

**SUPERIOR COURT OF CALIFORNIA
COUNTY OF SAN FRANCISCO**

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COMPLAINT

KAREN NANCY DALY STANWAY VS. STEVEN A. BROWN ET AL

001C05408255

Instructions:

Please place this sheet on top of the document to be scanned.

**SUMMONS
(CITACION JUDICIAL)**

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

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

Steven A. Brown;
Additional Parties Attachment Form is Attached

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

Karen Nancy Daly Stanway, individually and as Trustee of the Kazade
Trust, dated November 30, 2014

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 puede 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 lo 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 eventuales 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 desear el caso.

The name and address of the court is:
(El nombre y dirección de la corte es): San Francisco Superior Court
Civic Center Courthouse, 400 McAllister St., San Francisco, CA 94102

COURT NUMBER:
TEL: 16-552180

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):
Camilo Artiga-Purcell, Cotchett, Pitre & McCarthy, LLP, 840 Malcolm Road, Burlingame, CA 94010
(650) 697-6000

DATE: MAY 23 2016 CLERK OF THE COURT
(Fecha)

Clerk, by
(Secretario)

Arlene Ramos
ARLENE RAMOS

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).)



NOTICE TO THE PERSON SERVED: You are served

1. as an individual defendant.
2. as the person sued under the fictitious name of (specify):
3. on behalf of (specify):
under: CCP 416.10 (corporation) CCP 416.60 (minor)
 CCP 418.20 (defunct corporation) CCP 416.70 (conservatee)
 CCP 416.40 (association or partnership) CCP 416.90 (authorized person)
 other (specify):
4. by personal delivery on (date):

BY FAX

| | |
|---|--------------|
| SHORT TITLE: _ Karen Nancy Dale Stanway v. Steven A. Brown, et al. | CASE NUMBER: |
|---|--------------|

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

BFRF, LLC, a California limited liability corporation;

BETTER PROPERTY MANAGEMENT, a company registered to do business in California; and

DOES 1 – 25, inclusive.

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9

10 **SUPERIOR COURT FOR THE STATE OF CALIFORNIA**
11 **IN THE COUNTY OF SAN FRANCISCO**
12

13 **KAREN NANCY DALY STANWAY,**
14 **individually and as TRUSTEE OF THE**
15 **KAZADE TRUST, dated November 30,**
16 **2014,**
17 **Plaintiff,**
18 **v.**
19 **STEVEN A. BROWN;**
20 **BFRF, LLC, a California limited liability**
21 **corporation;**
22 **BETTER PROPERTY MANAGEMENT, a**
23 **company registered to do business in**
24 **California; and**
25 **DOES 1 – 25,**
26 **Defendants.**

F I L E D
Superior Court of California
County of San Francisco
MAY 23 2016
CLERK OF THE COURT
BY: Adeline Ramon
Deputy Clerk

Case No. **CGC -16-552180**
COMPLAINT FOR:
1. BREACH OF CONTRACT;
2. BREACH OF FIDUCIARY DUTY;
3. NEGLIGENT
MISREPRESENTATION;
4. NEGLIGENCE; and
5. FRAUD AND DECEIT.

DEMAND FOR JURY TRIAL

BY FAX

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1 **I. INTRODUCTION**

2 1. This case arises from a series of shocking acts of negligence and outright fraud
3 and deceit, perpetrated by Defendant **Steven A. Brown** and the companies he operated,
4 Defendants **BFRF, LLC** and **Better Property Management**.

5 2. From 2003-2012, in the context of managing a homeowners association for
6 condominiums located on San Francisco's Pierce Street (the "HOA"), one of which was owned
7 by Plaintiff **Karen Stanway**, Brown induced Stanway to repose trust and confidence in Brown,
8 BFRF, LLC, and Better Property Management.

9 3. Beginning in March 2012, preying on Stanway's complete trust and confidence,
10 Brown solicited Stanway's investment of **\$50,000.00** in a real estate deal in exchange for a
11 "Straight Note" entitling Stanway to return of principal plus 10% interest per annum. As
12 promised, Stanway's principal was returned, plus 10% in interest profits. Having further
13 convinced Stanway of his business acumen and integrity, Brown, individually and as the
14 principal of BFRF, LLC and Better Property Management, induced Stanway to invest
15 **\$200,000.00** in supposed follow-on real estate deals.

16 4. Contrary to the statements of Brown, there were no follow-on real estate deals.
17 Instead of investing Stanway's money as promised, Brown took the money for his personal *and*
18 business use for everything from groceries and rent, to lavish family vacations to Panama, to
19 salaries at BFRF, LLC and Better Property Management.

20 5. Based on the breaches of contract, breach of fiduciary duty, negligent
21 misrepresentations, and outright fraud perpetrated by Defendants, Stanway lost **\$200,000.00**,
22 plus interest of 10% per annum. This lawsuit follows.

23 **II. JURISDICTION AND VENUE**

24 6. The amount in controversy exceeds the jurisdictional minimum of this Court. At
25 all times alleged herein, one or more Defendants were residents of, or were doing business in, the
26 State of California, County of San Francisco.

