

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

Case No.:

MORTON ZINBERG, an individual;  
ELAINE ZINBERG, an individual; and  
AARON GRUSHKO, an individual;

Plaintiffs,

v.

MAGNUM ENERGY PARTNERS, LLC, a Delaware limited liability company;  
MEP ALASKA, LLC, a Delaware limited liability company; and  
TERRENCE MANNING, an individual;

Defendants.

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**COMPLAINT FOR DAMAGES**

Plaintiffs MORTON ZINBERG, an individual; ELAINE ZINBERG, an individual; and AARON GRUSHKO, an individual (collectively, “Plaintiffs”), pursuant to New York common law; bring the following Complaint against defendants MAGNUM ENERGY PARTNERS, LLC, a Delaware limited liability company; MEP ALASKA, LLC, a Delaware limited liability company; and TERRENCE MANNING, an individual (collectively, the “Defendants”). As grounds therefor, Plaintiffs allege the following:

**PRELIMINARY STATEMENT**

1. This action seeks to compensate Plaintiffs for the fraudulent investment scheme perpetrated upon them by Defendants under the guise of raising capital to fund a business whose stated purpose was to acquire, manage, dispose of, and otherwise deal with oil leases and to explore for oil, gas, and other hydrocarbons in a burgeoning oil region in Alaska.

2. Contrary to the seemingly-sound stated purpose of the business venture; Defendants’ true goal in raising funds from investors was to line their own pockets and live extravagant lives with the funding provided by the unsuspecting investors, including Plaintiffs.

3. Whereas Plaintiffs thought their investments would bring them financial reward, their investments actually left them financially hollow; as they were taken advantage of by greedy scam artists who preyed upon Plaintiffs in the name of gross avarice.

4. Defendants are liable because:

- (a) The sales materials and offering documents used to procure Plaintiffs' investments contained multiple false or misrepresented statements of fact on which Plaintiffs relied in deciding to invest;
- (b) The sales materials and offering documents used to procure Plaintiffs' investments omitted several highly material facts that would have swayed Plaintiffs to not invest in Defendants' purported business venture; and
- (c) One of the sales agents who procured Plaintiffs' investments was a convicted felon awaiting sentencing for his operation of a widespread Ponzi scheme and was not permitted to sell securities.

5. As a result of this fraud, Plaintiffs have suffered severe economic damage -- all directly because Plaintiffs put their faith, trust, and belief in what Defendants represented to them, which has turned out to be as misguided a decision as they could have made.

### **PARTIES, JURISDICTION AND VENUE**

#### **THE PARTIES**

##### **Plaintiffs**

6. Plaintiff MORTON ZINBERG is an individual domiciled in Lawrence, New York, is a citizen of the state of New York, and is *sui juris*.

7. Plaintiff ELAINE ZINBERG is an individual domiciled in Lawrence, New York, is a citizen of the state of New York, and is *sui juris*.

8. At all times material hereto, MORTON ZINBERG and ELAINE ZINBERG were married as husband and wife.

9. Plaintiff AARON GRUSHKO is an individual domiciled in Cedarhurst, New York, is a citizen of the state of New York, and is *sui juris*.

**Defendants**

10. Defendant MAGNUM ENERGY PARTNERS, LLC (“MAGNUM ENERGY”) is a Delaware limited liability company with its principal place of business in Kingwood, Texas.

11. Defendant MEP ALASKA, LLC (“MEP ALASKA”) is a Delaware limited liability company with its principal place of business in Kingwood, Texas. At all times material hereto, MAGNUM ENERGY served as the Manager of MEP ALASKA.

12. Defendant TERRENCE MANNING (“MANNING”) is an individual domiciled in Houston, Texas, is a citizen of the state of Texas, and is *sui juris*. At all times material hereto, MANNING was an Executive Officer and Director of MAGNUM ENERGY.

**JURISDICTION AND VENUE**

13. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. § 1332 because the amount in controversy exceeds Seventy-Five Thousand Dollars (\$75,000.00), exclusive of interest, costs and attorneys’ fees, and is an action between citizens of different states.

