

E-Filed: January 3, 2017

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Schwartz Flansburg PLLC
6623 Las Vegas Blvd. South, Suite 300
Las Vegas, Nevada 89119
Telephone: (702) 385-5544
Facsimile: (702) 385-2741
Attorneys for the Chapter 7 Trustee,
Victoria L. Nelson

**UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA**

In re:)	Case No. 2:16-cv-00060-JAD-GWF
)	
AMERI-DREAM REALTY, LLC,)	Bankruptcy Case No.: 15-10110-LED
)	
Debtor.)	Chapter 7
)	
<hr/>)	
VICTORIA NELSON, In Her Capacity As The)	
Chapter 7 Trustee Of AMERI-DREAM)	
REALTY, LLC,)	
Plaintiff,)	
)	Adv. Proceeding No.: 15-01183-LED
vs.)	
)	
XL AMERICA, INC.; XL INSURANCE)	
AMERICA, INC.; XL SELECT)	
PROFESSIONAL; PEARL INSURANCE)	
GROUP, LLC; GREENWICH INSURANCE)	
COMPANY; and DOES I through X; and ROE)	
CORPORATE DEFENDANTS XI through)	
XX,)	
Defendants.)	
<hr/>)	

ERRATA TO THE COMPLAINT

The Chapter 7 Trustee, Victoria L. Nelson, by and through her counsel, Schwartz Flansburg PLLC, hereby files this Errata to the Complaint (the “**Complaint**”), which

1 inadvertently omitted Exhibit 3. The corrected Complaint with Exhibits 1through 3 is attached
2 hereto as **Exhibit A**.

3
4 Dated this 3rd day of January, 2017.

5 Respectfully Submitted,

6 /s/ Samuel A. Schwartz, Esq.

7 Samuel A. Schwartz, Esq.

8 Nevada Bar No. 10985

9 Bryan A. Lindsey, Esq.

10 Nevada Bar No. 10662

11 Schwartz Flansburg PLLC

12 6623 Las Vegas Blvd. South, Suite 300

13 Las Vegas, Nevada 89119

14 Telephone: (702) 385-5544

15 Facsimile: (702) 385-2741

16 Attorneys for the Chapter 7 Trustee,

17 Victoria L. Nelson

18 **CERTIFICATE OF SERVICE**

19 I hereby certify that a true and correct copy of the foregoing was sent electronically via
20 the Court's CM/ECF system on January 4, 2017, to the following:

21 Jennifer W. Arledge, Esq.

22 jennifer.arledge@wilsonelser.com

23 efilelasvegas@wilsonelser.com

24 heidi.davis@wilsonelser.com

25 /s/ Christy L. Cahall

26 Christy L. Cahall

Exhibit A

1 Samuel A. Schwartz, Esq.
Nevada Bar No. 10985
2 Bryan A. Lindsey, Esq.
3 Nevada Bar No. 10662
4 Schwartz Flansburg PLLC
6623 Las Vegas Blvd. South, Suite 300
5 Las Vegas, Nevada 89119
6 Telephone: (702) 385-5544
7 Facsimile: (702) 385-2741
Attorneys for the Chapter 7 Trustee, Victoria L. Nelson

8
9 **UNITED STATES DISTRICT COURT**
DISTRICT OF NEVADA

10
11 In re:) Case No. 2:16-cv-00060-JAD-GWF
12)
13 AMERI-DREAM REALTY, LLC,) Case No.: 15-10110-LED
14)
Debtor.) Chapter 7
15)
16 _____)
17 VICTORIA NELSON, In Her Capacity As The)
18 Chapter 7 Trustee Of AMERI-DREAM)
19 REALTY, LLC,)
20 Plaintiff,) Adv. Proceeding No.: 15-01183-LED
21)

22 vs.)