27
28

1 7. Venue in this Court is proper pursuant to sections 395 and 395.5 of the Code of
2 Civil Procedure in that at all relevant times herein, one or more Defendants conducted substantial
3 business and/or committed violations of law in the County of San Francisco.

4 **III. THE PARTIES**

5 A. PLAINTIFF

6 8. Plaintiff **KAREN NANCY DALY STANWAY** is a natural person who, at all
7 times alleged herein, was a resident of the City and County of San Francisco, California.
8 Plaintiff brings this action in her individual capacity and as trustee of the Kazade Trust, dated
9 November 30, 2014.

10 B. DEFENDANTS

11 9. Defendant **STEVEN A. BROWN** is a natural person who, at all times alleged
12 herein, was a resident of the City of Foster City, County of San Mateo, California. At all times
13 alleged herein, Brown conducted business in the City and County of San Francisco, California,
14 including at 44 Gough St., San Francisco, California. Brown perpetrated the misdeeds alleged
15 herein in the City and County of San Francisco, CA. Further, Brown, a licensed real estate
16 agent, was a co-payor/trustor on the "Straight Notes" issued to Stanway.

17 10. Defendant **BFRF, LLC** is a California limited liability corporation that, at all
18 times alleged herein, conducted business in the City and County of San Francisco, including at
19 44 Gough St. BFRF, LLC was a co-payor/trustor on the "Straight Notes" issued to Stanway.

20 11. On information and belief, Defendant **BETTER PROPERTY MANAGEMENT**
21 is a registered business that, at all times alleged herein, conducted business in the City and
22 County of San Francisco, including at 44 Gough Street. In perpetrating the misdeeds alleged
23 herein, Brown used Better Property Management as an instrument to deceive Stanway, *e.g.*, by
24 corresponding with Stanway using his Better Property Management email address.

25 C. DOE DEFENDANTS

26 12. Plaintiff is unaware of the names of Defendants identified herein as DOES 1-25,
27 inclusive, and therefore sues them by those fictitious names. Plaintiff is informed and believes,
28 and thereon alleges, that Defendants sued herein as DOES are responsible in some manner for

1 the practices, acts, conduct, and occurrences alleged herein, as either actual perpetrators or co-
2 conspirators, aiders and abettors, officers, directors, and/or managing agents with the knowledge,
3 control, authority, direction, and/or ratification of the other Defendants, and each of them.
4 Plaintiff will seek leave of the Court to amend this Complaint to allege the true names and
5 capacities of the DOE Defendants, and the roles they played, once their identities and/or manner
6 of participation in the wrongful conduct herein described is ascertained.

7 **D. ALTER EGO ALLEGATIONS**

8 13. At all relevant times, as alleged more fully herein, each Defendant acted as an
9 agent, servant, employee, co-conspirator, alter-ego and/or joint venturer of the other Defendants,
10 and in doing the things alleged herein acted within the course and scope of such agency,
11 employment, alter-ego and/or in furtherance of the joint venture. Each of the Defendant's acts
12 alleged herein was done with the permission and consent of each of the other Defendants.

13 14. At all times relevant hereto, Defendants BFRF, LLC and Better Property
14 Management were the alter egos of Defendant Brown, and there exists, and at all times herein
15 mentioned has existed, a unity of interest and ownership between Defendants such that any
16 separateness between them has ceased to exist in that Defendant Brown completely controlled,
17 dominated, managed, and operated the other Defendants to suit his convenience.

18 15. Specifically, at all times relevant hereto, Defendant Brown (1) controlled the
19 business and affairs of BFRF, LLC and Better Property Management, including any and all of
20 their affiliates; (2) commingled the funds and assets of the corporate entities, and diverted
21 corporate funds and assets for his own personal use; (3) disregarded legal formalities and failed
22 to maintain arm's length relationships among the corporate entities; (4) inadequately capitalized
23 BFRF, LLC and Better Property Management; (5) used the same office or business location and
24 employed the same employees for all the corporate entities; (6) held himself out as personally
25 liable for the debts of the corporate entities; (7) used the corporate entities as a mere shells,
26 instrumentalities or conduits for himself and/or his individual businesses; (8) used the corporate
27 entities to procure labor, services or merchandise for another person or entities; (9) manipulated
28 the assets and liabilities between the corporate entities so as to concentrate the assets in one and

1 the liabilities in another; (10) used corporate entities to conceal their ownership, management
2 and financial interests and/or personal business activities; and/or (11) used the corporate entities
3 to shield against personal obligations, and in particular the obligations as alleged in this
4 Complaint.

5 16. At all times relevant thereto, Defendants BFRF, LLC and Better Property
6 Management were not only influenced and governed by Defendant Brown, but there was such a
7 unity of interest and ownership that the individuality, or separateness, of Brown and BFRF, LLC
8 and Better Property Management has ceased, and that the facts are such that an adherence to the
9 fiction of the separate existence of these entities would, under the particular circumstances,
10 sanction a fraud or promote injustice.