14. This Court has personal jurisdiction over the defendants because: (a) the corporate defendants are business entities operating, present, and/or doing business within this jurisdiction, as the defendants came to this jurisdiction to specifically solicit funds from Plaintiffs, and (b) the defendants’ contractual and tortious breaches occurred within this jurisdiction.

15. Venue is proper in this Court pursuant to 28 U.S.C. § 1391(b) because a substantial part of the events or omissions giving rise to the claims asserted in this action occurred in this district.

**GENERAL FACTUAL ALLEGATIONS**

16. In February 2013, MAGNUM ENERGY was organized and registered with the State of Delaware as a for-profit limited liability company.

17. In April 2014, MEP ALASKA was organized and registered with the State of Delaware as a for-profit limited liability company.

18. As noted above, MAGNUM ENERGY is the Manager of MEP ALASKA. In that role, MAGNUM ENERGY is responsible for directing, controlling, and managing MEP ALASKA's business and affairs.

19. In or about June 2014, MEP ALASKA, as a means of raising capital to fund its purported operations, offered to numerous investors a private placement of Units of ownership in MEP ALASKA's business for \$500,000.00 per Unit.

20. That fundraising effort continued through the years 2014 and 2015 and included vital participation from MANNING, who [falsely] verified to several investors the legitimacy of the project and the investment.

21. Additionally, one of the primary agents working for Defendants to solicit investors (including Plaintiffs) was a gentleman named Gershon Barkany ("Mr. Barkany"), a purported financial advisor and real estate investor who Plaintiffs were led to believe had a significant ownership interest of his own in MEP ALASKA.

22. Defendants represented to potential investors, including Plaintiffs, that their investments would provide them high returns with little or no risk.

#### **THE MEP ALASKA OFFERING DOCUMENTS**

23. To memorialize the terms of its offering, MEP ALASKA issued a Limited Liability Company Agreement (the "LLC Agreement") to which each investor/"Member" was required to subscribe. Attached hereto as **Exhibit "A"** is a true and correct copy of the LLC Agreement.

24. According to the LLC Agreement, MAGNUM ENERGY was established for the following purposes, *inter alia*:

- (a) to acquire an up to 18% interest in oil and gas leases pertaining to land in the North Slope region of Alaska;
- (b) to acquire, manage, dispose of, and otherwise deal with oil leases;

- (c) to explore for oil, gas, and other hydrocarbons; and
- (d) to do anything necessary, convenient, or incidental to the foregoing.

25. Additionally, the LLC Agreement represented that funds derived from the operation of MEP ALASKA's business would, after the company's repayment to Members of any loan(s) to the company, be distributed to Members thusly:

[U]ntil the Investors' respective Capital Balances have been reduced to zero dollars (\$0.00), as follows: (i) 85% to the Investors, *pro rata*, in proportion with their respective Capital Balances; and (ii) 15% to [MAGNUM ENERGY].

26. Furthermore, the LLC Agreement provided:

Section 11.2 ("Availability"). The Company shall cause to be kept full and true books of account in accordance with the accounting method followed by the Company for federal income tax purposes and shall reflect all Company transactions and shall be appropriate and adequate for the Company's business. Such books of account, together with a copy of this Agreement and the Articles, shall at all times be maintained at the principal office of the Company. **Each Member or its duly authorized representative shall have the right at any time to inspect and copy such books and documents during normal business hours upon reasonable notice.**

Section 11.3(a) ("Financial Reports"). **The Manager shall cause the Company to prepare and deliver to each Member within thirty (30) days after the end of each fiscal quarter of the Company: (a) an internally-prepared income statement** reflecting in reasonable detail the results of operations of the Company for such quarter and the fiscal year to date **and a balance sheet reflecting the financial position of the Company as of the end of such quarter;** (b) a schedule setting forth distributions to the Members during such quarter and for the fiscal year to date; and **(c) a statement of any fees or other amounts paid by the Company** to any Member or to any Affiliate of any Member during such quarter and for the fiscal year to date and the goods provided or services rendered by such Member or person therefor.

