendants, and each of them. Plaintiffs will seek leave of the Court to amend  
13 this Complaint to allege the true names and capacities of the DOE defendants, and the roles they played  
14 once their identities and/or manner of participation in the wrongful conduct herein described is  
15 ascertained.

16 18. At all relevant times, as alleged more fully herein, each Defendant acted as an agent, servant,  
17 employee, co-conspirator, alter-ego and/or joint venturer of the other Defendants, and in doing the  
18 things alleged herein acted within the course and scope of such agency, employment, alter-ego and/or in  
19 furtherance of the joint venture. Each of the Defendants’ acts alleged herein was done with the  
20 permission and consent of each of the other Defendants.

21 19. At all times relevant hereto, Defendants ELI and SoCal were the alter egos of Defendants Mahon  
22 and Walli and there exists, and at all times herein mentioned has existed, a unity of interest and ownership  
23 between Defendants such that separateness between them is non-existent. Defendants Mahon and Walli  
24 completely controlled, dominated, managed and operated Defendants ELI and SoCal to suit their  
25 personal financial needs.

26 20. Specifically, at all times relevant hereto, Defendants Mahon and Walli (1) controlled the business  
27 affairs of ELI and SoCal; (2) commingled the funds and assets of the corporate entities and diverted  
28 corporate funds and assets for their own personal use; (3) continuously disregarded legal formalities and

1 failed to keep arm's length relationships among the corporate entities; (4) inadequately capitalized ELI;  
2 (5) made unauthorized withdrawals of capital from SoCal and sold its future earnings at a discount in  
3 order to cover personal obligations, pay ELI's debt obligations and hide ELI's poor financial condition  
4 from Plaintiffs; (6) used the corporate entities as mere shells, instrumentalities or conduits for their  
5 personal financial purposes; and (7) used the corporate entities to shield against personal obligations, and  
6 in particular, the obligations as alleged in this Complaint.

7 21. At all times relevant hereto, Defendants ELI and SoCal were not only influenced and governed  
8 by Defendants Mahon and Walli, but there was such a unity of interest and ownership that the  
9 individuality or separateness of Mahon and Walli and ELI and SoCal is non-existent. The facts are such  
10 that an adherence to the fiction of the separate existence of these entities would, under these  
11 circumstances sanction a fraud and result in injustice.

#### 12 VENUE

13 22. Venue is proper in this Court because Defendant Mahon is a resident of Orange County and  
14 Defendant SoCal's principal place of business is Orange County.

#### 15 GENERAL ALLEGATIONS

##### 16 **ELI's Franchise Arrangement with Corcoran Group LLC**

17 23. Defendants Mahon and Walli are shareholders in Defendant ELI. Together, they have total  
18 control over the company, no other shareholders exerting any influence on financial or other business  
19 decisions at the company.

20 24. In early 2020, ELI entered into a franchise agreement with Corcoran Group LLC ("Corcoran").  
21 As part of the franchise agreement, Corcoran agreed to loan money to ELI to purchase real estate  
22 brokerages in California and other U.S. states. The individual brokerages would then be geographically  
23 grouped into new entities who would thereafter enter into separate franchise agreements with Corcoran.  
24 Defendant SoCal is one such resulting entity.

25 25. On information and belief, at all times relevant, ELI had no other source of capital from which  
26 to purchase individual brokerages than loans from Corcoran, a fact known by Corcoran. In purchasing  
27 brokerages, Corcoran would review each new proposed purchase and would issue a new loan, in the  
28

1 proximate amount of the full purchase price, after approving the transaction. Both ELI and Corcoran  
2 knew that these loans were ELI's only means of bringing on new franchised brokerages.

### 3 **ELI's Asset Purchase Agreements**

4 26. ELI targeted only highly reputable, closely held, profitable brokerages, including the brokerages  
5 sold by Plaintiffs.

