

Marco Molina  
Shaia A. Stambuk  
Baker Hostetler LLP  
600 Anton Boulevard, Suite 900  
Costa Mesa, CA 92626-7221  
Telephone: (714) 754-6600  
Facsimile: (714) 754-6611  
Email: [mmolina@bakerlaw.com](mailto:mmolina@bakerlaw.com)  
[sstambuk@bakerlaw.com](mailto:sstambuk@bakerlaw.com)

Bradley S. Pensyl  
Justin Ormand  
Baker Hostetler LLP  
45 Rockefeller Plaza  
New York, NY 10111  
Telephone: (212) 589-4200  
Facsimile: (212) 589-4201  
Email: [bpensyl@bakerlaw.com](mailto:bpensyl@bakerlaw.com)  
[jormand@bakerlaw.com](mailto:jormand@bakerlaw.com)

Samidh Guha  
Venable LLP  
151 W 42nd St,  
New York, NY 10036  
Telephone: (212) 307-5500  
Facsimile: (212) 307-5598  
Email: [sguha@Venable.com](mailto:sguha@Venable.com)

*Attorneys for Claimants,  
Derivatively on behalf of Pelorus Capital Fund, LLC*

**AMERICAN ARBITRATION ASSOCIATION**

KIRNIC, LCC, R, STEPHEN, LLC, B&M  
CAPITAL, LLC, 1997 BRAD DENIS  
PENNINGTON REVOCABLE TRUST, EJB  
ROTH, LLC AND TRAVIS GOAD,  
derivatively on behalf of  
nominal defendant PELORUS FUND, LLC,

Claimants,

vs.

DANIEL LEIMEL, JR., JAMES ROBERT  
SECHRIST, ETHAN LEIMEL, LOST WINDS  
CAPITAL, INC., JRS CAPITAL USA, INC., and  
PELORUS CAPITAL GROUP LLC,

Respondents, and

PELORUS FUND, LLC,

Nominal Respondent

Case No.

**DEMAND FOR ARBITRATION**

Claimants KIRNIC, LCC, R, STEPHEN, LLC, B&M CAPITAL, LLC, 1997 BRAD DENIS PENNINGTON REVOCABLE TRUST, EJB ROTH, LLC and TRAVIS GOAD, by and through their attorneys, bring this arbitration derivatively on behalf of Pelorus Fund, LLC (the “Fund”) against Respondents James Robert Sechrist (“Sechrist”), Daniel Leimel Jr. (“Leimel”), Ethan Leimel,<sup>1</sup> Lost Winds Capital, Inc. (“Lost Winds”), JRS Capital USA, Inc. (“JRS Capital”), and Pelorus Capital Group, LLC (the “General Partner”). In support thereof, Claimants state as follows:

### **NATURE OF THE ACTION**

1. This derivative action is made necessary because the Fund’s managers, Respondents Leimel and Sechrist—and the entity they control, Pelorus Capital Group, LLC (which serves as the general partner of the Fund)—have engaged in a scheme to rob value from the Fund for the purpose of enriching themselves, at the expense of the Fund’s approximately 1,000 limited investors. Specifically, Leimel and Sechrist covertly misappropriated \$52 million in Fund capital and loaned it out to other companies that they control and own (either in whole or part). Rather than abide by their fiduciary and contractual duties, Leimel and Sechrist made these secret related party loans to themselves while concealing their ownership interests from investors. Respondents then modified and upsized these loans without submitting them to the loan review process and underwriting standards mandated by the Fund’s operating agreement, without disclosing their self-dealing, without submitting such loans to investor committee review, and without obtaining majority approval for the investments from the Fund’s members.

2. These unlawful loans were uniquely disadvantageous to the Fund’s investors in a multitude of ways. Their terms were off-market, inconsistent with the underwriting standards of the Fund, and one-sided in favor of the borrowers controlled by Leimel and Sechrist. Unlike the other loans in the Fund’s portfolio, Leimel and Sechrist made these loans to themselves on a non-

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<sup>1</sup> As used in this demand for arbitration, the term “Leimel” refers to Daniel Leimel only and excludes Ethan Leimel. Similarly, the use of “Respondents” collectively refers to all Respondents other than Ethan Leimel, except where otherwise noted.

recourse basis and invested no (or de minimis) personal capital into these properties. The loan to cost ratio for Respondents' self-serving loans dramatically deviated from the Fund's underwriting policies and other investments. Moreover, Respondents misappropriated millions of dollars of investor money to pay raw profit to general contractors owned by their business partners and friends. In no other loan in the Fund's history has Fund capital been used for the payment of profit and fees to a borrower's affiliated general contractor.

3. Leimel and Sechrist managed to keep their misconduct a secret until early 2022, when the only non-conflicted member of the general partnership and other Fund personnel uncovered (through their own diligence) the existence of one relatively small related party loan. Upon making that discovery, the non-conflicted member raised the issue with the Fund's outside counsel Alston & Bird ("Fund Counsel"). Collectively, the non-conflicted member, along with other Pelorus personnel immediately began probing the issue and asking questions. Those questions spurred three years' worth of misstatements, lies, and obfuscation by Leimel and Sechrist, whereby they tried desperately to conceal their wrongful self-dealing; hide the existence, size, and terms of the loans they made; and prevent the Fund's investors from discovering the facts.

4. Throughout this time, Leimel and Sechrist refused repeated demands to disclose the related party loans to the Fund's investors, refused to report such loans to the Fund's auditors, circumvented and ignored the procedures set by the independent committee put in place to address the related-party loans, and obstructed the non-conflicted member's best efforts to diligence the transactions and rectify the situation for investors.

5. When confronted, Leimel and Sechrist responded by circling their proverbial wagons. Indeed, Respondents resorted to extreme measures to prevent the Fund's investors from learning of their misdeeds. After an independent committee was established at the recommendation and direction of Fund Counsel to address the related party loans, the committee demanded that curative actions be taken to protect investors. Respondents did not listen. Instead, in an effort to prevent further investigation and discovery of their wrongdoing, Respondents terminated the law firm retained to guide the independent committee and responsible for the

recommendations to cure the conflict. On top of eliminating the threat of disclosure by the Fund's professional advisors, Respondents also purported to expel the only non-conflicted member from the General Partnership and the Fund in retaliation for his efforts to shed light on their wrongdoing and take corrective actions for the benefit of the Fund.

6. Worse still, when faced with the prospect of defaulting on the loans they took from the Fund, Respondents took tens of millions of additional dollars out of the Fund and loaned it to themselves to service their debts. Respondents hoped to buy enough time to give themselves enough runway to finish construction and sell the properties to repay the loans before investors of the Fund were any wiser. But Leimel and Sechrist lost that bet with money they were not entitled to use for these self-serving purposes.

7. At the same time Respondents were siphoning money out of the Fund to prop up their failing personal projects, Respondents also issued an edict gating the Fund in full and preventing investors from redeeming any of their capital. Prior to doing so, Leimel took unlawful action to ensure that the investor gate that he was planning did not impact his own personal liquidity. In the months immediately leading up to the gate—when Respondents knew the gate was coming and no other investor did—Leimel took a significant amount of his invested capital out of the Fund.

