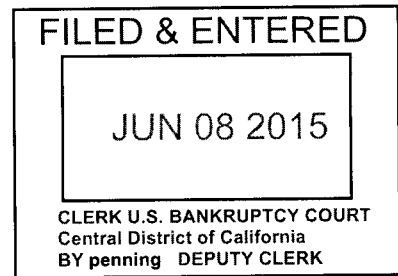


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**UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES DIVISION**

In re:

Catherine Reiner,

Debtor.

Case No.: 2:12-bk-25910-TD

CHAPTER 7

**ORDER DENYING DEBTOR'S MOTION
TO DISALLOW MERCADO CLAIM**

Date: March 4, 2015

Time: 10:00 a.m.

Courtroom: 1345

The dispute between the parties stems from a 2005 convoluted real estate investment agreement that led to extensive litigation. Debtor Catherine Reiner (Debtor) and two real estate colleagues presented claimant Giancarlo Mercado (Mercado), with an investment opportunity involving real property located at 5209 Harter Lane in La Canada-Flintridge, California. Mercado accepted the proposal and paid \$200,000 to Debtor and her colleagues to participate with them in the terms offered. Later, when Mercado discovered he had been duped, he sued alleging Debtor misrepresented the property deal when he was told the property was owned by a third party and was

1 subject to a \$2 million residential purchase agreement and joint escrow instructions
2 scheduled to close April 16, 2006. Debtor had promised that if Mercado provided
3 \$200,000 to help her purchase an existing promissory note secured by the property, he
4 would receive from Debtor and her colleagues a monthly interest payment of \$1,667
5 until the loan matures on January 31, 2006, and an additional \$30,000 at close of
6 escrow when the property, then currently in escrow, was sold, and a return of the
7 \$200,000 Mercado paid to Debtor and her colleagues in 2005.¹

9 The original, limited documentary proof of the agreement is found in the Debtor's
10 bankruptcy file, case no. 2:12-bk-25910-TD, as follows, copies of which are attached
11 hereto as Exhibits A, B and C:

12 Ex. A – Debtor's March 10, 2005 letter confirming the agreement with Mercado.

13 Ex. B – Mercado's \$200,000 wire transfer request dated March 9, 2005.

14 Ex. C – Debtor's May 15, 2007 letter to Mercado (with Mercado's reply note) in
15 which Debtor promised an increased payment to Mercado of \$300,000, regardless of
16 sale price of the property.

17 Mercado's written declarations and portions of his legal argument are attached
18 hereto. They more fully explain the circumstances under which Mercado agreed with
19 Debtor and her colleagues to pay \$200,000 to purchase an interest in what Mercado
20 was led to believe was a valuable promissory note secured by a first deed of trust on
21 the Harter Lane property scheduled to be sold shortly in a third party written agreement
22

23 ¹ The limited written documentation of the agreement between Mercado and
24 Reiner and her colleagues is contained in Exhibits A, B and C hereto.

25 Mercado's evidence is contained in Exhibits A through H. Mercado's proof of
26 claim (Exs. G and H) were each filed under penalty of perjury stating in the case of Ex.
27 H that "the information provided in this claim is true and correct" In addition,
28 detailed Mercado declarations are attached to both Exhibits G and H.

Exhibits are attached to this order upside down to preserve the legibility of the
original headers from the court's docket to enable readers to read each exhibit in the
context in which it was introduced in the court record.

1 and escrow instructions, though Debtor's promises later turned out to be false.

2 The failure of the Harter Lane property sale and escrow (as represented by
3 Debtor and her colleagues) resulted in a state court lawsuit filed by Mercado against
4 Debtor and others based on detailed allegations of fraud and other claims. Ex. D,
5 Compl. ¶s 2-7, 9-15, 17-21; Ex. E, Second Amended Complaint (SAC) ¶s 3-7, 9-11, 14-
6 19, 22-34.² Debtor's default was entered in the lawsuit. Ex. F. Later, Debtor filed her
7 chapter 13 bankruptcy petition. Shortly after Debtor converted her bankruptcy case to
8 chapter 7. Mercado failed to file a timely nondischargeability adversary proceeding.
9 Instead, he filed a proof of claim for fraud (Ex. G), later amended to state a claim for
10 breach of contract based on the same factual allegations of his fraud claim (Ex. H).
11 Now, after the matter has been argued, all the pleadings and evidence have been filed
12 (including post-hearing supplemental briefs). The parties have submitted the Debtor's
13 motion for the court's decision without request for an evidentiary hearing from Debtor.
14 The court finds that the record supports Mercado's amended claim for breach of
15 contract. The court finds that Debtor filed no contrary evidence to refute or challenge
16 any of Mercado's factual allegations.
17
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19

20 Prior to the agreement, Debtor (and her colleagues) showed Mercado a falsified
21 appraisal of the property with a valuation of \$2.1 million, along with a purchase
22 agreement for over \$2 million from a so-called bonafide buyer who never materialized.
23 Ex. E, SAC ¶s 25-34. On March 9, 2005, without knowing the falsity of the documents
24 shown to him, Mercado wired \$200,000 to one of Debtor's colleagues.
25 Ex. B. Subsequently, Debtor failed to make some of the promised monthly interest
26

27
28 ² Underscoring of the state court complaint and SAC and on Mercado's declaration
attached to his Claim No. 10-1 was done by the bankruptcy court as an aid to the
reader. They are marked with the court's initials (TBD).

1 payments and several of Debtor's checks for Debtor's payments to Mercado were
2 returned by the bank for insufficient funds. Mercado also discovered that the property
3 was in foreclosure at the time he made the wire transfer for his investment and that the
4 so-called purchased promissory note had matured prior to the date he agreed to pay
5 Debtor to help purchase it. Ex. E, SAC, ¶s 30-34. Mercado was not paid as agreed.
6 His \$200,000 investment was never repaid.³ The Harter Lane property eventually was
7 lost to a foreclosure sale brought by a third party.
8

9 Mercado filed his state court action on February 5, 2010, in Los Angeles Superior
10 Court (LASC) against Debtor and her colleagues for rescission, fraud, professional
11 negligence and negligence relating to the agreement (LASC No. BC430846). Ex.D.
12 Later that same year, Debtor's default was entered in that action. Ex. F.
13

14 On May 5, 2012, Debtor filed her bankruptcy petition. On April 3, 2013, Mercado
15 filed a proof of claim (Claim No. 10-1, Ex. G) for \$253,315.07 against Debtor's
16 bankruptcy estate, initially alleging fraud, later amended (in Claim No. 10-2, Ex. H) to
17 state his claim for breach of contract.⁴ Debtor now objects to the surviving breach of
18 contract claim asserting that Debtor and Mercado never entered into a contract. Debtor
19 asserts the evidence provided does not support a finding that there was a valid contract
20 between the parties and that Claim No. 10-2 was barred by the California statute of
21 limitations. The matter was taken under advisement (after a series of related hearings
22 before this court) based upon the record before the court and without objection.
23

24 Pursuant to 11 U.S.C. § 502(a), "A claim . . . proof of which is filed is deemed
25 allowed . . . unless a party in interest . . . objects."
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27
28 ³ See Ex. H, page 2, Instruction 6.

⁴ Mercado's negligence claim was not pursued because it was filed in the Superior Court more than two years after Mercado suffered his losses.

1 Section 502(b)(1) provides, in relevant part, “. . . if such objection is made, the
2 court, after notice and hearing, shall determine the amount of such claim . . . and shall
3 allow such claim in such amount, except to the extent that — (1) such claim is
4 unenforceable against the debtor . . . under any agreement or applicable law” The
5 claim must provide “some evidence as to its validity and amount” and be “strong enough
6 to carry over a mere formal objection without more.” Wright v. Holm (In re Holm), 931
7 F.2d 620, 623 (9th Cir. 1991) (quoting 3 COLLIER ON BANKRUPTCY § 502.02, at 502-22
8 (15th ed. 1991)). “To defeat the claim, the objector must come forward with sufficient
9 evidence and ‘show facts tending to defeat the claim by probative force equal to that of
10 the allegations of the proofs of claim themselves.’” Lundell v. Anchor Const. Specialists,
11 Inc., 223 F.3d 1035, 1039 (9th Cir. 2000) (citing In re Holm, 931 F.2d at 623). The
12 objector needs only to produce sufficient **evidence** to negate one or more of the
13 elements of the claim to shift the burden back to the claimant to prove the validity of the
14 claim by a preponderance of the **evidence**. Lundell, 223 F.3d at 1039 (citing In re
15 Consol. Pioneer Mort., 178 B.R. 222, 226 (9th Cir. BAP 1995) (emphasis added)
16 (quoting In re Allegheny Int’l, Inc., 954 F.2d 167, 173-174 (3d Cir. 1992)). “The ultimate
17 burden of persuasion remains at all times upon the claimant.” Id.

18 Debtor resists Mercado’s claim by legal argument but provided no evidence to
19 contradict Mercado’s account of the events or to negate evidence in the record that the
20 court finds adequately supports the *prima facie* validity of Mercado’s claim. In fact,
21 Debtor’s Motion to Disallow Mercado’s Claim only provided copies of Mercado’s Claim
22 No. 10-2 (Ex. H), along with the claim’s attached exhibits, as evidence. Without
23 contradictory evidence, the claim can only be examined to determine whether the
24 evidence in the court’s record as provided by Mercado in response to Debtor’s Motion
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1 To Disallow Claim 10-2 is sufficient to defeat a mere formal objection, that is, Debtor's
2 legal arguments.

3 In order for a valid contract to exist under Cal. Civ. Code § 1550, Mercado was
4 obligated to establish a *prima facie* basis for the court to find (1) parties capable of
5 contracting; (2) their consent; (3) a lawful object; and (4) sufficient consideration. As
6 stated in House v. McMullen, the instrument containing the elements of the contract
7 may be imperfectly expressed. 9 Cal. App. 664, 669-70 (1909).

9 The only elements at issue in the instant case are whether there was mutual
10 consent to the contract that Mercado asserts and whether the contract itself was
11 sufficiently certain to be valid. "Consent is not mutual, unless the parties all agree upon
12 the same thing in the same sense." Cal. Civ. Code § 1580. "The manifestation of
13 mutual consent is generally achieved through the process of offer and acceptance."
14 Pac. Corporate Grp. Holdings, LLC v. Keck, 232 Cal. App. 4th 294, 309 (2014) (quoting
15 DeLeon v. Verizon Wireless, LLC, 207 Cal. App. 4th 800, 813 (2012)). "Mutual assent
16 is determined under an objective standard applied to the outward manifestations or
17 expressions of the parties, i.e., the reasonable meaning of their words and acts, and not
18 their unexpressed intentions or understandings. [Citations omitted.] Where the
19 existence of a contract is at issue and the evidence is conflicting or admits of more than
20 one inference, it is for the trier of fact to determine whether the contract actually existed.
21 . . ." Pac. Corporate Grp. Holdings, 232 Cal. App. 4th at 309 (quoting HM DG, Inc. v.
22 Amini, 219 Cal. App. 4th 1100, 1109 (2013)). Whether Debtor acted fraudulently (which
23 is not in issue here) does not negate the contractual elements of the transaction that are
24 in issue and that led to Mercado's loss.
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1 “. . . [A] contract will be enforced if it is sufficiently definite . . . for the court to
2 ascertain the parties' obligations and to determine whether those obligations have been
3 performed or breached.” Bustamante, 141 Cal. App. 4th at 209 (quoting Ersa Grae
4 Corp. v. Fluor Corp., 1 Cal. App. 4th 613, 623 (1991)). “To be enforceable, a promise
5 must be definite enough that a court can determine the scope of the duty[,] and the
6 limits of performance must be sufficiently defined to provide a rational basis for the
7 assessment of damages.” Bustamante, 141 Cal. App. 4th at 209 (quoting Ladas v.
8 California State Auto. Assn., 19 Cal. App. 4th 761, 770 (1993); Robinson & Wilson, Inc.
9 v. Stone, 35 Cal. App. 3d 396, 407 (1973)).

10
11 The only memorialization of the 2005 agreement between Debtor and Mercado is
12 found in Exhibits A and B. Then the agreement was modified in May 2007 by a letter
13 addressed to Mercado by Debtor and her colleagues signed with the typewritten names
14 “Cathy, Sona and Mary” (Ex. C). The evidence in the record leads the court to conclude
15 the May 2007 letter was written and delivered to confirm prior negotiations between the
16 parties. Debtor raised no dispute as to the authors of the May 2007 letter, which
17 included the Debtor. While the written memorialization is limited, it adequately supports
18 the factual allegations of Mercado’s state court Complaint and Second Amended
19 Complaint and preserves Mercado’s claim against the statute of limitations applicable
20 here.

21
22 Debtor asserts in her motion to disallow Mercado’s Claim No. 10-2 that the
23 California four-year statute of limitations on Mercado’s breach of contract claim expired
24 not later than January 31, 2010, prior to the February 5, 2010 filing date of Mercado’s
25 superior court complaint against Debtor. However, Debtor’s statute of limitations
26 defense fails to take into account the effect of Exhibit C, the “Cathy, Sona & Mary” letter
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1 to Mercado dated May 15, 2007, confirming Debtor's agreement to pay \$300,000 to
2 Mercado, not just the \$200,000 that Mercado advanced on to Debtor May 9, 2005. In
3 the court's view the "Cathy, Sona and Mary" letter establishes a much later
4 commencement of the running of the California four-year statute of limitations on a
5 written contract, as applicable here, given the May 2007 modification of the 2005
6 agreement. Mercado's 2010 state court complaints, followed by Debtor's May 4, 2012
7 bankruptcy filing and the effects of the automatic stay explain the protracted time frame
8 of this dispute. The requirements of 11 U.S.C. § 502(b)(1) for enforceability of the claim
9 have been satisfied in Debtor's 2012 bankruptcy case.

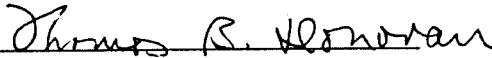
11 Initially, the Maarch 2005 exchange (Exhibits A and B) confirmed the following
12 terms: ". . . note for \$250,000 against 5209 Harter Lane, La Canada Flintridge. You
13 have \$200,000 . . . invest[ed] in the property. The loan mature[s] on or before January
14 31, 2006. Your monthly payment will be \$1,667[,] and at [a] later day when escrow . . .
15 close[s], you will receive[] \$30,000, [and based on Exhibit C, the court concludes] your
16 \$200,000, later increased to \$300,000. We will have a note and deed of trust recorded
17 against the property." Ex. B. Debtor's signature, along with her personal delivery of
18 monthly payments in checks and cash to Mercado establishes some of the elements of
19 the Debtor's agreement with Mercado. Debtor offered no contrary evidence to explain
20 the initial interest payments she delivered later to Mercado. Exhibits A and C, taken
21 together, eliminate any doubt about Mercado's allegations that Debtor's obligation was
22 to repay Mercado's \$200,000 upon closing of the promised sale of Harter Lane. The
23 initial obligation to return Mercado's \$200,000 was later increased to \$300,000 by
24 Exhibit C. The evidence in the record is sufficient to establish the mutual consent
25 between the parties and formation of a contract.

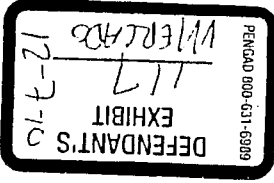
1 Based upon the writings, the terms enumerated are sufficient to satisfy
2 Mercado's burden of proof concerning the mutual consent of the parties. Mercado's
3 sole obligation was to provide \$200,000 for a note secured by the property. Mercado
4 paid as agreed to complete his part of the bargain. Ex. B. Debtor's obligation was (1)
5 to pay Mercado a monthly payment of \$1,667, representing interest, (2) \$30,000 at
6 close of escrow, and (3) to return Mercado's initial \$200,000 investment, (4) later
7 increased to \$300,000, after the property was lost to foreclosure. Exs. A and C. Debtor
8 partially performed the agreement by making several monthly payments to Mercado, but
9 failed to perform the greater part of her obligations under the agreement. Mercado's
10 documentary evidence, as represented by Exhibits A, B and C, is not ambiguous, nor
11 does it fail to provide for the specific duties of each party. The court concludes the
12 contract is sufficiently definite. The memorialization of the agreement between Debtor
13 and Mercado created a valid contract. Mercado has proved his claim by a
14 preponderance. Mercado's complaint resulted in entry of default against the Debtor in
15 state court in 2010. Neither Debtor's default there, nor Mercado's evidence here have
16 been controverted by the Debtor.
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20 Mercado's Claim No. 10-2 for breach of contract in the sum of \$252,315.07 is
21 allowed as a general, non-priority unsecured claim.

22 IT IS SO ORDERED.

23
24 Date: June 8, 2015


25 Thomas B. Donovan
26 United States Bankruptcy Judge
27
28



Attm: Ms Mercado
Room #9

3/10/05
[Signature]
Thanks

We are getting a note for \$250,000 against 5209 Harter Lane, La Canada Flintridge. You have \$200,000 and I'll have \$50,000 invest into the property. I have already giving them a \$100,000 couple of weeks ago in order for them to assigned the escrow to me.

The loan mature on or before January 31, 2006. Your monthly payment will be \$1,667 and at later day when escrow are closing, you will received \$30,000. We will have a note and deed of trust recorded against the property.

28

2-011

Net Balance \$ 200,000.00

Local Advance Transfer \$ 200,000.00

Account: 17682807 CIBACARTE MEXICO

Line of Credit: \$ 200,000.00

Net Balance \$ 226,700.42

Local Advance Transfer \$ 200,000.00

Account: 17682807 CIBACARTE MEXICO

Line of Credit: \$ 200,000.00

Account: 17682807 CIBACARTE MEXICO

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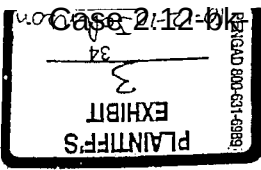
Account: 17682807 CIBACARTE MEXICO

Line of Credit: \$ 200,000.00

Account: 17682807 CIBACARTE MEXICO

[Handwritten signature]

EXHIBIT C



05-06-07

Francisco Mercedo
Francisco Mercedo

I agree that I will be paid
\$300,000.00 at the closing of escrow
regardless of the sale price.

Cathy, Sonia & Mary

We have received your taxes. Our plans of action are as follow:
1) We will list the property on the MLS as of tomorrow 5/16 with Bob Taylor for 4% commission (both parties) at the market value for as is condition. We will send a crew out there to clean it up.
2) We also agree to pay you out for \$300,000 no matter what the sale price is at closing.
In the mean time if you are approaching Litton and Countrywide for short sale and they accept the low price. Which will not include your investment you will loose your investment portion plus our portion? Therefore, we have to sale the property with the current market value.
Should you accept the above proposal? Please acknowledge at the bottom and faxed it back. Cathy will contact you to sign listing agreement.

May 15, 2007

Francisco,

EXHIBIT D

TO THE HONORABLE JUDGE THOMAS DONOVAN, UNITED STATES BANKRUPTCY
JUDGE AND TO ALL INTERESTED PARTIES:
In connection with his OPPOSITION TO THE MOTION FOR AN ORDER DISALLOWING THE
CLAIM OF GIANCARLO MERCADO filed concurrently herewith, Creditor Giancarlo Mercado
respectfully requests that this Court take judicial notice of the below listed exhibit pursuant to
Federal Rule of Evidence 201:

REQUEST FOR JUDICIAL NOTICE
IN SUPPORT OF CREDITOR'S
OPPOSITION TO DEBTOR'S
MOTION TO DISALLOW THE
CLAIM OF GIANCARLO MERCADO
Date: March 4, 2015
Time: 10:00 am.
Location: 255 E. Temple St., Courtroom
1345

Case No. 2:12-BK-25910-TD

Chapter 7

In re:
CATHERINE REINER,

Debtor.