6 27. Each purchase by ELI would include some or all of the following elements: (a) an asset purchase  
7 agreement wherein ELI or SoCal would buy the assets of the underlying corporate entity; (b) a bill of sale  
8 and general assignment to ELI or SoCal of the underlying corporate entity's assets; (c) issuance of an  
9 equity stake in SoCal to the individual seller or an entity designated by seller; (d) an employment  
10 agreement between SoCal and the individual seller; (e) a broker services agreement between the individual  
11 seller-broker and Exclusive Lifestyles, Inc., dba "Corcoran Global Living."

12 28. Each asset purchase agreement included a down payment by ELI or SoCal, and a three year  
13 "earnout period" wherein each individual seller could earn additional "earnout payments" based on the  
14 ongoing profitability of the seller-brokerage. These payments would be made quarterly, for three years  
15 after the closing date of the asset sale, so long as the brokerages stayed profitable.

16 29. The Corcoran loans were always made in the approximate amount of the down payment plus the  
17 maximum earnout payment amount.

18 30. With each SoCal equity stake issued to the individual sellers came the promise of additional,  
19 perpetual quarterly payments based on the total profitability of all SoCal brokerages.

20 31. Each new entity, including SoCal, was owned 51% by ELI and 49% by all of the individual sellers  
21 combined.

### 22 **ELI's Scheme to Purchase Highly Reputed, Profitable Brokerages with Debt**

23 32. At all times relevant, Mahon knew it would be impossible to attract high-quality, reputable  
24 brokerages with debt. The target brokerages, such as Plaintiffs, were materially debt free and earning  
25 profits. None of the target brokerages, including Plaintiffs, wanted to join a venture that required  
26 significant debt service payments from funds that were otherwise profits. Therefore, Mahon decided in  
27 order to purchase brokerages befitting the Corcoran brand, he would lie.

28

1 33. Specifically, it was Mahon’s plan and practice to outright lie to sellers about two vital issues: (1)  
2 the capitalization and overall financial health of ELI and all related companies; and (2) the source of  
3 funds used to purchase the brokerages.

4 34. In furtherance of this plan, Walli agreed, on behalf of ELI and Mahon, to create false financial  
5 documents, which never showed ELI’s true condition, including its indebtedness to Corcoran. It was the  
6 job of Walli to placate all concerns, by prospective buyers and current members, regarding the finances  
7 of ELI and SoCal. From the beginning of this scheme to the present, every financial document shared  
8 by Walli has either outright misstated, or otherwise obscured ELI and SoCal’s true financial condition.

9 35. With Mahon deceiving the sellers about ELI’s capital hoards and “investors,” and Walli creating  
10 tailor-made financial documents to confirm the falsehoods, Defendants were able to keep Plaintiffs and  
11 their various colleagues, in the dark about the Corcoran Loans and Defendants’ other financial problems  
12 (and unauthorized withdrawals) until approximately spring 2022, when ELI and SoCal began missing  
13 basic business payments, such as leases for buildings and office copy machines. The scheme came fully  
14 to light in or about May and June 2022.

15 **The Josh Painter Transaction**

16 36. Plaintiff Josh Painter is a highly reputed broker in the San Diego and Southern Riverside County  
17 real estate markets.

18 37. In or about early 2020, ELI/Mahon engaged Painter regarding a purchase of his real estate  
19 brokerage, Plaintiff JPI.

20 38. During negotiations, Mahon concealed the fact the purchase price would be paid via a Corcoran  
21 loan, or that ELI would not otherwise have been able to effectuate the sale without taking on debt.

22 39. Believing that ELI was financially solvent, debt free, and backed by ample reserves, Painter agreed  
23 to sell JPI to ELI.

24 40. On or about June 30, 2020, the transaction closed, with Painter receiving an initial payment and  
25 promised future potential earnout payments for three years. Painter, via JPRE, received shares in  
26 Exclusive Lifestyles, Temecula LLC, which was ultimately merged into SoCal.

27 41. As part of the transaction, Painter also entered into a broker services agreement and consulting  
28 agreement with the Temecula entity, which ultimately shifted to SoCal with the merger.