11 17. Plaintiffs are informed and believe that at all relevant times mentioned herein, the
12 acts of the business entities involved were performed by an employee, agent, officer, servant
13 and/or representative of Brown, BFRF, LLC, or Better Property Management.

14 **E. AGENCY; AIDING AND ABETTING; AND CONSPIRACY**

15 18. At all times relevant to this Complaint, Defendants, and each of them, were acting
16 as the agents, employees, and/or representatives of each other, and were acting within the course
17 and scope of their agency and employment with the full knowledge, consent, permission,
18 authorization, and ratification, either express or implied, of each of the other Defendants in
19 performing the acts alleged in this Complaint.

20 19. As members of the conspiracies alleged more fully below, each of the Defendants
21 participated and acted with or in furtherance of said conspiracy, or aided or assisted in carrying
22 out the purposes of the conspiracy, and have performed acts and made statements in furtherance
23 of the conspiracy and other violations of California law.

24 20. Each Defendant acted both individually and in alignment with the other
25 Defendants with full knowledge of their respective wrongful conduct. As such, Defendants
26 conspired together, building upon each other's wrongdoing, in order to accomplish the acts
27 outlined in this Complaint.

28

1 21. Defendants are individually sued as principals, participants, aiders and abettors,
2 and co-conspirators in the wrongful conduct complained of and the liability of each arises from
3 the fact that each has engaged in all or part of the improper acts, plans, schemes, conspiracies, or
4 transactions complained of herein.

5 **VII. STATEMENT OF FACTS**

6 A. **KAREN STANWAY RETAINS BETTER PROPERTY MANAGEMENT AND STEVEN**
7 **BROWN TO MANAGE AN HOA**

8 22. In 2001, Stanway purchased one unit of a three unit condominium in San
9 Francisco, California (the "Condominium").

10 23. On March 21, 2003, based on the referral of a mutual friend, Stanway caused the
11 Condominium HOA to retain Better Property Management and Brown to manage the HOA.

12 24. From 2003-2012, in the context of Brown's management of the HOA, Brown
13 induced Stanway to repose trust and confidence in Defendants.

14 B. **DEFENDANTS, DRAWING ON KAREN STANWAY'S TRUST AND CONFIDENCE,**
15 **INDUCE STANWAY TO INVEST \$50,000.00 IN A HOUSE REMODEL**

16 25. On March 5, 2012, preying on Stanway's trust and confidence, Brown solicited
17 Stanway's investment of \$50,000.00 in a remodel of the real property at 1164 Church Street, San
18 Francisco, California (the "First Investment"). Brown's strategy from the inception of the
19 scheme was to lure Stanway in with a successful first small investment, using the mechanism of
20 a "Straight Note" at a fixed rate of interest, followed by larger investments that Brown and the
21 other Defendants never intended to invest or pay back.

22 26. Brown promised Stanway that, in return for \$50,000.00, she would receive returns
23 of 10% per annum and reassured Stanway the investment was legitimate and conservative by
24 stating that his daughter, Rebecca Brown, was personally investing \$40,000.00 in the 1164
25 Church Street remodel. Brown further reassured Stanway by stating that her investment would
26 be repaid, plus interest, no later than June 1, 2013. Indeed, for each investment alleged herein,
27 Brown told Stanway her money was "married" to Rebecca Brown's supposed investments in the
28 same real estate deals.

1 27. Relying on over 9 years of conducting business together at the HOA, Stanway
2 trusted Brown and the entities he operated completely. Based on this relationship of trust and
3 confidence and relying on the veracity of Brown's statements, Stanway invested \$50,000.00 in
4 the 1164 Church Street remodel by issuing a check to Defendant BFRF, LLC.

5 28. On May 21, 2012, Brown gave Stanway a "Straight Note" to memorialize the
6 agreement. Attached hereto as Exhibit A is a true and correct copy of the May 21, 2012
7 "Straight Note." The note entitled Stanway to repayment of the principal sum of \$50,000.00,
8 plus interest at a rate of 10% per annum, on or before June 1, 2013, from BFRF, LLC and True
9 Compass, LLC, a company operated by Brown's business partner, Ashok K. Gujral.

10 29. On October 25, 2013, upon completion of the remodel and final sale of 1164
11 Church Street, Brown caused BFRF, LLC to wire \$58,794.54 to Stanway, which sum included
12 Stanway's \$50,000.00 principal, plus 10% interest. Stanway was pleased with this return on
13 investment and her trust in Brown was reinforced.

14 C. DEFENDANTS INDUCE KAREN STANWAY TO INVEST AN ADDITIONAL
15 \$100,000.00 IN FOLLOW-ON REAL ESTATE DEALS

16 30. On January 16, 2014, using his Better Property Management email account,
17 Brown emailed Stanway to induce her investment of \$100,000.00 in additional real estate deals:
18 "Happy New Year[.] I am in the midst of a couple other deals, do you want in?" As with the
19 1164 Church Street remodel, Brown promised Stanway that, in return for \$100,000.00, she
20 would receive returns of 10% per annum and reassured Stanway the investment was legitimate
21 and conservative. Brown further reassured Stanway by stating that her investment would be
22 repaid, plus interest, within one year. Notwithstanding these statements to Stanway, at the time
23 Brown solicited Stanway's further investment, he did not intend to invest the money as
24 promised. Instead, Brown intended to use Stanway's money for his own personal gain.