23 XL AMERICA, INC.; XL INSURANCE)
24 AMERICA, INC.; XL SELECT)
25 PROFESSIONAL; PEARL INSURANCE)
26 GROUP, LLC; GREENWICH INSURANCE)
27 COMPANY; and DOES I through X; and ROE)
28 CORPORATE DEFENDANTS XI through)
29 XX,)
30 Defendants.)
31 _____)

COMPLAINT

COMPLAINT

1
2 The Chapter 7 Trustee, Victoria L. Nelson (the “**Trustee**” or the “**Plaintiff**”), by and
3 through her attorneys, Schwartz Flansburg PLLC, complains and alleges against the Defendants
4 as follows:
5

6 **JURISDICTION, PARTIES AND VENUE**
7

8 1. Ameri-Dream Realty, LLC (the “**Company**”) was a real estate sales and property
9 management company based in Las Vegas, Nevada prior to filing for relief under Chapter 7 of
10 the United States Bankruptcy Code.
11

12 2. The Company is a resident of the State of Nevada and conducted significant
13 business activities in the District of Nevada.
14

15 3. The Plaintiff is the Court-appointed Chapter 7 Trustee over the Company in Case
16 No. 15-10110-LED, United States Bankruptcy Court for the District of Nevada (the “**Action**”).
17

18 4. XL America, Inc., XL Insurance America, Inc. and XL Select Professional
19 (collectively, “**XL America**”) are U.S. Based insurers offering insurance and reinsurance
20 coverages and services.
21

22 5. Pearl Insurance Group, LLC (“**Pearl**”) is an Illinois limited liability company
23 which operates as an insurance broker, administrator, and marketer of custom insurance
24 solutions in the United States.
25

26 6. Greenwich Insurance Company (“**Greenwich**”) is a member of XL America and
27 a domestic insurance company which offers a variety of insurance coverage to individuals and
28 corporations throughout the United States.
29

30 7. XL America, Pearl and Greenwich are hereinafter at times each referred to as a
31 “**Defendant**” and collectively as the “**Defendants.**”
32
33
34

1 b. On May 14, 2013, Ms. Peladas-Brown transferred \$50,000 from the
2 Security Deposit Account to the Philippines Bank;

3 c. On April 10, 2013, Ms. Peladas-Brown transferred \$49,263 from the
4 Security Deposit Account to the Philippines Bank;

5 d. On April 17, 2013, Ms. Peladas-Brown transferred \$24,600 from the
6 Security Deposit Account to the Philippines Bank;

7 e. On May 17, 2013, Ms. Peladas-Brown transferred \$97,930 from the
8 Security Deposit Account to the Philippines Bank;

9 f. On May 24, 2013, Ms. Peladas-Brown transferred \$49,000 from the
10 Security Deposit Account to the Philippines Bank;

11 g. On June 25, 2013, Ms. Peladas-Brown transferred \$71,500 from the
12 Security Deposit Account to the Philippines Bank;

13 h. On July 18, 2013, Ms. Peladas-Brown transferred \$35,000 from the
14 security deposit account to the Philippines Bank;

15 i. On September 10, 2013, Ms. Peladas-Brown transferred \$7,670 from the
16 Security Deposit Account to the Philippines Bank;

17 j. On September 23, 2013, Ms. Peladas-Brown transferred \$18,700 from
18 the Security Deposit Account to the Philippines Bank;

19 k. On September 27, 2013, Ms. Peladas-Brown transferred \$23,255 from
20 the Security Deposit Account to the Philippines Bank;

21 l. On October 9, 2013, Ms. Peladas-Brown transferred \$10,020 from the
22 Security Deposit Account to the Philippines Bank;

1 m. On October 22, 2013, Ms. Peladas-Brown transferred \$13,960 from the
2 Security Deposit Account to the Philippines Bank;

3 n. On October 24, 2013, Ms. Peladas-Brown transferred \$11,700 from the
4 Security Deposit Account to the Philippines Bank; and

5 o. On December 20, 2013, Ms. Peladas-Brown transferred \$8,000 from the
6 Security Deposit Account to the Philippines Bank.
7

8
9 20. Including, but not limited to, the specific transactions listed above, Ms. Peladas-
10 Brown embezzled a total of \$1,174,373.63 in Security Deposits from the Company.
11

12 **THE INNOCENCE OF THE COMPANY AND MR. BROWN**

13
14 21. Neither the Company nor Mr. Brown had any knowledge of Ms. Peladas-
15 Brown's scheme; and on May 4, 2015, Mr. Brown was divorced from Ms. Peladas-Brown. The
16 divorce decree, which was uncontested, requires Ms. Peladas-Brown to indemnify Mr. Brown
17 and the Company for her unilateral embezzlement of the Security Deposits.
18

19 22. At all times relevant herein, Ms. Peladas-Brown was a member, manager and the
20 property manager for the Company. Ms. Peladas-Brown was also a licensed real estate agent
21 and property manager in the State of Nevada, and a member of the Greater Association of Las
22 Vegas Realtors.
23
24