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES DIVISION

Daren M. Schlechter, Esq. (SBN 259537)
Law Office of Daren M. Schlechter, A Prof. Corp.
1925 Century Park East, Suite 830
Los Angeles, CA 90067
Telephone (310) 553-5747
Telecopier (310) 553-5487
Attorneys for Creditor
Giancarlo Mercado

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1 Exhibit A. Original State Court Complaint dated February 5, 2010 for various claims against

2 Debtor/Defendant Cathy Reiner in the Los Angeles Superior Court, Case Number BC430846.

3 Creditor Giancarlo Mercado requests that the Court take judicial notice of the attached

4 Exhibit "A", including the date the lawsuit was filed of February 5, 2010. The Court may take

5 judicial notice of its own records in other cases, as well as records of an inferior court in other cases.

6 *Kasey v. Molybdenum Corp. of America*, 336 F.2d 560, 563 (9th Cir 1964). Here, the court may take

7 judicial notice of the state court complaint as Exhibit "A" and the record therein pursuant to Fed.

8 Rule of Evidence 201.

10 Respectfully Submitted,

11 LAW OFFICE OF DAREN M. SCHLICTER

11 Dated: February 17, 2015

13 By:

14 DAREN M. SCHLICTER,
14 Attorney for Creditor Giancarlo Mercado

EXHIBIT “A”

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ORIGINAL

CIT/CASE: BC430846 LEA/DEF#: 0310
RECEIPT #: CCH507417632
DATE PAID: 02/05/10 03:36:45 PM
PAYMENT: \$355.00
RECEIVED:
CHECK: 355.00
CASH:
CHANGE:
CARD:

BC 430846 CASE NO.: COMPLAINT FOR:
1) RESCISSION
2) FRAUD
3) PROFESSIONAL NEGLIGENCE
4) NEGLIGENCE
GIANCARLO MERCADO, An Individual, Plaintiff,
v.
BOB TAYLOR PROPERTIES, INC., A California Corporation; CATHY REINER, An Individual; ROBERT L. TAYLOR, An Individual; ARTASHES GALACHYAN, An Individual; MARY PEHLEVANIAN, An Individual; SONA CHUKHYAN, An Individual and DOES 1 through 20, inclusive, Defendants.
TRIAL BY JURY DEMANDED

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES

D19 Rex Heesterman

John A. Clarke, Executive Officer/Clerk
Deputy
GINA GHIDER

FEB 05 2010

Superior Court of California
County of Los Angeles

FILED

Handwritten signatures and initials

LAW OFFICES OF JOHN A. BELCHER
JOHN A. BELCHER (State Bar No. 99300)
NICHOLAS W. SONG (State Bar No. 217070)
55 South Lake Avenue, Suite 801
Pasadena, California 91101-2676
(626) 577-5771
(626) 577-7769 (facsimile)
Attorneys for Plaintiff
Giancarlo Mercado

1 Plaintiff Giancarlo Mercado, as and for his complaint against Defendants Bob Taylor

2 Properties, Inc., Cathy Reiner, Robert L. Taylor, Artashes Galachyan, Mary Pehlevanian, Sona

3 Chukhyan, and DOES 1 through 20, inclusive, alleges as follows:

4 JURISDICTION

5 1. This court has jurisdiction because the claims at issue arose in the County of Los

6 Angeles. The amount in controversy in this action exceeds \$25,001, exclusive of interest and

7 costs. Venue is proper because the claims at issue herein arose in this district.

8 THE PARTIES

9 2. Plaintiff Giancarlo Mercado ("Mercado") is an individual residing in Los Angeles

10 County, California.

11 3. Defendant Sona Chukhyan ("Chukhyan") is an individual. Chukhyan is the

12 principal of First Real Estate Venture Inc. Although Chukhyan represents herself as a real estate

13 agent, she is not licensed by the California Department of Real Estate. Chukhyan was represented

14 by Defendant Cathy Reiner to be a real estate agent and operated out of an office jointly staffed

15 with Defendants Cathy Reiner and Mary Pehlevanian.

16 4. Defendant Mary Pehlevanian ("Pehlevanian") is an individual licensed by the

17 California Department of Real Estate, License ID: 01418617. Pehlevanian is an employee of First

18 Real Estate Venture Inc.

19 5. Defendant Cathy Reiner ("Reiner") is an individual licensed by the California

20 Department of Real Estate, License ID: 01338284. Reiner is employed by broker Bob Taylor

21 Properties, Inc., License ID: 01304057. Reiner is also an agent of First Real Estate Venture Inc.

22 6. Defendant Bob Taylor Properties, Inc. is a California corporation licensed by the

23 California Department of Real Estate, License ID: 01304057. Defendant Robert L. Taylor is an

24 agent and supervising broker at Bob Taylor Properties, Inc.

25 7. Defendant Artashes Galachyan ("Galachyan") is an individual licensed by the

26 California Department of Real Estate, License ID: 01840596.

1 Plaintiff is ignorant of the true names and capacities of Defendants sued herein as
 2 DOES 1 through 20, inclusive, and therefore sues these Defendants by such fictitious names.
 3 Plaintiff will amend this Complaint to allege their true names and capacities when ascertained.
 4 Plaintiff is informed and believes, and thereon alleges, that each of the Doe Defendants is
 5 responsible in some manner for the occurrences alleged in this Complaint, and that Plaintiff's
 6 damages were proximately caused by those Doe Defendants. References hereinafter made to
 7 specifically named Defendants shall be deemed to refer to and include the fictitiously named
 8 Defendants, unless the context indicates otherwise.

PRELIMINARY ALLEGATIONS

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 10
 11 In the winter of 2004, Artashes Galachyan, Cathy Reiner, Sona Chukhyan and Mary
 12 Pehlevanian agreed on a conspiracy to induce Plaintiff Mercado to purchase an essentially
 13 worthless note against the property located at 5209 Harter Lane in La Canada Flintridge, California
 14 ("Harter Lane property") for significant sums of money. The note was owned by Artashes
 15 Galachyan.
 16 10. Artashes Galachyan, the holder of the note, was a licensed real estate agent and a
 17 professional lender, who holds a license with the Department of Real Estate to broker loans.
 18 Galachyan failed to make material disclosures required to be made before the transaction with
 19 Plaintiff:
 20
 21 a) Galachyan failed to disclose that the property was already in foreclosure.
 22 b) Galachyan failed to disclose that he was a licensed real estate agent.
 23 c) Galachyan failed to disclose that the payments due and owing on the note
 24 were not made.
 25 d) Galachyan failed to disclose that the obligors on the note were not credit
 26 worthy and failed to disclose information known and material about the
 27 credit history of the obligors.
 28 ///

2-55

11. Defendant Cathy Reiner, acting as an employee and agent of Bob Taylor Properties, Inc., solicited Plaintiff Giancarlo Mercado to participate in a purported investment plan. Reiner, purportedly on behalf of Bob Taylor Properties, Inc., informed Mercado of a plan to purchase a note against the Harter Lane property. Reiner stated they would purchase the note, fix up the property and sell it within six months for a healthy profit. Reiner made material misrepresentations to induce Mercado to purchase the note:

a) Reiner misrepresented that after the purchase, she would have \$50,000 invested in the property, beyond \$100,000 invested in the property "a couple of weeks ago." This statement was false.

b) As a principal in the transaction, with an interest in the property, Reiner failed to obtain a waiver.

c) Reiner represented Plaintiff in the transaction and failed to make disclosures of her fee or commission for bringing in Plaintiff's funds.

12. Reiner introduced Mercado to Defendant Sona Chukhyan and Chukhyan's assistant, Mary Pehlevanian, who were also involved in the scheme. Chukhyan and Pehlevanian represented to Mercado that the plan described by Reiner was sound financially, and encouraged Mercado to make the investment. Both were described by Reiner as licensed real estate agents.

13. Chukhyan and Pehlevanian presented Mercado with documents to induce Mercado to proceed with the note purchase. Chukhyan and Pehlevanian presented to Mercado a "purchase agreement" indicating there was a buyer who had committed to buying the Harter Lane property for well over two million dollars (\$2,000,000). Chukhyan and Pehlevanian also provided to Mercado a document purporting to be an appraisal report showing that the Harter Lane property was worth \$2.1 million. These and other documents were presented to Mercado to induce Mercado into participating in the plan. The documents were presented to Plaintiff with the knowledge and approval of Robert L. Taylor, Bob Taylor Properties, Inc. and Artashes Galachyan.

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14. The appraisal was falsified and known to be falsified by defendants. The purchase offer was not a bona fide offer by a qualified buyer.

15. In reliance on the representations made by defendants as described above, Mercado agreed to pay \$200,000 to purchase the note. On or about March 9, 2005, Mercado wired \$200,000 to an account held by Artashes Galachyan as instructed by Reiner. The exact relationship and commission taken by Galachyan, Reiner and Bob Taylor Properties, Inc. was concealed from Plaintiff.

16. At no time did Galachyan or any other defendant disclose that Galachyan was a professional in the mortgage lending business. At no time did Galachyan or any other defendant disclose that Galachyan was licensed by the California Department of Real Estate.

17. Within the last three years, Mercado discovered that the Harter Lane property had been in foreclosure prior to the time Mercado purchased the note. At no time did Galachyan, Reiner, Chukhyan or Pehlevanian ever disclose that the Harter Lane property was in foreclosure. At or around the same time, Mercado also discovered that Galachyan, Reiner, Chukhyan and Pehlevanian also failed to disclose the following material information:

a) The note purchased by Mercado was only for partial interest on the Harter Lane property. Other investors held a share of the note.

b) There was a second mortgage on the Harter Lane property.

c) The lot size was actually 18,000 square feet, instead of 40,000 square feet as represented to Mercado.

d) The "offer" shown to Mercado was falsified and not bona fide.

19. Mercado agreed to purchase the note in part on the representations by Reiner, Taylor, Artashes, Chukhyan and Pehlevanian that there was a secured buyer who signed the "purchase agreement." This buyer never materialized.

20. To further conceal the foreclosed status of the Harter Lane property, Chukhyan put her address under Mercado's name when recording the lien on behalf of Mercado. As a result,

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1 Mercado never received correspondence from the loan service company stating that the property
 2 will be auctioned off. Chukhyan never communicated to Mercado that the Harter Lane property
 3 was about to be auctioned off. Defendants and each of them were aware that notice was "set up" to
 4 conceal the foreclosure status of the property by omitting Plaintiff's true address.
 5 21. The foreclosure and lack of full ownership meant that Mercado's \$200,000
 6 "investment" never had any chance to provide a return. Indeed, after the first four months,
 7 Mercado was not paid interest as specified in the note.
 8
 9 FIRST CAUSE OF ACTION
 10 Rescission
 11 Against Artashes Galachyan
 12 22. Plaintiff repeats and realleges each and every allegation contained in paragraphs 1
 13 through 21 of this Complaint as though fully set forth herein.
 14 23. Defendant Galachyan is a real estate broker as the term is defined under Business &
 15 Professions Code §10131 et seq.
 16 24. Plaintiff was a purchaser of a note secured by real property and a person who
 17 defendants intended or reasonably should have foreseen would rely on the Defendants'
 18 representations or nondisclosures regarding the property.
 19 25. Defendant Galachyan had actual and constructive knowledge of the material facts
 20 regarding the note and the Harter Lane property. Defendant knew that these facts were unknown
 21 to, or beyond the reach of, Plaintiff Mercado.
 22 26. Defendant Galachyan owed a duty to Plaintiff to disclose facts materially affecting
 23 the value or desirability of the property. Defendant, however, failed to disclose material facts and
 24 misrepresented the value of the Harter Lane property and concealed the fact that the status of the
 25 property was in imminent foreclosure. Defendant affirmatively, through agents, presented a phony
 26 "offer" and had his agent, Cathy Reiner, misrepresent that "[they] are getting a note for \$250,000
 27 against 5209 Harter Lane, La Canada." The true facts were that Plaintiff was getting a portion of a
 28 note, since another party held a portion of the debt.

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28 reasonably purchase the note. Plaintiff relied on the misrepresentations made by Defendants.

27 35. The misrepresentation and concealment by Defendants induced Plaintiff to

26 purchase the note.

25 Defendants obtained an advantage over Plaintiff in the transaction wherein Plaintiff agreed to

24 34. By failing to disclose material facts regarding the Harter Lane property and the note,

23 their duty by misrepresenting the material facts regarding the Harter Lane property and the note.

22 disclose material facts regarding the Harter Lane property and the note. Defendants also breached

21 33. Defendants breached their legal and equitable duty, trust or confidence by failing to

20 duty of the highest good faith and undivided loyalty and service toward the principal.

19 relationship between a broker and a principal is fiduciary in nature and imposes on the broker a

18 32. Defendant Bob Taylor Properties, Inc. acted as a broker for Plaintiff. The

17 through 30 of this Complaint as though fully set forth herein.

16 31. Plaintiff repeats and realleges each and every allegation contained in paragraphs 1

15 Against All Defendants

14 Fraud

13 SECOND CAUSE OF ACTION

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11 benefit Defendants. Rescission is appropriate, with interest, to refund Plaintiff's investment.

10 30. The fraudulent activities were done with specific intent to defraud and personally

9 damages, in an amount as of yet unascertained.

8 them, Plaintiff has incurred and will continue to incur substantial, actual and consequential

7 29. As a direct, proximate and foreseeable result of Defendants' fraud, and each of

6 Without such misrepresentation or nondisclosure, Plaintiff would never have purchased the note.

5 Plaintiff could not, in the exercise of reasonable diligence, have discovered Defendants' fraud.

4 Galachyan. Because Defendants maintained all records relating to the purported investment,

3 28. Plaintiff relied on the misrepresentations made by Defendants on behalf of

2 upon false pretenses.

1 27. Defendant Galachyan's motive was to induce Plaintiff to purchase the note based

1 Because Defendants maintained all records relating to the purported investment, Plaintiff could
2 not, in the exercise of reasonable diligence, have discovered Defendants' fraud. Without such
3 misrepresentation or nondisclosure, Plaintiff would never have purchased the note.
4 36. As a direct, proximate and foreseeable result of Defendants' breach of duty, and
5 each of them, Plaintiff has incurred and will continue to incur substantial, actual and consequential
6 damages, in an amount as of yet unascertained.
7 37. The actions of Defendant Cathy Reiner were authorized and known by Robert L.
8 Taylor, the principal of Bob Taylor Properties, a corporation, which specifically ratified the acts.
9 The actions of defendants in making deliberate and knowing misrepresentations was willful and
10 malicious, sufficient to justify punitive damages.
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38. Plaintiff repeats and realleges each and every allegation contained in paragraphs 1
39. Defendants owed a duty of due care to Plaintiff. In breach of due care, Defendants
40. As a direct, proximate and foreseeable result of Defendants' breach of due care, and
41. Plaintiff repeats and realleges each and every allegation contained in paragraphs 1
through 40 of this Complaint as though fully set forth herein.

FOURTH CAUSE OF ACTION

Negligence

Against Bob Taylor Properties, Inc., Cathy Reiner and Robert L. Taylor

THIRD CAUSE OF ACTION

Professional Negligence

Against Cathy Reiner, Bob Taylor Properties, Inc., Robert L. Taylor and Mary Pehlevanian

1 42. Defendant Robert L. Taylor, as supervising broker, was aware that Cathy Reiner had
 2 set up a satellite office, unsupervised, in which unlicensed individuals were presented to clients,
 3 including Plaintiff, as licensed agents.
 4 43. The defendants, working as a group, on behalf of Bob Taylor Properties, Inc., failed
 5 to disclose their true license statuses.
 6 44. Reiner is an employee of Bob Taylor Properties, Inc., a corporation licensed by the
 7 California Department of Real Estate. Bob Taylor Properties, Inc. negligently supervised and
 8 retained Reiner, who used her association with a real estate broker to perpetuate the conspiracy.
 9 45. Bob Taylor Properties, Inc. failed to supervise Reiner's activities. Bob Taylor
 10 Properties knew or should have known that Reiner was unfit and incompetent to perform real
 11 estate services, which created a particular risk to others.
 12 46. Reiner's unfitness and incompetence harmed Plaintiff. Bob Taylor Properties,
 13 Inc.'s negligence in supervising and retaining Reiner was a substantial factor in causing Plaintiff's
 14 harm.
 15 WHEREFORE, PLAINTIFF prays judgment as follows:
 16 ON THE FIRST CAUSE OF ACTION
 17 1. For rescission and damages in an amount according to proof.
 18 2. For costs of suit herein incurred.
 19 3. For such other and further relief as the court deems just and proper.
 20 ON THE SECOND CAUSE OF ACTION
 21 1. For damages in an amount according to proof.
 22 2. For costs of suit herein incurred.
 23 3. For punitive damages.
 24 4. For such other and further relief as the court deems just and proper.
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ON THE THIRD CAUSE OF ACTION

- 1. For damages in an amount according to proof.
- 2. For costs of suit herein incurred.
- 3. For such other and further relief as the court deems just and proper.

ON THE FOURTH CAUSE OF ACTION

- 1. For damages in an amount according to proof.
- 2. For costs of suit herein incurred.
- 3. For such other and further relief as the court deems just and proper.


ON ALL CAUSES OF ACTIONS

- 1. For damages in an amount according to proof.
- 2. For costs of suit herein incurred.
- 3. For punitive damages in an amount according to proof.
- 4. For such other and further relief as the court deems just and proper.

PLAINTIFF DEMANDS TRIAL BY JURY.

DATED: February 2, 2010

LAW OFFICES OF JOHN A. BELCHER
JOHN A. BELCHER
NICHOLAS W. SONG

By 
 JOHN A. BELCHER
 Attorneys for Plaintiff
 Giancarlo Mercado

www.FormsWorkshop.com
American LegalNet, Inc.

Cal. Rules of Court, rules 3.220, 3.400-3.403, 3.740.
Cal. Standards of Judicial Administration, std. 3.10
www.courtinfo.ca.gov

Form adopted for Mandatory Use
Judicial Council of California
CM-010 (Rev. July 1, 2007)

CIVIL CASE COVER SHEET

Page 1 of 2
 • Plaintiff must file this cover sheet with the first paper filed in the action or proceeding (except small claims cases or cases filed under the Probate Code, Family Code, or Welfare and Institutions Code). (Cal. Rules of Court, rule 3.220.) Failure to file may result in sanctions.
 • File this cover sheet in addition to any cover sheet required by local court rule.
 • If this case is complex under rule 3.400 et seq. of the California Rules of Court, you must serve a copy of this cover sheet on all other parties to the action or proceeding.
 • Unless this is a collections case under rule 3.740 or a complex case, this cover sheet will be used for statistical purposes only.

