UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

Case No. :

SFM HOLDINGS LIMITED PARTNERSHIP and DR. SALOMON MELGEN,

Plaintiffs,

vs.

STEVEN BRIERLEY, D. KEITH DALTON, ALFONSO TRUJANO JR., FLORENCIO RENDON, and LR GLOBAL LLC,

Defendants.
_____/

COMPLAINT FOR DAMAGES AND DEMAND FOR JURY TRIAL

Plaintiffs, SFM Holdings Limited Partnership and Dr. Salomon Melgen, sue Defendants, Steven Brierley, Keither Dalton, Alfonso Trujano Jr., Florencio Rendon, and LR Global LLC, and allege as follows:

NATURE OF THE CASE

1. Defendants XYZ, through a scheme of deception, defrauded Plaintiffs of over $1.5 million, in violation of the laws of Florida.

PARTIES

2. Plaintiff SFM Holdings Limited Partnership ("SFM") is a partnership organized and existing under the laws of the State of Georgia, which maintains its principal place of business and carries out its core executive and administrative functions in Palm Beach County, Florida.

3. Plaintiff Dr. Salomon Melgen ("Dr. Melgen") is an individual, *sui juris*, residing in Palm Beach County, Florida. Dr. Melgen is President of the general partner of SFM.

4. Defendant Steven Brierley ("Brierley") is an individual, *sui juris*, residing in Fort Worth, Texas.

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5. Defendant D. Keith Dalton ("Dalton") is an individual, *sui juris*, residing in Fort Worth, Texas.

6. Defendant Alfonso Trujano Jr. ("Trujano") is an individual, *sui juris*, residing in Corpus Cristi, Texas. Trujano is a Director of LR Global, LLC.

7. Defendant Florencio Rendon ("Rendon") is an individual, *sui juris*, residing in Corpus Cristi, Texas. Rendon is CEO and President of LR Global, LLC.

8. Defendant LR Global, LLC ("LR Global") is a limited liability company organized under the laws of the State of Texas, which maintains its principal place of business and carries out its core executive and administrative functions in Corpus Cristi, Texas.

JURISDICTION AND VENUE

9. This Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1332, as there is complete diversity of citizenship and the amount in controversy is greater than $75,000.

10. Pursuant to 28 U.S.C. § 1391(b), venue is proper in this district because a substantial part of the events giving rise to the claims occurred in this district.

11. Brierley, Dalton, Trujano, Rendon, and LR Global are subject to the jurisdiction of this Court pursuant to the Florida long-arm statute, Fla. Stat. § 48.193, and based on their purposeful and substantial contacts with Florida.

12. LR Global, through its ultimate beneficial owners, Trujano and Rendon, conducted business, including the investment at issue in this Complaint, in Florida.

13. Brierley, Dalton, Trujano and Rendon conducted business, including the investment at issue in this Complaint, in Florida.

14. During all times material to this Complaint, Brierley, Dalton, Trujano and Rendon:

(a) negotiated the Assignment Agreement and investment at issue in this Complaint in Florida;

(b) signed the Assignment Agreement at issue in this Complaint in Florida; and

(c) entered Florida many times for social and business purposes and for the purpose of defrauding Plaintiffs of their money.

15. All conditions precedent to bringing the instant action have occurred, been performed and/or have otherwise been excused, satisfied, or waived.

FACTUAL BACKGROUND

Dr. Melgen meets the Defendants

16. In February of 2009, Dr. Melgen was introduced to Rendon by a good friend. Rendon, the former Chief-of-Staff to United States Representative Solomon Ortiz (D-Texas), portrayed himself as a businessman with many United States government contacts. Rendon touted his ability to put deals together and to win federal and state government contracts.

17. Shortly thereafter, Rendon and his employee and partner Trujano went on a road show, making presentations touting Rendon's ability to put together lucrative deals involving federal and state government contracts. During this time, he continued to communicate with Dr. Melgen.

