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SUPERIOR COURT OF STATE OF CALIFORNIA
COUNTY OF LOS ANGELES - CENTRAL CIVIL WEST DIVISION

DISTRICT

SCISSORHANDS, LLC, a Nevada Limited Liability Company; and MICHAEL LINN, an Individual,

Plaintiffs,

vs.

AVANTI HEALTHCARE HOLDINGS, LLC, a Nevada Limited Liability Company; AVANTI HOSPITALS, LLC, a Nevada Limited Liability Company; PALADIN CAPITAL, LLC, a Nevada Limited Liability Company; JOEL FREEDMAN, an Individual; JAMES "JAMIE" MACPHERSON, an Individual; HOLLISTER HEALTH HOLDINGS, LLC, a California Limited Liability Company; DR. IRV RICHARDS, an Individual; DR. MARK BELL, an Individual; NICK ORZANO, an Individual; and DOES 1 through 20, inclusive,

Defendants.

Case No. BC510122

PLAINTIFFS SCISSORHANDS, LLC'S AND MICHAEL LINN'S COMPLAINT FOR DAMAGES AND INJUNCTIVE RELIEF FOR:

1. Deceit (Intentional Misrepresentation);
2. Deceit (Negligent Misrepresentation);
3. Deceit (Concealment);
4. Constructive Fraud;
5. Breach of Fiduciary Duty; and
6. Violation of Cal. Bus. & Prof. Code § 17200 *et seq.*

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1 **I. INTRODUCTION**

2 1. This lawsuit involves the all-too-common expropriation of company funds by
3 controlling majority interest owners and managers at the expense of non-controlling minority
4 investors, in order to oppress and suppress the value of their minority interests in a fraudulent scheme
5 to deprive them of distributions of funds to which they were and are entitled to share ratably. The
6 Defendants are a group of sophisticated hospital “turn around” financiers and operators who conspired
7 together as the controlling interest holders of the Avanti Healthcare Group (consisting of four local
8 hospitals) to deprive Plaintiffs and other minority interest holders of participation in approximately
9 \$67 million , consisting of approximately \$25 million derived from the repurchase and sale/leaseback
10 transactions involving the real property underlying 3 of the 4 Avanti hospitals, and approximately \$42
11 million in Medi-Cal Quality Assurance Funds (“HQAF”) provided by the California Department of
12 Healthcare Services (“CDHS”). As part of their deceptive scheme, in breach of their fiduciary duties,
13 Defendants fraudulently induced Plaintiffs and other minority interest holders to consent to a
14 byzantine corporate reorganization in May 2011 that has resulted (and will result) in stripping the
15 minority interest holders of their entitlement to receive their proportionate share of the \$25 million
16 derived from the repurchase, sale and leaseback proceeds and the HQAF proceeds, including \$18
17 million paid in 2012 another \$24 million in HQAF funds that CDHS will pay to them in the summer
18 and following months of 2013.

19 2. In particular, through material misrepresentations, material omissions, and misleading
20 half-truths, Defendants tricked Plaintiffs into exchanging their membership interests in the original
21 Avanti holding company and its direct wholly-owned subsidiary -- Avanti Health Systems, LLC and
22 Avanti Health Systems Holdings I, LLC, respectively -- for “preferred non-voting interests” in two
23 newly-created companies -- Avanti Hospital Holdings I, LLC and HealthPlus+ Holdings, LLC -- that
24 were supposed to be fairly valued without in any way impairing the interests of Plaintiffs and other
25 minority interest holdings. Defendants hid their ruse behind a supposedly independent valuation
26 analysis conducted by BDO Valuation Advisors, LLC, a subsidiary of BDO USA LLP (“BDO
27 Seidman”). What Defendants knew, but fraudulently failed to disclose to Plaintiffs and other minority
28 interest holders (as they were required to do), was that the BDO valuation did not include the
imbedded \$25 million value of the repurchase option for the real property underlying the hospitals or
the \$42 million in additional HQAF that the company would receive from the State of California in
2012 and 2013 alone. Nor did the Defendants disclose to Plaintiffs and other minority interest holders
their intent and plan, post-restructuring, to expropriate and distribute to themselves as secret dividends

1 the proceeds of the repurchase, sale and leaseback transactions and HQAF payments, without sharing
2 such distributions with Plaintiffs and other minority interest holders. These material omissions and
3 non-disclosures not only grossly diminished the value of the converted preferred interests of Plaintiffs
4 and other minority interest holders, both from an income perspective and a buy-out perspective; they
5 also enabled Defendants to deprive Plaintiffs and other minority interest holders of their rights to
participate in such distributions.

6 3. The Defendants' financial fraud and self-dealing have all the earmarks of Enron-like
7 corporate greed and fiduciary breaches coupled with material misrepresentations (and at the very least,
8 gross negligence), undertaken by corrupt and arrogant insiders who believe that they are too smart and
9 clever for their misconduct to be discovered by minority interest holders kept "in the dark." This case
10 is about the role that the Defendants played in deceiving Plaintiffs (and other minority interest
11 holders) in their effort to fraudulently induce their consent to the May 2011 Avanti restructuring so as
12 to depress the value of their interests and to permit Defendants to obtain tens of millions of dollars for
13 themselves and their cohorts that should have been shared with Plaintiffs and other minority interest
holders ratably and equitably in relation to their properly-valued interests.

14 4. Plaintiffs assert their claims herein solely in their individual capacities, based on
15 Defendants' infringement of the Plaintiffs' rights, oppression of their minority interests, and
16 misrepresentations and omissions directed to them and other minority interest holders for the benefit
17 of the corrupt majority interest holders sued herein, which injuries are separate and distinct from any
18 injuries suffered by all members collectively or to the companies themselves. Plaintiffs do not assert
any derivative claims in a representative capacity in this Complaint.

19 **II. PARTIES**

20 5. Plaintiff Scissorhands LLC ("Scissorhands") is a Limited Liability Company organized
21 and existing under the laws of the State of Nevada which maintains its primary place of business in
22 Daytona Beach, Florida.

23 6. Plaintiff Michael Linn ("Linn") is an individual who maintains his primary place of
24 residence in Daytona Beach, Florida. (Scissorhands and Linn hereafter sometimes are referred to
collectively as "Plaintiffs.")

25 7. Defendant Avanti Healthcare Holdings, LLC ("AHHLLC") is a Limited Liability
26 Company organized and existing under the laws of the State of Nevada which maintains its principal
27 place of business in Los Angeles County, California.

28 8. Defendant Avanti Hospitals, LLC ("AHLHC") is a foreign Limited Liability Company

1 organized and existing under the laws of the State of Nevada which maintains its principal place of
2 business in Los Angeles County, California.

3 9. Defendant Paladin Capital, LLC (“Paladin”) is a foreign Limited Liability Company
4 organized and existing under the laws of the State of Colorado which maintains its principal place of
5 business in Los Angeles County, California. Paladin holds itself out publicly to prospective clients
6 and investors (such as Linn and Scissorhands) as a “leading corporate finance advisory firm” with
7 specialized expertise in finding capital and completing mergers and acquisitions for over-leveraged
8 and under-performing hospitals, acute-care facilities, and related healthcare companies.

9 10. Defendant Joel Freedman (“Freedman”) is an individual who on information and belief
10 maintains his principal residence in Los Angeles County, California. At all relevant times alleged
11 herein, Freedman was an agent, principal, servant and/or employee of Defendants Paladin, AHLLC
12 and AHLLC; and in engaging in the conduct and making and/or authorizing and approving the
13 material representations and omissions described below, Freedman acted in his capacity as a principal,
14 senior executive, and/or managing agent of Paladin, AHLLC and AHLLC. At all relevant times,
15 Freedman had the actual and apparent authority to speak for and on behalf of Paladin, AHLLC and
16 AHLLC, and spoke on their behalf and/or ratified the representations made on their behalf on the
17 occasions alleged in this Complaint.

18 11. Defendant James MacPherson, also known as “Jamie” MacPherson (“MacPherson”) is
19 an individual who on information and belief maintains his principal residence in Los Angeles County,
20 California. At all relevant times alleged herein, MacPherson was an agent, principal, servant and/or
21 employee of Defendants Paladin, AHLLC and AHLLC; and in engaging in the conduct and making
22 and/or authorizing and approving the material representations and omissions described below,
23 MacPherson acted in his capacity as a principal, senior executive, and/or managing agent of Paladin,
24 AHLLC and AHLLC. At all relevant times, MacPherson had the actual and apparent authority to
25 speak for and on behalf of Paladin, AHLLC and AHLLC, and spoke on their behalf and/or ratified
26 the representations made on their behalf on the occasions alleged in this Complaint.

27 12. Defendant Nick Orzano (“Orzano”) is an individual who on information and belief
28 maintains his principal residence in Los Angeles County, California. At all relevant times alleged
29 herein, Orzano was an agent, principal, servant and/or employee of Defendants AHLLC and
30 AHLLC; and in engaging in the conduct and making and/or authorizing and approving of the material
31 representations and omissions described below, Orzano acted in his capacity as a principal, senior
32 executive, and/or managing agent of AHLLC and AHLLC. At all relevant times, Orzano had the

1 actual and apparent authority to speak for and on behalf of AHHLLC and AHLLC, and spoke on their
2 behalf and/or ratified the representations made on their behalf on the occasions alleged in this
3 Complaint.

4 13. Defendant Hollister Health Holdings, LLC (“HHHLLC”) is a Limited Liability
5 Company organized and existing under the laws of the State of California which maintains its
6 principal place of business in Los Angeles County, California.

7 14. Defendant Dr. Irv Richards (“Richards”) is an individual who on information and belief
8 maintains his principal residence in Los Angeles County, California. At all relevant times alleged
9 herein, Richards was an agent, principal, servant and/or employee of Defendants HHHLLC, AHHLLC
10 and AHLLC; and in engaging in the conduct and making and/or authorizing and approving of the
11 material representations and omissions described below, Richards acted in his capacity as a principal,
12 senior executive, and/or managing agent of HHHLLC, AHHLLC and AHLLC. At all relevant times,
13 Richards had the actual and apparent authority to speak for and act on behalf of HHHLLC, AHHLLC
14 and AHLLC, and spoke on their behalf and/or ratified the representations and made on their behalf on
15 the occasions alleged in this Complaint.

16 15. Defendant Dr. Mark Bell (“Bell”) is an individual who on information and belief
17 maintains his principal residence in Los Angeles County, California. At all relevant times alleged
18 herein, Bell was an agent, principal, servant and/or employee of Defendants HHHLLC, AHHLLC and
19 AHLLC; and in engaging in the conduct and making and/or authorizing and approving of the material
20 representations and omissions described below, Bell acted in his capacity as a principal, senior
21 executive, and/or managing agent of HHHLLC, AHHLLC and AHLLC. At all relevant times, Bell
22 had the actual and apparent authority to speak for and act on behalf of HHHLLC, AHHLLC and
23 AHLLC, and spoke on their behalf and/or ratified the representations made on their behalf on the
24 occasions alleged in this Complaint. (Defendants Bell, Freedman, MacPherson, Richards, and Orzano
25 hereafter sometimes are collectively referred to as the “Individual Defendants.”)

26 16. Plaintiff does not know the true names and capacities of the Doe Defendants 1-20 and,
27 therefore, sues such Defendant by such fictitious names. Plaintiffs are informed and believe, and
28 based thereon alleges, that each of the fictitiously named Defendants is responsible in some manner
for the occurrences and misconduct herein alleged, and that Plaintiffs’ damages as herein alleged were
proximately caused by the conduct of such Defendants. Plaintiffs are further informed and believe,
and based thereon alleges, that each of the Doe Defendants participated in the actions alleged herein.
The Doe Defendants 1-20 are persons or entities who, directly or indirectly, participated in the

1 transactions at issue and aided and abetted and conspired to cause or caused the primary violations
2 alleged herein. These persons or entities proximately caused damages to Plaintiffs as alleged herein,
3 but Plaintiffs presently do not know their names and identities. Once the true names and identities of
4 such fictitious Defendants are discovered, Plaintiffs will amend or seek leave to amend this Complaint
5 to assert the Doe Defendants' true names, capacities and conduct. Each of the Doe Defendants is
6 liable for the misrepresentations and omissions of material facts and losses suffered by Plaintiffs as set
7 forth herein, or their inclusion in this action is otherwise necessary for the granting for affective relief
8 by this Court. (The Doe Defendants, AHLLC, AHLLC, Paladin, Freedman, MacPherson,
9 HHLLC, Richards, Bell, and Orzano sometimes are referred to collectively "Defendants.")

10 **A. Agency, Aiding and Abetting, and Conspiracy Allegations**

11 17. Each of the Defendants was an agent, partner, joint venturer, co-conspirator or alter ego
12 of ego each of the remaining Defendants and, in doing the acts hereinafter alleged, was acting within
13 the scope of his or its authority as such and with the permission and consent of each of the remaining
14 Defendants.

15 18. Every Defendant, and each of them, instigated, encouraged, promoted, aided and
16 abetted, and/or rendered substantial assistance to the wrongdoing alleged herein, with knowledge of
17 the wrong and the role that each Defendant played in it. Every Defendant, and each of them,
18 conspired to commit the acts and omissions to act alleged herein, intentionally and with knowledge of
19 the wrongful purpose of such acts and omissions, by and in contravention of their duties. The
20 Defendants, and each of them, actively participated in the wrongdoing, failed to stop or prevent the
21 wrongdoing from occurring or continuing, and/or actively participated in the concealment and non-
22 disclosure of the wrongdoing. In particular, as alleged more fully below, each of the Defendants (a)
23 knowingly engaged in material portions of the Avanti fraud, and/or (b) knew, but concealed, the truth
24 as to material portions of the Avanti fraud, and/or (c) knew that they (i) lacked the confidence that
25 they stated or implied in the accuracy of their representations, or (ii) did not have the basis for their
26 representations that they stated or implied.

27 19. Defendants nevertheless knowingly and recklessly made such misrepresentations, and
28 concealed such material facts, and thereby caused Plaintiffs severe financial harm for which they are
liable for damages under California law. At all relevant times relevant herein the Individual
Defendants, *i.e.*, Freedman, MacPherson, Richards, Bell, Richards, and Orzano, by virtue of their titles
and senior positions of control and authority at AHLLC, AHLLC, and other direct and indirect
Avanti predecessors and subsidiaries (which are identified below), (i) had the actual and apparent

1 authority to speak for and act on behalf of those companies, and spoke and acted on their behalf on the
2 occasions alleged in this Complaint within the scope of that authority; and (ii) were able to and did
3 control the content of the written and oral communications made to Plaintiffs, and the other public and
4 private statements at issue in this action before they were made, and had the ability to prevent their
5 issuance or cause them to be corrected.