(emphasis added).

27. To signify his/her acceptance of MEP ALASKA's offer and the terms of the LLC Agreement, each investor executed a "Signature Page for Individual Subscribers" by which each individual purchased from MEP ALASKA a certain number of Units of MEP ALASKA for the price listed above and thereby became a Member of MEP ALASKA -- entitling the Unit owner to a certain percentage of ownership in MEP ALASKA's business.

**THE ZINBERG SUBSCRIPTION AGREEMENT**

28. On June 29, 2014, ELAINE ZINBERG -- in reasonable reliance on the representations made to her by and on behalf of Defendants -- executed a "Signature Page for Individual Subscribers," memorializing her subscription for 1.0 Unit at a purchase price of \$500,000.00 per Unit for an aggregate purchase price of \$500,000.00, which was accepted on December 30, 2014 by MAGNUM ENERGY on behalf of MEP ALASKA. Attached hereto as **Exhibit "B"** is a true and correct copy of ELAINE ZINBERG's Signature Page for Individual Subscribers.

29. On that same date, ELAINE ZINBERG transmitted, or had someone transmit on her behalf, a personal check made payable to MEP ALASKA representing the payment for her investment.

30. The LLC Agreement, when read together with ELAINE ZINBERG's Signature Page for Individual Subscribers, is referred to herein as the "ZINBERG Subscription Agreement."

31. At no time did Defendants ask ELAINE ZINBERG if she were an "accredited investor," as that term is generally understood in the context of private investment opportunities.

**THE ZINBERG BRIDGE PROMISSORY NOTE**

32. In connection with Defendants' private fundraising efforts and ELAINE ZINBERG's subscription for 1.0 Unit of ownership in MEP ALASKA, Defendants further solicited ELAINE ZINBERG and MORTON ZINBERG to loan to MEP ALASKA certain funds that were purportedly needed by the company to fund its operations and which would be repaid by the company within a

period of no more than twelve weeks from the date on which the funds were to be borrowed by the company.

33. On July 30, 2014, MORTON ZINBERG -- in reasonable reliance on the representations made to him by and on behalf of Defendants -- entered into a contract with MEP ALASKA by which MORTON ZINBERG loaned to MEP-ALASKA funds in the principal sum of One Hundred Thousand Dollars (\$100,000.00). Attached hereto as **Composite Exhibit "C"** is a true and correct copy of the Bridge Promissory Note, as well as a personal check reflecting MORTON ZINBERG's payment, that memorialized the loan.

34. Pursuant to the Bridge Promissory Note, MEP ALASKA was obligated to pay back to MORTON ZINBERG no later than October 31, 2014 the then full outstanding balance of the \$100,000.00 loan.

35. Although Fifty Thousand Dollars (\$50,000.00) of the amount loaned was ultimately repaid to MORTON ZINBERG, there still remains an unpaid and outstanding balance of Fifty Thousand Dollars (\$50,000.00) due and payable to MORTON ZINBERG.

#### **THE GRUSHKO SUBSCRIPTION AGREEMENT**

36. On or about June 20, 2014, AARON GRUSHKO -- in reasonable reliance on the representations made to him by and on behalf of Defendants -- executed a "Signature Page for Individual Subscribers," memorializing his subscription for 1.0 Unit at a purchase price of \$500,000.00 per Unit for an aggregate purchase price of \$500,000.00, which was accepted by MAGNUM ENERGY on behalf of MEP ALASKA.

37. AARON GRUSHKO's Signature Page for Individual Subscribers, in all material respects, is identical to ELAINE ZINBERG's Signature Page for Individual Subscribers, except for AARON GRUSHKO's handwritten signature appearing on his Signature Page whereas ELAINE ZINBERG's signature appears on her Signature Page.

38. Also on or about June 20, 2014, AARON GRUSHKO transmitted, or had someone transmit on his behalf, a personal check made payable to MEP ALASKA representing the payment for his investment.