NOTICE
 (TYPE OR PRINT NAME) JOHN A. BELCHER
 (SIGNATURE OF PARTY OR ATTORNEY FOR PARTY)

Date: February 2, 2010
 6. If there are any known related cases, file and serve a notice of related case. (You may use form CM-015.)
 5. This case is not a class action suit. is.
 4. Number of causes of action (specify): Four: 1) Rescission 2) Fraud 3) Professional Negligence 4) Negligence
 3. Remedies sought (check all that apply): a. monetary b. nonmonetary; declaratory or injunctive relief c. punitive
 c. Substantial amount of documentary evidence
 b. Issues that will be time-consuming to resolve
 a. Large number of separately represented parties
 d. Large number of witnesses
 e. Coordination with related actions pending in one or more courts
 f. Substantial postjudgment judicial supervision
 2. This case is not complex under rule 3.400 of the California Rules of Court. If the case is complex, mark the factors requiring exceptional judicial management:

1. Check one box below for the case type that best describes this case:

<input type="checkbox"/> Auto Tort	<input type="checkbox"/> Breach of contract/warranty (06)	<input type="checkbox"/> Contract	<input type="checkbox"/> Provisionally Complex Civil Litigation (Cal. Rules of Court, rules 3.400-3.403)
<input type="checkbox"/> Other P/Pl/D/W (Personal Injury/Property Damage/Wrongful Death) Tort	<input type="checkbox"/> Rule 3.740 collections (09)	<input type="checkbox"/> Other collections (09)	<input type="checkbox"/> Construction defect (10)
<input type="checkbox"/> Other P/Pl/D/W (Other) Tort	<input type="checkbox"/> Eminent domain/inverse condemnation (14)	<input type="checkbox"/> Insurance coverage (18)	<input type="checkbox"/> Mass tort (40)
<input type="checkbox"/> Business tort/unfair business practice (07)	<input type="checkbox"/> Other real property (26)	<input type="checkbox"/> Other contract (37)	<input type="checkbox"/> Securities litigation (28)
<input type="checkbox"/> Defamation (13)	<input type="checkbox"/> Commercial (31)	<input type="checkbox"/> Unlawful Detainer	<input type="checkbox"/> Construction defect (10)
<input type="checkbox"/> Intellectual property (19)	<input type="checkbox"/> Residential (32)	<input type="checkbox"/> Real Property	<input type="checkbox"/> Antitrust/trade regulation (03)
<input type="checkbox"/> Professional negligence (25)	<input type="checkbox"/> Drugs (38)	<input type="checkbox"/> Other tort (40)	<input type="checkbox"/> Insurance coverage claims arising from the above listed provisionally complex case types (41)
<input type="checkbox"/> Other non-P/Pl/D/W tort (35)	<input type="checkbox"/> Asset forfeiture (05)	<input type="checkbox"/> Unlawful Detainer	<input type="checkbox"/> Environmental/Toxic tort (30)
<input type="checkbox"/> Wrongful termination (36)	<input type="checkbox"/> Petition re: arbitration award (11)	<input type="checkbox"/> Judicial Review	<input type="checkbox"/> Securities litigation (28)
<input type="checkbox"/> Other employment (15)	<input type="checkbox"/> Writ of mandate (02)	<input type="checkbox"/> Unlawful Detainer	<input type="checkbox"/> Construction defect (10)
	<input type="checkbox"/> Other judicial review (39)	<input type="checkbox"/> Real Property	<input type="checkbox"/> Antitrust/trade regulation (03)
		<input type="checkbox"/> Contract	<input type="checkbox"/> Insurance coverage claims arising from the above listed provisionally complex case types (41)
		<input type="checkbox"/> Other P/Pl/D/W (Other) Tort	<input type="checkbox"/> Environmental/Toxic tort (30)
		<input type="checkbox"/> Business tort/unfair business practice (07)	<input type="checkbox"/> Securities litigation (28)
		<input type="checkbox"/> Defamation (13)	<input type="checkbox"/> Construction defect (10)
		<input type="checkbox"/> Intellectual property (19)	<input type="checkbox"/> Antitrust/trade regulation (03)
		<input type="checkbox"/> Professional negligence (25)	<input type="checkbox"/> Insurance coverage claims arising from the above listed provisionally complex case types (41)
		<input type="checkbox"/> Other non-P/Pl/D/W tort (35)	<input type="checkbox"/> Environmental/Toxic tort (30)
		<input type="checkbox"/> Wrongful termination (36)	<input type="checkbox"/> Securities litigation (28)
		<input type="checkbox"/> Other employment (15)	<input type="checkbox"/> Construction defect (10)
			<input type="checkbox"/> Antitrust/trade regulation (03)

Items 1-6 below must be completed (see instructions on page 2):

<input checked="" type="checkbox"/> Unlimited (Amount)	<input type="checkbox"/> Limited (Amount)	<input type="checkbox"/> Counter	<input type="checkbox"/> Joinder
exceeds \$25,000)	\$25,000 or less)	Filed with first appearance by defendant	(Cal. Rules of Court, rule 3.402)

CIVIL CASE COVER SHEET

Case Name: Giancarlo Mercado v. Bob Taylor Properties, Inc., et al.

Branch Name: Central District

City and Zip Code: Los Angeles, California 90012

Mailing Address: 111 North Hill Street

Street Address: Stanley Mosk Courthouse

Superior Court of California, County of Los Angeles

Attorney for (Name): Plaintiff Giancarlo Mercado

Telephone No.: (626) 577-5771

Fax No.: (626) 577-7769

John A. Belcher (SBN 99300)

Nicholas W. Song (SBN 217070)

55 S. Lake Ave., Suite 801

Pasadena, CA 91101

FOR COURT USE ONLY

FILED

Superior Court of California

County of Los Angeles

FEB 05 2010

John A. Clarke, Executive Officer/Clerk

Deputy

CASE NUMBER: BC 430846

JUDGE:

DEPT:

CM-010

ORIGINAL

CIVIL CASE COVER SHEET ADDENDUM AND STATEMENT OF LOCATION

LACIV 109 (Rev. 01/07) LASC Approved 03-04

ORIGINAL
 Non-Personal Injury/Property Damage/Wrongful Death Tort
 Other Personal Injury/Property Damage/Wrongful Death Tort
 Auto Tort

A	B	C
Civil Case Cover Sheet Category No.	Type of Action (Check only one)	Applicable Reasons - See Step 3 Above
Auto (22)	<input type="checkbox"/> A7100 Motor Vehicle - Personal Injury/Property Damage/Wrongful Death	1., 2., 4.
Uninsured Motorist (46)	<input type="checkbox"/> A7110 Personal Injury/Property Damage/Wrongful Death - Uninsured Motorist	1., 2., 4.
Asbestos (04)	<input type="checkbox"/> A6070 Asbestos Property Damage <input type="checkbox"/> A7221 Asbestos - Personal Injury/Wrongful Death	2.
Product Liability (24)	<input type="checkbox"/> A7260 Product Liability (not asbestos or toxic/environmental)	1., 2., 3., 4., 8.
Medical Malpractice (45)	<input type="checkbox"/> A7210 Medical Malpractice - Physicians & Surgeons <input type="checkbox"/> A7240 Other Professional Health Care Malpractice	1., 2., 4.
Other Personal Injury/Property Damage/Wrongful Death (23)	<input type="checkbox"/> A7250 Premises Liability (e.g., slip and fall) <input type="checkbox"/> A7230 Intentional Bodily Injury/Property Damage/Wrongful Death (e.g., assault, vandalism, etc.) <input type="checkbox"/> A7270 Intentional Infliction of Emotional Distress <input type="checkbox"/> A7220 Other Personal Injury/Property Damage/Wrongful Death	1., 2., 4.
Business Tort (07)	<input type="checkbox"/> A6029 Other Commercial/Business Tort (not fraud/breach of contract)	1., 2., 3.
Civil Rights (08)	<input type="checkbox"/> A6005 Civil Rights/Discrimination	1., 2., 3.
Defamation (13)	<input type="checkbox"/> A6010 Defamation (slander/libel)	1., 2., 3.
Fraud (16)	<input checked="" type="checkbox"/> A6013 Fraud (no contract)	1. (2), 3.

Step 4: Fill in the information requested on page 4 in Item III; complete Item IV. Sign the declaration.

1. Class Actions must be filed in the County Courthouse, Central District.
2. May be filed in Central (Other county, or no Bodily Injury/Property Damage).
3. Location where cause of action arose.
4. Location where bodily injury, death or damage occurred.
5. Location where performance required or defendant resides.
6. Location of property or permanently garaged vehicle.
7. Location where petitioner resides.
8. Location wherein defendant/respondent functions wholly.
9. Location where one or more of the parties reside.
10. Location of Labor Commissioner Office.

Applicable Reasons for Choosing Courthouse Location (see Column C below)

For any exception to the court location, see Los Angeles Superior Court Local Rule 2.0.

Step 3: In Column C, circle the reason for the court location choice that applies to the type of action you have checked.

Step 2: Check one Superior Court type of action in Column B below which best describes the nature of this case.

Step 1: After first completing the Civil Case Cover Sheet Form, find the main civil case cover sheet heading for your case in the left margin below, and, to the right in Column A, the Civil Case Cover Sheet case type you selected.

Item II: Select the correct district and courthouse location (4 steps - if you checked "Limited Case", skip to Item III, Pg. 4):

Item I: Check the types of hearing and fill in the estimated length of hearing expected for this case:

JURY TRIAL? YES CLASS ACTION? YES LIMITED CASE? YES TIME ESTIMATED FOR TRIAL 3 HOURS/ DAYS

This form is required pursuant to LASC Local Rule 2.0 in all new civil case filings in the Los Angeles Superior Court.

CIVIL CASE COVER SHEET ADDENDUM AND STATEMENT OF LOCATION (CERTIFICATE OF GROUNDS FOR ASSIGNMENT TO COURTHOUSE LOCATION)

SHORT TITLE: Glancarlo Mercado v. Bob Taylor Properties, Inc., et al.	CASE NUMBER: BC 430846
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CIVIL CASE COVER SHEET ADDENDUM AND STATEMENT OF LOCATION

A Civil Case Cover Sheet Category No.	B Type of Action (Check only one)	C Applicable Reasons - See Step 3 Above
Professional Negligence (25)	<input type="checkbox"/> A6017 Legal Malpractice <input type="checkbox"/> A6050 Other Professional Malpractice (not medical or legal)	1., 2., 3.
Other (35)	<input type="checkbox"/> A6025 Other Non-Personal Injury/Property Damage tort	2., 3.
Wrongful Termination (36)	<input type="checkbox"/> A6037 Wrongful Termination	1., 2., 3.
Other Employment (15)	<input type="checkbox"/> A6024 Other Employment Complaint Case <input type="checkbox"/> A6109 Labor Commissioner Appeals	1., 2., 3., 10.
Breach of Contract/Warranty (06) (not insurance)	<input type="checkbox"/> A6004 Breach of Rental/Lease Contract (not Unlawful Detainer or wrongful eviction) <input type="checkbox"/> A6008 Contract/Warranty Breach - Seller Plaintiff (no fraud/negligence) <input type="checkbox"/> A6019 Negligent Breach of Contract/Warranty (no fraud) <input type="checkbox"/> A6028 Other Breach of Contract/Warranty (not fraud or negligence)	2., 5., 1., 2., 5.
Collections (09)	<input type="checkbox"/> A6002 Collections Case-Seller Plaintiff <input type="checkbox"/> A6012 Other Promissory Note/Collections Case	2., 5., 6.
Insurance Coverage (18)	<input type="checkbox"/> A6015 Insurance Coverage (not complex)	1., 2., 5., 8.
Other Contract (37)	<input type="checkbox"/> A6009 Contractual Fraud <input type="checkbox"/> A6031 Tortious Interference <input type="checkbox"/> A6027 Other Contract Dispute(not breach/insurance/fraud/negligence)	1., 2., 3., 5., 1., 2., 3., 5., 1., 2., 3., 8.
Eminent Domain/Inverse Condemnation (14)	<input type="checkbox"/> A7300 Eminent Domain/Condemnation Number of parcels _____	2.
Wrongful Eviction (33)	<input type="checkbox"/> A6023 Wrongful Eviction Case	2., 6.
Other Real Property (26)	<input type="checkbox"/> A6018 Mortgage Foreclosure <input type="checkbox"/> A6032 Quiet Title <input type="checkbox"/> A6060 Other Real Property (not eminent domain, landlord/tenant, foreclosure)	2., 6., 2., 6., 2., 6.
Unlawful Detainer-Commercial (31)	<input type="checkbox"/> A6021 Unlawful Detainer-Commercial (not drugs or wrongful eviction)	2., 6.
Unlawful Detainer-Residential (32)	<input type="checkbox"/> A6020 Unlawful Detainer-Residential (not drugs or wrongful eviction)	2., 6.
Unlawful Detainer-Drugs (38)	<input type="checkbox"/> A6022 Unlawful Detainer-Drugs	2., 6.
Asset Forfeiture (05)	<input type="checkbox"/> A6108 Asset Forfeiture Case	2., 6.
Petition re Arbitration (11)	<input type="checkbox"/> A6115 Petition to Compel/Confirm/Vacate Arbitration	2., 5.

Judicial Review Unlawful Detainer Real Property Contract Employment Non-Personal Injury/Property Damage/Wrongful Death Tort (Cont'd.)

SHORT TITLE: Giancarlo Mercado v. Bob Taylor Properties, Inc., et al.
 CASE NUMBER: _____

CIVIL CASE COVER SHEET ADDENDUM AND STATEMENT OF LOCATION

LACIV 109 (Rev. 01/07) LASC Approved 03-04

SHORT TITLE: Giancarlo Mercado v. Bob Taylor Properties, Inc., et al.		CASE NUMBER
A Civil Case Cover Sheet Category No.	B Type of Action (Check only one)	C Applicable Reasons - See Step 3 Above
Other Judicial Review (39)	<input type="checkbox"/> A6150 Other Writ/Judicial Review	2., 8.
Writ of Mandate (02)	<input type="checkbox"/> A6151 Writ - Administrative Mandamus <input type="checkbox"/> A6152 Writ - Mandamus on Limited Court Case Matter <input type="checkbox"/> A6153 Writ - Other Limited Court Case Review	2., 2., 2., 8.
Other Judicial Review (39)	<input type="checkbox"/> A6003 Antitrust/Trade Regulation	1., 2., 8.
Construction Defect (10)	<input type="checkbox"/> A6007 Construction defect	1., 2., 3.
Claims Involving Mass Tort (40)	<input type="checkbox"/> A6006 Claims involving Mass Tort	1., 2., 8.
Securities Litigation (28)	<input type="checkbox"/> A6035 Securities Litigation Case	1., 2., 8.
Toxic Tort/Environmental (30)	<input type="checkbox"/> A6036 Toxic Tort/Environmental	1., 2., 3., 8.
Insurance Coverage Claims from Complex Case (41)	<input type="checkbox"/> A6014 Insurance Coverage/Subrogation (complex case only)	1., 2., 5., 8.
Enforcement of Judgment (20)	<input type="checkbox"/> A6141 Sister State Judgment <input type="checkbox"/> A6160 Abstract of Judgment <input type="checkbox"/> A6107 Confession of Judgment (non-domestic relations) <input type="checkbox"/> A6140 Administrative Agency Award (not unpaid taxes) <input type="checkbox"/> A6114 Petition/Certificate for Entry of Judgment on Unpaid Tax <input type="checkbox"/> A6112 Other Enforcement of Judgment Case	2., 9., 2., 6., 2., 9., 2., 8., 2., 8., 2., 8., 2., 8., 9.
RICO (27)	<input type="checkbox"/> A6033 Racketeering (RICO) Case	1., 2., 8.
Other Complaints (Not Specified Above) (42)	<input type="checkbox"/> A6030 Declaratory Relief Only <input type="checkbox"/> A6040 Injunctive Relief Only (not domestic/harassment) <input type="checkbox"/> A6011 Other Commercial Complaint Case (non-tort/non-complex) <input type="checkbox"/> A6000 Other Civil Complaint (non-tort/non-complex)	1., 2., 8., 1., 2., 8., 2., 8., 1., 2., 8.
Partnership Corporation Governance(21)	<input type="checkbox"/> A6113 Partnership and Corporate Governance Case	2., 8.
Other Petitions (Not Specified Above) (43)	<input type="checkbox"/> A6121 Civil Harassment <input type="checkbox"/> A6123 Workplace Harassment <input type="checkbox"/> A6124 Elder/Dependent Adult Abuse Case <input type="checkbox"/> A6190 Election Contest <input type="checkbox"/> A6110 Petition for Change of Name <input type="checkbox"/> A6170 Petition for Relief from Late Claim Law <input type="checkbox"/> A6100 Other Civil Petition	2., 3., 9., 2., 3., 9., 2., 3., 9., 2., 7., 2., 3., 4., 8., 2., 9.

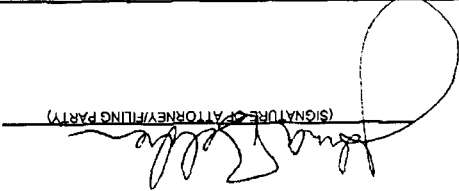
Miscellaneous Civil Petitions
Miscellaneous Civil Complaints
Enforcement of Judgment
Provisionally Complex Litigation
Judicial Review (Cont'd.)

**CIVIL CASE COVER SHEET ADDENDUM
AND STATEMENT OF LOCATION**

01/25/22

1. Original Complaint or Petition.
2. If filing a Complaint, a completed Summons form for issuance by the Clerk.
3. Civil Case Cover Sheet form CM-010.
4. Complete Addendum to Civil Case Cover Sheet form LACIV 109 (Rev. 01/07), LASC Approved 03-04.
5. Payment in full of the filing fee, unless fees have been waived.
6. Signed order appointing the Guardian ad Litem, JC form FL-935, if the plaintiff or petitioner is a minor under 18 years of age, or if required by Court.
7. Additional copies of documents to be conformed by the Clerk. Copies of the cover sheet and this addendum must be served along with the summons and complaint, or other initiating pleading in the case.

PLEASE HAVE THE FOLLOWING ITEMS COMPLETED AND READY TO BE FILED IN ORDER TO PROPERLY COMMENCE YOUR NEW COURT CASE:


 (SIGNATURE OF ATTORNEY/FILING PARTY)

Dated: February 2, 2010

Item IV. *Declaration of Assignment*: I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that the above-entitled matter is properly filed for assignment to the Stanley Mosk courthouse in the Central District of the Los Angeles Superior Court (Code Civ. Proc., § 392 et seq., and LASC Local Rule 2.0, subds. (b), (c) and (d)).

REASON: CHECK THE NUMBER UNDER COLUMN C <input type="checkbox"/> 1, <input type="checkbox"/> 2, <input type="checkbox"/> 3, <input type="checkbox"/> 4, <input type="checkbox"/> 5, <input type="checkbox"/> 6, <input type="checkbox"/> 7, <input type="checkbox"/> 8, <input type="checkbox"/> 9, <input type="checkbox"/> 10.	CITY: Los Angeles STATE: CA ZIP CODE: 90042
ADDRESS: 5526 North Figueroa Street Los Angeles, California 90042	

Item III. *Statement of Location*: Enter the address of the accident, party's residence or place of business, performance, or other circumstance indicated in Item II, Step 3 on Page 1, as the proper reason for filing in the court location you selected.

SHORT TITLE Giancarlo Mercado v. Bob Taylor Properties, Inc., et al.	CASE NUMBER
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TRIAL BY JURY DEMANDED

Defendants,
through 20, inclusive,
CHUKHYAN, An Individual and DOES 1
PEHLEVANYAN, An Individual; SONA
GALACHYAN, An Individual; MARY
TAYLOR, An Individual; ARTASHES
REINER, An Individual; ROBERT L.
California Corporation; CATHY
BOB TAYLOR PROPERTIES, INC., A
v.
Plaintiff,
GIANCARLO MERCADO, An Individual,

- 1) RESCISSION
- 2) FRAUD
- 3) PROFESSIONAL NEGLIGENCE
- 4) NEGLIGENCE

SECOND AMENDED COMPLAINT FOR:
CASE NO.: BC430846

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES

LAW OFFICES OF JOHN A. BELCHER
JOHN A. BELCHER (State Bar No. 99300)
NICHOLAS W. SONG (State Bar No. 217070)
55 South Lake Avenue, Suite 801
Pasadena, California 91101-2676
(626) 577-5771
(626) 577-7769 (facsimile)
Attorneys for Plaintiff
Giancarlo Mercado
AUG 18 2010
John A. Belcher, Executive Director/Client
By SHAUNNA WEGLEY, Deputy

Handwritten marks on the left margin: "ASD" at lines 27, 23, 35, and 45.