8. Respondents' conspiracy to defraud the Fund's investors has now unraveled, as their related entities have defaulted on \$46,000,000 of the loans Respondents made to themselves. The magnitude of the harm that Respondents have inflicted on the very investors whose interests they are contractually and legally bound to serve is immense: the related party loans constitute approximately 13% of the Fund's total assets under management.

9. Each day that Respondents remain in place as manager of the Fund further imperils the Fund's investors. The Fund currently has \$48,000,000 of exposure to the unlawful loans that Respondents made to themselves on properties that are underwater. Respondents' historical pattern of self-serving misconduct demonstrates that they cannot remain in charge of the Fund and that they are unable to discharge their fiduciary duties to investors with respect to managing the

existential threat they have caused to the Fund with their self-dealing. Respondents have repeatedly misappropriated investor funds to benefit themselves at the expense of the Fund and to conceal their wrongdoing.

10. Respondents provided no substantive explanation for the related party loans to the Fund investors. Respondents refused to share the independent Conflict Committee reports and analysis to the Fund investors. Respondents refused to provide a list of Fund investors that would enable open and transparent communication among the investors. Instead, Respondents pivoted in an act of self-preservation and orchestrated a spinoff of valuable Fund assets into a new entity.

11. At the end of July 2025, Respondents submitted a consent solicitation to the Fund's investors, seeking their approval of Respondents' proposed spinoff transaction. In Respondents' campaign to win the majority approval for the spinoff transaction required by the Fund's Operating Agreement, Respondents painted a rosy financial picture for the Fund and touted their own management capabilities. At the same time, and in the midst of the limited partners' voting window for the spinoff (i) Respondents caused the Fund to go into default on a \$2.5 million loan that Respondents had guaranteed in the name of the Fund, (ii) Respondents Leimel and Sechrist went into default on a combined \$5.3 million of loans that they personally guaranteed, and (iii) Respondents Lost Winds and JRS Capital went into default on a \$2.8 million loan that they guaranteed. Respondents concealed these important facts from Fund investors throughout the voting period.

12. Respondents apparently used some of the proceeds of the now defaulted loans to make hush money payments to an investor who had threatened legal action after learning of some of Respondents' wrongdoing. As Respondents Sechrist and Leimel themselves confirmed to a former member of the General Manager, Respondents redeemed that investor's interests in the Fund to settle the claims and silence him with a non-disclosure agreement. Meanwhile, all of the other investors of the Fund have had their investments frozen for more than two years by the gate instituted by Respondents. Knowing that investors would be dismayed by this information, Respondents concealed it from them.

13. Each of the loans described in paragraph 11 remain in default, leading the lender to commence litigation for non-payment against the Fund and Respondents Sechrist, Leimel, Lost Winds and JRS Capital. Respondents have now embroiled the Fund and themselves in at least six formal legal proceedings with Respondents' investors, advisors and business partners. Collectively, the proceedings shed a bright light on Respondents' inaptitude to serve as a fiduciary of investor assets.

14. It also now appears that Respondents received other bids for Fund assets prior to the spinoff vote, and that such bids presented a more attractive alternative for investors. Here again, Respondents acted to avoid any perceived obstacle to the spinoff proposal and hid this crucial fact from investors too.

15. Because of Respondents' deceit, the spinoff vote was successful. From all that appears, the driving purpose of the spinoff was for Respondents to name themselves as managers of the new entity and create additional and unnecessary management fee income for themselves. There is no dispute that Respondents did not disclose the memorandum describing the independent Conflict Committee analysis of their self-dealing loans, their defaulted loans or alternative liquidation bids to Fund investors prior to the vote, information all of which was material and relevant to an informed decision by any Fund investor.

16. Respondents cannot be permitted to run roughshod over the interests of the Funds' investors any longer. It is time for them to go. And it is time for them to pay for the harms they have caused the Fund.

17. On behalf of the investors of the Fund, Claimants bring this arbitration to remove Respondents as managers, and to recover monetary damages and other equitable relief needed to remedy the breaches of contract and fiduciary duty, unjust enrichment, fraud, and other injuries caused to the investors by Respondents' wrongful and deceptive acts.

#### **ARBITRABILITY**

18. The claims asserted in this case are subject to arbitration pursuant to Section 8.3 of the Third Amended and Restated Limited Liability Company Operating Agreement of Pelorus

Fund, LLC dated October 1, 2021 (the “Fund Operating Agreement”), which is attached as Exhibit 1. That provision provides that “[a]ny dispute under this Agreement will be resolved under the then prevailing rules of the American Arbitration Association in the county of the Company’s principal place of business.”

19. In addition, the subscription agreements that govern each Claimants’ investment in the Fund contain similar arbitration provisions.

20. The Company is headquartered and maintains its principal place of business at 124 Tustin Ave. #200, Newport Beach, California 92663. Under the terms of the above-referenced arbitration clause, Newport Beach, California will be the seat of arbitration. Claimants’ claims are governed by California law.

## **THE PARTIES**

### **A. CLAIMANTS**

21. All of the Claimants are investors and members of Pelorus Fund, LLC. At all relevant times, all Claimants were members and held membership interests in the Fund.

22. Claimant Kirnic, LLC is a Georgia limited liability company with its principal place of business located at 738 Yasha Ct, Alpharetta, Georgia 30005.

23. Claimant R. Stephen, LLC is a Florida limited liability company with its principal place of business located at 10 Kiowa Court, Portola Valley, California 94028.

24. Claimant B&M Capital, LLC is a Georgia Limited Liability Company located at 1873 Falling Sky Ct., Brookhaven, Georgia 30319 .

25. Claimant 1997 Brad Denis Pennington Revocable Trust is a California trust located at 103 Ann Arbor Drive, Los Gatos, California 95032.

26. Claimant EJB Roth, LLC is a District of Columbia limited liability company with its principal place of business located at 5600 Wisconsin Ave., Chevy Chase, Maryland 20815.

27. Claimant Travis Goad is an individual residing at 6917 Collins Avenue, Miami Beach, Florida 33141.

28. Claimants bring this arbitration derivatively for the benefit of Pelorus Fund, LLC to redress injuries suffered, and to be suffered, by Pelorus Fund, LLC as a direct result of Respondents' conduct.

## **B. RESPONDENTS**

29. Nominal Respondent Pelorus Fund, LLC ("Pelorus" or the "Fund") is a California limited liability company with its principal place of business located at 124 Tustin Ave. #200, Newport Beach, California 92663. The Fund offers membership interests to (i) originate, make, purchase, or otherwise acquire, manage, and/or sell loans secured by interests in real or personal property, including properties operating in the cannabis industry throughout the United States; and (ii) acquire, manage, remodel, develop, lease, repair and/or sell real estate throughout the United States.

30. Respondent Pelorus Capital Group, LLC ("PCG" or the "General Manager"), which previously operated as Pelorus Management Group, LLC, is a California limited liability company with its principal place of business located at 124 Tustin Ave. #200, Newport Beach, California 92663. The applicable operating agreement for the General Manager is the Amended and Restated Limited Liability Operating Agreement of Pelorus Capital Group, LLC dated January 3, 2023 (the "GP Operating Agreement"), which is attached hereto as Exhibit 2.