1           **The Amy Green Transaction**

2 42. Plaintiff Amy Green is an experienced broker with an impeccable reputation in the high-end real  
3 estate market in San Diego County. In early 2020, Mahon/ELI engaged non-party Costal Premier  
4 Properties, Inc. a brokerage of which Green was a 50% owner with non-party broker Susan Meyers Pyke  
5 regarding a sale of the company.

6 43. From the beginning of their meetings and negotiations, Mahon insisted that his venture was  
7 “backed by” massive sums of money, up to \$100 million, by virtue of his association with Corcoran and  
8 other “investors.” He also stated that ELI had no debt, and that debt would not be used to make the  
9 purchase of Green’s brokerage.

10 44. Mahon also told Green that if she reduced the up-front purchase price, she could receive earnout  
11 payments and enter a “partnership,” wherein ELI would own 51% of the venture and partners like Green  
12 would own 49%. Mahon told Green that this would provide continued cash flow throughout the years  
13 via disbursements to partners of a share of annual profits.

14 45. Mahon told Green that she would be able to continue to run her business and maintain the unique  
15 culture of her company.

16 46. Mahon also stressed that if she “got in early,” the dilutive effect on her shares by future brokerage  
17 purchases would be offset by larger profit disbursements as the company grew.

18 47. In support of Mahon’s tales of the remarkable financial opportunity being offered, Walli created  
19 spreadsheets demonstrating the amounts Green could earn based on the ongoing profitability of her  
20 business.

21 48. In his spreadsheets, Walli did not disclose ELI’s undercapitalization and debts, or that Green’s  
22 company’s earnings would be immediately withdrawn from SoCal’s accounts to address the financial  
23 needs of ELI, Mahon and Walli.

24 49. When Green raised concerns about the financial condition of ELI and its ability to navigate the  
25 pandemic, Mahon wrote in an email on May 11, 2022, that “we are our own Independent Brokerage as  
26 Corcoran, and we feel we are in an excellent well funded position” relating to the “Pandemic Event.”

27 50. Based on the representations by Defendants throughout the negotiation and due diligence  
28 process, on or about September 9, 2020, Green entered into an asset purchase agreement with ELI.



1 51. The deal included an initial payment by ELI and potential quarterly “earnout payments,” for the  
2 next three years. Green also received under 25% of SoCal’s total outstanding stock, via her trust, after  
3 making a capital contribution.

4 52. Green also entered into an agency agreement with SoCal, whereby she agreed to perform as an  
5 individual agent.

### 6 **The Morel Plaintiffs Transaction**

7 53. In or about October 2020, Mahon/SoCal engaged the Morel Plaintiffs about purchasing Plaintiffs  
8 Avance, LMM and ZMR, each of which was a profitable, highly respected and reputable company in the  
9 Los Angeles and San Bernardino County real estate markets.

10 54. In October 2020, at Plaintiff Morel’s house in Rancho Cucamonga, Mahon met personally with  
11 the Morel Plaintiffs. At that meeting, Mahon specifically told the Morel Plaintiffs that his enterprise had  
12 “\$100 million in financial backing.”

13 55. Throughout the negotiation and due diligence process, Mahon/SoCal lied to the Morel Plaintiffs  
14 about the financial condition of the enterprise. They insisted they were “backed by” absurd amounts of  
15 capital and never told the Morel Plaintiffs about the Corcoran Loans. Further, they concealed the financial  
16 obligations ELI/Mahon were under that required immediate capital from Avance, LMM and ZMR.

17 56. As a direct result of Mahon/ELI’s representations, on or about December 10, 2020, the Morel  
18 Plaintiffs entered into asset purchase agreements with SoCal, assigning the assets of Avance, LMM and  
19 ZMR, in exchange for initial payments, three-year earnout plans and shares in SoCal.

### 20 **The Jessie Rodriguez Transaction**

21 57. Plaintiff Jessie Rodriguez is an exceptional real estate broker, with a reputation for the utmost  
22 professionalism in the Los Angeles and San Bernardino County real estate markets.

