purchasers and the customers would allegedly be unable to raise defenses that their telephone or internet services were gone.

74. NorVergence did not tell its customers that it was retaining only $196.95 per month, fixed, to try to pay for the escalating cost of providing service to that customer.

75. The $46,213.00 received from the Leasing Company on account of Darakjian was recognized by NorVergence (improperly) as immediate revenue and consumed in operations. Those operations were geared, almost entirely, towards obtaining new customers.

76. Under this model, NorVergence's Insiders could never have intended for the company to make money. Rather, they intended for it to generate cash, by selling their services at a loss, but immediately monetizing the Leases and churning the flow of new customers.

77. As such, the Salzano Scheme had elements of both a Ponzi and a Bust-Out.

78. Under the circumstances, the Leases, agreed to by the Leasing Companies, were unconscionable in that they contained terms that were unreasonably and unfairly harsh and one-sided in favor of NorVergence and the Leasing Companies. In fact, included in the fine print of the Leases (see **Exhibit "B"**) are provisions that purported to:

(a) remove any obligations of the Leasing Companies to the customers;

(b) in many cases require that all legal actions relating to the agreement be brought in a forum distant from the customer's place of business, and in other cases, in a forum where the Leasing Company that would take an assignment was located, which was unknown at the time the customer signed the contract (the latter being known as "floating jurisdiction clauses");

(c) characterize the vast majority of the total fees agreed to by the customer as payments for the Matrix Box which grossly exceeded its actual price and value;

(d) characterize the Equipment Rental Agreement as a finance lease under UCC Article 2A in an unconscionable attempt to gain the protection of equipment

finance leases. In fact, NorVergence's agreements with its customers (the "Agreements") were for an integrated telecommunications service offering, although the service component was not documented whatsoever in the Agreements;

(e) make the obligation to pay rent unconditional; and

(f) waive all the customer's defenses to demands for payment, even if the promised services were not provided ("hell or high water clauses").

D. Macro View

79. Just as the NorVergence "business model" didn't work from the view of a single customer transaction, it also failed at the macro level.

80. The Debtor's total revenue, at its peak, on NorVergence's Service Contracts with 11,000 customers, was approximately $2.5 million per month or $225.00 per customer. However, without even considering payroll, the provider bills necessary to deliver those services were approximately $4.4 million per month from Qwest and $2 million per month from Sprint, plus additional charges from other carriers. Again, the overwhelming majority of the Debtor's revenue was not obtained from NorVergence Service Contracts entered into with customers, but from funds obtained from new customer Leases immediately sold to the Leasing Companies. (See **Exhibit "B"**).

81. On the expense side, the Debtor's massive call center and OSM work force (some 1,600 employees), resulted in a payroll of approximately $10 million per month. Total monthly costs of the "business" were $18 to $19 million per month, as follows:

- Payroll - $10 million
- AdTran - $800,000.00 (manufactured the Matrix Box)
- ESI - $1 million (supplied PBX equipment/CCS system)
- Qwest - $4.4 million (service provider)

- Sprint - $2 million (cell phone service provider)
- MCI - $178,000.00
- T-Mobile - $80,000.00
- Rent - $200,000.00

Total $18,600,000.00.

82. So how did NorVergence run a business with $2.5 million per month of NorVergence Service Contract revenues but $18,600,000 per month in expenses? Answer: By collecting $3 to $4 million per week in Salzano Scheme revenues from defrauded new customers.

83. The NorVergence business model left no money for tomorrow. All of the customer revenue that should have been spent over a 60 month period preserving and servicing the customers was monetized in the sale of the Leases, spent immediately on more call center payroll to acquire new customers, and spent on perks for Salzano and the Insiders.

84. NorVergence's business plan was doomed to fail before NorVergence could fulfill the five year terms it promised to provide its customers because: (a) NorVergence was selling unlimited local, long distance, high speed Internet and wireless services for a fixed monthly price, while it was actually liable to Qwest, T-Mobile, and other carriers on a per minute toll basis that greatly exceeded the fixed amount received from the Leases; (b) the cost of providing the unlimited service NorVergence was selling, together with the funds that were pulled out of NorVergence by Salzano and the Insiders, far exceeded the small payments that customers were required to make directly to NorVergence for their telecommunications service; and (c) NorVergence had promised its customers long-term (i.e., five year) service, but had no long-term contracts or the financial wherewithal in place to provide the promised service.

