

Summons and Complaint, dated December 26, 1996 [A197-A225]

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

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MALI PUKS individually and on behalf
R&L REALTY ASSOCIATES, a NY
partnership,
Plaintiff, :

Index No. 12768/196
Plaintiff designates
New York County
as the place of trial

-against-

: The basis of venue
is Plaintiff's residence

RAKIA ASSOCIATES, 2701 BROADWAY
ASSOCIATES, LANCASTER STUDIO
ASSOCIATES, UPWEST COMPANY, 27 EAST
21 STREET COMPANY, 504 WEST 111
OWNERS CORP., RUTH SHOMRON, ALFRED
SZALA, GOLDSTICK, WEINBERGER, FELDMAN
& GROSSMAN, PC, HOWARD SIMON, LARRY
GOLDSTEIN, and LINDA GOLDSTEIN, :

: Plaintiff's address
30 West 63rd Street, #31C
New York, NY 10023

Defendants. :

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SUMMONS

TO: THE ABOVE NAMED Defendants

YOU ARE HEREBY SUMMONED to answer the complaint in this action and to serve a copy of your answer or if the complaint is not served with the summons, to serve a notice of appearance on the plaintiff attorneys within 20 days after the service of the summons exclusive of the day of service (or within 30 days after the service is complete if the summons is not personally delivered to you within the State of New York); and in case of your failure to appear or answer, judgment will be taken against you by default for the relief demanded in the complaint.

Dated: New York, New York
December 26, 1996

Yours etc.
Tomas Greenberger
Attorney for plaintiff
5105 New Utrecht Avenue
Brooklyn, NY 11219
718 438-7000 TEL
718 438-3125 FAX

NEW YORK
COUNTY CLERKS OFFICE
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Defendant's Address:

Ruth Shomron, Rakia Associates, 2701 Broadway Associates, Lancaster
Studio Associates, Upwest Company, 27 East 21 Street Company
222 West 23rd Street,
New York, NY 10011

Goldstick, Weinberger, Feldman & Grossman, PC
261 Madison Avenue
New York, NY 10016-2389

Alfred Szala
235 West 103rd Street, Basement
New York, NY 10025

Howard Simon
950 Third Avenue, 30 Fl.
New York, NY 10022

Larry and Linda Goldstein
9 Magnolia Drive
Great Neck Estates, NY 11021

504 West 111 Owners' Corp.
504 West 111th Street
New York, NY

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

Index No.

MALI PUKS individually and on behalf :
R&L REALTY ASSOCIATES, a NY
partnership,

COMPLAINT

Plaintiff, :

-against- :

RAKIA ASSOCIATES, 2701 BROADWAY
ASSOCIATES, LANCASTER STUDIO :
ASSOCIATES, UPWEST COMPANY, 27 EAST :
21 STREET COMPANY, 504 WEST 111 :
OWNERS CORP., RUTH SHOMRON, ALFRED
SZALA, GOLDSTICK, WEINBERGER, FELDMAN
& GROSSMAN, PC, HOWARD SIMON, LARRY
GOLDSTEIN, and LINDA GOLDSTEIN, :

Defendants, :

-----X

Plaintiff by her attorneys complains of the defendants,
alleges and sets forth as follows:

Parties

(A)

1. Plaintiff is an individual residing in New York County.

(A)

2. Defendant Ruth Shomron ("Shomron") is an individual
residing in New York County.

(A)

3. Plaintiff and Defendant Shomron are equal partners (50%-
50%) in a New York partnership called R&L Realty Associates, Ltd,
("R&L" or the "Partnership").

*Adapt
plan
to my
control.*

4. Defendants Rakia Associates, 2701 Broadway Associates,
Lancaster Studio Associates, Upwest Company and 27 East 21 Street
Company are all New York partnerships owned &/or controlled by
Shomron.

A

5. Defendant Goldstick, Weinberger, Feldman & Grossman, PC
("GWFG") is a New York law firm which represented the Partnership.

A 6. Alfred Szala is an individual residing in New York County and employed as a superintendant at 2701 Broadway Associates.

A
B
7. Howard Simon is an individual who was a partner of R&L and upon his withdrawal never paid his indebtedness to the partnership.

A
8. Larry Goldstein is an individual who was a partner of R&L and upon his withdrawal never paid his indebtedness to the partnership.

A 9. Linda Goldstein is an individual residing in Nassau County.

