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11 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**

12 **COUNTY OF LOS ANGELES**

13
14 JAMES REED and CAROLYNN REED, on
15 behalf of themselves and all others similarly
16 situated,

17 *Plaintiffs,*

18 v.

19 RELIANT LIFE SHARES, LLC. a California
20 limited liability company; RLS FINANCIAL
21 SERVICES, INC., a California corporation;
22 RELIANT LIFE SHARES SERIES TRUST,
23 aka RLS Trust, a trust; RMS TRUST, a trust;
24 SEAN MICHAELS, an individual; SCOTT
25 GRADY, an individual; WILMINGTON
26 SAVINGS FUND SOCIETY, a federal savings
27 bank doing business as CHRISTIANA TRUST;
28 UMB BANK, N.A., a federally chartered bank;
BOU BANCORP, INC. doing business as
BANK OF UTAH; FIRST WESTERN TRUST
BANK, a Colorado Corporation; and DOES 1-
20,

Defendants.

Case No. 23STCV19709

CLASS ACTION

COMPLAINT FOR:

1. **NEGLIGENCE;**
2. **VIOLATION OF CORPORATIONS CODE §§ 25401 & 25501;**
3. **VIOLATION OF CALIFORNIA CORPORATIONS CODE § 25504.1;**
4. **BREACH OF FIDUCIARY DUTY;**
5. **FINANCIAL ELDER ABUSE (WIC § 15600 et seq.); and**
6. **UNFAIR BUSINESS PRACTICES (Bus. & Prof Code § 17203 et seq.)**

REQUEST FOR JURY TRIAL

1 COME NOW Plaintiffs James Reed andCarolynn Reed (collectively “Plaintiffs”) on behalf of
2 themselves and all others similarly situated, who complain and allege based on both personal
3 knowledge and information and belief as follows:

4 **SUMMARY**

5 1. Plaintiffs bring this class action complaint alleging, among other things, negligence,
6 violations of the California Corporations Code, breach of fiduciary duties, financial elder abuse and
7 unfair competition, all occurring in or arising out of the sale of fractionalized interests in life insurance
8 policies, or “life settlements,” by Defendants Reliant Life Shares, LLC (“Reliant”), RLS Financial
9 Services, Inc. (“RLS”), RMS Trust and Reliant Life Shares Series Trust (“RLS Trust”). (collectively
10 “Reliant Defendants”) Plaintiffs further allege that individual Defendants Sean Michaels and Scott
11 Grady were managers, officers and directors of Reliant Defendants.

12 2. Plaintiffs allege that Wilmington Savings Fund Society, a Delaware corporation doing
13 business as Christiana Trust (“Christiana Trust”); UMB Bank, N.A., a federally chartered bank
14 (“UMB Bank”); BOU Bancorp, Inc. doing business as Bank Of Utah (“Bank of Utah”) and First
15 Western Trust Bank, a Colorado corporation (“First Western”) (collectively hereinafter “the Trustee
16 Defendants”) aided and abetted Reliant Defendants, Michaels and Grady as alleged hereinbelow, as
17 well as breached fiduciary duties the Trustee Defendants owed to Plaintiffs and all those similar
18 situated. The class of all those similarly situated is defined as:

19 All persons, trusts, or entities who invested in a life settlement investment by or thru Reliant
20 Defendants. Excluded are any entities or persons associated or identified with Reliant
21 Defendants or their officers and directors or within the network of their related companies. (“the
22 Class”).

23 3. As subclass of the Class is defined as all persons who were 65 years or older at the time
24 they invested. (“the Elder Abuse Subclass”)

25 4. Defendant Reliant sells investments to investors structured as life settlements.

26 5. Defendants Reliant, Michaels and Grady are current or former owners / members of
27 Reliant and at the times referenced in this Complaint were managers and officers of Reliant. Plaintiffs
28 are informed and believe that Defendants Reliant, Michaels and Grady misled investors about, *inter*

1 *alia*, their likely annual returns, the risks that investors would have to make future out-of-pocket
2 payments to keep the life insurance policies in force to protect their principal, the amount of expected
3 future premiums, and the data utilized in choosing life insurance policies purchased and sold to
4 investors.