25 31. Relying on over 10 years of conducting business together at the HOA and her
26 successful investment in the 1164 Church Street remodel, Stanway trusted Brown and the entities
27 he operated completely.

28

1 32. On January 21, 2014, based on this relationship of trust and confidence and
2 relying on the veracity of Brown's statements, Stanway invested \$100,000.00 with Brown and
3 BFRF, LLC (the "Second Investment"). Stanway made the investment by wire transfer in two
4 tranches of \$50,000.00.

5 33. On January 22, 2014, Brown gave Stanway two "Straight Notes," one for each
6 \$50,000.00 tranche of Stanway's investment, to memorialize the agreement. Attached hereto as
7 Exhibit B are true and correct copies of the January 22, 2014 "Straight Notes." Collectively, the
8 notes entitled Stanway to repayment of the principal sum of \$100,000.00, plus interest at a rate
9 of 10% per annum, on or before January 22, 2015, from BFRF, LLC and Brown.

10 34. When the notes became payable in January 2015, on Brown's advice, Stanway
11 accepted payment of \$11,863.00, but rolled-over the \$100,000.00 of principal into supposed
12 additional, conservative, real estate deals for another year. Brown gave Stanway a "Straight
13 Note" to memorialize the agreement. Attached hereto as Exhibit C is a true and correct copy of
14 the January 22, 2015 "Straight Note."

15 35. The note entitled the Kazade Trust, of which Stanway is trustee, to repayment of
16 the principal sum of \$100,000.00, plus interest at a rate of 10% per annum, on or before January
17 22, 2016, from BFRF, LLC and Brown.

18 36. At the time Brown solicited Stanway to "reinvest" these funds, Brown did not
19 intend to reinvest the funds. Instead of reinvesting Stanway's funds, Brown took the funds for
20 his own personal use, *e.g.*, a vacation to Panama, and to operate Better Property Management
21 and BFRF, LLC. Brown intentionally concealed his malfeasance from Stanway in order to
22 obtain additional funds from Stanway.

23 **D. DEFENDANTS INDUCE KAREN STANWAY TO INVEST A FINAL \$100,000.00 IN**
24 **FOLLOW-ON REAL ESTATE DEALS**

25 37. On October 25, 2014, relying on over 11 years of conducting business together at
26 the HOA, her successful investment in the 1164 Church Street remodel, her receipt of interest on
27 the Second Investment, and Brown's representations that she was continuing to achieve
28

1 consistent, conservative gains on her Second Investment, Stanway emailed Brown to inquire
2 about a follow-on investment of \$50,000.00 at 8% interest per annum.

3 38. Taking advantage of Stanway's complete trust and confidence, Brown responded
4 that he had two real estate projects ready for money and could use an investment of \$100,000.00
5 in exchange for interest of 10% per annum. Notwithstanding these statements to Stanway, at the
6 time Brown solicited Stanway's further investment, he did not intend to invest the money as
7 promised. Instead, Brown intended to use Stanway's money for his own personal gain and to
8 operate Defendants Better Property Management and BFRF, LLC.

9 39. On October 27-28, 2014, based on this relationship of trust and confidence and
10 relying on the veracity of Brown's statements, Stanway invested an additional **\$100,000.00** with
11 Brown (the "Third Investment"). Stanway made the investment in two tranches, by cashier's
12 check and wire transfer, respectively. At Brown's direction, the funds were transferred directly
13 to Brown.

14 40. The investment was memorialized in a "Straight Note" dated November 3, 2014.
15 Attached hereto as Exhibit D is a true and correct copy of the November 3, 2014 "Straight
16 Note." The note entitled the Kazade Trust to repayment of the principal sum of \$100,000.00,
17 plus interest at a rate of 10% per annum, on or before November 3, 2015, from BFRF, LLC and
18 Brown.

19 **F. DEFENDANTS' MISAPPROPRIATION SCHEME UNRAVELS**

20 41. In April 2015, Brown's scheme began to unravel when the HOA CPA – David
21 Levy of Levy, Elanger & Company – discovered unauthorized use of HOA operating account
22 funds by Brown and Better Property Management. When Levy confronted Brown with the
23 unauthorized transfers, Brown admitted to making the payments but explained that it was an
24 innocent mistake and Better Property Management would repay the missing funds.
25 Immediately upon learning of the improper transfers, Stanway contacted Brown. Brown
26 reassured Stanway that the transfers were an honest mistake and had been repaid. Due to her
27 many years of friendship and ostensibly legitimate business dealings with Brown, Stanway took
28 Brown at his word and believed the transfers were an honest mistake.