Nature of suit

10. Defendant Shomron took control of all activities, financial affairs and bookeping of the R&L Partnership. Plaintiff demanded accounting and never recieved same. Plaintiff is suing Shomron and her controlled entities on theories of recovery based on a demand for accounting of all monies that came into the Partnership, conversion of misappropriated funds, misrepresentations, fraud and deceit, constructive trust over Defendant Shomron's affiliated entities' funds by reason of commingling and conversion, breach of duty to deal in good faith, breach of a partnership agreement and/or fiduciary duties.

D 11. Plaintiff is also suing GWFG for intentional infliction of pecuniary harm to plaintiff and malpractice by reason of favoring the interests of Shomron over those of the partnership.

Related facts

(A) 12. The Partnership owns 21 co-op units in a building located

at Broadway and 103rd Street, the exact address being 205-209 West 103rd Street, New York, NY 10025), Block, Lot. (the "Building").

13. The Building itself comprises of 36 units.

14. The partnership is the sponsor of the co-op corporation that occupies the Building and called "205 West 103 Owners Corp".

15. The Building was converted into a co-op in or around February 1992 under sponsorship of the Partnership.

16. There is a wrap around mortgage in the principal amount, as refinanced in 1992, of \$900,000 in favor of Greater NY Savings Bank.

History of the partnership

17. The Partnership was formed in May 28, 1985 by two partners: Ruth Shomron and Larry Golstein.

18. In May 5, 1987 a third incoming partner joined the Partnership, Howard Simon and a partnership agreement was drawn among the three of them (the "Partnership Agreement").

19. In January 31, 1989, Defendant Shomron who at the time had one third interest in the partnership, sold to plaintiff one half of her one third interest which was one sixth, in consideration for \$125,000 with Goldstein and Simon's consent.

20. The formal paperwork concerning amending the partnership agreement and filing with the County Clerk had been delayed from 1/31/89 to 5/17/90.

21. Only in May 17, 1990 was plaintiff's incoming status officilized by filing a proper certificate with the County Clerk.

22. Simultaneously, in May 17, 1990, Larry Goldstein withdrew

his 33.3% from the Partnership and a certificate was filed.

23. Shortly thereafter in March 7, 1991, Howard Simon also officially resigned from the partnership and then plaintiff and Defendant Shomron were left as partners in equal shares (50%-50%).

24. Around May 17, 1996, Defendant Shomron demanded that plaintiff pay an unspecified contribution into the Partnership.

25. This demand and other reasons prompted plaintiff to fully investigate the financial affairs of the Partnership.

26. On July 3, 1996, plaintiff responded by demanding an accounting and setting forth the unavailability of information and figures as a valid reason for refusing to contribute until such time as full accounting is provided.

27. Plaintiff's own efforts revealed that Defendant Shomron had inundated the partnership with bogus debts by way of side deals, kick backs, illegal withdrawals and messy, chaotic and misleading accounting practices.

28. Plaintiff also discovered that Defendant Shomron breached her fiduciary duties as a partner by concealing material financial facts and by causing dissipation of funds as well as diverting partnership funds to Shomron's private and business affairs.

29. Shomron intentionally kept the bookkeeping and accounting mired with unlimited irregularities at different areas, including but not limited to: (a) misrepresenting and concealing the true financial conditions of the Partnership with respect to equity, solvency, debt status, operational losses, both the at time plaintiff was induced to invest in 1989 and consistently

thereafter, (b) purposeful concealment of plaintiff's incoming status in the Partnership from 1989 to April 1990 in order to reap financial benefits during that time, (c) receiving substantial funds in cash from buyers of co-op units and confiscating same to herself, (d) side deals, under the table commissions, and cash disbursements in the tens of thousands of dollars to Defendant Shomron confidants.

30. In a consistent manner until the present, Defendant Shomron used her confidants, "friends" and other questionable characters and entities to create "third party loans" to Shomron's affiliated/controlled entities. "Loans" were fabricated with Rakia, 2701 Broadway, Michael Kaplan, Harry salon, Henrique Hauser and others.

31. In addition, Defendant Shomron on certain occasions had used the same funds allegedly loaned to the Partnership to claim in separate ledgers that said amounts represented her personal capital contribution, thereby claiming a double credit.

FIRST CAUSE OF ACTION
(accounting per all funds received)

32. Plaintiff repeats and reiterates all facts and circumstances described above as if fully set forth hereat.

allegations

A 33. A fiduciary duty existed between plaintiff and Defendant Shomron by reason of being co-partners in the Partnership.