25 **THE PROSECUTION OF MS. PELADAS-BROWN**

26
27 23. As a licensed realtor and property manager in the State of Nevada, Ms. Peladas-
28 Brown is charged with the knowledge and responsibility of safeguarding the Security Deposits.
29 It is undeniable in light of Ms. Peladas-Brown's licenses that she knew sending the Security
30 Deposits to the Philippines would be a violation of the law, and would cause her to lose her real
31
32
33
34

1 estate licenses, which licenses are now inactive. Ms. Peladas-Brown also knew she had a duty
2 to manage the Security Deposits prudently and in a fashion that minimized risk.

3
4 24. In sum, Ms. Peladas-Brown had the knowledge and the motive to breach her
5 fiduciary duties to the Company, its customers and its tenants, and in fact did breach such duties
6 by secretly transferring the Security Deposits to the Philippines. The transfers of the Security
7 Deposits were made for no consideration at all, and Ms. Peladas-Brown understood the Security
8 Deposits could not possibly be repaid.
9

10
11 25. On September 16, 2015, the Nevada Real Estate Commission held a hearing
12 regarding Ms. Peladas-Brown's actions, where her attorney, Mr. Lance Maningo, indicated Ms.
13 Peladas-Brown's acquiescence to the factual allegations listed above, and admitted the funds
14 were used to support Ms. Peladas-Brown's family and friends in the Philippines after
15 catastrophic events.
16
17

18 26. The Security Deposits were disbursed by Ms. Peladas-Brown in the Philippines
19 and are not recoverable. Ms. Peladas-Brown disbursed the Security Deposits to friends and
20 family in need after the damage caused by catastrophic events in the Philippines.
21

22 **ADVERSARY PROCEEDING AGAINST MS. PELADAS-BROWN**

23
24 27. On May 21, 2015, the Trustee, in her capacity as Chapter 7 Trustee for the
25 Company, initiated that certain adversary proceeding against Ms. Peladas-Brown in the United
26 States Bankruptcy Court for the District of Nevada, Adversary Case No. 15-01087-LED.
27

28 28. In her complaint, the Trustee asserted four claims for relief against Ms. Peladas-
29 Brown: (i) breach of fiduciary duty to the Company; (ii) common law misrepresentation to the
30 Company; (iii) negligent misrepresentation to the Company; and (iv) declaratory relief that the
31
32
33
34

1 Company and Mr. Brown are innocent and had no knowledge of Ms. Peladas-Brown's
2 wrongdoings (collectively, the "**Peladas-Brown Claims for Relief**").

3
4 29. On October 26, 2015, the United States Bankruptcy Court (the "**Bankruptcy**
5 **Court**") held a hearing on the Trustee's motion for summary judgment on all of the Peladas-
6 Brown Claims for Relief.

7
8 30. On October 27, 2015, the Bankruptcy Court entered an order granting summary
9 judgment on all Peladas-Brown Claims for Relief, with findings of fact and conclusions of law.
10 See Adv. Case No. 15-01087-LED, Docket Nos. 20 and 21.

11
12 31. The Judgment against Ms. Peladas-Brown is in the amount of \$1,174,373.63,
13 together with prejudgment interest at the rate of 5.75%, compounded annually and compounded
14 from February 1, 2013, and post-judgment interest at the rate established by 28 U.S.C. § 1961,
15 compounded annually. See Adv. Case No. 15-01087-LED, Docket No. 21.

16 17 18 **INSURANCE CLAIMS**

19
20 32. On April 9, 2014, Ryan J. Works, Esq., as counsel for the Company and Mr.
21 Brown, sent a Notice of Claim letter to XL America regarding the actions of Ms. Peladas-
22 Brown. A copy of the Notice of Claim Letter is attached hereto as **Exhibit 1**.

23
24 33. Pursuant to the terms of the Policy, Greenwich agreed to pay for claims, up to
25 \$1,000,000.00, resulting from an act or omission in the performance of real estate services for
26 which the insured (the Company) is obligated to pay.