1 **G. KAREN STANWAY DISCOVERS STEVEN BROWN'S FRAUD**

2 42. On November 3, 2015, the Third Note became due, entitling Stanway to
3 immediate repayment of \$110,000.00 (\$100,000.00 principal plus \$10,000.00 interest). When
4 Brown and BFRF, LLC failed to timely make the required payment, Stanway e-mailed Brown
5 requesting payment. Despite repeated emails and calls from Stanway, Brown ignored Stanway.
6 When Brown finally responded on Saturday, November 14, promising to write to or speak with
7 Stanway on the upcoming Monday, Brown missed his self-imposed deadline. When Stanway
8 emailed to follow-up yet again, Brown ignored Stanway.

9 43. On November 23, 2015, having failed to connect with Brown by email or
10 telephone, Stanway went to the San Francisco offices of Brown, Better Property Management,
11 and BFRF, LLC at 44 Gough Street, Suite 205. Startled to see Stanway, Brown agreed to meet
12 with her in the Suite 205 conference room. Brown admitted that he had misappropriated
13 Stanway's Second and Third Investments totaling \$200,000.00.

14 44. As to the Second Investment, Brown purported to have invested the money
15 originally but, when Stanway rolled the money over into a subsequent investment on Brown's
16 trusted advice, Brown admitted he never reinvested the money. Instead, Brown admitted to
17 using those funds to pay Better Property Management employee salaries and for his personal
18 daily expenses. Brown admitted that at the time he advised Stanway to roll-over the Second
19 Investment into new real estate deals, no deals existed and Brown intended to and did in fact take
20 her money for his own personal uses.

21 45. As to the Third Investment, Brown admitted he never invested the money.
22 Instead, as with the Second Investment, Brown admitted to using those funds to pay Better
23 Property Management employee salaries and for his personal daily expenses. Brown admitted
24 that at the time he advised Stanway to roll-over the Second Investment into new real estate deals,
25 no deals existed and Brown intended to and did in fact take her money for his own personal uses.

26 46. Stanway was shocked! Before November 23, 2015, Stanway had reposed
27 complete trust and confidence in Brown. She requested immediate return of her outstanding
28

1 principal, plus the agreed-upon interest of 10% per annum. *Brown responded that there was no*
2 *money left.*

3 **IV. CAUSES OF ACTION**

4 **FIRST CAUSE OF ACTION**
5 **BREACH OF CONTRACT**
6 **(Against Defendants Steven Brown and BFRF, LLC)**

7 47. Plaintiff hereby incorporates by reference each of the paragraphs set forth above
8 as though fully set forth hereinafter.

9 48. Plaintiff Stanway, individually and as trustee of the Kazade Trust, entered into
10 contracts with Defendants Brown and BFRF, LLC.

11 49. On January 21, 2014, Stanway invested **\$100,000.00** with Brown and BFRF,
12 LLC (the "Second Investment"). Stanway made the investment by wire transfer in two tranches
13 of \$50,000.00. In exchange, Brown gave Stanway two "Straight Notes," one for each
14 \$50,000.00 tranche of Stanway's investment. See Exhibit B. Collectively, the notes entitled
15 Stanway to repayment of the principal sum of \$100,000.00, plus interest at a rate of 10% per
16 annum, on or before January 22, 2015, from BFRF, LLC and Brown. When the notes became
17 payable in January 2015, on Brown's advice, Stanway accepted payment of \$11,863.00, but
18 rolled-over the \$100,000.00 of principal into supposed additional, conservative, real estate deals
19 for another year. Brown gave Stanway a "Straight Note" to memorialize the agreement. See
20 Exhibit C. The note entitled the Kazade Trust, of which Stanway is trustee, to repayment of the
21 principal sum of \$100,000.00, plus interest at a rate of 10% per annum, on or before January 22,
22 2016, from BFRF, LLC and Brown.

23 50. On October 27-28, 2014, Stanway invested an additional **\$100,000.00** with
24 Brown. Stanway made the investment in two tranches, by cashier's check and wire transfer,
25 respectively. At Brown's direction, the funds were transferred directly to Brown. The
26 investment was memorialized in a "Straight Note" dated November 3, 2014. See Exhibit D.
27 The note entitled the Kazade Trust to repayment of the principal sum of \$100,000.00, plus
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1 interest at a rate of 10% per annum, on or before November 3, 2015, from BFRF, LLC and
2 Brown.

3 51. By transferring the agreed-upon funds, Plaintiff did all, or substantially all, of the
4 significant things that the contracts required her to do.

5 52. Defendants Brown and BFRF, LLC breached the contracts by failing to repay
6 Plaintiff the principal, plus interest, by that date certain specified in the respective "Straight
7 Notes." The breaches perpetrated by Defendants Brown and BFRF, LLC caused harm to
8 Plaintiff for which Defendants Brown and BFRF, LLC should pay.

9 WHEREFORE, Plaintiff prays for relief as set forth below.

10 **SECOND CAUSE OF ACTION**
11 **BREACH OF FIDUCIARY DUTY**
12 **(Against All Defendants)**

13 53. Plaintiff hereby incorporates by reference each of the paragraphs set forth above
14 as though fully set forth hereinafter.