D 34. Defendant Shomron took charge of all receipt of funds, disbursements, management operations and all financial matters, and

the irregularities and distortions in the recording and/or handling of same, raise a duty to account.

D 35. Throughout 1996 plaintiff asked both Defendant Shomron and her confidant, the managing agent Hamid Khan, to disclose records and information and in response plaintiff received evasive answers and unacceptable excuses.

DBI 36. Plaintiff formally demanded an accounting in July 3, 1996 by way of a letter addressed to Defendant's Shomron's lawyer.

D 37. Defendant had failed and/or refused to account and her refusal or failure is still continuing.

D 38. Plaintiff is wholly ignorant of the issues subject matter of this request for accounting.

D 39. Plaintiff has no adequate remedy at law.

The matter requiring accounting

A 40. Over the course of nine years since 1987, substantial funds have been infused into the partnership from loans, sales, mortgages and other sources.

? 41. Plaintiff estimates that the sum of these funds infused into the Partnership amounts to at least \$4,278,000.00.

? 42. Said amount appears to be grossly exaggerated given the size and needs of the Building and therefore, plaintiff has reason to believe that much of this money had been improperly diverted out of the Partnership by Defendant Shomron to unjustly enrich herself.

43. By reason thereof, plaintiff is entitled to an accounting from Defendant Shomron of each and every element of the figures comprising of the amount of \$4,278,000.00, which represent loans,

sales proceeds, rental income and other monies that came into the Partnership, such accounting should demonstrate how these funds were applied and disbursed by the Partnership, the legitimate reasons, if any, for seeking the funds and/or for disbursing the funds, the accounts into which the funds were deposited, the invoices, bills or receipts against which they were disbursed.

SECOND CAUSE OF ACTION

(Accounting per all funds received from sales)

44. Plaintiff repeats and reiterates all facts and circumstances described above as if fully set forth hereat, and particularly all allegations appearing in the first cause of action under subheading "allegations".

The matter requiring accounting

45. As of 1990, the Partnership started receiving moneys on account of sales of co-op units to purchasers.

46. The total amount of sales added up to \$967,000, including \$557,000 in 1992 plus \$271,000 in 1993, plus \$65,000 in 1996.

47. Of the \$967,000 in sales, only \$833,00 was allegedly reported.

48. The amount of \$134,000 is therefore missing from the reported sales proceeds of the Partnership.

49. Plaintiff was never informed nor advised as to how defendant Shomron applied or handled the moneys received from the sales.

50. By reason therefore, plaintiff is entitled to obtain a true and accurate accounting specifying when, where and how each

portion of the moneys received in cash was actually received and how it was handled including a listing of all bank accounts through which these funds or portions thereof had been deposited into or withdrawn from and all back up receipts, invoices and checks that these funds may have been disbursed.

THIRD CAUSE OF ACTION

(Accounting per all funds received from BRT)

51. Plaintiff repeats and reiterates all facts and circumstances described above as if fully set forth hereat, and particularly all allegations appearing in the first cause of action under subheading "allegations".

The matter requiring accounting

52. In 9-25-85, R&L took a mortgage in the amount of \$300,000 from the BRT Realty Trust.

53. In 1989, Defendant Shomron in combination with Larry Goldstein and Howard Simon arranged for the refinancing of debts with Greater New York and a mortgage was obtained in the amount of \$1,075,000 in November 15, 1989.

54. The Greater mortgage assumed the BRT mortgage and the interest thereon is still payable.

55. Out of the original \$300,000, some \$65,000 was recognized as a legitimate pay-out and the rest of the funds were diverted to finance another investment purchased by Shomron and Larry and Linda

Goldstein, which upon information and belief, may be a garage located in 284-286 Audubon Avenue, New York, NY.

56. The balance of \$235,000 and what was done with the money requires accounting.

57. Given that the BRT mortgage was financed into the Greater mortgage, the proceeds and interest of which are still due and owing Greater, this matter has a direct effect on the status of the finances of the Partnership and between the two partners currently.

58. By reason thereof, Plaintiff is entitled to a full accounting from Shomron, Simon and Larry and Linda Goldstein of the amount of \$235,000 describing exactly how much money was received by the Partnership from BRT, into which account it was deposited, how was it spent or disbursed including all back up copies of bank statements, invoices, receipts, contracts and other instruments.