6 20. These Individual Defendants were: (a) involved in the drafting, producing, reviewing,
7 preparing, approving, and/or disseminating the false and/or misleading statements, information and
8 half-truths alleged herein; (b) knowingly engaged in key portions of the Avanti fraud, and/or (c) knew,
9 but concealed, the truth as to key portions of the Avanti fraud, and/or (d) knew that they (i) lacked the
10 confidence that they stated or implied in the accuracy of their representations, or (ii) did not have the
11 basis for their representations that they stated or implied. These Individual Defendants nevertheless
12 knowingly and recklessly made such misrepresentations, and concealed such material facts, and
13 thereby caused Plaintiffs severe financial harm for which they are liable for substantial damages and
14 restitution under California law. Accordingly, each of these individuals is responsible for the accuracy
15 (or inaccuracy) of the public statements and material nondisclosures described in detail below, and
16 each of these individuals either made or authorized and approved those public statements and material
17 nondisclosures in their official capacities within the scope of their corporate responsibilities.

18 **III. JURISDICTION AND VENUE**

19 21. This Court has subject-matter jurisdiction over the controversies and violations alleged
20 in this Complaint, personal jurisdiction over Defendants, and the venue of this action properly lies in
21 this Court, because, among other reasons, the misrepresentations, material omissions, grossly
22 negligent conduct, and other transactions and occurrences giving rise to this Complaint took place in
23 substantial part in Los Angeles County, California; all Defendants reside and/or maintain their
24 principal places of business in Los Angeles County, California; and the parties agreed in writing to
25 personal jurisdiction and venue in this jurisdiction in several contracts relating to the transactions and
26 occurrences giving rise to this lawsuit.

27 **IV. INFORMATION AND BELIEF**

28 Except as to those allegations that pertain directly to Plaintiffs which are based on their
personal knowledge, the allegations asserted in this Complaint are based on information and belief.
Plaintiffs' information and belief are based on the investigation, analysis, and pre-filing due diligence
conducted by Plaintiffs and their counsel, after counsel's retention. The core allegations contained in
this Complaint have evidentiary support or, alternatively, are likely to have evidentiary support after

1 reasonable opportunity for further investigation and discovery by Plaintiffs and their counsel.
2 However, counsel for Plaintiffs has not been permitted to conduct any pre-filing discovery to date, and
3 Defendants refused counsel's requests for documents and other critical information pre-filing.
4 Consequently, the claims and allegations set forth in this Complaint are based upon the pre-filing
5 investigation and analyses conducted by Plaintiffs and his counsel, after counsel's retention, that were
6 reasonably possible to accomplish given the time constraints and resources available, without
7 cooperation by Defendants (who were duty-bound to provide the information requested) or the benefit
8 of discovery.

8 **V. COMMON ALLEGATIONS**

9 **A. The Formation Of The Original Avanti Healthcare Group To Acquire Memorial
10 Hospital of Gardena And East Los Angeles Doctors Hospital.**

11 22. In early 2008, an investment group comprised of Plaintiffs, Defendants and other
12 individuals and entities formed the original Avanti group of companies for the purpose of purchasing
13 and operating two underperforming Los Angeles area hospitals -- Memorial Hospital of Gardena
14 ("MHG"), located at 1145 West Redondo Beach Blvd., Gardena, CA 90247, and East Los Angeles
15 Doctors Hospital ("ELADH"), located at 4060 E. Whittier Blvd., Los Angeles, CA 90023 -- from
16 HealthPlus+ Corporation ("HPC"), a Delaware corporation.

17 23. Defendants Freedman, MacPherson and Paladin described the Avanti group to
18 Plaintiffs and other prospective investors and lenders as a hospital acquisition and management
19 company led by professionals with strong track records and extensive experience in the areas of
20 hospital operations, finance, and real estate, with deep levels of transactional and turnaround
21 experience, and ethical business practices. In reality, as Plaintiffs would discover too late, Freedman,
22 MacPherson, and Orzano had little or no experience managing successful hospital operations, and
23 their financial engineering and scheming -- in collusion with the other Defendants -- would be
24 implemented not to benefit Plaintiffs or other minority interest holders -- much less Avanti's hands-on
25 doctors, staff or patients -- but primarily or solely to enrich themselves at the expense and to the
26 detriment of minority interest holders and other non-controlling constituencies.

27 24. The parent holding company of the original Avanti group was Avanti Health Systems,
28 LLC ("AHSLLC"), a Nevada limited liability company. Its direct subsidiary was Avanti Health
System Holdings, I, LLC ("AHSHI"), a Nevada limited liability company, which in turn wholly
owned Health Plus Holdings, LLC ("Health Plus Holdings"), also a Nevada limited liability company.
The transaction involved the acquisition of the common membership of HealthPlus Holdings, LLC

1 (“HPH”) by AHSHI for approximately \$35 million, of which \$7.5 million was paid with a promissory
2 note to HPC (the seller), with the balance (net of contractual working capital adjustments) to be paid
3 in cash at the closing of the acquisition.

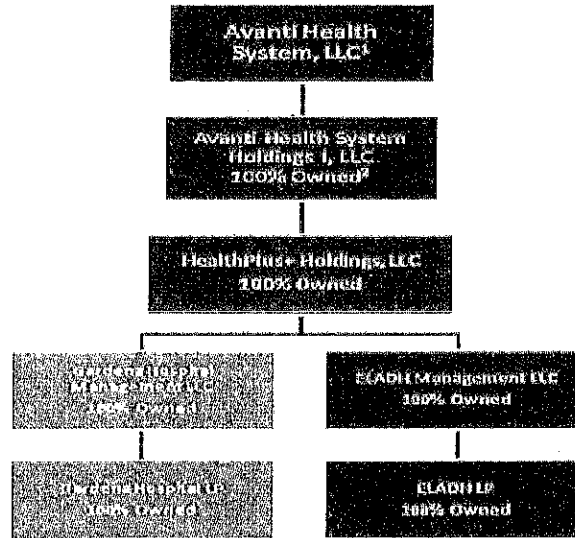
4 25. The purchase and sale of MHG and ELADH were consummated pursuant to a
5 Membership Interest Purchase Agreement dated as of November 12, 2008 (the "MIPA") and an
6 Amendment to the MIPA dated as of December 29, 2008, by and among AHSLLC, on the one hand,
7 and HPC (the seller), HealthPlus+ Holdings LLC, a Nevada limited liability company, Gardena
8 Hospital Management, L.L.C., a Delaware limited liability company ("Gardena Management"),
9 ELADH Management, L.L.C., a Delaware limited liability company ("ELADH Management"),
10 Gardena Hospital, L.P., a Texas limited partnership ("Gardena LP"), ELADH, L.P., a Texas limited
11 partnership ("ELADH LP"), ELADH Hospital Properties, LLC, a Nevada limited liability company
12 ("ELADH Properties"), and Gardena Hospital Properties, LLC, a Nevada limited liability company
13 ("MHG Properties"), on the other. Thus, upon the closing of the acquisition of the two hospitals,
14 AHSH maintained several wholly owned subsidiaries, which included HPH, ELADH Management,
15 Gardena Management, ELADH, LP and Gardena LP, as well as two entities that previously owned the
16 real property assets of the two hospitals but which did not operate after the closing, including ELADH
17 Properties and Gardena Properties.

18 26. The acquisition was funded in substantial part by Siemens Financial Services, Inc.
19 ("Siemens") pursuant to a revolving and term loan agreements, and also involved a sale/lease back
20 component with respect to the real property underlying MHG (the "MHG Property") and ELADH (the
21 "ELADH Property"). There was a Loan and Security Agreement (Revolving Loans) dated as of
22 December 29, 2008 (the "Revolving Loan Agreement") by and among Avanti Health System Holdings
23 I, LLC, HealthPlus+ Holdings, LLC, Gardena Hospital Management, L.L.C., Gardena Hospital, L.P.,
24 ELADH Management, L.L.C., ELADH, L.P., on the one hand, and Siemens. There also was a Loan
25 and Security Agreement (Term Loan), dated December 29, 2008, by and between AFG Investment
26 Fund 3, LLC ("AFG 3"), and Siemens.

27 27. The purchase and sale of the ELADH Property was made pursuant to the Purchase and
28 Sale Agreement between ELADH Properties, LLC, as seller, and AFG 3, as buyer, dated December
29, 2008. The purchase and sale of the MHG Property was made pursuant to the Purchase and Sale
Agreement between Gardena Hospital Properties, LLC, as seller, and AFG 3, as buyer, dated
December 29, 2008. The MHG Property and the ELADH Property were then leased back to the
purchasers pursuant to a Master Lease between AFG 3, as landlord, and ELADH, L.P., as tenant,

1 dated December 29, 2008, and a Master Lease between AFG 3, as landlord, and Gardena Hospital,
2 L.P., as tenant, dated December 29, 2008.

3 28. The closing of the Avanti acquisition of MHG and ELADH occurred in January 2009.
4 The organizational structure of the Avanti group at that time is reflected in the chart below:



13 **B. Plaintiffs Scissorhand's And Linn's Respective Interests In AHSLLC And AHSHI**

14 29. 28. On October 7, 2009, Freedman, as seller, entered into a Membership Interest
 15 Sale Agreement with Scissorhands, as purchaser, for 1% of the then-outstanding Common
 16 Membership Interests of AHSLLC, for the amount of \$148,000. Freedman had the right to repurchase
 17 the 1% Common Membership Interest by virtue of a Repurchase Option that was exercisable by
 18 giving written notice to Scissorhands on or before September 3, 2012. Section 4 of the Membership
 19 Interest Sale Agreement states that "Purchaser" (i.e., Scissorhands) assigned to "Seller" (i.e.,
 20 Freedman) "all dividends, distributions or proceeds received as result [sic] of ownership of the
 21 Membership Interest during the period between Closing and the Repurchase Completion Date. Seller
 22 forfeits the Repurchase Option and the assigned proceeds if timely notice of intent to exercise such
 23 option is not provided on or before the Final Notice Date, or if transfer of the payment is not made on
 24 or before the Repurchase Completion Date." (Underlining added.) The Closing Date was October 7,
 25 2009. The Final Notice Date was September 3, 2012. The Repurchase Completion date was October
 26 8, 2012. Freedman, however, informed Scissorhand in or about July 2011 2012, that he did not intend
 27 to repurchase Scissorhands' 1% Common Membership Interest in AHSLLC. Because Freedman did
 28 not give written notice of his election to exercise his Right of Repurchase on the Final Notice Date, he
 forfeited the assignment of "all dividends, distributions or proceeds received as result [sic] of
 ownership of the Membership Interest during the period between Closing and the Repurchase

1 Completion Date,” i.e., any moneys paid by virtue of the 1% Common Interest in Avanti Health
2 Systems LLC from October 7, 2009 onwards.

3 30. Accordingly, by virtue of the October 7, 2009 Membership Interest Sale Agreement,
4 and Freedman’s failure to exercise his Right of Repurchase, plaintiff Scissorhands became a 1%
5 minority Common Membership Interest holder in AHSLLC, in addition to its original preferred
6 interests (that subsequently were redeemed). Plaintiff Linn, for his part, held a 1.74% Common
7 Membership in AHSLLC’s direct, wholly-owned subsidiary, AHSHLLC, which (according to
8 defendant Orzano) was later diluted to 1.44% when another investor, Dr. Vijay Dawhan, purchased a
9 6% Common Membership Interest in the company in January 2009.

9 **C. Defendants’ Acquisition Of Community Hospital of Huntington Park**

10 31. On March 19, 2010, the principals of AHSLLC purchased a third hospital --
11 Community Hospital of Huntington Park (“CHHP”), located at 2623 E. Slauson Ave., Huntington
12 Park, CA 90255 -- through a sale in the context of the bankruptcy proceedings by the former owners
13 of CHHP. On information and belief, Defendants Hollister and Freedman (and others) formed a new
14 company -- CHHP Holdings II, LLC (“CHHP Holdings II”) to own CHHP. These same Defendants
15 (and others) also formed a management company to operate CHHP -- CHHP Management, LLC --
16 from which they derived substantial management fees and other remuneration.

16 **D. Defendants Expropriation At The Expense Of Plaintiffs And Other Minority
17 Interest Holders Valuable Real Property Repurchase Rights And HQAF Funds**

18 32. Monetization of the real property assets of its hospital facilities always has been a
19 critical component of the Avanti business plan formulated by Defendants. With each acquired facility,
20 the Avanti group, acting through Defendants, attempted to leverage term, mortgage and off-balance
21 sheet financing -- typically through sale-leaseback transactions -- in order to monetize real property
22 assets as much as practicable for their personal benefit. To that end, as stated by Defendants
23 Freedman, MacPherson, and Paladin in an Avanti Business Plan they prepared and disseminated to
24 Plaintiffs, other minority interest holders, and prospective lenders and investors in or about December
25 2010 (with the knowledge and consent of the other Defendants):

26 “Avanti ideally seeks to maintain ownership of the related real property at the time of an
27 acquisition (while establishing a term loan and/or mortgage), and then seeks to sell and lease-
28 back the property once the business is stabilized and the value of the real property is largely
maximized. Avanti’s principals maintain a broad base of relationships with lenders, REITs,
and other capital sources that are accustomed to operating with hospital real estate.”

There is no question, therefore, that Defendants at all relevant times were fully cognizant that the real

1 property assets associated with MHG, ELADH and other Avanti hospital acquisitions were a critical
2 component and substantial part of the value of the Avanti group of hospitals.

3 33. Another critical component of the value of the Avanti group of hospitals is its ability to
4 continue to receive prompt and adequate payments from the Medi-Cal and Medicare programs
5 administered by California and the Federal Government, respectively. The first three hospitals
6 acquired by Avanti -- MHG, ELADH, and CHHP -- serve primarily privately uninsured patients in
7 relatively low-income communities. On average more than 60% of their revenue consists of payments
8 and reimbursements made under the Medi-Cal and Medicare programs. Correctly anticipating and
9 planning for the likely scope and timing of Medi-Cal and Medicare reimbursements is a core
10 component of the financial management and operation of the Avanti group of hospitals, going to the
11 very heart of its revenue stream and its ability to finance not only its current and prospective
12 operations, but also future acquisitions. Accordingly, there also is no question that the Defendants at
13 all relevant times were completely aware of the central importance of Medi-Cal and Medicare funds
14 for the continued survival and profitability of the company.