27
28 34. Although the Policy excludes coverage under Section IV(C) for claims "based on
29 arising out of any dishonest, intentionally fraudulent, criminal or malicious act or omission by
30 the Insured," under the facts described herein, the Company and Mr. Brown constitute
31 "Innocent Insureds" under Section VI(D) of the Policy:
32
33
34

1 D. Innocent Insureds

2 If coverage of this policy would not apply because of Exclusion C. or
3 because of noncompliance with Condition B., such Exclusion or Condition
4 will not apply to any Insured who did not commit, participate in, or have
5 knowledge of any of the acts described in Exclusion C. and whose conduct
6 did not violate Condition B.

7 35. Ms. Peladas-Brown's unilateral wrongdoings triggered Greenwich's obligation
8 to indemnify the Company for the loss of the Security Deposits.

9 36. On April 10, 2014, Mr. Works, as counsel for the Company and Mr. Brown,
10 submitted a claim report form to the Defendants (the "**Claim**"), providing additional notice of a
11 claim under the Policy and the obligations of the Defendants to reimburse the Company based
12 on Ms. Peladas-Brown's actions. A copy of the Claim is attached hereto as **Exhibit 2**.
13

14 37. Upon initiation of the Adversary Proceeding, Defendants were once again
15 provided Notice of the Claim, particularly that Defendants were ignorant and innocent of Ms.
16 Peladas-Brown's unilateral wrongdoings, which is attached as **Exhibit 3**.
17

18 38. As of the date hereof, the Defendants have not paid any monies to the Company
19 or Mr. Brown for claims made under the Policy.
20

21
22
23 **FIRST CLAIM FOR RELIEF**
24 **(Breach of Contract)**

25 39. The Plaintiff hereby realleges the allegations set forth in paragraphs 1 through
26 37, as if fully set forth herein.
27

28 40. The Defendants wrote the Policy of insurance naming the Company as an
29 insured under the Policy.
30

31 41. As an insured, the Policy constituted a contract between the Company and
32 Defendants.
33

1 d. Compelling insureds to institute litigation to recover amounts due under
2 the Policy.

3
4 68. As a direct and proximate cause of the Defendants' breaches, the Company has
5 been damaged, the exact amount to be proven at trial.

6
7 69. By their actions, the Defendants are guilty of oppression, fraud and/or malice,
8 express or implied. Accordingly, the Company, in addition to compensatory damages, may
9 recover punitive damages for the sake of example and by way of punishing the Defendants.

10
11 70. The Plaintiff has been required to obtain the services of counsel to prosecute this
12 claim, and is entitled to recover reasonable attorneys' fees and other costs incurred in this matter
13 as special damages, in addition to any other relief to which it may be entitled.
14

15 **FIFTH CLAIM FOR RELIEF**
16 **(Declaratory Relief)**

17 71. The Plaintiff hereby realleges the allegations set forth in paragraphs 1 through
18 70, as if fully set forth herein.

19
20 72. There exists between the Plaintiff and Defendants a justiciable controversy
21 regarding the rights and obligations of the parties under the Policy, specifically, but not limited
22 to, whether the Policy requires the Defendants to reimburse the Company for the actions of Ms.
23 Peladas-Brown and the loss of the Security Deposits.
24

25
26 73. The Plaintiff seeks a declaratory judgment to resolve this controversy.

27
28 74. This action presents a justiciable controversy related to the obligations, rights,
29 and limitations to the parties under the respective policies.

30
31 75. The Plaintiff and Defendants have adverse interests in this matter.

32
33 76. The Plaintiff asserts a legally protectable interest that is ripe for determination.
34

Exhibit 1



McDONALD · CARANO · WILSON

PRIVILEGED AND CONFIDENTIAL

Ryan J. Works
rworks@mcdonaldcarano.com

Reply to Las Vegas

April 9, 2014

Via Overnight Delivery

XL Select Professional Claims
100 Constitution Plaza
17th Floor
Hartford, CT 06103

Re: Notice of Claim - Real Estate Professionals Errors and Omissions Policy
Named Insured: Ameri-Dream Realty, LLC
Policy No.: PEG9145932-6
Policy Period: June 14, 2013 – June 14, 2014

To Whom It May Concern:

Ameri-Dream Realty, LLC (“Ameri-Dream”) and John M. Brown (“Mr. Brown”), an Ameri-Dream member, have engaged McDonald Carano Wilson LLP to act as counsel and on their behalf in connection with recently discovered theft of certain security deposits held in trust in connection with the provision of certain real estate services. The information in this letter is being provided with the understanding that XL Select Professional Claims (“XL Select”), Ameri-Dream and Mr. Brown, an Insured under the above-referenced Real Estate Professionals Errors and Omissions Policy, Policy No. PEG9145932-6 (the “Policy”), have a common legal interest in the resolution of the circumstances described herein and, as such, this letter and its contents are and shall remain protected by the attorney-client privilege and work product doctrine and will be kept strictly confidential to extent permissible by law.