18. At the same time, Brierley was looking for a United States partner. Brierley owned Securiforce International America, LLC ("SFI") a foreign corporation specializing in providing a variety of services to the United States government, including services in Kuwait and Iraq for the Department of Defense.

19. Dalton is Brierley's employee and partner.

20. Brierley created a similar entity in the Untied States, Securiforce International of America, LLC ("SFIA"). This company had no assets or business, but was allegedly designed to take over operations for SFI.

21. Brierley and Dalton attended one of Rendon and Trujano's presentations in the United States. Brierley and Dalton were impressed with Rendon's alleged government connections, including his affiliation with retired United States Army Lieutenant General Ricardo Sanchez, the former V Corps Commander of Coalition Forces in Iraq ("Lt. Gen. Sanchez").

22. Rendon claimed to be affiliated with Lt. Gen. Sanchez and flaunted the connections that derived from this alleged affiliation.

23. In or about May 2009, Brierley and Dalton decided to enter into an agreement with Rendon and Trujano. Rendon promised to find an investor for SFIA and promised to help

them obtain United States government contracts. The deal was done through Rendon's company, LR Global.

24. Unbeknownst to Dr. Melgen, LR Global and Rendon were promised $10,000 a month for 18 months as a finder's fee for obtaining an investor for SFIA and government contracts.

25. Defendants concealed this contract from Dr. Melgen until their scheme began to unravel. Dr. Melgen did not receive a copy of the contract until September 2009.

Defendants Scam Dr. Melgen to "Invest"

26. During this time, Rendon and Trujano continued to cultivate their relationship with Dr. Melgen. Rendon continued to present himself to Dr. Melgen as a businessman with many connections and expertise in government contracts. He regularly discussed his government connections, including his affiliation with Lt. Gen. Sanchez.

27. During one of their conversations, Rendon and Trujano seized the opportunity and offered Dr. Melgen an opportunity to invest in SFIA.

28. At that time, Rendon and Trujano had already set the stage for their scheme and knew that they had gained Dr. Melgen's trust.

29. In or about June 2009, Rendon, Trujano, Brierley, and Dalton flew to Dr. Melgen's offices in West Palm Beach to close the deal. Dr. Melgen's agent, Jose Marrero ("Marrero"), was also present at this meeting. They made a presentation about SFIA and claimed to be seeking investment capital.

30. At this meeting, Rendon and Trujano continued to represent that Rendon, through his government contacts, including Lt. Gen. Sanchez, could obtain government contracts and, Brierley and Dalton continued to represent that SFIA would be the corporate vehicle in which to obtain the contracts and provide services thereunder. Defendants, working together, made general and specific representations to Dr. Melgen and Marrero regarding their own abilities as well as their joint abilities.

31. Defendants claimed that they were bidding on a lucrative United States government contract worth $400 million, the TWISS contract, but knowingly and willfully, falsely represented that they needed to show an infusion of capital in SFIA in order to bid on the contract.

32. Defendants claimed that Lt. Gen. Sanchez was a partner in SFIA, even though he was not, and that this would help secure the TWISS contract.

33. Defendants further claimed that, at minimum, a piece of the TWISS contract would be awarded to SFIA and that Dr. Melgen's investment was secure.

34. Defendants further claimed that they had all the equipment, personnel, and infrastructure to service the contract because Brierley would transfer all assets in SFI to SFIA.

35. Defendants impressed on Dr. Melgen that this was a rare investment opportunity and worth millions.

36. Defendants even presented Dr. Melgen with misleading financial documents and proformas showing expected earnings in SFIA.

37. Defendants falsely represented to Dr. Melgen that his investment would solely be used to capitalize SFIA.

38. The following day, Defendants had breakfast with Marrero and restated the representations made at the previous meeting with Dr. Melgen (the "Breakfast Meeting").

39. After the meeting with Dr. Melgen and the Breakfast Meeting, Defendants continued to pressure Dr. Melgen. Defendants falsely represented that they needed his capital investment immediately or else they would lose the TWISS contract, in order to induce him to trust in the purported legitimacy of SFIA.