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

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

19 Based on the forgoing findings, the Commissioner is of the opinion that Reliant offered
20 or sold securities in California by means of oral and written communications which
21 included untrue statements of material facts or omitted to state material facts necessary in
22 order to make the statements made, in the light of the circumstances under which they
23 were made, not misleading, in violation of Corporations Code section 25401. A true and
24 correct copy of the Desist and Refrain Order is attached hereto as **Exhibit A**.

25 8. Plaintiffs further discovered the facts alleged herein on August 15, 2023 after a court
26 appointed receiver filed an ex parte emergency application with the Los Angeles Superior Court on
27 August 14, 2023 divulging in a public record that Reliant has no funds to further operate, to pay
28 premiums and is in “dire” risk of imminent collapse and the loss of all the amounts invested by all

1 Class members. A true and correct copy of the Receiver’s August 14, 2023 Ex Parte Application (“the
2 Receiver’s Ex Parte”) is attached hereto as **Exhibit M**.

3 9. Plaintiffs and other members of the putative class were precluded from discovering the
4 alleged claims prior to December 14, 2022 because Defendants concealed from Plaintiffs and the
5 members of the Class the true risks and the true nature of the investments, concealing, among other
6 things, information regarding likely annual returns, the risks that investors would have to make future,
7 out-of-pocket payments to keep the policies in force to protect their principal, the amount of expected
8 future premiums, the data utilized in choosing the life insurance policies to be sold to investors as
9 investments, and the fact that Defendants Michaels and Grady were looting Reliant and using investors
10 funds which were supposed to be deposited into an account for the Reliant Trust.

11 10. As discovered August 15, 2023 in the Receiver’s Ex Parte, Defendants’ concealed
12 wrongdoing has been ongoing for “several years”. (**Exhibit M**, 4:9-15) The Receiver states in his Ex
13 Parte application: “The unfortunate reality is that Reliant did not retain sufficient funds in escrow, and
14 in the last several years, it allowed Grady and his affiliates to withdraw and abscond with funds
15 belonging to the company or investors that should have been used to pay policy premiums or basic
16 business expenses. Reliant currently is unable to pay the premiums for the Portfolio. It has dozens of
17 creditors. Additionally, the company been named in administrative cease and desist proceedings and in
18 multiple civil lawsuits alleging fraud and misrepresentation, violations for various securities law
19 violations, among other things. The situation is dire.”

20 11. As pled in this Complaint hereinbelow, because of Defendants Michaels and Grady
21 looting the investors funds, Reliant is now insolvent, a receiver has been appointed to take over
22 Reliant’s business, and the Receiver has filed an Ex Parte Application with the Los Angeles Superior
23 Court in litigation between the managers and officers of Reliant warning that it is likely that all the
24 policies held in the Reliant Trust may lapse because of the lack of funds to pay premiums.

25 VENUE

26 12. The Purchase Agreement entered into between Plaintiffs James Reed and Carolyn Reed
27 and the other members of the Class and Reliant states on page 8, in subsection (d):

28 This Agreement shall be construed and enforced in accordance with, and

1 governed by, without exception, the laws of California. A proceeding
2 arising from or relating to this Agreement must be brought in the Superior
3 Court of California, County of Los Angeles, to the exclusion of any other
4 court of competent jurisdiction.

5 13. According to the Purchase Agreement, Defendant Reliant maintains its headquarters in
6 Los Angeles, California. According to the California Secretary of State's records, Defendant RLS
7 Financial Services, Inc., is a California corporation which has the same office address as Reliant in
8 Los Angeles County.

9 14. Reliant was only licensed in California to sell Life Settlements, and all investors who
10 purchased Reliant Life Shares were required to be residents of California when they first invested.