1 Plaintiff Giancarlo Mercado, as and for his complaint against Defendants Bob Taylor
 2 Properties, Inc., Cathy Reiner, Robert L. Taylor, Artashes Galachyan, Mary Pehlevanian, Sona
 3 Chukhyan, and DOES 1 through 20, inclusive, alleges as follows:
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 12 County, California.
 13 3. Defendant Sona Chukhyan ("Chukhyan") is an individual. Chukhyan is the
 14 principal of First Real Estate Venture Inc. Although Chukhyan represents herself as a real estate
 15 agent, she is not licensed by the California Department of Real Estate. Chukhyan was represented
 16 by Defendant Cathy Reiner to be a real estate agent and operated out of an office jointly staffed
 17 with Defendants Cathy Reiner and Mary Pehlevanian.
 18 4. Defendant Mary Pehlevanian ("Pehlevanian") is an individual licensed by the
 19 California Department of Real Estate, License ID: 01418617. Pehlevanian is an employee of First
 20 Real Estate Venture Inc.
 21 5. Defendant Cathy Reiner ("Reiner") is an individual licensed by the California
 22 Department of Real Estate, License ID: 01338284. Reiner is employed by broker Bob Taylor
 23 Properties, Inc., License ID: 01304057. Reiner is also an agent of First Real Estate Venture Inc.
 24 6. Defendant Bob Taylor Properties, Inc. is a California corporation licensed by the
 25 California Department of Real Estate, License ID: 01304057. Defendant Robert L. Taylor is an
 26 agent and supervising broker at Bob Taylor Properties, Inc.
 27 7. Defendant Artashes Galachyan ("Galachyan") is an individual licensed by the
 28 California Department of Real Estate, License ID: 01840596.

THE PARTIES

1. This court has jurisdiction because the claims at issue arose in the County of Los Angeles. The amount in controversy in this action exceeds \$25,001, exclusive of interest and costs. Venue is proper because the claims at issue herein arose in this district.

JURISDICTION

1 8. Plaintiff is ignorant of the true names and capacities of Defendants sued herein as

2 DOES 1 through 20, inclusive, and therefore sues these Defendants by such fictitious names.

3 Plaintiff will amend this Complaint to allege their true names and capacities when ascertained.

4 Plaintiff is informed and believes, and thereon alleges, that each of the Doe Defendants is

5 responsible in some manner for the occurrences alleged in this Complaint, and that Plaintiffs

6 damages were proximately caused by those Doe Defendants. References hereinafter made to

7 specifically named Defendants shall be deemed to refer to and include the fictitiously named

8 Defendants, unless the context indicates otherwise.

10 **PRELIMINARY ALLEGATIONS**

11 9. In the winter of 2004, Artashes Galachyan, Cathy Reiner, Sona Chukhyan and Mary

12 Pehlevanian agreed on a conspiracy to induce Plaintiff Mercado to purchase an essentially

13 worthless note against the property located at 5209 Harter Lane in La Canada Flintridge, California

14 ("Harter Lane property") for significant sums of money. The note was owned by Artashes

15 Galachyan. The instant action was filed on February 10, 2010. Plaintiff first discovered fraudulent

16 conduct of Artashes Galachyan in March 2007 through a "Reinstatement Quote for Loan Number

17 13677661" in the form of a fax from Litton Loan Services, which first came into Plaintiff's

18 possession at that time, i.e. March 2007.

19 10. Prior to that time, Plaintiff was ignorant of the fraud and failure to disclose material

20 facts by Galachyan. Specifically, Plaintiff learned through this March 2007 fax that immediately

21 prior to the sale of the note, i.e. in March 2005, a "Reinstatement Quote for Loan 13677661" for a

22 total of \$84,347.42 had been sent on or about March 21, 2005 to the borrower. This fact was

23 known to defendant Galachyan. In other words, immediately prior to the sale of the note to

24 Plaintiff, the property was in default for \$84,347.42.

25 11. Galachyan, through his authorized representatives, had concealed the true condition

26 of the note at the time of the sale. Only upon receipt of the Litton Loan Servicing "Reinstatement"

27 Quote did Plaintiff learn of Galachyan's fraud. Additionally, the first "Notice of Default" was

28 received by Plaintiff via fax from Am North American on March 8, 2007, at 9:47 a.m., which

1 revealed a 2004 notice of default. Plaintiff was ignorant of prior defaults until receiving that

2 document.

3 12. "There are four circumstances in which nondisclosure or concealment may

4 constitute actionable fraud: (1) when the defendant is in a fiduciary relationship with the plaintiff;

5 (2) when the defendant had exclusive knowledge of material facts not known to the plaintiff;

6 (3) when the defendant actively conceals a material fact from the plaintiff; and (4) when the

7 defendant makes partial representations but also suppresses some material facts. [Citation.]"

8 LlMandri v. Judkins, 52 Cal.App.4th 326, 336, 60 Cal. Rptr. 2d 539 (1997). (Emphasis added.)

9 13. Under California law, a vendor has a duty to disclose material facts not only to

10 immediate purchasers, but also to subsequent purchasers when the vendor has reason to expect that

11 the item will be resold. Geernaert v. Mitchell, 31 Cal.App.4th 601, 605-609, 37 Cal. Rptr. 2d 483

12 (1995).

13 14. Defendants, and each of them, were in possession of material facts regarding the

14 true value of the note, which were not accessible to Plaintiff. Defendants, and each of them,

15 actively concealed the true value of the note and never disclosed to Plaintiff that the note was

16 worthless. Furthermore, Defendants concealed the true value of the note by recording the note

17 with their address, so that Plaintiff would not receive any notices of default.

18 15. Artashes Galachyan, the holder of the note, is a licensed real estate agent and a

19 professional lender, who holds a license with the Department of Real Estate to broker loans.

20 Galachyan failed to make material disclosures required to be made before the transaction with

21 Plaintiff.

22 a) Galachyan failed to disclose that the property was already in foreclosure.

23 b) Galachyan failed to disclose that he was a licensed real estate agent.

24 c) Galachyan failed to disclose that the payments due and owing on the note

25 were not made.

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1 Galachyan failed to disclose that the obligors on the note were not credit
 2 worthy and failed to disclose information known and material about the
 3 credit history of the obligors.
 4
 5 Galachyan, through authorized agents and employees, made repeated misrepresentations to
 6 Plaintiff in March 2005 to induce Plaintiff to purchase the note and specifically misrepresented that
 7 all of the notes on the property were current.
 8
 9 16. Plaintiff was unable to discover the fraud before March 2007 because of falsified
 10 documents which were presented to Plaintiff to conceal the true condition of the note. Defendants,
 11 in November 2006, sent a purported cashier's check in the amount of \$75,225.53 payable to
 12 "Quality Loan" to Plaintiff with the representation that the amount had been paid toward senior
 13 debt. Plaintiff was ignorant of the fact that the document was a hoax and was never applied to the
 14 borrower's loan or note. Plaintiff only learned that the document was a fraud after March 2007.
 15
 16 17. Plaintiff lacked the means to discover the fraud because Defendants, at all material
 17 times, controlled all information regarding the value of the note and never shared that information
 18 with Plaintiff.
 19
 20 18. Plaintiff was also unaware of any formal notices of default which were sent to
 21 recorded note holders. Defendants intentionally recorded Plaintiff's note with a phony address on
 22 it which diverted all lender notices to a mailbox in the control of defendants.
 23
 24 19. Despite reasonable diligence, Plaintiff did not and could not discover the fraud and
 25 concealment of material information by Defendants. Because of the affirmative misrepresentation
 26 by Defendants regarding the value of the note, and because of the concealment of material
 27 information regarding the value of the note, Plaintiff had no reason to conduct an in-depth
 28 investigation of the value of the note.
 29
 30 20. "[W]here no duty is imposed by law upon a person to make inquiry, and where

1 relief when thereafter he shall make actual discovery." Watts v. Crocker-Citizens National Bank,
 2 132 Cal.App.3d 516, 523, 183 Cal.Rptr. 304 (1982).
 3 21. In May 2007, in conspiracy and within three years of the filing, Defendants
 4 misrepresented that investors "know there is a lot of equity in the property" and that the property
 5 would be "listed" in May 2007 with Bob Taylor Properties for sale.
 6 22. Plaintiff first learned of the fraud of Bob Taylor, Bob Taylor Properties, and Cathy
 7 Reiner in March 2007. Specifically, Plaintiff learned through a fax received by Plaintiff in March
 8 2007 that immediately prior to the sale of the note, i.e. in March 2005, a "Reinstatement Quote for
 9 Loan 13677661" for a total of \$84,347.42 had been sent on or about March 21, 2005 to the
 10 borrower. This fact was known to defendants. In other words, immediately prior to the sale of the
 11 note, the note was in default for \$84,347.42. Additionally, the first "Notice of Default" was
 12 received by Plaintiff via fax from Ann North American on March 8, 2007, at 9:47 a.m., which
 13 revealed a 2004 notice of default. Plaintiff was ignorant of defaults until that receipt.
 14 23. Prior to March 2007, Plaintiff was ignorant of the fraud committed by Bob Taylor,
 15 Bob Taylor Properties, and Cathy Reiner. Specifically, Plaintiff learned through this March 2007
 16 fax that immediately prior to the sale of the note, i.e. in March 2005, a "Reinstatement Quote for
 17 Loan 13677661" for a total of \$84,347.42 had been sent on or March 21, 2005 to the borrower.
 18 24. Plaintiff discovered after March 2007 that Defendant Cathy Reiner fraudulently
 19 solicited Plaintiff Giancarlo Mercado to participate in a purported investment plan. Reiner,
 20 purportedly on behalf of Bob Taylor Properties, Inc., informed Mercado of a plan to purchase a
 21 note against the Harter Lane property. Reiner stated they would purchase the note, fix up the
 22 property and sell it within six months for a healthy profit. Reiner made material misrepresentations
 23 to induce Mercado to purchase the note:
 24 a) Reiner misrepresented that after the purchase, she would have \$50,000
 25 invested in the property, beyond \$100,000 invested in the property "a couple
 26 of weeks ago." This statement was false.
 27 b) As a principal in the transaction, with an interest in the property, Reiner
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1 failed to obtain a waiver.
2 c) Reiner represented Plaintiff in the transaction and failed to make disclosures
3 of her fee or commission for bringing in Plaintiff's funds.
4
5 25. Reiner introduced Mercado to Defendant Sona Chukhyan and Chukhyan's assistant,
6 Mary Pehlevanian, who were also involved in the scheme. Chukhyan and Pehlevanian represented
7 to Mercado that the plan described by Reiner was sound financially, and encouraged Mercado to
8 make the investment. Both were described by Reiner as licensed real estate agents.
9 26. Chukhyan and Pehlevanian presented Mercado with documents to induce Mercado
10 to proceed with the note purchase. Chukhyan and Pehlevanian presented to Mercado a "purchase
11 agreement" indicating there was a buyer who had committed to buying the Harter Lane property for
12 well over two million dollars (\$2,000,000). Chukhyan and Pehlevanian also provided to Mercado
13 a document purporting to be an appraisal report showing that the Harter Lane property was worth
14 \$2.1 million. These and other documents were presented to Mercado to induce Mercado into
15 participating in the plan. The documents were presented to Plaintiff with the knowledge and
16 approval of Robert L. Taylor, Bob Taylor Properties, Inc. and Artashes Galachyan.
17 27. The appraisal was falsified and known to be falsified by defendants. The purchase
18 offer was not a bona fide offer by a qualified buyer. Defendants misrepresented the appraisal as
19 genuine. Defendants concealed the fact that there was no bona fide offer by a qualified buyer.
20 28. In reliance on the representations made by defendants as described above, Mercado
21 agreed to pay \$200,000 to purchase the note. On or about March 9, 2005, Mercado wired
22 \$200,000 to an account held by Artashes Galachyan as instructed by Reiner. The exact
23 relationship and commission taken by Galachyan, Reiner and Bob Taylor Properties, Inc. was
24 concealed from Plaintiff.
25 29. At no time did Galachyan or any other defendant disclose that Galachyan was a
26 professional in the mortgage lending business. At no time did Galachyan or any other defendant
27 disclose that Galachyan was licensed by the California Department of Real Estate.
28 ///

1 30. Within the last three years of filing, specifically in March 2007 through the receipt
2 of a fax from Litton Loan Servicing LP regarding a "reinstatement quote for loan #1367761" for
3 5209 Harter Lane, La Canada Flintridge, California, Plaintiff first discovered defendants' fraud.
4 The document stated that, as of March 25, 2005, the loan was \$84,347.42 delinquent. Prior to the
5 receipt of the March 2007 fax, Plaintiff had no knowledge that the Harter Lane property loan was
6 delinquent. At no time did Galachyan, Reiner, Chukhyan or Pehlevanian ever disclose that the
7 Harter Lane property was in foreclosure.
8 31. In or around March 2007, Mercado also discovered that Galachyan, Reiner,
9 Chukhyan and Pehlevanian also failed to disclose the following material information, which were
10 not reasonably accessible to Plaintiff:

- 11 a) The note purchased by Mercado was only for partial interest on the Harter
12 Lane property. Other investors held a share of the note.
- 13 b) There was a second mortgage on the Harter Lane property.
- 14 c) The lot size was actually 18,000 square feet, instead of 40,000 square feet as
15 represented to Mercado.
- 16 d) The "offer" shown to Mercado was falsified and not bona fide.

17 32. Mercado agreed to purchase the note in part on the representations by Reiner,
18 Taylor, Artashes, Chukhyan and Pehlevanian that there was a secured buyer who signed the
19 "purchase agreement." This buyer never materialized.

20 33. To further conceal the foreclosed status of the Harter Lane property, Chukhyan put
21 her address under Mercado's name when recording the lien on behalf of Mercado. As a result,
22 Mercado never received correspondence from the loan service company stating that the property
23 will be auctioned off. Chukhyan never communicated to Mercado that the Harter Lane property
24 was about to be auctioned off. Defendants and each of them were aware that notice was "set up" to
25 conceal the foreclosure status of the property by omitting Plaintiff's true address.
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1 34. The foreclosure and lack of full ownership meant that Mercado's \$200,000
2 "investment" never had any chance to provide a return. Indeed, after the first four months,
3 Mercado was not paid interest as specified in the note.
4
5 FIRST CAUSE OF ACTION
6 Rescission
7 Against Artashes Galachyan
8 35. Plaintiff repeats and realleges each and every allegation contained in paragraphs 1
9 through 34 of this Complaint as though fully set forth herein.
10 36. Defendant Galachyan is a real estate broker as the term is defined under Business &
11 Professions Code §10131 et seq. Galachyan was in possession of material facts regarding the true
12 value of the note, which were not accessible to Plaintiff. Defendants, and each of them, actively
13 concealed the true value of the note and never disclosed to Plaintiff that the note was worthless.
14 Galachyan failed to disclose the material information regarding the true value of the note to
15 Plaintiff.
16 37. Plaintiff was a purchaser of a note secured by real property and a person who
17 defendants intended or reasonably should have foreseen would rely on the Defendants'
18 representations or nondisclosures regarding the property.
19 38. Defendant Galachyan had actual and constructive knowledge of the material facts
20 regarding the note and the Harter Lane property. Defendant knew that these facts were unknown
21 to, or beyond the reach of, Plaintiff Mercado.
22 39. Defendant Galachyan owed a duty to Plaintiff to disclose facts materially affecting
23 the value or desirability of the property. Defendant, however, failed to disclose material facts and
24 misrepresented the value of the Harter Lane property and concealed the fact that the status of the
25 property was in imminent foreclosure.
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1 40. Defendant affirmatively, through agents, presented a phony "offer" and had his
2 agent, Cathy Reiner, misrepresent that "[they] are getting a note for \$250,000 against 5209 Harter
3 Lane, La Canada." The true facts were that Plaintiff was getting a portion of a note, since another
4 party held a portion of the debt.
5 41. Defendant Galachyan knew that his agents were making false representations to
6 Plaintiff. Galachyan failed to disclose to Plaintiff that the representations were false.
7 42. Defendant Galachyan's motive was to induce Plaintiff to purchase the note based
8 upon false pretenses.
9 43. Plaintiff relied on the misrepresentations made by other Defendants on behalf of
10 Galachyan. Because Defendants maintained all records relating to the purported investment,
11 Plaintiff could not, in the exercise of reasonable diligence, have discovered Defendants' fraud.
12 Without such misrepresentation or nondisclosure, Plaintiff would never have purchased the note.
13 44. As a direct, proximate and foreseeable result of Defendants' fraud, and each of
14 them, Plaintiff has incurred and will continue to incur substantial, actual and consequential
15 damages, in an amount as of yet unascertained.
16 45. The fraudulent activities were done with specific intent to defraud and personally
17 benefit Defendants. Rescission is appropriate, with interest, to refund Plaintiff's investment.
18
19 SECOND CAUSE OF ACTION
20 Fraud
21 Against All Defendants
22 46. Plaintiff repeats and realleges each and every allegation contained in paragraphs 1
23 through 45 of this Complaint as though fully set forth herein.
24 47. Defendant Bob Taylor Properties, Inc. acted as a broker for Plaintiff. The
25 relationship between a broker and a principal is fiduciary in nature and imposes on the broker a
26 duty of the highest good faith and undivided loyalty and service toward the principal.
27 48. Defendants, and each of them, were in possession of material facts regarding the
28 true value of the note, which were not accessible to Plaintiff. Defendants, and each of them,

1 actively concealed the true value of the note and never disclosed to Plaintiff that the note was
2 worthless.
3 49. Defendants breached their legal and equitable duty, trust or confidence by failing to
4 disclose material facts regarding the Harter Lane property and the note. Defendants also breached
5 their duty by misrepresenting the material facts regarding the Harter Lane property and the note.
6 50. By failing to disclose material facts regarding the Harter Lane property and the note,
7 Defendants obtained an advantage over Plaintiff in the transaction wherein Plaintiff agreed to
8 purchase the note.
9 51. The misrepresentation and concealment by Defendants induced Plaintiff to
10 reasonably purchase the note. Plaintiff relied on the misrepresentations made by Defendants.
11 Because Defendants maintained all records relating to the purported investment, Plaintiff could
12 not, in the exercise of reasonable diligence, have discovered Defendants' fraud. Without such
13 misrepresentation or nondisclosure, Plaintiff would never have purchased the note.
14 52. The actions of Defendant Cathy Reiner were authorized and known by Robert L.
15 Taylor, the principal of Bob Taylor Properties, a corporation, which specifically ratified the acts.
16 53. As a direct, proximate and foreseeable result of Defendants' breach of duty, and
17 each of them, Plaintiff has incurred and will continue to incur substantial, actual and consequential
18 damages, in an amount as of yet unascertained. The actions of defendants in making deliberate and
19 knowing misrepresentations was willful and malicious, sufficient to justify punitive damages.
20
21 THIRD CAUSE OF ACTION
22 Professional Negligence
23 Against Cathy Reiner, Bob Taylor Properties, Inc., Robert L. Taylor and Mary Pehlevanian
24 54. Plaintiff repeats and realleges each and every allegation contained in paragraphs 1
25 through 53 of this Complaint as though fully set forth herein.
26 55. Defendants owed a duty of due care to Plaintiff. In breach of due care, Defendants
27 failed to disclose material facts and misrepresented the facts regarding the Harter Lane property
28 and the note.

1 56. As a direct, proximate and foreseeable result of Defendants' breach of due care, and

2 each of them, Plaintiff has incurred and will continue to incur substantial, actual and consequential

3 damages, in an amount as of yet unascertained.

4
5 FOURTH CAUSE OF ACTION

6 Negligence

7 Against Bob Taylor Properties, Inc., Cathy Reiner and Robert L. Taylor

8 57. Plaintiff repeats and realleges each and every allegation contained in paragraphs 1

9 through 56 of this Complaint as though fully set forth herein.

10 58. Defendants Robert L. Taylor and Bob Taylor Properties, Inc., as supervising

11 brokers, were aware that Cathy Reiner had set up a satellite office, unsupervised, in which

12 unlicensed individuals were presented to clients, including Plaintiff, as licensed agents.

13 59. The defendants, working as a group, on behalf of Bob Taylor Properties, Inc., failed

14 to disclose their true license statuses.

