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11 Additional counsel on following page.

12 **UNITED STATES DISTRICT COURT**
13 **CENTRAL DISTRICT OF CALIFORNIA**

14 JAMES REED and CAROLYNN REED,
15 on behalf of themselves and all others
16 similarly situated, *Plaintiffs*,

17 GWENDALYN DOUGLASS as Trustee
18 of RAYMOND E. DOUGLASS
19 REVOCABLE TRUST, executor of THE
20 Raymond E. Douglass estate, and as
21 successor in interest;

22 *Plaintiff*,

23 v.

24 RELIANT LIFE SHARES, LLC. a
25 California limited liability company; ~~RLS~~
26 ~~FINANCIAL SERVICES, INC., a~~
27 ~~California corporation~~; RELIANT LIFE
28 SHARES SERIES TRUST, aka RLS
Trust, a trust; RMS TRUST, a trust;
SEAN MICHAELS, an individual;

Case No. 2:23-cv-08577-SB-AGR (Lead
Case)
Consolidated with Case No. 2:23-cv-
00460 SB (AGRx)

Judge Hon. Stanley Blumenfeld, Jr.

CLASS ACTION

**FIRST AMENDED COMPLAINT
FOR:**

CLASS CAUSES OF ACTION

1. NEGLIGENCE;
2. GROSS NEGLIGENCE;
3. VIOLATION OF
CORPORATIONS CODE §§
25401 & 25501;
4. VIOLATION OF CALIFORNIA
CORPORATIONS CODE §
25504.1;

1 SCOTT GRADY, an individual;
2 WILMINGTON SAVINGS FUND
3 SOCIETY, a federal savings bank doing
4 business as CHRISTIANA TRUST,
5 individually and as trustee; UMB BANK,
6 N.A., a federally chartered bank,
7 individually and as trustee; ~~BOU~~
8 ~~BANCORP, INC. doing business as~~
9 ~~BANK OF UTAH~~; BANK OF UTAH,
10 individually and as
11 trustee; FIRST WESTERN TRUST
12 BANK, a Colorado Corporation,
13 individually and as trustee; RLS, Grantor,
14 LLC, a California limited liability
15 company, ANDREW MURPHY, an
16 individual, and DOES 1-20,

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Defendants.

- 5. BREACH OF FIDUCIARY DUTY;
 - 6. FINANCIAL ELDER ABUSE (WIC § 15600 et seq.); and
 - 7. UNFAIR BUSINESS PRACTICES (Bus. & Prof Code § 17203 et seq.)
- DOUGLASS' CAUSES OF ACTION AGAINST ANDREW MURPHY**
- 8. VIOLATION OF CORPORATE CODE §§ 25401 & 25501;
 - 9. BREACH OF FIDUCIARY DUTY;
 - 10. FINANCIAL ELDER ABUSE;
 - 11. SELLING UNREGISTERED SECURITIES AND INSURANCE; and
 - 12. NEGLIGENCE

REQUEST FOR JURY TRIAL

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16 REVOCABLE TRUST, executor of Raymond E. Douglass' estate, and as successor in
17 interest

1 COME NOW Plaintiffs James Reed and Carolynn Reed (collectively “Plaintiffs”)
2 on behalf of themselves and all others similarly situated, who complain and allege based
3 on both personal knowledge and information and belief, the Class Action Causes of
4 Action Nos. 1 through 7 below. In addition, COMES now Plaintiff GWENDALYN
5 DOUGLASS as Trustee of RAYMOND E. DOUGLASS REVOCABLE TRUST,
6 executor of Raymond E. Douglass’ estate, and as successor in interest (“Douglass”) who
7 complains and alleges on both personal knowledge and information and belief against
8 Defendant Andrew Murphy Causes of Action Nos. 8 through 12 below:

9 **SUMMARY**

10 1. Plaintiffs James Reed and Carolynn Reed (“Plaintiffs”) on their own behalf
11 and on behalf of all others similarly situated, allege, among other things, negligence,
12 gross negligence, violations of the California Corporations Code, violations of California
13 Insurance Code, breach of fiduciary duties, financial elder abuse, fraud and unfair
14 competition, all occurring in or arising out of the sale of fractionalized interests in life
15 insurance policies, or “life settlements,” by Defendants Reliant Life Shares, LLC
16 (“Reliant”) and its alter ego, RLS, Grantor, LLC, a California corporation (“RLS
17 Grantor”)(collectively “Reliant”). Plaintiffs further allege that individual Defendants
18 Scott Grady and Sean Michaels were owners, managers, officers and/or directors of
19 Reliant and personally participated in the wrongdoing alleged herein.

20 2. Reliant and its principals were aided and abetted in years of wrongdoing as
21 alleged herein, in part, through the acts and omissions of banks acting as institutional
22 trustees who provided credibility to Reliant’s “life settlement” investment program.
23 Reliant marketed its program to investors as safe and secure based on Reliant’s “trust
24 structure” whereby large banks acted as institutional trustees of Reliant Life Shares Series
25 Statutory Trust, a trust that purported to hold and secure investor funds, the underlying
26 insurance policies, and provided to each investor with the secured status as a
27 “Beneficiary” of a statutory trust controlled by a financial institution with large assets.
28 (“the Reliant Trust”)

1 3. Plaintiffs allege that Wilmington Savings Fund Society, a Delaware
2 corporation doing business as Christiana Trust (“Christiana Trust”); UMB Bank, n.a., a
3 federally chartered bank (“UMB Bank”); Bank of Utah (“Bank of Utah”) a Utah
4 corporation and wholly owned subsidiary of BOU Bancorp, Inc., and First Western Trust
5 Bank, a Colorado corporation (“First Western”) (collectively hereinafter “the Trustee
6 Defendants”) aided and abetted Reliant, Grady and Michaels as alleged herein, as well as
7 breached fiduciary duties the Trustee Defendants owed to Plaintiffs and all those similarly
8 situated.¹

9 4. Reliant heavily marketed its “trust structure” by touting the Trustee
10 Defendants on its website and by including pages of executive profiles and implicit
11 endorsements by the Trustee Defendants in its marketing brochure, including large color
12 photos and profiles of the banks and their CEO’s overseeing billions in assets. A copy of
13 Reliant’s brochure is attached **Exhibit A**. A copy of UMB Bank's pages of marketing is
14 at **Exhibit A**, pages 30-40. A copy of Reliant’s website touting Defendant UMB Bank as
15 escrow agent and trustee is attached hereto as **Exhibit B**. A copy of pages from Reliant’s
16 websites referencing its relationship with Defendant Bank of Utah is hereto collectively
17 as **Exhibit C**. A copy of Bank of Utah’s brochure pages given to class members is
18 attached hereto as **Exhibit Z**.

19 5. Plaintiffs allege the existence of an ascertainable class, and specific
20 subclasses, of all those similarly situated defined as:

21 All persons, trusts, or entities who invested in a life settlement
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23 ¹ In Plaintiffs’ original complaint, Plaintiffs named BOU Bancorp, Inc. doing business as
24 Bank of Utah. (“BOU”). Subsequently, BOU informed Plaintiffs that BOU was
25 erroneous sued and that the proper entity is BOU’s subsidiary, Bank of Utah, a Utah
26 corporation, who acted as a trustee of the Reliant trust. Plaintiff successfully moved for
27 leave to amend, including for leave to name Bank of Utah, a Utah corporation, as the
28 proper defendant. BOU thereafter agreed Plaintiffs may substitute the subsidiary in place
of BOU in the amended complaint. *Nelson v. Union Bank of California, N.A., No.*
*CV0206942MMMCWX, 2003 WL 27374136, at *1 n.14 (C.D. Cal. Mar. 31, 2003).*

1 investment by or thru Reliant Defendants between 2011 and
2 2023. Excluded are any entities or persons associated or
3 identified with Reliant Defendants or their officers and directors
4 or within the network of their related companies. (“the Class”).

5 6. A subclass of the Class is defined as all persons who were investors in a life
6 settlement investment by or thru Reliant Defendants before or during the time when
7 Defendant Christina Trust acted as a trustee of the Reliant Life Shares Series Statutory
8 Trust.

9 7. A subclass of the Class is defined as all persons who were investors in a life
10 settlement investment by or thru Reliant Defendants before or during the time when
11 Defendant UMB BANK, n. a. acted as a trustee of the Reliant Life Shares Series Statutory
12 Trust.

13 8. A subclass of the Class is defined as all persons who were investors in a life
14 settlement investment by or thru Reliant Defendants before or during the time when
15 Defendant Bank of Utah acted as a trustee of the Reliant Life Shares Series Statutory
16 Trust.

17 9. A subclass of the Class is defined as all persons who were investors in a life
18 settlement investment by or thru Reliant Defendants before or during the time when
19 Defendant First Western Trust Bank acted as the trustee of the Reliant Life Shares Series
20 Statutory Trust 2.

21 10. As subclass of the Class, and each Subclass, is defined as all persons who
22 were 65 years or older at the time they invested. (“the Elder Abuse Subclass”)

23 11. Defendant Reliant, which was formed in 2011, sold investments to investors
24 structured as life settlements up to and until 2023. In 2023, Reliant became insolvent and
25 a receiver was appointed. The public disclosures by the receiver in August 2023 exposed
26 years of wrongdoing.

27 12. Undisclosed to investors, Reliant and its principals Grady and Michaels were
28 not licensed to engage in life settlement transactions. California Insurance Code Sections

1 10113.1 through 10113.3 provide that all life settlement brokers and providers are
2 required to obtain a license from the California Insurance Commissioner to transact life
3 settlement business in California and are subject to both licensing and consumer
4 disclosure requirements. Code Sections 10113.1 through 10113.3 apply to all life
5 settlement transactions beginning on July 2, 2010.

6 13. Based on a review of licensed Life Settlement Brokers and Providers on the
7 State of California Department of Insurance's website, Plaintiffs are informed and believe
8 that Defendants Reliant, Grady, and Michaels are not, and have never been, licensed and
9 therefore authorized to transact life settlement transactions in California. Plaintiffs allege
10 that Defendants, including Trustee Defendants, had a duty to Plaintiffs and the Class to
11 refrain from life settlement transactions and to disclose to all potential investors that
12 Reliant, Grady and Michaels were not licensed to engage in life settlement transactions
13 in California.

14 14. In addition, Reliant, Grady and Michaels misled investors about other
15 material facts as described herein, including, *inter alia*, the investors' likely annual
16 returns, the risks that investors would have to make future out-of-pocket payments to
17 keep the life insurance policies in force to protect their principal, the amount of expected
18 future premiums, the data utilized in choosing life insurance policies purchased and sold
19 to investors, and the fact that their money invested in Reliant life shares would be
20 safeguarded by a third party independent financial institutions acting as trustees.

21 15. Further, Defendants failed to disclose to investors significant facts which
22 Defendants knew or should have known related to the Defendants including, but not
23 limited to, that Defendant Grady was formerly licensed as an attorney in the State of
24 California but was disbarred in 2008 for failing to comply with State Bar probation
25 requirements associated with his 2006 State Bar suspension after allegations of
26 comingling of client funds.

27 16. Further, Defendants failed to disclose a dispute among the owners of Reliant
28 that put the entire portfolio at risk. Defendants failed to disclose that in 2015 Reliant

1 adopted an amended operating agreement attempting to force out co-owner Daniel
2 Cooper and that on December 21, 2015 Reliant filed a lawsuit against Daniel Cooper who
3 was a member and 1/3 owner of Reliant. Cooper filed a cross-complaint against Reliant,
4 Grady and Michaels, alleging, among other things, fraud and mismanagement.
5 Defendants further failed to disclose that for years Grady and Michaels engaged in self-
6 dealing and improper dissipation of trust assets.

7 17. Plaintiffs are informed and believe that in an effort to conceal their
8 wrongdoing from investors, Reliant Defendants, Grady and Michaels used money
9 received from investors from the sale of new life settlements to pay premiums on life
10 settlement investments sold years earlier, which had not matured but had exhausted the
11 “premium reserves” created by Reliant to make premium payments to keep the life
12 insurance policies it purchased and then sold fractionalized interests on those policies to
13 investors. Plaintiffs are informed and believe that Reliant, Grady and Michaels engaged
14 in this conduct to create the false appearance that the life settlements they structured and
15 sold had minimal risk and would pay off within the expected period in order to continue
16 to solicit new investors and to prevent current investors from learning that Reliant’s life
17 settlements were sold by way of the wrongdoing herein alleged and rescinding their
18 investments. In addition, Plaintiffs are informed and believe that Reliant, Grady and
19 Michaels also used investors funds that were earmarked as trust assets to pay Cooper to
20 partially satisfy a judgment against them as alleged hereinbelow.

21 18. Plaintiffs only began to discover the basis of the claims alleged herein after
22 the California Department of Financial Protection and Innovation (“Department”) issued
23 a Desist and Refrain Order December 14, 2022, which Desist and Refrain Order stated:

24 Based on the forgoing findings, the Commissioner is of the
25 opinion that Reliant offered or sold securities in California by
26 means of oral and written communications which included
27 untrue statements of material facts or omitted to state material
28 facts necessary in order to make the statements made, in the light

1 of the circumstances under which they were made, not
2 misleading, in violation of Corporations Code section 25401. A
3 true and correct copy of the Desist and Refrain Order is attached
4 hereto as **Exhibit D**.

5 19. Plaintiffs further discovered the additional facts alleged herein on August 15,
6 2023 after a court appointed receiver filed an ex parte emergency application with the
7 Los Angeles Superior Court in Case Number B313602 on August 14, 2023 divulging in
8 a public record that Reliant has no funds to further operate or to pay premiums and is in
9 “dire” risk of imminent collapse and the loss of all the amounts invested by all Class
10 members. A true and correct copy of the Receiver’s August 14, 2023 Ex Parte Application
11 (“the Receiver’s Ex Parte”) is attached hereto as **Exhibit E**.

12 20. Plaintiffs and other members of the putative class were precluded from
13 discovering the alleged claims prior to December 14, 2022 because Defendants concealed
14 from Plaintiffs and the members of the Class the mismanagement of the Reliant Trust,
15 which held the insurance portfolio, as well as the true risks and the true nature of the
16 investments, concealing, among other things, information regarding likely annual returns,
17 the risks that investors would have to make future, out-of-pocket payments to keep the
18 policies in force to protect their principal, the amount of expected future premiums, the
19 data utilized in choosing the life insurance policies to be sold to investors as investments,
20 and the fact that Defendants Grady and Michaels were looting Reliant and using investors
21 funds which were supposed to be deposited into an account for the Reliant Trust to make
22 future premium payments.

23 21. Plaintiffs discovered on or about August 15, 2023 in the Receiver’s Ex Parte,
24 that Defendants concealed the wrongdoing for “several years”. (**Exhibit E**, 4:9-15) The
25 Receiver states in his Ex Parte application: “The unfortunate reality is that Reliant did not
26 retain sufficient funds in escrow, and in the last several years, it allowed Grady and his
27 affiliates to withdraw and abscond with funds belonging to the company or investors that
28 should have been used to pay policy premiums or basic business expenses. Reliant

1 currently is unable to pay the premiums for the Portfolio. It has dozens of creditors.
2 Additionally, the company has been named in administrative cease and desist
3 proceedings and in multiple civil lawsuits alleging fraud and misrepresentation,
4 violations for various securities law violations, among other things. The situation is dire.”

5 22. The Los Angeles County trial court in *Reliant v. Cooper* found that as of
6 12/31/2018, Defendants Michaels and Grady had received \$11,724,625.94 from Reliant.

7 23. On October 6, 2020, the trial court in the *Cooper* case entered a Second
8 Amended Judgment against Reliant, Grady and Michaels and their alter ego entities who
9 were liable for over \$13 million in damages. A jury awarded punitive damages of over
10 \$1.5 million. Even after modifications by the trial court, the amended judgment exceeded
11 \$10 million.

12 24. The saga of Defendants’ wrongdoing is summarized in a published California
13 Court of Appeals decision dated April 4, 2023, *Reliant Life Shares v. Charles Cooper*, 90
14 Cal. App. 5th 14, 306 Cal. Rptr. 3d 762. (**Exhibit F**, attached). At page 43 of the opinion,
15 it states:

16 The jury heard evidence of millions of dollars Michaels and
17 Grady funneled from Reliant to themselves and entities they
18 owned; evidence of Grady’s extravagant lifestyle, with
19 purchases of luxury cars, expensive jewelry, renting a mansion
20 for \$20,000 per month, and the like . . .

21
22 The appellate court found that Grady and Michaels had “looted”
23 Reliant: It turned out that a considerable amount of evidence was
24 admitted about specific dollar amounts in many millions of
25 dollars-that Michaels and Grady looted from Reliant and took as
26 their own personal assets. The evidence together with the
27 evidence (not challenged on appeal) of their malice, oppression
28 and fraud, was sufficient to support the punitive damage award.

1 (Id at p. 46 of the opinion.)

2 25. Because the looting of investor funds entrusted to Reliant, which were
3 supposed to be safeguarded in trust by the Trustee Defendants, Reliant is now insolvent,
4 a receiver, Christopher Conway, has been appointed to take over Reliant’s business. (“the
5 Receiver”) The Receiver filed the pleadings with the Los Angeles Superior Court in post-
6 judgment litigation between the managers and officers of Reliant, to obtain authority to
7 sell trust assets to fund the receivership and pay outstanding premiums, warning that all
8 the policies held in the Reliant Trust may lapse because of the lack of funds to pay
9 premiums. The Receiver reports that 8 of the 37 policies in the portfolio have lapsed
10 without ability to reinstate because of non-payments of premiums.

11 26. Plaintiffs allege that the Trustee Defendants knew, or should have known,
12 that acts and/or omissions by Reliant and its principals put the Plaintiffs’ investment
13 portfolio at risk. Plaintiffs allege under information and belief that when the Reliant
14 principals engaged in wrongdoing, including conduct outside the trust agreements, as
15 further described below, the Trustee Defendants did not take steps to inform or protect
16 Plaintiffs or any investors, despite their status as Beneficiaries of the Reliant statutory
17 trust.

18 **JURISDICTION**

19 27. This matter was originally filed in Los Angeles Superior Court. It was
20 removed to this Court based on subject matter jurisdiction pursuant to the Class Action
21 Fairness Act. 28 U.S.C. § 1332(d). 28 U.S.C. § 1453. Dkt. 1, p. 2.

22 **VENUE**

23 28. The facts and circumstances that give rise to this action occurred in this
24 district. The Purchase Agreement entered into by Plaintiffs with Reliant states on page 8,
25 in subsection (d):

26 This Agreement shall be construed and enforced in accordance
27 with, and governed by, without exception, the laws of California.

28 A proceeding arising from or relating to this Agreement must be

1 brought in the Superior Court of California, County of Los
2 Angeles, to the exclusion of any other court of competent
3 jurisdiction.

4 29. According to the Purchase Agreement, Defendant Reliant maintains its
5 headquarters in Los Angeles, California.

6 30. All investors who purchased Reliant Life Shares were required to attest in
7 their Purchase Agreements that they were residents of California.

8 31. Here, Plaintiffs are informed and believe that greater than two-thirds of the
9 proposed Class members are citizens of California, and defendants Grady and Michaels
10 from whom significant relief is sought and whose alleged conduct forms the basis for the
11 claims brought by Plaintiffs reside in Los Angeles County, the principal injuries resulting
12 from the alleged conduct occurred in California.

13 **THE PARTIES / FACTUAL BACKGROUND**

14 32. Plaintiffs James Reed and Carolynn Reed were residents of California at the
15 time they invested in Reliant Life Shares “life settlement” program. They entered into a
16 Fractional Life Settlement Purchase Agreement with Reliant on July 29, 2014 and paid
17 \$50,000.00 to acquire an interest in Life Insurance Policy Number 60163540. James Reed
18 was over 65 at the time of investment. Having invested in 2014, Plaintiffs James Reed
19 and Carolynn Reed are members of the Class and members of each of the subclasses
20 associated with each successor trustee. James Reed is a member of the Elder Abuse
21 subclass.