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

15 THE PARTIES

16 16. PlaintiffCarolynn Reed resides in Redlands, California. Plaintiff James Reed was a
17 resident of California at the time he invested in Reliant Life Shares. He now resides in Tennessee.
18 Carolynn and James Reed entered into a Fractional Life Settlement Purchase Agreement with Reliant
19 on July 29, 2014 and paid \$50,000.00 to acquire an interest in Life Insurance Policy Number
20 60163540. A true and correct copy of Plaintiffs' Purchase Agreement is attached hereto as **Exhibit B**.

21 17. Defendant Reliant is a California limited liability company which since 2013 has
22 solicited investors to invest in life settlements. The headquarters on Reliant at all times referenced in
23 this Complaint was in the City of Los Angeles, County of Los Angeles.

24 18. Defendant RLS Financial Services, Inc. ("RLS") is a California corporation interrelated
25 with Reliant and maintains its headquarters in the same office with Reliant in the City of Los Angeles,
26 County of Los Angeles.

27 19. Defendant RLS Trust is a trust operating in the state of California that was established
28 by Defendant Reliant to hold the insurance policies which Reliant directed the trustee of the trust to

1 purchase. interrelated to Reliant and RLS.

2 20. At all times referenced herein, Defendant SCOTT GRADY (hereinafter GRADY) was
3 an officer and manager of Defendant Reliant, who resides in the County of Los Angeles.

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

6 22. During relevant times herein alleged Wilmington Savings Fund Society, FSB dba
7 Christiana Trust (“Christiana Trust”) is and was a federal savings bank that acted as the escrow agent
8 and trustee for the transactions between Reliant and investors and accepted investors funds to be used
9 to purchase a fractionalized interest in life insurance policies identified by Reliant. Defendant
10 Christiana Trust also served as the trustee of one or more trusts established by Defendant Reliant to
11 hold as asset the life insurance policies the trust purchased at the direction of Reliant. Reliant
12 Defendants held Christiana Trust out as an institutional independent bank trustee whose duties
13 included, but were not limited to, accepting investment funds, manage premium reserve accounts,
14 make payments to carriers, and to distribute policy benefits to each of the investors upon policy
15 maturity.

16 23. During relevant times herein alleged Defendant UMB Bank n.a., a division of UMB
17 Financial Corporation (“UMB Bank”), is and was national bank that served as the escrow agent and
18 trustee of the trust designated by Reliant to purchase life settlement insurance policies to be held in the
19 trust. On its website, Reliant referred to UMB Bank as "an institution founded in 1913 and for the fifth
20 straight year was ranked as one of America’s Best Banks based on eight financial measures of asset
21 quality, capital adequacy, and profitability, according to studies by Forbes and SNL Financial. Since
22 2007, UMB has consistently been ranked as the fourth-largest municipal trustee and has \$41.4 billion
23 in assets under management." Like Christiana Trust, Reliant Defendants held UMB Bank out as an
24 institutional independent bank trustee whose duties included, but were not limited to, accepting
25 investment funds, manage premium reserve accounts, make payments to carriers, and to distribute
26 policy benefits to each of the investors upon policy maturity.

27 24. During relevant times herein alleged Defendant BOU Bancorp, Inc. is and was a Utah
28 corporation doing business as Bank of Utah, (“Bank of Utah”). Reliant used Bank of Utah as the

1 escrow agent to accept investors funds, and as the trustee of the trust used to purchase life settlement
2 insurance policies identified by Reliant. Like prior trustees, Reliant Defendants held Bank of Utah out
3 as an institutional independent bank trustee whose duties included, but were not limited to, accepting
4 investment funds, manage premium reserve accounts, make payments to carriers, and to distribute
5 policy benefits to each of the investors upon policy maturity.