40. In or about July 2009, Defendants present Dr. Melgen with an Amended and Restated Company Agreement ("Shareholder Agreement"), which named LR Global as a primary partner and Dr. Melgen as a Class B Shareholder with no authority. Dr. Melgen, however, was the only shareholder investing any money in SFIA.

41. Defendants pressured Dr. Melgen to sign the Shareholder Agreement and the Assignment Agreement.

42. The initial Shareholder Agreement and Assignment Agreement purported to have LR Global act as a pass through for Dr. Melgen and gain all shares and interest, even though Dr. Melgen was the person investing the money.

43. Only after Dr. Melgen objected and Defendants realized Dr. Melgen would not agree to invest unless his name was on the agreements, SFM's name inserted in the place of LR Global.

44. Shortly after Defendants purportedly inserted SFM's name in the place of LR Global, Dr. Melgen received emails and phone calls pressuring him to sign the agreements.

45. Defendants represented to Dr. Melgen that he needed to immediately execute the Shareholder Agreement and Assignment Agreement or SFIA would not be awarded the TWISS contract. Defendants represented that SFIA could not receive the TWISS contract without certification of funds availability – and Dr. Melgen's $1.5 million solved that problem and would ensure that SFIA would receive the TWISS contract.

46. One email from Brierley's attorney demanded that Dr. Melgen sign the agreements within the next thirty minutes or the deal was off.

47. Dr. Melgen is induced into signing the Assignment Agreement and Shareholder Agreement without having the proper time to review and read the agreements.

48. Interestingly, the Assignment Agreement originally sent to Dr. Melgen purported to give Dr. Melgen 45% interest in SFIA in exchange for a $3 million capital contribution.

49. The original Assignment Agreement also purported to return Dr. Melgen's capital contribution of $3 million if the TWISS contract was not awarded to SFIA.

50. Dr. Melgen relied on the representations of Defendants in relation to the Shareholder Agreement and Assignment Agreement.

51. On August 4, 2009, Dr. Melgen executed the agreements.

52. Unbeknownst to Dr. Melgen, a doctor, not a businessman or attorney, the terms of the Shareholder Agreement and Assignment Agreement were changed just before he signed it.

53. No one informed Dr. Melgen prior to his execution of the material changes to the Shareholder Agreement and Assignment Agreement.

54. In making their false representations to Dr. Melgen, Defendants concealed material facts necessary to the decision to invest in SFIA, including concealing the side contract between Brierley, Dalton, and LR Global.

55. Further, Defendants drafted and provided Dr. Melgen with the initial Shareholder Agreement and Assignment Agreement for the purpose of inducing him to provide $3 million of his money to SFIA. In so doing, Brierley, Dalton, Rendon, and Trujano knew or should have known that the representations they made to Dr. Melgen about their knowledge, legitimacy of SFIA, transfer of SFI's assets to SFIA, ability to win government contracts TWISS contract, and

affiliation with Lt. Gen. Sanchez were false and misleading and that the investment was actually designed to defraud Dr. Melgen. Brierley, Dalton, Rendon, and Trujano knew that Dr. Melgen relied on their statements and representations because of their alleged knowledge of the industry, connections, and their activities. Brierley, Dalton, Rendon, and Trujano knew that Dr. Melgen was investing without knowledge of the material facts.

56. In reliance on the trust Defendants had induced Dr. Melgen to place in them; the apparent truth of the statements made by Defendants regarding the investment in SFIA; Rendon's representations concerning his expertise in negotiating and winning government contracts and his connections with government officials; Brierley's representations concerning his expertise and experience in winning and servicing government contracts; and the fact that Defendants presented a Shareholder Agreement and Assignment Agreement prepared by attorneys, Dr. Melgen entrusted his money, in the amount of $1.5 million, to Defendants. Defendants did not invest the money as represented and have not returned the money as represented.

The Assignment Agreement

57. As mentioned, the initial Assignment Agreement provided to Dr. Melgen alleged that Dr. Melgen would make a $3 million capital contribution to SFIA.