15 **E. Avanti's Repurchase Option For The Gardena And ELADH Properties Was**
16 **Worth Approximately \$25 Million**

17 34. As alleged previously, as part of acquisition in January 2009 of MHG and ELADH,
18 the MHG Property and the ELADH Property were sold to AFG 3 by Gardena Hospital Properties,
19 LLC and ELADH Properties, LLC, respectively, which in turn leased the Properties back from AFG
20 3. However, Gardena Hospital Properties, LLC and ELADH Properties, LLC (or related Avanti
21 affiliates) also were given a contractual right to repurchase the properties for approximately \$23.2
22 million (the "Repurchase Option") at the third and fifth anniversary of the transaction at a specified
23 Internal Rate of Return ("IRR"). The exercise of the Repurchase Option was controlled by
24 Defendants by virtue of their management of and controlling interests in AHSLLC, which was the
25 holding company and ultimate parent that, through its direct and indirect ownership of all underlying
26 Avanti subsidiaries, had the exclusive power to exercise the Repurchase Option. Thus, but for the
27 reorganization, as of January 6, 2012, AHSLLC, for its benefit and the benefit of AHSHI (in which
28 Plaintiffs held interests) -- and not defendant AHLLC (in which Plaintiffs did not hold any interests,
due to Defendants' fraud) -- had option to repurchase both properties for \$23.2 million. It was
required to give AFG 3 notice of its intention to repurchase six months prior the repurchase date.

35. In late 2008, as part of its due diligence relating to the acquisition of MHG and
ELADH by AHSLLC and AHSHI, Siemens engaged HealthWest, a healthcare real estate valuation

1 firm, to appraise the MGH Property and ELADH Property in late 2008, at the height of the national
2 financial crisis. HealthWest apparently valued the MHG Property at \$26.9 million and the ELADH
3 Property at approximately \$15.2 million, for a combined real property value of approximately \$42.1
4 million. Therefore, the Repurchase Option with respect to the MGH and ELADH Properties had at
5 minimum an imbedded value of approximately \$20 million. The Repurchase Option was acquired in
6 2008, at a fixed price at the height of the financial crisis when real property values were depressed,
7 and it could not be exercised and implemented until 2011. By that time, however, the real estate
8 market and economy in general had substantially rebounded from the lows of 2008. Thus, by the time
9 of the May 2011 Avanti restructuring, the Repurchase Option's imbedded value actually increased to at
10 least \$25 million.

11 **F. Avanti Is Entitled To Receive And Has Received Tens Of Millions Of Dollars Of
12 Hospital Quality Assurance Funds (HQAF) From The State Of California**

13 36. In order to better reimburse acute care hospitals serving privately uninsured patients,
14 former Governor Arnold Schwarzenegger signed legislation on October 12, 2009, resulting in
15 hundreds of millions of dollars of funding to California hospitals such as MHG, ELADH, and CHHP.
16 The bill -- "the Medi-Cal Hospital Provider Rate Stabilization Act and Quality Assurance Act,"
17 enacted by Assembly Bill 1383 (Jones, Chapter 627, Statutes of 2009) effective January 1, 2010 ("AB
18 1383) -- authorized the assessment of a new "Quality Assurance Fee" on hospitals. As amended by
19 AB 1653 and SB 208, AB 1383 set up a program that imposes a Quality Assurance Fee (QAF) on
20 certain general acute care hospitals in order to make supplemental and grant payments and increased
21 capitation payments to qualified hospitals up to the aggregate upper payment limit (UPL) for the
22 period of April 1, 2009 - December 31, 2010. The funds resulting from the collection of this fee, upon
23 federal approval, are matched by federal Medicaid funds to increase California's receipt of federal
24 funds by billions of dollars for California's Medi-Cal program. These hospital quality assurance funds
25 (HQAF) from the fee and federal matching funds are utilized primarily to supplement reimbursement
26 to hospitals -- such as MHG, ELADH, and CHHP -- for services provided to Medi-Cal patients. The
27 HQAF legislation and likely future payments were extensively analyzed and publicized within the
28 hospital and acute care, nursing home, and inpatient mental healthcare industry in California,
including but not limited to announcements by the California Hospital Association.

37. In an Executive Summary prepared by Defendants Freedman, MacPherson, Orzano and
Paladin (which the other Defendants knew about, ratified, and approved), Defendants noted that "An
influx of AB1383 funds could significantly increase the potential income to Avanti's hospitals.

1 According to the California Hospital Association, MHG and ELADH are estimated to net as much as
2 \$20mm over the next 12-18 months from AB1383.” In fact, in 2010 alone, AHSLLC’s audited
3 financial statements for the fiscal year ended December 31, 2010, prepared by TCA Partners, LLP on
4 or about April 22, 2011 -- only weeks before the closing of the May 2011 restructuring of the Avanti
5 group -- indicate that AHSLLC received approximately \$10,600,000 in net payments from the State of
6 California’s Hospital Quality Assurance Fee program. Taking into account HQAF received by
7 CHHP, AHSLLC may have received a net of approximately \$11.7 million of HQAF recognized in
8 2010. Other reports (such as the BDO Seidman Fair Market Valuation, discussed below) indicated
9 that as much as \$14 million in HQAF were booked in fiscal year 2010. Discovery will reveal the
10 actual amount of HQAF received, and when.

11 38. While Defendants stated to Plaintiffs and other minority interest holders at or before
12 the May 2011 Avanti restructuring that the HQAF funds paid by the State of California in 2010 would
13 be a “non-recurring” source of income, these statements were false when made. For example, such
14 false statements are contained in the December 2010 Avanti Business Plan developed by Defendants
15 Paladin, Freedman, MacPherson, and Orzano, and approved and ratified by the other Defendants, and
16 in the BDO valuation analysis that was based on information Defendants provided to BDO Seidman,
17 and which was approved for distribution by Defendants. The true facts are the Defendants knew (or
18 were reckless in not knowing) at the time those statements were made that the opposite of what they
19 said to Plaintiffs and other minority interest holders would occur. Via reports issued by the California
20 Hospital Association and other hospital industry groups and consultants, Defendants were well aware
21 (or should have been aware) that supplemental legislation was going to be proposed each year from
22 2011 through the present reauthorizing the HQAF program in California at least through 2013.
23 Simply put, Defendants knew that such HQAF would be a recurring source of income at least for the
24 medium term, and during that period would substantially boost the operating income of AHSLLC by
25 as much as 30% annually. Defendants intentionally failed to disclose these facts.

26 39. As they secretly anticipated and counted on, the California Legislature has duly enacted
27 bills each year that have been approved by the Governor which reauthorize the QAF program, now
28 through the end of 2013. SB 90 set up a program that imposes a Quality Assurance Fee (QAF) on
certain general acute care hospitals in order to make supplemental and grant payments and increased
capitation payments to hospitals up to the aggregate upper payment limit (UPL) for the period of
January 1, 2011 through June 30, 2011. On January 10, 2011 -- 4 months before the closing of the
May 2011 Avanti restructuring -- SB 90 was proposed in the California State Senate and soon

1 thereafter signed into law by Governor Jerry Brown that reauthorized the HQAF program for the
2 period of January 1, 2011 - June 30, 2011. One month later, on February 15, 2011, SB 335 was
3 proposed in the California Senate and thereafter signed into law by Governor Brown that Senate that
4 reauthorized the HQAF program for the period of July 1, 2011 through December 31, 2013 (some of
5 which funds may have been received already).

6 40. As a result of the legislation noted above (i.e., SB 90 and SB 335), in addition to the
7 approximately \$14 million in HQAF received by Defendants in 2010 and 2011 as a result of AB 1383,
8 they have received an additional \$18 million in 2012, and are slated to receive at least an additional
9 \$24 million in the coming months of 2013.

10 **G. Defendants Fraudulently Failed To Include The Additional HQAF And The \$25
11 Million Repurchase Option In BDO Seidman's Valuation Analysis Of The
12 Member Interests Of Plaintiffs And Other Minority Interest Holders**

13 41. As part of the May 2011 restructuring planned and orchestrated by the Defendants,
14 plaintiffs Scissorhands and Linn, and other minority interest holders in AHSLLC and AHSHI, were
15 requested to provide written consents authorizing the effective conversion of their respective minority
16 interests in in AHSLLC and AHSHI in exchange for the issuance of preferred, non-voting
17 membership units. Avanti Healthcare Holdings, LLC was established as the new holding company for
18 all Avanti-related operating assets. Defendant AHLLC, LLC (AHLLC) -- a wholly-owned subsidiary
19 of Defendant Avanti Healthcare Holdings, LLC (AHHLLC) -- was established to manage and hold all
20 currently-owned Avanti assets. Avanti Hospital Holdings I, LLC was established to acquire the
21 ownership interests of HealthPlus Holdings, CHHP Management, LLC and CHHP Holdings II, LLC
22 in exchange for preferred membership interests of Avanti Hospital Properties I, LLC pursuant to
23 valuations issued by BDO Seidman. Avanti Hospital Holdings II, LLC was established separately to
24 acquire the ownership interests of CPH Hospital Management, LLC (which acquired and operates
25 CPH). Ownership of the real property underlying the hospitals was moved to "property companies,"
26 which became subsidiaries of their respective management companies.

27 42. The linchpin and key "selling point" for this complicated restructuring was the
28 supposedly "independent," "fair," and "equitable" valuation of the Membership interests held by
29 Plaintiffs and other minority interest holders in AHSLLC and AHSHI. Instead, Plaintiffs and other
30 minority interest holders received a so-called "Preferred Non-Voting Interest" entitled to a 5% annual
31 cumulative preferred return and a liquidation preference equal to the "agreed value" of the Common
32 Units exchanged by Plaintiffs and other minority Common Unit holders. The "agreed value" of the
33 Common Units to be contributed in exchange for Preferred Non-Voting Interest in the new companies

1 were based on pre-contribution "fair market" equity valuations BDO Seidman -- an independent
2 valuations firm. These valuations were supposed to be based on criteria determined by BDO Seidman
3 to be "fair" and "equitable" to Plaintiffs and other minority Common Unit holders (the "Fair Market
4 Valuation"). The members of AHSHI also were induced to exchange their interests for Preferred
5 Non-Voting Interests in Avanti Hospital Holdings I, LLC that were supposed to be based on a "fair"
6 enterprise value established by the BDO Fair Market Valuation.

7 43. BDO Seidman's Fair Market Valuation, however, was anything but fair. The Fair
8 Market Valuation only took into account actual and projected HQAF of \$14.8 million for Avanti's
9 fiscal year ending December 31, 2010 (which does not tie to the numbers set forth in Avanti's audited
10 financial statements) and \$5.1 million for fiscal year ending December 31, 2011, characterizing them
11 these amounts as "non-recurring revenue related to AB1683 and distressed fund" and "[a]djustments
12 provided by management." BDO's Fair Market Valuation therefore did not take into account the
13 projected receipt of at least that much HQAF for the remainder of 2011 (after the May 2011
14 reorganization closing), and in 2012 and 2013, which resulted in tens of millions of dollars in
15 recurring annual income during that period that was critical to a proper and fair valuation analysis.
16 The BDO Valuation Analysis also improperly failed to take into account the imbedded value in the
17 Repurchase Option with respect to the MHG Property and the ELADH Property, worth at least \$25
18 million.

19 44. BDO's Fair Market Valuation states in its notes that "The prospective financial
20 information included with this report is based on information and assumptions provided by
21 Company's management." These glaring and intentional omissions were purposefully left out of the
22 valuation analysis due to Defendants' desire and plan to materially understate the value of Plaintiffs'
23 minority interests and to enable Defendants to repurchase the new preferred units from Plaintiffs and
24 other minority interest holders at a "fire sale" price. *I.e.*, the Individual Defendants, through their
25 control of Defendant AHHLLC (the new parent holding company) have the ability to repurchase the
26 new preferred interests by means of a "Call Option" that is based primarily (net of certain
27 adjustments) on the "agreed value" of the preferred shares, which was determined (in substantial part)
28 by the grossly inaccurate BDO Fair Market Valuation.

45. The effect of the Defendants' deceptive ruse was both to reduce the distribution
Plaintiffs and other minority interest holders would be entitled to receive and to allow Defendants to
"buy out" the preferred non-voting interests of Plaintiffs and other minority interest holders at a
dramatically depressed value. Moreover, by fraudulently inducing the consents by Plaintiffs and other

1 minority interest holders to the amendments to the applicable operating agreements and new
2 contribution agreements, Defendants placed themselves in total control of the new holding company --
3 Defendant AHSLLC -- in which Plaintiffs would have no say or control whatsoever, thereby permitted
4 Defendants to execute without interference their secret plan to expropriate and distribute to themselves
5 secret dividends and distributions from the sale/leaseback of the MHG, ELADH, and CPH Properties,
and HQAF received in late 2011, and in 2012 and 2013.

6 **H. Defendants' Material Misrepresentations And Omissions In Connection With The**
7 **May 2011 Restructuring Of The Avanti Healthcare Group**

8 46. In November 2010, Defendants HHLLC, Freedman, MacPherson, and Orozco
9 engaged in negotiations with the principals of Coast Plaza Hospital ("CPH"), located at 13100
10 Studebaker Road, Norwalk, CA 90650, to purchase that hospital. Again, Defendants did not properly
11 or seriously present this investment opportunity to plaintiff Scissorhands and other minority members
12 of AHSLLC, or to plaintiff Linn and other minority members of AHSHI, claiming, again, that
13 AHSLLC could not consummate the transaction due to lack of support from its primary lender,
14 Siemens and neither AHSLLC or AHSHI could fund the acquisition by themselves. It was at or about
15 this time (November 2010) that the Defendants initiated discussions with Plaintiffs regarding the
16 proposed refinancing of MHG, ELADH and CHHP (including the repurchase of the MHG and
17 ELADH Properties), together with the purchase of CPH.