FOURTH CAUSE OF ACTION

Accounting per all funds Defendant Shomron paid to herself

59. Plaintiff repeats and reiterates all facts and circumstances described above as if fully set forth hereat, and particularly all allegations appearing in the first cause of action under subheading "allegations".

The matter requiring accounting

60. In or around May 1996, Defendant Shomron acknowledged that she had removed from the Partnership substantial funds over the course of years without any notice or legitimate reason.

61. According to the partnership agreement, Defendant Shomron

was forbidden from taking any money to herself from the Partnership ("distribution") prior to all debts being paid.

62. Plaintiff's independent review of partnership documents revealed numerous entries as debits in favor of "Ruth Shomron".

63. On many occasions the entries in the Partnership's books did not correlate at all to the ledgers submitted by Shomron and in many other instances, both the books and Shomron's ledgers did not correspond with any other information.

64. By reason therefore, plaintiff is entitled to an accounting of all debits Defendant Shomron caused the Partnership to issue to herself, detailing how much money was received by Defendant Shomron from the Partnership, into which account it was deposited, how was it spent or disbursed including all back up copies of bank statements, invoices, receipts, contracts and other instruments.

FIFTH CAUSE OF ACTION

Accounting per all alleged cash disbursements & renovations

65. Plaintiff repeats and reiterates all facts and circumstances described above as if fully set forth hereat, and particularly all allegations appearing in the first cause of action under subheading "allegations", and all allegations stated in the first cause of action for accounting of all funds Defendant Shomron paid to herself.

The matter requiring accounting

66. The books of the Partnership reveal unjustified cash disbursements allegedly made on behalf of the Partnership, mostly for renovation work.

67. Upon information and belief, much of the renovation work and payments either never existed or were expenses of renovating other properties of defendant Shomron to wit: defendant 2701 Broadwa, defendant Rakia, and for Shomron's own apartment in Chelsea at 222 West 23rd street, New York, NY.

68. Upon information and belief, the expenses of the 2701 Broadway building which is twice as large in size as the Partnership's building, are in fact twice less in expenses.

69. Furthermore, throughout 1988 a tremendous amount of alleged expenses for painting and plumbing is unsubstantiated.

70. By reason therefore, plaintiff is entitled to an accounting of cash disbursements Defendant Shomron claims paid on behalf of the Partnership to third parties such as contractors, renovators, painters and/or to persons or entities affiliated with her or under her control, describing exactly how much money was so disbursed and the legitimacy of the claim that the monies were indeed spent on behalf of the Partnership, from which source the monies were received, the account the monies were deposited or withdrawn, how it spent or disbursed including all back up copies of bank statements, invoices, receipts, contracts and other instruments.

SIXTH CAUSE OF ACTION

Accounting how all loans were handled

71. Plaintiff repeats and reiterates all facts and circumstances described above as if fully set forth hereat, and particularly all allegations appearing in the first cause of action under subheading "allegations".

The matter requiring accounting

72. Defendant Shomron has arranged for the Partnership to borrow substantial funds from purported creditors such as Seymour Braun, Hamid Khan, Michael Kaplan, "Yve", Harry Salon, Enrique Hauser, and many of Shomron's affiliated entities, sued herein as well, to wit: Rakia, 2701 Broadway, Lancaster, Upwest, others and Ruth Shomron herself.

73. By reason thereof, plaintiff is entitled to an accounting from Shomron of each and every element of the "loans" from said parties or entities described above, demonstrating how these funds were applied and handled by the Partnership, the necessity for the loans and an accounting of the disbursement of the funds, the accounts into which the funds were deposited, the invoices, bills or receipts against which they were disbursed.

SEVENTH CAUSE OF ACTION
Conversion

74. Plaintiff repeats and reiterates all facts and circumstances described above as if fully set forth hereat.

75. By reason of the plaintiff's partner status in the Partnership and/or Partnership's agreement, plaintiff has full title and/or right of possession to her share of all funds converted by Defendants Shomron and the former co-partners Simon and Goldstein, at the time of conversion, including all direct and indirect losses.

76. Plaintiff is entitled to recover all consequential damages from defendants Shomron, Simon and Goldstein, including such as the losses deriving from constantly running a business at

a deficit, loss of returned check fees, the loss of opportunities to relocate rent subsidized tenants, loss of income and profits, lost sales, losses resulting from unnecessary loans and refinance closing costs and expenses.