22 33. Defendant Reliant Life Shares, LLC is a California limited liability company
23 which since on or about 2013 solicited investors to invest in life settlements. The
24 headquarters of Reliant at all times referenced in this Complaint was in the City of Los
25 Angeles, County of Los Angeles. Until March 16, 2023, Reliant Life Shares, LLC was
26 the Grantor on each and version of the Reliant Life Shares Series Statutory Trust, the trust
27 in which trust assets including the insurance policies, were held and of which each
28 investor was a beneficiary.

1 34. On information and belief Plaintiffs allege Defendant “RLS, Grantor, LLC,
2 a California limited liability company” is an entity formed by Defendant Scott Grady to
3 act as a shell company to conceal assets and was therefore an alter ego of Reliant.

4 35. Specifically, on or about March 16, 2023 Scott Grady on behalf of Reliant
5 Life Shares, LLC and Randy R. Hahn, on behalf of the Bank of Utah, signed a “Second
6 Amended And Restated Agreement and Declaration of Trust” purporting that “RLS,
7 Grantor, LLC, a California limited liability company” shall become the “successor
8 Grantor” of the Reliant Life Shares Series Statutory Trust. Plaintiffs further allege under
9 information and belief that “RLS, Grantor, LLC” is a fictitious sham entity that was never
10 registered with the California Secretary of State, has not been established nor done any
11 business, and is simply a shell and alter ego of Reliant Life Shares, LLC formed by Grady
12 in 2023 to (1) conceal assets and avoid creditors, including to impair collection efforts of
13 Judgment Creditor Daniel Cooper against Reliant, Grady and Michaels, and (2) to modify
14 the terms of the Trust to allow the trustee, Bank of Utah to sell underlying policies without
15 the knowledge of Beneficiaries. Plaintiffs are informed and believe the purpose was to
16 raise money in order to pay premiums for other policies, and to pay the Cooper judgment.

17 36. Plaintiffs allege that at the time the new trust agreement was signed Reliant,
18 Grady and Bank of Utah knew that the grantor of the Reliant Trust was vested with
19 control of the trust with rights to direct the trustee. Reliant, Grady and Bank of Utah
20 knew, or should have known that RLS, Grantor, LLC was not a legitimate entity.
21 Plaintiffs allege under information and belief that the new trust document dated March
22 16, 2023 modified and diluted the rights of the Beneficiaries by granting new power to
23 the sham entity RLS, Grantor, LLC, as successor Grantor to dispose of trust assets.
24 Despite the fact that the trust was modified and that control of the trust vested into a new
25 sham entity acting as successor Grantor, none of the Beneficiaries were notified by
26 Reliant or by Bank of Utah, as trustee, of the new trust agreement, in violation of the
27 existing fiduciary duties of Defendants. The execution of a new master trust altering the
28 terms of the trust and the sale of underlying policies violated the trust and was a breach

1 of fiduciary duties owed to the Beneficiaries.

2 37. At all times referenced herein, Defendant Scott Grady was an officer,
3 manager and controlling owner of Defendant Reliant, who resides in the County of Los
4 Angeles.

5 38. At relevant times referenced herein, Defendant Sean Michaels (“Michaels”)
6 was an officer and manager of Defendant Reliant.

7 39. Plaintiffs are informed and believe and upon such information and belief
8 allege that each of the fictitiously named Defendants are responsible for the acts and/or
9 omissions herein alleged, and that Plaintiffs’ injuries and damages as herein alleged were
10 proximately caused by the acts and/or omissions of such fictitiously named Defendants.

11 40. Plaintiffs are unaware of the true names and capacities of DOE Defendants
12 sued herein as DOES 1-20, and therefore sue those Defendants by such fictitious names.
13 Plaintiffs will seek leave to amend this Complaint to allege their true and accurate names
14 and capacities when ascertained.

15 41. During relevant times herein alleged, between on or about 2013 thru June 15,
16 2015, Wilmington Savings Fund Society, FSB dba Christiana Trust (“Christiana Trust”)
17 is and was a federal savings bank that acted as the trustee for the transactions between
18 Reliant and investors and accepted investors funds to be used to purchase a fractionalized
19 interest in life insurance policies identified by Reliant. Defendant Christiana Trust also
20 served as the trustee of one or more trusts established by Defendant Reliant to hold as
21 asset the life insurance policies the trust purchased at the direction of Reliant. On
22 Reliant’s website and in its marketing materials Reliant held Christiana Trust out as an
23 institutional independent bank trustee whose duties included, but were not limited to,
24 accepting investment funds, manage premium reserve accounts, make payments to
25 carriers, and to distribute policy benefits to each of the investors upon policy maturity. A
26 copy of Reliant’s website touting Defendant Christiana Trust as escrow agent and trustee
27 is attached hereto as **Exhibit N**.

28 42. Defendant Reliant used improper general solicitation and marketing and

1 misleading advertising to sell investments in “life shares” to investors. Attached as
2 Exhibit N hereto is a copy of Defendant Reliant’s internet website from February 2015.
3 In that version of Reliant’s website it identifies Christina Trust as the “third party escrow
4 agent and trustee of the Reliant Life Shares Series Trust (“Reliant Trust”). Reliant is
5 responsible for providing direction to Christiana Trust in the management and
6 administration of investor accounts invested in the Reliant Trust.” It also states: “Reliant
7 Life Shares chose Christiana Trust because of their thirty years of combined experience
8 in life settlement transaction.” Reliant had a Link on its website to Defendant Christiana’s
9 Life Settlement Brochure. It also stated on Reliant’s website that: “In order to ensure
10 safekeeping of the assets placed in trust, Reliant has authorized Christiana Trust to act as
11 custodian and trustee, with sole signatory authority on this account.” Subsequent Reliant
12 websites featured Defendant UMB, Defendant First Western Bank and Defendant Bank
13 of Utah as the trustee of the Reliant Trust, which virtually identical descriptions as to
14 these independent trustees being appointed to “ensure safekeeping of the assets placed in
15 trust.”

16 43. During relevant times herein alleged Defendant UMB Bank n.a., a division
17 of UMB Financial Corporation (“UMB Bank”), is and was national bank that served as
18 the trustee of the Reliant trust designated by Reliant to purchase life settlement insurance
19 policies to be held in the trust. On June 15, 2015, Reliant as Grantor and UMB Bank as
20 trustee entered into a written agreement entitled “Agreement and Declaration of Trust”
21 (“UMB Trust Agreement”), a true and correct copy of which is attached hereto as **Exhibit**
22 **G**.

23 44. The Trustee Defendants, including UMB Bank and Bank of Utah, further
24 violated their duties to the Class who were Beneficiaries of the trust by failing to provide
25 written notice to the Beneficiaries of the “disposition” of Trust Assets by Defendants
26 Reliant, Grady and Michaels of the premium reserves. Had timely written notice been
27 provided by the Trustee Defendants to the Beneficiaries, the Beneficiaries could have
28 taken steps to halt the wrongdoing and mitigate the losses to the investment portfolio.

1 45. On its website, Reliant referred to UMB Bank as "an institution founded in
 2 1913 and for the fifth straight year was ranked as one of America’s Best Banks based on
 3 eight financial measures of asset quality, capital adequacy, and profitability, according to
 4 studies by Forbes and SNL Financial. Since 2007, UMB has consistently been ranked as
 5 the fourth-largest municipal trustee and has \$41.4 billion in assets under management."
 6 Like Christiana Trust, Reliant Defendants held UMB Bank out on Reliant’s website,
 7 marketing materials as an institutional independent bank trustee whose duties included,
 8 but were not limited to, accepting investment funds, manage premium reserve accounts,
 9 make payments to carriers, and to distribute policy benefits to each of the investors upon
 10 policy maturity.

11 46. On Reliant’s website featuring Defendant UMB Bank included
 12 references to UMB:

13 **INDEPENDENT ESCROW AND BANKING SERVICES**

14 Reliant Life Shares, LLC, has appointed UMB Bank n.a.
 15 to act as Reliant Life Shares’ third party escrow agent and trustee
 16 of the Reliant Life Shares Trust (“Reliant Trust”) . . . Reliant is
 17 responsible for direction to UMB in the management and
 18 administration of investors account invested in the Reliant Trust.

19 UMB Bank is a division of UMB Financial Corporation
 20 (Nasdaq: UMBF), an institution founded in 1913. For more
 21 information on the company please visit: <http://umbfinancial.com>.
 22

23 **HOW WE EARN INVESTOR CONFIDENCE THROUGH**
 24 **OUR STRUCTURE**

25 (1) As directed by Reliant Life Shares, LLC, UMB Bank
 26 establishes an escrow account for the benefit of investors entitled
 27 the “The Reliant Life Shares Subscription Account.” In order to
 28 ensure safekeeping of the assets placed in trust, Reliant Life

1 Shares has authorized UMB to act as custodian and trustee with
2 sole signatory authority on this account.

3 A true and correct copy of the Reliant website featuring UMB Bank is
4 attached hereto as **Exhibit B**. Similar website references to Christiana Trust
5 (**Exhibit N**) and Bank of Utah (**Exhibit C**).

6 47. On June 16, 2015, Reliant and First Western Trust Bank (“First Western”)
7 entered into a written agreement entitled “Reliant Life Shares Series Statutory Trust 2
8 Agreement and Declaration of Trust” (“First Western Bank Series 2 Trust Agreement”),
9 in which Reliant is the Grantor and First Western in the trustee; a true and correct copy
10 of that trust agreement is attached hereto as **Exhibit H**. Reliant used First Western Bank
11 to accept investors funds, and as the trustee of the trust used to purchase life settlement
12 insurance policies identified by Reliant. Like prior trustees, Reliant Defendants held
13 Defendant First Western out on Reliant’s website and in its marketing brochure as an
14 institutional independent bank trustee whose duties included, but were not limited to,
15 accepting investment funds, manage premium reserve accounts, make payments to
16 carriers, and to distribute policy benefits to each of the investors upon policy maturity.
17 The First Western Bank Series 2 Trust Agreement with Defendant First Western Bank
18 as trustee is substantively similar to the trust agreement between Reliant as Grantor and
19 Defendant UMB Bank as trustee.

20 48. During relevant times herein alleged Defendant Bank of Utah, a wholly
21 owned subsidiary of BOU Bancorp, Inc. is and was a Utah corporation doing business as
22 Bank of Utah, (“Bank of Utah”). Beginning at least as early as 2016 Reliant held Bank
23 of Utah outas a trustee of the Reliant Trust. A true and correct copy of a class member’s
24 form purchase agreement dated May 24, 2016 is attached as **Exhibit I**. In the purchase
25 agreement, Reliant represents “Reliant Life Shares has contracted with UMB Bank/Bank
26 of Utah to perform certain post-closing services **as the Trustee . . .**” **Exhibit I** at pp.2-
27 3.

28 49. On June 29, 2022, Reliant as Grantor entered into a written agreement

1 entitled “Instrument of Resignation, Appointment and Acceptance” (“Instrument of
2 Resignation”), in which UMB Bank resigned as trustee of the Reliant Trust and Bank of
3 Utah was appointed as “Successor Trustee”. A true and correct copy of that Instrument
4 of Resignation is attached hereto as **Exhibit J**.

5 50. Plaintiffs are informed and believe that Defendant UMB Bank and Bank of
6 Utah knew or should have known that Defendants Grady and Michaels were engaged in
7 wrongdoing that included disposition of funds which were represented to investors as
8 trust assets. the Trust Assets, and instead on notifying the Beneficiaries in writing that
9 Grady and Michaels were doing so, instead, without notifying the Beneficiaries, UMB
10 Bank resigned as trustee on June 29, 2022. Bank of Utah tendered a letter of resignation
11 on or about June, 2023.

12 51. In Section 203 (g) of the Instrument of Resignation which accepted
13 Defendant UMB Bank’s resignation and appointed Defendant Bank of Utah as the
14 “Successor Trustee”, Reliant represented to Defendant UMB Bank that: “Reliant has of
15 the date above removed any reference to Resigning Trustee from its website, marketing
16 materials and all other investor communications.” Plaintiffs are informed and believe
17 and based thereon allege Defendant UMB required Reliant to represent and warrant that
18 it had removed UMB Bank’s name from Reliant’s website and marketing brochure
19 because UMB Bank knew the marketing was meant to provide investors with
20 “confidence” that their funds would be safeguarded by an independent third-party
21 escrow office and trustee.

22 52. On December 29, 2022, Reliant as Grantor entered into a written agreement
23 entitled “Instrument of Termination, Appointment and Acceptance” (Series 2 Trust
24 Agreement”) whereby Defendant First Western Bank resigned as trustee of the June 16,
25 2015 Series 2 Trust Agreement and Defendant Bank of Utah was appointed as Successor
26 Trustee of the Series 2 Trust Agreement; a true and correct copy of that Instrument of
27 Termination of the Series 2 Trust Agreement is attached hereto as **Exhibit K**.

28 53. Plaintiffs are informed and believe that Defendant First Western Bank knew

1 or should have known that Defendants Grady and Michaels were improperly accounting
2 for and/or disposing of First Western Bank Series 2 Trust Assets, and instead of notifying
3 the Beneficiaries in writing that Grady and Michaels were doing so, resigned without
4 notifying the Beneficiaries in writing that they were resigning or the reasons for their
5 severance. Had Defendants UMB Bank and First Western Bank provided written notice
6 the Plaintiffs and the Class, all of whom are Beneficiaries, of the reason for their
7 severance, Plaintiffs and the Class could have asked questions and learned earlier that
8 Defendants Grady and Michaels were looting Reliant, and could have sought to mitigate
9 the losses to the portfolio.

10 54. Reliant used Bank of Utah to accept investors funds, and as the trustee of the
11 trust used to purchase life settlement insurance policies identified by Reliant. Like prior
12 trustees, Reliant Defendants held Bank of Utah out on its website, in its marketing
13 brochure as an institutional independent bank trustee whose duties included, but were not
14 limited to, accepting investment funds, manage premium reserve accounts, make
15 payments to carriers, and to distribute policy benefits to each of the investors upon policy
16 maturity. (See Bank of Utah on Reliant website, **Exhibit C**, and Bank of Utah marketing
17 brochure given to class members, **Exhibit Z**)

18 55. As previously alleged herein, on March 16, 2023, in a written agreement
19 entitled “Second Amended and Restated Agreement and Declaration of Trust” (“Second
20 Amended Trust”), Reliant Life Shares, LLC “resigned” as the Grantor of the Reliant Life
21 Shares Series Statutory Trust (“Second Amended Trust”), and appointed Defendant RLS,
22 Grantor, LLC, a California limited liability Company, as the “Successor Grantor” of the
23 Second Amended Trust. Randy R. Hahn, a vice-president of Defendant Bank of Utah, the
24 current trustee of the Reliant Trust signed approving the Second Amended Trust. A true
25 and correct copy of the Second Amended Trust is attached hereto as **Exhibit L**.

26 56. The terms of the Second Amended Trust are substantially the same terms as
27 the original Trust Agreements in which Defendants UMB Bank, First Western Bank and
28 Bank of Utah were named as trustees, with a notable exception. The material difference

1 is that in the Second Amended Trust the powers of the grantor and trustee are increased
2 in Section 4.1 whereby the Successor Grantor, RLS, Grantor, LLC, Defendant Bank of
3 Utah can sell policies to pay insurance premiums and pledge the Trust Assets as collateral
4 for any loans.

5 57. Plaintiffs are informed and believe that Reliant and Grady entered into the
6 new agreement with the sham entity as successor Grantor and with Bank of Utah in order
7 to sell insurance policies and/or seek financing to borrow against the portfolio to pay
8 premiums because Reliant, Grady and Michaels had absconded and disposed of trust
9 assets. Plaintiffs allege that Bank of Utah knew or should have known that Reliant and
10 Grady's need to borrow against the trust assets to pay premiums was a red flag exposing
11 the looting of trust assets.

12 58. In subsection (f) of Section 4.1 of the Second Amended Trust it states that as
13 directed by the Successor Grantor, the trustee may sell policies owned by the Trust:

14 (f) As instructed in writing by the Successor Grantor from time to
15 time, to cause the Trust or any Series to sell any Policies owned by the
16 Trust or any Series and to execute any and all agreements and
17 instruments required for of such a sale; provided, that (i) the Trustee
18 may use all or any portion of the gross proceeds paid to a Series for its
19 sale of a Policy owned by such Series at the closing of such sale to pay
20 any Premiums due for any other the Policies owned by such Series or
21 any Policies owned by any other Series and (ii) the Net Sale Proceeds
22 from the sale if any Policy by a Series shall be distributed by the Trustee
23 to the Beneficiaries of such Series in accordance with their respective
24 beneficial interest in such Series upon the maturity of such Policy.

25 59. The ability to sell insurance policies owned by one Series of the Reliant Trust
26 and to use the "gross proceeds" to make premium payments on policies owned by other
27 series of the Reliant Trust is the classic hallmark of a Ponzi scheme and indicia of breach
28 of fiduciary duties. Neither Reliant, Grady nor Bank of Utah informed any of the

1 members Class that the trust was being restated or that a new entity was being named as
2 Grantor.

3 60. Shortly after execution of the Second Amended Trust on March 16, 2023 by
4 Reliant, Grady and Bank of Utah, on April 20, 2023, Bank of Utah, as trustee on behalf
5 of Reliant Life Shares Series Statutory Trust entered into a purchase agreement with
6 Superior Life Finance LLC, a Wyoming premium finance company. Key terms of the
7 agreement included:

- 8 a. Reliant Life Shares Serious Statutory Trust agreed to sell to
9 Superior Life 13 life insurance policies that were part of the Reliant
10 portfolio in exchange for \$3.5 million and pay premiums for the policies;
11 b. Superior Life agreed to grant Reliant Life Shares Series Trust an option
12 to repurchase the Policies on specified terms.

13 61. The Superior Life purchase agreement was signed by Tammy Glover on
14 behalf of Bank of Utah. A copy of the Superior Life agreement is attached hereto as
15 **Exhibit M**. In the Superior Agreement Bank of Utah represented that the trust was “the
16 sole legal and beneficial owner of the Assets” which were defined as “all rights, titles and
17 interests as owner” of the 13 policies. Prior to the sale, Defendants failed to disclose the
18 Agreement to the Beneficiaries of the trust, including the Class members, that the asset
19 they had invested in was being sold. Shortly thereafter, without any notice to Plaintiffs
20 or the Class, Beneficiaries of the trust, Utah tendered its resignation.

21 62. Attached hereto as **Exhibit A** is a copy of a marketing brochure (“Brochure”)
22 which Defendant Reliant utilized to sell fractionalized interests in life insurance policies
23 to Plaintiffs and class members. Plaintiffs are informed and believe that Defendant
24 Reliant utilized the same basic Brochure to market Reliant Life Shares between 2013 and
25 2022, but changed the name of the institution that was to act as the “trustee” of the trusts
26 established by Reliant to hold the insurance policies.

27 63. Plaintiffs are informed and believe that each of the Trustee Defendants
28 knowingly authorized Reliant to use each Trustee Defendant’s name and reputation in

1 the Life Settlement Industry to be used by Defendant Reliant’s written marketing
2 brochures (“Brochure”) which informed potential investors that each Trustee Defendant
3 would serve as an “independent escrow agent and trustee.” Plaintiffs are informed and
4 believe that in each version of the Brochure the descriptions of the escrow agent and
5 trustees duties in each version included the following: “Life Shares are structured to
6 protect the client’s holdings from any external threat through a trust structure . . .” “Holds
7 all client monies in a separate escrow.” “The Trustee receives all investor funds into a
8 subscription escrow account and upon direction from the investor places funds into each
9 trust which holds the specific policy that the investor chooses to invest into.” “By using
10 an independent and professional Trustee/Escrow Agent, client monies are only disbursed
11 as directed in the purchase agreements.