31. Respondent Daniel Leimel, Jr. is an individual residing at 108 Via Plumosa, San Clemente, California 92673.

32. Respondent Ethan Leimel is an individual residing or conducting business at 124 Tustin Ave., Suite 200, Newport Beach, California 92663.

33. Respondent James Robert Sechrist is an individual residing at 316 Cedar Street, Newport Beach, California 92663. Sechrist is the sole signatory of the Fund Operating Agreement, which he signed in his capacity as manager of the General Manager.

34. Respondent Lost Winds Capital, Inc. ("Lost Winds") is a California corporation with its principal place of business at 124 Tustin Ave. #200, Newport Beach, California 92663.

35. Respondent JRS Capital USA, Inc. (“JRS”) is a California corporation with its principal place of business at 124 Tustin Ave. #200, Newport Beach, California 92663.

### **FACTUAL ALLEGATIONS**

#### **A. The Governing Fund Documents and Respondents’ Legal Duties to Investors**

36. As the General Manager of the Fund, Respondent PCG manages, directs and exercises control over the Fund. Under California law, PCG owes fiduciary duties, including the duties of loyalty and care, to the Fund and the Fund’s investors. As disclosed in the Private Placement Memorandum for the Fund dated January 1, 2021 (which is attached hereto as Exhibit 3) (“PPM”), the General Manager “is generally accountable to the Company as a fiduciary, which means that the Manager is required to exercise good faith and integrity with respect to Company affairs and sound business judgment.” Ex. 3 at 30. The PPM further represents to investors that the investors in the Fund can “rely on the good faith and integrity of the Manager” to comply with its legal and fiduciary duties. *Id.*

37. As disclosed in the PPM, Respondent Leimel is a principal, officer, and director of the General Manager. Ex. 3 at 30. Leimel is also a Founder Member of the General Manager and the chair of the Investment Committee of the Fund. Leimel’s wholly-controlled entity and alter ego, Lost Winds, is a Founder Member, Principal, and Manager of the General Manager. Acting on his own behalf and through his alter ego, Lost Winds, Leimel (together with Sechrist) manages, directs and controls the Fund. Under California law, Leimel owes fiduciary duties, including the duties of loyalty and care, to the Fund and the Fund’s investors.

38. Respondents Lost Winds is wholly-controlled by Respondent Leimel. Lost Winds is a Principal and General Manager of the General Partnership and, in this capacity, manages, directs and exercises control over the Fund. Under California law, Lost Winds owes fiduciary duties, including the duties of loyalty and care, to the Fund and the Fund’s investors.

39. As disclosed in the PPM, Respondent Sechrist is a principal, officer, and director of the General Manager. Ex. 3 at 30. Sechrist is also Founder Member of the General Partnership. Sechrist’s wholly-controlled entity and alter ego, JRS, is a Founder Member, Principal, and

Manager of the General Partnership. Acting on his own behalf and through his alter ego, JRS, Sechrist (together with Leimel) manages, directs and controls the General Partnership and the Fund. Under California law, Sechrist owes fiduciary duties, including the duties of loyalty and care, to the Fund and the Fund's investors.

40. Respondent JRS is wholly-controlled by Respondent Sechrist. JRS is a Principal and General Manager of the General Partnership and, in this capacity, manages, directs and exercises control over the Fund. Under California law, JRS owes fiduciary duties, including the duties of loyalty and care, to the Fund and the Fund's investors.

41. Section 5.5(a) of the Fund Operating Agreement provides that the Fund managers "shall have fiduciary responsibility for the safekeeping and use of all funds and assets of the Company, whether or not in the Manager's possession or control. Except, as expressly permitted herein, or by subsequent approval of the Members, the Manager shall not employ, or permit another to employ Company funds or assets in any manner except for the exclusive benefit of the Company or in the ordinary course of the Company's business." Exhibit 1 § 5.5.

42. Section 5.5(b)(1) of the Operating Agreement provides that "[t]he Manager shall exercise its rights and discharge its duties under this Agreement and the Act in a manner consistent with the contractual obligation of good faith and fair dealing."

43. Section 5.5(d) of the Operating Agreement bars managers from engaging in related-party transactions where the terms of such deals are inferior to those that "could be obtained from an unaffiliated third party in a similar transaction or an unaffiliated third-party service provider providing comparable services, in each case as determined in good faith by the Manager."

44. Section 5.4 of the Operating Agreement specifically provides that the Company "may not take any action with respect to ... a transaction, not expressly permitted or contemplated by this Agreement or the Memorandum, involving a conflict of interest between the Manager and the Company" without the approval of the Members holding a majority of the issued and outstanding Membership Interests.

## **B. Discovery of the Related Party Loans**

45. In late 2021 or early 2022, the then third, and only non-conflicted member of PCG, TGCA PEL LLC (the “Non-Conflicted Member” or “NCM”), and other PCG staff discovered that Respondents Leimel and Sechrist held an undisclosed personal ownership in an investment worth approximately \$6,000,000 that utilized Fund investor capital (each such loan that Respondents made to themselves being a “Related Party Loan” or “RPL”).

46. Leimel and Sechrist were barred from making such a loan to themselves without disclosing it to investors, obtaining approval for it from a majority of Fund investors, and complying with the underwriting and loan review process required by the governing Fund documents. Respondents did none of the things they were legally bound to do. They made no disclosures to investors about their respective and collective interests in this RPL, they did not submit the RPL to the Pelorus loan review process mandated by the governing Fund documents, and they did not obtain majority investor approval. Instead, they took affirmative steps to keep their self-dealing a secret.

47. When confronted by the Non-Conflicted member, Leimel and Sechrist promised to satisfy this loan in full by the Summer of 2022. Respondents further promised that they would never again use investor funds for personal projects in the future. Those promises went unfulfilled. In fact, as described in detail below, Leimel and Sechrist did the opposite of what they promised to do and proceeded to take more investor capital from the Fund to loan to themselves.

48. Notably, when this issue was first discovered and raised by the NCM and brought to Fund Counsel, Leimel and Sechrist unlawfully concealed the critical fact that they had used the Fund investment to make additional loans to other companies they owned and controlled.

49. In late 2022, Leimel and Sechrist secretly began upsizing related party loans, including the three previously undisclosed loans, outside of the normal credit committee processes and without disclosing it to the NCM. Ultimately, these wrongful transactions increased the aggregate amount of Fund investment that Respondents loaned to themselves to \$52 million dollars across four loans.

50. The Non-Conflicted Member and other PCG personnel then began conducting due diligence to review the RPLs to the best of their ability using the information that was available to them. Because of Respondents' deception, the information available to PCG personnel was limited to what was accessible from the Fund's general files. Notwithstanding Respondents' efforts to conceal the extent of their self-dealing, PCG personnel were able to learn additional deeply troubling facts.

51. Specifically, Respondents had hidden multiple additional, and much larger, RPLs. As with the first loan, Sechrist and Leimel failed to adhere to the Fund's governing disclosure and loan approval procedures. Despite their promises to never use investor funds for personal projects, due diligence revealed that Leimel and Sechrist instead took out even more Fund capital to extend to themselves without adhering to the required underwriting process, Fund investment committee review, or other standard Pelorus investment protocols, including disclosure to investors.