39. The LLC Agreement, when read together with AARON GRUSHKO's Signature Page for Individual Subscribers, is referred to herein as the "GRUSHKO Subscription Agreement."

40. At no time did Defendants ask AARON GRUSHKO if he were an "accredited investor," as that term is generally understood in the context of private investment opportunities.

**DEFENDANTS' FRAUD AND BREACH OF WRITTEN OBLIGATIONS**

41. The factual representations made by and on behalf of Defendants to induce Plaintiffs to invest their funds with MEP ALASKA were materially misleading if not outright false.

42. In the LLC Agreement and the offering documents that were promoted alongside it, MEP ALASKA touted its business operations in terms that were misleading to investors, including Plaintiffs.

43. Upon information and belief, MEP ALASKA did not possess the assets in which the investors were being asked to subscribe -- assets that were necessary for MEP ALASKA to actually operate the business on which it sold Plaintiffs to secure their funds.

44. Moreover, Defendants' representation that Plaintiffs' investments would provide them high returns with little or no risk was false, as Plaintiffs have incurred nothing but a loss of their principal with no returns whatsoever (other than the partial loan repayment made to MORTON ZINBERG).

45. Additionally, Defendants' assurance that MEP ALASKA investors would be kept up-to-date on a quarterly basis on MEP ALASKA's income, distributions, fees incurred, and overall financial strength was false; as Plaintiffs never received any such quarterly updates.



46. Similarly, Defendants' assurance that MEP ALASKA investors would have easy access to MEP ALASKA's financial books and supporting documents was likewise false, as Plaintiffs have been denied access to those books and records despite proper demand.

**DEFENDANTS HELD A CONVICTED FRAUDSTER OUT AS THEIR AGENT AND ADVISOR**

47. Moreover, Mr. Barkany -- who was one of Defendants' primary solicitors of investors and who was involved in soliciting Plaintiffs' investments -- is a convicted fraudster of the highest degree.

48. Although it was not known to Plaintiffs at the time they invested with Defendants, Mr. Barkany was the mastermind behind a \$62 million Ponzi scheme that operated from January 2008 to December 2010.

49. For his involvement in that scheme, Mr. Barkany was arrested and was criminally charged in March 2013 by federal authorities in the U.S. District Court for the Eastern District of New York for, *inter alia*, defrauding investors. *See, USA v. Gershon Barkany*, U.S. Dist. Ct. - E.D.N.Y. - Case No. 2:13-cr-00362-LDW-ARL.

50. Since the date in 2013 on which he pleaded guilty to the criminal charges against him, Mr. Barkany has been out of jail awaiting sentencing for his crimes. It was during that time -- after he had pleaded guilty to defrauding tens of millions of dollars from investors -- that Mr. Barkany served as an advisor, promoter, solicitor, and quasi-spokesperson for Defendants and helped solicit Plaintiffs' investments in MEP ALASKA.

51. Upon information and belief, Defendants knew of Mr. Barkany's conviction and ignored it in the name of obtaining additional funding for MEP ALASKA's purported business operations.

52. Had Plaintiffs known of Mr. Barkany's shameful and untrustworthy past, they would not have relied upon any representations he made on Defendants' behalf.

53. Moreover, had Plaintiffs known that Defendants were willingly and unhesitatingly working with a fraud perpetrator such as Mr. Barkany, Plaintiffs would not have invested any of their funds with Defendants.

54. Plaintiffs have duly performed all of their duties and obligations, and any conditions precedent to Plaintiffs bringing this action have occurred, have been performed, or else have been excused or waived.

55. To enforce their rights, Plaintiffs have retained undersigned counsel and are obligated to pay counsel a reasonable fee for its services, for which Defendants are liable as a result of their bad faith and otherwise.

**COUNT I – BREACH OF CONTRACT: ZINBERG SUBSCRIPTION AGREEMENT**  
**[BY ELAINE ZINBERG AGAINST MEP ALASKA]**

Plaintiffs re-allege, and adopt by reference herein, Paragraphs 1 - 55 above, and further allege:

56. The ZINBERG Subscription Agreement (attached hereto as **Exhibits “A” and “B”**) constitutes a contract between ELAINE ZINBERG and MEP ALASKA.