15 60. At all relevant times, Reiner was an employee of Robert L. Taylor and Bob Taylor

16 Properties, Inc., a corporation licensed by the California Department of Real Estate. Robert L.

17 Taylor and Bob Taylor Properties, Inc. failed to exercise reasonable care in supervising Reiner, and

18 continued to retain Reiner, who used her association with a real estate broker to perpetuate the

19 conspiracy.

20 61. Robert L. Taylor and Bob Taylor Properties, Inc. failed to adequately supervise

21 Reiner's activities. Robert L. Taylor and Bob Taylor Properties knew or should have known that

22 Reiner was unfit and incompetent to perform real estate services, which created a particular risk to

23 others, including Plaintiff.

24 62. Reiner's unfitness and incompetence harmed Plaintiff. Robert L. Taylor and Bob

25 Taylor Properties, Inc.'s failure to exercise reasonable care in supervising and retaining Reiner was

26 a substantial factor in causing Plaintiff's harm.

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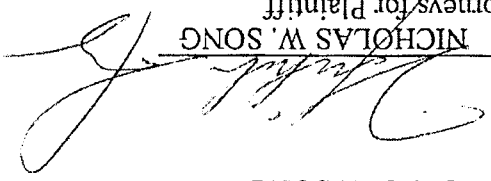
1	WHEREFORE, PLAINTIFF prays judgment as follows:	2
2	ON THE FIRST CAUSE OF ACTION	2
3	1. For rescission and damages in an amount according to proof.	3
4	2. For costs of suit herein incurred.	4
5	3. For such other and further relief as the court deems just and proper.	5
6		6
7	ON THE SECOND CAUSE OF ACTION	7
8	1. For damages in an amount according to proof.	8
9	2. For costs of suit herein incurred.	9
10	3. For punitive damages.	10
11	4. For such other and further relief as the court deems just and proper.	11
12		12
13	ON THE THIRD CAUSE OF ACTION	13
14	1. For damages in an amount according to proof.	14
15	2. For costs of suit herein incurred.	15
16	3. For such other and further relief as the court deems just and proper.	16
17		17
18	ON THE FOURTH CAUSE OF ACTION	18
19	1. For damages in an amount according to proof.	19
20	2. For costs of suit herein incurred.	20
21	3. For such other and further relief as the court deems just and proper.	21
22		22
23	ON ALL CAUSES OF ACTIONS	23
24	1. For damages in an amount according to proof.	24
25	2. For costs of suit herein incurred.	25
26	3. For such other and further relief as the court deems just and proper.	26
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PLAINTIFF DEMANDS TRIAL BY JURY.

DATED: August 13, 2010

LAW OFFICES OF JOHN A. BELCHER
JOHN A. BELCHER
NICHOLAS W. SONG

By  NICHOLAS W. SONG
Attorneys for Plaintiff
Giancarlo Mercado

REQUEST FOR ENTRY OF DEFAULT
(Application to Enter Default)

FOR COURT USE ONLY

(1) Default entered as requested on (date): DEC 15 2010

(2) Default NOT entered as requested (state reason):

John A. Clarke
A. Pergler
Deputy Clerk, by

(TYPE OR PRINT NAME) NICHOLAS W. SONG

Date: December 14, 2010

3. (Check if filed in an unlawful detainer case) Legal document assistant or unlawful detainer assistant information is on the reverse (complete item 4).

2. Judgment to be entered:

a. Demand of complaint	\$		\$
b. Statement of damages *	\$		\$
(1) Special	\$		\$
(2) General	\$		\$
c. Interest	\$		\$
d. Costs (see reverse)	\$		\$
e. Attorney fees	\$		\$
f. TOTALS	\$		\$
g. Daily damages were demanded in complaint at the rate of:	\$		\$
(* Personal injury or wrongful death actions; Code Civ. Proc., § 425.11.)			

per day beginning (date):

Amount Credits acknowledged Balance

e. Enter clerk's judgment

(1) for restitution of the premises only and issue a writ of execution on the judgment. Code of Civil Procedure section 1174(c) does not apply. (Code Civ. Proc., § 1169.)

Include in the judgment all tenants, subtenants, named claimants, and other occupants of the premises. The *Prjudgment Claim of Right to Possession* was served in compliance with Code of Civil Procedure section 415.46.

(2) under Code of Civil Procedure section 585(a). (Complete the declaration under Code Civ. Proc., § 585.5 on the reverse (item 5).)

(3) for default previously entered on (date):

d. I request a court judgment under Code of Civil Procedure sections 585(b), 585(c), 989, etc., against defendant (names):

c. Enter default of defendant (names): Cathy Reiner, An Individual

b. by (name): Plaintiff Giancarlo Mercado

a. on (date): August 13, 2010

1. TO THE CLERK: On the complaint or cross-complaint filed

REQUEST FOR (Application) <input checked="" type="checkbox"/> Entry of Default <input type="checkbox"/> Clerk's Judgment Court Judgment	CASE NUMBER: <u>BC430846</u>
DEFENDANT/RESPONDENT: <u>Bob Taylor Properties, Inc., et al.</u> PLAINTIFF/PETITIONER: <u>Giancarlo Mercado</u> BRANCH NAME: <u>Central District</u> CITY AND ZIP CODE: <u>Los Angeles, California 90012</u> MAILING ADDRESS: STREET ADDRESS: <u>111 North Hill Street</u> SUPERIOR COURT OF CALIFORNIA, COUNTY OF Los Angeles	JOHN A. BELCHER (SBN 99300) NICHOLAS W. SONG (SBN 217070) 55 SOUTH LAKE AVENUE, SUITE 801 PASADENA, CALIFORNIA 91101 TELEPHONE NO.: (626) 577-5771 E-MAIL ADDRESS (optional): ATTORNEY FOR (Name): <u>Plaintiff Giancarlo Mercado</u>

FOR COURT USE ONLY

UNFORMED COPY OF ORIGINAL FILED
DEC 15 2010
John A. Clarke, Executive Officer/Clerk
Anita Pergler, Deputy

CIV-100

PLAINTIFF/PETITIONER: Giancarlo Mercado	CASE NUMBER
DEFENDANT/RESPONDENT: Bob Taylor Properties, Inc., et al.	BC430846

4. Legal document assistant or unlawful detainer assistant (Bus. & Prof. Code, § 6400 et seq.). A legal document assistant or unlawful detainer assistant did not did not for compensation give advice or assistance with this form. (If declarant has received any help or advice for pay from a legal document assistant or unlawful detainer assistant, state):
- a. Assistant's name: _____
- b. Street address, city, and zip code: _____
- c. Telephone no.: _____
- d. County of registration: _____
- e. Registration no.: _____
- f. Expires on (date): _____

5. Declaration under Code of Civil Procedure Section 585.5 (required for entry of default under Code Civ. Proc., § 585(a)). This action

- a. is not is on a contract or installment sale for goods or services subject to Civ. Code, § 1801 et seq. (Unruh Act).
- b. is not is on a conditional sales contract subject to Civ. Code, § 2981 et seq. (Rees-Levering Motor Vehicle Sales and Finance Act).
- c. is not is on an obligation for goods, services, loans, or extensions of credit subject to Code Civ. Proc., § 395(b).

6. Declaration of mailing (Code Civ. Proc., § 587). A copy of this Request for Entry of Default was

a. not mailed to the following defendants, whose addresses are unknown to plaintiff or plaintiff's attorney (names): _____

b. mailed first-class, postage prepaid, in a sealed envelope addressed to each defendant's attorney of record or, if none, to each defendant's last known address as follows: _____

(1) Mailed on (date): December 15, 2010

(2) To (specify names and addresses shown on the envelopes):

Cathy Reiner
 835 Oneonta Drive, Los Angeles, CA 90065

I declare under penalty of perjury under the laws of the State of California that the foregoing items 4, 5, and 6 are true and correct.

Date: December 14, 2010

NICHOLAS W. SONG

(TYPE OR PRINT NAME)

(SIGNATURE OF DECLARANT)

7. Memorandum of costs (required if money judgment requested). Costs and disbursements are as follows (Code Civ. Proc., § 1033.5):

a. Clerk's filing fees \$ _____

b. Process server's fees \$ _____

c. Other (specify): \$ _____

d. TOTAL \$ _____

e. \$ _____

f. Costs and disbursements are waived.

9. I am the attorney, agent, or party who claims these costs. To the best of my knowledge and belief this memorandum of costs is correct and these costs were necessarily incurred in this case.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Date: _____

(TYPE OR PRINT NAME)

(SIGNATURE OF DECLARANT)

8. Declaration of nonmilitary status (required for a judgment). No defendant named in item 1c of the application is in the military service so as to be entitled to the benefits of the Servicemembers Civil Relief Act (50 U.S.C. App. § 501 et seq.).

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Date: December 14, 2010

NICHOLAS W. SONG

(TYPE OR PRINT NAME)

(SIGNATURE OF DECLARANT)

REQUEST FOR ENTRY OF DEFAULT

(Application to Enter Default)

CIV-100 (Rev. January 1, 2007)

By Karen Kwok

Executed on December 15, 2010 at Pasadena, California.

- (FEDERAL) I declare that I am employed in the office of a member of the bar of this Court at whose direction the service was made.
- (STATE) I declare under penalty of perjury under the laws of the State of California that the above is true and correct.
- by mail as follows: I am "readily familiar" with the firm's practice of collection and processing correspondence for mailing. Under that practice it would be deposited with U.S. postal service on that same day with postage thereon fully prepaid at Pasadena, California in the ordinary course of business. I am aware that on motion of the party served, service presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing in affidavit.
- by personal delivery.
- by FAX. The document was transmitted by facsimile transmission and the transmission was reported as complete and without error. The transmission report was properly issued by the transmitting facsimile machine.
- by overnight delivery via Federal Express pursuant to Code of Civil Procedure §1013.

SEE ATTACHED SERVICE LIST

By placing a true copy thereof enclosed in a sealed envelope addressed as follows:

CASE NO.: BC430846 - REQUEST FOR ENTRY OF DEFAULT (CATHY REINER,
AN INDIVIDUAL)
On December 15, 2010, I caused to be served the foregoing document(s) described as

55 South Lake Avenue, Suite 801, Pasadena, California 91101.
I am over the age of 18 and not a party to the within action; my business address is
I am employed in the County of Los Angeles, State of California.

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
ss

PROOF OF SERVICE
C.C.P. § 1013a, C.R.C. 2003(3) 2005(i)

Giancarlo Mercado v. Bob Taylor Properties, Inc., et al.
 Los Angeles Superior Court Case No. BC430846

SERVICE LIST

Attorney for BOB TAYLOR PROPERTIES, INC. and ROBERT L. TAYLOR James L. Gibson Gibson Rivera & Toms LLP 527 South Lake Avenue, Suite 105 Pasadena, California 91101 tel (626) 405-1122 fax (626) 405-8966	Erik Zograbian Alan Aghabegian Aghabegian & Associates 500 N. Brand Blvd., Suite 1270 Glendale, California 91203 tel (818) 507-4311 fax (818) 507-4312
Attorney for ARTASHES GALACHYAN	Erik Zograbian Alan Aghabegian Aghabegian & Associates 500 N. Brand Blvd., Suite 1270 Glendale, California 91203 tel (818) 507-4311 fax (818) 507-4312

UNITED STATES BANKRUPTCY COURT	
Case Number: 2:12-bk-25910-TD	Name of Debtor: Catherine Reiner
<p>NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A request for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.</p>	
<p>Name of Entity (the person or other entity to whom the debtor owes money or property): Catherine Reiner</p> <p>Name and address where notices should be sent: Catherine Reiner, 2579 Veteran Ave, Los Angeles, CA 90064, (310) 962-9314</p> <p>Telephone number: (310) 962-9314</p> <p>Name and address where payment should be sent (if different from above):</p> <p>Telephone number:</p>	
<div style="border: 1px solid black; padding: 5px; display: inline-block;"> FILED APR 30 2013 <small>CLERK U.S. BANKRUPTCY COURT CENTRAL DISTRICT OF CALIFORNIA BY: Deputy Clerk</small> </div>	
<p>1. Amount of Claim as of Date Case Filed: \$ 253,315.07</p> <p>2. Basis for Claim: Fraud</p> <p>3. Last four digits of any number by which creditor identifies debtor: _____</p> <p>4. Secured Claim (See instruction #4 on reverse side.) (See instruction #3a on reverse side.)</p> <p>5. Amount of Claim Entitled to Priority under 11 U.S.C. § 507(a). If any portion of your claim falls in one of the following categories, check the box and state the amount.</p> <p><input type="checkbox"/> Domestic support obligations under 11 U.S.C. § 507(a)(1)(A) or (a)(1)(B).</p> <p><input type="checkbox"/> Wages, salaries, or commissions (up to \$11,725* earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507(a)(4)).</p> <p><input type="checkbox"/> Contributions to an employee benefit plan - 11 U.S.C. § 507(a)(5).</p> <p><input type="checkbox"/> Up to \$2,600* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. § 507(a)(7).</p> <p><input type="checkbox"/> Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8).</p> <p><input type="checkbox"/> Other - Specify applicable paragraph of 11 U.S.C. § 507(a)(9).</p> <p>Amount entitled to priority: \$ _____</p> <p>*Amounts are subject to adjustment on 4/1/13 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.</p>	<p>6. Credits: The amount of all payments on this claim has been credited for the purpose of making this proof of claim.</p> <p>7. Documents: Attach redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, and security agreements. You may also attach a summary. Attach redacted copies of documents providing evidence of perfection of a security interest. You may also attach a summary. (See instruction 7 and definition of "redacted" on reverse side.)</p> <p>DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING.</p> <p>If the documents are not available, please explain:</p>
<p>Signature: The person filing this claim must sign it. Sign and print name and title, if any, of the creditor or other person authorized to file this claim and state address and telephone number if different from the notice address above. Attach copy of power of attorney, if any.</p> <p style="text-align: right;">Date: 4/25/13</p> <p style="text-align: center;"><i>Catherine Reiner</i></p>	
<p>Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571.</p>	

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CASE NO.: 2:12-BK-25910-TD
Chapter 7
DECLARATION OF GIANCARLO
MERCADO

In re
CATHERINE REINER,
Debtor.

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA / LOS ANGELES DIVISION

LAW OFFICES OF JOHN A. BELCHER
JOHN A. BELCHER (State Bar No. 99300)
NICHOLAS W. SONG (State Bar No. 217070)
55 South Lake Avenue, Suite 801
Pasadena, California 91101-2676
(626) 577-5771
(626) 577-7769 (facsimile)
Attorneys for Plaintiff
Giancarlo Mercado

(page 3)

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1. Giancarlo Mercedo, declares:

1. I am the plaintiff in the case, Giancarlo Mercedo v. Bob Taylor Properties, INC., et

al., Los Angeles Superior Court case number BC430846.

2. I never received a formal notice of Catherine Reiner's Chapter 7 bankruptcy case.

3. I was never notified as a creditor.

4. I was never listed as a creditor.

5. I was never given a deadline to file a Proof of Claim.

6. I never received anything in Case 2:12-BK-25910-TD.

I declare the foregoing to be true and correct of my own personal knowledge under

penalty of perjury under the laws of the State of California. If called to testify thereto I could and

would so testify.

Executed this 26th day of April, 2013, at Los Angeles, California.

Giancarlo Mercedo
GIANCARLO MERCADO

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TRIAL BY JURY DEMANDED

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Defendants,

18

through 20, inclusive,

17

CHUKHYAN, An Individual and DOES 1

16

PEHLEVANIAN, An Individual; SONA

15

GALACHYAN, An Individual; MARY

14

TAYLOR, An Individual; ARTASHES

13

REINER, An Individual; ROBERT L.

12

California Corporation; CATHY

11

BOB TAYLOR PROPERTIES, INC., A

10

v.

Plaintiff,

9

SECOND AMENDED COMPLAINT FOR:

GIANCARLO MERCADO, An Individual,

8

CASE NO.: BC430846

7

FOR THE COUNTY OF LOS ANGELES

6

SUPERIOR COURT OF THE STATE OF CALIFORNIA

5

Giancarlo Mercado

4

Attorneys for Plaintiff

3

(626) 577-7769 (facsimile)

2

(626) 577-5771

1

Pasadena, California 91101-2676

55 South Lake Avenue, Suite 801

NICHOLAS W. SONG (State Bar No. 217070)

JOHN A. BELCHER (State Bar No. 99300)

LAW OFFICES OF JOHN A. BELCHER

John A. Clarke, Executive Officer/Clerk
By SHAUNNA WEGLEY, Deputy

AUG 18 2010

CONFORMED COPY
OF ORIGINAL FILED
Los Angeles Superior Court

COPY
of 19

28 California Department of Real Estate, License ID: 01840596.

27 7. Defendant Artashes Galachyan ("Galachyan") is an individual licensed by the

26 agent and supervising broker at Bob Taylor Properties, Inc.

25 California Department of Real Estate, License ID: 01304057. Defendant Robert L. Taylor is an

24 6. Defendant Bob Taylor Properties, Inc. is a California corporation licensed by the

23 Properties, Inc., License ID: 01304057. Reiner is also an agent of First Real Estate Venture Inc.

22 Department of Real Estate, License ID: 01338284. Reiner is employed by broker Bob Taylor

21 5. Defendant Cathy Reiner ("Reiner") is an individual licensed by the California

20 Real Estate Venture Inc.

19 California Department of Real Estate, License ID: 01418617. Pehlevanian is an employee of First

18 4. Defendant Mary Pehlevanian ("Pehlevanian") is an individual licensed by the

17 with Defendants Cathy Reiner and Mary Pehlevanian.

16 by Defendant Cathy Reiner to be a real estate agent and operated out of an office jointly staffed

15 agent, she is not licensed by the California Department of Real Estate. Chukhyan was represented

14 principal of First Real Estate Venture Inc. Although Chukhyan represents herself as a real estate

13 3. Defendant Sona Chukhyan ("Chukhyan") is an individual. Chukhyan is the

12 County, California.

11 2. Plaintiff Giancarlo Mercado ("Mercado") is an individual residing in Los Angeles

THE PARTIES

8 costs. Venue is proper because the claims at issue herein arose in this district.

7 Angeles. The amount in controversy in this action exceeds \$25,001, exclusive of interest and

6 1. This court has jurisdiction because the claims at issue arose in the County of Los

JURISDICTION

3 Chukhyan, and DOBS 1 through 20, inclusive, alleges as follows:

2 Properties, Inc., Cathy Reiner, Robert L. Taylor, Artashes Galachyan, Mary Pehlevanian, Sona

1 Plaintiff Giancarlo Mercado, as and for his complaint against Defendants Bob Taylor

28 received by Plaintiff via fax from Am North American on March 8, 2007, at 9:47 a.m., which
27 Quote did Plaintiff learn of Galachyan's fraud. Additionally, the first "Notice of Default" was
26 of the note at the time of the sale. Only upon receipt of the Litton Loan Servicing "Reinstatement"
25 11. Galachyan, through his authorized representatives, had concealed the true condition

24 Plaintiff, the property was in default for \$84,347.42.
23 known to defendant Galachyan. In other words, immediately prior to the sale of the note to
22 total of \$84,347.42 had been sent on or about March 21, 2005 to the borrower. This fact was
21 prior to the sale of the note, i.e. in March 2005, a "Reinstatement Quote for Loan 13677661" for a
20 facts by Galachyan. Specifically, Plaintiff learned through this March 2007 fax that immediately
19 10. Prior to that time, Plaintiff was ignorant of the fraud and failure to disclose material
18 possession at that time, i.e. March 2007.