This correspondence constitutes written notice of Ameri-Dream and Mr. Brown’s claim under the Policy and is also intended to satisfy Policy Section VI(B)(2) Conditions, Insured’s Duties in the Event of a Claim or Potential Claim.

In connection with Ameri-Dream’s provision of real estate services, Mr. Brown, a licensed Nevada real estate broker, accepts and holds tenant security deposits on behalf of his clients. Under Nevada statute, the security deposits are required to be retained until the termination of the underlying lease or rental transaction. *See Nev. Rev. Stat. 645.310(1).*

100 WEST LIBERTY ST., 10TH FLOOR
RENO, NEVADA 89501

P.O. BOX 2670, RENO, NEVADA 89505
775-788-2000 • FAX 775-788-2020

ATTORNEYS AT LAW



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2300 WEST SAHARA AVENUE
SUITE 1200
LAS VEGAS, NEVADA 89102
702-873-4100
FAX 702-873-9966



McDONALD-CARANO-WILSON

PRIVILEGED AND CONFIDENTIAL

XL Select Professional Claims

April 9, 2014

Page 2

In late March 2014, Mr. Brown discovered that significant funds have been stolen from a bank account that is designated to hold those tenant security deposits. The funds represent security deposits given by as many as 1,000 tenants to be held by Ameri-Dream on behalf of its landlord/owner clients until the conclusion of the respective lease terms, subject to the provisions of the operative lease agreements.

Specifically, Mr. Brown has reason to believe that Elsie Peladas-Brown (“Ms. Peladas-Brown”), his spouse and Ameri-Dream member, orchestrated various unauthorized wire transfers from the security deposit bank account to financial institutions located in the Philippines. Just prior to Mr. Brown’s discovery, Ms. Peladas-Brown fled the country and is believed to be in the Philippines. In response to demands for her to return the stolen funds, Ms. Peladas-Brown has informed me that the funds have been disbursed and cannot be recovered. Mr. Brown asserts that, until he discovered that security deposits were missing, he had no knowledge, nor did he consent to Ms. Peladas-Brown’s acts. Ameri-Dream and Mr. Brown, therefore, constitute “Innocent Insureds” under Section VI(D) of the Policy.

Pursuant to the terms of the Policy, Greenwich Insurance Company (“Greenwich”) agreed to pay for claims resulting from an act or omission in the performance of real estate services for which the Insured is obligated to pay. Although the Policy excludes coverage under Section IV(C) for claims “based on or arising out of any dishonest, intentionally fraudulent, criminal or malicious act or omission by the Insured,” under the facts described herein, Ameri-Dream and Mr. Brown constitute “Innocent Insureds” under Section VI(D) of the Policy:

D. Innocent Insureds

If coverage of this policy would not apply because of Exclusion C. or because of noncompliance with Condition B., *such Exclusion or Condition will not apply to any Insured who did not commit, participate in, or have knowledge of any of the acts described in Exclusion C. and whose conduct did not violate Condition B.*

Accordingly, Ms. Peladas-Brown’s theft has triggered Greenwich’s obligation to indemnify Ameri-Dream and Mr. Brown for the loss of security deposit funds.

Ameri-Dream is in the process of ascertaining the identity of potential claimants, the amount of each claimant’s potential claim and the full scope of the possible damages stemming from Ms. Peladas-Brown’s wrongful acts. Ameri-Dream is also in the process of reviewing its books and records to ascertain the amount of security deposit funds that have been wrongfully taken by Ms. Peladas-Brown; however, as a preliminary estimate, Ameri-Dream has informed me that the theft may amount to more than \$500,000.00.



McDONALD-CARANO-WILSON

PRIVILEGED AND CONFIDENTIAL

XL Select Professional Claims

April 9, 2014

Page 3

I also note that the Policy provides supplementary payments in connection with disciplinary proceedings. I am currently unaware of any disciplinary proceeding that has been initiated against Ameri-Dream or Mr. Brown by the Nevada Real Estate Division. I will inform you if this changes. However, we intend to report our findings to the Real Estate Division based on my clients' obligations under Nevada law no later than Friday, April 18, 2014.