52. The Non-Conflicted Member and the Fund's then-CFO escalated concerns about the Related Party Loans to Fund Counsel, emphasizing the need for Sechrist and Leimel to be recused from decision-making and outlining proposed steps to protect investors. Nevertheless, Sechrist and Leimel refused to take any action at that time.

### **C. Respondents' Violation of the Related Party Transactions Policy**

53. In January or February of 2023, Fund Counsel determined that Sechrist and Leimel were conflicted and should be removed from any and all decision-making on the Related Party Loans. Accordingly, Fund Counsel proposed the adoption of a Related Party Transactions Policy and the creation of a Conflicts Committee to address these four Related Party Loans, with TGCA PEL LLC to act as the sole non-conflicted member of the committee.

54. Deflecting the concerns raised by the NCM about the RPLs, Leimel and Sechrist stonewalled the establishment of the Conflicts Committee and the corresponding policy—each of which were essential to protect the Fund's investors—for two months. Leimel and Sechrist orchestrated this delay so they could misappropriate even more Fund money while evading scrutiny by the Conflicts Committee.

55. During this same January-February 2023 period of time, the NCM discovered that Respondents were on the verge of a payment default on one of the RPLs and were scheming to avoid detection by lending more Fund capital to themselves to service their debt to the Fund and to cover construction cost overruns. The NCM repeatedly urged Leimel and Sechrist to adopt and follow the Related Party Policy prior to entering into any modification of this loan or extending any Fund investment to themselves. The NCM also recommended multiple modifications to the terms of this loan that were required in order to bring it closer to market standard and in line with the Fund's other investments.

56. Seeking to extend more money to themselves regardless of what the Conflicts Committee or NCM found, or what protecting the interests of the Fund's investors required, Leimel and Sechrist delayed the implementation of the Conflicts Committee and went ahead with their loan modification. In doing so, Leimel and Sechrist rejected the majority of the NCM's recommendations, but did agree to implement some smaller set of modifications. Later, however, Leimel and Sechrist changed the terms approved by the NCM, and, acting as both borrower and lender, made a more favorable deal to themselves using Fund money.

57. Moreover, despite being fully aware that this property was worth significantly less than the amounts they loaned to themselves, Leimel and Sechrist falsely represented to the NCM at this time that (i) they had multiple buyers lined up to purchase these properties at prices above the debt amount, (ii) all RPLs would be fully repaid no later than the end of the Summer of 2023, (iii) investors of the Fund would be repaid in full, and (iv) there would be nothing for the Conflicts Committee to do in the future because the RPLs would be fully repaid. As it turned out, all of Leimel and Sechrist's promises were untrue.

58. Finally, on April 5, 2023 and after months of delay, Leimel and Sechrist, as controllers of the Fund, adopted the Related Party Transaction Policy (the "Policy"), a copy of which is attached as Exhibit 4. Among other things, the Policy barred Leimel and Sechrist from reviewing Related Party Transactions. That review was only to be performed by the NCM. The Policy also required that Leimel and Sechrist take basic steps to protect the Fund from liability and

regulatory problems by disclosing all Related Party Transactions in the Company’s annual audited financial statements and in its annual report to the members.

59. The Policy also provided that no Related Party Transaction was to be executed or continued without approval and ratification by the Conflicts Committee. Specifically, the Policy provides that a “Related Party Transaction may be consummated or shall continue only if the Conflicts Committee shall approve or ratify such transaction in accordance with the guidelines set forth in the Policy.” Ex. 3.

60. In addition, Section D of the Policy provides:

After the adoption of this Policy, if the Company becomes aware of a Related Party Transaction that has occurred but was not evaluated under this Policy, the matter shall be reviewed by the Conflicts Committee.

The Conflicts Committee will consider all of the relevant facts and circumstances regarding the Related Party Transaction, including the items listed above, and will evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction.

*Id.*

61. The Policy further vests authority in the Conflicts Committee to examine the facts and circumstances pertaining to the Related Party Transaction and to take such action as it deems appropriate.

#### **D. Leimel and Sechrist begin Defaulting on the Related Party Loans**

62. Following the adoption of the Policy in April 2023, and given the timeline Respondents provided (end of Summer 2023), the NCM repeatedly reached out to Respondents in an effort to obtain information about the RPLs. Leimel and Sechrist stalled. Fund Counsel, presumably under pressure from Respondents, also declined to pursue its prior recommendations.

63. By mid-October, the Conflicts Committee of the Fund was officially established and positioned to review and make decisions with respect to the RPLs. The Policy empowered the Committee to evaluate the RPLs and develop solutions to rectify the issues and damage they caused.

64. Acting as controllers and managers of the Fund, Leimel and Sechrist appointed TGCA PEL LLC as the sole, non-conflicted member of the Conflicts Committee. Respondents also authorized the retention of Greenspoon Marder as independent legal counsel to advise the Conflicts Committee.

65. After months of deflecting the NCM's demands for an update on the RPLs, Sechrist and Leimel finally agreed to sit down for a Conflicts Committee meeting in October 2023. It was at this October 2023 meeting that the magnitude of Respondents' misconduct began to come to light. Despite having reassured the NCM several months earlier that buyers were lined up for the property securing one of the RPLs (referred to on the Fund's books as the "Morongo II" loan), Leimel and Sechrist now conceded that this representation was false. As it turns out, Respondents never had a single buyer interested in purchasing the property units securing the Morongo II loan at values above the debt.

66. Making matters worse, Leimel and Sechrist disclosed for the first time that such properties were deeply underwater. Leimel and Sechrist also disclosed for the first time that they were in imminent danger of a payment default on the Morongo II loan.

67. At this meeting, Leimel and Sechrist proposed a self-serving path forward for that loan that involved taking more capital out of the Fund to avoid payment default and conceal losses. Specifically, Respondents proposed to divert an additional \$15 million of Fund money to increase the size of the Morongo II Loan from \$25 million to \$40 million. Their motive was transparent: they sought to continue to throw good investor money after bad and fund additional interest payments to conceal the fact that they could not service the debt themselves. This proposed use of an additional \$15,000,000 of investor funds to cover up the Related Party Loan defaults was rejected by the Conflicts Committee. The Morongo II loan then entered payment default in November 2023.

68. In addition, dating back to the discovery of the Related Party Loans in 2022 and throughout the next seven months, Fund Counsel, the NCM and the Fund's CFO repeatedly implored Leimel and Sechrist to disclose these transactions to the Fund's investors. As they

stressed to Respondents, disclosure to the Fund’s auditors was required. Respondents delayed making any such disclosure for nearly a year. Finally exasperated by Respondents’ continued unlawful self-dealing and refusal to fulfil their duties of disclosure, the Fund’s CFO resigned in November 2023. The Fund’s CFO specifically cited as the reason for his resignation Leimel and Sechrist’s failure to take action to address their self-dealing and make the necessary disclosures to the Fund’s investors and auditors.