6 25. During relevant times herein alleged Defendant First Western Trust Bank was a
7 Colorado corporation that acted as the escrow agent and trustee for Reliant Life Settlements and
8 permitted its name to be used on Reliant’s website and in its marketing brochures. Like prior trustees,
9 Reliant Defendants held First Western Trust Bank out as an institutional independent bank trustee
10 whose duties included, but were not limited to, accepting investment funds, manage premium reserve
11 accounts, make payments to carriers, and to distribute policy benefits to each of the investors upon
12 policy maturity

13 26. Defendants Christiana Trust, UMB, Bank of Utah, and First Western Trust Bank are
14 collectively hereinafter referred to as the “Trustee Defendants”. The investors in Reliant Life
15 Settlements were the beneficiaries of the Reliant Trust. As trustees of the Reliant Trust, each of the
16 Trustee Defendants owed fiduciary duties to the investor beneficiaries of the Reliant Trust.

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

20 28. Plaintiffs are informed and believe and upon such information and belief allege that each
21 of the fictitiously named Defendants are responsible for the acts and/or omissions herein alleged, and
22 that Plaintiffs’ injuries and damages as herein alleged were proximately caused by the acts and/or
23 omissions of such fictitiously named Defendants.

24 **FACTUAL BACKGROUND**

25 29. Defendant Reliant used improper general solicitation and marketing and misleading
26 advertising to sell investments in “life shares” to investors. Attached as **Exhibit C** hereto is a copy of
27 Defendant Reliant’s internet website from February 2015. In that version of Reliant’s website it
28 identifies Christina Trust as the “third party escrow agent and trustee of the Reliant Life Shares Series

1 Trust (“Reliant Trust”). Reliant is responsible for providing direction to Christiana Trust in the
2 management and administration of investor accounts invested in the Reliant Trust.” It also states:
3 “Reliant Life Shares chose Christiana Trust because of their thirty years of combined experience in life
4 settlement transaction.” Reliant had a Link on its website to Defendant Christiana’s Life Settlement
5 Brochure. It also stated on Reliant’s website that: “In order to ensure safekeeping of the assets placed
6 in trust, Reliant has authorized Christiana Trust to act as custodian and trustee, with sole signatory
7 authority on this account.” Subsequent Reliant websites featured Defendant MUB, and Defendant
8 Bank of Utah as the escrow officer and trustee of the Reliant Trust.

9 30. Attached hereto as **Exhibit D** is a copy of a marketing brochure (“Brochure”) which
10 Defendant Reliant utilized to sell fractionalized interests in life insurance policies to Plaintiffs and
11 class members. Plaintiffs are informed and believe that Defendant Reliant utilized the same basic
12 Brochure to market Reliant Life Shares between 2013 and 2022, but changed the name of the
13 institution that was to act as the “escrow agent” and “trustee” of the trusts established by Reliant to
14 hold the insurance policies.

15 31. Plaintiffs are informed and believe that each of the Trustee Defendants knowingly
16 authorized Reliant to use each Trustee Defendant’s name and reputation in the Life Settlement
17 Industry to be used by Defendant Reliant’s written marketing brochures (“Brochure”) which informed
18 potential investors that each Trustee Defendant would serve as an “independent escrow agent and
19 trustee”. Plaintiffs are informed and believe that in each version of the Brochure the descriptions of the
20 escrow agent and trustees duties in each version included the following: “Life Shares are structured to
21 protect the client’s holdings from any external threat through a trust structure . . .” “Holds all client
22 monies in a separate escrow.” “The Trustee receives all investor funds into a subscription escrow
23 account and upon direction from the investor places funds into each trust which holds the specific
24 policy that the investor chooses to invest into.” “By using an independent and professional
25 Trustee/Escrow Agent, client monies are only disbursed as directed in the purchase agreements.

26 32. In the Brochure, Reliant touted the reputation of the trustee that it was utilizing at the
27 time each of the Trustee Defendants was acting as the trustee of the trusts established by Reliant.

28 33. On page 9 of the attached Brochure, and in each version of the Brochure used between

1 2013 and 2023 it states:

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

7 34. In the Desist and Refrain Order from the State of California Department of Financial
8 Protection and Innovation, **Exhibit A** attached hereto, it states on page one in paragraph 5:

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

12 . . .