12 64. In the Brochure, Reliant touted the reputation of the trustee that it was
13 utilizing at the time each of the Trustee Defendants was acting as the trustee of the trusts
14 established by Reliant.

15 65. On page 9 of the attached Brochure, and in each version of the Brochure used
16 between 2013 and 2023 it states:

17 “The history of all maturities for life settlement policies shows
18 that, like a bell curve, approximately half of all policies mature
19 before the estimated life expectancy date, and half after. This
20 outcome is an indication of the quality of estimates used. It also
21 further supports the investment strategy of a diversified portfolio
22 of fractional interests in life settlements.”

23 66. In versions of its Fractionalized Life Settlement Purchase Agreement,
24 **Exhibit I**, attached hereto, Reliant referenced the Life Insurance Settlement Association
25 (“LISA”), a lobbying group for the Life Settlement Industry. On the first page of LISA’s
26 current website it references Defendants Wilmington Trust and Bank of Utah as
27 “Strategic Partners.” Plaintiffs are informed and believe that Defendants UMB Bank and
28 First Western Bank are also members of LISA.

1 67. LISA’s Code of Ethics available on its website states that LISA members
2 must:

3 Act with integrity, competence, diligence, respect, and in an
4 ethical manner with the public, clients, prospective clients and
5 colleagues in the life settlement industry, and other participants
6 in the life settlement markets.

7
8 Place the integrity of the life settlement industry and the interests
9 of clients above their own personal interests.

10
11 Use reasonable care and exercise independent professional
12 judgment when conducting an analysis of potential life
13 settlement transactions on behalf of clients, making
14 recommendations to clients or potential clients regarding life
15 settlement transactions and engaging in other professional life
16 settlement activities.

17
18 Act and encourage others to act in a professional and ethical
19 manner that will reflect credit on themselves and the life
20 settlement industry.

21
22 Comply with applicable state laws governing the life settlement
23 markets.

24
25 Maintain and improve their professional competence and strive
26 to maintain and improve the competence of other participants in
27 the life settlement marketplace.

28

1 On its website touts that its members subscribe annually to its
2 Code of Ethics:

3
4 Members provide essential services to policy owners and
5 industry participants. The life settlement industry is a dynamic
6 marketplace representing the needs of life insurance policy
7 owners and we are proud to serve as its leading voice. The
8 members of LISA have brought consumers around the world
9 billions of dollars in additional value for their life insurance
10 policies.

11
12 **LISA members rank among the industry’s largest and most**
13 **respected life settlement companies.**

- 14 • Members provide essential services to policy owners and
15 industry participants.
- 16 • All LISA members are subject to a rigorous vetting process
17 prior to acceptance.
- 18 • LISA members must review and accept both the LISA
19 Bylaws and the LISA Code of Ethics, as well as provide a
20 thorough review of their business practice in the industry.
- 21 • LISA members must submit an annual statement attesting to
22 adherence to the code of ethics and life settlement laws and
23 regulation under which they operate.
- 24 • LISA offers two types of membership – Charter and Voting.

25 A copy of LISA’s Code of Ethics is attached hereto as **Exhibit O**.

26 68. In the Desist and Refrain Order from the State of California Department of
27 Financial Protection and Innovation, **Exhibit D** attached hereto, it states on page one in
28 paragraph 5:

1 “In connection with the offer and sale of these securities, Reliant
2 and its agents made untrue statements of material fact and
3 material omissions to potential investors, including but not
4 limited to the following:

5 . . .

6 b. Stating in Reliant’s sales materials that: ‘The history of actual
7 maturities for life settlement policies shows that, like a bell
8 curve, approximately half of all policies mature before the
9 estimated life expectancy date, and half after.’ This statement
10 implied to investors that Reliant had the same performance when
11 it did not.

12 Based on the forgoing findings, the Commissioner is of the
13 opinion that Reliant offered or sold securities in California by
14 means of oral and written communications which included
15 untrue statements of facts or omitted to state material facts
16 necessary in order to make the statements made, in light of the
17 circumstances under which they were made, not misleading, in
18 violation of Corporations Code section 25401.”

19 69. This violation of Corporations Code section 25401 was made in Defendant
20 Reliant’s marketing materials which Plaintiffs are informed and believe were utilized in
21 Reliant’s marketing materials for more than ten (10) years and is a class wide omission
22 of fact which supports certification of the proposed Class in this case.

23 70. Plaintiffs are informed and believe that the Reliant Defendants provided each
24 class member with a packet of documents to memorialize the purchase transaction, which
25 Reliant referred to as a “Closing Package.” In its “Risk Disclosure” included in the
26 Closing Package presented to potential new investors it states: “**WARNING: Do not sign
27 this Agreement unless you wish to be legally bound. This Agreement is subject to
28 the laws of California and the United States.**” (Emphasis in Original.) Exhibit I, page

1 12.

2 71. On page 18 of the Closing Package attached hereto as **Exhibit I** it states:
3 **Fractional Life Settlements are a security under California**
4 **law** but are exempt from registration under California law if
5 offered through a life agent licensed in California subject to
6 numerous requirements including, among other things, that they
7 only be sold to qualified purchasers as defined under the
8 California Corporations Code. Reliant relies on this state
9 securities exemption to market this security in California.
10 (Emphasis added.)
11

12 72. Defendants Reliant, Grady, and Michaels are not, and have never been,
13 licensed and thus the securities they sold were not exempt from registration under
14 California law.

15 **Plaintiffs James and Carolynn Reed Investment**

16 73. In 2014, Reliant provided Plaintiffs Reed a projection (“Projection”) for
17 Policy Number 60163540 (“Subject Policy”) which set forth the projected premiums on
18 the Subject Policy to be paid for twenty years, commencing in 2014. A true and correct
19 copy of that Projection is attached hereto as **Exhibit Q**. The Projection assumed that
20 Plaintiffs invested \$100,000 in the Subject Policy which would have been a 3.68%
21 interest in the Subject Policy. Plaintiffs invested \$50,000.00 in the Subject Policy, which
22 meant that Plaintiffs had a 1.84% investment in the Subject Policy.

23 74. It states in the Projection that the insured’s expected life expectancy as of
24 2014 was 6.42 years. In the Projection it states that Plaintiff’s percentage share of the
25 premiums on the Subject Policy for the first seven (7) years would be paid from the
26 Premium Reserve funded by Plaintiffs initial investment, and it provided a projection for
27 what subsequent premium would be after the initial seven years in the event that the
28 insured lived past her expected life expectancy.

1 75. The Reed purchase agreement is attached hereto as **Exhibit P**. In section
2 2(b) of the Purchase Agreement it states that in the event all of the premium escrow
3 accounts are depleted, the trustee of the trust shall notify the purchaser not less than 90
4 days before any premium payment becomes due.

5 76. According to the Projection the total premium due on the Subject Policy in
6 the eighth year, 2021, would be \$78,985, and Plaintiffs projected percentage share of the
7 premium in the eighth year would be \$2,913 for a 3.6% interest, which would be
8 \$1,456.60 for a 1.8% interest. On June 2, 2021, Reliant, not the trustee, sent a capital-call
9 letter to Plaintiffs stating that the total annual premium for the Subject Policy for the 8th
10 year was \$151,669.00, and demanded a payment of \$2,946.39 for “policy premiums,
11 maintenance and trustees fees necessary to keep this policy in force” to be paid by
12 Plaintiffs no later than July 27, 2021 in order to prevent Plaintiffs’ 1.84% interest in the
13 Subject Policy from lapsing, and stating that the funds should be payable to Reliant Life
14 Shares Series Subscriber Escrow Account at Defendant First Western Trust Bank. A copy
15 of that June 2, 2021 letter is attached hereto as **Exhibit R**. Plaintiffs complied and mailed
16 a check for \$2,946.39.

17 77. According to the Projection, **Exhibit Q** attached hereto, the annual premium
18 in the 9th year for the Subject Policy would be \$79,387. On January 23, 2022, Defendant
19 Reliant sent a capital call letter to Plaintiffs stating that the annual premium for the 9th
20 year would be \$116,495.20, making demand that Plaintiffs pay \$2,297.88 no later than
21 February 23, 2022 for policy premiums, maintenance and trustees fees. A true and correct
22 copy of that January 23, 2022 letter is attached hereto as **Exhibit S**. Plaintiffs complied
23 with that demand.

24 78. According to the Projection, **Exhibit Q** attached hereto, the annual premium
25 in the 10th year, 2023, would be \$50,335. On February 21, 2023, Reliant sent a letter to
26 Plaintiffs stating that the annual premium for the Subject Policy would be \$123,434.52,
27 and their percentage share of that annual premium would be \$2,325.82; a true and correct
28 copy of that letter is attached hereto as **Exhibit T**. Plaintiffs complied with that demand.

1 **Class Members Were Beneficiaries of the Reliant Life Shares Series Statutory Trust**

2 79. Plaintiffs are informed and believe that all Class members were
3 Beneficiaries of the Reliant Trust. As an example, in May of 2016, putative class
4 member David F. Caneer, a resident of Monterey County, invested \$100,000 with
5 Reliant to acquire fractionalized interests in five separate insurance policies through his
6 IRA account administered by Provident Trust Group; a copy of his Fractionalized Life
7 Settlement Purchase Agreement is attached hereto as **Exhibit I**, and a copy of his
8 Beneficial Interest Certificate in Reliant Life Shares Statutory Trust Series MW8350 is
9 attached hereto as **Exhibit U**.

10 **Cooper Litigation and Appointment of Receiver**

11 80. The trial court in the Cooper Litigation on September 6, 2019 made Findings
12 of Fact and Conclusions of Law in support of its Judgment, a true and correct copy of
13 which is attached hereto as **Exhibit V**:

14 In Finding of Fact No. 59 the court found:

15 “Michaels and Grady, and their respective entities, have received
16 at least \$11,724,675.94 in payments and distributions based on
17 their positions as owners of Reliant as of December 31, 2018.

18 In Finding No. 53 the Court found that:

19 “On occasion Reliant was required to access its savings account
20 to pay monthly expenses; and, in late 2018, there were occasions
21 when Reliant did not maintain enough funds in its bank accounts
22 to pay its monthly expenses.”

23 81. The court in the Cooper Litigation made, inter alia, the following
24 Conclusions of Law in support of its Judgment:

25 In Conclusion of Law No. 12 the Court found:

26 Here the evidence established that Michaels utilized Reliant and
27 his entities . . . as an extension of himself by disregarding
28

1 corporate formalities, comingling money, and transferring assets
2 without consideration; so much so that Reliant and the Michaels
3 entities are alter egos of Michaels. . . . Additionally, Michaels
4 authorized transfers himself and to some of the Michaels Entities
5 without regard for whether Reliant was properly capitalized to
6 conduct business on an ongoing basis.

7 In Conclusion of Law No. 13 the Court found:

8 “Likewise, Grady utilized Reliant and his entities . . . as an
9 extension of himself by disregarding corporate formalities,
10 comingling money, and transferring assets without
11 consideration; so much so that Reliant and the Grady Entities are
12 alter egos of Grady. . . . Additionally, Grady authorized transfers
13 from Reliant to himself and to some of the Grady Entities without
14 regard for whether Reliant was properly capitalized to conduct
15 business on an ongoing basis.”

16 82. On October 6, 2020, Daniel B. Cooper and Richard Cooper obtained a
17 Second Amended Judgment in Case No. BC604858 in the Los Angeles County Superior
18 Court (the “Cooper Litigation”) jointly and severally against Defendants Sean Michaels,
19 Scott Grady and Reliant for over \$10 million; a true and correct copy of that Second
20 Amended Judgment is attached hereto as **Exhibit W**.

21 83. Reliant, Michaels and Grady appealed the judgment in the Cooper Litigation.
22 On April 4, 2023, the California Court of Appeal, Second District, issued its opinion.
23 Which affirmed the judgment in full. “We find no merit in any of the claims [on appeal]
24 and affirm the judgment in full.” A true and correct copy of the Court of Appeals opinion
25 is attached hereto as **Exhibit F**.

26 84. Reliant filed a Further Status Report in the Cooper Litigation on May 3, 2023,
27 a true and correct of which is attached hereto as **Exhibit X**. In that Status Report, Reliant
28 admitted that it was unable to pay Cooper the amounts owed. As stated at pages 2-3:

1 “On March 6, 2020, judgment was entered against Reliant and
2 its sole owner Scott L. Grady . . . along with other former owners
3 and associated entities of Reliant. On May 21, 2021, the Court
4 entered a Third Amended Judgment (“Judgment”) that includes
5 declaratory judgment valuing Cooper’s one-third interest in
6 Reliant at \$4,200,000. In addition, Cooper was awarded
7 \$6,028,786 in back distributions. As part of that judgment drafted
8 by Cooper’s counsel and the Court, Reliant took the
9 responsibility of paying the one-third interest, and Cooper agree
10 to that.”

11 . . .

12 Judgment Debtors promptly paid \$5,400,000 in cash to Cooper
13 after entry of the Judgment.

14 . . .

15 In total, Judgment Debtors have transferred assets and cash in the
16 amount of \$7,224,730.16 in partial satisfaction of a Judgment of
17 \$10,228,786.16, yielding a balance of \$3,004,056. This excludes
18 interest, but as to the actual judgment entered, constitutes
19 payment of 71% of the judgment in this case. Such performance
20 argues against a receivership and argues for adoption of the plan
21 herein. **The proposed plan would put an end to this case
22 without irreparably harming 2,000 investors that have no
23 part in any disputes between Reliant and Cooper.”**

24 . . .

25 Judgement Debtors do not currently have the requisite liquidity
26 or cash on hand to pay the outstanding amount owing on the
27 Judgment and to continue meeting the premium payment
28 obligations for the underlying life insurance policies that have

1 not matured.”

2 (Emphasis added.)

3 85. Because Reliant and the other defendants in the Cooper Litigation failed to
4 pay the balance of the Judgment to Cooper, on June 23, 2023 at the request of Cooper,
5 the Court in the Cooper Litigation entered an Order appointing a “Limited Temporary
6 Receiver” over Reliant to further Cooper’s efforts to collect the remaining unpaid balance
7 owed by Defendants Grady and Reliant. Cross-Complainant Cooper through his counsel
8 requested the trial court to appoint Christopher Conway as the Limited Temporary
9 Receiver of Reliant to assist in Cooper’s efforts to collect his Judgment.

10 86. On August 2, 2023 in the Cooper Litigation at the request of Cooper, for the
11 purposes of requiring Reliant to pay the remaining unpaid portion of the Judgment to
12 Cooper, the Court entered an Order Modifying and Expanding Receivership and Granting
13 Additional Powers to Receiver Conway, and placing Reliant in a full receivership to assist
14 in collecting Cooper’s Judgment. A true and correct copy of the Order is attached hereto
15 as **Exhibit Y**. The court appointed receiver is Christopher Conway.

16 87. On page 14 of that Order the Court put a freeze order in effect which granted
17 the Receiver total control of all Reliant’s assets including any funds provided to Reliant
18 by investors:

19 “Until further order of this Court, all assets under the control of
20 Reliant Life Shares, LLC, or that are attributable to funds
21 provided to Reliant Life Shares, LLC by an investor or client of
22 Reliant Life Shares, LLC, are frozen until possessed by the
23 Receiver. Reliant Life Shares, LLC, Grady, Stevens, and any
24 other officers, directors, managers, **trustees**, members, **escrow**
25 **agents**, employees, accountants, representatives, facilitators,
26 agents, servants, employees, attorneys, **and all other persons**
27 **and entities in active concert or participation with them**, are
28 hereby restrained and enjoined from directly or indirectly,

1 conveying, disbursing, divesting, distributing, using,
2 withdrawing, transferring, setting off, receiving, changing,
3 selling, pledging, assigning, liquidating, or otherwise disposing
4 of, or withdrawing any assets and property owned by, controlled
5 by, on in the possession of Reliant, Old Ranch Road Business
6 Services, LLC, or, the **Reliant Life Shares Trust (or its**
7 **subtrusts)**, without first obtaining advance written permission
8 from the Receiver or this Court. This freeze shall include, but is
9 not limited to, those funds located in any bank accounts,
10 brokerage accounts, or any other accounts or property of Reliant
11 Grady and the foregoing entities). (Emphasis added.)

12 88. Based on information and belief, Plaintiffs allege that since entry of the
13 Judgment in 2020 Defendants Grady and Michaels used investors' funds which should
14 have been invested in the Reliant Trust's reserves accounts to pay Cooper millions of
15 dollars but still have not satisfied the Judgment.

16 89. Reliant's website at www.reliantlifeshares.com has been taken off the
17 internet.

18 90. In the Cooper Litigation, on August 14, 2023 the Receiver filed an emergency
19 ex parte application entitled Receiver Christopher Conway's Ex Parte Application For
20 Authority To Sell Certain Policies And For Miscellaneous Relief. ("Receiver's Ex
21 Parte"). A copy of the Receiver's Ex Parte is attached hereto as **Exhibit E**. The
22 Receiver's Ex Parte reveals significant findings based on the Receiver's recent
23 examination of Reliant's business and financial records. The following are excerpts from
24 the Receiver's Ex Parte Application:

25
26 **INTRODUCTION & EMERGENCY NATURE OF MOTION**

27 At present, Reliant Life Services, LLC ("Reliant") is in
28 Receivership. The current focus of this case revolves around 38

1 life insurance policies with an aggregate face value of death
2 benefits in excess of \$177,000,000. While these policies
3 represent valuable assets of the receivership, the Receiver states
4 he currently has insufficient funds to pay any necessary business
5 operating expenses or to continue paying the premiums that are
6 due on these policies for longer than 3-4 weeks. Without the
7 ability to pay the premiums, the Receiver informs the Court in
8 the Cooper Litigation that these policies will lapse, and the
9 Receivership Assets will be lost. The Receiver states this
10 outcome will be catastrophic—not only to the
11 Defendant/Judgment-Creditor Cooper, but also to thousands of
12 innocent investors, many of whom have invested a significant
13 amount of their savings in life settlement contracts in which
14 Reliant was involved.

15 Receiver's Ex Parte, 2:4-14

16 Reliant has insufficient reserves available to pay these
17 premiums, and almost all of the policies in the Portfolio are
18 currently in grace. Reliant does not have any current income
19 stream or available funds from its business operations that can be
20 used to pay the premiums. But if these premiums are not paid,
21 then it is almost certain that all of the policies in the Portfolio
22 will lapse, and the entire value of the Portfolio will be lost.

23 Receiver's Ex Parte, 3:1-5

24 Since his initial appointment, the Receiver has been acting
25 to fulfill his duties pursuant to the Order in the Cooper Litigation
26 appointing him as a Receiver. The Receiver recognized at the
27 outset of his appointment that there was an immediate problem
28 of insufficient reserves held by the Bank of Utah, as Trustee of

1 the Reliant Life Shares Series Statutory Trust Second Amended
2 and Restated Agreement and Declaration of Trust dated March
3 16, 2023 (“Trust”) to cover the premium payments due on the
4 policies in the Portfolio. At the time the Receiver took over
5 management, policies with death benefits exceeding \$8 Million
6 had lapsed without possibility of reinstatement, and the
7 remainder of the \$169 million were in grace with exhausted
8 reserves. Additionally, policies with death benefits exceeding \$
9 25 Million were going to lapse without immediate action by
10 Receiver. The Receiver alleges that he has done his best to
11 address this problem by seeking and obtaining authority from the
12 Court in the Cooper Litigation since his initial appointment in
13 order to borrow from existing reserve accounts within the
14 Portfolio (even if allocated to other policies) to be able to make
15 premium payments for which there are no reserves or insufficient
16 reserves. However, the Receiver states that even those efforts are
17 now exhausted, and there simply are not enough funds to keep
18 the Portfolio from collapsing.