85. Less than two years after NorVergence put its scheme into effect, new customers were not added quickly enough to maintain the Salzano Scheme and NorVergence thereafter

failed to pay its obligations to its carriers and suppliers, triggering the filing of an involuntary Chapter 11 bankruptcy proceeding against it. Service to the customers was turned off on or about July 15, 2004.

THE INSOLVENCY DEEPENS

86. As of June 30, 2002, shortly after NorVergence commenced operations, it had total assets of $3,226,085.00 and total liabilities of $6,270,216.00. Thus, it was insolvent, on a balance sheet basis – at the outset -- by $3,044,131.00.

87. One year later, on June 30, 2003, the insolvency had deepened considerably. Now, total assets were $10,585,285.00, but liabilities were $44,938,501.00 for a total balance sheet insolvency of $34,353,215.00.

88. On March 31, 2004, the insolvency was four times what it had been on June 30, 2003. As of March 31, 2004, the amount by which liabilities exceeded assets now stood at $138,201,421.00, an increase of 400% from where it had stood just nine months before.

89. The continued operation of the Salzano Scheme caused a continued "increase" in its insolvency, unabated, from the moment NorVergence began until the June 30, 2004 Petition Date.

KNOWLEDGE/PARTICIPATION OF THE LEASING COMPANIES

90. Typically a Leasing Company would enter into a Master Program Agreement or similar agreement (collectively, an "MPA") with NorVergence governing the terms pursuant to which it would purchase or accept assignments of leases from NorVergence and pay NorVergence cash consideration in return for such assignments. A copy of a sample MPA is annexed hereto as **Exhibit "C."**

91. First, the "credit procedures" section of most MPAs provided that:

> "NorVergence acknowledges that [Leasing Company] shall not conduct a customer interview during the credit approval process, which is contrary to [Leasing Company's] standard credit policy."

103. Second, many of the MPAs described how the Lease assignment price would be fixed, as follows:

> "The assignment price for each assigned rental agreement shall be the sales price of the Equipment established individually and evidenced by NorVergence's invoice to [Lease Company] ("Assignment Price").
>
> - OR -
>
> "The assignment price for each Assigned Rental Agreement shall be the present value of the assigned rental stream utilizing a buy rate established by [Leasing Company], which shall be individually evidenced by NorVergence's invoice to [Leasing Company] ("Assignment Price")."

92. As described above, that pricing had absolutely nothing to do with the value of the Matrix Box purchased from AdTran, which was $1,278.00, but rather was calculated based on what the customer had been paying previously for telephone and internet service.

93. Third, although the Lease assignments were generally "non-recourse," each of the MPAs contained a "first rental default" provision, and in some instances "first, second or third" rental default provision. Pursuant to these provisions, if a customer defaulted in the payment of its first rental payment, or in some cases, its second or third rental payment, then NorVergence was required to "buy back" the Lease from the Leasing Company for the dollar amount originally advanced by the Leasing Company, plus an administrative fee.

94. As described above, however, the Lease equipment was primarily the Matrix Box. Despite the fact that the Matrix Box was a decidedly a low-tech "cheap" item of telecommunications equipment, NorVergence leased it to its customers for prices ranging from $10,000.00 up to $160,000.00 in some instances, for the same $1,278.00 item of equipment.

95. AdTran has stated that none of its other customers for the Matrix Box T-850 family of products, such as Incumbent and Competitive Local Exchange Carriers ("ILECs" and "CLECs"), ever sold or leased such products to their end users. Rather, they are generally included as a "free" item with the service agreement entered into with the customers of the respective ILECs and CLECs.