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

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

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

28 36. In 2014, Reliant provided Plaintiffs a projection (“Projection”) for Policy Number

1 60163540 (“Subject Policy”) which set forth the projected premiums on the Subject Policy to be paid
2 for twenty years, commencing in 2014. A true and correct copy of that Projection is attached hereto as
3 **Exhibit E**. The Projection assumed that Plaintiffs invested \$100,000 in the Subject Policy which
4 would have been a 3.68% interest in the Subject Policy. Plaintiffs invested \$50,000.00 in the Subject
5 Policy, which meant that Plaintiffs had a 1.84% investment in the Subject Policy.

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

11 38. In section 2(b) of the Purchase Agreement, **Exhibit A** attached hereto, it states that in
12 the event all of the premium escrow accounts are depleted, the trustee of the trust shall notify the
13 purchaser not less than 90 days before any premium payment becomes due.

14 39. According to the Projection the total premium due on the Subject Policy in the eighth
15 year, 2021, would be \$78,985, and Plaintiffs projected percentage share of the premium in the eighth
16 year would be \$2,913 for a 3.6% interest, which would be \$1,456.60 for a 1.8% interest. On June 2,
17 2021, Reliant, not the trustee, sent a capital-call letter to Plaintiffs stating that the total annual premium
18 for the Subject Policy for the 8th year was \$151,669.00, and demanded a payment of \$2,946.39 for
19 “policy premiums, maintenance and trustees fees necessary to keep this policy in force” to be paid by
20 Plaintiffs no later than July 27, 2021 in order to prevent Plaintiffs’ 1.84% interest in the Subject Policy
21 from lapsing, and stating that the funds should be payable to Reliant Life Shares Series Subscriber
22 Escrow Account at Defendant First Western Trust Bank. A copy of that June 2, 2021 letter is attached
23 hereto as **Exhibit F**. Plaintiffs complied and mailed a check for \$2,946.39.

24 40. According to the Projection, **Exhibit E** attached hereto, the annual premium in the 9th
25 year for the Subject Policy would be \$79,387. On January 23, 2022, Defendant Reliant sent a capital
26 call letter to Plaintiffs stating that the annual premium for the 9th year would be \$116,495.20, making
27 demand that Plaintiffs pay \$2,297.88 no later than February 23, 2022 for policy premiums,
28 maintenance and trustees fees. A true and correct copy of that January 23, 2022 letter is attached

1 hereto as **Exhibit G**. Plaintiffs complied with that demand.

2 41. According to the Projection, **Exhibit E** attached hereto, the annual premium in the 10th
3 year, 2023, would be \$50,335. On February 21, 2023, Reliant sent a letter to Plaintiffs stating that the
4 annual premium for the Subject Policy would be \$123,434.52, and their percentage share of that
5 annual premium would be \$2,325.82; a true and correct copy of that letter is attached hereto as
6 **Exhibit H**. Plaintiffs complied with that demand.

7 42. The trial court in the Cooper Litigation on September 6, 2019 made Findings of Fact and
8 Conclusions of Law in support of its Judgment, a true and correct copy of which is attached hereto as
9 **Exhibit I**:

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

11 “Michaels and Grady, and their respective entities, have received at least
12 \$11,724,675.94 in payments and distributions based on their positions as
13 owners of Reliant as of December 31, 2018.

14 In Finding No. 53 the Court found that:

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

19 43. The court in the Cooper Litigation made, *inter alia*, the following Conclusions of Law in
20 support of its Judgment:

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

22 Here the evidence established that Michaels utilized Reliant and his
23 entities . . . as an extension of himself by disregarding corporate
24 formalities, comingling money, and transferring assets without
25 consideration; so much so that Reliant and the Michaels entities are alter
26 egos of Michaels. . . . Additionally, Michaels authorized transfers himself
27 and to some of the Michaels Entities without regard for whether Reliant
28 was properly capitalized to conduct business on an ongoing basis.

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

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

9 44. On October 6, 2020, Daniel B. Cooper and Richard Cooper obtained a Second
10 Amended Judgment in Case No. BC604858 in the Los Angeles County Superior Court (the “Cooper
11 Litigation”) jointly and severally against Defendants Sean Michaels, Scott Grady and Reliant for over
12 \$10 million; a true and correct copy of that Second Amended Judgment is attached hereto as **Exhibit**
13 **J**.