#### **E. The Fund is Gated**

69. Meanwhile in this same November 2023 time period, Leimel and Sechrist announced to investors that they had made the decision to gate the Fund. As a result, investors have been prevented from redeeming their investments from that point until now. Notably, Respondents delayed making any disclosure of the RPLs until after they gated the funds, as they sought to avoid the risk that such disclosure would spur investors to redeem their investments.

70. In the months immediately leading up to Respondents’ decision to gate investor funds, Leimel redeemed significant amounts of his own invested capital from the Fund.

71. Then, after Respondents gated the Fund, one of the Fund investors became aware of the RPLs and threatened litigation against Respondents. Respondents mobilized to extinguish the threat that this investor would expose Respondents’ misconduct through litigation and in discussions with other investors. Specifically, while barring all other limited partners of the Fund from accessing any portion of their invested capital, Respondents redeemed all of the interests held by this particular investor in exchange for a release and non-disclosure agreement. Respondents did this at a time when many investors had requested to redeem their investments long before the investor who was paid off. Respondents have never disclosed any of these facts to the Fund’s investors, who have been unable to access their invested Funds since being gated by Respondents more than two years ago.

#### **F. Respondents Default on Additional Loans**

72. In early January 2024, Respondents defaulted on \$19,500,000 loan referenced on the Fund’s books as the “Leave it to Beaver” loan. A few days before that default, Leimel and

Sechrist claimed to have unilaterally abandoned their interest in the borrower entity in a misguided attempt to repackage the transaction as a “former related-party loan” at the time of default. Respondents sought to make believe that they were somehow no longer conflicted. That way, Respondents believed they could circumvent the Conflict Committee’s recommendations with respect to that loan and take even more money from the Fund to hide the losses.

73. In total, \$46,000,000 of the \$52,000,000 RPLs have now entered default. Fund capital extended to these RPLs constitutes approximately 13% of the assets under management.

74. In the midst of learning about these payment defaults, the Conflicts Committee performed an evaluation of the RPLs in order to assess the extent of the problem and develop solutions to mitigate any losses to investors on a go forward basis.

75. The Conflicts Committee, guided by independent legal counsel, determined that the terms of the Related Party Loans were materially off-market in comparison to other loans in the Fund’s investment portfolio. The Conflicts Committee recommended a series of actions that Respondents were required to take to bring the loan terms into compliance with market terms and the governing Fund investment guidelines. Leimel and Sechrist largely refused to do so.

76. That assessment performed by the Conflicts Committee revealed additional troubling conduct by Leimel and Sechrist. Among other wrongful acts, Respondents misappropriated millions of dollars of payments of investor funds to pay profits and fees to general contractors controlled by their business affiliates and partners, despite knowing full-well that their loans were underwater and inflicting damage on Fund investors.

**G. Respondents Evade the Conflicts Committee and the Policy**

77. On January 12, 2024, the Conflicts Committee issued a Related Party Transactions Memorandum, which set forth a detailed analysis of the Related Party Loans and a set of measures that needed to be implemented to mitigate the damage those transactions caused to the Fund.

78. The Conflicts Committee identified numerous red flags in the loan arrangements. Specifically, the Related Party Transactions Memorandum emphasized that:

- The loan to cost ratio for the RPLs ranged from 105% to 173%, which was significantly higher than standard market terms, which ranged from 60% to 75%;
- Despite the higher loan to cost ratio, the Company received no equity kickers, which would have given the Fund a stake in the underlying investment;
- Amounts loaned significantly exceeded both industry standards as well as the terms of newly originated loans in the portfolio;
- The loans failed to require sponsors to contribute equity, and new sponsors were permitted to assume loans without an equity investment;
- Loans were modified to fund interest, using only Fund capital to fund the projects;
- Interest reserves were excessive, while interest rates were substantially lower than standard market rates and other loans in the Fund's portfolio;
- All four RPLs were non-recourse, limiting the Fund's options in the event of default, without any accompanying bad boy carve-out guarantees that would make the borrower liable for certain misconduct;
- Net worth and liquidity guidelines, which would have disqualified the borrowers, were not followed;
- Respondents obtained inflated appraisals for significantly higher quality builds out in order to borrow more funds than standard market terms would permit;
- There were no cross-collateralization or cross-default protocols, which decreased the pool of recoverable assets in the event of default; and
- Anomalous payments were authorized, suggesting suspicious activities on the part of the borrower, including the use of investor capital to make payments to Respondents' business partners and friends.

79. After extensively cataloguing the multiple problems with the Related Party Loans, the Memorandum articulated a series of necessary action steps to protect the Fund's investors. Among other things, Respondents were required to: (i) provide the Conflicts Committee with all information pertaining to the Related Party Loans; and (ii) refrain from taking any actions or making any decisions concerning the Related Party Loans without the prior written authorization of the Conflicts Committee.

80. Despite being precluded from participating in the Conflicts Committee, Leimel and Sechrist refused to follow the committee's required measures. Instead, acting in a familiar pattern, Respondents chose retaliation. Respondents unilaterally terminated Counsel for the Conflicts Committee and refused to pay their legal fees, which resulted in counsel suing the Fund for nonpayment.

81. In January 29, 2024, Leimel and Sechrist issued a memorandum responding to the Conflicts Committee, in which Respondents baselessly quibbled over the scope of the Conflicts Committee's mandate, documented the fact that Respondents improperly pushed the one and only NCM off the Conflicts Committee in retaliation for his efforts to protect investors, and took the inexplicable position that Respondents were somehow no longer conflicted from their self-dealing due to their supposed divesture of their ownership interests in certain borrower affiliates.

82. The Conflicts Committee responded with a second memorandum on February 21, 2024. In that memorandum, the Conflicts Committee emphasized that (i) the Policy adopted by the Fund mandated that the Non-Conflicted Member be the only member of the Conflicts Committee to participate in the review and implementation of subsequent solutions with respect to the related party loans, (ii) Leimel and Sechrist could not undo their conflict through supposed divestures of their interests in the loans, and (iii) Leimel and Sechrist repeatedly took actions designed to "cover up losses," to "extend additional credit in order to conceal," and to obstruct the Conflicts Committee's discovery of the amount of losses that Respondents had caused. In addition, the memorandum meticulously identified, on a loan by loan basis, the many problems that infected the RPLs.

83. Leimel and Sechrist responded by ignoring the Conflicts Committee's findings and recommendations, firing the legal counsel for the Conflict Committee, and setting off on numerous actions to retaliate against the NCM for his attempts to protect the investors of the Fund.

## **H. Sechrist and Leimel Mislead the Fund's Auditors**

84. In March of 2024, the Non-Conflicted Member informed the Fund's auditors from CohnReznick that the RPLs had not been adequately addressed in the Fund's previous disclosures despite the Conflict Committee's insistence that full disclosure be made.

85. In response, CohnReznick amended the 2022 audit to include disclosure of the related party loans and refused to complete the 2023 audit. CohnReznick raised questions about Respondents' delayed disclosure of the RPLs and resigned as the Fund's auditors.

## **I. Respondents Continue to Take Money out of the Fund**

86. Respondents continued their coverup in March 2024. To hide the fact that they defaulted on \$46,000,000 of RPLs, Leimel and Sechrist planned another modification of the Leave it to Beaver Loan (the RPL referenced above), which was in payment default.