19 Reliant appears to have conducted its operations through
20 numerous limited liability companies, trusts, individuals, and
21 relationships with third parties operating within the life
22 settlement industry. Its operating structure was convoluted at
23 best. Despite the Receiver’s efforts to get a handle on Reliant’s
24 business operations (and that of the Trust and all related entities),
25 to obtain a complete and accurate accounting of the policies in
26 the Portfolio, and to take control of and marshal the Receivership
27 Assets for the benefit of Defendant Cooper, as well as Reliant’s
28 other creditors and investors, the only thing clear is that Reliant

1 did not keep accurate or detailed records for each respective
2 investor, and there are vast discrepancies between the
3 information the Receiver has obtained from Reliant, its servicer,
4 and the Trustee. It also appears Reliant routinely co-mingled
5 funds between and among investor accounts, as well as between
6 Grady’s own personal account, and various affiliated accounts
7 he controls (e.g., Laforce Holdings and Old Ranch Road
8 Business Services). All of these issues— which standing alone
9 are significant, have only been exacerbated by Reliant’s failure
10 to establish and/or implement the high level of management
11 required to maintain this Portfolio in good standing.

12 The unfortunate reality is that Reliant did not retain
13 sufficient funds in escrow, and in the last several years, it allowed
14 Grady and his affiliates to withdraw and abscond with funds
15 belonging to the company or investors that should have been
16 used to pay policy premiums or basic business expenses. Reliant
17 currently is unable to pay the premiums for the Portfolio. It has
18 dozens of creditors. Additionally, the company has been named
19 in administrative cease and desist proceedings and in multiple
20 civil lawsuits alleging fraud and misrepresentation, violations for
21 various securities law violations, among other things. The
22 situation is dire.

23 Receiver’s Ex Parte 3:6-4:15

24 The bottom line is this: **There is no money available to**
25 **pay premiums as Reliant has all but ceased business**
26 **operations, and no other funding sources are currently**
27 **available to Receiver that will provide the necessary funds in**
28 **time to prevent irreparable harm from failure to pay**

1 **premiums other than to sell some of the policies.**¹ The only
2 viable solution is for the Receiver to sell 2 or 3 of the most
3 marketable policies from the Portfolio free and clear of any
4 investor claims in order to obtain funds to move forward. The
5 Receiver has substantial experience with trying to obtain
6 financing as it relates to managing the Portfolio. If the Receiver
7 believed that there was another readily available source of funds,
8 he certainly would have pursued it. But there are no other options
9 available, and the Receiver is out of time. Simply stated, if the
10 policy premiums are not paid and the Receiver cannot sell the
11 policies identified below, then the entire Portfolio will be lost.
12 This means Cooper will receive nothing, there will be no funds
13 to pay any other creditors or the Receiver, and all of the
14 remaining investors will lose the entire value of their
15 investments, and the Portfolio will collapse.

16 Receiver's Ex Parte 6:4-16 (emphasis in original)

17 91. The Trustee Defendants breached their duty to Plaintiffs and the Class, as
18 Beneficiaries of the Trust, by failing to provide written notice to the Beneficiaries that
19 Reliant was insolvent, that premiums were not being paid as expected, that Defendants
20 Grady and Michaels were either not depositing all investor funds, which funds were by
21 definition "Trust Assets", into the Trust's bank accounts, or were directing the Trustees
22 to make irregular transactions which were not contemplated by the trust documents.

23 92. Like its predecessor trustees, on or about June, 2023 Bank of Utah tendered
24 a letter of resignation as trustee of the Reliant Trust to Reliant and Grady. Plaintiffs are
25 informed and believe Bank of Utah resigned as trustee because of its knowledge of the
26 wrongdoing by Reliant, Grady and Michaels. In further breach of its fiduciary duties
27 Bank of Utah failed to disclose to Plaintiffs or to the Class that it was resigning as trustee,
28 or the reason for its resignation.

1 **CLASS ACTION ALLEGATIONS**

2 93. Plaintiffs brings this action as a class action on behalf of all persons, trusts,
3 or entities who invested in a life settlement investment by or thru Reliant Defendants.
4 Excluded are any entities or persons associated or identified with Reliant Defendants or
5 their officers and directors or within the network of related companies. (“the Class”).

6 94. Plaintiffs are informed and believe based on Defendant Reliant’s statement
7 in **Exhibit X**, the Further Status Report that there are approximately 2,000 members of
8 the Class. The members of the Class are so numerous that joinder of all members is
9 impracticable. The exact number of Class members is unknown to Plaintiffs at this time.
10 They can be ascertained through appropriate discovery. Plaintiffs believe that there are
11 hundreds or potentially thousands of members in the proposed Class. Record owners and
12 other members of the Class may be identified from records maintained by Reliant or by
13 the records of the defendants who served as escrow agents and trustees of the trusts which
14 held the purchased life insurance policies, such that members of the Class may be notified
15 of the pendency of this action by mail, using the form of notice similar to that customarily
16 used in securities class actions.

17 95. Plaintiffs’ claims are typical of the claims of the members of the Class as all
18 members of the Class are similarly affected by Defendants’ wrongful conduct in violation
19 of laws and causes of action set forth herein.

20 96. Plaintiffs will fairly and adequately protect the interests of the members of
21 the Class and have retained counsel competent and experienced in class and securities
22 litigation, including a class action involving the sale of Life Settlements which was
23 litigated in the Complex Litigation Department of the Los Angeles Superior Court.
24 Plaintiffs have no interests antagonistic to or in conflict with those of the Class.

25 97. Common questions of law and fact exist as to all members of the Class and
26 predominate over any questions solely affecting individual members of the Class. Among
27 the questions of law and fact common to the Class are:

- 28 (i) Whether written statements in Defendant Reliant’s marketing

1 materials, including the written statement regarding the “Bell Curve,”
2 which statement was found by the Commissioner of the Department of
3 Financial Protection and Innovation to be an untrue statement of
4 material fact or a material omission to potential investors, was a
5 misrepresentation of fact or the omission of a material fact.

6 (ii) Whether Reliant Defendants, Michaels, Grady and/or the Trustee
7 Defendants were negligent in not disclosing to class members that
8 premiums on the policies would significantly increase if the insured
9 lived longer than the estimated life expectancy, causing the pro-rate
10 share of premium cash calls to be higher than stated in the Life
11 Settlement Disclosure Form.

12 (iii) Whether Defendants Reliant, Michaels and Grady improperly utilized
13 class members deposits to make distributions to Defendants Michaels
14 and Grady, which made Reliant insolvent.

15 (iv) Whether Defendant Reliant utilized Life Expectancy Reports from
16 accredited individuals or companies in determining life expectancies
17 of the insureds from whom it purchased life insurance policies.

18 (v) Whether the Trustee Defendants aided and abetted Reliant by
19 knowingly permitting Reliant to tout their reputations in Reliant’s
20 marketing materials and on its website to induce investors to invest in
21 Reliant’s Life Shares.

22 (vi) Whether the Trustee Defendants were negligent in knowingly
23 permitting Reliant to use their names in promoting the sale of Life
24 Settlements on its website and in its marketing Brochures which
25 contained misrepresentations of fact, and failures to disclose facts
26 which necessary to make statements made on the Website and in the
27 Brochures accurate.

28 (vii) Whether the Trustee Defendants owed each member of the Class who

1 was a beneficiary of the Reliant Trust a fiduciary duty.

2 (viii) Whether the Trustee Defendants breached their fiduciary duties to
3 members of the Class.

4 (ix) Whether Reliant was negligent in not disclosing to class members
5 that premiums on the policies would likely be significantly higher
6 when the reserves were exhausted, causing the prorata share of
7 premiums for capital calls would be higher than stated in Reliant's Life
8 Settlement Disclosure Form.

9 (x) Whether Reliant, Michaels, Grady or Trustee Defendants engage
10 business practices the violate California's unfair competition law.
11 (Bus. & Prof. Code §17203 et seq.)

12 98. A class action is superior to all other available methods for the fair and
13 efficient adjudication of this controversy since joinder of all members is impracticable.
14 Furthermore, as the damages suffered by individual Class members may be relatively
15 small, the expense and burden of individual litigation make it impossible for members of
16 the Class to individually redress the wrongs done to them. There will be little difficulty
17 in the management of this action as a class action.

18 99. Plaintiff James Reed was over the age of 65 at the date he invested in Reliant
19 Life Shares. Plaintiff James Reed will serve as the Class Representative for an Elder
20 Abuse Subclass comprised on Class members who were residents of the State of
21 California and age 65 or older at the date they invested in an insurance policy thru Reliant.

22 **CIVIL CONSPIRACY / ALTER EGO ALLEGATIONS**

23 100. Plaintiffs are informed and believe and based thereon allege that Defendants,
24 and each of them, engaged in a civil conspiracy to commit the wrongdoing alleged in this
25 First Amended Complaint, including but not limited to engage in the misrepresentations,
26 omissions, suppression of facts, by individuals and entities who are bound to disclose
27 those facts or who gives information of other facts that which are likely to mislead for
28 want of communication of those facts (Civil Code Sections 1709, 1710) and breach of

1 duties alleged herein, and aiding and abetting Defendant Reliant’s violations of
2 Corporation Code Section 25401. Plaintiffs and all those similarly situated were harmed
3 by the acts of Defendants, and each of them, resulting in damages. Based on the existence
4 of the conspiracy to commit the wrongdoing alleged herein, each defendant is vicariously
5 liable for the wrongful acts of the other defendants.

6 101. Plaintiffs are informed and believe and based thereon allege that Defendant
7 Sean Michaels utilized Reliant and his personal entities PB Consulting, LLC, PB
8 Consulting 2, LLC, the 2007 Irrevocable Octopus Trust, the 2007 MMA Trust, the RLM
9 Trust, and 18LS, LLC (the “Michaels Entities”) as an extension of himself by
10 disregarding corporate formalities, comingling money, and transferring assets without
11 consideration; so much so that Reliant and the Michaels Entities are alter egos of
12 Michaels. Similarly, Michaels is deemed to be the alter ego of Reliant.

13 102. Plaintiffs are informed and believe and based thereon allege Defendant Grady
14 utilized Reliant and his personal entities LaForce Holdings, LLC, Tristan Capital, Inc.,
15 the RLS Trust, and the SLG Trust (the “Grady Entities”) as an extension of himself by
16 disregarding corporate formalities, comingling money, and transferring assets without
17 consideration; so much so that Reliant and the Grady Entities are alter egos of Grady.
18 Similarly, Grady is deemed to be the alter ego of Reliant.

19 103. Plaintiffs are informed and believe and based thereon allege that Defendant
20 Defendant Grady used Defendant RLS, Grantor, LLC as an extension of himself and
21 Reliant by disregarding corporate formalities, comingling money, and transferring assets
22 without consideration; so much so that RLS, Grantor, LLC and Reliant are alter egos of
23 Grady. Similarly, RLS, Grantor, LLC is deemed to be the alter ego of Reliant.

24 104. In the Cooper Litigation the trial court engaged in a 12-day bench trial (phase
25 one) and then a 9-day jury trial (phase two). The trial court then entered judgment against
26 Reliant, Michaels and Grady, and their related entities, finding that Michaels and Grady
27 used Reliant, and their other entities as alter egos and extensions of themselves. As the
28 Court of Appeal observed:

1 The court found Cooper remained a current one-third owner of
2 the LLC and was entitled to receive one-third of all monies paid
3 to the other two members since November 2013. . . . The court
4 also ordered an accounting, and ultimately imposed a
5 constructive trust over certain assets to compensate Cooper for
6 millions of dollars wrongfully transferred from the LLC to
7 Michaels and Grady. The court further found Michaels and
8 Grady used the LLC and certain trusts and other entities they
9 controlled as extensions of themselves, and concluded the LLC
10 and the other entities and trusts were alter egos of Michaels and
11 Grady. (The court later observed Michaels and Grady“ used the
12 corporate coffers of Reliant as their own personal piggy banks.”)

13 **Exhibit F** p. 3.

14 [T]he court acted well within its discretion when it decided alter
15 ego claims in phase one. Cooper’s cross-complaint alleged
16 Reliant paid monies to shell business entities associated with
17 Michaels and Grady, and that Michaels and Grady funneled
18 unauthorized payments and withdrawals into shell business
19 entities.

20 **Exhibit F** p. 16.

21 We note, and agree with, the trial court’s denial of Michaels’s
22 JNOV motion on this issue: “There was also substantial
23 evidence, indeed admissions, that Michaels and Grady created
24 shell companies such as PB Consulting LLC (for Michaels) and
25 LaForce Holdings LLC (for Grady) as conduits through which
26 they could funnel money from Reliant to other entities, such as
27 the Friwat policy, for their own benefit. These shell companies
28 were part of the fraud determined by the jury that prevented

1 Cooper from discovering all sums paid to Michaels and Grady.”
 2 The trial court also stated in its JNOV ruling, that “there was
 3 ample evidence that an injustice would result, given that Cooper
 4 demonstrated **that Michaels and Grady had used the**
 5 **corporate coffers of Reliant as their own personal piggy**
 6 **banks.”** As we have already observed, the trial court
 7 expressly found that PB Consulting #2 “was established for the
 8 purpose of investing in the Friwat Policy,” and “[m]oney from
 9 Reliant was used to invest in and pay the premiums on the Friwat
 10 Policy.” The court further found that 18LS Holdings, “an entity
 11 owned by Michaels, Grady, and Luke Walker, own[ed] forfeited
 12 and unsold portions (the
 13 ‘Tails’) of life insurance policies sold by Reliant;” and 18LS
 14 “paid \$1,000 for the entirety of Tails it received.” **The trial**
 15 **court’s alter ego findings are supported by the evidence.**

16 **Exhibit F.** pp. 33-34 (emphasis added)

17 **FIRST CAUSE OF ACTION**

18 **NEGLIGENCE**

19 **By Plaintiffs James Reed and Carolynn Reed for Themselves and the Class Against**
 20 **Reliant, RLS Grantor LLC, Scott Grady, Sean Michaels, the Trustee Defendants**
 21 **and Does 1-20**

22 105. Plaintiffs reallege and incorporate by reference all preceding paragraphs,
 23 save and except any allegations that could be interpreted and/or construed to mean gross
 24 negligence, intentional or willful conduct. This cause of action is intended to only allege
 25 negligent acts committed by Reliant the Trustee Defendants. Moreover, this cause of
 26 action is pleaded in the alternative to the gross negligence and intentional torts alleged in
 27 this First Amended Complaint.

28 106. Defendant Reliant held itself out on its website and in its marketing

1 Brochures provided to potential investors as having special expertise in the Life
2 Settlements industry to provide investors in evaluating and structuring life settlement
3 transactions (“Life Settlements”) for potential investment, and therefore was required to
4 exercise the skill and knowledge normally possessed by individuals and companies
5 offering investments in Life Settlements. Additionally, because Life Settlements are
6 securities regulated by the California Department of Corporations pursuant to
7 Corporations Code section 25401, Defendant Reliant had a statutory duty to provide
8 truthful, accurate, and complete disclosures in the sale of Life Settlement investments.
9 However, Defendant Reliant in performing their services for Plaintiffs and other investors
10 failed to use reasonable care, and their conduct fell below the reasonable standard of care
11 in choosing appropriate Life Settlement investments for its investors including utilizing
12 Life Expectancy Evaluations from knowledgeable independent third parties with a
13 background, education, training and experience in actuarial evaluations. Instead, Reliant
14 relied upon life expectancy evaluations prepared by brokers who offered to sell life
15 insurance policies to Reliant.

16 107. Plaintiffs are informed and believe that the Trustee Defendants, as trustees of
17 the various Reliant Trusts, negligently permitted and authorized Defendant Reliant to
18 make representations in Reliant’s Closing Packages, on Reliant’s website, and in
19 Reliant’s marketing Brochures that held the Trustee Defendants out as providing services
20 to investors in a profession, as a professional trustee of Life Settlement trusts, and,
21 therefore, the Trustee Defendants were required in acting as trustees of the Reliant Trust
22 to exercise the skill and knowledge normally possessed by members of that profession.
23 (Restatement 2nd of Torts, §299a.) Those statements made by the Reliant Defendants
24 which were authorized by the Trustee Defendants caused investors to reasonably believe
25 that the “trust structure” utilized by the Reliant Defendants would “ensure safekeeping of
26 the assets placed in trust” and the Reliant Defendants authorized the Trustee Defendants
27 “to act as custodian and trustee with sole signatory authority on the trusts’ bank accounts.

28 108. Plaintiffs are informed and believe that Defendants Reliant, Grady and

1 Michaels either (1) comingled and misappropriated investor funds that were required to
2 be placed in the trust accounts, and/or (2) authorized and/or directed the Trustee
3 Defendants to distribute to them amounts that were supposed to be used to purchase
4 insurance policies and adequately fund reserve accounts in the Trusts to pay premiums to
5 keep the policies held by the Reliant Trusts from lapsing.

6 109. When there were not sufficient funds in the reserve accounts to pay
7 premiums, Defendants Grady and Michaels utilized capital calls on the investor
8 Beneficiaries to make the premium payments. As professional trustees with experience
9 in administering life settlement trusts, and as members of LISA who annually subscribed
10 to LISA's Ethics Policy, pursuant to the Trust Agreements, the Trustee Defendants had a
11 duty to Plaintiffs and members of the Class, who were beneficiaries of the Trusts to notify
12 the Beneficiaries that funds that were supposed to be used to pay premiums were being
13 looted by Defendants Grady and Michaels.

14 110. The Trustee Defendants knew that Defendant Reliant was making specific
15 affirmative representations in its Closing Packages, on its website, and in its marketing
16 Brochures to potential investors about the Trustee Defendants to induce investors to
17 invest in Reliant Life Shares. Those affirmative representations were that: (1) Trustee
18 Defendants would serve as an "independent escrow agent and trustee." (2) That "Life
19 Shares are structured to protect the client's holdings from any external threat through a
20 trust structure . . ." (3) that the Trustee Defendants would "Hold all client monies in a
21 separate escrow." (4) That "The Trustee receives all investor funds into a subscription
22 escrow account and upon direction from the investor places funds into each trust which
23 holds the specific policy that the investor chooses to invest into." (5) That "By using an
24 independent and professional Trustee/Escrow Agent, client monies are only disbursed as
25 directed in the purchase agreements."

26 111. As alleged in the preceding paragraphs the Trustee Defendants knew or
27 should have known that Reliant and its principals were unlicensed, untrustworthy,
28 engaged in irregular transactions outside the parameters of the applicable trust.

1 112. The Trustee Defendants were negligent in not safeguarding investors' funds
2 as represented in Reliant's Closing Packages, Reliant's website and Brochures by
3 following instructions from Defendants Grady and Michaels to transfer investor funds
4 from Reliant to themselves in excess of what had been disclosed to investors, which
5 allowed Grady and Michaels to make unauthorized distributions to themselves which
6 depleted investors' funds should have been held in the Reliant Trusts to make premium
7 payments on insurance policies held by the Reliant Trusts.

8 113. As a direct and proximate cause of Defendants' negligence, Plaintiffs and the
9 Class Members were damaged in an amount to be proven at the time of trial.

10 **SECOND CAUSE OF ACTION**

11 **GROSS NEGLIGENCE**

12 **By Plaintiffs James Reed and Carolynn Reed for Themselves and the Class Against**
13 **Reliant, RLS Grantor LLC, Scott Grady, Sean Michaels, the Trustee Defendants**
14 **and Does 1-20**

15 114. Plaintiffs reallege and incorporate by reference all preceding paragraphs,
16 save and except any allegations that could be interpreted and/or construed to mean
17 intentional or willful conduct. This cause of action is intended to only allege gross
18 negligence committed by the Trustee Defendants. Moreover, this cause of action is
19 pleaded in the alternative to the regular negligence and intentional torts alleged in this
20 First Amended Complaint.