57. MEP ALASKA has breached the express terms of the ZINBERG Subscription Agreement by failing to fulfill all of its responsibilities and obligations thereunder, including but not limited to:

- (a) Distributing to ELAINE ZINBERG the promised returns on her investment,
- (b) Keeping ELAINE ZINBERG up-to-date on a quarterly basis on MEP ALASKA’s income, distributions, fees incurred, and overall financial strength, and
- (c) Providing ELAINE ZINBERG access to MEP ALASKA’s financial books and supporting documents.

58. Despite demand from ELAINE ZINBERG that MEP ALASKA cure its breaches, MEP ALASKA has failed to cure them.

59. As a direct and proximate result of MEP ALASKA's breach of the ZINBERG Subscription Agreement, ELAINE ZINBERG has been damaged.

WHEREFORE, Plaintiff ELAINE ZINBERG, an individual; demands entry of a judgment against Defendant MEP ALASKA, LLC, a Delaware limited liability company; for an amount within the jurisdictional limits of this court, including an award of interest, attorneys' fees, and costs.

**COUNT II – BREACH OF CONTRACT: BRIDGE PROMISSORY NOTE**  
**[BY MORTON ZINBERG AGAINST MEP ALASKA]**

Plaintiffs re-allege, and adopt by reference herein, Paragraphs 1 - 55 above, and further allege:

60. On or about July 30, 2014, MEP ALASKA issued to MORTON ZINBERG a Bridge Promissory Note in the principal amount of One Hundred Thousand Dollars (\$100,000.00). Attached hereto as **Composite Exhibit "C"** is a true and correct copy of the Bridge Promissory Note, as well as a personal check reflecting MORTON ZINBERG's payment, that memorialized the loan.

61. The Bridge Promissory Note constitutes a contract between MORTON ZINBERG and MEP ALASKA.

62. MEP ALASKA has breached the express terms of the Bridge Promissory Note by failing to make the necessary payments thereunder and, despite demand, has failed to cure its breach.

63. As a direct and proximate result of MEP ALASKA's breach of the Bridge Promissory Note, MORTON ZINBERG has been damaged.

WHEREFORE, Plaintiff MORTON ZINBERG, an individual; demands entry of a judgment against Defendant MEP ALASKA, LLC, a Delaware limited liability company; for an amount within the jurisdictional limits of this court, including an award of interest, attorneys' fees, and costs.

**COUNT III – BREACH OF CONTRACT: GRUSHKO SUBSCRIPTION AGREEMENT**  
**[BY AARON GRUSHKO AGAINST MEP ALASKA]**

Plaintiffs re-allege, and adopt by reference herein, Paragraphs 1 - 55 above, and further allege:

64. The GRUSHKO Subscription Agreement constitutes a contract between AARON GRUSHKO and MEP ALASKA.

65. MEP ALASKA has breached the express terms of the GRUSHKO Subscription Agreement by failing to fulfill all of its responsibilities and obligations thereunder, including but not limited to:

- (a) Distributing to AARON GRUSHKO the promised returns on his investment,
- (b) Keeping AARON GRUSHKO up-to-date on a quarterly basis on MEP ALASKA's income, distributions, fees incurred, and overall financial strength, and
- (c) Providing AARON GRUSHKO access to MEP ALASKA's financial books and supporting documents.

66. Despite demand from AARON GRUSHKO that MEP ALASKA cure its breaches, MEP ALASKA has failed to cure them.

67. As a direct and proximate result of MEP ALASKA's breach of the GRUSHKO Subscription Agreement, AARON GRUSHKO has been damaged.

WHEREFORE, Plaintiff AARON GRUSHKO, an individual; demands entry of a judgment against Defendant MEP ALASKA, LLC, a Delaware limited liability company; for an amount within the jurisdictional limits of this court, including an award of interest, attorneys' fees, and costs.