18 47. On several occasions commencing in November 2010 and continuing through April
19 2011, Defendants each made, authorized and/or approved the following representations made to
20 Plaintiffs regarding the proposed restructuring of the Avanti group of hospitals in order to fraudulently
21 induce Plaintiffs consent to the proposed restructuring. These representations were made in writing,
22 including but not limited to: (i) an "Avanti Health System LLC Executive Summary," dated April
23 2010, prepared by Defendants Paladin, Freedman, MacPherson and Orzano, with the knowledge and
24 approval of the other Defendants, and provided by Defendants to Plaintiffs (and other minority interest
25 holders) at or about that time; (ii) an "Avanti Health System LLC Business Plan," dated December
26 2010, prepared by Defendants Paladin, Freedman, MacPherson and Orzano, with the knowledge and
27 approval of the other Defendants, and provided by Defendants to Plaintiffs (and other minority interest
28 holders) at or about that time; (iii) memoranda and deal summaries from AHSLLC's outside corporate
counsel, non-party Marilyn Barrett, with the knowledge and approval of the Defendants and provided
to Plaintiffs on or about April 29, 2011; and (iv) other reorganization summaries provided to Plaintiffs
(and other minority interest holders) by Defendants, acting through Ms. Barrett as their authorized
agent, in May 2011, shortly before the closing. These representations included the following:

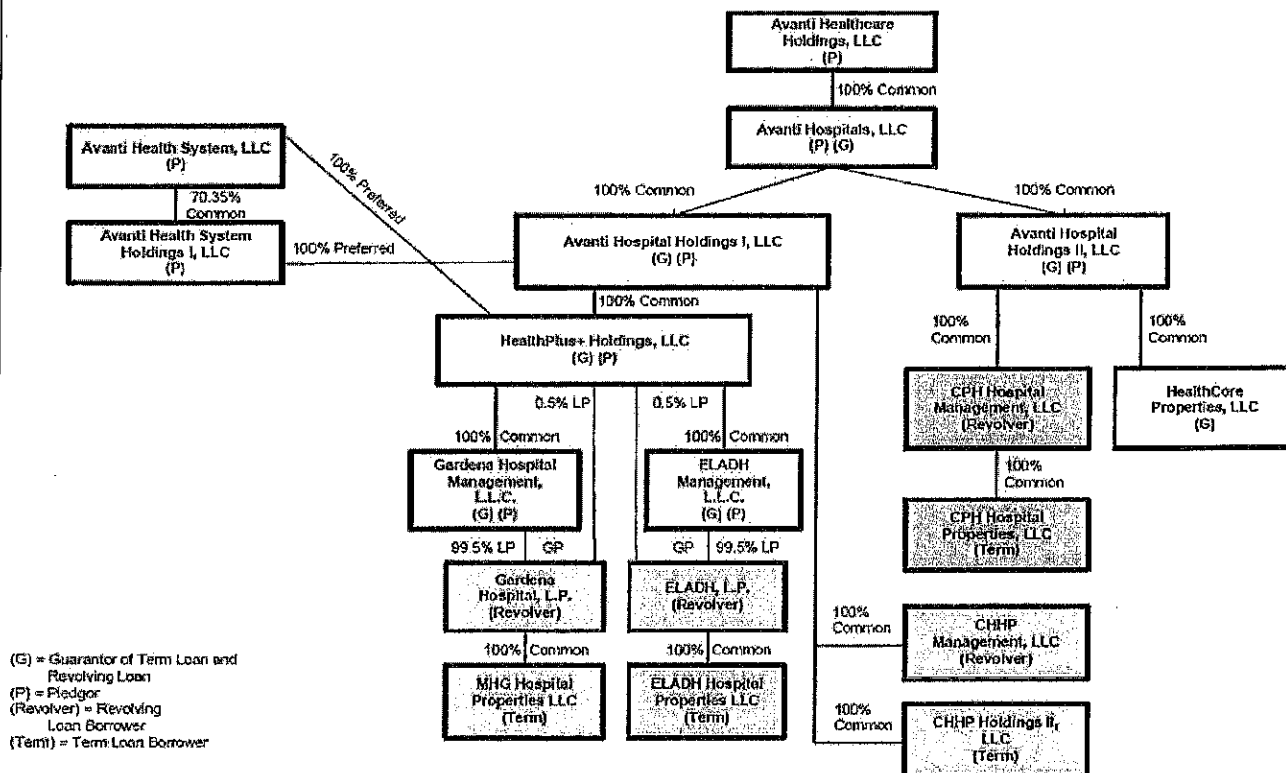
- 1 a) Defendants represented that previously-formed Avanti group of companies needed
2 to be reorganized “to simplify the structure” and to “separate the existing
3 companies under the Avanti umbrella from the recently acquired Coast Plaza
4 Hospital and future acquisition.”
- 5 b) Defendants represented that the proposed restructuring was required because
6 Siemens would not finance the repurchase of the real property underlying the
7 hospitals or fund new acquisitions.
- 8 c) Defendants represented that the proposed “restructuring . . . [was] required to
9 facilitate the MidCap financing . . .” for the acquisition of CPH and the repurchase
10 of the MHG Property and ELADH Property.
- 11 d) Defendants represented that “the reorganization was structured to ensure that
12 members of the CHHP entities and the AHS entities were not impaired” because
13 the exchange of Plaintiffs’ interests in AHSLLC and AHSHI for preferred interests
14 in newly-created companies formed as part of the proposed reorganization (i.e.,
15 Avanti Hospital Holdings I, LLC and HealthPlus+ Holdings, LLC) would fairly and
16 equitably be valued based on equity valuations of AHSHI and the CHHP entities
17 “based on valuations prepared by BDO Seidman which are based on criteria
18 determined by BDO Seidman to be fair to the CHHP and AHS Members.”

19 48. Plaintiffs (and other minority interest holders) reasonably relied on Defendants’
20 representations in consenting to the May 2011 Avanti restructuring and by (among other acts
21 fraudulently induced by Defendants) exchanging their respective interests in AHSLLC and AHSHI for
22 preferred non-voting interests in Avanti Hospital Holdings I, LLC and HealthPlus+ Holdings, LLC.

23 49. The Defendants’ representations outlined in detail above were false and misleading,
24 and were buttressed by half-truths that were infected by material omissions that rendered the half-
25 truths deceptive, in the following respects:

- 26 a) The reorganization Defendants proposed and implemented, far from being needed
27 “to simplify the structure” of the Avanti group of companies, or “to separate the
28 existing companies under the Avanti umbrella from the recently acquired Coast
Plaza Hospital and future acquisition,” was implemented in order to better facilitate
the ability of the Defendants to expropriate for themselves at the expense of
Plaintiffs and other minority interest holders of AHSLLC and AHSHI of over \$42
million in anticipated HQAF funds and over \$25 million from their planned

repurchase, sale and leaseback of the ELADH, MHG, and CHHP Properties. The restructured organizational chart below hardly can be considered a simplification of the prior streamlined and more transparent corporate organization:



- b) Once Siemens was going to be replaced by a new lender (MidCap), Siemens' supposed early objections to financing the property repurchases and new acquisitions became irrelevant. The restructuring proposed which stripped Plaintiffs and other minority interest holders of their ability to ensure participation in the upside of the property repurchases and subsequent sale/leaseback proceeds and the distribution of HQAF was not driven by Siemens, MidCap or other legitimate financing concerns, but solely by Defendants' greed.
- c) The proposed restructuring -- which substantially depressed the intrinsic and prospective value of the interests of Plaintiffs and other minority interest holders of AHSLLC and AHSHI, and which deprives them of participation in distributions of over \$42 million in anticipated HQAF funds (approximately \$18 million in 2012 and approximately \$24 million in 2013) and over \$25 million from Defendants' planned repurchase, sale and leaseback of the ELADH, MHG, and CPH Properties

1 -- was not “required to facilitate the MidCap financing . . .” for the acquisition of
2 CPH and the repurchase of the Gardena Property and ELADH Property. Instead,
3 the restructuring was structured in a way designed to deprive Plaintiffs and other
4 minority interest holders of substantial benefits they otherwise would have been
5 entitled to receive by virtue of their respective interests in the prior Avanti
6 companies pre-restructuring.

7 d) The reorganization of the Avanti group of companies was not structured to ensure
8 that “members of the CHHP entities and the AHS entities were not impaired” or to
9 ensure that their preferred interests would be fairly and equitably valued based on
10 equity valuations of the AHSHI and the CHHP entities prepared by BDO Seidman.
11 Instead, Defendants knew (or were reckless in not knowing) the valuation criteria
12 utilized BDO Seidman in preparing its Fair Market Valuation did not include
13 prospective HQAF funds totaling approximately \$42 million, nor did it include
14 approximately another \$25 million they intended to and did obtain from their
15 planned repurchase, sale and leaseback of the ELADH, MHG, and CPH Properties.

16 **I. Defendants Expropriated \$25 Million From The Purchase, Sale and**
17 **Leaseback Of The Gardena, ELADH, and CPH Properties At The Expense Of**
18 **Plaintiffs And Other Minority Interest Holders**

19 50. In or about October 2012, Defendants were able to realize in large part the objective of
20 their fraudulent scheme: the sale of the Gardena Property and the ELADH Property (as well as the
21 CPH Property) without sharing the proceeds with Plaintiffs or other minority interest holders in
22 AHSLLC or AHSHI. Griffin-American Healthcare REIT II Inc. acquired ELADH, MHG, and CPH
23 for approximately using \$86.6 million in borrowings under its secured line of credit with Bank of
24 American N.A., plus cash on hand. Each hospital property was then master-leased to operating
25 affiliates of AHLLC LLC under a 15-year absolute net lease with two 10-year renewal options.
26 Defendants subsequently distributed in excess of \$25 million to themselves without making any
27 distribution whatsoever of the sale/leaseback proceeds to Plaintiffs (or other minority interest holders
28 in AHSLLC or AHSHI), who previously had owned, directly or indirectly, the repurchase rights
relating to the Gardena Property and the ELADH Property, before the May 2011 reorganization
surreptitiously stripped them of that right and placed it into Defendants’ hands for their exploitation at
the expense of Plaintiffs and other minority interest holders. Plaintiffs and other minority interest
holders nonetheless have had to share the burden of the lease costs being paid to Griffin-American
Healthcare REIT II Inc., which has reduced the value of their respective interests. In short, even

1 though Plaintiffs have been deprived unfairly and prejudicially of any of the upside of the
2 sale/leaseback transaction engineered by Defendants. they are burdened by the debt created.

3 **J. Defendants Expropriated At Least \$18 Million In HQAF In 2012 And Are**
4 **Planning To Expropriate Another \$24 Million In HQAF In 2013 As Illegal**
5 **Dividends At The Expense Of Plaintiffs And Other Minority Interest Holders**

6 51. During the fiscal year ending December 31, 2012, Plaintiffs are informed and believe
7 (and thereon allege) that the Individual Defendants and other managing members of Defendant
8 AHLLC obtained approximately \$18 million in HQAF which they distributed to themselves as secret
9 dividends at the expense of Plaintiffs and other minority interest holders. Plaintiffs are further
10 informed and believe that Defendant AHLLC (and by extension, the Defendants, who control
11 AHLLC) are about to receive another approximately \$24 million in 2013, that the Individual
12 Defendants will again improperly divert to themselves and other managing members of Defendant
13 AHLLC to the detriment of Plaintiffs and other minority interest holders unless they are enjoined by
14 the Court from doing so.

15 **VI. THE DEFENDANTS' DUTIES OF CARE, FIDELITY, AND DISCLOSURE**

16 52. By virtue of their titles and positions as senior corporate officers, principals and/or
17 managers of AHSLLC, AHLLC, and AHLLC, vis-à-vis Plaintiffs, the Individual Defendants --
18 Freedman, MacPherson, Richards, Bell and Orzano -- each stood in a fiduciary relationship to
19 Plaintiffs (and other minority interest holders) under applicable law that imposed upon them, and
20 AHS, LLC, AHLLC, and AHLLC, duties of candor and disclosure, informed by related duties of
21 fidelity, good faith and care, in the following respects:

22 (a) As fiduciaries, when the Defendants undertook to provide financial information and
23 make other material representations about Avanti business and affairs to Plaintiffs (and other
24 Avanti investors) -- whether publicly or directly -- they were required to comply with their
25 fiduciary duty of candor and disclosure to ensure the information they provided and the
26 material representations they made were not untrue or misleading, and to ensure that they did
27 not omit to state material facts necessary to make the statements made, in light of the
28 circumstances under which such statements were made, not misleading. The Individual
Defendants knew or were reckless in not knowing that when senior corporate executives and
principals (such as they) undertake to provide information to company investors (such as
Plaintiffs) about the financial condition of the Avanti group and other matters that would be
material to any reasonable investor in choosing whether to hold, sell or purchase company
interests, they have a duty to provide information that is not false or materially misleading.

1 (b) As fiduciaries, the Individual Defendants' duty of fidelity (sometimes called the duty of
2 "loyalty") required them, in their dealings with Plaintiffs (and other Avanti minority interest
3 holders) not to put their personal interests ahead of or in conflict with Plaintiffs or other Avanti
4 investors. As Avanti principals and/or senior executive officers, and majority interest holders
5 who collectively controlled the companies, the Individual Defendants owed a fiduciary duty of
6 fidelity to Plaintiffs not to use their positions of trust for their own personal advantage at the
expense of Plaintiffs or other Avanti minority interest holders.

7 (c) As fiduciaries, the Individual Defendants' duty of care also required them to ensure,
8 when they undertook to provide financial information and make other material known, that
9 they first had exercised reasonable diligence to investigate the basis for their statements and
10 believed them to be accurate and true.

11 53. All of the Individual Defendants did not have an arms-length relationship with
12 Plaintiffs, but rather maintained a confidential relationship with them under the circumstances present
13 here. The Individual Defendants had sole or superior knowledge of the true state of facts about
14 Avanti's financial condition and their likely receipt and plans for distribution of tens of millions of
15 funds derived from QAF payments and the exercise of the repurchase right and the subsequent sale
16 and lease back transactions relating to the real property underlying the MPH, ELADH, and CPH; their
17 failure to include those sums in the BDO Fair Market Valuation of Plaintiffs' preferred unit holdings
18 in connection with the Avanti Reorganization; and their plan and intent to usurp those assets and other
19 valuable corporate opportunities for themselves at the expense of Plaintiffs and other minority unit
holders in the Avanti group. Defendants also knew, further, that such facts were not known to or
reasonably discoverable by the Plaintiffs.

20 54. Instead, to engender Plaintiffs' belief and confidence in their misrepresentations,
21 material omissions, and half-truths, (a) Defendants intended that Plaintiffs rely upon their integrity and
22 fidelity as senior officers and/or principals of AHS, LLC, AHLLC, and AHLLC; (b) they were
23 aware that Plaintiffs would do so and did do so; and (c) it was reasonable for Plaintiffs to repose
24 confidence and trust in them under the circumstances. Because the Individual Defendants' had sole or
25 superior knowledge of the true state of facts, and were aware of Plaintiffs' ignorance of the true state
26 of facts and their hidden plans and intentions to steal over tens of million for themselves at Plaintiffs'
27 expense as minority interest holders, there existed an unequal relationship between parties because of
28 the trust and confidence which Plaintiffs reasonably reposed in them, and the imbalance in power and
knowledge between and among them.

1 55. Each of the Defendants had an affirmative duty to disclose the true state of facts to
2 Plaintiffs. Instead, they used half-truths and false pretenses built on material nondisclosures to
3 mislead Plaintiffs. Thus, even if there were some doubt about the fiduciary or confidential nature of
4 their relationship with Plaintiffs under the facts alleged here -- and there is none -- by making
5 affirmative representations about the nature and effect of the Avanti Reorganization, the Individual
6 Defendants were under a duty to speak the whole truth and not conceal any facts which materially
7 qualified those stated. Put differently, even if there were no independent duty upon Avanti's
8 principals or directors to disclose their plan to strip Plaintiffs of their right and ability to share in the
9 more than \$42 million in HQAF and \$25 million in sale/leaseback proceeds, it is axiomatic that once a
10 company and its controlling shareholders undertake partial disclosure of such information there is a
11 duty to make the full disclosure of known facts necessary to avoid making such statements misleading.