21 115. Plaintiffs are informed and believe that the Trustee Defendants, as trustees of
22 the various Reliant Trusts, negligently permitted and authorized Defendant Reliant to
23 make representations in Reliant's Closing Packages, on Reliant's website, and in
24 Reliant's marketing Brochures that held the Trustee Defendants out as providing services
25 to investors in a profession, as a professional trustee of Life Settlement trusts, and,
26 therefore, the Trustee Defendants were required in acting as trustees of the Reliant Trust
27 to exercise the skill and knowledge normally possessed by members of that profession.
28 (Restatement 2nd of Torts, §299a.) Those statements made by the Reliant Defendants

1 which were authorized by the Trustee Defendants caused investors to reasonably believe
2 that the “trust structure” utilized by the Reliant Defendants would “ensure safekeeping of
3 the assets placed in trust” and the Reliant Defendants authorized the Trustee Defendants
4 “to act as custodian and trustee with sole signatory authority on the trusts’ bank accounts.

5 116. Plaintiffs are informed and believe that Defendants Grady and Michaels were
6 directing the Trustee Defendants to distribute to them personally over \$11 million dollars
7 of investors’ funds which were supposed to be used to purchase insurance policies and
8 adequately fund reserve accounts held in the Trusts to pay premiums to keep the policies
9 held by the Reliant Trusts from lapsing. When there were not sufficient funds in the
10 reserve accounts to pay premiums, Defendants Grady and Michaels utilized capital calls
11 on the investor Beneficiaries to make the premium payments. As professional trustees
12 with experience in administering life settlement trusts, and as members of LISA who
13 annually subscribed to LISA’s Ethics Policy, pursuant to the Trust Agreements, the
14 Trustee Defendants had a duty to Plaintiffs and members of the Class, who were
15 beneficiaries of the Trusts to notify the Beneficiaries that funds that were supposed to be
16 used to pay premiums were being looted by Defendants Grady and Michaels.

17 117. Plaintiffs are informed and believe that the Trustee Defendants knew that
18 Defendant Reliant was making specific affirmative representations in its Closing
19 Packages, on its website, and in its marketing Brochures to potential investors that Reliant
20 was using the Trustee Defendants as independent professional trustees with experience
21 working in the Life Settlements Industry and a trust structure to “ensure safekeeping of
22 the assets placed in trust” and the Reliant Defendants authorized the Trustee Defendants
23 “to act as custodian and trustee with sole signatory authority on the trusts’ bank accounts”
24 to induce investors to invest in Reliant Life Shares. Those affirmative representations
25 were that: (1) Trustee Defendants would serve as an “independent escrow agent and
26 trustee.” (2) That “Life Shares are structured to protect the client’s holdings from any
27 external threat through a trust structure . . .” (3) that the Trustee Defendants would “Hold
28 all client monies in a separate escrow.” (4) That “The Trustee receives all investor funds

1 into a subscription escrow account and upon direction from the investor places funds into
2 each trust which holds the specific policy that the investor chooses to invest into.” (5)
3 That “By using an independent and professional Trustee/Escrow Agent, client monies are
4 only disbursed as directed in the purchase agreements.”

5 118. Plaintiffs are informed and believe that the Trustee Defendants, as trustees of
6 the various Reliant Trusts were grossly negligent, engaged in willful misconduct, acted
7 in bad faith and breached their duties under the covenant of good faith and fair dealing in
8 permitting Defendants Michael, Grady and Reliant to make unauthorized distributions of
9 investors’ funds intended to be deposited into the Trusts’ reserve accounts to pay
10 insurance premiums to prevent policies held in the Trusts from lapsing.

11 119. The Trustee Defendants all permitted Defendant Reliant to make
12 representations in Reliant’s Closing Packages, on Reliant’s website, and in Reliant’s
13 marketing Brochures that held the Trustee Defendants out as providing services to
14 investors in a profession, as a professional trustee of Life Settlement trusts and, therefore,
15 the Trustee Defendants were required in acting as trustees of the Reliant Trust to exercise
16 the skill and knowledge normally possessed by members of the Life Settlement Industry.
17 (Restatement 2nd of Torts, §299a.) Those statements made by the Reliant Defendants
18 which were authorized by the Trustee Defendants caused investors to reasonably believe
19 that the “trust structure” utilized by the Reliant Defendants would “ensure safekeeping of
20 the assets placed in trust” and the Reliant Defendants authorized the Trustee Defendants
21 “to act as custodian and trustee with sole signatory authority on the trusts’ bank accounts.

22 120. Based on the foregoing, Defendants’ including the Trustee Defendants acted
23 with want of even scant care and/or extremely departed from the ordinary standard of
24 conduct.

25 121. The Trustee Defendants were grossly negligent, engaged in wrongful
26 conduct and breached the covenant of good faith and fair dealing by permitting
27 Defendants Grady and Michaels to loot for themselves funds that the Trustees were
28 supposed to be holding in trust to pay insurance premiums.

1 **THIRD CAUSE OF ACTION**

2 **VIOLATION OF CORPORATE CODE §§ 25401 & 25501**

3 **By Plaintiffs James Reed and Carolynn Reed for Themselves and the Class Against**
4 **Reliant Defendants, Scott Grady, Sean Michaels and Does 1-20**

5 122. Plaintiffs incorporate by reference all the above paragraphs including each
6 wrongdoing, and lack of disclosure already alleged in the previous paragraphs of this
7 Complaint.

8 123. As admitted by Defendant Reliant in **Exhibit I**, Purchase Agreement,
9 fractionalized life shares are securities, and as such are subject to the California
10 Corporations Code.

11 124. Defendant Reliant by reason of the of above mentioned facts as set forth
12 herein and contained in allegations subsequently pled in this Third Cause of Action sold
13 Plaintiffs and all members of the Class securities in violation of Corp. Code § 25401,
14 which prohibits offers or sales of securities including investment opportunities by means
15 of a written or oral communication that contain: “Untrue statement[s] of a material fact
16 or omits to state a material fact necessary in order to make the statement[s] made, in light
17 of the circumstances under which they were made, not misleading.”

18 125. The State of California Business, Consumer Services and Housing Agency’s
19 Department of Financial Protection and Innovation (“Department of Financial
20 Protection”) issued a Desist and Refrain Order (“Order”) to Defendant Reliant on
21 December 14, 2022, a true and correct copy of which is attached hereto as **Exhibit D**. In
22 that Order the Commissioner found that:

23 In connection with the offer or sale of securities, Reliant and its
24 agents made untrue statements of material fact and material omissions
25 to potential investors, including but not limited to the following:

- 26 a. That the risk of a premium call was close to zero or
27 just about nil, that 97% of policies pay out on time,
28 that policy payout periods would range anywhere from

1 a few months to a maximum of five years and that very
2 seldom did Reliant have someone living past the 5-
3 year mark, and that the company was almost always
4 right on life expectancy. These statements
5 misrepresented, or omitted material facts, about
6 Reliant’s actual performance.

7 b. Stating in Reliant’s sales materials that “The history
8 of actual maturities for life settlement policies shows
9 that, like a bell curve, approximately half of all
10 policies mature before the expected life expectancy
11 date, and half after.” This statement implied to
12 investors that Reliant had the same performance when
13 it did not.

14 126. The Order summarized the Commissioner’s findings:

15 Based on the forgoing findings, the Commissioner is of the opinion
16 that Reliant offered or sold securities in California by means or oral or
17 written communications which included untrue statements of material
18 facts or omitted to state material facts necessary in order to make the
19 statements made, in light of the circumstances under which they were
20 made, not misleading, in violation of Corporations Code section
21 25401.

22 127. Attached as **Exhibit A** to this First Amended Complaint is a true and correct
23 Copy of a Reliant Marketing Brochure which was provided to Plaintiffs James and
24 Carolyn Reed, and the Class. On page 9 of that Brochure it states the same language with
25 the Commissioner found to be misleading in the Order:

26 “The history of all maturities for life settlement policies shows that, like a
27 bell curve, approximately half of all policies mature before the estimated
28

1 life expectancy date, and half after. This outcome is an indication of the
2 quality of estimates used. It also further supports the investment strategy
3 of a diversified portfolio of fractional interests in life settlements.”

4 128. The areas of untrue statements, concealment and or violations that also go to
5 the elements of breach of fiduciary duty and wrongdoing, include inter alia:

- 6 a. Defendant Reliant did not properly portray the statistics associated with prior
7 Reliant’s investments concerning its ability to meet its life expectancy
8 estimates after a decade of being in business and not portraying truthfully the
9 consequences of what happens when the life expectancy premium reserves
10 are exhausted leaving no funds to pay premiums.
- 11 b. Defendants Reliant, Michaels and Grady failed to provide the information to
12 investors required by Cal Corporate Code §25102(q) about the issuer and or
13 information about the issuer important to know including but not limited to
14 the information required in Corporate Code §25102(q) (3) (A—G)-especially
15 omitted were the names directors, officers, partners, members, or trustees of
16 the issuer. In effect Defendants fail to explain who owned and operated
17 Reliant as required by law.
- 18 c. Defendant Reliant failed to disclose Defendant Scott Grady, who was an
19 owner, member and manager of Reliant, had been disbarred by the California
20 State Bar.
- 21 d. Defendants Reliant, Michaels and Grady failed to disclose that Defendant
22 Reliant was not licensed by the Insurance Department of the State of
23 California, and therefore were not permitted to sell life settlements in
24 California.
- 25 e. Defendants Reliant, Michaels and Grady made written misrepresentations to
26 potential investors in the Purchase Agreements, on Reliant’s websites, and in
27 Reliant’s marketing Brochures that the investors funds would be safeguarded
28

1 by using a “trust structure” with independent trustees who had sole signatory
2 authority of the several Reliant Trusts’ bank accounts and in in Section 2.3
3 of each of the trusts agreements that the “purpose” as applicable to the Trust
4 Assets associated with each Series of the Trusts were “for the sole benefit of
5 those Persons that become Beneficiaries with respect to such Series and Trust
6 Assets.”

7 f. Defendants Reliant, Grady and Michaels omitted disclosing that they were
8 routinely directing the Trustee Defendants to issue large checks to Grady and
9 Michaels, which payment were rendering Reliant insolvent such that there
10 were not sufficient funds in the Trusts’ bank accounts to make premium
11 payments on the insurance policies owned by the Trusts, which resulted in
12 Reliant sending letters to investors that they had to pay additional funds for
13 premium payments or they would lose their investments in the policies in
14 which they had a fractionalized interest.

15 129. Defendants Reliant, Grady and Michaels sold fractional life settlements by
16 making false and misleading statements as set forth above and the Trustee Defendants
17 knew or should have known that the statements made by Reliant and its principals were
18 false and/or that they were concealing material facts when Defendants Reliant, Grady and
19 Michaels directed the Trustee Defendants to make irregular transactions and when
20 premiums could not be paid. Defendants Reliant, Michaels and Grady knew or should
21 have known that there were important facts that needed to be known to make a proper
22 informed decision on the investments. As a result, the investments were portrayed in a
23 false light and Plaintiffs and Class members did not have sufficient material facts to make
24 an informed decision about investing in Reliant Life Shares.

25 130. It was also an improper to do the above and take investor’s money under the
26 circumstances set forth in this First Amended Complaint. Plaintiffs are informed and
27 believe that Defendants Reliant, Michaels and Grady failed to describe the investment
28 truthfully especially when describing how debilitating the premiums can become as the

1 insured ages, and how the rising premiums affects the rate of return.

2 131. Selling securities and/or an investment opportunity like this under these
3 pretenses or while omitting material facts is a deception and involved misrepresentation
4 of material facts in violation of California Corp Code §25401.

5 132. Plaintiffs and members of the Class relied upon the above misrepresentations
6 and failures to disclose material facts to make their investments in Reliant Life Shares.
7 The reliance was reasonable and justified based upon the circumstances.

8 133. By reason of the above, Plaintiffs and members of the Class are entitled to
9 rescission and damages, and or the damages set forth in Civil Codes §25501 or 25501.5,
10 or according to all remedies available by law.

11 134. Defendants Reliant, Michael and Grady's conduct was in reckless disregard
12 for the rights and safety of Plaintiffs and all Class members and constitutes oppression,
13 fraud, and malice such that punitive and / or exemplary damages are appropriate pursuant
14 to either Civil Code section 3294, section 3345 or both.

15 135. Plaintiffs seek all damages allowed by law for the above-described
16 wrongdoing including costs of suit, investigation, and attorneys' fees if provided by
17 statute.

18 **FOURTH CAUSE OF ACTION**

19 **VIOLATION OF CALIFORNIA CORPORATIONS CODE § 25504.1**

20 **By Plaintiffs James Reed and Carolynn Reed for themselves and the Class Against**
21 **Reliant, RLS Grantor LLC, Scott Grady, Sean Michaels, the Trustee Defendants**
22 **and Does 1-20**

23 136. Plaintiffs incorporate by reference all the above paragraphs alleging
24 wrongdoing by Defendants Reliant, Grady, Michaels and the Trustee Defendants
25 wrongdoing, and lack of disclosure already alleged in the general allegations section of
26 this First Amended Complaint.

27 137. California Corporations Code § 25504.1 provides that "Any person who
28 materially assists in any violation of section 25401...with intent to deceive or defraud, is

1 jointly and severally liable with any other person liable under this chapter for such
2 violation.”

3 138. As alleged above, Defendants Reliant, Michaels and Grady violated
4 California Corporations Code § 25401 based on misrepresentations and omissions of
5 material facts. In the Commissioner’s Order it states:

6 Pursuant to Corporations Code section 25403, subdivision (b) any
7 person that knowingly provides substantial assistance to another
8 person in violation of any provisions of this division or any rule or
9 order thereunder shall be deemed to be in violation of that provision or
10 rule, or order to the same extent as the person to whom the assistance
11 was provided.

12 139. Plaintiffs are informed and believe that the Defendant Trustees knew that
13 Reliant was touting on its website and its marketing Brochure that Reliant was
14 representing in writing to potential investors that Reliant used a “trust structure” with an
15 independent escrow agent and trustee:

16 As directed by Reliant Life Shares, UMB Bank establishes an escrow
17 account for the benefit of the investors titled “The Reliant Life Shares
18 Subscription Escrow Account.” In order to ensure the safekeeping of
19 the assets placed in trust, Reliant Life Shares has authorized UMB to
20 act as custodian and trustee with sole signatory authority on this
21 account.

22 140. In its marketing Brochure Reliant states:

23 Independent Trust & Escrow Accounts

24 Life Shares are structured to protect the client’s holdings
25 from any external event through a trust structure, and the
26 underlying life settlement policy itself is structured to protect
27 the client’s investment because the policy’s eventual payout
28 at maturity is guaranteed by the insurance carrier, As an

1 added protection, Reliant Life Shares, LLC has all client monies
2 managed independently by a top quality Escrow Agent. Its duties
3 include:

- 4 1. Hold all client monies in separate escrow. The Trustee
5 receives all investor funds into a subscription escrow account
6 and upon direction from the investor places funds into each
7 trust which holds the specific policy that the investor chooses
8 to invest into. . . . By using an independent and professional
9 Trustee/Escrow Agent, client monies are only disbursed as
10 directed in the purchase agreements. . . . Throughout the
11 investment term, it also maintains the Premium Reserve
12 Account for the timely payment of a policy’s premiums and
13 servicing fees.

14 141. These statements in the marketing brochure were false and failed to disclose
15 to the investor that pursuant to the terms of all the Reliant Trust Agreements, which were
16 not provided to the investor, Reliant as Grantor could “direct” the Defendant Trustees to
17 send checks directly to Defendants Reliant, Grady and Michaels which were not used to
18 purchase insurance policies or to fund premium reserve accounts.

19 142. In the Purchase Agreements Reliant disclosed an “Insolvency Risk” which
20 was mitigated by the fact that it named an independent trust to protect the investor:

21 The possibility exists that Reliant Life Shares, LLC could become
22 insolvent. While Reliant considers that we enjoy a prosperous and
23 growing position in our industry, we, like all businesses are exposed
24 to events which may be beyond our control and which could alter our
25 destiny. We take comfort in the fact that our business practices employ
26 the concept of naming an independent trust established on the
27 investor’s behalf as the direct beneficiary of the death benefit
28 purchased. This means that the obligation to pay rests solely on the life

1 insurance company and the independent trustee and not on Reliant.
2 Further, the premium reserves established for the payment of the
3 premiums are held in a premium reserve account under the control of
4 a third-party Trustee. (Page 18 pf Purchase Agreement.)

5 143. That written representation in the Purchase Agreement was false, and failed
6 to inform the investor that in the Trust Agreement, which was not provided to the
7 Investor, Reliant could direct the Trustee Defendants to pay funds from the premium
8 reserve accounts to Defendants Reliant, Grady and Michaels.

9 144. Plaintiffs are informed and at all times when Defendants Reliant, Michaels
10 and Grady were making these material misrepresentations and omissions of material facts
11 in investors' Closing Packages, Purchase Agreements, Reliant's website and marketing
12 Brochures about the benefit of having an independent third party Trustee and Escrow
13 Officer protect and safeguard the investors' funds, the Trustee Defendants knew that
14 Defendants Reliant, Michaels and Grady were making material misrepresentations and
15 omissions because the Trustee Defendants had actual knowledge that Defendants Grady
16 and Michaels were engaged in irregular transactions, using investors' funds to make
17 excessive distributions from the fund entrusted to Defendants as trust funds to themselves
18 and to pay creditors against Reliant, Michaels and Grady, which distributions rendered
19 Reliant insolvent and the Trustee Defendants did not have sufficient funds to make
20 premium payments. The result was that Reliant made capital calls on investors to obtain
21 funds to make premium payments, which would not have been needed if Defendants
22 Grady and Michaels had not looted the premium reserve accounts. As a result, the
23 Receiver for Reliant has filed pleadings with the Court that appointed him that eight (8)
24 insurance policies have lapsed and cannot be reinstated.

25 145. Defendants Michaels and Grady took excessive compensation from Reliant,
26 rendering Reliant insolvent. The conduct of Defendants Michael and Grady looting
27 Reliant led to the court in the Cooper Litigation to appoint a receiver to liquidate Reliant's
28 assets to pay off the judgment in favor of Cooper.

1 146. The Trustee Defendants which hold themselves out on their websites as being
2 “professional trustees” with experience in the life settlement industry and as members of
3 LISA, which required the Defendant Trustees to comply with LISA’s Code of Ethics, by
4 reviewing Defendant Reliant’s marketing Brochure knew or should have known that the
5 statements made by Reliant in the Brochure about the “bell curve” was misleading in that
6 many of the insureds whose policies were held by the Defendant Trustees were living
7 longer than Reliant had projected, which was causing a serious depletion of the Trust’s
8 premium reserves.

9 147. As a direct and proximate result of the above conduct by the Defendants
10 aiding and abetting the wrongful and illegal conduct of other Defendants, Plaintiffs and
11 class members have been damaged in an amount to be proven at trial.

12 148. The causes of action based on California Corporations Code violations are
13 equitably tolled against the Trustee Defendants because the Trustee Defendants are
14 equitably estopped from contending that the California Corporations Code violations are
15 barred by the statute of limitation because the Trustee Defendants aided and abetted
16 Defendants Reliant, Michaels and Grady in concealing from Plaintiffs and the Class
17 members that they had been sold unqualified and unregistered securities through
18 fraudulent and deceitful means which was not known until the Department of Financial
19 Protection issued its Order on December 14, 2022.

20 149. Additionally, Plaintiffs are informed and believe that the Trustee Defendants
21 had actual knowledge that Defendants Michaels and Grady were fraudulently using
22 investors funds to pay themselves excessive compensation rendering Reliant insolvent
23 because Grady and Michaels were directing the Defendant Trustees to issue checks to
24 them, which investor funds were supposed to be used to fund additional premium
25 payments on policies whose reserves to pay premiums had been exhausted, or should
26 have known with reasonable diligence.