23 58. Rodriguez’s brokerage, Cal American Homes and Realty, a California Corporation (“Cal  
24 American”),<sup>2</sup> at all times relevant, was a financial success, with exceptional teams of agents, that was  
25 poised for significant future growth.

26 59. In early 2021, ELI/SoCal engaged Rodriguez for the purpose of exploring a sale of Cal American.  
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<sup>2</sup> Plaintiff Rodriguez is the assignee of the assets of Cal American, which was dissolved in August 2022.

1 60. During negotiations, Mahon continued his lies about being backed by millions of dollars.  
2 However, by this time, Mahon's estimate was at \$50 million, down from \$100 million, no doubt a  
3 projection of the declining financial health of his companies.

4 61. Mahon also insisted that no debt would be involved in the purchase transaction, and Walli showed  
5 Rodriguez false financial projections establishing how Rodriguez could earn three years of earnout  
6 payments and massive quarterly profit distributions via his shares in SoCal.

7 62. At no time did either Mahon or Walli disclose to Rodriguez that ELI was in debt, that the earnings  
8 from SoCal's brokerages were already being siphoned off to service that debt, or that Mahon and Walli  
9 were giving themselves and other proxy insiders distributions to which they were not entitled.

10 63. As a direct result of Defendants' lies and concealment of their true financial condition, Rodriguez  
11 agreed to sell Cal American to SoCal.

12 64. In exchange for the assets of Cal American, Rodriguez received an initial payment, three year  
13 earnout deal and shares in SoCal. He also entered into a broker services agreement With Exclusive  
14 Lifestyles, Inc. and an employment agreement with SoCal.

15 **Allegations Common to All Plaintiffs—Defendant's Financial Mismanagement**

16 65. For each of the transactions described above, the following facts apply: (1) Defendants could not  
17 close any transaction without express approval from Corcoran; (2) a Corcoran loan, in the approximate  
18 amount of the initial payment price plus the maximum earnout, was issued to ELI upon Corcoran's  
19 approval of a transaction; (3) Defendants paid the initial payment amount at closing, and immediately  
20 appropriated and commingled the remaining loan amount to for ELI's unrelated expenses, or for  
21 Mahon/Walli's personal use; (4) the fact that Corcoran debt was being used for the transaction was  
22 concealed from all Plaintiffs at all times.

23 66. At all times relevant, including from May 2020 to the present, all of the Plaintiff brokerages have  
24 continued to be leaders in their respective real estate markets, despite the unique financial challenges  
25 presented by the pandemic and other market forces.

26 67. All of the Plaintiff brokerages have been profitable every single quarter since their respective  
27 closing dates. All of the brokerages have been so profitable they have qualified, every quarter, for earnout  
28 payments and profit disbursements from SoCal. There has always been sufficient capital generated by the

1 Plaintiff brokerages to cover their business expenses such that no such expense should have been paid  
2 late or gone unpaid.

3 68. At all times relevant, the revenues of the Plaintiff brokerages were immediately, once in the  
4 possession of SoCal, commingled with ELI's funds and used for non-SoCal purposes, including servicing  
5 ELI's debts and personal distributions to Mahon, Walli and other insiders or proxies.

6 69. During all of SoCal's quarterly partner meetings, Defendants showed Plaintiffs phony financial  
7 reports, created by Walli, that never mentioned ELI's debts, the commingling of SoCal funds, or any  
8 other financial troubles. Instead, Defendants insisted that SoCal was profitable every quarter, but made  
9 a different excuse as to why a disbursement of profits was not forthcoming.

10 70. Despite being profitable every quarter, Plaintiffs did not receive disbursements to which they  
11 were entitled.

#### 12 **The Libertas Loans**

13 71. Defendants misappropriation of SoCal's revenues for unauthorized purposes, despite being  
14 robust, were not enough to keep pace with ELI's cash-burning.