17 13677661" in the form of a fax from Litton Loan Services, which first came into Plaintiff's
16 conduct of Artashes Galachyan in March 2007 through a "Reinstatement Quote for Loan Number
15 Galachyan. The instant action was filed on February 10, 2010. Plaintiff first discovered fraudulent
14 ("Harter Lane property") for significant sums of money. The note was owned by Artashes
13 worthless note against the property located at 5209 Harter Lane in La Canada Flintridge, California
12 Pehlevanian agreed on a conspiracy to induce Plaintiff Mercado to purchase an essentially
11 9. In the winter of 2004, Artashes Galachyan, Cathy Reiner, Sona Chukhyan and Mary

10 **PRELIMINARY ALLEGATIONS**

9
8 Defendants, unless the context indicates otherwise.
7 specifically named Defendants shall be deemed to refer to and include the fictitiously named
6 damages were proximately caused by those Doe Defendants. References hereinafter made to
5 responsible in some manner for the occurrences alleged in this Complaint, and that Plaintiffs
4 Plaintiff is informed and believes, and thereon alleges, that each of the Doe Defendants is
3 Plaintiff will amend this Complaint to allege their true names and capacities when ascertained.
2 DOES 1 through 20, inclusive, and therefore sues these Defendants by such fictitious names.
1 8. Plaintiff is ignorant of the true names and capacities of Defendants sued herein as

1 revealed a 2004 notice of default. Plaintiff was ignorant of prior defaults until receiving that document.

2

3 12. "There are four circumstances in which nondisclosure or concealment may

4 constitute actionable fraud: (1) when the defendant is in a fiduciary relationship with the plaintiff;

5 (2) when the defendant had exclusive knowledge of material facts not known to the plaintiff;

6 (3) when the defendant actively conceals a material fact from the plaintiff; and (4) when the

7 defendant makes partial representations but also suppresses some material facts. [Citation.] "

8 LlMandri v. Judkins, 52 Cal.App.4th 326, 336, 60 Cal. Rptr. 2d 539 (1997). (Emphasis added.)

9 13. Under California law, a vendor has a duty to disclose material facts not only to

10 immediate purchasers, but also to subsequent purchasers when the vendor has reason to expect that

11 the item will be resold. Geernaert v. Mitchell, 31 Cal.App.4th 601, 605-609, 37 Cal. Rptr. 2d 483

12 (1995).

13 14. Defendants, and each of them, were in possession of material facts regarding the

14 true value of the note, which were not accessible to Plaintiff. Defendants, and each of them,

15 actively concealed the true value of the note and never disclosed to Plaintiff that the note was

16 worthless. Furthermore, Defendants concealed the true value of the note by recording the note

17 with their address, so that Plaintiff would not receive any notices of default.

18 15. Artashes Galachyan, the holder of the note, is a licensed real estate agent and a

19 professional lender, who holds a license with the Department of Real Estate to broker loans.

20 Galachyan failed to make material disclosures required to be made before the transaction with

21 Plaintiff:

22

23 a) Galachyan failed to disclose that the property was already in foreclosure.

24 b) Galachyan failed to disclose that he was a licensed real estate agent.

25 c) Galachyan failed to disclose that the payments due and owing on the note

26 were not made.

27

28

1 Galachyan failed to disclose that the obligors on the note were not credit
 2 worthy and failed to disclose information known and material about the
 3 credit history of the obligors.

4

5 Galachyan, through authorized agents and employees, made repeated misrepresentations to
 6 Plaintiff in March 2005 to induce Plaintiff to purchase the note and specifically misrepresented that
 7 all of the notes on the property were current.

8 16. Plaintiff was unable to discover the fraud before March 2007 because of falsified
 9 documents which were presented to Plaintiff to conceal the true condition of the note. Defendants,
 10 in November 2006, sent a purported cashier's check in the amount of \$75,225.53 payable to
 11 "Quality Loan" to Plaintiff with the representation that the amount had been paid toward senior
 12 debt. Plaintiff was ignorant of the fact that the document was a hoax and was never applied to the
 13 borrower's loan or note. Plaintiff only learned that the document was a fraud after March 2007.

14 17. Plaintiff lacked the means to discover the fraud because Defendants, at all material
 15 times, controlled all information regarding the value of the note and never shared that information
 16 with Plaintiff.

17 18. Plaintiff was also unaware of any formal notices of default which were sent to
 18 recorded note holders. Defendants intentionally recorded Plaintiff's note with a phony address on
 19 it which diverted all lender notices to a mailbox in the control of defendants.

20 19. Despite reasonable diligence, Plaintiff did not and could not discover the fraud and
 21 concealment of material information by Defendants. Because of the affirmative misrepresentation
 22 by Defendants regarding the value of the note, and because of the concealment of material
 23 information regarding the value of the note, Plaintiff had no reason to conduct an in-depth
 24 investigation of the value of the note.

25 20. "[W]here no duty is imposed by law upon a person to make inquiry, and where
 26 under the circumstances a prudent man would not be put upon inquiry, the mere fact that means of
 27 knowledge are open to a plaintiff, and he has not availed himself of them, does not debar him from
 28 ///

1 relief when thereafter he shall make actual discovery." Watts v. Crocker-Citizens National Bank,

2 132 Cal.App.3d 516, 523, 183 Cal.Rptr. 304 (1982).

3 21. In May 2007, in conspiracy and within three years of the filing, Defendants

4 misrepresented that investors "know there is a lot of equity in the property" and that the property

5 would be "listed" in May 2007 with Bob Taylor Properties for sale.

6 22. Plaintiff first learned of the fraud of Bob Taylor, Bob Taylor Properties, and Cathy

7 Reiner in March 2007. Specifically, Plaintiff learned through a fax received by Plaintiff in March

8 2007 that immediately prior to the sale of the note, i.e. in March 2005, a "Reinstatement Quote for

9 Loan 13677661" for a total of \$84,347.42 had been sent on or about March 21, 2005 to the

10 borrower. This fact was known to defendants. In other words, immediately prior to the sale of the

11 note, the note was in default for \$84,347.42. Additionally, the first "Notice of Default" was

12 received by Plaintiff via fax from Ann North American on March 8, 2007, at 9:47 a.m., which

13 revealed a 2004 notice of default. Plaintiff was ignorant of defaults until that receipt.

14 23. Prior to March 2007, Plaintiff was ignorant of the fraud committed by Bob Taylor,

15 Bob Taylor Properties, and Cathy Reiner. Specifically, Plaintiff learned through this March 2007

16 fax that immediately prior to the sale of the note, i.e. in March 2005, a "Reinstatement Quote for

17 Loan 13677661" for a total of \$84,347.42 had been sent on or March 21, 2005 to the borrower.

18 24. Plaintiff discovered after March 2007 that Defendant Cathy Reiner fraudulently

19 solicited Plaintiff Giancarlo Mercado to participate in a purported investment plan. Reiner,

20 purportedly on behalf of Bob Taylor Properties, Inc., informed Mercado of a plan to purchase a

21 note against the Harter Lane property. Reiner stated they would purchase the note, fix up the

22 property and sell it within six months for a healthy profit. Reiner made material misrepresentations

23 to induce Mercado to purchase the note:

24 a) Reiner misrepresented that after the purchase, she would have \$50,000

25 invested in the property, beyond \$100,000 invested in the property "a couple

26 of weeks ago." This statement was false.

27 b) As a principal in the transaction, with an interest in the property, Reiner

1 failed to obtain a waiver.

2 c) Reiner represented Plaintiff in the transaction and failed to make disclosures

3 of her fee or commission for bringing in Plaintiff's funds.

4

5 25. Reiner introduced Mercado to Defendant Sona Chukhyan and Chukhyan's assistant,

6 Mary Pehlevanian, who were also involved in the scheme. Chukhyan and Pehlevanian represented

7 to Mercado that the plan described by Reiner was sound financially, and encouraged Mercado to

8 make the investment. Both were described by Reiner as licensed real estate agents.

9 26. Chukhyan and Pehlevanian presented Mercado with documents to induce Mercado

10 to proceed with the note purchase. Chukhyan and Pehlevanian presented to Mercado a "purchase

11 agreement" indicating there was a buyer who had committed to buying the Harter Lane property for

12 well over two million dollars (\$2,000,000). Chukhyan and Pehlevanian also provided to Mercado

13 a document purporting to be an appraisal report showing that the Harter Lane property was worth

14 \$2.1 million. These and other documents were presented to Mercado to induce Mercado into

15 participating in the plan. The documents were presented to Plaintiff with the knowledge and

16 approval of Robert L. Taylor, Bob Taylor Properties, Inc. and Artashes Galachyan.

17 27. The appraisal was falsified and known to be falsified by defendants. The purchase

18 offer was not a bona fide offer by a qualified buyer. Defendants misrepresented the appraisal as

19 genuine. Defendants concealed the fact that there was no bona fide offer by a qualified buyer.

20 28. In reliance on the representations made by defendants as described above, Mercado

21 agreed to pay \$200,000 to purchase the note. On or about March 9, 2005, Mercado wired

22 \$200,000 to an account held by Artashes Galachyan as instructed by Reiner. The exact

23 relationship and commission taken by Galachyan, Reiner and Bob Taylor Properties, Inc. was

24 concealed from Plaintiff.

25 29. At no time did Galachyan or any other defendant disclose that Galachyan was a

26 professional in the mortgage lending business. At no time did Galachyan or any other defendant

27 disclose that Galachyan was licensed by the California Department of Real Estate.

28 ///

1 30. Within the last three years of filing, specifically in March 2007 through the receipt
2 of a fax from Litton Loan Servicing LP regarding a "reinstatement quote for loan #1367761" for
3 5209 Harter Lane, La Canada Flintridge, California, Plaintiff first discovered defendants' fraud.
4 The document stated that, as of March 25, 2005, the loan was \$84,347.42 delinquent. Prior to the
5 receipt of the March 2007 fax, Plaintiff had no knowledge that the Harter Lane property loan was
6 delinquent. At no time did Galachyan, Reiner, Chukhyan or Pehlevanian ever disclose that the
7 Harter Lane property was in foreclosure.
8 31. In or around March 2007, Mercado also discovered that Galachyan, Reiner,
9 Chukhyan and Pehlevanian also failed to disclose the following material information, which were
10 not reasonably accessible to Plaintiff:
11
12 a) The note purchased by Mercado was only for partial interest on the Harter
13 Lane property. Other investors held a share of the note.
14 b) There was a second mortgage on the Harter Lane property.
15 c) The lot size was actually 18,000 square feet, instead of 40,000 square feet as
16 represented to Mercado.
17 d) The "offer" shown to Mercado was falsified and not bona fide.
18
19 32. Mercado agreed to purchase the note in part on the representations by Reiner,
20 Taylor, Artashes, Chukhyan and Pehlevanian that there was a secured buyer who signed the
21 "purchase agreement." This buyer never materialized.
22 33. To further conceal the foreclosed status of the Harter Lane property, Chukhyan put
23 her address under Mercado's name when recording the lien on behalf of Mercado. As a result,
24 Mercado never received correspondence from the loan service company stating that the property
25 will be auctioned off. Chukhyan never communicated to Mercado that the Harter Lane property
26 was about to be auctioned off. Defendants and each of them were aware that notice was "set up" to
27 conceal the foreclosure status of the property by omitting Plaintiff's true address.
28 ///

1 34. The foreclosure and lack of full ownership meant that Mercado's \$200,000
2 "investment" never had any chance to provide a return. Indeed, after the first four months,
3 Mercado was not paid interest as specified in the note.

4
5 FIRST CAUSE OF ACTION

6 Rescission

7 Against Artashes Galachyan

8 35. Plaintiff repeats and realleges each and every allegation contained in paragraphs 1
9 through 34 of this Complaint as though fully set forth herein.

10 36. Defendant Galachyan is a real estate broker as the term is defined under Business &
11 Professions Code §10131 et seq. Galachyan was in possession of material facts regarding the true
12 value of the note, which were not accessible to Plaintiff. Defendants, and each of them, actively
13 concealed the true value of the note and never disclosed to Plaintiff that the note was worthless.
14 Galachyan failed to disclose the material information regarding the true value of the note to
15 Plaintiff.

16 37. Plaintiff was a purchaser of a note secured by real property and a person who
17 defendants intended or reasonably should have foreseen would rely on the Defendants'
18 representations or nondisclosures regarding the property.

19 38. Defendant Galachyan had actual and constructive knowledge of the material facts
20 regarding the note and the Harter Lane property. Defendant knew that these facts were unknown
21 to, or beyond the reach of, Plaintiff Mercado.

22 39. Defendant Galachyan owed a duty to Plaintiff to disclose facts materially affecting
23 the value or desirability of the property. Defendant, however, failed to disclose material facts and
24 misrepresented the value of the Harter Lane property and concealed the fact that the status of the
25 property was in imminent foreclosure.

26 ///
27 ///
28 ///

1 40. Defendant affirmatively, through agents, presented a phony "offer" and had his
2 agent, Cathy Reiner, misrepresent that "[they] are getting a note for \$250,000 against 5209 Harter
3 Lane, La Canada." The true facts were that Plaintiff was getting a portion of a note, since another
4 party held a portion of the debt.
5 41. Defendant Galachyan knew that his agents were making false representations to
6 Plaintiff. Galachyan failed to disclose to Plaintiff that the representations were false.
7 42. Defendant Galachyan's motive was to induce Plaintiff to purchase the note based
8 upon false pretenses.
9 43. Plaintiff relied on the misrepresentations made by other Defendants on behalf of
10 Galachyan. Because Defendants maintained all records relating to the purported investment,
11 Plaintiff could not, in the exercise of reasonable diligence, have discovered Defendants' fraud.
12 Without such misrepresentation or nondisclosure, Plaintiff would never have purchased the note.
13 44. As a direct, proximate and foreseeable result of Defendants' fraud, and each of
14 them, Plaintiff has incurred and will continue to incur substantial, actual and consequential
15 damages, in an amount as of yet unascertained.
16 45. The fraudulent activities were done with specific intent to defraud and personally
17 benefit Defendants. Rescission is appropriate, with interest, to refund Plaintiff's investment.
18
19 SECOND CAUSE OF ACTION
20 Fraud
21 Against All Defendants
22 46. Plaintiff repeats and realleges each and every allegation contained in paragraphs 1
23 through 45 of this Complaint as though fully set forth herein.
24 47. Defendant Bob Taylor Properties, Inc. acted as a broker for Plaintiff. The
25 relationship between a broker and a principal is fiduciary in nature and imposes on the broker a
26 duty of the highest good faith and undivided loyalty and service toward the principal.
27 48. Defendants, and each of them, were in possession of material facts regarding the
28 true value of the note, which were not accessible to Plaintiff. Defendants, and each of them,

1 actively concealed the true value of the note and never disclosed to Plaintiff that the note was
2 worthless.
3 49. Defendants breached their legal and equitable duty, trust or confidence by failing to
4 disclose material facts regarding the Harter Lane property and the note. Defendants also breached
5 their duty by misrepresenting the material facts regarding the Harter Lane property and the note.
6 50. By failing to disclose material facts regarding the Harter Lane property and the note,
7 Defendants obtained an advantage over Plaintiff in the transaction wherein Plaintiff agreed to
8 purchase the note.
9 51. The misrepresentation and concealment by Defendants induced Plaintiff to
10 reasonably purchase the note. Plaintiff relied on the misrepresentations made by Defendants.
11 Because Defendants maintained all records relating to the purported investment, Plaintiff could
12 not, in the exercise of reasonable diligence, have discovered Defendants' fraud. Without such
13 misrepresentation or nondisclosure, Plaintiff would never have purchased the note.
14 52. The actions of Defendant Cathy Reiner were authorized and known by Robert L.
15 Taylor, the principal of Bob Taylor Properties, a corporation, which specifically ratified the acts.
16 53. As a direct, proximate and foreseeable result of Defendants' breach of duty, and
17 each of them, Plaintiff has incurred and will continue to incur substantial, actual and consequential
18 damages, in an amount as of yet unascertained. The actions of defendants in making deliberate and
19 knowing misrepresentations was willful and malicious, sufficient to justify punitive damages.
20
21 THIRD CAUSE OF ACTION
22 Professional Negligence
23 Against Cathy Reiner, Bob Taylor Properties, Inc., Robert L. Taylor and Mary Pehlevanian
24 54. Plaintiff repeats and realleges each and every allegation contained in paragraphs 1
25 through 53 of this Complaint as though fully set forth herein.
26 55. Defendants owed a duty of due care to Plaintiff. In breach of due care, Defendants
27 failed to disclose material facts and misrepresented the facts regarding the Harter Lane property
28 and the note.

1 56. As a direct, proximate and foreseeable result of Defendants' breach of due care, and
2 each of them, Plaintiff has incurred and will continue to incur substantial, actual and consequential
3 damages, in an amount as of yet unascertained.

4

5 FOURTH CAUSE OF ACTION

6 Negligence

7 Against Bob Taylor Properties, Inc., Cathy Reiner and Robert L. Taylor

8 57. Plaintiff repeats and realleges each and every allegation contained in paragraphs 1
9 through 56 of this Complaint as though fully set forth herein.

10 58. Defendants Robert L. Taylor and Bob Taylor Properties, Inc., as supervising
11 brokers, were aware that Cathy Reiner had set up a satellite office, unsupervised, in which
12 unlicensed individuals were presented to clients, including Plaintiff, as licensed agents.

13 59. The defendants, working as a group, on behalf of Bob Taylor Properties, Inc., failed
14 to disclose their true license statuses.

15 60. At all relevant times, Reiner was an employee of Robert L. Taylor and Bob Taylor
16 Properties, Inc., a corporation licensed by the California Department of Real Estate. Robert L.
17 Taylor and Bob Taylor Properties, Inc. failed to exercise reasonable care in supervising Reiner, and
18 continued to retain Reiner, who used her association with a real estate broker to perpetuate the
19 conspiracy.

20 61. Robert L. Taylor and Bob Taylor Properties, Inc. failed to adequately supervise
21 Reiner's activities. Robert L. Taylor and Bob Taylor Properties knew or should have known that
22 Reiner was unfit and incompetent to perform real estate services, which created a particular risk to
23 others, including Plaintiff.

24 62. Reiner's unfitness and incompetence harmed Plaintiff. Robert L. Taylor and Bob
25 Taylor Properties, Inc.'s failure to exercise reasonable care in supervising and retaining Reiner was
26 a substantial factor in causing Plaintiff's harm.

27 ///

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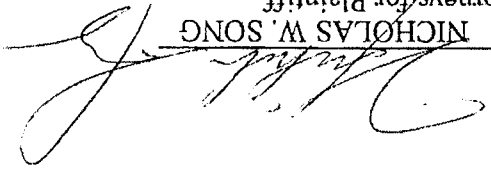
1	WHEREFORE, PLAINTIFF prays judgment as follows:	2
ON THE FIRST CAUSE OF ACTION		
3	1. For rescission and damages in an amount according to proof.	3
4	2. For costs of suit herein incurred.	4
5	3. For such other and further relief as the court deems just and proper.	5
ON THE SECOND CAUSE OF ACTION		
8	1. For damages in an amount according to proof.	8
9	2. For costs of suit herein incurred.	9
10	3. For punitive damages.	10
11	4. For such other and further relief as the court deems just and proper.	11
ON THE THIRD CAUSE OF ACTION		
14	1. For damages in an amount according to proof.	14
15	2. For costs of suit herein incurred.	15
16	3. For such other and further relief as the court deems just and proper.	16
ON THE FOURTH CAUSE OF ACTION		
19	1. For damages in an amount according to proof.	19
20	2. For costs of suit herein incurred.	20
21	3. For such other and further relief as the court deems just and proper.	21
ON ALL CAUSES OF ACTIONS		
24	1. For damages in an amount according to proof.	24
25	2. For costs of suit herein incurred.	25
26	3. For such other and further relief as the court deems just and proper.	26
27	///	27
28	///	28

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PLAINTIFF DEMANDS TRIAL BY JURY.

DATED: August 13, 2010

LAW OFFICES OF JOHN A. BELCHER
JOHN A. BELCHER
NICHOLAS W. SONG

By 
NICHOLAS W. SONG
Attorneys for Plaintiff
Giancarlo Mercado

By Yidi Su

Executed on August 13, 2010 at Pasadena, California.