27 150. Plaintiffs on behalf of themselves and the Class seek all damages as allowed
28 by law, including but not limited to the amount of their initial investments in Reliant Life

1 Shares, any additional premiums they had to make to keep policies in force, prejudgment
2 interest on those amounts.

3 151. Defendants Reliant, Michael and Grady’s conduct was in reckless
4 disregard for the rights and safety of Plaintiffs and all Class members and constitutes
5 oppression, fraud, and malice such that punitive and / or exemplary damages are
6 appropriate pursuant to either Civil Code section 3294, section 3345 or both.

7 **FIFTH CAUSE OF ACTION**

8 **BREACH OF FIDUCIARY DUTIES**

9 **By Plaintiffs James Reed and Carolynn Reed for themselves and the Class Against**
10 **Reliant, RLS Grantor LLC, Scott Grady, Sean Michaels, the Trustee Defendants**
11 **Trustee Defendants and Does 1-20**

12 152. Plaintiffs incorporate by reference all the above paragraphs as though fully
13 set forth herein, including negligence, wrongdoing, deceit, and lack of disclosure already
14 alleged in the allegations section of this Complaint and such allegation in any previous
15 cause of action.

16 153. Defendant Reliant through its statements in the Offering Circular, the website
17 and marketing Brochures encouraged Plaintiffs and all Class members to repose trust and
18 confidence in Reliant. Plaintiffs and all Class members were justified in reposing trust
19 and confidence in Reliant based on the statements made to them by Reliant in the Offering
20 Circulars, its website, and its marketing Brochures.

21 154. The Trustee Defendants, as the trustees of the Reliant Trusts established by
22 Defendant Reliant, owed fiduciary duties to the beneficiaries of the Trusts. Plaintiffs and
23 each Class member was a Beneficiary of the trust.

24 155. The Trustee Defendants also voluntarily undertook duties to the beneficiaries
25 of the Reliant Trusts based on the LISA Code of Ethics to which they agreed to operate
26 their businesses when acting as trustees. Those duties included the duty to act with
27 “integrity, competence, and diligence and in an ethical manner” with the beneficiaries of
28

1 the Reliant Trusts as “participants in the life settlement markets.” An additional duty that
2 the Trustee Defendants voluntarily undertook as members of LISA was to “use
3 reasonable care and exercising independent judgment when conducting an analysis of
4 potential life settlement transactions” and “comply[ing] with applicable state laws
5 governing life settlement markets.”

6 156. The Trustee Defendants failed their duty of due diligence in engaging with
7 Reliant and its principals. If they did not inspect Reliant’s website and marketing
8 materials before they agreed to serve as trustees it is a breach of fiduciary duty. If they
9 inspected Reliant’s website and marketing Brochures they should have discovered the
10 written misrepresentations and failures to disclose material facts to potential investors,
11 including the fact that pursuant to the Reliant Trust Agreements the Trustee Defendants
12 disclaimed the duty to serve as “independent escrow officers and trustees” for the benefit
13 of the beneficiaries of the trusts. If they had done minimal due diligence such as checking
14 with the California Insurance Department they would have discovered that Reliant was
15 not licensed to sell fractionalized life settlements in California. If they had done a Google
16 search of Defendant Scott Grady they would have discovered that he was disbarred for
17 violations of regulations related to his client trust account.

18 157. Defendant Reliant and the Trustee Defendants, as trustees of the Reliant
19 Trusts, had a duty of good faith and full disclosure of all material facts and to act in the
20 best interest of the beneficiaries. Reliant and the Trustee Defendant breached their duties
21 by failing to disclose to investors and potential investors, among other things, that:

- 22 a. Failing to disclose to Plaintiffs and all Class members that funds demanded
23 by Reliant to maintain insurance policies were not being deposited into the
24 Reliant Trust, but instead were deposited into an account at First Western
25 Bank, which was not an escrow account, and from which accounts Michaels
26 and Grady could take investors’ funds for their own use. Plaintiffs are
27 informed and believe that Defendants Reliant, Michaels and Grady used only
28 a portion of those funds deposited into the account at First Western Bank to

1 pay premiums, and Michaels and Grady diverted a material portion of the
2 investors funds for excessive compensation to Defendants Michaels and
3 Grady, and to make payments to Cooper on his Judgment against Reliant,
4 Michaels and Grady;

5 b. Failed to disclose modifications to the trust, including restating and amending
6 the trust to name a successor Grantor and to change the terms to permit the
7 sale of the Trust Assets;

8 c. Failed to provide Plaintiffs and all Class members with 90 days advance
9 notice when capital calls were made as specified in Reliant's Purchase
10 Agreement;

11 d. Failing to disclose that in the event of a cash call, the premiums would be
12 substantially higher than disclosed in the investor's Disclosure Statements;

13 e. Defendants UMB Bank, First Western Bank and Bank of Utah failed to
14 provide the beneficiaries written notice that they were resigning as trustees.

15 158. Pursuant to Sections 25506 and 25507 of the California Corporations Code,
16 Plaintiffs had five years and two years respectively to seek rescission of their investments.
17 Therefore, from the moment that the particular class member, including Plaintiffs,
18 remitted their consideration to the Trustee Defendants for their interest in the death
19 benefit of a life insurance policy, the Trustee Defendants had a duty to disclose to class
20 members, including Plaintiffs, that misrepresentations and omissions were made to them,
21 and class members, including Plaintiffs, could have, within the statutory period under
22 Sections 25506 and 25507 rescinded their investments.

23 159. As a direct and proximate result of the above conduct by Reliant and the
24 Trustee Defendants, Plaintiffs and Class members were damaged in an amount to be
25 proven at trial.

26 160. By performing the foregoing acts, Defendants acted with malice, oppression,
27 or fraud. Alternatively, the acts of tee Defendants performed were despicable and in
28 conscious disregard of the probability of damage to Plaintiffs and the rest of the putative

1 Class members and support an award of punitive damages pursuant to Civil Code section
2 3294 in an amount designed to punish Defendants and to deter such conduct in the future.
3 To the extent that such acts by Reliant and the Trustee Defendants were conducted
4 through their employees or agents, those employees were either its officers, directors or
5 managing agents of Reliant and the Trustee Defendants, or such officers, directors or
6 managing agents were aware in advance that such conduct would occur, exhibited
7 conscious disregard for the rights of others in employing the employee, or directed or
8 ratified such conduct by its employee(s) and agents.

9 **FIFTH CAUSE OF ACTION**

10 **FINANCIAL ELDER ABUSE (Welfare and Institutions Code § 15600 et seq.)**

11 **By Plaintiff James Reed on behalf of himself and the Elder Abuse Subclass**

12 **Against All Defendants and Does 1-20**

13 161. Plaintiff James Reed incorporates by reference all the above paragraphs as
14 though fully set forth herein, including each wrongdoing, deceit, and lack of disclosure
15 already alleged in the general allegations section of this Complaint and such allegation in
16 all previous cause of action.

17 162. As an “elder,” within the meaning of Welf. & Inst. Code § 15610.27, Plaintiff
18 James Reed and members of the Elder Abuse Subclass were entitled to the heightened
19 rights and special statutory protections provided by California’s Elder and Dependent
20 Adult Civil Protection Act set forth in Welf. & Inst. Code § 15600 et sec.

21 163. Under Welf. & Inst. Code § 15610.30, a person is liable for financial elder
22 abuse or for assisting financial elder abuse if they obtained the elder’s property when they
23 knew or should have known that the conduct is likely to be harmful to the elder, including:
24 (1) hiding, taking, retaining, obtaining and/or misappropriating Plaintiff’s property,
25 which is what has been alleged in this Complaint, or (2) by the Trustee Defendants
26 assisting and aiding and abetting Defendants Reliant, Michaels and Grady in harming the
27 members of the Elder Abuse Subclass.

28 164. Defendants conduct in selling Plaintiff James Reed and the other members of

1 the Elder Abuse Subclasses Reliant Life Share investments was a predatory practice
2 employed to take advantage of a vulnerable elderly persons for their own financial gain
3 or if not intended to do so, it had that effect, and after knowing this, these Defendants
4 kept doing it, implying total purposeful intent to take advantage instead of protecting
5 these individuals.

6 165. Because Plaintiffs and each Class member were required to include their date
7 of birth in their respective Reliant Purchase Agreements, Defendants Reliant, Michaels,
8 Grady and the Trustee Defendants knew which investors were over the age of 65 at the
9 date they invested in Reliant Life Shares. Despite being in possession of the above facts,
10 Defendants Reliant, Michaels, Grady, knowingly assisted and aided and abetted by the
11 Trustee Defendants, committed Financial Elder Abuse on Plaintiff James Reed and the
12 members of the Elder Abuse Subclass.

13 166. The conduct of Reliant Defendants, Michaels and Grady, aided and abetted
14 by the Trustee Defendants, was in reckless disregard for the rights and safety of the
15 members of the Elder Abuse Subclass and proximately caused economic and non-
16 economic damages to Plaintiff and to the Elder Abuse Subclass.

17 167. The damages to Plaintiff James Reed and the Elder Abuse Subclasses are to
18 be trebled, and attorney's fees allowed by statute between the parties. Defendants Reliant,
19 Michaels, Grady, and the Trustee Defendants' conduct was in reckless disregard for the
20 rights and safety of the James Reed and Elder Abuse Plaintiffs and constitutes oppression,
21 fraud, and malice such that exemplary damages are appropriate and requested under
22 either Civil Code sections 3294 or 3345 or both.

23 **SIXTH CAUSE OF ACTION**

24 **UNFAIR BUSINESS PRACTICES (Bus. & Prof. Code §§ 17203 et seq.)**

25 **By Plaintiffs for themselves and the Class Against All Defendants and Does 1-20**

26 168. Plaintiffs incorporate by reference all the above paragraphs as though fully
27 set forth herein, including negligence, wrongdoing, deceit, and lack of disclosure already
28 alleged in the general allegations section of this Complaint and such allegation in any

1 previous cause of action.

2 169. At all times relevant hereto, California Business and Professions Code
3 §§17200, et seq., were in full force and effect. Section 17200 of the Business and
4 Professions Code provides, in relevant part, that “unfair competition shall mean and
5 include any unlawful, unfair, or fraudulent business act or practice. . .”

6 170. Defendants and Does 1-20, and each of them, are “persons” as defined under
7 Business and Professions Code §17021. Each of the directors, officers, and/or agents of
8 Defendants, are equally responsible for the acts of the other directors, officers, employees
9 and/or agents as set forth in Business and Professions Code §17095.

10 171. Plaintiffs, and each of them, have suffered injury in fact and have lost money
11 as a result of the conduct of Defendants, as previously alleged. As alleged herein above,
12 Defendants engaged in an unfair, unlawful and deceptive business practices including
13 aiding and abetting the sale of Reliant investments, and failing to disclose that the
14 investments were unregistered securities.

15 172. The conduct of Defendants and those acting in the course and scope of their
16 agency of Defendants, in making negligent misrepresentations regarding Reliant to the
17 public, was wrongful. Defendants failed to conduct due diligence prior to making the
18 representations about Reliant and its program that were repeated to Plaintiffs when
19 soliciting Plaintiffs to invest in Reliant’s program. Defendants failed to adequately train
20 and supervise agents as alleged herein.

21 173. Defendants failed to adequately train and supervise agents, to prevent them
22 from encouraging from purchasing unregistered securities in the guise of purchasing life
23 settlements.

24 174. In addition to themselves engaging in unfair, unlawful and deceptive business
25 practices, the Trustee Defendants, who knew or should have known that Reliant was
26 engaging in unfair, unlawful, and deceptive business practices, substantially assisted
27 Reliant in such violations.

28 175. Through their actions alleged herein, Defendants have engaged in unfair

1 competition within the meaning of California Business & Professions Code § 17200,
2 because their conduct constituted an unfair business practice perpetrated against members
3 of the general public.

4 176. Business and Professions Code §17203 provides that the Court may take
5 those steps necessary to prevent such unfair conduct and may order Defendants to pay
6 restitution to an aggrieved party.

7 177. Section 17202 of the California Business and Professions Code states:
8 “Notwithstanding Section 3369 of the Civil Code, specific or preventive relief may be
9 granted to enforce a penalty, forfeiture, or penal law in a case of unfair competition.”

10 178. As the actual and proximate cause of Defendants engaging in unfair business
11 practices in violations of California Business & Professions Code section 17200, et seq.,
12 Plaintiffs have lost, or are likely to lose their investments totaling an amount to be
13 established at trial. Plaintiffs seek all equitable remedies available, including but not
14 limited to restitution, disgorgement and an equitable accounting.

15
16 **DOUGLASS ALLEGATIONS AGAINST DEFENDANT ANDREW MURPHY**

17 179. At all times herein, PLAINTIFF GWENDALYN DOUGLASS is the
18 daughter of Raymond E. Douglass and Trustee of RAYMOND E. DOUGLASS
19 REVOCABLE TRUST (now an irrevocable trust). She is also the executor of Raymond
20 E. Douglass’ estate. GWENDALYN DOUGLASS sues both as trustee and as successor
21 in interest pursuant to CCP §377.11. When the term “Plaintiff” is utilized, it often refers
22 to Raymond E. Douglass as the purchaser, his actions, or doings even though his daughter
23 technically is the actual Plaintiff, as the successor in interest now that Raymond E.
24 Douglass has passed away.

25 180. At all times herein, Defendant ANDREW MURPHY (hereinafter MURPHY)
26 was a salesperson of various life settlement policies sold to Raymond E. Douglass. He
27 was also a high-level employee/agent and controller of RELIANT. MURPHY was also a
28 decision-maker and chief salesperson acting as “Chief Executive Officer of Reliant Life

1 Shares” during relevant periods that resulted in Plaintiff losing his investments.
2 MURPHY controlled some of the events herein. He was supposed to supervise others
3 who also sold more of the above product to Raymond E. Douglass that should not have
4 been sold to him. MURPHY has ratified, allowed, or maintained all the wrongful conduct
5 set forth in this Complaint. Although he was the seller of these products, he was not
6 licensed to sell investments, this was not disclosed to Raymond E. Douglass, and to do
7 so was illegal.

8 **DOUGLASS’ GENERAL ALLEGATIONS AGAINST MURPHY**

9 **PARTIES**

10 181. In 2017, Raymond E. Douglas was 83 years old, in the throes of serious
11 health difficulties and not of sound mind. He suffered from dementia, uncontrolled
12 diabetes, and other health issues and was vulnerable and susceptible to suggestions
13 because he was living alone and lacked companionship. He had long since retired.
14 Raymond E. Douglas was not a suitable candidate, being elderly himself, to purchase
15 over a million dollars in “life settlement” investments in approximately 21 separate
16 transactions mostly between 2017 and 2018. See **Exhibit 118** and for a list of policies
17 Raymond E. Douglas invested in. Raymond E. Douglas died in 2020, just two years after
18 his last purchase of these investments.

19 182. Raymond E. Douglas was sold two separate Life settlement investments in a
20 policy on a 62-year-old male, see **Exhibit 117**, one investment on October 13, 2017, of
21 \$33,000 and another investment in the same policy on March 1, 2018, of \$120,000. The
22 insured was 21 years younger than Raymond E. Douglass. There is no way that Raymond
23 E. Douglass could benefit from this investment on a 62-year-old insured. This would only
24 saddle Mr. Douglass’ heirs with premiums for years to come until the policy matured.

25 183. MURPHY knew that Raymond E. Douglass was ill while making these sales.
26 MURPHY is seen in a photo taken in November 2018, at Mr. Douglass’ home,
27 surrounded by filth. See **Exhibit 6**. MURPHY also signed an Agent of Record
28 Certification. In that document MURPHY certified that he explained all the risks to

1 Raymond E. Douglass and that Raymond E. Douglass was a suitable candidate to invest
2 \$600,000 on March 1, 2018. MURPHY signed and initialed several times on a form that
3 he “made sure the investor understood” the terms, and that “I have acted in the best
4 interest of the client making this purchase recommendation and have not made any
5 misleading statements to the client.” In addition, he signed that he “fully explained the
6 potential impact to the client of any premium calls should the insured live past the
7 premium reserve escrow period.” Unfortunately, this was fabricated and a manipulation.
8 It was not true for the reasons hereinafter alleged.

9 184. After Raymond E. Douglass died, one of the policies matured and Mr.
10 Douglass’ payout was supposed to be \$34,000. Plaintiff GWENDALYN DOUGLASS,
11 as Trustee of RAYMOND E. DOUGLASS REVOCABLE TRUST never received the
12 check. Mark Sansoucy (“Sansoucy”) instead stated that the money would be needed to
13 be used for premium calls on the other policies that Raymond E. Douglass purchased.
14 Between January 2021 and January 2022, Plaintiff GWENDALYN DOUGLASS, as
15 Trustee of RAYMOND E. DOUGLASS REVOCABLE TRUST (hereinafter the Plaintiff
16 Trustee) was not able to get a clear picture of how many policies her father had invested,
17 and what premiums were due. See **Exhibit 119** for an email trail of unfulfilled requests
18 for documents lasting one year from Reliant staff, namely Sansoucy and GRADY.

19 185. Had Raymond E. Douglass known the truth, had he been of sound mind and
20 capable of understanding the truth, he would not have invested over a million dollars.
21 False statements employed regularly on Raymond E. Douglass and /or negligence
22 allowed the sales to proceed. Douglass’ investment losses set forth herein in Exhibit 120,
23 shows over a million dollars.

24 186. Reputable securities dealers would not sell these investments to Raymond E.
25 Douglass for many reasons. Raymond E. Douglass was not suitable for these investments.
26 Raymond E. Douglass was over 20 years older than one of the insured (mentioned above),
27 and he was approximately the same age as other insureds. The chances of an 83-year-old
28 diabetic Raymond E. Douglass outliving most of these insured, especially the 62-year-

1 old insured, was questionable at best. There was no justification to require an 83-year-
2 old to use his liquid assets, which he needed for his own future, to invest in an illiquid
3 investment. In addition there was a risk of losing his principal and the policies subject to
4 forfeitures if the future premium obligations were not paid. Raymond E. Douglass, at
5 age 83, needed liquidity for future medical needs. Raymond E. Douglass, or
6 subsequently, his heirs, were not appropriate candidates to be saddled with sizable future
7 premium obligations to safeguard the principal in the investment. Again, reputable
8 investment advisors would not recommend this investment to a person such as Raymond
9 E. Douglass. The real odds of how well a person will do in Defendants' investment was
10 not properly conveyed to the investors by MURPHY, nor are the problems inherent in
11 the program fully disclosed.

12 187. MURPHY used Reliant materials to sell Raymond E. Douglass these
13 investments, where such material characterized the investments as better than mainstream
14 investments, providing double-digit returns, and a guaranteed fixed rate of return, which
15 caused investors such as Raymond E. Douglass to believe there was no risk of loss. In
16 fact, the materials used by MURPHY say, "no market risk." MURPHY knew that
17 customers would take this to mean no risk. There is a risk of loss of principal if the
18 premium reserves are depleted and future premiums not paid. See Exhibit 7, para 4.
19 Again, MURPHY represented or allowed Reliant's staff to represent that "the risk of a
20 premium call was close to zero or just about nil."

21 188. MURPHY used Reliant materials to sell Raymond E. Douglass these
22 investments, where such material characterized the investments as similar to what big-
23 time investors were investing. One of the names given was Warren Buffet and Buffet's
24 picture is displayed prominently in the promotional materials and used by MURPHY.
25 This is deception because, first of all, Buffet does not invest in fractionalized life
26 settlements investments like the Defendants sell, for reasons discussed hereinafter.
27 MURPHY used Warren Buffet and also Bill Gates names to bolster RELIANT'S
28 credibility wrongfully and illegally and it is alleged upon information and belief that

1 RELIANT has not received permission to do so, and the way these high-profile names
2 are used in their sales materials is confusing and deceptive. See Exhibit 101. Investors
3 like Gates and Buffet would only invest in huge quantities of policies to obtain the needed
4 benefit to make the investment worthwhile. They would not invest in a fractional share
5 of a life settlement of the kind that Raymond E. Douglass was sold by MURPHY.
6 MURPHY knew the difference and did not disclose it.