15 72. By approximately December 2021, despite the profitability of the underlying brokerages,  
16 Defendants and each of them, needed an infusion of cash to stay afloat and keep their financial  
17 wrongdoings secret.

18 73. Between December 2021 and April 2022, without disclosing anything to Plaintiffs or their  
19 partners, sold **millions of dollars** of SoCal's future earnings to Libertas Funding LLC ("Libertas"), at a  
20 double-digit percentage discount.

21 74. This created an additional massive financial obligation, concealed from Plaintiffs, that made it  
22 impossible for Defendants to pay their basic business obligations, including SoCal's basic bills.

#### 23 **Defendants' Financial Mismanagement is Discovered**

24 75. Beginning in April 2022, Defendants stopped paying the brokerages' expenses on time, or failing  
25 to make the payments at all. This includes payments of Plaintiffs' rent, various office expenses, like copy  
26 machines, and janitorial vendors.

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1 76. Most alarming, in April 2022, despite receiving a cash infusion from Libertas on the 13<sup>th</sup> of the  
2 month, Defendants missed several payments to various real estate agents from escrows—a betrayal that  
3 none of the Plaintiffs would ever let happen in their own businesses.

4 77. Plaintiffs began losing real estate agents, the lifeblood of their businesses. This also resulted in  
5 sever reputational harm.

6 78. Complaints from Plaintiffs and their partners regarding Defendants’ missed payments began to  
7 grow louder throughout April 2022 and beyond.

8 79. However, Defendants insisted that each and every missed payment was due to an externality for  
9 which they had no control.

10 80. The lengths Defendants were willing to go to conceal the true financial condition of ELI and  
11 SoCal is no more evident than in an April 10, 2022, email to all SoCal partners by Walli. In it, he states  
12 that a fourth quarter 2021 disbursement is not possible because “Realogy,” Corcoran’s former parent  
13 company, had demanded royalties in the amount of \$1.4 million based on a computer error. The  
14 explanation makes no sense and is contrary to all of Walli’s previous explanations as to why Plaintiffs  
15 could not obtain profit sharing payments from their profitable businesses.

16 81. Walli’s email states, in full:

17 “April 10, 2022, 8:16 p.m.

18 Subject: SoCal Q4 Distributions Update

19 CGL SoCal Shareholders

20 I wanted to follow up from our Global Leadership call we had on  
21 Friday in which Michael and I had discussed the royalty dispute we are  
22 currently working through with Realogy. As we had mentioned, Realogy  
23 had provided us with additional royalties due from 2021 in the amount  
24 of \$1.4m which was based upon our transaction data through our Data  
25 integration from our system Broker Sumo to Dash (Realogy Franchise  
26 Reporting System). In our review of the data, in addition to recently  
27 completing a 2020 and 2021 financial audit, we have determined that  
there was an issue with the integration due to our sync with Skyslope  
which was causing transactions to feed into Realogy system multiple  
times, thus causing the over-reporting of transactions and leading to our  
increased royalty amount they have reported as the added royalty fees.

28 We are currently working with our and Realogy’s tech and finance team,  
along with our Broker Sumo’s development team to get this matter  
resolved, as we are disputing the amount, they have stated is due. In the

1 meantime, our legal and CPA firms have advised us to hold on releasing  
2 any distributions until this is rectified, and the parties have agreed upon  
3 the finalized expense amount so that we may close out our 2021 books.  
4 Upon close of our books, our intentions are to provide distributions as  
5 we had previously voted in our shareholder meeting. Our CPA and tech  
6 team estimate this timeline for final resolution to be in the next 2-3  
7 weeks. If we get this done sooner than I will follow up with an email on  
8 the situation and proceed accordingly with distributions.

9 Let me know if you have any questions.

10 Obie Walli

11 CFO”

12 82. After Walli’s email, Defendants were unable to contain the truth about the financial peril they  
13 faced.

14 83. On or about June 21, 2022, in a last-ditch effort to save face, Defendants filed a complaint against  
15 Corcoran in the Central District of California, admitting the existence of the Corcoran loans for the first  
16 time, but claiming that they were not required to pay them because of malfeasance by Corcoran.