Finally, Ameri-Dream and Mr. Brown respectfully request that Greenwich provide its written consent to my Firm's continued representation of them, as contemplated by Endorsement #3, Section I(B), Defense and Settlement.

Based on the foregoing, Ameri-Dream and Mr. Brown now provide Greenwich and XL Select written notice of their claim under the Policy as well as the information required by Condition B(2). If you contend that the information provided herein does not satisfy Condition B(2), please let me know immediately so that my clients may supplement accordingly.

If you have any questions or comments, please let me know. Otherwise, I look forward to hearing from you.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ryan J. Works', written over the typed name.

Ryan J. Works

From: (702) 873-4100
Brian Wilson
McDonald Carano Wilson LLP
2300 W. Sahara Ave., Suite 1200
Las Vegas, NV 89102

Origin ID: BLDA



J14101402070326

Ship Date: 09APR14
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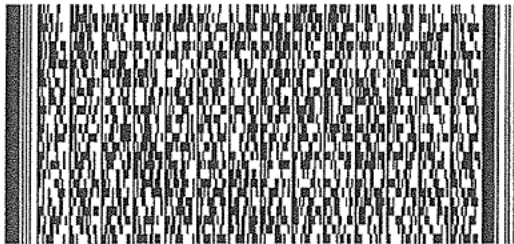
SHIP TO: (860) 548-9191
XL Select Professional Claims
XL Select Professional Claims
100 Constitution Plaza
17th Floor
HARTFORD, CT 06103

BILL SENDER

Ref # Ameri-Dream Realty (c/m pend)
Invoice #
PO #
Dept #

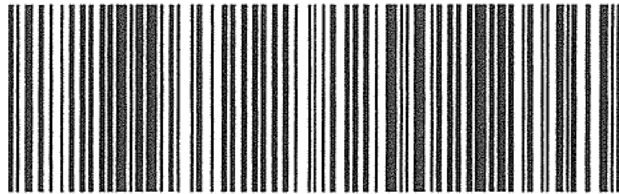
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Exhibit 2

REALTORS® ERRORS & OMISSIONS CLAIM REPORT

Notice of each and every incident, claim, or suit is to be sent immediately to XL Insurance Company at the address shown below. Tips and procedures on reporting claims can be found on the enclosed form. Any claims questions can be answered by contacting the Claim Helpline at 1-877-791-3777.

Firm Name: Ameri-Dream Realty, LLC ("Ameri-Dream")

Broker: John M. Brown

Contact Name: Ryan Works, Esq., Kristen T. Gallagher, Esq., McDonald Carano Wilson LLP

Address: 2300 W. Sahara Avenue, Suite 1200

City: Las Vegas

State: NV

Zip: 89102

Phone: 702-873-4100

Fax: 702-873-9966

E-mail: rworks@mcdonaldcarano.com;
kgallagher@mcdonaldcarano.com

Policy #: PEG9145932-6

Policy Period: 06-14-2013 to 06-14-2014

Name of Claimant: Insured

Date of Occurrence/Closing: Discovered late March 2014

Address of Property Involved: N/A

Name of Agent Involved: Elsie Peladas-Brown

Type of Agent:

Listing Selling Buyers Dual

Has the suit been received:

Yes No

Date of Service:

Specific Nature of Incident: In connection with Ameri-Dream's provision of real estate services, Mr. Brown, a licensed Nevada real estate broker, accepts and holds tenant security deposits on behalf of his clients. Under Nevada statute, the security deposits are required to be retained until the termination of the underlying lease or rental transaction. See Nev. Rev. Stat. 645.310(1).

In late March 2014, Mr. Brown discovered that significant funds have been stolen from a bank account that is designated to hold those tenant security deposits. The funds represent security deposits given by as many as 1,000 tenants to be held by Ameri-Dream on behalf of its landlord/owner clients until the conclusion of the respective lease terms, subject to the provisions of the operative lease agreements.