- (FEDERAL) I declare that I am employed in the office of a member of the bar of this Court at whose direction the service was made.
- (STATE) I declare under penalty of perjury under the laws of the State of California that the above is true and correct.
- by mail as follows: I am "readily familiar" with the firm's practice of collection and processing correspondence for mailing. Under that practice it would be deposited with U.S. postal service on that same day with postage thereon fully prepaid at Pasadena, California in the ordinary course of business. I am aware that on motion of the party served, service presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing in affidavit.
- by personal delivery.
- by FAX. The document was transmitted by facsimile transmission and the transmission was reported as complete and without error. The transmission report was properly issued by the transmitting facsimile machine.
- by overnight delivery via Federal Express pursuant to Code of Civil Procedure §1013.

SEE ATTACHED SERVICE LIST

By placing a true copy thereof enclosed in a sealed envelope addressed as follows:

CASE NO.: BC430846 - SECOND AMENDED COMPLAINT

On August 13, 2010, I caused to be served the foregoing document(s) described as:

I am employed in the County of Los Angeles, State of California. I am over the age of 18 and not a party to the within action; my business address is 55 South Lake Avenue, Suite 801, Pasadena, California 91101.

STATE OF CALIFORNIA
] ss
] COUNTY OF LOS ANGELES

PROOF OF SERVICE
C.C.P. § 1013a, C.R.C. 2003(3) 2005(1)

<p>James L. Gibson Gibson Rivera & Toms LLP 527 South Lake Avenue, Suite 105 Pasadena, California 91101 tel (626) 405-1122 fax (626) 405-8966</p>	<p>Attorney for BOB TAYLOR PROPERTIES, INC. and ROBERT L. TAYLOR</p>
<p>Erik Zograbian Alan Aghabegian Aghabegian & Associates 500 N. Brand Blvd., Suite 1270 Glendale, California 91203 tel (818) 507-4311 fax (818) 507-4312</p>	<p>Attorneys for ARTASHES GALACHYAN</p>

SERVICE LIST

Giancarlo Mercado v. Bob Taylor Properties, Inc. et al.
LASC Case No. BC430846

(page 20)

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Defendants.
inclusive,
Individual and DOES 1 through 20,
Individual; SONA CHUKHYAN, An
Individual; MARY PEHLEVANIAN, An
Individual; ARTASHES GALACHYAN, An
An Individual; ROBERT L. TAYLOR, An
California Corporation; CATHY REINER,
BOB TAYLOR PROPERTIES, INC., A
v.
Plaintiff,
GIANCARLO MERCADO, An Individual,

CASE NO.: BC430846
DECLARATION OF GIANCARLO
MERCADO IN LIEU OF ORAL
TESTIMONY; EXHIBITS
[FILED CONCURRENTLY WITH
REQUEST FOR COURT JUDGMENT]

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES

CONFIRMED COPY
OF ORIGINAL FILED
Los Angeles Superior Court
NOV 05 2012
John A. Clarke, Executive Officer/Clerk

LAW OFFICES OF JOHN A. BELCHER
JOHN A. BELCHER (State Bar No. 99300)
NICHOLAS W. SONG (State Bar No. 217070)
55 South Lake Avenue, Suite 801
Pasadena, California 91101-2676
(626) 577-5771
(626) 577-7769 (facsimile)
Attorneys for Plaintiff
Giancarlo Mercado

1, Giancarlo Mercado, declare:
1. I am the plaintiff in this case.
2. Sona Chukhyan and Mary Pehlevanian defrauded me. They induced me to purchase an essentially worthless promissory note against the real property located at 5209 Harter Lane in La Canada Flintridge, California ("Harter Lane property") for \$200,000.
3. Sona Chukhyan portrayed herself as a real estate agent. Mary Pehlevanian was presented to me as Chukhyan's assistant. Together, along with their associate Cathy Reiner, Defendants presented to me an "investment opportunity," in which I would contribute \$200,000 to purchase a promissory note against the Harter Lane property. Chukhyan and Pehlevanian stated that I will collect interest payment on the promissory note, until it "matures" on or before January 31, 2006, at which I will collect a profit on the investment. Exhibit A is a true and correct copy of Defendants' associate Cathy Reiner's email to me, which summarizes the terms of the proposed deal.
4. To induce me to participate and provide the \$200,000, the Defendants represented that they had a buyer who was committed to purchasing the Harter Lane property for well over two million dollars. Chukhyan and Pehlevanian also provided to me a document purporting to be an appraisal report showing that the Harter Lane property was worth \$2.1 million. Defendants also stated Cathy Reiner will invest additional \$50,000 in the property, beyond the \$100,000 she had already invested in the property. Exhibit A. Defendants presented these documents and information to induce me into participating in the plan.
5. In reliance on the representations made by defendants as described above, I agreed to provide the \$200,000. Following Defendants' advice, I obtained the funds through a home equity line of credit. On or about March 9, 2005, I wired \$200,000 to an account of their co-conspirator, Artashes Galachyan, as instructed by Defendants. Exhibit B is a true and correct copy of the wire transfer request and the receipt.

ASD

ASD

ASB

ASB

ASB

ASB

ASB

1 All the statements made by Defendants were false. The appraisal was falsified and
 2 known to be falsified by defendants. The lot size was actually 18,000 square feet, instead of
 3 40,000 square feet as represented to me. The promissory note was only for a partial interest on the
 4 Harter Lane property. The "purchase agreement" shown to me by the Defendants was not a bona
 5 fide offer by a qualified buyer. No bona fide buyer ever offered anything close to \$2 million for
 6 the property.
 7 Subsequently, I obtained from third parties a version of the promissory note which
 8 indicates that, at the time I purchased the note, the maturity date for the promissory note had
 9 already passed. Obviously, Defendants had presented an altered promissory note to hide the fact
 10 that the note was delinquent.
 11 8. Indeed, at the time Defendants induced me to purchase the promissory note, the
 12 Harter Lane property was in foreclosure. To further conceal the foreclosed status of the Harter
 13 Lane property, Chukhyan put her address under my name when recording the lien on my behalf.
 14 As a result, I never received correspondence from the loan service company stating that the
 15 property will be auctioned off. Chukhyan never communicated to me that the Harter Lane property
 16 was about to be auctioned off.
 17 9. When the deal did not "close" in 2006, I began asking about the deal. To string me
 18 along, Defendants showed me a "purchase agreement" indicating that there was a buyer who had
 19 committed to buying the Harter Lane property for well over two million dollars (\$2,000,000).
 20 Exhibit C is a true and correct copy of the California Residential Purchase Agreement and Joint
 21 Escrow Instructions, dated April 16, 2006. This "purchase" never occurred. Exhibit D is a true
 22 and correct copy of Defendants' May 15, 2007 correspondence. Defendants represented that the
 23 property will be put up for sale and that I will be paid \$300,000 from the proceeds.
 24 10. I now know that the foreclosure and lack of full ownership meant that my \$200,000
 25 "investment" never had any chance to provide a return. I never received the "profits" promised by
 26 Defendants. I never recovered my original \$200,000. Indeed, because the funds were obtained
 27 through a home line of credit, I expended substantial funds to pay interest on the loan.
 28 ///

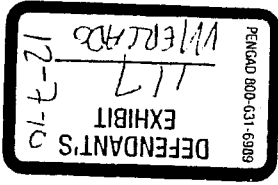
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I declare the foregoing to be true and correct of my own personal knowledge under penalty of perjury under the laws of the State of California. If called to testify thereto I could and would so testify.

Executed this 21 day of September, 2012, at Los Angeles, California.

Giancarlo Mercado
GIANCARLO MERCADO

EXHIBIT A



Att: Ms Mascardo
Room #9

3/10/05
[Signature]
Thanks

We are getting a note for \$250,000 against 5209 Harter Lane, La Canada Flintridge. You have \$200,000 and I'll have \$50,000 invest into the property. I have already giving them a \$100,000 couple of weeks ago in order for them to assigned the escrow to me.

The loan mature on or before January 31, 2006. Your monthly payment will be \$1,667 and at later day when escrow are closing, you will received \$30,000. We will have a note and deed of trust recorded against the property.

Glancarlo,

EXHIBIT B

2-911

17615501
 03/07/2005
 03105 00
 Account: 176088007 Diarcarlo Mercado
 Ending Sub: 1 (Checking Account)
 Joint: Rafael Von Ruche
 Loan Advance Deposit Transfer
 \$ 200,000.00
 Loan Balance \$ 220,709.42
 Account: 176088007 Diarcarlo Mercado
 Loan for: 4 (Home Equity Line of Credit)
 Loan Advance Transfer
 \$ 200,000.00
 (Orig: 4 000,000.00 Fin Charge: \$ 0.00)
 \$ 200,000.00
 Loan Balance

Σ-911

[Handwritten signature]

Frank-104

10/20/13
(S.S.)

10/20/13

Member Service Representative

EXHIBIT C

302

AGENTS
CALIFORNIA REALTORS ASSOCIATION
Phone: (562) 462-6888
DRAFT
CALIFORNIA RESIDENTIAL PURCHASE AGREEMENT (RPA-C/A) (PAGE 1 OF 8)
FORM 900 (REVISED 1/01)

1. OFFER: A. THIS IS AN OFFER FROM [Buyer] to purchase the Real Property described in Section 1.1. The Real Property to be purchased is located at [Address].
B. THE PURCHASE PRICE OFFERED BY BUYER IS \$ [Purchase Price].
C. THE PURCHASE PRICE OFFERED BY BUYER IS TO BE PAID AS FOLLOWS: [Payment Schedule]

2. CLOSING AND OCCUPANCY: A. BUYER AGREES TO OBTAIN TITLE INSURANCE AND TO PAY THE COSTS THEREOF. B. BUYER AGREES TO OBTAIN TITLE INSURANCE AND TO PAY THE COSTS THEREOF. C. BUYER AGREES TO OBTAIN TITLE INSURANCE AND TO PAY THE COSTS THEREOF.

3. LOAN CONTINGENCY: A. BUYER'S OBLIGATION TO PURCHASE THE PROPERTY IS CONTINGENT UPON THE PROPERTY BEING APPROVED BY A LENDER. B. BUYER'S OBLIGATION TO PURCHASE THE PROPERTY IS CONTINGENT UPON THE PROPERTY BEING APPROVED BY A LENDER.

4. ADDITIONAL FINANCING TERMS: A. BUYER AGREES TO OBTAIN TITLE INSURANCE AND TO PAY THE COSTS THEREOF. B. BUYER AGREES TO OBTAIN TITLE INSURANCE AND TO PAY THE COSTS THEREOF.

5. INITIAL DEPOSIT: BUYER HAS GIVEN A DEPOSIT IN THE AMOUNT OF \$ [Deposit Amount].

6. CLOSING DATE: CLOSING IS TO TAKE PLACE ON [Closing Date].

7. CLOSING COSTS: A. BUYER AGREES TO PAY THE COSTS OF THE TITLE INSURANCE. B. BUYER AGREES TO PAY THE COSTS OF THE TITLE INSURANCE.

8. CLOSING DATE: CLOSING IS TO TAKE PLACE ON [Closing Date].

9. CLOSING DATE: CLOSING IS TO TAKE PLACE ON [Closing Date].

10. CLOSING DATE: CLOSING IS TO TAKE PLACE ON [Closing Date].

11. CLOSING DATE: CLOSING IS TO TAKE PLACE ON [Closing Date].

12. CLOSING DATE: CLOSING IS TO TAKE PLACE ON [Closing Date].

13. CLOSING DATE: CLOSING IS TO TAKE PLACE ON [Closing Date].

14. CLOSING DATE: CLOSING IS TO TAKE PLACE ON [Closing Date].

15. CLOSING DATE: CLOSING IS TO TAKE PLACE ON [Closing Date].

16. CLOSING DATE: CLOSING IS TO TAKE PLACE ON [Closing Date].

17. CLOSING DATE: CLOSING IS TO TAKE PLACE ON [Closing Date].

18. CLOSING DATE: CLOSING IS TO TAKE PLACE ON [Closing Date].

P-2

002/005

05/02/2008 TUE 12:00 FAX
APR 18 2008 1:45PM

003/003

05/02/2008 TUE 12:00 FAX

APR 18 2008 1:51PM

P. 9

Property Address: 5206 PERDUE ROAD, LA CAJON PARK, CA 91031
 31. EXPIRATION OF OFFER: This offer shall be deemed revoked and no deposit shall be returned unless the offer is signed by Buyer and a copy of the signed offer is personally received by Buyer on or by _____ on the third calendar day after this offer is signed by Buyer (or, if accepted, _____ by _____, who is authorized to receive it by 5:00 PM on the third calendar day after this offer is signed by Buyer on _____ (date), at _____ AM PM .

Date: April 18, 2008
 BUYER: _____
 SELLER: _____
 (Print Name)
 ALBERTO GARCIA
 (Print Name)

32. BROKER COMPENSATION FROM SELLER:
 A. Upon closing of Escrow, Seller agrees to pay compensation to Broker as provided in a separate written agreement between Seller and Broker. B. If escrow does not close, compensation to pay to Broker shall be provided in that separate written agreement.
 C. AGREEMENT OF OFFER: Seller warrants that Seller is the owner of the Property, or has the authority to execute this Agreement. Seller agrees to pay to Broker the amount of the Property, or has the authority to execute this Agreement, Seller has agreed to sell the Property on the above terms and conditions, and agrees to the above compensation of agency relationship. Seller has read and understands each part of this Agreement, and agrees to deliver a signed copy to Buyer.

(if checked) SUBJECT TO ATTACHED COUNTER OFFER, DATED _____

Date: _____
 SELLER: _____
 BUYER: _____
 (Print Name)
 JUDITH GUSTAFSON
 (Print Name)

COOPERATION OF ACCEPTANCE: A copy of signed acceptance was personally received by Buyer or Buyer's authorized agent on (date) _____ at _____ (Address).
 A copy of signed acceptance is personally received by Buyer or Buyer's authorized agent on (date) _____ at _____ (Address).
 This document, completion of the contract is not legally required in order to create a binding Agreement. It is solely intended to witness the date of completion of Acceptance has occurred.

REAL ESTATE BROKER:
 A. Real Estate Broker is not a party to the Agreement between Buyer and Seller.
 B. Agency relationship was constituted as stated in paragraph 21.
 C. If required in paragraph 21, Agent who submitted the offer for Buyer is _____, and cooperating Broker is _____.
 D. COOPERATING BROKER: Listing Broker agrees to pay cooperating Broker (Selling Firm) and cooperating Broker agrees to accept, out of Listing Broker's proceeds in escrow, (1) the amount specified in the MLS; provided cooperating Broker is a Participant of the MLS in which the Property is listed for sale; or (2) (if checked) the amount specified in a separate written agreement (AAR Form (SOP) between Listing Broker and cooperating Broker.
 Real Estate Broker (Selling Firm): _____
 Date: _____
 City: _____
 State: _____
 ZIP: _____
 Address: _____
 Telephone: _____
 FAX: _____
 Real Estate Broker (Buying Firm): _____
 Date: _____
 City: _____
 State: _____
 ZIP: _____
 Address: _____
 Telephone: _____
 FAX: _____

ESCROW HOLDER ACKNOWLEDGMENT:
 Escrow Holder acknowledges receipt of a copy of this Agreement, (if checked, a deposit in the amount of \$ _____), and agrees to act as Escrow Holder subject to paragraph 28 of this Agreement, any supplemental escrow instructions and the terms of Escrow Holder's general provisions.
 Escrow Holder is advised that the date of Completion of Acceptance of the Agreement is between Buyer and Seller.
 Escrow Holder: _____
 Date: _____

By: _____
 Address: _____
 Telephone: _____
 FAX: _____
 Real Estate Broker (Buying Firm): _____
 Date: _____
 City: _____
 State: _____
 ZIP: _____
 Address: _____
 Telephone: _____
 FAX: _____
 Real Estate Broker (Selling Firm): _____
 Date: _____
 City: _____
 State: _____
 ZIP: _____
 Address: _____
 Telephone: _____
 FAX: _____

() RECEIPT OR OFFER: No counter offer is being made. This offer was reviewed and rejected by Seller on _____ (Date).
 (Seller Initials) _____
 THIS FORM HAS BEEN APPROVED BY THE CALIFORNIA ASSOCIATION OF REALTORS (C.A.R.). NO REPRESENTATION IS MADE AS TO THE LEGAL VALIDITY OR ADEQUACY OF ANY PROVISION IN ANY SECOND TRANSACTIONS A REAL ESTATE BROKER IS THE PERSON OBLIGATED TO ADVISE ON REAL ESTATE TRANSACTIONS. IF YOU DESIRE LEGAL OR TAX ADVICE, CONSULT AN APPROPRIATE PROFESSIONAL.
 THE TERM "OFFER" FOR USE BY THE OFFEROR MEANS, IN NO EVENT, TO BE A REALTOR, REALTOR IS A REGISTERED LICENSE HOLDER WHOSE NAME MAY BE LISTED ONLY BY MEMBER OF THE NATIONAL ASSOCIATION OF REALTORS WHO IS LICENSED IN THE STATE OF CALIFORNIA.
 Published by the California Association of REALTORS
 (PAG 8 OF 8)
 N/A-CAL REVISED 1/02

Reviewed by: _____
 Date: _____

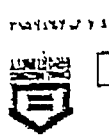
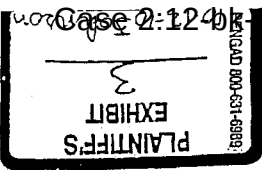


EXHIBIT D



05-06-07

Francisco Mercedo
Francisco Mercedo

I agree that I will be paid
\$300,000.00 at the closing of review
regardless of the sale price.

Cathy, Sonja & Mary

Should you accept the above proposal? Please acknowledge at the bottom and faxed it
back. Cathy will contact you to sign listing agreement.

In the mean time if you are approaching Litton and Countrywide for short sale and they
accept the low price, which will not include your investment you will loose your
investment portion plus our portion? Therefore, we have to sale the property with the
current market value.

2) We also agree to pay you out for \$300,000 no matter what the sale price is at
closing.

1) We will list the property on the MLS as of tomorrow 5/16 with Bob Taylor for
4% commission (both parties) at the market value for as is condition. We will
send a crew out there to clean it up.

We have received your faxes. Our plans of action are as follow:

Francisco,

May 15, 2007

PROOF OF CLAIM	UNITED STATES BANKRUPTCY COURT Central District of California	
	Name of Debtor: CATHERINE REINER Case Number: 2:12-BK-25910-TD	
	NOTE: Do not use this form to make a claim for an administrative expense that arises after the bankruptcy filing. You may file a request for payment of an administrative expense according to 11 U.S.C. § 503.	
COURT USE ONLY	Name of Creditor (the person or other entity to whom the debtor owes money or property): GIANCARLO MERCADO	
	Name and address where notices should be sent: C/O LAW OFFICE OF DAREN M. SCHLECTER, ESQ. 1925 CENTURY PARK EAST, SUITE 830 LOS ANGELES, CA 90067 Telephone number: (310) 553-5747 email: DAREN@SCHLECTERLAW.COM	
	Name and address where payment should be sent (if different from above): Telephone number: email:	
	Filled on: 04/30/2013 Court Claim Number: 10-1 (if known)	
	Check this box if this claim amends a previously filed claim.	
	Check this box if you are aware that anyone else has filed a proof of claim relating to this claim. Attach copy of statement giving particulars.	
	Name and address where payment should be sent (if different from above): Telephone number: email:	
	If all or part of the claim is secured, complete item 4. If all or part of the claim is entitled to priority, complete item 5.	
	Check this box if the claim includes interest or other charges in addition to the principal amount of the claim. Attach a statement that itemizes interest or charges.	
	BREACH OF CONTRACT/NEGLIGENCE (See instruction #2)	
	3. Last four digits of any number by which creditor identifies debtor: 3a. Debtor may have scheduled account as: 3b. Uniform Claim Identifier (optional): (See instruction #3b)	
	4. Secured Claim (See instruction #4) Check the appropriate box if the claim is secured by a lien on property or a right of setoff, attach required redacted documents, and provide the requested information. Nature of property or right of setoff: <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other Describe: Value of Property: \$ Annual Interest Rate % <input type="checkbox"/> Fixed or <input type="checkbox"/> Variable (when case was filed) Amount of Secured Claim: \$ Amount of Unsecured: \$	
	5. Amount of Claim Entitled to Priority under 11 U.S.C. § 507 (a). If any part of the claim falls into one of the following categories, check the box specifying the priority and state the amount. <input type="checkbox"/> Domestic support obligations under 11 U.S.C. § 507 (a)(1)(A) or (a)(1)(B). <input type="checkbox"/> Wages, salaries, or commissions (up to \$12,475*) earned within 180 days before the case was filed or the debtor's business ceased, whichever is earlier - 11 U.S.C. § 507 (a)(4). <input type="checkbox"/> Contributions to an employee benefit plan - 11 U.S.C. § 507 (a)(5). <input type="checkbox"/> Other - Specify applicable paragraph of 11 U.S.C. § 507 (a) () Amount entitled to priority: \$	
	6. Credits. The amount of all payments on this claim has been credited for the purpose of making this proof of claim. (See instruction #6) *Amounts are subject to adjustment on 4/01/16 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.	