17 84. Corcoran filed counter claims in the suit, publicly exposing the existence of the Corcoran and  
18 Libertas Loans, and the financial malfeasance undertaken by Defendants over the previous two yaers.

19 **Defendants Admit They Cannot Pay Future Earnouts or Profit Disbursements**

20 85. Since the lawsuit between Defendants and ELI has been initiated, Defendants have attempted to  
21 keep Plaintiffs “in the boat,” to speak, by bringing in a so-called “angel investor” private equity group to  
22 provide liquidity to the failing companies. In so doing, Defendants have admitted, that despite Plaintiffs’  
23 profitability at all times, including the present, there will be no more earnout payments or disbursements  
24 by SoCal as described in the asset purchase agreements and SoCal operating agreement.

25 86. There is simply no way for Plaintiffs to earn they are entitled to through their performance of  
26 every element of their agreements. The purpose of each of Plaintiffs’ agreements has been unalterably  
27 frustrated with no chance of being cured.  
28

1 **FIRST CAUSE OF ACTION**

2 **(Fraud)**

3 **(Against all Defendants and Does 1-10, by Rodriguez, Green, Painter and JPI only; against**  
4 **Mahon, ELI and SoCal only by Morel Plaintiffs)**

5 87. Plaintiffs re-allege and incorporate by reference each and every allegation contained in paragraphs  
6 1 through 86 above, as though fully set forth herein.

7 88. Plaintiffs are informed and believe, and thereon allege that between early 2020 and the present,  
8 Defendants made several misrepresentations to Plaintiffs and concealed material information from them  
9 that have caused them extreme financial and emotional harm.

10 89. Specifically, Defendants misrepresented to Plaintiffs that they had tens, and even hundreds of  
11 millions of dollars in available capital and no debt. They also told Plaintiffs that they would not be going  
12 into debt, specifically to buy Plaintiffs' brokerages.

13 90. Defendants also concealed material information from Plaintiffs relating to their financial  
14 condition. This includes creating false financial documents and making outright false statements to  
15 Plaintiffs about the existence of the Corcoran loans and the location of SoCal's revenues and profits.

16 91. Defendants also knew that Plaintiffs would not have agreed to sell their companies to Defendants  
17 or continue as Defendants' partners if they had knowledge of the Corcoran loans, Libertas loans,  
18 commingling of SoCal's funds and personal disbursements to Mahon and Walli and others.

19 92. Plaintiffs relied, solely, on the false financial information in deciding to sell to Defendants and  
20 continue as partners of SoCal.

21 93. Plaintiffs have incurred monetary and non-monetary damages exceeding the jurisdictional limits  
22 of this Court.

23 94. Specifically, Plaintiffs have lost all the profits of their businesses from their transaction closing  
24 date to the present. They have also lost key groups of real estate agents and have suffered harm to the  
25 value of their companies and severe reputational harm in the industry.

26 95. Plaintiffs have also suffered non-economic damages in the form of emotional harm, including  
27 anxiety, depression and inability to sleep.

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1 96. Plaintiffs therefore pray for general damages in a sum according to proof at trial and punitive and  
2 exemplary damages in an amount appropriate to punish Defendants for their conduct.

3 **SECOND CAUSE OF ACTION**

4 **(Breach of Contract-Asset Purchase Agreement)**

5 **(Against all Defendants by Rodriguez, Painter, JPI and the Morel Plaintiffs)**

6 97. Plaintiffs re-allege and incorporate by reference each and every allegation contained in paragraphs  
7 1 through 96 above, as though fully set forth herein.

8 98. Each asset purchase agreement entered into by and between Defendants and Plaintiffs required  
9 Defendants to “assume and discharge the contractual obligations of [Plaintiffs] under Listings, Pendings,  
10 Leases, and Acquired Contracts that arise and accrue after [closing].”