**COUNT IV – FRAUDULENT INDUCEMENT**  
**[BY ALL PLAINTIFFS AGAINST MEP ALASKA]**

Plaintiffs re-allege, and adopt by reference herein, Paragraphs 1 - 55 above, and further allege:

68. MEP ALASKA, by acts of both omission and commission, made false statements to Plaintiffs concerning material facts about their investments and loan.

69. Specifically, MEP ALASKA's representations to Plaintiffs that, among other things:
- (a) Plaintiffs' investments would provide them high returns with little or no risk,
  - (b) After certain other financial liabilities were addressed, investors would receive 85% of the funds derived from the operation of MEP ALASKA's business,
  - (c) MEP ALASKA investors would be kept up-to-date on a quarterly basis on MEP ALASKA's income, distributions, fees incurred, and overall financial strength,
  - (d) MEP ALASKA investors would have easy access to MEP ALASKA's financial books and supporting documents, and
  - (e) MEP ALASKA would pay back to MORTON ZINBERG no later than October 31, 2014 the full \$100,000.00 he loaned to the company

were false; and MEP ALASKA knew at the time the statements were made that the statements were false.

70. MEP ALASKA intended that Plaintiffs would be induced into action by relying upon the statements of fact made to them by MEP ALASKA.

71. In the course of investing their money with MEP ALASKA and entrusting MEP ALASKA to properly allocate those funds to meet MEP ALASKA's corporate operating needs, Plaintiffs reasonably and justifiably relied on the statements of fact made to them by MEP ALASKA.

72. As a direct and proximate result of Plaintiffs' reliance on the statements made to them by MEP ALASKA, Plaintiffs have suffered damage.

73. ELAINE ZINBERG has rescinded the ZINBERG Subscription Agreement and has notified MEP ALASKA of same.

74. To the extent ELAINE ZINBERG has received from MEP ALASKA any benefits through the ZINBERG Subscription Agreement -- though none are known to her at this time -- she hereby offers to restore those benefits to MEP ALASKA.

75. AARON GRUSHKO has rescinded the GRUSHKO Subscription Agreement and has notified MEP ALASKA of same.

76. To the extent AARON GRUSHKO has received from MEP ALASKA any benefits through the GRUSHKO Subscription Agreement -- though none are known to him at this time -- he hereby offers to restore those benefits to MEP ALASKA.

WHEREFORE, Plaintiffs MORTON ZINBERG, an individual; ELAINE ZINBERG, an individual; and AARON GRUSHKO, an individual; demand entry of a judgment against Defendant MEP ALASKA, LLC, a Delaware limited liability company; for an amount within the jurisdictional limits of this court, including an award of interest, attorneys' fees, and costs; and further demand rescission of the ZINBERG Subscription Agreement and the GRUSHKO Subscription Agreement.

**COUNT V – BREACH OF FIDUCIARY DUTIES**  
**[BY ELAINE ZINBERG AGAINST MEP ALASKA]**

Plaintiffs re-allege, and adopt by reference herein, Paragraphs 1 - 55 above, and further allege:

77. ELAINE ZINBERG and MEP ALASKA shared a relationship whereby:

- (a) ELAINE ZINBERG reposed trust and confidence in MEP ALASKA, and
- (b) MEP ALASKA undertook such trust and assumed a duty to advise, counsel and/or protect ELAINE ZINBERG.

78. MEP ALASKA owed ELAINE ZINBERG a fiduciary duty to, among other things:

- (a) Disclose to ELAINE ZINBERG all material information pertaining to her investment in the company; and
- (b) Refrain from making false statements or creating misimpressions of material fact as they relate to ELAINE ZINBERG's investment in MEP ALASKA.

79. MEP ALASKA breached its duty to ELAINE ZINBERG.

80. As a direct and proximate result of ELAINE ZINBERG's reliance on the statements made to her by MEP ALASKA, ELAINE ZINBERG has suffered damage.