77. Upon information and belief, Defendant Shomron in concert with Simon and Goldstein wasted, diverted, dissipated, misappropriated and converted the amount of \$2,500,000 representing illegal withdrawals, squandering the over-mortgaging proceeds, cash receipts of sales prices, cash receipts from loans, sharing commissions with certain professional-confidants.

78. But for Defendants Shomron, Simon and Goldstein's waste, squander and dissipation of funds, the Building would have been operated at a profit and substantial funds and expenses would have been avoided.

79. Plaintiff is ignorant of the full amount and scope of the monies and proceeds which were dissipated, wasted, diverted, misappropriated and converted by Defendants and plaintiff believes that Defendant is fully responsible for the diversion, dissipation, conversion and misappropriation of monies and proceeds in the amount of \$2,500,000.

80. Plaintiff has demanded the converted property from Defendants and they refused and/or failed to rectify the situation.

81. As a direct and proximate result thereof, plaintiff is entitled to recover from Defendant Shomron, Simon and Goldstein losses in the amount of \$2,500,000.

82. By reason thereof, plaintiff has been damaged in the

amount of \$2,500,000, and punitive damages of \$7,500,000.

83. Plaintiff has no adequate remedy at law.

EIGHTH CAUSE OF ACTION
(misrepresentation)

84. Plaintiff repeats and reiterates all facts and circumstances described above as if fully set forth hereat.

85. In or around December 1988 and January 1989, Shomron induced and solicited Plaintiff to invest in the Building and buy half of the interest Shomron possessed in the Partnership.

The reliance

86. Defendant Shomron was a close family friend of plaintiff and the two together with their families shared many recreational and leisure time events together.

87. Defendant Shomron at the time was a savvy real estate investor with holdings and stakes in up to ten buildings in New York City including a garage.

88. Plaintiff on the other hand, had no prior experience in real estate.

89. Usurping the friendship between the two, Defendant Shomron had solicited Plaintiff to make said investment by making false promises, misrepresentations and untrue statements.

90. Plaintiff in reliance on the friendship and on Defendant Shomron's experience had agreed to enter the Partnership and invest \$125,000, to her detriment.

91. Defendant Shomron took advantage over Plaintiff's lack of experience in real estate and Plaintiff's lack of knowledge that

the real estate market was subsiding in 1989.

92. Indeed, the offering plan for the co-op describes Plaintiff as engaging in jewelry with no experience in real estate.

The representations

93. Defendant represented to plaintiff as follows:

(a) that Shomron was a shrewd and savvy real estate investor.

(b) that Shomron would lead, guard and protect plaintiff's interests at all times.

(c) that Shomron would personally guaranty the return of Plaintiff's money with large profits, should she be dissatisfied with the deal.

(d) that the Building's financial conditions were stable, solid and solvent and no loans were pending.

(e) that all necessary and important repairs and structural renovations were already complete, which meant that there would be no need to making additional owner's contributions in 1990-91.

(f) that plaintiff would recoup her investment within a year from an anticipated conversion of the Building into a co-op and the sale of the units to investors.

(g) that Howard Simon wanted to buy Defendant Shomron's 1/6th share for the same price, but because of the friendship with plaintiff, Defendant Shomron preferred to give this "fabulous" opportunity to plaintiff.

The falsity

94. Said representations were false and untrue when made and

Defendant knew them to be false and untrue or she should have known them to be false and untrue and/or she is responsible and fully liable for the fact that these representations were false and untrue.

95. The falsities are as follows:

(a) The Building's financial condition in 1989 was insolvent, as the capital contributions of the existing partners were already in negative capital, and at least since 1987 the Operational expenses were in deficit. In 1988 alone the annual operational expenses deficit grew by another \$80,000.

(b) Plaintiff was not told that the monies with which it was claimed that renovations and refurbishment were used, were taken as a \$275,000 loan from Weston Equities, an affiliate of an existing partner Howard Simon, and thus the costs of the principal and interest of this \$275,000 loan were deferred until after plaintiff's incoming, so that it would be paid and financed by her.

The damage

96. Plaintiff in material reliance upon Defendant Shomron had been wrongfully induced to make the following payments, all of which represent direct and proximate damage caused to plaintiff by reason of Defendant Shomron's misrepresentation including but not limited to:

- (a) the amount of \$125,000 paid for a 1/6th interest in R&L.
- (b) the amount paid in 1989 as alleged contribution,
- (c) the amount paid in 1990 as alleged contribution,
- (d) the amount paid in 1991 as alleged contribution,

(e) the loss of IRS deduction benefits in 1989 in the amount of \$50,000,

(f) the loss of income from the property had the financial situation been as Shomron represented in the amount of \$1,000,000.