15 54. Defendant Brown, a licensed real estate agent, individually and as the principal of
16 Defendants BFRF, LLC and Better Property Management, working within the scope of his
17 employment with the entity Defendants, caused Plaintiff to repose trust and confidence in
18 Defendants in connection with Plaintiff's investment in purported real estate deals. Defendants
19 voluntarily accepted a fiduciary role with respect to Plaintiff, including the duty to act with the
20 utmost good faith, loyalty, and in the best interests of Plaintiff.

21 55. Defendant Brown, individually and as the principal of Defendants BFRF, LLC
22 and Better Property Management, acted on Plaintiff's behalf in sourcing supposed real estate
23 deals.

24 56. Defendant Brown, individually and as the principal of Defendants BFRF, LLC
25 and Better Property Management, failed to act as a reasonably careful broker and licensed real
26 estate agent would have acted under the same or similar circumstances.

27 57. As a direct result, Plaintiff was harmed.

28 58. Defendants' conduct was a substantial factor in causing Plaintiff's harm.

1 10% interest per annum within one year of the investment. These representations were false and
2 Defendants knew they were false when they made them.

3 3. Defendant Brown, individually and as the principal of Defendants BFRF, LLC
4 and Better Property Management, intended that Plaintiff rely on his misrepresentations in
5 making investments through Defendants.

6 4. Plaintiff reasonably relied on Defendants' misrepresentations. Relying on over 9
7 years of conducting business together at the HOA, her successful investment in the 1164 Church
8 Street remodel, and Brown's representations that she was achieving consistent, conservative
9 gains on her \$100,000.00 Second Investment, Stanway rolled-over her Second Investment and
10 made an additional investment of \$100,000.00.

11 5. Plaintiff was harmed. Before November 23, 2015, Stanway had reposed
12 complete trust and confidence in Defendants. When she requested immediate return of her
13 outstanding \$200,000.00 in principal, plus the agreed-upon interest of 10% per annum, *Brown*
14 *responded that there was no money left.*

15 6. Plaintiff's reliance on Defendants' misrepresentations was a substantial factor in
16 causing her harm.

17 7. The wrongful acts of Defendants, and each of them, were done maliciously,
18 oppressively, and with intent to defraud. Plaintiff is therefore entitled to punitive and exemplary
19 damages in an amount to be ascertained according to proof.

20 WHEREFORE, Plaintiff prays for relief as set forth below.

21 **PRAYER FOR RELIEF**

- 22 1. Compensatory and general damages in a sum in excess of the jurisdictional
23 minimum of this Court according to proof;
- 24 2. Punitive and exemplary damages according to proof;
- 25 3. Prejudgment interest as provided by law;
- 26 4. Interest upon any judgment entered as provided by law;
- 27 5. Attorneys' fees and costs, according to proof;
- 28 6. Costs of suit herein incurred as provided by law; and

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7. Such other and further relief as the Court deems necessary, just and proper.

Dated: May 23, 2016

COTCHETT, PITRE & McCARTHY, LLP



CAMILO ARTIGA-PURCELL
Attorneys for Plaintiff

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JURY DEMAND

Plaintiff respectfully demands trial by jury on all issues so triable.

Dated: May 23, 2016

COTCHETT, PITRE & McCARTHY, LLP



CAMILO ARTIGA-PURCELL
Attorneys for Plaintiff

EXHIBIT A

STRAIGHT NOTE

50,000.00

San Francisco, California

May 21, 2012

On or before, June 1, 2013, for value received, BFRF, LLC ("payor/trustor") TRUE COMPASS, LLC ("payor/trustor") promises to pay to

Karen Stanway ("payee/beneficiary"), or order,

at place designated by "payee/beneficiary" the principal sum of **FIFTY THOUSAND AND 00/100 DOLLARS**,

with interest from May 21, 2012, until paid at the rate of 10.00 percent per annum, accrued and payable upon sale of property located at 1164 Church Street, San Francisco, CA 94114 or June 1, 2013, at which time the entire unpaid principal balance, together with accrued interest, shall become immediately due and payable.

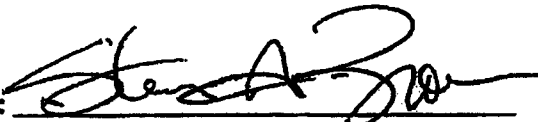
APN #: Lot 012; Block 3651

Property: 1164 Church Street, San Francisco, CA 94114

DUE ON SALE: The Deed of Trust securing this Note contains the following provision: "In the event the herein described property or any part thereof, or any interest therein is sold, agreed to be sold, conveyed or alienated by the Trustor, or by the operation of law or otherwise, all obligations secured by this Instrument, irrespective of the maturity dates expressed therein, at the option of the holder hereof and without demand or notice shall immediately become due and payable.

Principal, interest and all other sums which may become due in connection with this note and the deed of trust securing same, shall be payable in lawful money of the United States of America. Should default be made in any payment when due, the whole sum of principal and interest shall become immediately due at the option of the holder of this Note and after said breach, said obligation shall continue to accrue interest at the rate of 10.00 percent per annum. If action be instituted on this Note I promise to pay such sum as the Court may fix as attorney's fees. This Note is secured by a Deed of Trust of even date herewith.