7 189. MURPHY used RELIANT materials to sell to Raymond E. Douglass these
8 investments, where such material claimed RELIANT actuaries have 90%- 98% accuracy
9 in predicting life span of the insured whose policy is the subject of RELIANT
10 investments. It is believed this statement is false and deceptive. See Exhibit 7 and Exhibit
11 110.

12 190. MURPHY knew the investments he sold to Raymond E. Douglass was not a
13 good buy-and-hold investment strategy suitable for retirement or a long-term investment
14 for a person such as Raymond E. Douglass, because if one holds the investment past the
15 reserve period of the prepaid premiums, the insured's premiums get more and more
16 expensive as the insured gets older. Mr. Douglass's heirs are now saddled with premium
17 calls on dozens of policy positions purchased by Raymond E. Douglass. No salesperson
18 could recommend an investment that saddles an older person such as Raymond E.
19 Douglass and/or his heirs with this onerous future obligation, which if not paid, as is now
20 the case, is now subjecting Mr. Douglass' heirs to substantial loss. MURPHY did this
21 and knowingly so.

22 191. Another deception perpetrated by MURPHY (as seen in the RELIANT
23 website and elsewhere, and used by MURPHY) or MURPHY represented or allowed
24 Reliant's staff to represent that investors can "withdraw their money any time without a
25 penalty." See Exhibit 1. This has turned out to be false and MURPHY knew it. Plaintiff
26 Trustee (for Raymond E. Douglass's Trust) indicated she would accept the return of
27 principal in lieu of bringing the suit, but Defendants were not able to perform within a
28 reasonable amount of time and did not commit to a satisfactory agreement to do so. If the

1 statement on the website and elsewhere were true, this suit would have been averted.
2 Months of negotiations happened but the money could not be produced in any timely or
3 suitable basis, indicating the possibility that RELIANT had a liquidity problem. These
4 liquidity issues were also not disclosed by MURPHY or underlings he was supposed to
5 supervise at the time of sale. This is an omission of a material fact, which is a violation
6 of the law and another area of deception. MURPHY knew that RELIANT had a history
7 of renegeing on such payback promises to other investors, another material fact not
8 properly disclosed.

9 192. MURPHY passed off RELIANT as a financial company of substantial assets
10 comparable to an insurance company. This is a false comparison and confuses investors
11 and confused Raymond E. Douglass. In fact it is specifically asserted that MURPHY was
12 aware that Reliant's financial status was shaky and problematic and that there were
13 internal conflicts within RELIANT stemming from Daniel Cooper's dispute with the
14 other owners, namely Shawn Michaels and Scott Grady. MURPHY was specifically
15 aware that such conflicts posed a risk to the company and jeopardized the life insurance
16 policies of all investors. If this information leaked out, it could cause past investors to
17 pull out and not pay premiums and it would cause future investors to not invest in this
18 product. This would cause the policies to become at risk for default, and if the policies
19 defaulted, investors would receive no payouts. That is what happened but these facts
20 were not disclosed by MURPHY to Raymond E. Douglass who knew all this. MURPHY
21 was cognizant of these known risks.

22 193. In addition to the aforementioned risks, it was also known that Investors
23 needed to know this because when an insured individual continued to live beyond what
24 money was available in reserves to pay premiums, it meant the investors had to pay extra.
25 Such circumstances need to be disclosed because if some investors stopped paying their
26 premiums, others become inclined to not pay their premiums. If enough investors do not
27 pay the premiums, then the others have to cover for those that do not pay premiums.
28 Eventually this can create a domino effect which leads to more investors not paying their

1 premium and causing more and more investors to pick up the difference. There is a limit
2 on how many remaining investors will be inclined to pay larger premiums for those who
3 will not pay their premiums. Therefore there is a risk of a total default of the investment
4 when those investors fail to pay the premiums. That is actually what has happened but
5 none of that was explained by MURPHY. It is also the reason this investment is not
6 suitable for Raymond E. Douglass and many other investors. It is also a reason it was
7 negligent for MURPHY to sell this investment to Raymond E. Douglass. It was
8 specifically known by MURPHY that many investors were not paying their premium
9 payments so MURPHY had no excuse for not advising that and it was negligent not to
10 do so. Investors were only told that they might lose their investment if they did not pay
11 additional premiums, they were not told the whole investment was in jeopardy if a critical
12 mass of investors did not pay the premiums. MURPHY did not explain that RELIANT
13 would not have the wherewithal to cover these premiums if it came down to a mass
14 exodus.

15 194. The PLAINTIFF initiates this lawsuit with the aim of recovering the funds
16 invested by Raymond E. Douglass in RELIANT and other damages that flow. Raymond
17 E. Douglass was informed that this investment was guaranteed, prompting him to invest
18 a significant amount. However, as outlined above, the investment was not guaranteed for
19 the reasons stated above and including if the investors are unable to pay premiums if their
20 finances deteriorate. Moreover, if an individual insured reaches the age of 100, most of
21 these policies are not required to make any payout. None of the above was disclosed.
22 Additionally, as discussed above, it is not a guaranteed investment, if the investor, such
23 as Raymond E. Douglass, being older than most insured, dies before the insured's die.

24 195. This product was marketed and sold on the belief that the investment was
25 flexible, allowing investors to retrieve their principal at any time if they changed their
26 minds. This claim is substantiated on the RELIANT website, which states that investors
27 can "withdraw their money anytime without a penalty." As noted above, the trustee
28 requested money back, but despite assurances, the return of the money invested did not

1 materialize. This appears to be a deceptive and fraudulent tactic.

2 196. MURPHY failed to give all necessary, relevant, and material information
3 about this product necessary for a reasonable investor to properly evaluate this investment
4 including providing 1) overall rate of return historically, 2) the percentage of time
5 RELIANT estimated the life expectancy (reserves) correctly, 3) the average age of death
6 of an insured historically, 4) the number of these investments that have gone full circle,
7 5) the number of repeat customers, 6) the number and percentage of people and all their
8 investment that made money, 7) the load on the investment, 8) the number of persons that
9 put money in a RELIANT program or the fact that people did invest and took losses to
10 get out of the program. MURPHY failed to provide basic truthful statistics and
11 information regarding how many customers had to pay premiums, or how RELIANT
12 justifies using life expectancy more than social security life expectancy to create the false
13 impression that the investment is better than it is. MURPHY failed to provide information
14 as to how many insureds exceeded RELIANT's disclosed life expectancy, which is a
15 basic fact RELIANT should know and disclose. A reasonable investor needs to know
16 information like this.

17 197. MURPHY failed to advise Raymond E. Douglass that the RELIANT
18 investment program failed to meet all of the requirements of the Corporate Code
19 §25102(q) and other provisions of California law. RELIANT continued to operate when
20 it knew it could not claim the exemption according to the code.

21 198. MURPHY did not verify whether or not Raymond E. Douglass had a large
22 enough portfolio so that Douglass's total investments in these policies did not exceed
23 10% of his portfolio. In fact, the million dollars invested in the policies exceeded 10% of
24 Douglass's overall wealth portfolio, so MURPHY selling this many policies to Raymond
25 E. Douglass or allowing this large dollar amount to be sold to Raymond E. Douglass
26 violated state and thus company requirements.

27 199. Upon information and belief, certain other investors were excused from
28 having to pay premiums while other investors were not. This was not disclosed by

1 MURPHY, and it was unfair and created the risk of default or the risk that the remaining
2 investors will have to pay more to make up for the needed premiums. This creates a
3 conflict of interest, and it is an unpredictable arrangement created at the whim of the
4 promoter. This was not disclosed to Raymond E. Douglass at the outset.

5 200. Raymond E. Douglass was not told by MURPHY that RELIANT
6 manipulated reviews, and that reviews did not represent a true status of the RELIANT
7 situation. Raymond E. Douglass bought on the basis of reviews and/or MURPHY's
8 interpretation of these reviews or what other people's experience was, which was all false.

9 201. MURPHY knew that RELIANT had a tortured history where dishonesty was
10 part of the culture of RELIANT and the culture of the Life settlement Industry. This is
11 depicted in a detailed declaration of Gloria Wolk which contained material information
12 that MURPHY knew about and should have disclosed to Raymond E. Douglass. Without
13 disclosing this and other information about the industry and without disclosing prior
14 litigation involving RELIANT and the Industry, MURPHY was not properly
15 representing the product which means he was not giving a fair and balanced picture of
16 this investment in compliance with securities law. This was also below the standard of
17 care of the investment industry not to give a full and fair disclosure of all aspects of the
18 product and those involved with the product. MURPHY had a background that itself
19 needed to be disclosed. Also MURPHY needed to disclose the prior litigation involving
20 this product including RELIANT'S own prior litigation involving American General
21 Insurance Policy PSH 20052L. The above failure to disclose resulted in Raymond E.
22 Douglass buying a product that he would not have otherwise bought. Not having this
23 information hindered Raymond E. Douglass' ability to evaluate the program. If he had
24 known the history and all the above material information, Raymond E. Douglass would
25 not have invested in this product.

26 202. MURPHY also had knowledge and was instrumental in RELIANT engaging
27 in endeavors to hide bad reviews of this product. Anything deemed negative for sales is
28 scrubbed from the internet by RELIANT. RELIANT, under the auspices of MURPHY,

1 hire companies to purge their bad reviews, which purging is designed to and does deprive
2 investors of material information which a reasonable investor needs to know prior to
3 investing. This is contrary to what is required, which is a full, fair, and balanced
4 disclosure where the investors have access to all the material facts. MURPHY's lack of
5 disclosure of all the above facts is anathema of what should be allowed and is an indicator
6 of negligence or intent to deceive on the part of MURPHY. Raymond E. Douglass
7 himself relied upon the product being properly represented by MURPHY, which it was
8 not.

9 203. It was negligent and/or fraudulent for MURPHY to suggest that an elderly
10 person buy so many of these policies so late in his life out of his retirement money.
11 MURPHY knew it was not in Raymond E. Douglass' best interest to buy these policies
12 at his stage in life and so many of the same product, but he sold it to himself for his own
13 financial gain. No reasonable salesmen or ethical broker dealer or issuer would or should
14 have allowed this especially since Raymond E. Douglass was suffering from dementia,
15 diabetes and other health issues that made in particularly vulnerable and susceptible to
16 suggestion.

17 204. Raymond E. Douglass, born on February 19, 1934, passed away at the age of
18 85 on January 1, 2020. During the sales transactions conducted by and supervised by
19 MURPHY, Raymond E. Douglass was grappling with dementia and serious diabetes.
20 Witnesses and photographs demonstrate that MURPHY was invited to visit Raymond E.
21 Douglass 's disheveled home, MURPHY is shown in the pictures interacting with
22 Raymond E. Douglass while Raymond E. Douglass was giving himself insulin shots in
23 his leg with his pants down, indicating a visibly unwell and demented person. Despite
24 this, money was still extracted from Raymond E. Douglass by MURPHY. MURPHY
25 even manipulated Raymond E. Douglass into repurchasing policies from others, which
26 RELIANT needed to re-sell to placate unsatisfied investors. MURPHY was in charge of
27 overseeing the Raymond E. Douglass sales process, obtaining checks to buy the
28 RELIANT product he sold to Raymond E. Douglass. MURPHY knew Raymond E.

1 Douglass could write a check immediately and took advantage of Raymond E. Douglass
2 at his home. There is also no indication that any three-day cooling-off opportunity was
3 given Raymond E. Douglass to cancel as required by law for home solicitation. The
4 photograph reveals disorganized surroundings, indicative of dementia.

5 205. The financial industry demands high commercial ethics, honor, and
6 adherence to just trade principles which were not exhibited by MURPHY.

7 206. Raymond E. Douglass could have afforded to purchase an entire viatical,
8 which would have been a more advantageous than to be saddled with fractional interests
9 in many insurance policies through RELIANT. It was unethical for MURPHY to
10 encourage Raymond E. Douglass to invest in multiple policies at the fractional level
11 when he could have purchased his own entire viatical.

12 207. It is alleged Raymond E. Douglass was not of sound mind nor was he a proper
13 candidate for this investment. His investment money would be better if left in a liquid
14 form. MURPHY did not properly evaluate Plaintiff and his needs.

15 208. Under MURPHY's guidance, the following statement was told to Raymond
16 E. Douglass and other investors, "The history of actual maturities for life settlement
17 policies shows that, like a bell curve, approximately half of all policies mature before the
18 estimated life expectancy date and half after." This suggested that these investments had
19 predictable attributes and could provide a quick turnaround. Also contrary to what
20 MURPHY represented, RELIANT'S life expectancy projection were not accurate nor
21 was the amount needed for premium reserves accurate. MURPHY also neglected to
22 disclose that this investment did qualify as an exempt security.

23 209. MURPHY failed to disclose or have a process in forms and disclosures that
24 disclosed that Scott Grady, an owner of RELIANT t, was a disbarred attorney and was in
25 an ownership position with RELIANT.

26 210. Plaintiffs sent via certified mail to key Defendants giving them the required
27 30 days to correct, repair or rescind, and or do any of the things allowed or required by
28 California Civil Code §1770 et seq. Defendants have not done anything. They still have

1 the chance to make good as Plaintiffs will give any defendant served herewith 30 days
2 from the date this is served upon them to comply with California Civil Code §1770 et
3 seq. Assuming this is not done, Plaintiffs therefore are entitled to the damages and
4 remedies set forth in California Civil Code §1780 and related sections against all
5 Defendants.

6 211. MURPHY was not properly licensed and RELIANT was not properly
7 registered. This was not disclosed. It is alleged MURPHY sold product to Raymond E.
8 Douglass directly and indirectly. Indirectly refers to sales by persons he supervised,
9 approved or ratified. It is alleged all sales to Raymond E. Douglass were either a result
10 of MURPHY making the actual sale or MURPHY sending out salesmen under his
11 supervision to make the sale which MURPHY ratified and approved.

12 **EIGHTH CAUSE OF ACTION**

13 **VIOLATION OF CORPORATE CODE §§ 25401 & 25501**

14 **BY DOUGLASS AGAINST MURPHY)**

15 212. PLAINTIFF incorporates by reference all the above paragraphs as though
16 fully set forth herein as well as all paragraphs from subsequently alleged causes of action.

17 213. Defendant MURPHY sold Raymond E. Douglass securities in violation
18 Corporate Code § 20541, which prohibits offers or sales of securities including
19 investment opportunities by means of a written or oral communication containing:
20 “untrue statement[s] of a fact or omits to state a material fact necessary in order to make
21 the statement[s] made, in light of the circumstances under which they were made, not
22 misleading.”

23 214. DEFENDANT MURPHY was a key figure in selling in excess of \$1 million
24 of the beneficiary interest in the death benefits packaged by RELIANT (hereinafter
25 sometimes referred to as the “Investment” or the “Product”) and sold to Raymond E.
26 Douglass.

27 215. In addition to the above set forth in the General Allegations of this complaint,
28 MURPHY is liable for violations of Corporate Code §§ 25401 & 25501 for the following

1 reasons:

2 216. DEFENDANT MURPHY failed to describe various aspects of this
3 investment to Raymond E. Douglass that made the investment unsuitable or not in his
4 best interest. This is the failure to advise him of the true impact of the premiums due and
5 how that effects viability and profitability of this investment.

6 217. DEFENDANT MURPHY represented or allowed the sales to go through to
7 Raymond E. Douglass knowing that the investment was represented or portrayed as a
8 viatical of the kind that Warren Buffett and Bill Gates possesses and knowing this was
9 not true.

10 218. DEFENDANT MURPHY represented or allowed the sales to go through to
11 Raymond E. Douglass knowing there was a lack of appropriate disclosure of the dark
12 history behind this industry and RELIANT and that as a result, the investment was
13 problematic. In particular, the information set forth in the Gloria Wolk's declaration was
14 purposely not disclosed to investors. This Declaration was provided RELIANT in a
15 previous case. All this is a material lack of full disclosure and material omissions of fact
16 that needed to be disclosed and was purposefully not.

17 219. DEFENDANT MURPHY represented or allowed to be represented to
18 Raymond E. Douglass that RELIANT investments were better for him than the stock
19 market. This was communicated to convince Raymond E. Douglass to invest. This was
20 not true and MURPHY knew it.

21 220. DEFENDANT MURPHY failed to properly portray statistics about prior
22 investments and real returns to Raymond E. Douglass before consummating the sale or
23 sales to Raymond E. Douglass. Therefore Raymond E. Douglass did not have the true
24 picture of the investment and its potential or lack thereof. MURPHY did this on purpose.

25 221. DEFENDANT MURPHY failed to disclose his unlicensed status (both as a
26 securities agent and as a life settlement agent) and RELIANT'S lack of registration status
27 both to sell insurance but also to be a broker dealer, depriving Raymond E. Douglass of
28 the opportunity to evaluate the products based upon what information that is required of

1 registered and licensed persons. It also deprived Raymond E. Douglass of the ability to
2 deal with persons with high commercial honor and persons obligated to provide just and
3 equitable principles of trade. None of the above was provided. It also deprived Raymond
4 E. Douglass of the protections that would have been available had RELIANT registered
5 its security properly and used licensed salespersons. This was done purposely by
6 MURPHY to make it easier to sell to Raymond E. Douglass regardless of suitability, and
7 the best interest of the customer, Raymond E. Douglass.

8 222. DEFENDANT MURPHY allowed information to be communicated to
9 Raymond E. Douglass and other prospective clients including information on the website
10 that was false including representing falsely the ability of a customer to be able to obtain
11 their money back without penalty. Raymond E. Douglass, through the Plaintiff Trustee
12 Gwen Douglass requested the money back to no avail, which was not provided as
13 described above, proving this was just a sales gimmick. Such an insinuation was
14 purposefully vague and misleading and used to facilitate the sales to Raymond E.
15 Douglass which sales he otherwise would not have considered.

16 223. DEFENDANT MURPHY failed to see that RELIANT provided proper
17 audited reports to Raymond E. Douglass and others as required by law, and necessary
18 for understanding the investment.

19 224. DEFENDANT MURPHY failed to see that its customers knew that
20 RELIANT'S president, GRADY, was a disbarred attorney and was also an owner,
21 member and manager of RELIANT.

22 225. DEFENDANT MURPHY failed to see that RELIANT advised Raymond E.
23 Douglass of information required by law including who his fellow investors' were and
24 who was running the organization he invested in.

25 226. DEFENDANT MURPHY failed to advise Raymond E. Douglass of how the
26 insurance premiums increased over time and the consequences of a having a limited
27 reserve fund. These rising premiums caused and contributed to the losses suffered by
28 Raymond E. Douglass.

1 227. DEFENDANT MURPHY failed to advise Raymond E. Douglass that
2 RELIANT allowed some select persons to invest without meeting the minimum net worth
3 requirements, making the investment riskier for the rest of the investors including
4 Raymond E. Douglass. This special treatment led to the downfall of the investment as
5 described above when unqualified investors could not pay additional premiums.

6 228. DEFENDANT MURPHY orchestrated or allowed RELIANT to manipulate
7 reviews and ratings on their website, and or knew this was going on, a fact that MURPHY
8 kept from Raymond E. Douglass and MURPHY allowed Reliant's staff to keep from
9 Raymond E. Douglass and other investors.

10 229. DEFENDANT MURPHY failed to disclose RELIANT'S policy of
11 preventing investors' knowledge of important facts and who was involved in the
12 organization and their history, thus thwarting transparency and full disclosure.