Specifically, Mr. Brown has reason to believe that Elsie Peladas-Brown ("Ms. Peladas-Brown"), his spouse and Ameri-Dream member, orchestrated various unauthorized wire transfers from the security deposit bank account to financial institutions located in the Philippines. Just prior to Mr. Brown's discovery, Ms. Peladas-Brown fled the country and is believed to be in the Philippines. In response to demands for her to return the stolen funds, Ms. Peladas-Brown has informed counsel for Ameri-Dream that the funds have been disbursed and cannot be recovered. Mr. Brown asserts that, until he discovered that security deposits were missing, he had no knowledge, nor did he consent to Ms. Peladas-Brown's acts. Ameri-Dream and Mr. Brown, therefore, constitute "Innocent Insureds" under Section VI(D) of the Policy.

A lawsuit has not yet been initiated; however, on April 10, 2014, the Nevada Division of Real Estate ("NRED") issued a Notice of Violation in connection with Ameri-Dream's late filing of its 2013 annual trust account reconciliation. See attached. The violation carries a \$1,000 penalty. On April 10, 2014, counsel for Ameri-Dream and Mr. Brown obtained a two-week extension from NRED, up to and including April 25, 2014, to submit its 2013 trust account reconciliation. Additionally, payment to satisfy the \$1,000 penalty has been remitted to NRED.

Note: Include type of demand (verbal or written) for damages that may result and a copy of all written demands/legal documents if a lawsuit has been initiated/served.

Requested by: Ryan Works, Esq.

Signature: /s/ Ryan Works

Date: 4/10/2014

REALTORS[®] CLAIM REPORT TIPS & PROCEDURES

- Your policy requires that immediate written notice be given to the insurance company as soon as possible after receiving notification of a claim or potential incident.
- Please complete the enclosed Claim Report and forward with all demands, suits or other papers immediately to the address on the Claim Report. If reporting an "incident" the following information should be available but there is no need to include it with your initial report or letter.
- Create a claims/incident file consisting of the following for use by the claim department and its representatives:
 - Listing Agreement
 - Sales Contract
 - Closing Documents
 - Any correspondence, notes, and phone messages related to the incident
 - Copies of any written/oral side agreements with the claimant or codefendant
- All parties involved with the claim/incident should prepare a chronological history of their participation and their understanding of the activities surrounding the claim/incident.
- Do not discuss the matter with anyone other than representatives of your insurer.
- Do not produce any of your records relative to this incident for inspection without clearance and/or approval from the insurer.
- The insurance company will retain appropriate counsel and will communicate with the named insured for all information regarding the claim/incident.

If you currently have the Deductible Reduction Endorsement JPP116 on your policy declarations page, please send the following documents in order for the endorsement to apply:

- A copy of the seller disclosure form that was signed by the seller and acknowledged in writing by the buyer prior to closing.
- Proof that a home warranty policy was purchased between the time the residential property was listed and up to and including 30 days after closing.
- A copy of the accredited written property inspection report that was performed on the property or a waiver of inspection in writing from the buyer.
- A copy of the sales contract that was utilized.



Exhibit 3



FRANK M. FLANSBURG III

Esquire

office | 702.385.5544

direct | 702.802.2205

fax | 702.385.2741

email | frank@nvfirm.com

6623 Las Vegas Blvd South, Suite 300, Las Vegas, NV 89119

**Also licensed in Washington*

May 27, 2015

Via Regular Mail

Pearl Insurance Group
c/o The Corporation Trust Company of Nevada
311 S. Division Street
Carson City, NV 89703

RE: Victoria Nelson v. Elsie Peladas-Brown
Our File No.: 2480-001

To Whom it May Concern:

This office represents Victoria Nelson, in her capacity as the Chapter 7 Trustee of Ameri-dream Realty, LLC ("Ms. Nelson") in case number 15-10110-LED in the United States Bankruptcy Court, District of Nevada. On May 21, 2015, we filed an adversary proceeding against Elsie Paladas-Brown ("Ms. Peladas-Brown"), on behalf of Ms. Nelson.

For your reference and file, enclosed please find a copy of the complaint filed against Ms. Peladas-Brown. Please do not hesitate to contact us if you have any questions pertaining to this matter.

Sincerely,

SCHWARTZ FLANSBURG PLLC

Frank M. Flansburg III, Esq.

FMF: jl
Enclosures: as stated



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May 27, 2015

Via Electronic and Regular Mail (Lionel.Santos@xlgrou.com)

Greenwich Insurance Company
c/o Lee Santos
XL Select Professional
100 Constitution Plaza, 17th Floor
Hartford, CT 06103

RE: Victoria Nelson v. Elsie Peladas-Brown
Our File No.: 2480-001

Dear Mr. Santos:

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