BFRF, LLC, a California limited liability company

By: 
Steven A. Brown, Manager / Member

and

TRUE COMPASS, LLC a California limited liability company

By: 
Ashok K. Gujral, Manager / Member

STRAIGHT NOTE Page 1 of 1

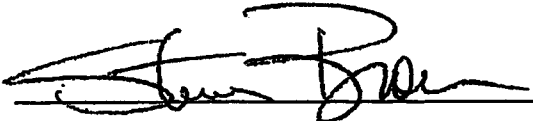
DO NOT DESTROY THIS NOTE: When paid, this Note and the Deed of Trust must be

EXHIBIT B

STRAIGHT NOTE

§ 50,000.00 San Francisco, California January 22, 2014
BFRF, LLC or Steven Brown after date,
for value received, I promise to pay to Karen Stanway
_____ or order,
at 2827 Pierce Street, San Francisco, CA 94123 the sum of
Fifty Thousand DOLLARS,
with interest from 2/22/14, until paid at the rate of 10 per cent per annum,
payable ~~Note will be due and payable with interest on 1/22/15.~~

Principal and interest payable in lawful money of the United State of America. Should default be made in payment of interest when due the whole sum of principal and interest shall become immediately due at the option of the holder of this note and after said breach, said obligation shall continue to accrue interest at the rate of 10 % per annum. If action be instituted on this note I promise to pay such sum as the Court may fix as Attorney's fees. This note is secured by a Deed of Trust of even date herewith.



DO NOT DESTROY THIS NOTE

When paid, this note, and the Deed of Trust, must be surrendered to Trustee for cancellation before reconveyance will be made.

STRAIGHT NOTE

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STRAIGHT NOTE

\$ 50,000.00 San Francisco, California January 22, 2014

BFRF, LLC or Steven Brown after date,

for value received, I promise to pay to Karen Stanway

_____ or order,

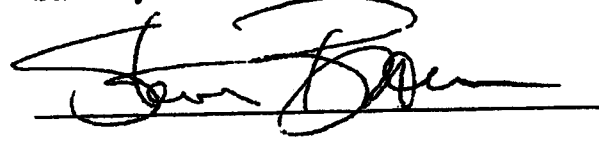
at 2827 Pierce Street, San Francisco, CA 94123 the sum of

Fifty Thousand DOLLARS,

with interest from 2/22/14, until paid at the rate of 10 per cent per annum,

payable ~~Note will be due and payable with interest on 1/22/15.~~

Principal and interest payable in lawful money of the United State of America. Should default be made in payment of interest when due the whole sum of principal and interest shall become immediately due at the option of the holder of this note and after said breach, said obligation shall continue to accrue interest at the rate of 10 % per annum. If action be instituted on this note I promise to pay such sum as the Court may fix as Attorney's fees. This note is secured by a Deed of Trust of even date herewith.



DO NOT DESTROY THIS NOTE

When paid, this note, and the Deed of Trust, must be surrendered to Trustee for cancellation before reconveyance will be made.

STRAIGHT NOTE



EXHIBIT C

STRAIGHT NOTE

\$100,000.00

San Francisco, California

JANUARY 22, 2015

On or before, JANUARY 22, 2016, for value received, BFRF, LLC or Steven Brown ("payor") promises to pay to **KAZADE TRUST** ("payee"), or order, at place designated by "payee" the principal sum of **ONE HUNDRED THOUSAND AND 00/100 DOLLARS**, with interest from, JANUARY 22, 2015 until paid at the rate of 10.00 percent per annum, accrued and payable on **JANUARY 22, 2016**

BFRF, LLC, a California limited liability company

By: 

Steven A. Brown, Manager, / Member

By: 

Steven A. Brown

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EXHIBIT D

STRAIGHT NOTE

\$100,000.00

San Francisco, California

NOVEMBER 3, 2014

On or before, NOVEMBER 3, 2015, for value received, BFRF, LLC or Steven Brown ("payor") promises to pay to KAZADE TRUST ("payee"), or order, at place designated by "payee" the principal sum of **ONE HUNDRED THOUSAND AND 00/100 DOLLARS**, with interest from, **NOVEMBER 3, 2014** until paid at the rate of 10.00 percent per annum, accrued and payable on **NOVEMBER 3, 2015**

BFRF, LLC, a California limited liability company

By:


Steven A. Brown, Manager / Member

By:


Steven A. Brown

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| ATTORNEY OR PARTY WITHOUT ATTORNEY (Name, State Bar number, and address): Joseph W. Cotchett (36324); Nancy L. Fineman (124870); Camilo Artiga-Purcell (273229) Cotchett, Pitre & McCarthy, LLP 840 Malcolm Road, Suite 200; Burlingame, CA 94010 TELEPHONE NO.: (650) 697-6000 FAX NO.: (650) 697-0577 ATTORNEY FOR (Name): Plaintiff: Karen Nancy Daly Stanway | FOR COURT USE ONLY <b style="font-size: 2em;">FILED Superior Court of California County of San Francisco MAY 23 2016 CLERK OF THE COURT BY: <u>Arlene Ramon</u> Deputy Clerk |
| SUPERIOR COURT OF CALIFORNIA, COUNTY OF San Francisco STREET ADDRESS: 400 McAllister St. MAILING ADDRESS: CITY AND ZIP CODE: San Francisco, 94102 BRANCH NAME: Civic Center Courthouse | CASE NUMBER: <b style="font-size: 1.5em;">CGC-16-552180 JUDGE: DEPT: |
| CASE NAME: See Attachment | CIVIL CASE COVER SHEET <input checked="" type="checkbox"/> Unlimited (Amount demanded exceeds \$25,000) <input type="checkbox"/> Limited (Amount demanded is \$25,000 or less) |
| Complex Case Designation <input type="checkbox"/> Counter <input type="checkbox"/> Joinder Filed with first appearance by defendant (Cal. Rules of Court, rule 3.402) | DEPT: |

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

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

| | | |
|--|---|--|
| Auto Tort <input type="checkbox"/> Auto (22) <input type="checkbox"/> Uninsured motorist (46) Other P/DPDWD (Personal Injury/Property Damage/Wrongful Death) Tort <input type="checkbox"/> Asbestos (04) <input type="checkbox"/> Product liability (24) <input type="checkbox"/> Medical malpractice (45) <input type="checkbox"/> Other P/DPDWD (23) Non-P/DPDWD (Other) Tort <input type="checkbox"/> Business tort/unfair business practice (07) <input type="checkbox"/> Civil rights (08) <input type="checkbox"/> Defamation (13) <input type="checkbox"/> Fraud (16) <input type="checkbox"/> Intellectual property (19) <input type="checkbox"/> Professional negligence (25) <input type="checkbox"/> Other non-P/DPDWD tort (35) Employment <input type="checkbox"/> Wrongful termination (36) <input type="checkbox"/> Other employment (15) | Contract <input type="checkbox"/> Breach of contract/warranty (06) <input type="checkbox"/> Rule 3.740 collections (09) <input type="checkbox"/> Other collections (09) <input type="checkbox"/> Insurance coverage (18) <input checked="" type="checkbox"/> Other contract (37) Real Property <input type="checkbox"/> Eminent domain/Inverse condemnation (14) <input type="checkbox"/> Wrongful eviction (33) <input type="checkbox"/> Other real property (26) Unlawful Detainer <input type="checkbox"/> Commercial (31) <input type="checkbox"/> Residential (32) <input type="checkbox"/> Drugs (38) Judicial Review <input type="checkbox"/> Asset forfeiture (05) <input type="checkbox"/> Petition re: arbitration award (11) <input type="checkbox"/> Writ of mandate (02) <input type="checkbox"/> Other judicial review (39) | Provisionally Complex Civil Litigation (Cal. Rules of Court, rules 3.400-3.403) <input type="checkbox"/> Antitrust/Trade regulation (03) <input type="checkbox"/> Construction defect (10) <input type="checkbox"/> Mass tort (40) <input type="checkbox"/> Securities litigation (28) <input type="checkbox"/> Environmental/Toxic tort (30) <input type="checkbox"/> Insurance coverage claims arising from the above listed provisionally complex case types (41) Enforcement of Judgment <input type="checkbox"/> Enforcement of judgment (20) Miscellaneous Civil Complaint <input type="checkbox"/> RICO (27) <input type="checkbox"/> Other complaint (not specified above) (42) Miscellaneous Civil Petition <input type="checkbox"/> Partnership and corporate governance (21) <input type="checkbox"/> Other petition (not specified above) (43) |
|--|---|--|

2. This case is is not complex under rule 3.400 of the California Rules of Court. If the case is complex, mark the factors requiring exceptional judicial management:
- | | |
|--|--|
| a. <input type="checkbox"/> Large number of separately represented parties | d. <input type="checkbox"/> Large number of witnesses |
| b. <input type="checkbox"/> Extensive motion practice raising difficult or novel issues that will be time-consuming to resolve | e. <input type="checkbox"/> Coordination with related actions pending in one or more courts in other counties, states, or countries, or in a federal court |
| c. <input type="checkbox"/> Substantial amount of documentary evidence | f. <input type="checkbox"/> Substantial postjudgment judicial supervision |
3. Remedies sought (check all that apply): a. monetary b. nonmonetary; declaratory or injunctive relief c. punitive
4. Number of causes of action (specify): 5
5. This case is is not a class action suit.
6. If there are any known related cases, file and serve a notice of related case. (You may use form CM-015)

Date: May 23, 2016
 Camilo Artiga-Purcell

(TYPE OR PRINT NAME)

(SIGNATURE OF PARTY OR ATTORNEY FOR PARTY)

NOTICE

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

BY FAX

**ATTACHMENT
CIVIL COVER SHEET;
Case Name**

**KAREN NANCY DALY STANWAY, individually and as TRUSTEE OF THE KAZADE
TRUST, dated November 30, 2014,**

Plaintiff,

v.

STEVEN A. BROWN;

BFRF, LLC, a California limited liability corporation;

BETTER PROPERTY MANAGEMENT, a company registered to do business in California; and

DOES 1 – 25,

Defendants.