58. The parties negotiated the terms of the Assignment Agreement, including making Dr. Melgen's payment of the capital contribution payable in two installments.

59. Notably, Dr. Melgen was the only partner at risk under the Assignment Agreement and the only partner contributing cash.

60. In the Assignment Agreement, Defendants knowingly and willfully fraudulently promised to use their best efforts to win government contracts.

61. As a further inducement for Dr. Melgen to invest in SFIA, Defendants promised that all contracts belonging to SFI would be novated to SFIA. Additionally, Defendants falsely promised that all assets of SFI would be transferred to SFIA.

62. On August 4, 2009, SFM and Dr. Melgen signed the Assignment Agreement. The terms of this Assignment Agreement were substantially different than those negotiated. Specifically, Dr. Melgen's $3 million capital contribution was turned into a $6 million private

acquisition of SFIA shares. Clearly, these were not the terms Dr. Melgen agreed too. Dr. Melgen was never made aware that these changes were made.

63. The Assignment Agreement was signed under a sense of false urgency and rush based on fraudulent and misleading assertions and insistence by Defendants that the funds were needed for the bid for the TWISS contract.

64. Further, SFM wired the initial $1.5 million capital contribution to Brierley's SFI account in New York. Brierley, in turn, was supposed to open an operating account for SFIA and deposit the funds in that account.

65. The operating account was never opened and Brierley never transferred the funds to SFIA.

Defendants fail to Honor their Obligations under the Investment Contract

66. Shortly after signing the Assignment Agreement, Defendants advised that SFIA did not win the promised TWISS contract.

67. Additionally, Dr. Melgen learned that Lt. Gen. Sanchez is neither affiliated with SFIA nor Rendon.

68. Brierley never opened the operating account for SFIA in order to deposit Dr. Melgen's $1.5 million capital contribution. The assets of SFI are never transferred to SFIA.

69. The contracts of SFI were never novated to SFIA.

70. Far worse, Dr. Melgen learns that SFI's agreements cannot be novated to SFIA without prior Government approval and Government approval is rarely given for this type of transfer.

71. Dr. Melgen requested the return of his initial $1.5 million capital contribution and Defendants refused. Defendants further informed Dr. Melgen that SFIA spent all the money, even though they never conducted any business or won any government contracts.

Further Efforts to Conceal the Truth

72. After Dr. Melgen requests the return of his initial $1.5 million capital contribution, Defendants embark in a series of false and misleading statements in an effort to assure Dr. Melgen that the Investment was sound and to conceal the truth about the fraud.

73. On August 21, 22, and 23, 2009, for example, Defendants meet with Dr. Melgen and decided that SFM is appointed as the tax managing partner of SFIA and is appointed to

oversee all accounting, tax, and financial matters. This is a hoax because SFIA is just a fraud and the appointment simply a tactic to delay discovery of the fraud.

74. Additionally, once Dr. Melgen inadvertently learns of the side deal between LR Global and SFIA, he demands to see a copy of the agreement. It is only after numerous requests that, in September 2009, Defendants turn over a copy of the agreement claiming that the side deal is transparent and legitimate.

75. Defendants continued to insist that SFIA was legitimate, but could not explain why the business was not moving forward or where Dr. Melgen's investment had gone.

76. Defendants traveled to see Dr. Melgen in West Palm Beach, Florida to convince him that SFIA was legitimate. Additionally, Defendants tried to convince Dr. Melgen to invest more money in SFIA.

77. Defendants even brought Lt. Gen. Sanchez to a meeting to act as a mediator between the parties.

78. At this meeting, Defendants expressed a desire to return Dr. Melgen's $1.5 million. However, Brierley represented that approximately $600,000 of Dr. Melgen's $1.5 million was used to pay his personal tax obligations and, therefore, that amount could not be returned. When pressed, Brierley refused to identify the country in which he paid taxes.

79. Defendants have never returned Dr. Melgen's $1.5 million capital contribution in SFIA. SFIA has never conducted any business. Moreover, aside from the dubious representation regarding Brierley's tax payment, Defendants have never advised how Dr. Melgen's capital contribution was spent.