12 56. In addition, the Individual Defendants constituted the majority of voting and
13 controlling Common Unit Member interests both at AHSLLC and in the new parent holding company,
14 AHHLLC, and, when acting (as alleged herein) in concert to accomplish their joint purposes and
15 schemes, have a fiduciary responsibility to Plaintiffs and other minority interest holders in AHSLLC
16 and AHSHI to use their ability to control the companies in a fair, just, and equitable manner. Acting
17 in concert, majority limited liability company unit holders may not use their power to control
18 corporate activities to benefit themselves alone in a manner detrimental to the minority unit holders'
19 interests, as Defendant have consistently and repeatedly done here.

20 57. Finally, but without limitation, under California Civil Code § 1714, subd. (a), and under
21 California common law, the Individual Defendants also had a duty to exercise ordinary care to avoid
22 causing injury to Plaintiff.

23 **VII. CAUSES OF ACTION**

24 **FIRST CAUSE OF ACTION**

25 **(For Intentional Misrepresentation Against All Defendants)**

26 58. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1 through 57
27 of this Complaint.

28 59. Defendants made the representations of fact set forth in Section H, Paragraphs 46 and
47 of this Complaint. As stated in Paragraph 49, Defendants representations were false when made,
and Defendants knew them to be false. Alternatively, Defendants made those representations
recklessly without knowing whether they were true or false.

 60. Defendants, and each of them, intended that Plaintiffs rely on their representations in

1 considering whether to consent to the May 2011 reorganization and to agree to exchange their pre-
2 reorganization interests for preferred non-voting interests that, due to Defendants' fraud, were
3 dramatically less valuable from an income, equity, buy-out, and control perspective.

4 61. Plaintiffs in fact, actually, reasonably, and justifiably relied upon the Defendants'
5 representations and material omissions.

6 62. Plaintiffs were harmed as a direct and proximate result of their reliance on Defendants'
7 false representations and material omissions because they were reasonably induced by such
8 representations and material omissions to agree to provide their consent to the May 2011 Avanti
9 restructuring and to exchange their respective interests in AHSLLC and AHSHI for non-voting
10 preferred interests in Avanti Hospital Holdings I, LLC and HealthPlus+ Holdings, LLC, that were
11 substantially and fraudulently undervalued.

12 63. Each Defendant knowingly and willfully conspired and agreed with each other to assist
13 in the accomplishment of this fraudulent scheme by undertaking the activities described above.
14 Defendants did the acts and things herein alleged pursuant to, and in furtherance of, said conspiracy.
15 Each Defendant is liable for all of the injury to Plaintiffs by virtue of his/its participation in the above-
16 alleged conspiracy to defraud.

17 64. Each Defendant knowingly, intentionally and materially assisted and participated in
18 this fraudulent scheme by the conduct described above, which included agreeing to make material
19 misrepresentations, and -- via misleading half-truths -- to concealing material facts from Plaintiffs and
20 making statements to Plaintiffs that concealed obscured or distorted said material facts. Plaintiffs
21 were injured in an amount to be proved at trial by the fraudulent scheme, which was materially
22 assisted by each Defendant. Therefore, each Defendant is liable for aiding and abetting the fraud
23 committed by the others.

24 65. The conduct described herein constitutes "oppression, fraud or malice" as those terms
25 are defined in Civil Code §3294, and Plaintiffs are therefore entitled to punitive damages in an amount
26 according to proof. Plaintiffs are further informed and believe, and based upon such information and
27 belief, allege that:

28 (a) The conduct described herein constituting oppression, fraud or malice was
committed by one or more officers, directors, or managing agents of Defendants AHLLC and
AHLHC who acted on their behalf; or

(b) The conduct described herein constituting oppression, fraud or malice was
authorized by one or more officers, directors, or managing agents of Defendants AHLLC and

1 AHLLC; or

2 (c) One or more officers, directors, or managing agents of Defendants AHLLC
3 and AHLLC knew of the conduct constituting malice, oppression, or fraud and adopted or approved
4 that conduct after it occurred.

5 **SECOND CAUSE OF ACTION**

6 **(For Negligent Misrepresentation Against All Defendants)**

7 66. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1 through 57
8 of this Complaint.

9 67. Defendants made to Plaintiff the misrepresentations and half-truths (and corresponding
10 material nondisclosures) described in Section H, Paragraphs 46 and 47 of this Complaint. As stated in
11 Paragraph 49, Defendants representations were false when made. Defendants made those
12 representations without any reasonable grounds for believing them to be true.

13 68. For the reasons set forth in detail in Section VI, Paragraphs 52 through 57, above,
14 Defendants owed a duty to Plaintiffs, which they breached, to make sure that the information and
15 assurances they provided to Plaintiffs were reasonably based upon the information available to them,
16 and that they reasonably believed such information to be accurate and non-misleading. Further,
17 Defendants breached their duty to Plaintiffs by putting their interests ahead of and in conflict with
18 Plaintiffs' interests based on material omissions and representations that were fundamentally
19 incomplete, inaccurate and misleading. Defendants made their factual misrepresentations, half-truths,
20 and material omissions in the face of overwhelming facts and evidence demonstrating the falsity of
21 their assertions and omissions. The falsity of Defendants' representations, half-truths and material
22 nondisclosures are described in detail at Section H, Paragraph 49 of this Complaint.

23 69. Defendants made their misrepresentations and material nondisclosures with the intent
24 that Plaintiffs would rely upon them; in particular, to induce Plaintiffs to consent to the May 2011
25 Avanti restructuring and to the exchange of their interests in AHSLLC and AHSHI for preferred non-
26 voting interests in Avanti Hospital Holdings I, LLC and HealthPlus+ Holdings, LLC. Plaintiffs in
27 fact, actually, reasonably, and justifiably relied upon the Defendants' representations and material
28 nondisclosures by consenting to the May 2011 Avanti restructuring and by exchanging their interests
in AHSLLC and AHSHI for dramatically less valuable preferred non-voting interests in Avanti
Hospital Holdings I, LLC and HealthPlus+ Holdings, LLC. Defendants' affirmative factual
misrepresentations and material nondisclosures were the immediate cause of the Plaintiffs' conduct
which altered their legal relations and financial status. Without such misrepresentations, half-truths

1 and material nondisclosures, Plaintiffs would not have consented to the May 2011 restructuring and
2 would not have consented to the exchange of their interests for the non-voting preferred interests
3 proffered to them by Defendants.

4 70. Plaintiffs in fact, actually, reasonably, and justifiably relied upon the Defendants'
5 representations and half-truths (and correlative material nondisclosures by consenting to the May 2011
6 Avanti restructuring and by exchanging their interests in AHSLLC and AHSHI for preferred non-
7 voting interests in Avanti Hospital Holdings I, LLC and HealthPlus+ Holdings, LLC. Defendants'
8 affirmative factual misrepresentations and half-truths and corresponding material nondisclosures were
9 the immediate cause of the Plaintiffs' conduct which altered his their legal relations and financial
10 status by doing so. Without such misrepresentations, half-truths and material nondisclosures,
11 Plaintiffs would not have consented to the May 2011 restructuring and would not have consented to
12 the exchange of their interests for the non-voting preferred interests proffered to them by Defendants.

13 71. The true state of facts about Defendants' intended actions to strip Plaintiffs and other
14 minority interest holders of their right to share in the distributions from the purchase, sale and
15 leaseback of the MHG and ELADH Properties and the HQAF funds in later 2011 (post-restructuring),
16 in 2012 and in 2013 were unknown and unavailable to Plaintiffs through the exercise of reasonable
17 diligence.

18 72. As a direct and proximate result of Defendants' misconduct, Plaintiffs have suffered
19 damages which will be established according to proof at trial.

20 **THIRD CAUSE OF ACTION**

21 **(For Fraudulent Concealment Against All Defendants)**

22 73. Plaintiff incorporates by reference the allegations contained in Paragraphs 1 through
23 ___ of this Complaint.

24 74. Defendants (through their authorized agents) made the representations of fact detailed
25 in Section H, Paragraphs 46 and 47 of this Complaint.

26 75. While Defendants disclosed to Plaintiffs in April and December 2010 that AHSLLC
27 had a valuable Repurchase Option with respect to the MHG Property and ELADH Property, they did
28 not disclose that their proposed restructuring was designed to strip Plaintiffs and other minority
interest holders from any benefit derived therefrom, nor did they disclose that they would not include
the \$25 million imbedded value of the Repurchase Option in the BDO Fair Market Valuation. While
Defendants disclosed to Plaintiffs in April and December 2010, that AHSLLC anticipated receiving up
to \$18 million in HQAF in 2010, they claimed that such funds would be "non-recurring," when they

1 knew or were reckless in not knowing that such funds would be authorized annually at least through
2 2013. Nor did Defendants disclose to Plaintiffs, other minority interest holders, or to BDO Seidman,
3 that they would not include such HQAF (comprising approximately 30% of the net operating revenues
4 of the company) in the BDO Fair Market Valuation. By intentionally failing to disclose these
5 important facts that would be and were material to any reasonable investor deciding whether to
6 consent to the May 2011 Avanti restructuring, the disclosures the Defendants did make were rendered
7 materially deceptive and misleading.

8 76. The falsity of Defendants' representations, half-truths and material nondisclosures are
9 described in detail at Section H, Paragraph 49 of this Complaint.

10 77. For the reasons articulated in detail in Section VI, Paragraphs 52 through 57, above, the
11 Individual Defendants owed to Plaintiffs duties of fidelity, care and disclosure, and were in either a
12 fiduciary and/or "confidential relationship" with Plaintiffs as that term is defined under applicable law.
13 Because the Individual Defendants stood in a fiduciary and/or confidential relationship with Plaintiffs;
14 because the Individual Defendants had superior knowledge of the true state of facts which were
15 unknown and unavailable to Plaintiff through the exercise of reasonable diligence; and because they
16 were aware and intended that Plaintiffs rely upon their integrity and fidelity, and it was reasonable for
17 Plaintiffs to repose confidence and trust in them under the circumstances, the Individual Defendants
18 had a duty to disclose the true state of facts to Plaintiffs relating to the May 2011 Restructuring, the
19 BDO Fair Market Valuation, and the additional HQAF to be received. Instead, the Individual
20 Defendants made materially deceitful statements to Plaintiffs and purposely kept information from
21 them so as to secrete their plan to expropriate the \$25 Million imbedded value of the Repurchase
22 Option and to deny the existence of prospective HQAF payments, which will now total nearly \$42
23 million through the end of 2013. By making affirmative representations and material nondisclosures
24 in those regards, Defendants did not fulfill their duty to speak the whole truth and not conceal any
25 facts which materially qualify those stated. These acts of suppression or concealment of material facts
26 are calculated to deceive and constitute deceit under California Civil Code §§ 1709 and 1710

27 78. Plaintiffs did not know of the material facts that the Defendants concealed and
28 suppressed from them. Defendants intended to deceive Plaintiffs by concealing and suppressing the
true facts. Plaintiffs reasonably relied on Defendants' misrepresentations, half-truths and material
non-disclosures in consenting to the May 2011 Avanti restructuring that resulted in their interests
being exchanged for preferred interests that had depressed valuations and stripping them of any ability
to share in the distribution of funds from the exercise of the Repurchase Option and the receipt of

1 HQAF Funds in 2012 and 2013.

2 79. Defendants' concealment of material facts was a substantial factor in causing Plaintiffs'
3 harm; indeed, it was the direct and proximate cause of Plaintiffs' harm.

4 80. Each Defendant knowingly and willfully conspired and agreed with each other to assist
5 in the accomplishment of each other Defendants' fraudulent scheme by undertaking the activity
6 described above. Defendants did the acts and things herein alleged pursuant to, and in furtherance of,
7 said conspiracy. Each Defendant is liable for all of the injury to Plaintiff by virtue of his/its
8 participation in the above-alleged conspiracy to defraud. Each Defendant knowingly, intentionally
9 and materially assisted the other Defendants' fraudulent scheme by the conduct described above.

10 81. As a direct and proximate result of Defendants' misconduct, Plaintiffs have suffered
11 severe financial damages which will be established according to proof at trial. The conduct described
12 herein constitutes "oppression, fraud or malice" as those terms are defined in Civil Code §3294, and
13 Plaintiffs are therefore entitled to punitive damages in an amount according to proof. Plaintiffs are
14 further informed and believe, and based upon such information and belief, allege that:

15 (a) The conduct described herein constituting oppression, fraud or malice was
16 committed by one or more officers, directors, or managing agents of Defendants AHLLC and
17 AHLLC who acted on their behalf; or

18 (b) The conduct described herein constituting oppression, fraud or malice was
19 authorized by one or more officers, directors, or managing agents of Defendants AHLLC and
20 AHLLC; or

21 (c) One or more officers, directors, or managing agents of Defendants AHLLC
22 and AHLLC knew of the conduct constituting malice, oppression, or fraud and adopted or approved
23 that conduct after it occurred.

24 **FOURTH CAUSE OF ACTION**

25 **(For Constructive Fraud Against All Defendants)**

26 82. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1 through 57
27 of this Complaint.

28 83. Defendants made the representations and material omissions detailed in Section H,
Paragraphs 46 and 47 of this Complaint.

84. As set forth in detail in Section VI, at Paragraphs 52 through 57, above, by virtue of
their titles and positions and by engaging in the conduct described above, Defendants owed a fiduciary
duty to Plaintiffs and were in a confidential relationship with them. Plaintiffs reposed faith,

1 confidence, trust and reliance upon the judgment and advice of Defendants. Plaintiffs and Defendants
2 were in a confidential and/or fiduciary relationship based upon the faith, confidence, trust and reliance
3 that Plaintiffs placed in what Defendants represented to be superior knowledge, judgment and advice.
4 As are result, Defendants owed to Plaintiffs at all times relevant herein a duty of disclosure, fidelity
and care.