13 230. DEFENDANT MURPHY represented or allowed RELIANT'S staff to
14 represent that the risk of a premium call was close to zero. This was misleading and
15 untrue and its falsity is precisely what brought down the investment because it was not
16 true and MURPHY knew it.

17 231. DEFENDANTS MURPHY applied coercive and unfair sales practices on
18 Raymond E. Douglass taking advantage of his age, illness, and diminished condition.
19 MURPHY knew Raymond E. Douglass was not a candidate for this product, it was not
20 suitable, and not in Raymond E. Douglass and his family's best interest, and MURPHY
21 sold it to Raymond E. Douglass anyway.

22 232. MURPHY violated all the other items set forth in the General Allegations of
23 this complaint.

24 233. Defendant MURPHY did not properly portray the statistics associated with
25 prior RELIANT'S investments concerning RELIANT'S ability to be accurate in its life
26 expectancy estimates after a decade of being in business. MURPHY did not portray
27 truthfully or allow to be portrayed truthfully what happens when premium reserves are
28 exhausted leaving no funds to pay premiums.

1 234. Defendant MURPHY failed to provide the required information to mandated
2 by Cal Corporate Code §25102(q) where an issuer must provide the information required
3 in Corporate Code §25102(q) (3) (A—G)-especially omitted were the names of directors,
4 officers, partners, members, or trustees of the issuer. In effect Defendants fail to explain
5 who owned and operated RELIANT as required by law.

6 235. DEFENDANT MURPHY knowingly made the above statements and
7 representations, He knew they were false and/or that they were part of an elaborate
8 concealment of essential information that Raymond E. Douglass and other investors were
9 entitled to know and needed to know to make an investment in this product. This
10 concealment amounted to concealing material facts, resulting in the investments being
11 portrayed in a false light. It was improper, deceitful, or negligent conduct for
12 DEFENDANT MURPHY to take Raymond E. Douglass' money under the circumstances
13 set forth in this Complaint. If Defendants did not know the above was false or misleading
14 they should have.

15 236. Selling securities and/or an investment opportunity such as MURPHY did
16 under the above pretenses or while omitting material facts is a deception and involved
17 misrepresentation of material facts in violation of Corp Code §25401.

18 237. Raymond E. Douglass relied upon the above misrepresentations or lack
19 thereof to make investments in RELIANT Life Settlements. This reliance was reasonable
20 and justified based upon the circumstances.

21 238. By reason of the above, Raymond E. Douglass is entitled to rescission and
22 damages, and or the damages set forth in Civil Codes §25501 or 25501.5, or according
23 to all remedies available by law.

24 239. Defendant MURPHY's conduct was in reckless disregard for the rights and
25 safety of Raymond E. Douglass and Plaintiff. Said conduct constitutes oppression,
26 fraud, and malice such that punitive and / or exemplary damages are appropriate pursuant
27 to either Civil Code section 3294, section 3345 or both.
28

1 position and selling product not suitable for him. It was also a breach of fiduciary duty
2 for MURPHY to sell these investments to Raymond E. Douglass in Raymond E.
3 Douglass's diminished, vulnerable capacity and in his challenged health state. No
4 reasonable salesperson would make these sales to a person in Raymond E. Douglass'
5 state of mind. Raymond E. Douglass was not of sound mind. His problematic health and
6 mental state was easily discernible because MURPHY visited him firsthand and therefore
7 was exposed to his disheveled, filthy living conditions, caused by his compromised health
8 status. MURPHY saw Raymond E. Douglass 's medication and observed his incoherent
9 speech, which was a huge red flag MURPHY ignored. MURPHY put his own interest
10 above his customer, Raymond E. Douglass.

11 244. It was further a breach of fiduciary duties for MURPHY to cause Raymond
12 E. Douglass to lose access to liquid money by using Raymond E. Douglass's liquid
13 money to invest in this illiquid product.

14 245. It was a violation of MURPHY's fiduciary duty to sell these products to
15 Raymond E. Douglass just to make a sale or to have a backup prospect over when it was
16 not in the customer's best interest. MURPHY allowed an over concentration and an
17 unsuitable sale to occur in Raymond E. Douglass' portfolio so MURPHY could
18 personally benefit and make more money at Raymond E. Douglass ' expense. Further
19 MURPHY knew that Raymond E. Douglass did not have the net worth to justify buying
20 these RELIANT products that MURPHY sold Raymond E. Douglass. MURPHY knew
21 these investments which he sold to Raymond E. Douglass would saddle Raymond E.
22 Douglass and his heirs with future unknown and escalating premiums that would be
23 burdensome and not in their best interest, yet MURPHY made the sales anyway to make
24 more income for himself.

25 246. The above breaches of fiduciary duty include any of the other conduct set
26 forth in the General Allegations of this Complaint and in the first cause of action at
27 paragraph 39 (a) – (s), incorporated by reference.

28 247. The above-mentioned breaches of Fiduciary duties by MURPHY are the

1 direct and proximate cause of harm to PLAINTIFF, including the loss of Raymond E.
2 Douglass ' investment.

3 248. By reason of the above breach of Fiduciary duties, PLAINTIFF seeks all
4 damages allowed by law and/or the return of all money Raymond E. Douglass ' invested
5 plus interest, reimbursement of professional services needed to unravel the matter, and
6 pain, suffering and mental suffering. PLAINTIFF also seeks pain suffering and mental
7 anguish caused by the above.

8 249. MURPHY's conduct was in reckless disregard for the rights and safety of
9 PLAINTIFF, and constitutes oppression, fraud, and malice such that punitive damages
10 are appropriate and requested.

11 **TENTH CAUSE OF ACTION**
12 **FINANCIAL ELDER ABUSE**
13 **(DOUGLASS AGAINST MURPHY)**

14 250. PLAINTIFF incorporates by reference all the above paragraphs as though
15 fully set forth herein as well as all paragraphs from paragraphs from subsequent causes
16 of action.

17 251. As an "elder," within the meaning of Welf. & Inst. Code § 15610.27, Plaintiff
18 Raymond E. Douglass is an Elder Abuse entitled to the heightened rights and special
19 statutory protections provided by California's Elder and Dependent Adult Civil
20 Protection Act set forth in Welf. & Inst. Code § 15600 et sec.

21 252. Under Welf. & Inst. Code § 15610.30, a person is liable for financial elder
22 abuse for assisting financial elder abuse if they obtained the elder's property when they
23 knew or should have known that the conduct is likely to be harmful to the elder, including:
24 (1) hiding, taking, retaining, obtaining and/or misappropriating Plaintiff's property,
25 which is what has been alleged in this Complaint, or (2) by the Defendants like MURPHY
26 assisting and aiding and abetting Defendants Reliant, Michaels and Grady in harming
27 Raymond E. Douglass .

28 253. MURPHY's conduct in selling Raymond E. Douglass these products was a

1 predatory practice employed to take advantage of a vulnerable elderly person for his own
2 financial gain or if not intended to do so, it had that effect, and after knowing this,
3 MURPHY kept doing it, implying a total purposeful intent to take advantage of, instead
4 of protecting Raymond E. Douglass.

5 254. For reasons alleged and due to MURPHY's visits to Raymond E. Douglass'
6 home and its state of affairs and Raymond E. Douglass' obvious health issues and obvious
7 inability to carry on a train of thought, MURPHY had notice Raymond E. Douglass was
8 older and was vulnerable. To make a sale, or supervise a sale which MURPHY did many
9 times, he would have access to date of birth which is required information on qualifying
10 documents for making sales. Despite being in possession of the above facts and
11 information, Defendant MURPHY knowingly assisted and aided and abetted Reliant,
12 Michaels and Grady and himself in committing Financial Elder Abuse on Plaintiff
13 Raymond E. Douglass.

14 255. The conduct of MURPHY, aided and abetted by Reliant, Michaels and
15 Grady, was in reckless disregard for the rights and safety of Raymond E. Douglass and
16 proximately caused economic and non-economic damages to Raymond E. Douglass .

17 256. The damages to Plaintiff Raymond E. Douglass for the above are to be
18 trebled, and attorney's fees allowed by statute. Defendants MURPHY's conduct was in
19 reckless disregard for the rights and safety of the Raymond E. Douglass ' and therefore
20 constituted oppression, fraud, and malice such that exemplary damages are appropriate
21 and requested under either Civil Code sections 3294 or 3345 or both.

22 **ELEVENTH CAUSE OF ACTION**

23 **SELLING UNREGISTERED SECURITIES AND INSURANCE**

24 **(DOUGLASS AGAINST MURPHY)**

25 257. PLAINTIFF incorporates by reference all the above paragraphs as though
26 fully set forth herein as well as all paragraphs from subsequent causes of action.

27 258. The above-mentioned facts show, and it is alleged that the DEFENDANT
28 MURPHY sold Raymond E. Douglass unregistered or unqualified securities in violation

1 of Corporations Code, particularly §§ 25110, 25130, & 25102(q), and/or in violation of
2 other provisions of federal law requiring registration of securities. As described above,
3 DEFENDANT claimed exemptions that did not exist as the excuse for having an
4 unregistered security.

5 259. It was below the standard of care for a seller to sell unregistered securities in
6 this manner. When an unregistered security is sold, the transaction must be unwound, and
7 rescission be mandated and/or damages allowed.

8 260. By reason of the above, DEFENDANT MURPHY is liable to PLAINTIFF,
9 and PLAINTIFF is entitled to get the money back through rescission or damages for
10 violating the allegations of this cause of action.

11 261. It was also improper, illegal, deceitful, or negligent to sell unregistered or
12 unqualified securities to Raymond E. Douglass and take Raymond E. Douglass' money
13 under these circumstances.

14 262. By reason of the above, and as a proximate result of selling unregistered or
15 unqualified securities, PLAINTIFF has been harmed because if the securities were
16 registered or qualified, there would have been more protections and disclosures provided
17 to allow an investor to make a more informed investment decision. Even if PLAINTIFF
18 would have been no better off, DEFENDANT'S failure to register or qualify this security
19 automatically allows for damages or rescission with or without showing prejudice. It is
20 illegal and against the law to sell unregistered or unqualified securities. By reason of the
21 above, PLAINTIFF is entitled to rescission and damages. PLAINTIFF seeks
22 PLAINTIFF's money back with interest thereon. Additionally, PLAINTIFF seeks all
23 damages allowed by law for DEFENDANT'S selling unregistered/unqualified securities
24 including that they be trebled as allowed by Ca. C.C.P. 1029.8.

25 263. By reason of the above-mentioned conduct, PLAINTIFF is entitled to treble
26 damages and attorneys' fees and costs at the discretion of the Court, which PLAINTIFF
27 requests.

28 264. DEFENDANTS' conduct was in reckless disregard for the rights and safety

1 of PLAINTIFF and constitutes oppression, fraud, and malice such that punitive damages
2 are appropriate, and hereby requested.

3 265. PLAINTIFF seeks attorney fees as provided by the parties' contract and also
4 by statute.

5 **TWELFTH CAUSE OF ACTION**
6 **NEGLIGENCE**
7 **(DOUGLASS v MURPHY)**

8 266. PLAINTIFF incorporates by reference all the above paragraphs as though
9 fully set forth herein as well as all paragraphs from subsequent causes of action.

10 267. PLAINTIFF Raymond E. Douglass trusted and relied upon RELIANT and
11 its sales staff, particularly MURPHY, to provide a reliable and trustworthy investment
12 advice. MURPHY breached it by violating the items set forth in the first DOUGLAS V.
13 MURPHY cause of action at paragraph 39 (a) – (s), incorporated by reference.

14 268. For all of the reasons set forth in the above paragraph, MURPHY acted below
15 the standard of care in selling these investments or allowing RELIANT to sell these
16 investments to Raymond E. Douglass . These investments were not suitable for Raymond
17 E. Douglass. It was negligent for MURPHY to sell these investments to Raymond E.
18 Douglass in his diminished mental state and health challenged state of health. No
19 reasonable and ethical salesperson would make these sales to a person in Raymond E.
20 Douglass' state, which was not a sound mind, and especially when said fact was easy to
21 discern because MURPHY was exposed to Raymond E. Douglass ' disheveled, filthy
22 living conditions, and his rambling discourse.

23 269. It was negligent for MURPHY to cause Raymond E. Douglass to lose access
24 to liquid money by facilitating Raymond E. Douglass to invest that money into the
25 RELIANT investments that did not allow Raymond E. Douglass ' to have any access to
26 his money.

27 270. It was negligent for MURPHY to sell these products to Raymond E. Douglass
28 just to make a sale or to have a backup prospect in the wings when a sale was not in the

1 customer's best interest.

2 271. MURPHY was negligent to allow Raymond E. Douglass to be over
3 concentrated in life settlement investments. MURPHY sold more life settlement
4 investments that caused Raymond E. Douglass to have an over concentrated portfolio of
5 life settlements. Raymond E. Douglass did not have the net worth to justify buying these
6 RELIANT products that MURPHY sold Raymond E. Douglass. These investments
7 needlessly saddled Raymond E. Douglass and his heirs with premiums that were not in
8 their best interest, yet MURPHY made the sales anyway to make more income for
9 himself, at the expense of Raymond E. Douglass and his heirs. MURPHY was not
10 properly licensed to sell these investments himself.

11 272. It is also negligent and below the standard of care for MURPHY to sell an
12 investment that is not suitable to Raymond E. Douglass when he was not of sound mind
13 and good mental health and being too old to take advantage of this kind of investment.

14 273. It was negligent for MURPHY to sell RELIANT products to Raymond E.
15 Douglass for all of the reasons set forth in the Raymond E. Douglass General Allegations
16 set forth above.

17 274. The above negligence of MURPHY was the direct and proximate cause of
18 harm to Raymond E. Douglass. It directly caused Raymond E. Douglass and now his
19 trustee, the Plaintiff herein, to lose all the money which is the subject of this suit.

20 275. By reason of the above Negligence, PLAINTIFF seeks all damages allowed
21 by law and/or the return of the money. This includes pain, suffering and mental suffering
22 caused thereby and cost of suit.

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1 276. **REED PLAINTIFFS’ PRAYER FOR RELIEF FOR THEMSELVES**
2 **AND THE CLASS**

3 Wherefore, Reed Plaintiffs, on their own behalf and on behalf of the Class, pray for:

- 4 1. First and Second Causes of Action for Negligence:
- 5 (i) General and special damages pursuant to Civil Code §3281 according
6 to proof at trial;
- 7 (ii) Prejudgment interest pursuant to Civil Code §3287.
- 8 2. Third Cause of Action for violation of Corp Code §§25401 and 25501:
- 9 (i) General and special damages pursuant to Civil Code §3281 according
10 to proof at trial.
- 11 (ii) Prejudgment interest pursuant to Civil Code §3287
- 12 (iii) Punitive and Exemplary Damages pursuant to Civil Code §3294.
- 13 3. Fourth Cause of Action for violation of Corp Code §25504.1:
- 14 (i) General and special damages pursuant to Civil Code §3281 according
15 to proof at trial.
- 16 (ii) Prejudgment interest pursuant to Civil Code §3287;
- 17 (iii) Punitive and Exemplary Damages pursuant to Civil Code §3294.
- 18 4. Fifth Cause of Action – Breach of Fiduciary Duty:
- 19 (i) General and special damages pursuant to Civil Code §3281 according
20 to proof at trial;
- 21 (ii) Prejudgment interest pursuant to Civil Code §3287; and
- 22 (iv) Punitive and Exemplary Damages pursuant to Civil Code §3294.
- 23 5. Sixth Cause of Action – Financial Elder Abuse:
- 24 (i) General damages, special damages and attorney’s fees and costs
25 pursuant to Welf. & Inst. Code § 15600 et seq.;
- 26 (ii) Punitive and exemplary damages pursuant to Civil Code 3294 or 3345
27 or both.
- 28 6. Seventh Cause of Action – Unfair Business Practices:

- 1 (i) An order, ordering all Defendants, their agents, servants, and
2 employees, and all persons acting, directly or indirectly, in concert
3 with them, to restore all funds acquired by means of any act or practice
4 declared by this Court to be unlawful, unfair, or fraudulent and
5 therefore constitute unfair competition under Section 17200, et seq. of
6 the California Business and Professions Code;
- 7 (ii) For injunctive relief pursuant to California Business & Professions
8 Code §17203, consisting of, inter alia: (a) a declaration that
9 Defendants have engaged in unlawful and unfair and fraudulent
10 business acts and practices in violation of California Business &
11 Professions Code §17200, et seq.; (b) a preliminary and/or permanent
12 injunction enjoining Defendants and their respective successors,
13 agents, servants, officers, directors, employees and all other persons
14 acting in concert with them from pursuing the policies, acts and
15 practices complained of herein and prohibiting Defendants from
16 continuing such acts of unfair and illegal business practices;
- 17 (iii) For an equitable accounting; and,
- 18 (iv) Restitution, or restitution like recovery, including, but not limited to,
19 Plaintiffs' principal amounts.
- 20

21 **FOR ALL CLASS ACTION CAUSES OF ACTION**

- 22 1. For an order certifying the case as a class action naming Plaintiffs
23 as Class Representatives and Plaintiffs' counsel as Class Counsel;
- 24 2. For prejudgment interest;
- 25 3. For attorneys' fees pursuant to applicable law, including but not
26 limited to Civ. Code §1021.5;
- 27 4. For costs of suit; and,
- 28 5. For such other relief as may be appropriate.

PRAYER FOR ALL DOUGLASS v. MURPHY CAUSES OF ACTION

WHEREFORE, Plaintiff Douglass prays for:

1. General and special damages pursuant to Civil Code §3281 according to proof at trial;
2. Prejudgment interest pursuant to Civil Code §3287.
3. Exemplary Damages pursuant to Civil Code §3294.
4. For general damages, special damages and attorney’s fees and costs pursuant to Welf. & Inst. Code § 15600 et seq.;
5. For attorneys’ fees pursuant to applicable law, including but not limited to Civ. Code §1021.5;
6. For costs of suit; and for such other relief as is just and proper.

PLAINTIFFS REQUEST A JURY TRIAL.

Dated: December 15, 2023

**FOLEY BEZEK BEHLE & CURTIS, LLP
DONAHOO & ASSOCIATES, PC**

By: /s/ Richard E. Donahoo

Thomas G. Foley, Jr.
Richard E. Donahoo

Counsel for James Reed,Carolynn Reed and as
Interim Class Counsel for the Class

Dated: December 15, 2023

MURRIN LAW FIRM

By: J. Owen Murrin

J. Owen Murrin

Counsel for Gwendolyn Douglass as Trustee of
RAYMOND E. DOUGLASS REVOCABLE
TRUST, executor of Raymond E. Douglass’
estate, and as successor in interest

James Reed, et al. v. Reliant Life Share, LLC, et al.
USDC – Central District –Case No. 2:23-cv-08577-SB-AGR

STATE OF CALIFORNIA, COUNTY OF ORANGE

I am employed in the County of Orange, State of California. I am over the age of 18 and not a party to the within action. My business address is: 440 West First Street, Suite 101, Tustin, CA 90720

On **December 15, 2023**, I served the foregoing document(s) described as:

PLAINTIFFS’ FIRST AMENDED COMPLAINT

() BY MAIL - As follows: I am “readily familiar” with the firm’s practice of collection and processing correspondence for mailing. Under that practice it would be deposited with U.S. Postal Service on that same day with postage thereon fully prepaid at Irvine, California in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing in affidavit.

(X) BY E-MAIL – I caused a true copy of the foregoing document(s) to be served by electronic email transmission at the time shown on each transmission, to each interested party at the email address shown above. Each transmission was reported as complete and without error to the following email addresses:

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(X) FEDERAL - I declare that I am employed in the office of a member of the bar of this Court at whose direction the service was made.

/s/ Richard E. Donahoo
Richard E. Donahoo