80. Plaintiffs have suffered actual damages and have retained undersigned counsel, to whom they are obligated to pay reasonable legal fees and costs.

COUNT 1
FRAUDULENT MISREPRESENTATION AND CONCEALMENT
(Against All Defendants)

81. Plaintiffs adopt and reallege paragraphs 1 through 80 above as if fully set forth herein.

82. Defendants knowingly, intentionally, fraudulently and with intent to deceive the Plaintiffs, made false representations of material fact and concealed material information including but not limited to the following fraudulent misrepresentations and material omissions:

(a) false and misleading statements about the money Plaintiffs would receive from the investment in SFIA;

(b) false and misleading statements as to how Defendants would use Plaintiffs' money;

(c) false and misleading statements that Lt. Gen. Sanchez and others were involved in SFIA;

(d) false and misleading statements regarding the role of Lt. Gen. Sanchez's in SFIA;

(e) false and misleading statements designed to conceal the fact that SFIA was a sham and that Defendants did not intend to conduct any business as outline in the Shareholder Agreement or Assignment Agreement;

(f) false and misleading statements regarding the ability to obtain US government contracts;

(g) material omissions regarding the fact that the true purpose of SFIA was to steal Plaintiffs money;

(h) false and misleading statements that all assets of SFI would be transferred to SFIA; and

(i) false and misleading statements that Plaintiffs' money was guaranteed and safe.

83. Defendants' false statements and omissions were material factors in Plaintiffs' decision to invest in SFIA. Plaintiffs did not have the opportunity to discovery the truth behind Defendants' concealment.

84. At the time Defendants made the misrepresentations and misstatements, they knew them to be false and misleading and agreed to and benefited from the deception of Plaintiffs.

85. Defendants made the misrepresentations and concealments with the intent to deceive Plaintiffs and for the purpose of inducing Plaintiffs to entrust their money to Defendants.

86. Plaintiffs reasonably and justifiably relied on Defendants' representations when they entrusted their money to Defendants.

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87. Dr. Melgen relied and depended on the relationship of trust and confidence he had with the Defendants and based on Defendants' representations of superiority, influence, and expertise in United States Government contracts and the investment at issue in this Complaint. Defendants, in their position of superiority and influence, recognized and accepted Dr. Melgen's trust and confidence in them and undertook a duty to advise, counsel, protect, and benefit Plaintiffs in SFIA.

88. Had Plaintiffs known the SFIA was a sham, they would not have agreed to invest and pay money to Defendants under the terms of the Shareholder Agreement and Assignment Agreement.

89. Plaintiffs suffered damages as a proximate result of Defendants' fraud and misrepresentation.

COUNT 2
NEGLIGENT MISREPRESENTATION AND CONCEALMENT
(Against All Defendants)

90. Plaintiffs adopt and reallege paragraphs 1 through 80 above as if fully set forth herein.

91. Defendants made material misrepresentations and omissions including, but not limited to, the following fraudulent misrepresentations and material omissions:

(a) false and misleading statements about the money Plaintiffs would receive from the investment in SFIA;

(b) false and misleading statements as to how Defendants would use Plaintiffs' money;

(c) false and misleading statements that Lt. Gen. Sanchez and others were involved in SFIA;

(d) false and misleading statements regarding the role of Lt. Gen. Sanchez's in SFIA;

(e) false and misleading statements designed to conceal the fact that SFIA was a sham and that Defendants did not intend to conduct any business as outline in the Shareholder Agreement and Assignment Agreement;

(f) false and misleading statements regarding the ability to obtain US government contracts

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(g) material omissions regarding the fact that the true purpose of SFIA was to steal Plaintiffs money;

(h) false and misleading statements that all assets of SFI would be transferred to SFIA; and

(i) false and misleading statements that Plaintiffs' money was guaranteed and safe.

92. Defendants knew or should have known that their representations were false and that they had not disclosed material facts to Plaintiffs.