WHEREFORE, Plaintiff ELAINE ZINBERG, an individual, demands entry of a judgment against Defendant MEP ALASKA, LLC, a Delaware limited liability company; for an amount within the jurisdictional limits of this court, including an award of interest, attorneys' fees, and costs.

**COUNT VI – BREACH OF FIDUCIARY DUTIES**  
**[BY AARON GRUSHKO AGAINST MEP ALASKA]**

Plaintiffs re-allege, and adopt by reference herein, Paragraphs 1 - 55 above, and further allege:

81. AARON GRUSHKO and MEP ALASKA shared a relationship whereby:

- (a) AARON GRUSHKO reposed trust and confidence in MEP ALASKA, and
- (b) MEP ALASKA undertook such trust and assumed a duty to advise, counsel and/or protect AARON GRUSHKO

82. MEP ALASKA owed AARON GRUSHKO a fiduciary duty to, among other things:

- (a) Disclose to AARON GRUSHKO all material information pertaining to his investment in the company; and
- (b) Refrain from making false statements or creating misimpressions of material fact as they relate to AARON GRUSHKO's investment in MEP ALASKA.

83. MEP ALASKA breached its duty to AARON GRUSHKO.

84. As a direct and proximate result of AARON GRUSHKO's reliance on the statements made to him by MEP ALASKA, AARON GRUSHKO has suffered damage.

WHEREFORE, Plaintiff AARON GRUSHKO, an individual, demands entry of a judgment against Defendant MEP ALASKA, LLC, a Delaware limited liability company; for an amount within the jurisdictional limits of this court, including an award of interest, attorneys' fees, and costs.

**COUNT VII – CONVERSION**  
**[BY ALL PLAINTIFFS AGAINST MEP ALASKA]**

Plaintiffs re-allege, and adopt by reference herein, Paragraphs 1 - 55 above, and further allege:

85. Plaintiffs transferred funds to MEP ALASKA for investment, and as a loan, in an amount of \$1,100,000.00.

86. MEP ALASKA has kept Plaintiffs' money (including all profits) after Plaintiffs requested its return, despite MEP ALASKA's lack of any ownership interest in the money and despite MEP ALASKA's agreement in writing to compensate Plaintiffs in accordance with a distribution payment schedule, devised by MEP ALASKA itself.

87. By refusing to return to Plaintiffs their money (including all profits to which Plaintiffs are entitled) -- except for the Fifty Thousand Dollars (\$50,000.00) that has been returned to Plaintiff MORTON ZINBERG -- MEP ALASKA intended to interfere with, and indeed has interfered with, Plaintiffs' ownership and interest in the money and has deprived Plaintiffs of their property, permanently or temporarily.

88. Upon information and belief, MEP ALASKA has utilized Plaintiffs' capital to, *inter alia*, cover MEP ALASKA's own business expenses and allow MANNING to enrich himself and companies he owned or controlled.

89. As a result of MEP ALASKA's conversion of Plaintiffs' money to its own corporate and personal use, Plaintiffs have suffered damage.

WHEREFORE, Plaintiffs MORTON ZINBERG, an individual; ELAINE ZINBERG, an individual; and AARON GRUSHKO, an individual; demand entry of a judgment against Defendant MEP ALASKA, LLC, a Delaware limited liability company; for an amount within the jurisdictional limits of this court, including an award of interest, attorneys' fees, and costs.

**COUNT VIII – CIVIL CONSPIRACY**  
**[BY ALL PLAINTIFFS AGAINST ALL DEFENDANTS]**

Plaintiffs re-allege, and adopt by reference herein, Paragraphs 1 - 55 above, and further allege:

90. Defendants conspired with one another to perpetrate an unlawful act upon Plaintiffs or to perpetrate a lawful act by unlawful means, *to wit*: they made multiple misrepresentations of fact to Plaintiffs in an effort to extract from Plaintiffs investment capital to fund the corporate defendants' and MANNING's personal financial interests, not the corporate purpose to which Plaintiffs were told



by Defendants that their investment principal was being applied – all of which put Defendants’ own pecuniary interest ahead of Plaintiffs’ welfare and economic safety.