5 85. Defendants breached these fiduciary duties of disclosure, fidelity and care by
6 concealing material facts from Plaintiffs and by making misrepresentations and half-truths to Plaintiffs
7 which omitted these material facts, as described in detail at Section H, Paragraphs 46, 47, and 49,
8 above. These acts and omissions constitute constructive fraud and consist of Defendants' breach of
9 the triad of fiduciary duties of disclosure, fidelity and care that they owed to Plaintiff: namely, (i)
10 Defendants' breach of their fiduciary duty of disclosure to Plaintiffs of relevant material matters
11 arising from the relationship; (ii) Defendants' breach of their fiduciary duty of fidelity to Plaintiffs by
12 putting their selfish interests ahead of and in conflict with Plaintiffs' interests; and (iii) Defendants'
13 breach of their fiduciary duty of care to Plaintiffs by making misstatements, half-truths and material
14 nondisclosures without undertaking any reasonable investigation to inform themselves adequately
15 about the truth or falsity of their statements, lacking any reasonable basis for believing them to be true
and non-misleading and/or in fact not believing them to be true and non-misleading when made.

16 86. Defendants acted with an intent to deceive Plaintiffs and to induce their reliance upon
17 their misstatements, half-truths, and material nondisclosures, by convincing Plaintiffs to consent to the
18 May 2011 Avanti restructuring and to exchange their interests for less valuable preferred interests in
Avanti Hospital Holdings I, LLC and HealthPlus+ Holdings, LLC.

19 87. The true state of facts about Defendants' actual financial condition and prospects were
20 unknown and unavailable to Plaintiff through the exercise of reasonable diligence, in that they were in
21 the sole possession of Defendants, who had superior knowledge about them; and Defendants' gained
22 Plaintiffs' confidence and trust by virtue of their titles, superior information, position of authority and
23 control, inducing Plaintiffs to repose faith in their fidelity and good will in looking after his their
24 interests. The reasonableness of Plaintiffs' diligence in not discovering the true state of facts sooner
25 must, therefore, be measured in light of the confidential and fiduciary relationship Defendants
maintained with Plaintiffs under the circumstances.

26 88. Plaintiffs in fact, actually, reasonably, and justifiably relied upon the Defendants'
27 representations and half-truths (and correlative material nondisclosures).

28 89. At all relevant times, Plaintiffs reasonably believed that Defendants were acting with

1 Plaintiffs' best interest in mind in advising and reassuring that consenting to the May 2011 Avanti
2 reorganization and the exchange of their respective Membership Interests was to their benefit. In
3 truth, Plaintiff's interests became for grossly undervalued preferred interests, while at the same time
4 enabling Defendants to obtain for themselves funds that should have been, but were not, shared with
5 Plaintiffs and other minority interest holders.

6 90. As a direct and proximate result of Defendants' fiduciary breaches, Plaintiffs suffered
7 substantial damages which will be established according to proof at trial. As a direct and proximate
8 result of Defendants', Plaintiffs suffered substantial damages which will be established according to
9 proof at trial.

10 91. The conduct described herein constitutes "oppression, fraud or malice" as those terms
11 are defined in Civil Code §3294, and Plaintiffs are therefore entitled to punitive damages in an amount
12 according to proof. Plaintiffs are further informed and believe, and based upon such information and
13 belief, allege that:

14 (a) The conduct described herein constituting oppression, fraud or malice was
15 committed by one or more officers, directors, or managing agents of Defendants AHLLC and
16 AHLLC who acted on their behalf; or

17 (b) The conduct described herein constituting oppression, fraud or malice was
18 authorized by one or more officers, directors, or managing agents of Defendants AHLLC and
19 AHLLC; or

20 (c) One or more officers, directors, or managing agents of Defendants AHLLC
21 and AHLLC knew of the conduct constituting malice, oppression, or fraud and adopted or approved
22 that conduct after it occurred.

23 **FIFTH CAUSE OF ACTION**

24 **(For Breach Of Fiduciary Duties Against The Individual Defendants)**

25 92. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1 through 57
26 of this Complaint.

27 93. By virtue of their titles and positions and by engaging in the conduct described above,
28 Defendants owed a fiduciary duty to Plaintiffs and the other members of the class.

94. Defendants breached this fiduciary duty by concealing material facts from Plaintiffs and
by making misrepresentations and half-truths to Plaintiffs which omitted these material facts, and by
distributing to themselves millions of dollars in secret dividends and distributions at the expense of
Plaintiffs and other minority interest holders from the proceeds of the exercise of the Repurchase Right

1 and subsequent sale and leaseback of the MHG, ELADH, and CPH Properties and the 2012 and 2013
2 HDAF.

3 95. Defendants acted with the intent to deceive Plaintiffs and to oppress them as minority
4 interest holders, unfairly enriching themselves at the expense of Plaintiffs and other minority interest
5 holders.

6 96. Plaintiffs reasonably reposed faith, confidence, trust and reliance upon the judgment
7 and advice of Defendants. At all relevant times, Plaintiffs reasonably believed that Defendants were
8 acting with Plaintiffs' best interest in mind in advising and inducing Plaintiffs to execute their consents
9 agreeing to the May 2011 Avanti Restructuring. Defendants' advice, in fact, was not beneficial to
10 Plaintiffs, but, rather, was directly inimical to their interests and other minority interests.

11 97. As a direct and proximate result of Defendants' breach of fiduciary duty alleged herein,
12 Plaintiffs have been and continue to be damaged in an amount to be ascertained at trial. Defendants
13 are also obligated to account for, disgorge and make restitution of all improperly obtained and
14 distributed funds derived from the sale of the MHG, ELADH, and CPH Properties. Plaintiffs also seek
15 imposition of the equitable remedy of an injunction barring Defendants from dissipating any portion of
16 the \$24 million in HQAF that the State of California is expected to pay in the coming months of 2013,
17 in the form of secret dividends or selected distributions to themselves to the exclusion of Plaintiffs and
18 other minority interest holders. Alternatively, Plaintiffs seek the imposition of a constructive trust
19 over such funds pending the accounting and resolution in this action of their entitlement to a portion of
20 such funds, due to Defendants' fraud, fiduciary breaches, and other misconduct as alleged herein.

21 98. The conduct described herein constitutes "oppression, fraud or malice" as those terms
22 are defined in Civil Code §3294, and Plaintiffs are therefore entitled to punitive damages in an amount
23 according to proof. Plaintiffs are further informed and believes, and based upon such information and
24 belief, alleges that:

25 (a) The conduct described herein constituting oppression, fraud or malice was
26 committed by one or more officers, directors, or managing agents of Defendants AHLLC and
27 AHLLC who acted on their behalf; or

28 (b) The conduct described herein constituting oppression, fraud or malice was
authorized by one or more officers, directors, or managing agents of Defendants AHLLC and
AHLLC; or

(c) One or more officers, directors, or managing agents of Defendants AHLLC
and AHLLC knew of the conduct constituting malice, oppression, or fraud and adopted or approved

1 that conduct after it occurred.

2 **SIXTH CAUSE OF ACTION**

3 **(Violation of Cal. Bus. & Prof. Code § 17200 Against All Defendants)**

4 99. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1 through
5 57 of this Complaint.

6 100. The California Unfair Competition Act, set forth in California Business and
7 Professions Code Section 17200 et seq., prohibits acts of unfair competition, which include “any
8 unlawful, unfair or fraudulent business act or practice” Section 17200 imposes strict liability for
9 violations and does not require proof that Defendants intended to injure anyone. Section 17200
10 borrows violations of other laws and treats those transgressions, when committed as a business
11 activity, as “unlawful” business practices. Thus, the “unlawful” practices prohibited by Section 17200
12 are any practices forbidden by law, be it civil or criminal, federal, state, or municipal, statutory,
13 regulatory, or court-made. Such “unlawful” business practices are independently actionable under
14 Section 17200 and subject to the distinct remedies provided hereunder.

15 101. In making material misstatements and omissions in connection with their sales of debt
16 securities to Plaintiffs, as alleged herein, Defendants have committed an “unlawful” business practice
17 or act within the meaning of California Business and Professions Code Section 17200. The
18 Defendants, and each of them, have committed an “unlawful” practice or act within the meaning of
19 Section 17200 because, among other violations, their conduct violates California Civil Code Sections
20 1709 and 1710.

21 102. Defendants’ misrepresentations and nondisclosure of material facts, as previously
22 alleged, also constitute an “unfair” business practice or act within the meaning of Business and
23 Professions Code Section 17200, because they violate the strong public policy of this State (a) to
24 protect the investing public and minority interest holders from frauds and deceptions committed in
25 investment transactions and schemes conducted in this State; (b) to ensure that minority interest
26 holders in companies headquartered in this State are not subject to oppressive and self-dealing actions
27 by majority interest holders in breach of their fiduciary duties ; and (b) to promote full disclosure of all
28 information that is necessary for the investing public to make informed and intelligent investment
29 decisions.

30 103. Defendants’ misrepresentations and nondisclosure of material facts, as previously
31 alleged, also constitute a “fraudulent” business practice or act within the meaning of Business and
32 Professions Code Section 17200, because the public, creditors, and potential investors were likely to

1 be deceived -- and Plaintiffs in fact were deceived -- because Defendants: (a) misrepresented and
2 failed to disclose the truth about the impact and effect of the May 2011 Avanti restructuring, the
3 grossly misleading and inaccurate BDO Fair Valuation Analysis, their exclusion from participation in
4 distributions arising from the exercise of the Repurchase Option and subsequent sale and leaseback of
5 the MHG, ELADH, and CPH Properties and Defendants' receipt and distribution of HQAF; (b) failed
6 to disclose material facts and information necessary to make the statements that they made not
7 misleading in the context in which they were made; (c) fraudulently induced Plaintiffs and other
8 minority interest holders to agree to exchange their interests for much less valuable preferred interests
9 based on faulty valuation metrics and information, while knowingly or recklessly concealing material
10 non-public information that adversely affected the value of the interests of Plaintiffs and other
11 minority interest owners; and (d) engaged in the fraudulent, unlawful, and unfair acts alleged herein in
12 an effort to further their joint scheme to sustain the ongoing scheme that were generating huge
13 commissions, fees and profits for them.

14 104. As a result of Defendants unlawful, unfair and fraudulent conduct performed in
15 furtherance of the Defendants' joint venture enterprise, Defendants have been unjustly enriched in an
16 amount as yet is unascertained, which will be determined according to proof at trial, but which
17 includes their ill-gotten receipt from Plaintiffs of the proceeds from their purchase of the Securities at
18 issue.

19 105. Plaintiffs have suffered "injury in fact" within the meaning of Section 17204 of the
20 California Business & Professions Code as a result of the Defendants' action. Plaintiffs have suffered
21 distinct and palpable injury as a result of the Defendants' fraudulent inducement of Plaintiffs to
22 consent to the May 2011 Avant reorganization and the exchange of their interests in AHSLLC and
23 AHSHI for preferred interests in Avanti Hospital Holdings I, LLC and HealthPlus+ Holdings, LLC
24 that were substantially and materially undervalued due to Defendants' failure to include in the BDO
25 Fair Market Valuation the more than \$25 million imbedded value of the Repurchase Option and the
26 \$45 million in anticipated HQAAF, among other material non-disclosures. Defendants' misconduct
27 constitutes an invasion of Plaintiffs' legally protected interest which is (a) concrete and particularized,
28 and (b) is actual and imminent, not conjectural or hypothetical.

106. Under California Business and Professions Code Section 17203, Plaintiffs are entitled
to equitable relief in the form of an accounting, restitution and disgorgement of all ill-gotten gains,
earnings, profits, compensation and benefits obtained by Defendants as the result of their
aforementioned unlawful, unfair and fraudulent business acts and practices, with respect to the

1 disbursement to themselves of secret dividends derived from the proceeds of the sale of the MHP,
2 ELADH and CPH Properties (following the exercise of the Repurchase Option and subsequent
3 sale/leaseback of the Properties as part of the May 2011 Avanti restructuring), and the proceeds from
4 the 2012 and 2013 HQAF.

5 107. Moreover, pursuant to California Business and Professions Code Section 17205,
6 Plaintiffs' remedies under Business and Professions Code Sections 17200 et seq. are cumulative with
7 remedies under all other statutory and common law remedies available in this State, including all
8 remedies provided under California's securities laws and otherwise.

9 108. Pursuant to California Business and Professions Code Section 17203, Plaintiffs seek a
10 further order by this Court enjoining Defendants from continuing to conduct business through the
11 unlawful, unfair and fraudulent business practices and acts described in this Complaint; and from
12 failing to fully disclose to the true nature of their business practices. Plaintiffs seek a further
13 injunction restraining and enjoining Defendants, and each of them, from distributing the \$24 million in
14 HQAF that will be paid by the State of California to AHLLC to themselves as secret dividends and
15 distributions at the expense of Plaintiffs and other minority interest holders whom Defendants have
16 deceived in breach of their fiduciary duties.

17 **VIII. PRAYER FOR RELIEF**

18 WHEREFORE, Plaintiffs pray for judgment as follows:

- 19 A. For damages against each Defendant according to proof at trial;
- 20 B. For an accounting, restitution and disgorgement by Defendants of all ill-gotten
21 gains, earnings, profits, compensation and benefits, relating to the sale of the
22 MHG, ELADH, and CPH Properties and the distribution of HQAF, and otherwise
23 in the form of undisclosed bonuses, commissions, and fees;
- 24 C. For injunctive relief barring Defendants, and each of them, and any and all
25 officers and employees acting under their supervision and control, from
26 distributing to themselves or other members of Defendant AHLLC any portion
27 of the HQAF funds to be received from the State of California in the approximate
28 amount of \$24,000,000, absent further order by the Court upon a showing of good
cause;
- D. Alternatively, for imposition of a constructive trust on any HQAF funds received
henceforth for the benefit of Plaintiffs and other minority interest holders;
- E. For punitive damages on such claims and in such amounts as may be permitted by

Law Offices of Mark Anchor Albert
Los Angeles, California

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law;

F. For an award of attorneys' fees as may be allowed by law and for Plaintiffs' costs of suit; and

G. For such other and further relief as is authorized and just in the circumstances.

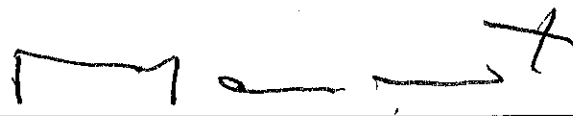
IX. JURY DEMAND

A. Plaintiffs demand a trial by jury on all claims triable to a jury.

DATED: May 30, 2013

Respectfully submitted,

LAW OFFICES OF MARK ANCHOR ALBERT

By: 
Mark Anchor Albert
Attorneys for Plaintiffs Scissorhands, LLC and
Michael Linn

**SUMMONS
(CITACION JUDICIAL)**

**NOTICE TO DEFENDANT:
(AVISO AL DEMANDADO):**

AVANTI HEALTHCARE HOLDINGS, LLC, a Nevada Limited Liability Company; "Additional Parties Attachment form is attached."