93. The negligence and carelessness of Defendants were the direct and proximate cause of Defendants' misrepresentations and failure to disclose the material facts.

94. Defendants made the misrepresentations and concealments with the intent and for the purpose of inducing Plaintiffs to entrust their money to Defendants.

95. Defendants' false and misleading statements and omissions were material factors in Plaintiffs' decision to invest in SFIA. Plaintiffs did not have the opportunity to discovery the truth behind Defendants' concealment.

96. Plaintiffs, as a direct and proximate cause of Defendants' breach of their duties, reasonably and justifiably relied on Defendants' representations when they entrusted their money to Defendants.

97. Dr. Melgen relied and depended on the relationship of trust and confidence he had with Defendants, specifically with Rendon, and based on Defendants' representations of superiority, influence, and expertise in United States Government contracts and the investment at issue in this Complaint. Defendants, in their position of superiority and influence, recognized and accepted Dr. Melgen's trust and confidence in them and undertook a duty to advise, counsel, protect, and benefit Plaintiffs in SFIA.

98. Had Plaintiffs known the SFIA was a sham, they would not have agreed to invest and pay money to Defendants under the terms of the Shareholder Agreement and Assignment Agreement.

99. Plaintiffs suffered damages as a proximate result of Defendants' fraud and misrepresentation.

COUNT 3
CONSTRUCTIVE FRAUD

(Against All Defendants)

100. Plaintiffs adopt and reallege paragraphs 1 through 80 above as if fully set forth herein.

101. Defendants owed a duty to Plaintiffs by virtue of their confidential and/or fiduciary relationship with Plaintiffs. Dr. Melgen relied and depended on the relationship of trust and confidence he had with Defendants based on their friendship and based on their representations of superiority, influence, and expertise in matters of United States government contracts and the investment in SFIA at issue in this Complaint. Defendants, in their position of superiority and influence, recognized and accepted Dr. Melgen's trust and confidence in them and undertook a duty to advise, counsel, protect, and benefit Plaintiffs in SFIA.

102. Defendants had superior knowledge of the facts and influence and abused their confidential and/or fiduciary relationship with Plaintiffs and took unconscionable advantage of them, as a direct result of which Plaintiffs have been harmed as stated.

COUNT 4
FRAUDULENT INDUCEMENT
(Against All Defendants)

103. Plaintiffs adopt and reallege paragraphs 1 through 80 above as if fully set forth herein.

104. Plaintiffs seek damages for fraud in the inducement to enter into the agreements.

105. In a deliberate effort to induce Plaintiffs to enter into the agreements, Defendants represented that they were highly experienced in negotiating and obtaining United States government contracts – namely, Department of Defense contracts, had superior knowledge and expertise regarding the United States government contracts, that Plaintiffs could rely on and trust Defendants' judgment based on the Defendants' superior knowledge, experience, expertise, and their friendship with Plaintiffs that Plaintiffs' money would be used as a capital contribution for the sole purpose of showing a capital infusion when presenting proposals to win government contracts, that Defendants also had their own personal money at stake in SFIA, that all the assets of SFI would be transferred to SFIA, and that Plaintiffs' money was guaranteed and safe. At the time Defendants made these representations, they knew them to be false.

106. Defendants also knowingly, intentionally, fraudulently and with the intent to deceive Plaintiffs, made false representations of material fact and concealed material information including but not limited to the following fraudulent misrepresentations and material omissions:

(a) false and misleading statements about the money Plaintiffs would receive from the investment in SFIA;

(b) false and misleading statements as to how Defendants would use Plaintiffs' money;

(c) false and misleading statements that Lt. Gen. Sanchez and others were involved in SFIA;

(d) false and misleading statements regarding the role of Lt. Gen. Sanchez's in SFIA;

(e) false and misleading statements designed to conceal the fact that SFIA was a sham and that Defendants did not intend to conduct any business as outline in the Shareholder Agreement and Assignment Agreement;

(f) false and misleading statements regarding the ability to obtain US government contracts;

(g) material omissions regarding the fact that the true purpose of SFIA was to steal Plaintiffs money;

(h) false and misleading statements that all assets of SFI would be transferred to SFIA; and

(i) false and misleading statements that Plaintiffs' money was guaranteed and safe.