87. Acting in defiance of the Conflicts Committee and the Policy, Respondents sought to increase the size of the loan with investor money and then split it into twelve separate loans. The purpose of splitting the RPL into twelve separate pieces was to avoid detection by Fund investors. Further revealing Respondents' illicit motives and intentions, they sought to accomplish all of this without undergoing the underwriting process mandated by the controlling Fund documents.

88. The NCM objected to this modification and the Conflicts Committee rejected Respondents' proposed modification to this RPL. In March 2024, Fund Counsel advised Leimel that he required approval of the Conflicts Committee before undertaking his proposed loan restructuring. Despite an express written warning from Fund Counsel that Leimel and Sechrist could create personal liability for themselves with their threatened course of action, Leimel and Sechrist moved forward with this modification of the Leave it to Beaver into 12 smaller loans. Leimel and Sechrist then made material misrepresentations in investor quarterly updates, in which they falsely announced to the Fund's investors that this was a successful refinance of an RPL.

## **J. Retaliation against the NCM and Resignation of Key Employee**

89. In or around April 2024, the Fund's Vice President of Originations resigned shortly after raising significant concerns about Leimel and Sechrist's conduct with respect to the RPLs. This key staff member emphasized that she was instructed by Respondents to close RPLs modifications outside the standard Fund policies and procedures applied to the other loans in the Fund's portfolio while concealing such transactions from the NCM.

90. The NCM then resigned as Managing Partner of PCG on May 29, 2024, citing the intractable issues concerning the Conflicts Committee, ongoing self-dealing by Respondents, Respondents' failure to make disclosures to investors, and retaliatory action taken against the NCM for his efforts to protect investors. A copy of the NCM's resignation letter is attached hereto as Exhibit 5.

91. That retaliation included, but was not limited to, Leimel and Sechrist's exclusion of the NCM from the vast majority of PCG strategy and decision making since the fall of 2023, and Leimel and Sechrist's endeavors to dilute the NCM's vote on the investment committee in a PCG Board meeting on February 21, 2024. In their effort to retaliate against the NCM, Respondents went so far as to issue letters to the NCM in which Respondents purported to strip the NCM of all of his economic interests in both the Fund and the Managing Member. Respondents wrongly believed they could do so by claiming that the NCM was "expelled" from the Fund and "removed" from the Managing Member.

## **K. Respondents' Scheming Continues**

92. This action was originally filed in California state court on June 24, 2025.

93. Almost immediately thereafter, Respondents began a campaign to convince Fund investors to spin off valuable Fund assets into a new entity. Respondents portrayed an optimistic financial picture for the Fund and the proposed transaction throughout the August 2025 voting window, and led investors to believe that they might be able to redeem their interests at 50 cents on the dollar post-spinoff. After the voting window closed, Claimants learned that, in reality, Respondents had concealed a dire liquidity situation.

94. Specifically, during the spinoff voting window, and undisclosed to Fund investors Respondents caused the Fund to go into default on a \$2.5 million loan they obtained from one of the Fund's investors. That loan was guaranteed by the Fund as well as Leimel and Sechrist personally, and was collateralized by Fund assets.

95. The lender sent demands for payment on the loan in mid-August, but Leimel and Sechrist ignored those demands. As a result, the Lender sued the Fund as well as Respondents Leimel and Sechrist and their entities.

96. In addition, Leimel and Sechrist and entities they control (including Respondents Lost Winds and JRS, which own the General Partner) secured another \$2.8 million loan from the same lender. Respondents went into default on that loan during the spinoff voting window as well. The lender sent demands for payment in mid-August, but Leimel and Sechrist ignored those demands. As a result, Leimel, Sechrist, Lost Winds, and JRS were sued.

97. As described above, Respondents apparently used some portions of these loan proceeds to redeem the fund investor who cried foul on Respondents' related party loans, and for the purpose of preventing other Fund investors from discovering Respondents' wrongdoing. Respondents never disclosed to the other limited partners of the Fund—all of whom had their investments gated—the fact that another investor had been bought out.

98. Around the same time, Sechrist privately told investors who had requested and not received redemptions of their Fund interests that if they voted in favor of the spinoff they would be prioritized for buyouts of their interests at 50 cents on the dollar, and that investors who voted against the spinoff or failed to cast ballots would be put at the back of the line and would not receive buyouts.

99. On information and belief, at the time Sechrist made these statements, Respondents had not identified any way to fund such buyouts, and no such buyouts have occurred post-spinoff. Moreover, even if outside funding existed to fund the buyouts Sechrist floated, buyouts of existing investors would not have done anything to recapitalize the Fund or the spinoff entity and would therefore have caused yet more breaches of fiduciary duties by Defendants had they occurred.

100. Further still, on information and belief, Respondents received bids for assets of the Fund that would have provided a better option for the Fund.

101. None of this important information was disclosed to Fund investors during the critical voting window for the spinoff proposal. Instead, Respondents deliberately concealed it. Knowledge of the Fund's inability to pay a \$2.5 million loan would have been highly material to investors' evaluation of the Fund's liquidity position as they considered the proposed spinoff. That inability is indicative of a poor financial position, contrary to the information Leimel and Sechrist were feeding investors.

102. Knowledge of Leimel and Sechrist's own personal inability to make good on loan guarantees would also have been highly material to investors' consideration of whether they wanted to become members of yet another entity controlled by Leimel and Sechrist. The same is true of the clear conflicts Leimel and Sechrist were operating under. At the same time that they were trying to work out defaulted loans as a lender on behalf of the Fund, they were defaulting on their own debt and causing the Fund to do so too.

103. It would have been similarly important to investors to know that, while their capital was gated, Respondents redeemed the shares of another investor to settle a threatened claim against them personally. That is exactly the kind of conduct that renders Leimel and Sechrist unfit to manage the Fund, the spinoff entity, or any other business.

104. Claimants were unaware of the informational imbalance Respondents created through their deceit while Claimants were trying to resist the spinoff. Claimants wanted to discuss the spinoff and the Related Party Loans (among other topics) with other Fund investors. Respondents did not want those discussions to happen, so they took steps to prevent them.

105. Specifically, on August 8, 2025, Claimants made a demand on Respondents for a list of all Fund investors, so that they could reach out to those investors and discuss the proposed transaction. Respondents stonewalled the demand. During this critical voting window, Respondents took two full weeks to respond to Claimants' demand, and when they finally did so they stood behind baseless excuses for refusing to provide this basic information. So desperate

were Respondents to keep Fund investors from communicating with each other about the spinoff and the other self-dealing described in this Amended Complaint, they violated their statutory duties under California law to prevent that from happening.

106. The net result of the spinoff is that Leimel and Sechrist have further enriched themselves through additional fee streams—they are now effectively double-dipping—and have lengthened the amount of time they can keep Fund investor capital hostage. This appears to be Respondents’ primary, if not only, motivation for the spinoff.

#### **L. Respondents Engage in Asset Stripping**

107. On information and belief, in or around February 2022 Respondents caused the Fund to make a loan of over \$19 million to a cannabis company holding valuable licenses and real estate. The Fund’s loan was secured by the equity in the company and the property it held.