(g) loss of undue interest payment as a result of illegitimately over-mortgaging the property in favor of Weston Equities.

(h) loss of unnecessary banking fees and bounced check fees.

(i) loss of relocation benefits.

97. By reason therefore, plaintiff is entitled to recover from Defendant Shomron the amount of \$2,500,000 with punitive damages in the amount of \$7,500,000.

NINTH CAUSE OF ACTION
fraud

98. Plaintiff repeats and reiterates all facts and circumstances described above as if fully set forth hereat.

99. Shomron in combination with Simon and Goldstein, with intent to deceive plaintiff had made to plaintiff representations described above even though they knew or should have known to be false, and had created situations whereby under fraud and deceit she had defrauded plaintiff from lawful rights, proceeds and share in anticipated profits.

First fraud: negative capital

100. The Partnership had a negative capital in 1988 and at the beginning of 1988 it was \$190,088.

101. At the end of 1989, the negative capital of the Partnership was \$519,722,

102. When outgoing partner Goldstein withdrew in 1990, his

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indebtedness to the Partnership was \$179,664 which is his share of the negative capital.

103. In effect, this debt was reallocated upon Shomron's instructions to the Partnership's accountant to assign the debt to plaintiff.

104. When outgoing partner Simon withdrew owing a debt of \$113,000 to the partnership.

105. At the end of 1990 Shomron instructed the Partnership's accountants to allocate and assign Simon's share of the negative capital of \$132,643 to plaintiff.

106. Plaintiff had never assumed these debts.

107. In 1990 Shomron instructed the accountant to load (allocate) Plaintiff with \$132,000 of the negative capital, as well as \$43,000 of the negative operational losses (called "ordinary losses"). Simon at the time received \$84,000 in negative capital whereas Shomron was credited with a positive \$37,421 (see K-1).

108. In 1991 upon Simon's departure, plaintiff received even a larger share of the negative capital and an additional \$113,000 was allocated to her, but not to Shomron.

109. By reason thereof, plaintiff has been damaged due to the false allocation of negative capital and resulting further damage in the amount of \$2,500,000 and plaintiff is entitled to recover same from Defendants Shomron, Simon and Goldstein.

second fraud: Greater financing

110. In or around November 1989, the Partnership refinanced its mortgage with Greater NY Savings Bank.

111. the partners at the time including Defendants Shomron, Goldstein and Simon, knew that the Attorney General would not have authorized a plan of conversion into a cooperative ownership if there was a mortgage exceeding \$900,000.

112. Defendants Shomron, Simon and Goldstein however caused the Partnership to commit to a \$1,075,000 mortgage.

113. After all pay-outs, the Partnership received only \$76,000 whereas the costs of refinancing amounted to \$118,000, which was not a prudent act, made no economic sense and apparently involved bogus "expenses" and an illegitimate vehicle to allow defendant Simon to recoup his investment.

114. It appears that prior to plaintiff's entry and the departure of Goldstein and Simon, the Partnership was heavily indebted with debts which that plaintiff is still currently responsible for, and that Defendant Shomron used the refinancing with Greater in 1989 as a vehicle to pay out the investment in the guise of repayment of owners' loans (as distinguished from capital contributions).

115. By reason thereof, plaintiff has been damaged due to the above in the amount of \$2,500,000 and plaintiff is entitled to recover same from Defendants Shomron, Simon and Goldstein.

10TH CAUSE OF ACTION
constructive trust

116. Plaintiff repeats and reiterates all facts and circumstances described above as if fully set forth hereat.

117. By reason of the co-partnership status and by reason of friendship and trust between plaintiff and Shomron, a special

relationship of confidence, trust and fiduciary duties had arose.

118. Defendant Shomron abused, usurped and violated the relationship, trust and confidence delegated to her by reason of the many acts, omissions, misrepresentations, mismanagement, creation of bogus loans, double crediting of funds entering the Partnership, illegal withdrawals, unrecorded cash transactions, all said activities are solely the responsibility of Defendant Shomron.

119. In addition, Defendant Shomron had caused a commingling of funds by and among her several affiliated entities and R&L, including Rakia Associates, 2701 Broadway Associates, Lancaster Studio Associates, Upwest Company, 27 East 21 Street Company.