107. Defendants made these representations with the intent that Plaintiffs should rely on them and for the purpose of inducing Plaintiffs to enter into the Shareholder Agreement and Assignment Agreement.

108. At the time Defendants made these misrepresentations, they them to be false and misleading and agreed to and benefited from the deception of Plaintiffs.

109. Plaintiffs reasonably and justifiably relief on these false representations and entered into the Assignment Agreement. Defendants' false statements and omissions were material factors in Plaintiffs' decision to enter into the Shareholder Agreement and Assignment

Agreement. Plaintiffs did not have the opportunity to discover the truth behind Defendants' concealment.

110. The acts and omissions as alleged above, undertaken by Defendants, demonstrate that they unlawfully, willfully and knowingly combined, confederated, and conspired and agreed to participate, as principals or as aides and abettors, in the commission of these violations.

111. Dr. Melgen relied and depended on the relationship of trust and confidence he had with Defendants based on their friendship and based on Defendants' representations of superiority, influence, and expertise in negotiating and obtaining United States government contracts, and the Assignment Agreement, and government contracts promised therein, at issue in this Complaint. Defendants, in their position of superiority and influence, recognized and accepted Dr. Melgen's trust and confidence in them and undertook a duty to advise, counsel, protect, and benefit Plaintiffs in the Shareholder Agreement and Assignment Agreement.

112. Had Plaintiffs known the SFIA was a sham, they would not have agreed to invest and pay money to Defendants under the terms of the Shareholder Agreement and Assignment Agreement.

113. Plaintiffs suffered damages as a proximate result of Defendants' fraud and misrepresentation.

COUNT 5
CIVIL CONSPIRACY
(Against All Defendants)

114. Plaintiffs adopt and reallege paragraphs 1 through 80 above as if fully set forth herein.

115. Defendants agreed with one another to act in concert with the purpose of obtaining money from Plaintiffs, and in doing so, Defendants used a common scheme and artifice to defraud Plaintiffs.

116. Defendants conspired, acted and continued to act in concert with one another pursuant to their agreement and this conspiracy continued while all Defendants were committing acts of conversion, fraudulent misrepresentation and concealment, negligent misrepresentation and concealment, constructive fraud, fraudulent inducement, and unjust enrichment, among other violations which will be proven at the trial of this matter.

117. As a result, Defendants obtained the power to accomplish the unlawful purpose they could not possess as individuals.

118. As a direct and proximate result of the foregoing, Plaintiffs have suffered and continue to suffer substantial damages.

119. As a result of the conspiracy detailed above, Plaintiffs are entitled to recover all attorneys' fees and expenses in prosecuting this action through several of the claims referenced herein. Further, because all Defendants were involved in a conspiracy, all Defendants are jointly and severally liable for all damages, attorneys' fees and costs, along with all other damages complained of herein.

COUNT 6
CONVERSION
(Against All Defendants)

120. Plaintiffs adopt and reallege paragraphs 1 through 80 above as if fully set forth herein.

121. In accordance with the purported requirements of the Assignment Agreement with Defendants, SFM, by and through Dr. Melgen, wired the sum of $1.5 million to Brierley c/o SFI account number G877BARC202677XXXXXXXX in New York.

122. Under the terms of the agreed upon Assignment Agreement and pursuant to Plaintiffs' instructions, $1.5 million was due and payable to SFM when the TWISS contract was lost. SFM possesses a current ownership interest in those funds.

123. Defendants deprived Plaintiffs of their money by unauthorized acts as described above.

124. Defendants have refused Plaintiffs' demands for the return of their money.

125. As a direct and proximate result of Defendants' actions, Plaintiffs have been permanently deprived of their property and have been damaged in the amount of $1.5 million together with interest as permitted by law.