11 99. The agreements also provide for a three year “Earnout Period,” wherein at the end of each  
12 “Earnout Quarter,” Plaintiffs would be entitled to an earnout payment based on the quarterly profits of  
13 each underlying brokerage. An annual “True-Up” would also be held wherein Plaintiffs could still earn  
14 their maximum annual earnout payment, even if some quarters did not earn a maximum payment. At the  
15 end of three years, a “Closing True-Up” would be held wherein the total profit from all three years would  
16 be examined and Plaintiffs would be entitled to maximum earnout payments, even if certain years fell  
17 below the threshold.

18 100. Plaintiffs fully performed under the contract. They managed their brokerages with the quality that  
19 they are known for in their respective markets. At all times relevant, each of Plaintiffs’ brokerages has  
20 been, and will be, sufficiently profitable for earnout payments.

21 101. Defendants have breached the asset purchase agreements by failing to pay Plaintiffs’ ordinary and  
22 necessary business expenses, including leases, janitorial vendors, copy machines and other related  
23 expenses.

24 102. Defendants have breached and fully terminated the respective asset purchase agreements by  
25 stating, in certain, unambiguous terms that no more earnout payments are forthcoming because of  
26 Defendants’ horrible financial condition.

27 103. Plaintiffs have been severely damaged by Defendants’ breaches.

28

1 104. Specifically, Plaintiffs have had to pay, out of their own pockets, business expenses to save their  
2 companies from being defaulted on various obligations, including leases. Some Plaintiffs are currently in  
3 default on their leases.

4 105. Plaintiffs have also sustained serious damage to the value of their businesses, lost key groups of  
5 agents and have sustained great harm to their personal and business reputations in the industry.

6 106. Plaintiffs therefore pray for an award of damages, to be proven at trial, but in no case less than  
7 one million dollars, and equitable relief cancelling and rescinding their agreements with Defendants.

8 107. Plaintiffs' total damages far exceed any amounts they have received in payments from  
9 Defendants, such that a tender of any initial payment or earnout payment is unnecessary to effectuate the  
10 cancellation and rescission of the contracts.

11 108. Plaintiffs also allege that they are entitled to an award of attorney's fees based on their respective  
12 asset purchase agreements.

### 13 THIRD CAUSE OF ACTION

#### 14 (Breach of Contract-Operating Agreement)

15 (Against Mahon and ELI, by Rodriguez, JPER, Green, Morel, Zavalza, Mendoza and Lucero)

16 109. Plaintiffs re-allege and incorporate by reference each and every allegation contained in paragraphs  
17 1 through 108 above, as though fully set forth herein.

18 110. Each Plaintiff who received equity shares in SoCal agreed to be bound by the SoCal Operating  
19 Agreement. In exchange for accepting the shares and making capital contributions, Plaintiffs were entitled  
20 to a portion of SoCal's profits in proportion to the amount of equity they held.

21 111. At all times relevant, Plaintiffs held minority positions in SoCal and had no access to SoCal's  
22 revenues and capital.

23 112. Defendant ELI is a 51% shareholder and Manager of SoCal. Mahon acted as ELI's agent in all  
24 of its purported dealings as SoCal's manager.

25 113. Under the Operating Agreement, Mahon/ELI were duty bound to "manage the affairs of [SoCal]  
26 in a prudent and businesslike manner." Operating Agreement, Section 7.3 (a). The Manager was also  
27 required to "cause to be deposited all funds of [SoCal] in one or more *separate* bank accounts" and  
28



1 “cause to be prepared and distributed to all Members all reasonable tax reporting information within  
2 ninety (90) days after the end of each fiscal year.” *Id.*, Sections 7.3 (b) (i) and (ii) (*emphasis added*).

3 114. Last, Mahon/ELI were required to “perform its duties as a manager in good faith, in a manner it  
4 reasonably believes to be in or not opposed to the best interests of [SoCal].” Operating Agreement,  
5 Section 7.3 (c).