108. Ultimately, the cannabis company defaulted on the loan, and the Fund foreclosed on the loan.

109. The foreclosure entitled the Fund to own the cannabis company’s property and its valuable licenses. Instead of keeping those assets for the benefit of the Fund and its investors, Respondents, through a series of conflicted transactions in or around early 2025, diverted those assets (the “Asset Stripping Transactions”) to entities controlled by Daniel Leimel and his son, Ethan Leimel.

110. All of this was done behind Claimants’ backs, in breach of Respondents’ duties to Claimants as well as the Fund Operating Agreement.

#### **M. Demand Futility**

111. Demand on the General Partner is futile and thus excused because Respondents Leimel and Sechrist are the sole managers and controllers of the General Partner, and control and exercise complete dominion over all of the Fund’s operations and activities, including the management of its portfolio.

112. As alleged in detail above, the loans that Leimel and Sechrist made to themselves were in violation of their legal duties. Leimel and Sechrist acted in bad faith and with willful misconduct in making such loans to themselves.

113. As described in detail above, Leimel and Sechrist have refused time and time again to take remedial action on the RPLs recommended by the NCM, the Conflicts Committee, the Fund's auditors, the Fund's counsel, and counsel for the Conflicts Committee.

114. Leimel and Sechrist acted for selfish and self-interested reasons in making the loans, in breach of their fiduciary duties to investors using the limited partners' investment. Leimel and Sechrist fraudulently concealed the loans, and took unlawful action to misappropriate additional investor capital in furtherance of their unlawful concealment.

115. Leimel and Sechrist, through their words, actions, and misdeeds have made it crystal clear that they will not take action against themselves to protect the Fund and its limited partners.

116. Based on the allegations set forth in this Amended Complaint, Leimel and Sechrist are not disinterested or independent with respect to the conduct alleged herein or in considering a demand to redress the injuries that they have inflicted on the Fund and its limited partners.

117. In addition, based on the foregoing, the misconduct challenged herein is not the product of a valid exercise of business judgment.

118. As such, and based on the allegations set forth in this Amended Complaint, demand upon Respondents is futile and legally excused and Claimants are legally authorized to file this arbitration.

**FIRST CAUSE OF ACTION**  
**(Breach of Contract)**  
**(All Respondents except Ethan Leimel)**

119. Claimants incorporate by reference and reallege each and every allegation contained above as though fully set forth herein.

120. Under Section 5.5(d) of the Fund Operating Agreement, the Fund’s managers are prohibited from engaging in related-party transactions where the terms of such deals are inferior to those that “could be obtained from an unaffiliated third party in a similar transaction or an unaffiliated third-party service provider providing comparable services, in each case as determined in good faith by the Manager.”

121. In addition, Section 5.4 of the Operating Agreement prohibits the Fund’s managers from engaging in transactions involving conflicts of interest without the approval of a majority of the Fund’s members.

122. The Related Party Loans fall within each of the above-referenced provisions. Respondents acted in bad faith and in breach of Sections 5.4 and 5.5(d) of the Fund Operating Agreement by engaging in the Related Party Loans, which were concluded on off-market terms and without the approval of a majority of the Fund’s members.

123. The Asset Stripping Transactions likewise fall within each of the above-referenced provisions. Respondents acted in bad faith and in breach of Sections 5.4 and 5.5(d) of the Fund Operating Agreement by engaging in the Asset Stripping Transactions, which on information and belief constituted self-dealing to the detriment of the Fund’s members.

124. As a result of these contractual breaches, the Fund has been damaged in an amount to be proven at the hearing on the merits.

**SECOND CAUSE OF ACTION**  
**(Breach of Fiduciary Duty)**  
**(All Respondents except Ethan Leimel)**

125. Claimants incorporate by reference and reallege each and every allegation contained above as though fully set forth herein.

126. Each of the Respondents (except Ethan Leimel) owe the Fund and its investors (including Claimants) traditional fiduciary duties of loyalty, good faith, and care.

127. Those Respondents breached their fiduciary duties to the Fund and its investors by, among other misconduct detailed in this Amended Complaint:

- a. Misappropriating tens of millions of dollars of Fund capital to make loans to themselves on off-market terms to benefit themselves at the expense of the Fund's investors, including Claimants;
- b. Actively concealing the Related Party Loans from investors and auditors;
- c. Modifying such Loans to increase investor exposure and further obscure their financial impact on the Fund and their self-dealing;
- d. Actively circumventing the recommendation so the Conflicts Committee to benefit themselves to the detriment of investors.
- e. Ignoring and intentionally creating material risks and devaluation of the limited partners' investment in the Fund;
- f. Actively concealing loan defaults by both the Fund and them personally during the critical voting window for the spinoff;
- g. Actively concealing the fact that they made a litigation settlement payment to redeem a Fund investor's shares in response to a threatened litigation while all other investors' capital was gated;
- h. Actively concealing bids for Fund assets from Fund investors;
- i. Engaging in the Asset Stripping Transactions;
- j. Wrongfully elevating their own interests above the interests of Claimants and the Fund; and
- k. Wrongfully and purposefully concealing their bad conduct from investors;

128. Each of Respondents' conduct was not taken in good faith, was not fair, was taken against the interests of the Fund and its investors, and was the result of willful misconduct designed to benefit Respondents Leimel and Sechrist and inflict damage upon the Fund and its investors.

129. The Fund has been damaged in an amount to be proven at the hearing on the merits by reason of Respondents' breach of fiduciary duty.

130. By reason of Respondents' breaches of fiduciary duty, Claimants are entitled to other equitable relief.

**THIRD CAUSE OF ACTION**  
**(Aiding and Abetting Breach of Fiduciary Duty)**  
**(Ethan Leimel)**

131. Claimants incorporate by reference and reallege each and every allegation contained above as though fully set forth herein.

132. Each of the Respondents (except Ethan Leimel) owe the Fund and its investors (including Claimants) traditional fiduciary duties of loyalty, good faith, and care. As alleged above, those Respondents breached those duties by, among other things, engaging in the Asset Stripping Transaction.

133. On information and belief, Ethan Leimel, through his position at Pelorus Capital Group and his relationship with his father, knew that his co-Respondents owed fiduciary duties to the Fund and its investors and that those Respondents breached those duties by engaging in the Asset Stripping Transactions.

134. Ethan Leimel substantially assisted his co-Respondents' breaches by knowingly participating in the Asset Stripping Transactions and, specifically, by taking control of an entity that now owns a federal marijuana manufacturing license that should instead be held as an asset for the benefit of the Fund's investors (including Claimants).

135. The Fund has been damaged in an amount to be proven at the hearing on the merits by reason of Ethan Leimel's conduct.

**FOURTH CAUSE OF ACTION**  
**(Unjust Enrichment)**  
**(All Respondents)**

136. Claimants incorporate by reference and reallege each and every allegation contained above as though fully set forth herein.

137. By their wrongful acts and omissions, the Respondents were unjustly enriched at the expense of and to the detriment of the Fund.

138. The Respondents were unjustly enriched as a result of the financial benefits they received from the off market Related Party Loans that contained terms that were unduly favorable

to the Respondents by virtue of their undisclosed personal ownership in the recipients of the Related Party Loans that were to the detriment of the investors of the Fund.