96. With respect to the Matrix Box, customer Darakjian, who had been paying approximately $1,789.14 monthly for service, prior to signing up with NorVergence, would be renting a Matrix Box for $1,229.35 fixed, per month, for 60 months, or $73,761.00 in total. However, the exact same NorVergence Solution, used to sign up a customer previously paying $5,000.00 per month for service would result in a fixed monthly Matrix Box Lease payment of $3,208.00, or $192,480.00 over the term of the Lease for the exact same Matrix Box.

97. This routinely happened on the same day with the same Leasing Company, i.e., the Leasing Companies routinely purchased Leases of the identical Matrix Box for grossly different prices.

98. When two leases for identical pieces of equipment – the Matrix Box – were sold to the same Leasing Company for grossly different prices, the Leasing Companies knew or should have known that NorVergence was engaged in fraudulent activity.

99. When a piece of equipment that was purchased for $1,278.00 (and that other carriers give away for free) is leased to a customer for more than $100,000.00, the Leasing Companies knew or should have known that NorVergence was engaged in fraudulent activity.

100. The Attorneys General of the District of Columbia and the States of Arizona, California, Colorado, Connecticut, Delaware, Florida, Georgia, Illinois, Kansas, Louisiana, Maryland, Massachusetts, Michigan, Missouri, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, South Dakota, Texas, Washington, West Virginia, all brought actions and/or conducted administrative investigations and or proceedings challenging the conduct of the Leasing Companies in their dealings with NorVergence. Most of the Leasing Companies entered into settlement agreements with the Attorneys General under which they waived all or a major portion of their claims under the Leases.

101. The Leasing Companies who were subject to such proceedings and/or investigations, or who entered into such settlements with the Attorneys General include BB&T, CIT, Court Square, DeLage, Dolphin, GE Capital, IFC, ILC, Interchange Capital Company LLC, Irwin, Liberty, Madison, National Penn, Northland, Popular Leasing, Preferred Capital, R-G Crown, Sterling, TCF Leasing, Inc. d/b/a TCF Express Leasing, U.S. Bancorp, USXL, Wells Fargo.

102. Some of the Leasing Companies had MPAs which prohibited them from speaking to the customers at all. Instead, they were required to accept the delivery and acceptance certificate from NorVergence, confirming that the equipment had arrived. Funding to NorVergence would be made upon receipt of the delivery and acceptance certificate, whether or not the equipment was actually installed and working, and without independent verification.

104. Other Leasing Companies were permitted under their agreements with NorVergence to confirm the customer's receipt of the Matrix Box; but in these cases, the Leasing Companies were typically required to utilize NorVergence's delivery and acceptance script which, among other things, assured a customer that he or she would shortly be receiving their services and would have their T-1 line hooked up.

THE IFC PROCEEDINGS

105. At least one court has already found, in Findings of Fact and Conclusions of Law dated June 5, 2006, that in part because of its use of NorVergence's delivery and acceptance script, one of the Leasing Companies was an actual participant in NorVergence's fraud. See Findings and Fact and Conclusions of Law in *Specialty Optical d/b/a SOS v. IFC Credit Corp., Case No. 04-04187-C, County Court at Law, Dallas County, Texas* ("SS v. IFC"). A copy of the Court's Findings of Fact and Conclusions of Law are annexed hereto as **Exhibit "C."** The court found:

> (5) The Master Agreement between NorVergence and IFC set forth the terms under which IFC would purchase the leases from NorVergence.

IFC approved all of the NorVergence lease forms, including the SOS form .... IFC also worked in conjunction with NorVergence to prepare the confirmation script that was eventually read by an IFC employee to SOS confirming that SOS would receive the NorVergence telephone service savings that NorVergence had promised.

* * *

(7) IFC read the confirmation script to SOS prior to the expiration of the 60-day period and reaffirmed that SOS would receive the telephone service savings originally promised by NorVergence to SOS. At the time IFC read the script promising these savings, it knew that NorVergence customers were not receiving service and therefore were not receiving the promised savings.

* * *

(12) In the April and May of 2004 timeframe, IFC had knowledge of the fact that NorVergence was making promises of savings with no intention of delivering such savings. IFC had knowledge of this fraud. NorVergence had promised savings to customers without any intention of providing such savings. IFC participated in deceiving customers through its confirmation script.