120. Defendant had developed a pattern of commingling whereby she would use, inter alia, cash receipts from loans and/or sales of units to deposit same into one of her entities. Thereafter, she would issue a check from one of the entities in favor of the Partnership and claim that the funds need to be repaid to the affiliated entity and simultaneously claim the same amount as a contribution she had made.

121. Furthermore, defendant Shomron would use the Partnership's funds to pay for her private as well as her affiliated Partnership and entities expenses, including but not limited to paying for renovations in her own apartment, for her personal legal needs and to pay for expenses of renovations, painting and supplies of her other affiliated entities.

122. All said affiliated entities knowingly, willingly and with intent to defraud participated in this pattern of commingling,

including Rakia Associates, 2701 Broadway Associates, Lancaster Studio Associates, Upwest Company, 27 East 21 Street Company.

123. Said abuse and violation had deprived plaintiff of the beneficial interest, proceeds and expected revenues she would otherwise would have received or been entitled to, had there been no such abuse of confidences.

124. Defendant Shomron and defendant entities under her control have therefore been unjustly enriched up to \$2,500,000.

125. In addition, a significant amounts of the Building's expenses on renovations, paintings and other expenses, are in actuality chargeable expenses of defendants Rakia Associates, 2701 Broadway Associates, Lancaster Studio Associates, Upwest Company, 27 East 21 Street Company.

126. Plaintiff has no other remedy to recover the losses unless the Court impressed a constructive trust upon said entities.

127. By reason of breach of the confidences entrusted upon Defendant Shomron, of Defendant Shomron's commingling of funds of the Partnership with those of other entities affiliated with her and under her control, who knowingling and willingly participated in these schemes, plaintiff is entitled as a matter of equity to an imposition of a constructive trust upon funds equal in amount to those illegally diverted to the Shomron affiliated entities, including Rakia Associates, 2701 Broadway Associates, Lancaster Studio Associates, Upwest Company, 27 East 21 Street Company, in order to replenish the depleted funds.

128. Plaintiff has no adequate remedy at law.

11th CAUSE OF ACTION
Breach of good faith dealings

129. Plaintiff repeats and reiterates all facts and circumstances described above as if fully set forth hereat.

130. Shomron breached her implied contractual duty of good faith and fair dealing with plaintiff by reason of, inter alia, the many acts, omissions, misrepresentations, mismanagement, creation of bogus loans, double crediting of funds entering the Partnership, illegal withdrawals, unrecorded cash transactions, invading the reserve fund of the co-op and exposing the co-op and the Partnership to serious legal liabilities as well as cost and expenses rectifying same.

131. Said actions were taken without prior notice, reasonable grounds, without substantiation and without any justifiable merit.

132. Said actions were taken, upon information and belief, with a malicious, or at minimum, reckless indifference to plaintiff's rights and to the losses she suffered.

133. As a direct and proximate result thereof, plaintiff is entitled to recover from Defendant Shomron losses in the amount of \$2,500,000 with punitive damages in the amount of \$7,500,000.

12th CAUSE OF ACTION
(breach of fiduciary duties as partner)

134. Plaintiff repeats and reiterates all facts and circumstances described above as if fully set forth hereat.

135. Shomron took total control and management of R&L's partnership affairs, sharing only minimal information with Plaintiff. Some of the most important areas of management and business decisions were totally neglected by Defendant Shomron in a manner that caused damages or lost benefits and lost opportunities to boost the partnership's solvency.

136. Plaintiff had performed all terms and conditions under the contract on her part.

137. Defendant had breached her fiduciary duties, as follows:

(a) By virtue of all acts and omissions described elsewhere in this complaint above.

(b) By charging private affairs of Defendant Shomron to R&L

(c) Defendant Shomron invaded the reserve fund of the co-op for illegitimate reasons.

(d) Defendant Shomron negotiated open ended contracts with contractors by the hour instead of a "per job capped fee" and thus charged R&L for renovation works performed at her other sites.

(f) Negotiating with Greater in a secret manner.

(g) maintained a false, misleading and chaotic accounting system to cover up double crediting in contributions.

(h) Concealed Plaintiff's interest during 1989-90.

(i) secretly shared commissions with the management agent.

(j) Secretly shared commissions with John Pollis, a real estate and mortgage broker.

138. As a direct and proximate result of Shomron's breach of fiduciary duties, plaintiff is entitled to recover from Shomron

losses and damages in the amount of \$2,500,000.