**YOU ARE BEING SUED BY PLAINTIFF:
(LO ESTÁ DEMANDANDO EL DEMANDANTE):**

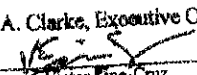
SCISSORHANDS, LLC, a Nevada Limited Liability Company; and
MICHAEL LINN, an Individual, Plaintiffs

FOR COURT USE ONLY
(SOLO PARA USO DE LA CORTE)

**CONFORMED COPY
OF ORIGINAL FILED**

Los Angeles Superior Court

MAY 30 2013

John A. Clarke, Executive Officer/Clerk
BY  Deputy
Victor Sino-Cruz

NOTICE! You have been sued. The court may decide against you without your being heard unless you respond within 30 days. Read the information below.

You have 30 CALENDAR DAYS after this summons and legal papers are served on you to file a written response at this court and have a copy served on the plaintiff. A letter or phone call will not protect you. Your written response must be in proper legal form if you want the court to hear your case. There may be a court form that you can use for your response. You can find these court forms and more information at the California Courts Online Self-Help Center (www.courtinfo.ca.gov/selfhelp), your county law library, or the courthouse nearest you. If you cannot pay the filing fee, ask the court clerk for a fee waiver form. If you do not file your response on time, you may lose the case by default, and your wages, money, and property may be taken without further warning from the court.

There are other legal requirements. You may want to call an attorney right away. If you do not know an attorney, you may want to call an attorney referral service. If you cannot afford an attorney, you may be eligible for free legal services from a nonprofit legal services program. You can locate these nonprofit groups at the California Legal Services Web site (www.lawhelpcalifornia.org), the California Courts Online Self-Help Center (www.courtinfo.ca.gov/selfhelp), or by contacting your local court or county bar association. **NOTE:** The court has a statutory lien for waived fees and costs on any settlement or arbitration award of \$10,000 or more in a civil case. The court's lien must be paid before the court will dismiss the case. **¡AVISO!** Lo han demandado. Si no responde dentro de 30 días, la corte puede decidir en su contra sin escuchar su versión. Lea la información a continuación.

Tiene 30 DÍAS DE CALENDARIO después de que le entreguen esta citación y papeles legales para presentar una respuesta por escrito en esta corte y hacer que se entregue una copia al demandante. Una carta o una llamada telefónica no lo protegen. Su respuesta por escrito tiene que estar en formato legal correcto si desea que procesen su caso en la corte. Es posible que haya un formulario que usted pueda usar para su respuesta. Puede encontrar estos formularios de la corte y más información en el Centro de Ayuda de las Cortes de California (www.sucorte.ca.gov), en la biblioteca de leyes de su condado o en la corte que le quede más cerca. Si no puede pagar la cuota de presentación, pida al secretario de la corte que le dé un formulario de exención de pago de cuotas. Si no presenta su respuesta a tiempo, puede perder el caso por incumplimiento y la corte le podrá quitar su sueldo, dinero y bienes sin más advertencia.

Hay otros requisitos legales. Es recomendable que llame a un abogado inmediatamente. Si no conoce a un abogado, puede llamar a un servicio de remisión a abogados. Si no puede pagar a un abogado, es posible que cumpla con los requisitos para obtener servicios legales gratuitos de un programa de servicios legales sin fines de lucro. Puede encontrar estos grupos sin fines de lucro en el sitio web de California Legal Services, (www.lawhelpcalifornia.org), en el Centro de Ayuda de las Cortes de California, (www.sucorte.ca.gov) o poniéndose en contacto con la corte o el colegio de abogados locales. **AVISO:** Por ley, la corte tiene derecho a reclamar las cuotas y los costos exentos por imponer un gravamen sobre cualquier recuperación de \$10,000 ó más de valor recibida mediante un acuerdo o una concesión de arbitraje en un caso de derecho civil. Tiene que pagar el gravamen de la corte antes de que la corte pueda desechar el caso.

The name and address of the court is:
(El nombre y dirección de la corte es): Stanley Mosk Courthouse
Los Angeles Superior Court - Stanley Mosk Courthouse
111 North Hill St., Los Angeles, CA 90012

CASE NUMBER:
(Número del Caso) **BC510122**

The name, address, and telephone number of plaintiff's attorney, or plaintiff without an attorney, is:
(El nombre, la dirección y el número de teléfono del abogado del demandante, o del demandante que no tiene abogado, es):
Mark Anchor Albert, Esq., 601 S. Figueroa St., Suite #2370, Los Angeles, CA 90017 (213) 687-1515

DATE:
(Fecha)

JOHN A. CLARKE Clerk
(Secretario)

VICTOR SINO-CRUZ Deputy
(Adjunto)

(For proof of service of this summons, use Proof of Service of Summons (form POS-010).)
(Para prueba de entrega de esta citación use el formulario Proof of Service of Summons, (POS-010)).

[SEAL]

MAY 30 2013

NOTICE TO THE PERSON SERVED: You are served

- as an individual defendant.
- as the person sued under the fictitious name of (specify):
- on behalf of (specify):
under: CCP 416.10 (corporation) CCP 416.60 (minor)
 CCP 416.20 (defunct corporation) CCP 416.70 (conservatee)
 CCP 416.40 (association or partnership) CCP 416.90 (authorized person)
 other (specify):
- by personal delivery on (date):

SHORT TITLE: SCISSORHANDS, LLC v. AVANTI HEALTHCARE et. al.	CASE NUMBER:
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INSTRUCTIONS FOR USE

- This form may be used as an attachment to any summons if space does not permit the listing of all parties on the summons.
- If this attachment is used, insert the following statement in the plaintiff or defendant box on the summons: "Additional Parties Attachment form is attached."

List additional parties (Check only one box. Use a separate page for each type of party.):

Plaintiff
 Defendant
 Cross-Complainant
 Cross-Defendant

AVANTI HOSPITALS, LLC, a Nevada Limited Liability Company; PALADIN CAPITAL, LLC, a Nevada Limited Liability Company; JOEL FREEDMAN, an Individual; JAMES "JAMIE" MACPHERSON, an Individual; HOLLISTER HEALTH HOLDINGS, LLC, a California Limited Liability Company; DR. IRV RICHARDS, an Individual; DR. MARK BELL, an Individual; NICK ORZANO, an Individual; and DOES 1 through 20, inclusive, Defendants

SUPERIOR COURT OF CALIFORNIA, COUNTY OF LOS ANGELES
NOTICE OF CASE ASSIGNMENT - UNLIMITED CIVIL CASE (NON-CLASS ACTION)

Case Number BC510122

THIS FORM IS TO BE SERVED WITH THE SUMMONS AND COMPLAINT

Your case is assigned for all purposes to the judicial officer indicated below (Local Rule 3.3(c)). There is additional information on the reverse side of this form.

ASSIGNED JUDGE	DEPT	ROOM	ASSIGNED JUDGE	DEPT	ROOM
Hon. Daniel Buckley	1	534	Hon. Michael Johnson	56	514
Hon. Barbara A. Meiers	12	636	Hon. Ralph W. Dau	57	517
Hon. Terry A. Green	14	300	Hon. Rolf M. Treu	58	516
Hon. Richard Fruin	15	307	Hon. Michael L. Stern	62	600
Hon. Rita Miller	16	309	Hon. Mark Mooney	68	617
Hon. Richard E. Rico	<u>17</u>	309	Hon. William F. Fahey	69	621
Hon. Kevin C. Brazile	20	310	Hon. Soussan G. Bruguera	71	729
Hon. Robert L. Hess	24	314	Hon. Ruth Ann Kwan	72	731
Hon. Mary Ann Murphy	25	317	Hon. Teresa Sanchez-Gordon	74	735
Hon. Yvette M. Palazuelos	28	318			
Hon. Barbara Scheper	30	400			
Hon. Mary H. Strobel	32	406	Hon. Emilie H. Elias	324	CCW
Hon. Maureen Duffy-Lewis	38	412	Hon. Elihu M. Berle*	323	CCW
Hon. Michelle R. Rosenblatt	40	414	OTHER		
Hon. Ronald M. Sohigian	41	417			
Hon. Holly E. Kendig	42	416			
Hon. Mel Red Recana	45	529			
Hon. Debra Katz Weintraub	47	507			
Hon. Elizabeth Allen White	48	506			
Hon. Deirdre Hill	49	509			
Hon. John L. Segal	50	508			
Hon. Abraham Khan	51	511			
Hon. Susan Bryant-Deason	52	510			
Hon. Steven J. Kleifield	53	513			
Hon. Ernest M. Hiroshige	54	512			
Hon. Malcolm H. Mackey	55	515			

***Complex**
 All cases designated as complex (other than class actions) are initially assigned to Judge Elihu M. Berle in Department 323 of the Central Civil West Courthouse (688 S. Commonwealth Ave., Los Angeles 90005). This assignment is for the purpose of assessing whether or not the case is complex within the meaning of California Rules of Court, rule 3.408. Depending on the outcome of that assessment, the case may be reassigned to one of the judges of the Complex Litigation Program or reassigned randomly to a court in the Central District.

Given to the Plaintiff/Cross-Complainant/Attorney of Record on _____ **JOHN A. CLARKE**, Executive Officer/Clerk

VOLUNTARY EFFICIENT LITIGATION STIPULATIONS

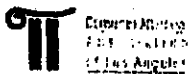


Superior Court of California
County of Los Angeles



Los Angeles County
Bar Association
Litigation Section

Los Angeles County
Bar Association Labor and
Employment Law Section



Consumer Attorneys
Association of Los Angeles



Southern California
Defense Counsel



Association of
Business Trial Lawyers



California Employment
Lawyers Association

The Early Organizational Meeting Stipulation, Discovery Resolution Stipulation, and Motions in Limine Stipulation are voluntary stipulations entered into by the parties. The parties may enter into one, two, or all three of the stipulations; however, they may not alter the stipulations as written, because the Court wants to ensure uniformity of application. These stipulations are meant to encourage cooperation between the parties and to assist in resolving issues in a manner that promotes economic case resolution and judicial efficiency.

The following organizations endorse the goal of promoting efficiency in litigation and ask that counsel consider using these stipulations as a voluntary way to promote communications and procedures among counsel and with the court to fairly resolve issues in their cases.

◆ Los Angeles County Bar Association Litigation Section ◆

◆ Los Angeles County Bar Association
Labor and Employment Law Section ◆

◆ Consumer Attorneys Association of Los Angeles ◆

◆ Southern California Defense Counsel ◆

◆ Association of Business Trial Lawyers ◆

◆ California Employment Lawyers Association ◆

NAME AND ADDRESS OF ATTORNEY OR PARTY WITHOUT ATTORNEY:	STATE BAR NUMBER	Reserved for Clerk's File Stamp
TELEPHONE NO.: _____ FAX NO. (Optional): _____ E-MAIL ADDRESS (Optional): _____ ATTORNEY FOR (Name): _____		
SUPERIOR COURT OF CALIFORNIA, COUNTY OF LOS ANGELES		
COURTHOUSE ADDRESS:		
PLAINTIFF:		
DEFENDANT:		
STIPULATION – EARLY ORGANIZATIONAL MEETING		CASE NUMBER:

This stipulation is intended to encourage cooperation among the parties at an early stage in the litigation and to assist the parties in efficient case resolution.

The parties agree that:

1. The parties commit to conduct an initial conference (in-person or via teleconference or via videoconference) within 15 days from the date this stipulation is signed, to *discuss and consider whether there can be agreement on the following*:
 - a. Are motions to challenge the pleadings necessary? If the issue can be resolved by amendment as of right, or if the Court would allow leave to amend, could an amended complaint resolve most or all of the issues a demurrer might otherwise raise? If so, the parties agree to work through pleading issues so that a demurrer need only raise issues they cannot resolve. Is the issue that the defendant seeks to raise amenable to resolution on demurrer, or would some other type of motion be preferable? Could a voluntary targeted exchange of documents or information by any party cure an uncertainty in the pleadings?
 - b. Initial mutual exchanges of documents at the "core" of the litigation. (For example, in an employment case, the employment records, personnel file and documents relating to the conduct in question could be considered "core." In a personal injury case, an incident or police report, medical records, and repair or maintenance records could be considered "core.");
 - c. Exchange of names and contact information of witnesses;
 - d. Any insurance agreement that may be available to satisfy part or all of a judgment, or to indemnify or reimburse for payments made to satisfy a judgment;
 - e. Exchange of any other information that might be helpful to facilitate understanding, handling, or resolution of the case in a manner that preserves objections or privileges by agreement;
 - f. Controlling issues of law that, if resolved early, will promote efficiency and economy in other phases of the case. Also, when and how such issues can be presented to the Court;
 - g. Whether or when the case should be scheduled with a settlement officer, what discovery or court ruling on legal issues is reasonably required to make settlement discussions meaningful, and whether the parties wish to use a sitting judge or a private mediator or other options as

SHORT TITLE:	CASE NUMBER
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discussed in the "Alternative Dispute Resolution (ADR) Information Package" served with the complaint;

- h. Computation of damages, including documents not privileged or protected from disclosure, on which such computation is based;
 - i. Whether the case is suitable for the Expedited Jury Trial procedures (see information at www.lasuperforcourt.org under "Civil" and then under "General Information").
2. The time for a defending party to respond to a complaint or cross-complaint will be extended to _____ for the complaint, and _____ for the cross-complaint, which is comprised of the 30 days to respond under Government Code § 68616(b), and the 30 days permitted by Code of Civil Procedure section 1054(a), good cause having been found by the Civil Supervising Judge due to the case management benefits provided by this Stipulation.

(INSERT DATE) (INSERT DATE)
 3. The parties will prepare a joint report titled "Joint Status Report Pursuant to Initial Conference and Early Organizational Meeting Stipulation, and if desired, a proposed order summarizing results of their meet and confer and advising the Court of any way it may assist the parties' efficient conduct or resolution of the case. The parties shall attach the Joint Status Report to the Case Management Conference statement, and file the documents when the CMC statement is due.
 4. References to "days" mean calendar days, unless otherwise noted. If the date for performing any act pursuant to this stipulation falls on a Saturday, Sunday or Court holiday, then the time for performing that act shall be extended to the next Court day

The following parties stipulate:

Date:		➤	
	(TYPE OR PRINT NAME)		(ATTORNEY FOR PLAINTIFF)
Date:		➤	
	(TYPE OR PRINT NAME)		(ATTORNEY FOR DEFENDANT)
Date:		➤	
	(TYPE OR PRINT NAME)		(ATTORNEY FOR DEFENDANT)
Date:		➤	
	(TYPE OR PRINT NAME)		(ATTORNEY FOR DEFENDANT)
Date:		➤	
	(TYPE OR PRINT NAME)		(ATTORNEY FOR _____)
Date:		➤	
	(TYPE OR PRINT NAME)		(ATTORNEY FOR _____)
Date:		➤	
	(TYPE OR PRINT NAME)		(ATTORNEY FOR _____)

NAME AND ADDRESS OF ATTORNEY OR PARTY WITHOUT ATTORNEY:		STATE BAR NUMBER	Reserved for Clerk's File Stamp
TELEPHONE NO.:		FAX NO. (Optional):	
E-MAIL ADDRESS (Optional):			
ATTORNEY FOR (Name):			
SUPERIOR COURT OF CALIFORNIA, COUNTY OF LOS ANGELES			
COURTHOUSE ADDRESS:			
PLAINTIFF:			
DEFENDANT:			
STIPULATION – DISCOVERY RESOLUTION			CASE NUMBER:

This stipulation is intended to provide a fast and informal resolution of discovery issues through limited paperwork and an informal conference with the Court to aid in the resolution of the issues.