* * *

(23) The entire Lease from the delivery and acceptance certificate are unconscionable due to the circumstances under which they were entered, the manner in which the terms of the Lease and delivery and acceptance were reached, and the unfairness of the Lease and delivery and acceptance. IFC grossly over-charged for the Matrix Box.

* * *

(32) As of the time that SOS signed the lease, IFC had received telephone calls and letters for several months regarding lack of service. There were defaults on many leases due to this lack of service. This had become so severe, that IFC decided to stopped doing business with NorVergence, but continued only because NorVergence provided it with additional collateral and agreed to allow IFC to have increased holdbacks.

* * *

(33) The lease acquisition from NorVergence was not an isolated occurrence. IFC acquired between 700 and 800 leases from NorVergence. It is currently in litigation on more than 500 of those leases.

* * *

(34) IFC did not act in good faith in connection with the Lease. IFC ratified the conduct of NorVergence.

ALL LEASING COMPANIES ARE LIABLE

106. In a memo from Robert Fine of NorVergence to Bob Hunter of Citi, penned at the time that Citi's MPA was being negotiated, he wrote:

> "Prior to funding, we do not allow any of our sources to contact the customer directly for information to conduct an interview." "After funding [Leasing Company] may contact the customer as often as necessary."

107. The record reveals that Citi agreed that it would not communicate with customers. Citi, like IFC, instead "approved" NorVergence's delivery and acceptance script which would confirm delivery and acceptance of the Matrix Box. Other Leasing Companies followed suit.

108. A customer's failure to make its initial Lease payment within 60 days of delivery and acceptance of a Matrix Box (a "First Payment Default"). Beginning in October of 2003 continuing through early 2004, the number of First Payment Defaults continued to increase dramatically. NorVergence was unable to install the boxes quickly enough, or get the customer's T-1 lines activated in time to avoid First Payment Defaults. Although a few Leasing Companies refused to fund NorVergence any further, other simply negotiated protections wherein they would, for example, (a) permit NorVergence more time to make the first, second and third payments for the customers, or (b) fund thirty-six (36) months of the lease rather than sixty (60) months, or (c) keep a holdback of as much as 25% to 50% of the amount that was otherwise due to NorVergence on each lease as a hedge against future First Payment Defaults.

109. As described by the Court in the *SOS vs. IFC* case, the Leasing Companies began to receive numerous calls from dissatisfied customers, and began receiving an increase in the number of leases that were required to be purchased back by NorVergence.

110. During this period of time, and due to the large number of First Payment Defaults, the Leasing Companies could have, pursuant to their contracts, refused to fund future leases.

111. Instead, the Leasing Companies lowered their requirements, making it easier for NorVergence to continue conducting business, even as hundreds and hundreds of customers were defaulting, customers were complaining, and the Leasing Company approved Scripts were confirming for customers that they were about to enjoy the savings from the NorVergence Solution.

112. With respect to the Lease Repurchase Obligations, the Leasing Companies received at least $6,600,000.00 in actual payments from NorVergence, by way of payment for its repurchase of defaulted Leases. It is unknown how much the Leasing Companies were paid in addition, on account of Lease Repurchase Obligations under the MPAs, by way of set-off, since NorVergence's record keeping does not appear to have captured such set-offs. However, with respect to actual known payments, a number of the Leasing Companies received the following respective amounts:

Company	Lease Repurchase Payments
ABB Business	$2,151.59
Celtic	$75,383.59
CIT	$1,025,329.70
Citi	$62,040.06
Combined Capital	$25,016.06
Court Square	$51,320.31
DeLage	$899,794.44
Dolphin	$100,521.63
First Lease	$68,018.40
GE Capital	$1,182,255.02
IFC	$571,739.69
ILC	$236,384.64
Irwin	$247,711.07
Liberty	$66,539.69
Alfa/OFC	$224,696.77
Patriot	$169,487.42
PFG	$25,673.08
Popular Leasing	$486,474.78
Preferred Capital	$41,504.13
Sterling	$136,161.35
Studebaker	$64,997.17
U.S. Bancorp	$761,624.49
Wells Fargo	$98,835.52

TOTAL	**$6,623,660.60**

113. Despite the Leasing Companies' knowledge that NorVergence was not fulfilling its end of the bargain to customers, the Leasing Companies continued to participate in locking new customers into 60 month Lease obligations.