6 115. At all times relevant, Plaintiffs performed every duty required of them under the Operating  
7 Agreement.

8 116. Mahon/ELI breached the Operating Agreement by repeatedly moving substantially all of SoCal’s  
9 money into ELI accounts, thus commingling them with other ELI funds.

10 117. They further breached the Operating Agreement by using SoCal funds to pay ELI’s financial  
11 obligations, and by disbursing money directly to Mahon and insiders or proxies.

12 118. SoCal is now purportedly in debt, behind on hundreds of thousands of dollars in business  
13 expenses all because of Mahon/EL’s utter mismanagement of SoCal’s funds.

14 119. Defendants have made it clear that SoCal will be unable to make any future profit distributions  
15 because SoCal’s horrible financial condition.

16 120. This is true even though all of SoCal’s partner-brokerages, including those sold by Plaintiffs, have  
17 performed profitably since merging into SoCal and would have otherwise had no financial problems,  
18 despite the unique economic conditions observed in southern California real estate markets since early  
19 2020.

20 121. Plaintiffs have been damaged by Defendants’ conduct relative to the Operating Agreement.  
21 Specifically, Plaintiffs have lost *all* of the profits they would have otherwise earned had they never sold  
22 to Defendants. Furthermore, Plaintiffs have lost key employees and the value of their brokerages has  
23 been severely damaged. Most important, each of Plaintiffs’ reputations in the industry has been harmed  
24 by SoCal going belly-up so quickly after being formed.

25 122. Plaintiffs therefore pray for an award of damages, to be proven at trial, but in no case less than  
26 one million dollars and any other relief this Court deems just.

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1 **FOURTH CAUSE OF ACTION**

2 **(Declaratory Relief)**

3 **(Against All Defendants)**

4 123. Plaintiffs re-allege and incorporate by reference each and every allegation contained in paragraphs  
5 1 through 122 above, as though fully set forth herein.

6 124. Plaintiffs allege that Defendants has committed fraud and has materially, incurably breached the  
7 asset purchase agreements and SoCal Operating Agreement.

8 125. On information and belief, Plaintiffs allege that Defendants believe that they are justified in every  
9 action they have taken thus far with regard to their transactions with Plaintiffs.

10 126. Plaintiffs are informed and believe and, on that basis allege that an actual controversy has arisen,  
11 and now exists between Plaintiffs and each of the defendants, concerning their respective rights and  
12 duties with regard to the asset purchase agreements and the SoCal Operating Agreement.

13 127. Plaintiffs desire a judicial termination of their rights, including a declaration that the asset  
14 purchase agreements and all related agreements are void and unenforceable. Plaintiffs further seek a  
15 judicial declaration that SoCal be dissolved as to Plaintiffs, and that the assets, including withheld profits,  
16 be returned to Plaintiffs.

17 **REQUEST FOR JURY TRIAL**

18 Plaintiffs hereby request a jury trial.

19 **PRAYER**

20 Wherefore, Plaintiffs pray for judgment against Defendants as follows:

- 21 1. For economic and non-economic damages, as set forth above, according to proof at trial, but in  
22 no case less than one million dollars per Plaintiff transaction;
- 23 2. For punitive and exemplary damages against all Defendants in an amount appropriate to punish  
24 them for their conduct;
- 25 3. For rescission and cancellation of the asset purchase agreements, permitting Plaintiffs to recover  
26 the remaining assets sold to Defendants;
- 27 4. For a judicial declaration that the asset purchase agreements all accompanying agreements be  
28 deemed void and unenforceable;

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- 5. For a judicial declaration that SoCal be dissolved as to Plaintiffs, with all assets, including withheld profits, to be returned to Plaintiffs;
- 6. For costs of suit herein incurred;
- 7. For reasonable attorney’s fees as permitted by contract; and
- 8. For any other relief as the Court may deem just and proper.

DATED: September 19, 2022

**LAW OFFICE OF AUSTIN BEARDSLEY**

/s/ Austin T. Beardsley  
Attorneys for Plaintiffs