INSTRUCTIONS FOR PROOF OF CLAIM FORM

The instructions and definitions below are general explanations of the law. In certain circumstances, such as bankruptcy cases not filed voluntarily by the debtor, exceptions to these general rules may apply.

Items to be completed in Proof of Claim form

1. Amount of Claim as of Date Case Filed: State the total amount owed to the creditor on the date of the bankruptcy filing. Follow the instructions concerning whether to complete items 4 and 5. Check the box if interest or other charges are included in the claim.

2. Basis for Claim: State the type of debt or how it was incurred. Examples include goods sold, money loaned, services performed, personal injury/wrongful death, car loan, mortgage note, and credit card. If the claim is based on delinquent health care goods or services, limit the disclosure of the goods or services so as to avoid embarrassment or the disclosure of confidential health care information. You may be required to provide additional disclosure if an interested party objects to the claim.

3. Last Four Digits of Any Number by Which Creditor Identifies Debtor: State only the last four digits of the debtor's account or other number used by the creditor to identify the debtor.

3a. Debtor May Have Scheduled Account As: Report a change in the creditor's name, a transferred claim, or any other information that clarifies a difference between this proof of claim and the claim as scheduled by the debtor.

3b. Uniform Claim Identifier: If you use a uniform claim identifier, you may report it here. A uniform claim identifier is an optional 24-character identifier that certain large creditors use to facilitate electronic payment in chapter 13 cases.

4. Secured Claim: Check whether the claim is fully or partially secured. Skip this section if the claim is entirely unsecured.

5. Amount of Claim Entitled to Priority Under 11 U.S.C. § 507 (a): If any portion of the claim falls into any category shown, check the appropriate box(es) and state the amount entitled to priority. (See Definitions.) A claim may be partly priority and partly non-priority. For example, in some of the categories, the law limits the amount entitled to priority.

6. Credits: An authorized signature on this proof of claim serves as an acknowledgment that any payments received toward the debt. Attach redacted copies of any documents that show the debt exists and a lien secures the debt. You must also attach copies of documents that evidence perfection of any security interest and documents required by FRBP 3001(c) for claims based on an open-end or revolving consumer credit agreement or secured by a security interest in the debtor's principal residence. You may also attach a summary in addition to the documents themselves. FRBP 3001(c) and (d). If the claim is based on delinquent health care goods or services, limit disclosing confidential health care information. Do not send original documents, as attachments may be destroyed after scanning.

7. Documents: Attach redacted copies of any documents that show the debt exists and a lien secures the debt. You must also attach copies of documents that evidence perfection of any security interest and documents required by FRBP 3001(c) for claims based on an open-end or revolving consumer credit agreement or secured by a security interest in the debtor's principal residence. You may also attach a summary in addition to the documents themselves. FRBP 3001(c) and (d). If the claim is based on delinquent health care goods or services, limit disclosing confidential health care information. Do not send original documents, as attachments may be destroyed after scanning.

8. Date and Signature: The individual completing this proof of claim must sign and date it. FRBP 9011. If the claim is filed electronically, FRBP 5005(a)(2) authorizes courts to establish local rules specifying what constitutes a signature. If you sign this form, you declare under penalty of perjury that the information provided is true and correct to the best of your knowledge, information, and reasonable belief. Your signature is also a certification that the claim meets the requirements of FRBP 9011(b). Whether the claim is filed electronically or in person, if your name is on the signature line, you are responsible for the declaration. Print the name and title, if any, of the creditor or other person authorized to file this claim. State the filer's address and telephone number if it differs from the address given on the top of the form for purposes of receiving notices. If the claim is filed by an authorized agent, provide both the name of the individual filing the claim and the name of the agent. If the authorized agent is a service, identify the corporate service as the company. Criminal penalties apply for making a false statement on a proof of claim.

Print Name: GIANCARLO MERCADO
 Title: CREITOR
 Company: _____
 Address and telephone number (if different from notice address above): _____
 Telephone number: (310) 553-5747 email: DAREN@SCHLECTERLAW.COM
 Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571.

I am the creditor. I am the trustee, or the debtor, or their authorized agent.
 I am a guarantor, surety, indorser, or other codebtor. (See Bankruptcy Rule 3005.)
 I am a guarantor, surety, indorser, or other codebtor. (See Bankruptcy Rule 3004.)

I declare under penalty of perjury that the information provided in this claim is true and correct to the best of my knowledge, information, and reasonable belief.

Signature: Giancarlo Mercado (Date) 9-8-14

8. Signature: (See instruction #8)

Check the appropriate box.

DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING.

If the documents are not available, please explain: _____

7. Documents: Attached are redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, security agreements, or, in the case of a claim based on an open-end or revolving consumer credit agreement, a statement providing the information required by FRBP 3001(c)(3)(A). If the claim is secured by a security interest are attached. If the claim is secured by the debtor's principal residence, the Mortgage Proof of Claim Attachment is being filed with this claim. (See instruction #7, and the definition of "redacted".)

<p>Acknowledgment of Filing of Claim To receive acknowledgment of your filing, you may either enclose a stamped self-addressed envelope and a copy of this proof of claim or you may access the court's PACER system (www.pacer.psc.uscourts.gov) for a small fee to view your filed proof of claim.</p> <p>Offers to Purchase a Claim Certain entities are in the business of purchasing claims for an amount less than the face value of the claims. One or more of these entities may contact the creditor and offer to purchase the claim. Some of the written communications from these entities may easily be confused with official court documentation or communications from the debtor. These entities do not represent the bankruptcy court or the debtor. The creditor has no obligation to sell its claim. However, if the creditor decides to sell its claim, any applicable provisions of the Bankruptcy Code (11 U.S.C. § 101 <i>et seq.</i>), and any applicable orders of the bankruptcy court.</p>	<p>Unsecured Claim An unsecured claim is one that does not meet the requirements of a secured claim. A claim may be partly unsecured if the amount of the claim exceeds the value of the property on which the creditor has a lien.</p> <p>Claim Entitled to Priority Under 11 U.S.C. § 507 (a) Priority claims are certain categories of unsecured claims that are paid from the available money or property in a bankruptcy case before other unsecured claims.</p> <p>Redacted A document has been redacted when the person filing it has masked, edited out, or otherwise deleted certain information. A creditor must show only the last four digits of any social-security, individual's tax-identification, or financial-account number, only the initials of a minor's name, and only the year of any person's date of birth. If the claim is based on the delivery of health care goods or services, limit the disclosure of the goods or services so as to avoid embarrassment or the disclosure of confidential health care information.</p> <p>Evidence of Perfection Evidence of perfection may include a mortgage, lien, certificate of title, financing statement, or other document showing that the lien has been filed or recorded.</p>	<p>Debtor A debtor is the person, corporation, or other entity that has filed a bankruptcy case.</p> <p>Creditor A creditor is a person, corporation, or other entity to whom debtor owes a debt that was incurred before the date of the bankruptcy filing. See 11 U.S.C. § 101 (10).</p> <p>Claim A claim is the creditor's right to receive payment for a debt owed by the debtor on the date of the bankruptcy filing. See 11 U.S.C. § 101 (5). A claim may be secured or unsecured.</p> <p>Proof of Claim A proof of claim is a form used by the creditor to indicate the amount of the debt owed by the debtor on the date of the bankruptcy filing. The creditor must file the form with the clerk of the same bankruptcy court in which the bankruptcy case was filed.</p> <p>Secured Claim Under 11 U.S.C. § 506 (a) A secured claim is one backed by a lien on property of the debtor. The claim is secured so long as the creditor has the right to be paid from the property prior to other creditors. The amount of the secured claim cannot exceed the value of the property. Any amount owed to the creditor in excess of the value of the property is an unsecured claim. Examples of liens on property include a mortgage on real estate or a security interest in a car. A lien may be voluntarily granted by a debtor or may be obtained through a court proceeding. In some states, a court judgment is a lien.</p>
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INFORMATION

DEFINITIONS

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES DIVISION

Case No. 2:12-BK-25910-TD

Chapter 7

GIANCARLO MERCADO'S
ATTACHMENT TO AMENDED PROOF
OF CLAIM

(Amends Proof of Claim 10-1 Filed on
April 30, 2013)

CATHERINE REINER,

Debtors

In re:

Plaintiff/Movant Giancarlo Mercado ("Mercado") hereby submits his Amended Proof of Claim

as follows:

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28 thereafter introduced Mercado to her colleague Sona Chukhyan and her assistant, Mary
27 \$1,667 and at closing \$30,000.00 (the "Agreement"). See Exhibit "A" attached hereto. Reiner
26 would mature on or before January 31, 2006, that Mercado would receive a monthly payment of
25 handwritten letter between Reiner and Mercado dated March 10, 2005 indicates that the "loan"
24 Property"). The plan was to fix up the Property and sell it within six months for a profit. A
23 The property address was 5209 Harter Lane in La Canada, Flintridge, CA ("Harter Lane
22 in on an investment opportunity involving purchasing a note against a property in La Canada.
21 real estate previously) and approached Mercado in the winter of 2004 and asked Mercado to go
20 She had been a friend of Plaintiff Giancarlo Mercado for several years (who had sold Mercado
19 5. Defendant Cathy Reiner was a realtor at Bob Taylor Properties, Inc. beginning in 2002.

18 **II. SPECIFIC FACTUAL ALLEGATIONS**

16 which is before this Court.
15 the instant proceeding is related to the Reiner Bankruptcy under 11 of the United States Code,
14 4. Venue properly lies in this judicial district pursuant to 28 U.S.C. §1409(a) in that
13 core proceeding.
12 a "proceeding to determine, allow, or disallow claims against the [Debtor's] estate," making it a
11 3. This Court has jurisdiction over this matter under 28 U.S.C. §157(b)(2)(B) as it is
10 collectively referred to as the "parties" wherever alleged in this Complaint.
9 captioned chapter 7 bankruptcy case entitled 2:12-BK-25910-TD. Plaintiff and Defendant are
8 Los Angeles, State of California. Defendant Catherine Reiner is the Debtor in the above
7 "Debtor"), is now and was, at all times herein mentioned, an individual, residing in the County of
6 alleges that Defendant Catherine Reiner (alternatively referred to as "Reiner", "Defendant" or
5 2. Plaintiff is informed and believes and based upon such information and belief
4 times herein mentioned, an individual residing in the City and County of Los Angeles.
3 1. Creditor and Plaintiff Giancarlo Mercado ("Plaintiff"), is now and was, at all

2 **GENERAL ALLEGATIONS**

1 **I.**

1 Pehlevanian, who validated Reiner's plan as well as presented Mercado with documents (a
2 purchase agreement, valuations etc.) showing that there was a buyer who was going to buy it for
3 well over two million (\$2 million) and an appraisal report showing that the property was worth
4 \$2.1 million. Reiner told Mercado that the monies he was to invest in the Property were to be
5 used to fix/restore the Property. Reiner also advised Mercado in writing that his investment
6 would be protected by recording his note and a deed of trust with the County Recorder. See
7 Exhibit "A."
8 6. In reliance on the documents shown to Mercado, the statements made to Mercado
9 regarding the investment, as well as the Agreement (evidenced in writing) to sell the property
10 within six months for a profit, on March 9, 2005, Mercado wired from his then Home Equity
11 Line of Credit - \$200,000.00 , buying the note from Artashes Galachyan (the "Note") as
12 instructed by Reiner. Meanwhile, Reiner stated at the time that she was investing an additional
13 \$50K into the Property over the \$100,000.00 she had originally invested.
14 7. When the deal with the prospective buyer did not close in 2006, Mercado
15 naturally began asking about the Property. Thereupon, on or about April 16, 2006, Reiner, along
16 with her colleagues showed him a "purchase agreement" indicating that there was a buyer who
17 had committed to buying the Property for over \$2,000,000.00. The purchase with this purported
18 buyer, which is documented, never occurred.
19 8. Subsequently on or about March, 2007, Mercado came into possession of a fax
20 from Litton Loan Services originally dated March, 2005, where for the first time Mercado
21 learned that the Property had been in default for over \$80,000.00 as of March 21, 2005. Reiner
22 never disclosed to Mercado that the Property was already in foreclosure with a scheduled auction
23 date. It was at this time that Mercado for the first time discovered that the Property had been in
24 foreclosure prior to the time Mercado purchased the Note. In addition, Mercado's note was for
25 only 80% interest (the other 20% of Mercado's note was owned by Levon Sarkisian and the other
26 80% of the entire property by his wife Marina Gambarian). There was also a second mortgage on
27 it which was not disclosed to Mercado either. Mercado was initially paid interest for his note for
28 the first four months and except for a \$10k payment to cover several bounced checks, Mercado

1 was not paid the interest that was specified on the Note. Reiner then had Mercado enter into an
2 exclusive listing agreement with Reiner for a sale of the Property at \$929,900.00.
3 9. On or about March, 2007 and then again in May, 2007, Reiner represented that the
4 Property would be put up for sale and that Mercado would be paid roughly \$300,000.00 from the
5 proceeds. Eventually, after not receiving interest for two years and seeing that the property was
6 neither being fixed up or marketed despite then recent assurances by Reiner that there were
7 buyers for the property, including appraisals showing that the Property was marketable and
8 saleable, Mercado decided to foreclose upon the advice of his then attorney Lottie Cohen.
9 Mercado chose a local foreclosure company, Foothill Conveyance Corp in Montrose in 2007.
10 Soon after, Countrywide/Litton Loan Servicing began foreclosure proceedings due to unpaid
11 taxes and mortgage. In addition, by mid to late 2007, the Property was worth much less than
12 what was owed. Property values had declined as well as the condition of the Property.
13 10. On or about September 5, 2007, Reiner wrote to an associate indicating that the
14 Property would be sold to Brian and Jaqueline Wright with a grant to First Real Estate Venture,
15 Inc. (Reiner's other company) with Mercado as beneficiary. Mercado then discovered that the
16 Property had been sold to a Brian and Jaqueline Wright on or about October 3, 2007 with a
17 corresponding commission received by Debtor's second company, SSR Maine, Inc. Despite the
18 transfer and promises to pay out of the sale, Mercado never received any monies.
19 11. Subsequently, Reiner brought in an investor, Edward Rostamian, who said that he
20 would fix the "situation" - with the pending foreclosure. Rostamian was able to secure buyers
21 for the Property. Mercado's attorney attempted to help negotiate the matter by demanding that
22 Mercado would have to be recorded as the senior lien holder (after Countrywide), that the
23 Property would have to be fixed up and marketed with a licensed realtor and put on the MLS for
24 a reasonable price (1.85k) and sold as soon as possible and that Mercado would be paid interest
25 starting in January. Ultimately, the Property was auctioned in December of 2012 to a third party
26 who bought it. Mercado, still had not been paid his investment back.
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 25 and interest according to proof running from the Maturity Date of the Agreement.
 24 amount of \$253,315.07 as stated in this Proof of Claim, which includes principal of \$200,000.00
 23 Defendant's failure to perform the promises to pay made to plaintiff, those damages all in an
 22 16. Plaintiff has suffered further incidental and consequential damages as a result of
 21 \$200,000.00 and interest according to proof running from the Maturity Date of the Agreement.
 20 Reiner, Plaintiff has been damaged in the amount of \$253,315.07, which includes principal of
 19 15. As a direct and proximate result of the breach of promises to pay made by the
 18 discoverable in a title search.
 17 d) Failing to properly record a deed of trust and note as promised so that it would be
 16 \$30,000 upon close of escrow; and
 15 c) Failing to make payments as indicated on the Agreement of \$1,667 monthly and
 14 b) Failing to provide return interest at the legal rate of 10%;
 13 set forth in the Agreement;
 12 a) Failing to make return the principal of \$200,000.00 as promised by the maturity date
 11 14. The contract was breached by the Defendant/Debtor Catherine Reiner by:
 10 Attached and marked Exhibit "A" is a copy of the Agreement between the parties.
 9 promise to make monthly payments of \$1,667.00 and \$30,000.00 upon close of escrow.
 8 Canada, Flintridge, CA. The maturity date on the Agreement was January 31, 2006 with a
 7 whereby Plaintiff wired \$200,000.00 to invest in a property located at 5209 Harter Lane in La
 6 13. On or about March 10, 2005, Plaintiff and Defendant entered into an agreement
 5 herein.
 4 12. Plaintiff hereby incorporates paragraphs 1 through 11, as though fully set forth

BREACH OF CONTRACT
FIRST CLAIM FOR RELIEF

SECOND CLAIM FOR RELIEF
NEGLIGENCE

17. Plaintiff hereby incorporates paragraphs 1 through 16, as though fully set forth

herein.

18. Defendant, during all times relevant herein, was a licensed real estate agent with

Bob Taylor Properties, Inc., and also operated her own real estate company, First Real Estate

Venture, with a recognized duty of care to clients under California law.

19. Defendant breached that duty by failing to disclose material facts and

misrepresented facts regarding the Property and the Agreement, by among other things:

a. Misstating and/or concealing the extent and nature of her interest/investment in

the Property;

b. Investing monies into the same Property as her client in violation of her duties

as a real estate agent (as evidenced by the Agreement); and

c. Failing to make disclosures regarding her fee or possible commission for

bringing in Plaintiff's funds.

20. As a direct and proximate result of the breach of Defendant's duty, Plaintiff has

been damaged in the amount of \$253,315.07, which includes principal of \$200,000 and interest

according to proof running from the Maturity Date of the Agreement.

21. Plaintiff has suffered further incidental and consequential damages as a result of

Defendant's negligence, those damages all in an amount of \$253,315.07 as stated in this Proof of

Claim, which includes principal of \$200,000 and interest according to proof running from the

Maturity Date of the Agreement.

LAW OFFICE OF DAREN M. SCHLECTER

Dated: June 3, 2014

/s/ Daren M. Schlecter

By:

DAREN M. SCHLECTER

Attorney for Creditor/Plaintiff Giancarlo
Mercado

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EXHIBIT “A”

Attn: Mr. Mercado
Room #9

NEW QMS
June too #1667
21700
23367

3/10/05
Cathy
Thanks

Giancarlo,
We are getting a note for \$250,000 against 5209 Harter Lane, La Canada Flintridge. You have \$200,000 and I'll have \$50,000 invest into the property. I have already giving them a \$100,000 couple of weeks ago in order for them to assigned the escrow to me.
The loan mature on or before January 31, 2006. Your monthly payment will be \$1,667 and at later day when escrow are closing, you will received \$30,000. We will have a note and deed of trust recorded against the property.