114. NorVergence's business plan was a Salzano Scheme that was doomed to fail before NorVergence could approach anything near a five-year term commitment to customers at fixed prices because:

(a) NorVergence was selling unlimited local long-distance, high-speed internet and wireless services for a fixes monthly price, while it was actually liable to Qwest, T-Mobile, Sprint and other carriers on a permanent toll basis;

(b) The cost of providing this unlimited service far exceeded the small payments that customers were required to make directly to NorVergence;

(c) NorVergence had encouraged its customers to grow and make more phone calls, and use more band width, which under the NorVergence Solution would keep customer bills at the same price, while NorVergence's commensurate obligations to Qwest, T-Mobile, Sprint and other carriers would grow proportionately; and

(d) NorVergence promised the customers long-term (five years) of fixed telecommunications charges, but had no long-term contracts in place with the carriers described above to provide such service.

115. The Leasing Companies, by enabling the Salzano Scheme to continue, enabled Salzano, the Insiders and key employees to take millions of dollars out of the business to support lavish lifestyles.

FIRST COUNT
(Actual Intent Fraudulent Conveyance Under *11 U.S.C. § 548*
As Against Leasing Companies)

116. The Trustee repeats and re-alleges the allegations contained in all of the foregoing paragraphs as if fully set forth herein.

117. Pursuant to the MPAs with the Leasing Companies, the Debtor needed to "make good" on customer First Payment Defaults (and in some cases second and third payment defaults) by repurchasing the Leases from the Leasing Companies and/or making other accommodations such as covering customers payments when customers failed to make payments due under the Leases.

118. The funds used by the Debtor to fulfill its Repurchase Obligations to the Leasing Companies were obtained almost exclusively from new customers' execution of Leases and the sales of those Leases to Leasing Companies. Had the Debtor not fulfilled its Repurchase Obligations under the MPAs to repurchase Leases upon a First Payment Default, and/or otherwise cover the Leasing Companies' losses, the Leasing Companies would have declared defaults under the terms of the MPAs and the Lease lines would have been terminated, thereby halting the Salzano Scheme in its tracks.

119. In order to continue the fraud, NorVergence needed to keep the Lease lines open and thus needed to fulfill its Repurchase Obligations and otherwise cover the customers First Payment Defaults and similar defaults.

120. The Debtor's customers, upon the cessation of NorVergence's business and the breach of NorVergence's commitments to these customers, were left without contracted for phone and internet services, and as a result became creditors of NorVergence.

121. The Debtor made the Lease Repurchase Obligation payments and other payments to cover the Leasing Companies on the customer defaults with the actual intent to hinder, delay or defraud creditors by perpetuating the Salzano Scheme.

122. Such payments are fraudulent conveyances pursuant to 11 U.S.C. § 548(a)(1)(A).

WHEREFORE, the Trustee demands judgment against the Leasing Company Defendants:

a) avoiding the payments to the Leasing Companies as well as all setoffs made by the Leasing Companies pursuant to 11 U.S.C. § 548(a)(1)(A) including but not limited to the following known payments made to the following Leasing Companies:

Company	**Lease Repurchase Payments**
ABB Business	$2,151.59
Celtic	$75,383.59
CIT	$1,025,329.70
Citi	$62,040.06
Combined Capital	$25,016.06
Court Square	$51,320.31
DeLage	$899,794.44
Dolphin	$100,521.63
First Lease	$68,018.40
GE Capital	$1,182,255.02
IFC	$571,739.69
ILC	$236,384.64
Irwin	$247,711.07
Liberty	$66,539.69
Alfa/OFC	$224,696.77
Patriot	$169,487.42
PFG	$25,673.08
Popular Leasing	$486,474.78
Preferred Capital	$41,504.13
Sterling	$136,161.35
Studebaker	$64,997.17
U.S. Bancorp	$761,624.49
Wells Fargo	$98,835.52
TOTAL	**$6,623,660.60**

b) Awarding the Trustee judgment equal to the amount of these payments and directing the defendants to immediately pay the Trustee the appropriate amount due and owing pursuant to 11 U.S.C. § 550(a) together with interest thereon;

c) Awarding the Trustee attorney's fees, costs and other expenses incurred in this action; and

d) Granting the Trustee such other and further relief as the Court deems appropriate.

SECOND COUNT
(Actual Intent Fraudulent Conveyance Under *11 U.S.C. § 544* and *N.J.S.A. 25:2-25* As Against Leasing Companies)

123. The Trustee repeats and re-alleges the allegations contained in all of the foregoing paragraphs as if fully set forth herein.

124. In order to continue to keep the Lease lines open under the MPAs and similar arrangements, the Debtor needed to "make good" on customer First Payment Defaults (and in some cases second and third payment defaults) by repurchasing the Leases from the Leasing Companies and/or making other accommodations such as covering the customer payments.

125. The funds used by the Debtor to fulfill its Repurchase Obligations to the Leasing Companies were obtained almost exclusively from new customers' execution of Leases and the sales of those Leases to Leasing Companies. Had the Debtor not fulfilled its Repurchase Obligations under the MPAs to repurchase Leases upon a First Payment Default, and/or otherwise cover the Leasing Companies' losses, the Leasing Companies would have declared defaults under the terms of the MPAs and the Lease lines would have been terminated, thereby halting the Salzano Scheme in its tracks.

126. In order to continue the fraud, NorVergence needed to keep the Lease lines open and thus needed to fulfill the Repurchase Obligations and otherwise cover the customers First Payment Defaults and similar defaults.

127. The Debtor's customers, upon the cessation of NorVergence's business and the breach of NorVergence's commitments to these customers, were left without contracted for phone and internet services, and as a result became creditors of NorVergence.

128. The Debtor made the Lease Repurchase Obligation payments and other payments to cover the Leasing Companies on the customer defaults with actual intent to hinder, delay or defraud creditors by perpetuating the Salzano Scheme.

129. Such payments are fraudulent transfers pursuant to 11 U.S.C. § 544 and N.J.S.A. 25:2-25.

WHEREFORE, the Trustee demands judgment against the Leasing Companies:

a) avoiding the payments to the Leasing Companies as well as all setoffs made by the Leasing Companies pursuant to 11 U.S.C. § 544 including but not limited to the following known payments made to the following Leasing Companies:

Company	Lease Repurchase Payments
ABB Business	$2,151.59
Celtic	$75,383.59
CIT	$1,025,329.70
Citi	$62,040.06
Combined Capital	$25,016.06
Court Square	$51,320.31
DeLage	$899,794.44
Dolphin	$100,521.63
First Lease	$68,018.40
GE Capital	$1,182,255.02
IFC	$571,739.69
ILC	$236,384.64
Irwin	$247,711.07
Liberty	$66,539.69
Alfa/OFC	$224,696.77
Patriot	$169,487.42
PFG	$25,673.08
Popular Leasing	$486,474.78
Preferred Capital	$41,504.13
Sterling	$136,161.35
Studebaker	$64,997.17
U.S. Bancorp	$761,624.49
Wells Fargo	$98,835.52
TOTAL	**$6,623,660.60**

b) Awarding the Trustee judgment equal to the amount of these payments and directing the defendants to immediately pay the Trustee the appropriate amount due and owing pursuant to 11 U.S.C. § 550(a) together with interest thereon;

c) Awarding the Trustee attorney's fees, costs and other expenses incurred in this action; and

d) Granting the Trustee such other and further relief as the Court deems appropriate.

THIRD COUNT
(Recovery Pursuant to 11 U.S.C. § 553(b) of Certain Amounts Setoff by Leasing Companies Within the 90 Days Before the Petition Date)

130. The Trustee repeats and re-alleges all of the allegations contained in all of the foregoing paragraphs as if set forth fully herein.