COUNT 7
BREACH OF CONTRACT
(Against All Defendants)

126. Plaintiffs adopt and reallege paragraphs 1 through 80 above as if fully set forth herein.

127. This is an action for damages of $1.5 million for breach of contract, exclusive of attorneys' fees, costs, and interest.

128. Defendants entered into an Assignment Agreement with Plaintiffs.

129. In the Assignment Agreement, Defendants agreed to use their best efforts to obtain the TWISS contract and other government contracts.

130. Plaintiffs wired $1.5 million under the terms of the Assignment Agreement.

131. Defendants did not obtain the TWISS contract or any other government contract.

132. Plaintiffs have performed all their obligations under the Assignment Agreement.

133. Defendants have failed to perform their obligations under the Assignment Agreement and therefore, they have breached that Contract. As a result, Plaintiffs have suffered damages.

COUNT 8
BREACH OF THE IMPLIED CONVENANT OF GOOD FAITH AND FAIR DEALING
(Against All Defendants)

134. Plaintiffs adopt and reallege paragraphs 1 through 80 above as if fully set forth herein.

135. Defendants were required to exercise good faith and fair dealing in performing the Assignment Agreement.

136. Defendants did not deal fairly with Plaintiffs and did not perform the Assignment Agreement in good faith, but instead these Defendants acted in bad faith, in their own interests and against the interests of Plaintiffs, including concealing the truth about their use of Plaintiffs' money and making false statements about their performance of their obligations under the contract.

137. In so doing, Defendants consciously and deliberately failed to perform their obligations under the Assignment Agreement.

138. Defendants breached their covenant of good faith and fair dealing and, as a result, Plaintiffs have suffered damages.

139. Plaintiffs adopt and reallege paragraphs 1 through 80 above as if fully set forth herein.

140. Plaintiffs paid $1.5 million to Defendants.

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141. Defendants appreciated this benefit from Plaintiffs.

142. Defendants have failed to perform their obligations under the agreements.

143. Defendants have refused Plaintiffs' demands for the return of their money.

144. Under the circumstances, it would be inequitable for Defendants to retain the full $1.5 million benefit from Plaintiffs' without payment of the value of the benefit.

COUNT 10
ACCOUNTING

145. Plaintiffs adopt and reallege paragraphs 1 through 80 above as if fully set forth herein.

146. Dr. Melgen and Defendants share a fiduciary relationship.

147. A remedy at law is inadequate.

COUNT 11
VICARIOUS LIABILITY
(Against All Defendants)

148. Plaintiffs adopt and reallege paragraphs 1 through 80 above as if fully set forth herein.

149. Upon information and belief, all Defendants were operating as each other's agents with respect to the effort to obtain money from Plaintiffs. Through acts of one or more of the agents of all Defendants, the complained of acts in this pleading were accomplished by all Defendants and their agents acting in concert to deprive Plaintiffs of their property.

150. All Defendants are vicariously liable for the acts of their agents, and the conspiracies in which their agents participated, and all Defendants are jointly and severally liable for the full scope of the damages, attorneys' fees and costs, as well as all other possible relief.

RELIEF DEMANDED

WHEREFORE, Plaintiffs demand judgment against Defendants:

a. awarding Plaintiffs actual damages;

b. awarding Plaintiffs consequential damages;

c. awarding Plaintiffs attorneys' fees and costs;

d. awarding Plaintiffs pre-judgment and post-judgment interest on any award;

e. ordering equitable relief in the form of an accounting of the $1.5 million at issue in these claims;

f. awarding Plaintiffs punitive damages;

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g. ordering that all Defendants are jointly and severally liable to Plaintiffs for the entire scope of damages confirmed herein; and

h. granting Plaintiffs such other and further relief as the Court deems just and proper.

DEMAND FOR JURY TRIAL

Plaintiffs, SFM and Dr. Melgen, request a jury trial on all counts for which a jury trial is permitted by law.

Dated: May 31, 2011.

Respectfully submitted,

_/s/ Paul D. Turner_____
Paul D. Turner
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