139. Respondents were also unjustly enriched as a result of the financial benefits they received from the improper Asset Stripping Transactions.

140. Claimants, as investors and representative of the Fund, seek restitution from the Respondents, and request an order of this Court disgorging all profits, benefits, and other compensation obtained by these Respondents, from their wrongful conduct and fiduciary breaches.

**FIFTH CAUSE OF ACTION**  
**(Fraud)**  
**(All Respondents except Ethan Leimel)**

141. Claimants incorporate by reference and reallege each and every allegation contained above as though fully set forth herein.

142. As detailed above, Leimel and Sechrist, acting on behalf of themselves, their related entities, and the General Partnership, made material and fraudulent omissions by failing to disclose and actively conceal their personal interest in the entities that received the off market Related Party Loans.

143. Respondents had knowledge (i) of their personal interest in the entities that received the Related Party Loans from the Fund; and (ii) that all loans were subject to the Pelorus loan review process required by the Management Operating Agreement.

144. Due to their position of trust and fiduciary duties owed to the Fund and the Fund's investors, Respondents had a legal duty to disclose their personal interest in the recipients of the Related Party Loans. They defrauded the Fund by failing to do so.

145. Respondents intentionally concealed the RPLs from the Fund's investors, including fraudulently omitting the fact that Leimel and Sechrist had taken \$52,000,000 of Fund investment and loaned it to themselves for failing projects, several of which are now in default and were foreclosed on.

146. Respondents intentionally concealed the fact that Leimel redeemed substantial amounts of his investments in the Fund just prior to gating the Fund and thereby preventing all of

the other investors of the fund from redemption.

147. Respondents intended to induce the Fund's investors from acting to protect their investments, make redemptions, or take other legal action against Respondents.

148. As also detailed above, Leimel and Sechrist also made a number of fraudulent misrepresentations to investors, including their false assertions in investor updates that they obtained a successful restructuring of an RPL when, in reality, they had merely divided the loan into twelve pieces and took investor capital to increase the size of the loan.

149. Claimants reasonably and justifiably relied on Respondents' promises contained in the governing Fund documents that Respondents would fulfill their fiduciary duties, act with integrity, and make investment decisions that were in the best interest of the Fund and not in their personal benefit with respect to the Related Party Loans. Respondents failed to satisfy those duties and misled, lied to, and omitted crucial material facts from the Fund's investors.

150. As a result of Leimel and Sechrist's fraudulent scheme Claimants have suffered damages in amount to be determined at the hearing on the merits.

**SIXTH CAUSE OF ACTION**  
**(Fraudulent Omission)**  
**(All Respondents except Ethan Leimel)**

151. Claimants incorporate by reference and reallege each and every allegation contained above as if fully set forth herein.

152. During the voting window for the spinoff, Respondents concealed the fact that the Fund and Leimel and Sechrist personally had defaulted on loans and were unable to unwilling to pay them off. Respondents also concealed the fact that they had caused the Fund to default on a loan. Respondents also concealed the fact that Respondents made a settlement payment to an investor who threatened litigation against Respondents during a period of time when all other Fund investors' capital was frozen by Respondents' gating edict. Respondents further concealed the fact that they received bids to purchase fund assets, which would have provided a more attractive

alternative to the spinoff, which has only served to enrich Respondents further at the expense of their own investors.

153. As fiduciaries, Respondents had a duty to disclose the information set out in the preceding paragraph to Fund investors as they were considering how to vote on the spinoff.

154. Respondents intentionally concealed this information to deceive Claimants and other investors about the Fund's liquidity position, Leimel's and Sechrist's own financial position, conflicts of interest inherent in the self-dealing that Leimel and Sechrist were engaging in, and Leimel's and Sechrist's own lack of the financial, moral, and ethical attributes needed to manage the Fund and the spun off entity properly. All of that information would have been material to Claimants and other investors as they considered the proposed spinoff. That information would also have been material to Claimants' efforts to stop the spinoff, which Respondents knew about and, on information and belief, is the reason they intentionally concealed the above-described information.

155. Claimants would have used the concealed information to wage a campaign against the spinoff had they known it. Further, on information and belief, other Fund investors would have voted against the spinoff had they known the truth.

156. Claimants and other Fund investors justifiably relied on Respondents, as their fiduciaries, to disclose all information material to their consideration of the proposed spinoff. Respondents, as outlined above, intentionally did not do so.

157. As a result of Respondents' fraudulent omissions Claimants have suffered damages in an amount to be determined at the hearing on the merits.

**SEVENTH CAUSE OF ACTION**  
**(Violation of California Revised Limited Liability Company Act §§ 17701.13 & 17704.10)**  
**(The General Partner)**

158. Plaintiffs incorporate by reference and reallege each and every allegation contained above as if fully set forth herein.

159. On August 8, 2025, Plaintiffs submitted to the General Partner a books and records request, pursuant to Sections 17701.13 and 17704.10 the California Revised Uniform Limited Liability Company Act, for of the names and email addresses of all of the Fund's members.

160. The General Partner is legally obligated, by the California Revised Uniform Limited Liability Company Act, to maintain this basic information in writing at the Fund's office.

161. Under Section 17704.10 of the California Revised Uniform Limited Liability Company Act, upon receipt of Plaintiffs August 8, 2025 request, the General Partner had the statutory duty to deliver the names and addresses all of the Fund's members "promptly" and "in writing."

162. Nonetheless, the General Partner has refused to provide any such information to Plaintiffs, in violation of the General Partner's statutory and fiduciary duties.

#### **PRAYER FOR RELIEF**

WHEREFORE, Claimants demand judgment as follows:

- A. Removing Daniel Leimel and James Robert Sechrist as managers of Pelorus Fund, LLC and appointing a qualified manager;
- B. Awarding the Fund monetary damages caused by Respondents' breaches of fiduciary duties, unjust enrichment, fraud, and fraudulent omissions;
- C. Awarding the Fund punitive and exemplary damages, pursuant to California Civil Code § 3294, for Respondents' breaches of fiduciary duty, fraud, and fraudulent omissions;
- D. Awarding the Fund restitution from the Respondents and ordering disgorgement of all improper profits, benefits and other compensation received by the Respondents;
- E. Voiding the spinoff vote *ab initio*;
- F. Directing Defendants to provide Plaintiffs with the names and email addresses of all Fund investors;
- G. Awarding Claimants their reasonable attorneys' fees, costs, and expenses incurred in prosecuting this action;

- H. Entering an order enjoining Respondents from advancing legal fees from the Fund in connection with their defense of this arbitration and directing them to return any such fees and costs that have been expended; and
- I. Granting such other and further relief as the Court deems just and proper.

Dated: February 6, 2026

**BAKER HOSTETLER LLP**

By: /s/ Bradley S. Pensyl  
Baker Hostetler LLP  
45 Rockefeller Plaza  
New York, NY 10111  
Telephone: (212) 589-4200  
Email: bpensyl@bakerlaw.com

*Attorney for Claimants, Derivatively on behalf of Pelorus  
Capital Fund, LLC*