131. Upon information and belief, some of the Leasing Companies, during the 90 days prior to the Petition Date, adjusted their debt obligations to the Debtor by setting off amounts that they owed to the Debtor against amounts that the Debtor owed to such Leasing Companies.

132. Upon information and belief, the balance remaining due by the Debtor as of the Petition Date (the "insufficiency" as defined under 11 U.S.C. § 553(b)(2)) was less than the insufficiency of the Debtor that existed on the later of ninety (90) days before the Petition Date and the first date during the 90 days immediately preceding the Petition Date on which there was an insufficiency.

133. To the extent that the insufficiency on the Petition Date was less than the insufficiency that existed on the later of ninety (90) days before the Petition Date and the first date during the 90 days immediately preceding the Petition Date on which there was an insufficiency, such amounts are recoverable pursuant to 11 U.S.C. § 553(b).

WHEREFORE, the Trustee demands judgment against the Leasing Companies:

a) avoiding the Leasing Companies' setoffs to the extent of any improvement in the insufficiency pursuant to 11 U.S.C. § 553(b)(1);

b) awarding the Trustee judgment equal to the amount of such improvement in insufficiency and directing the respective defendants to immediately pay the Trustee the appropriate amount due and owing pursuant to 11 U.S.C. § 550(a) together with interest thereon;

c) awarding the Trustee attorney's fees, costs and other expenses incurred in this action; and

d) granting the Trustee such other and further relief as the Court deems appropriate.

ADDITIONAL FACTS PERTINENT TO COUNTS FOUR THROUGH EIGHT, AGAINST SALZANO AND WILLIAM JEAN CHARLES AND TO COUNTS NINE THROUGH ELEVEN AGAINST ALL OF THE DEFENDANTS.

134. Based upon a review of the Debtor's books and records and upon information and belief, Salzano unlawfully diverted, converted and misappropriated Debtor's funds for his own personal benefit, and to the detriment of the Debtor, while Debtor was insolvent, by:

a) charging personal expenses in his own name and, perhaps, in his son's name (Thomas John Salzano)[6], including but not limited to hotel rooms, airfare, restaurant bills, outings to gentlemen's clubs, clothing, jewelry, vacations, groceries, drug store purchases, car washes and virtually every other personal expense imaginable, to the Debtor's American Express

[6] The sole information and belief for this allegation is statements made by his son's counsel.

Business Gold/Platinum account (the "AMEX Account"), as well as utilizing other corporate credit cards maintained by NorVergence;

b) requiring that NorVergence pay all of his other personal living expenses, including rent for several apartment units he was maintaining for himself and/or his companions, as well as car and insurance payments;

c) funneling Debtor's money to himself through an affiliated company, Data Solutions, Ltd.;

d) funneling Debtor's money to himself by paying salary, as well as automobile, travel and other expenses, to defendant, William Jean Charles, who would cash Debtor's checks and maintain some of the payment for his personal benefit, as well as remit some of the payment to Salzano; and

e) paying for a limousine service to ferry his girlfriend to and from college classes.

A. Payment of Salzano's AMEX Charges

135. Based on Debtor's books and records and upon information and belief, between November 25, 2002 and March 24, 2004, Salzano made charges to Debtor's AMEX Account, in his own name, totaling $811,911.34 (the "TNS AMEX Charges"). Salzano incurred the TNS AMEX Charges on account of expenditures that were entirely unrelated to the Debtor's business.

136. Debtor transferred $811,911.34 to the AMEX Account between January 13, 2003 and April 20, 2004 (the "TNS AMEX Payments") in order to pay for the TNS AMEX Charges, as detailed in **Exhibit "E,"** attached hereto.

137. In addition, upon information and belief, between November 25, 2002 and March 24, 2004, Salzano made charges to Debtor's AMEX Account in his son's name, Thomas John Salzano, totaling $268,795.84 (the "TJS AMEX Charges"), by forging Thomas John Salzano's