The parties agree that:

1. Prior to the discovery cut-off in this action, no discovery motion shall be filed or heard unless the moving party first makes a written request for an Informal Discovery Conference pursuant to the terms of this stipulation.
2. At the Informal Discovery Conference the Court will consider the dispute presented by parties and determine whether it can be resolved informally. Nothing set forth herein will preclude a party from making a record at the conclusion of an Informal Discovery Conference, either orally or in writing.
3. Following a reasonable and good faith attempt at an informal resolution of each issue to be presented, a party may request an Informal Discovery Conference pursuant to the following procedures:
 - a. The party requesting the Informal Discovery Conference will:
 - i. File a Request for Informal Discovery Conference with the clerk's office on the approved form (copy attached) and deliver a courtesy, conformed copy to the assigned department;
 - ii. Include a brief summary of the dispute and specify the relief requested; and
 - iii. Serve the opposing party pursuant to any authorized or agreed method of service that ensures that the opposing party receives the Request for Informal Discovery Conference no later than the next court day following the filing.
 - b. Any Answer to a Request for Informal Discovery Conference must:
 - i. Also be filed on the approved form (copy attached);
 - ii. Include a brief summary of why the requested relief should be denied;

SHORT TITLE:	CASE NUMBER:
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- iii. Be filed within two (2) court days of receipt of the Request; and
 - iv. Be served on the opposing party pursuant to any authorized or agreed upon method of service that ensures that the opposing party receives the Answer no later than the next court day following the filing.
- c. No other pleadings, including but not limited to exhibits, declarations, or attachments, will be accepted.
 - d. If the Court has not granted or denied the Request for Informal Discovery Conference within ten (10) days following the filing of the Request, then it shall be deemed to have been denied. If the Court acts on the Request, the parties will be notified whether the Request for Informal Discovery Conference has been granted or denied and, if granted, the date and time of the Informal Discovery Conference, which must be within twenty (20) days of the filing of the Request for Informal Discovery Conference.
 - e. If the conference is not held within twenty (20) days of the filing of the Request for Informal Discovery Conference, unless extended by agreement of the parties and the Court, then the Request for the Informal Discovery Conference shall be deemed to have been denied at that time.
4. If (a) the Court has denied a conference or (b) one of the time deadlines above has expired without the Court having acted or (c) the Informal Discovery Conference is concluded without resolving the dispute, then a party may file a discovery motion to address unresolved issues.
 5. The parties hereby further agree that the time for making a motion to compel or other discovery motion is tolled from the date of filing of the Request for Informal Discovery Conference until (a) the request is denied or deemed denied or (b) twenty (20) days after the filing of the Request for Informal Discovery Conference, whichever is earlier, unless extended by Order of the Court.
- It is the understanding and intent of the parties that this stipulation shall, for each discovery dispute to which it applies, constitute a writing memorializing a "specific later date to which the propounding [or demanding or requesting] party and the responding party have agreed in writing," within the meaning of Code Civil Procedure sections 2030.300(c), 2031.320(c), and 2033.290(c).
6. Nothing herein will preclude any party from applying *ex parte* for appropriate relief, including an order shortening time for a motion to be heard concerning discovery.
 7. Any party may terminate this stipulation by giving twenty-one (21) days notice of intent to terminate the stipulation.
 8. References to "days" mean calendar days, unless otherwise noted. If the date for performing any act pursuant to this stipulation falls on a Saturday, Sunday or Court holiday, then the time for performing that act shall be extended to the next Court day.

SHORT TITLE:	CASE NUMBER:
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The following parties stipulate:

Date:	_____	➤	_____
	(TYPE OR PRINT NAME)		(ATTORNEY FOR PLAINTIFF)
Date:	_____	➤	_____
	(TYPE OR PRINT NAME)		(ATTORNEY FOR DEFENDANT)
Date:	_____	➤	_____
	(TYPE OR PRINT NAME)		(ATTORNEY FOR DEFENDANT)
Date:	_____	➤	_____
	(TYPE OR PRINT NAME)		(ATTORNEY FOR DEFENDANT)
Date:	_____	➤	_____
	(TYPE OR PRINT NAME)		(ATTORNEY FOR _____)
Date:	_____	➤	_____
	(TYPE OR PRINT NAME)		(ATTORNEY FOR _____)
Date:	_____	➤	_____
	(TYPE OR PRINT NAME)		(ATTORNEY FOR _____)

NAME AND ADDRESS OF ATTORNEY OR PARTY WITHOUT ATTORNEY:		STATE BAR NUMBER	Reserved for Court's File Stamp
TELEPHONE NO.:		FAX NO. (Optional):	
E-MAIL ADDRESS (Optional):			
ATTORNEY FOR (Name):			
SUPERIOR COURT OF CALIFORNIA, COUNTY OF LOS ANGELES			
COURTHOUSE ADDRESS:			
PLAINTIFF:			
DEFENDANT:			
INFORMAL DISCOVERY CONFERENCE (pursuant to the Discovery Resolution Stipulation of the parties)			CASE NUMBER:

- This document relates to:
 - Request for Informal Discovery Conference
 - Answer to Request for Informal Discovery Conference
- Deadline for Court to decide on Request: _____ (insert date 10 calendar days following filing of the Request).
- Deadline for Court to hold Informal Discovery Conference: _____ (insert date 20 calendar days following filing of the Request).
- For a Request for Informal Discovery Conference, **briefly** describe the nature of the discovery dispute, including the facts and legal arguments at issue. For an Answer to Request for Informal Discovery Conference, **briefly** describe why the Court should deny the requested discovery, including the facts and legal arguments at issue.

NAME AND ADDRESS OF ATTORNEY OR PARTY WITHOUT ATTORNEY:	STATE BAR NUMBER	Reserved for Clerk's File Stamp
TELEPHONE NO.: _____ FAX NO. (Optional): _____ E-MAIL ADDRESS (Optional): _____ ATTORNEY FOR (Name): _____		
SUPERIOR COURT OF CALIFORNIA, COUNTY OF LOS ANGELES		
COURTHOUSE ADDRESS:		
PLAINTIFF:		
DEFENDANT:		
STIPULATION AND ORDER – MOTIONS IN LIMINE		CASE NUMBER

This stipulation is intended to provide fast and informal resolution of evidentiary issues through diligent efforts to define and discuss such issues and limit paperwork.

The parties agree that:

1. At least ____ days before the final status conference, each party will provide all other parties with a list containing a one paragraph explanation of each proposed motion in limine. Each one paragraph explanation must identify the substance of a single proposed motion in limine and the grounds for the proposed motion.
2. The parties thereafter will meet and confer, either in person or via teleconference or videoconference, concerning all proposed motions in limine. In that meet and confer, the parties will determine:
 - a. Whether the parties can stipulate to any of the proposed motions. If the parties so stipulate, they may file a stipulation and proposed order with the Court.
 - b. Whether any of the proposed motions can be briefed and submitted by means of a short joint statement of issues. For each motion which can be addressed by a short joint statement of issues, a short joint statement of issues must be filed with the Court 10 days prior to the final status conference. Each side's portion of the short joint statement of issues may not exceed three pages. The parties will meet and confer to agree on a date and manner for exchanging the parties' respective portions of the short joint statement of issues and the process for filing the short joint statement of issues.
3. All proposed motions in limine that are not either the subject of a stipulation or briefed via a short joint statement of issues will be briefed and filed in accordance with the California Rules of Court and the Los Angeles Superior Court Rules.

SHORT TITLE:	CASE NUMBER:
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The following parties stipulate:

Date: _____ (TYPE OR PRINT NAME)	➤ _____ (ATTORNEY FOR PLAINTIFF)
Date: _____ (TYPE OR PRINT NAME)	➤ _____ (ATTORNEY FOR DEFENDANT)
Date: _____ (TYPE OR PRINT NAME)	➤ _____ (ATTORNEY FOR DEFENDANT)
Date: _____ (TYPE OR PRINT NAME)	➤ _____ (ATTORNEY FOR DEFENDANT)
Date: _____ (TYPE OR PRINT NAME)	➤ _____ (ATTORNEY FOR _____)
Date: _____ (TYPE OR PRINT NAME)	➤ _____ (ATTORNEY FOR _____)
Date: _____ (TYPE OR PRINT NAME)	➤ _____ (ATTORNEY FOR _____)

THE COURT SO ORDERS.

Date: _____

JUDICIAL OFFICER

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

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

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 _____ HOURS/ DAYS

Item II. Indicate the correct district and courthouse location (4 steps – If you checked “Limited Case”, skip to Item III, Pg. 4):

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.

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

Step 3: In Column **C**, circle the reason for the court location choice that applies to the type of action you have checked. For any exception to the court location, see Local Rule 2.0.

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

- | | |
|---|---|
| <ul style="list-style-type: none"> 1. Class actions must be filed in the Stanley Mosk 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. | <ul style="list-style-type: none"> 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 |
|---|---|

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

	A Civil Case Cover Sheet Category No.	B Type of Action (Check only one)	C Applicable Reasons - See Step 3 Above
Auto Tort	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.
Other Personal Injury/ Property Damage/ Wrongful Death Tort	Asbestos (04)	<input type="checkbox"/> A6070 Asbestos Property Damage <input type="checkbox"/> A7221 Asbestos - Personal Injury/Wrongful Death	2. 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., 4. 1., 4.
	Other Personal Injury Property Damage Wrongful Death (23)	<input type="checkbox"/> A7250 Premises Liability (e.g., slip and fall)	1., 4.
		<input type="checkbox"/> A7230 Intentional Bodily Injury/Property Damage/Wrongful Death (e.g., assault, vandalism, etc.)	1., 4.
<input type="checkbox"/> A7270 Intentional Infliction of Emotional Distress	1., 3.		
<input type="checkbox"/> A7220 Other Personal Injury/Property Damage/Wrongful Death	1., 4.		

SHORT TITLE:

Scissorhands LLC et al. v. Avanti Healthcare Holdings, LLC 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
Non-Personal Injury/ Property Damage/ Wrongful Death Tort	Business Tort (07)	<input checked="" type="checkbox"/> A6029 Other Commercial/Business Tort (not fraud/breach of contract)	1., 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 type="checkbox"/> A6013 Fraud (no contract)	1., 2., 3.
	Professional Negligence (25)	<input type="checkbox"/> A6017 Legal Malpractice <input type="checkbox"/> A6050 Other Professional Malpractice (not medical or legal)	1., 2., 3. 1., 2., 3.
	Other (35)	<input type="checkbox"/> A6025 Other Non-Personal Injury/Property Damage tort	2., 3.
Employment	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.
Contract	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. 2., 5. 1., 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. 2., 5.
	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.
Real Property	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	Unlawful Detainer-Residential (32)	<input type="checkbox"/> A6020 Unlawful Detainer-Residential (not drugs or wrongful eviction)	2., 6.
	Unlawful Detainer- Post-Foreclosure (34)	<input type="checkbox"/> A6020F Unlawful Detainer-Post-Foreclosure	2., 6.
	Unlawful Detainer-Drugs (38)	<input type="checkbox"/> A6022 Unlawful Detainer-Drugs	2., 6.

SHORT TITLE:

Scissorhands LLC et al. v. Avanti Healthcare Holdings, LLC 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	
Judicial Review	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.	
	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., 8. 2. 2.	
	Other Judicial Review (39)	<input type="checkbox"/> A6150 Other Writ /Judicial Review	2., 8.	
Provisionally Complex Litigation	Antitrust/Trade Regulation (03)	<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 checked="" 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 checked="" type="checkbox"/> A6014 Insurance Coverage/Subrogation (complex case only)	1., 2., 5., 8.	
Enforcement of Judgment	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., 9.	
	RICO (27)	<input type="checkbox"/> A6033 Racketeering (RICO) Case	1., 2., 8.	
	Miscellaneous Civil Complaints	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. 2., 8. 1., 2., 8. 1., 2., 8.
		Partnership Corporation Governance (21)	<input type="checkbox"/> A6113 Partnership and Corporate Governance Case	2., 8.
		Miscellaneous Civil Petitions	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

SHORT TITLE:

Scissorhands LLC et al. v. Avanti Healthcare Holdings, LLC et al.

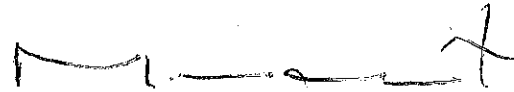
CASE NUMBER

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.

REASON: Check the appropriate boxes for the numbers shown under Column C for the type of action that you have selected for this case. <input checked="" type="checkbox"/> 1. <input checked="" type="checkbox"/> 2. <input checked="" type="checkbox"/> 3. <input type="checkbox"/> 4. <input checked="" type="checkbox"/> 5. <input type="checkbox"/> 6. <input type="checkbox"/> 7. <input checked="" type="checkbox"/> 8. <input type="checkbox"/> 9. <input type="checkbox"/> 10.			ADDRESS: Operative transactions and occurrences occurred in Los Angeles County; Defendants are headquartered and/or reside in Los Angeles County. Corporate defendants located at 222 N. Sepulveda Blvd., El Segundo, CA 90245
CITY: El Segundo (County of Los Angeles)	STATE: CA	ZIP CODE: 90245	

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 courthouse in the Central District of the Superior Court of California, County of Los Angeles [Code Civ. Proc., § 392 et seq., and Local Rule 2.0, subds. (b), (c) and (d)].

Dated: May 30, 2013



(SIGNATURE OF ATTORNEY/FILING PARTY)

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

1. Original Complaint or Petition.
2. If filing a Complaint, a completed Summons form for issuance by the Clerk.
3. Civil Case Cover Sheet, Judicial Council form CM-010.
4. Civil Case Cover Sheet Addendum and Statement of Location form, LACIV 109, LASC Approved 03-04 (Rev. 03/11).
5. Payment in full of the filing fee, unless fees have been waived.
6. A signed order appointing the Guardian ad Litem, Judicial Council form CIV-010, if the plaintiff or petitioner is a minor under 18 years of age will be required by Court in order to issue a summons.
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.