91. Defendants solicited and/or accepted from Plaintiffs large sums of investment funds while withholding from Plaintiffs certain material facts, including:

- (a) MEP ALASKA had no intent to provide ELAINE ZINBERG shares of ownership that represented any real value for her;
- (b) MEP ALASKA had no intent to provide AARON GRUSHKO shares of ownership that represented any real value for him;
- (c) MEP ALASKA had no intent to satisfy the payment obligations MEP ALASKA undertook when entering into the Subscription Agreement with ELAINE ZINBERG;
- (d) MEP ALASKA had no intent to satisfy the payment obligations MEP ALASKA undertook when entering into the Subscription Agreement with AARON GRUSHKO;
- (e) MEP ALASKA had no intent to satisfy the payment obligations MEP ALASKA undertook when entering into the Bridge Promissory Note with MORTON ZINBERG;
- (f) MEP ALASKA did not possess the assets in which the investors were being asked to subscribe -- assets that were necessary for MEP ALASKA to actually operate the business on which it sold Plaintiffs to secure their funds; and
- (g) Defendants were aware, yet self-servingly ignored and withheld from Plaintiffs, that a key member of the MEP ALASKA team (Gershon Barkany) had a disreputable background which, had that information been disclosed, would have discouraged Plaintiffs from investing any money with MEP ALASKA.

92. All Defendants agreed to the illicit purpose for garnering investment monies from Plaintiffs so that the individual defendants could enjoy lavish lifestyles with Plaintiffs’ money.

93. Defendants were each aware of, and consented to, the misrepresentations detailed above and knew that the efforts to raise capital from Plaintiffs was all part of a fraud aimed solely at enriching themselves without any intent to issue common stock or remunerate Plaintiffs in any way.

94. In furtherance of their conspiracy, Defendants made to Plaintiffs, or agreed to have someone make on their behalf, the false statements of fact detailed above and purposefully withheld

from Plaintiffs certain material facts detailed above in a concerted effort to obtain Plaintiffs' investment funds. As noted above, MANNING falsely verified to several investors the legitimacy of the project and the investment.

95. MEP ALASKA conducted no legitimate business -- something of which the MANNING was aware and which he accepted as part of the scheme to defraud investors, including Plaintiffs.

96. As a direct and proximate result of Defendants' conspiracy, Plaintiffs have suffered damage.

WHEREFORE, Plaintiffs MORTON ZINBERG, an individual; ELAINE ZINBERG, an individual; and AARON GRUSHKO, an individual; demand entry of a judgment against Defendants MAGNUM ENERGY PARTNERS, LLC, a Delaware limited liability company; MEP ALASKA, LLC, a Delaware limited liability company; and TERRENCE MANNING, an individual; for an amount within the jurisdictional limits of this court, including an award of interest, attorneys' fees, and costs.

#### **PLAINTIFFS' DEMAND FOR JURY TRIAL**

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, Plaintiffs demand trial by jury in this action of all issues so triable.

#### **RESERVATION OF RIGHTS**

Plaintiffs reserve their right to further amend this Complaint, upon completion of their investigation and discovery, to assert any additional claims for relief against Defendants or other parties as may be warranted under the circumstances and as allowed by law.

Respectfully submitted,

**THE BRAUNSTEIN LAW FIRM, PLLC**

By: Michael L. Braunstein

Michael L. Braunstein  
3 Eberling Drive  
New City, New York 10956  
Telephone: (845) 642-5062  
E-mail: [mbraunstein@braunsteinfirm.com](mailto:mbraunstein@braunsteinfirm.com)

- and -

**SILVER LAW GROUP**

Jason S. Miller [*Pro-Hac* application to be filed]  
11780 W. Sample Road  
Coral Springs, Florida 33065  
Telephone: (954) 755-4799  
E-mail: [JMiller@silverlaw.com](mailto:JMiller@silverlaw.com)

*Attorneys for Plaintiffs*

Dated: November 15, 2016