13th CAUSE OF ACTION AGAINST GWFG

139. Plaintiff repeats and reiterates all facts and circumstances described above as if fully set forth hereat.

140. GWFG was retained by the partnership on May 10, 1988,

141. GWFG breached its fiduciary duties and violated conflict of interest rules by providing Shomron with legal advise and representation which is adverse to plaintiff's interests as well as the R&L partnership.

142. Said advise only facilitated the way for Shomron to loot the partnership for substantial personal gains under GWFG cover up.

143. GWFG engaged in consulting Shomron how to oust plaintiff from R&L, and actually orchestrated and planned how to do so.

144. GWFG consulted with Shomron and devised strategies as to how to oust plaintiff and dissolve the partnership in a manner that would not only be most beneficial to Shomron and afford her opportunity to unjustly enrich herself and entities she controls, but would also unjustly enrich GWFG.

145. Without any right whatsoever, GWFG charged R&L for these misdeeds and charged plaintiff therefore.

146. In April 1996, GWFG referred Ruth Shomron to Jerome Halperin, Esq. a litigator accepting many referrals from GWFG.

147. This was a thinly disguised effort to create the image that Shomron has hired outside counsel to represent her interests, other than R&L's interest.

148. GWFG participated in meetings between Shomron and Mr.

Halperin and discussed ways to oust plaintiff from R&L.

149. Halperin prepared a predicate letter to plaintiff and forwarded same in a draft form prior to its mailing.

150. GWFG assumed the position of being Shomron's advocate and rendered services to her that were personal for her despite its duty to be neutral in representing the partnership.

151. On June 27, 1996 plaintiff had a conversation with GWFG in which plaintiff requested a meeting with GWFG as counsel for the partnership R&L. GWFG refused to see plaintiff and explained that GWFG allegedly had to get in touch with Shomron's lawyer, and invite him to the meeting.

152. During plaintiff's entry into the partnership GWFG drafted a "subpartnership" agreement in 1989 by which Shomron sold to plaintiff half her share in the partnership for \$125,000.

153. Said subpartnership was not a partnership matter and GWFG acted solely for the benefit of Shomron.

154. GWFG never advised plaintiff to hire a lawyer of her own to protect her rights in a manner that was not only negligent, but actually intentional.

155. Thereafter, GWFG was never available to answer any of plaintiff's questions and would always deal only with Shomron.

156. Upon information and belief, GWFG deliberately assisted Shomron in concealing the Partnership's negative capital from plaintiff and the upcoming closing of the mortgage with Greater. In fact, no mention of the negative capital and allocation of existing debts was ever disclosed or mentioned in the

subpartnership agreement as drafted by GWFG.

157. GWFG also deliberately caused a delay of over one year and four months (from January 31, 1989 to May 17, 1990) to formalize plaintiff's entry into the partnership.

158. Upon information and belief this delay was part of a conspiracy between Shomron and Howard Simon to deprive plaintiff of certain benefits.

159. With intent to defraud and mislead plaintiff and the public, GWFG falsely prepared documents and had inappropriately notarized plaintiff's signature.

160. GWFG committed these acts with intent to inflict upon plaintiff economic harm and endow Shomron with undue economic benefit.

161. GWFG knew or should have known that the actions taken against plaintiff were in violation of attorney client privileges, confidence and fiduciary duties and ethical duties.

162. By reason therefore, plaintiff has been damaged in the amount of \$2,500,000 and is entitled to recover same from GWFG.

14th CAUSE OF ACTION AGAINST ALFRED SZALA

163. Plaintiff repeats and reiterates all facts and circumstances described above as if fully set forth hereat.

164. Defendant Szala is a superintendant employed at one of Shomron's controlled entities.

165. Defendant Szala aided and abetted Mr. Hamid Khan and Shomron in laundering money - serving as a "cash man" to cash R&L checks into hard currency. Checks were written out to "cash" or to

himself without any consideration.

166. Defendant Szala also embezzled and converted merchandise, equipment and other materials from the Building without permission and without consideration.

167. By reason thereof, plaintiff personally and on behalf of R&L has been damaged in the amount of \$50,000 and is entitled to recover from defendant Szala.

WHEREFORE, plaintiff is entitled to a judgment against defendants as per each cause of action and the costs and disbursements of this action.

Dated: New York, NY
December 26, 1996

Yours etc.
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