14 45. Reliant, Michaels and Grady appealed the judgment in the Cooper Litigation. On April
15 4, 2023 the California Court of Appeal, Second District, issued its opinion. Which affirmed the
16 judgment in full. “We find no merit in any of the claims [on appeal] and affirm the judgment in full.”
17 A true and correct copy of the Court of Appeals opinion is attached hereto as **Exhibit N**.

18 46. Reliant filed a Further Status Report in the Cooper Litigation on May 3, 2023, a true and
19 correct of which is attached hereto as **Exhibit K**. In that Status Report, Reliant stated at pages 2-3:

20 “On March 6, 2020, judgment was entered against Reliant and its sole
21 owner Scott L. Grady . . . along with other former owners and associated
22 entities of Reliant. On May 21, 2021, the Court entered a Third Amended
23 Judgment (“Judgment”) that includes declaratory judgment valuing
24 Cooper’s one-third interest in Reliant at \$4,200,000. In addition, Cooper
25 was awarded \$6,028,786 in back distributions. As part of that judgment
26 drafted by Coouer’s counsel and the Cour, Reliant took the responsibility of
27 paying the one-third interest, and Cooper agree to that.”
28

1 . . .
2 Judgment Debtors promptly paid \$5,400,000 in cash to Cooper after entry
3 of the Judgment.

4 . . .
5 In total, Judgment Debtors have transferred assets and cash in the amount
6 of \$7,224,730.16 in partial satisfaction of a Judgment of \$10,228,786.16,
7 yielding a balance of \$3,004,056. This excludes interest, but as to the
8 actual judgment entered, constitutes payment of 71% of the judgment in
9 this case. Such performance argues against a receivership and argues for
10 adoption of the plan herein. *The proposed plan would put an end to this*
11 *case without irreparably harming 2,000 investors that have no part in*
12 *any disputes between Reliant and Cooper.*”

13 (Emphasis added.)

14 47. Because Reliant and the other defendants in the Cooper Litigation failed to pay the
15 balance of the Judgment to Cooper, on June 23, 2023 at the request of Cooper, the Court in the Cooper
16 Litigation entered an Order appointing a “Limited Temporary Receiver” over Reliant to further
17 Cooper’s efforts to collect the remaining unpaid balance owed by Defendants Grady and Reliant.

18 48. On August 2, 2023 in the Cooper Litigation at the request of Cooper, for the purposes
19 of requiring Reliant to pay the remaining unpaid portion of the Judgment to Cooper, the Court entered
20 an Order Modifying and Expanding Receivership and Granting Additional Powers to Receiver, and
21 placing Reliant in a full receivership. A true and correct copy of the Order is attached hereto as
22 **Exhibit L**. The court appointed receiver is Christopher Conway.

23 49. On page 14 of that Order the Court put a freeze order in effect which granted the
24 Receiver total control of all Reliant’s assets including any funds provided to Reliant by investors:
25 “Until further order of this Court, all assets under the control of Reliant
26 Life Shares, LLC, or that are attributable to funds provided to Reliant Life
27 Shares, LLC by an investor or client of Reliant Life Shares, LLC, are
28 frozen until possessed by the Receiver. Reliant Life Shares, LLC, Grady,

1 Stevens, and any other officers, directors, managers, **trustees**, members,
2 **escrow agents**, employees, accountants, representatives, facilitators,
3 agents, servants, employees, attorneys, **and all other persons and entities**
4 **in active concert or participation with them**, are hereby restrained and
5 enjoined from directly or indirectly, conveying, disbursing, divesting,
6 distributing, using, withdrawing, transferring, setting off, receiving,
7 changing, selling, pledging, assigning, liquidating, or otherwise disposing
8 of, or withdrawing any assets and property owned by, controlled by, on in
9 the possession of Reliant, Old Ranch Road Business Services, LLC, or,
10 the **Reliant Life Shares Trust (or its subtrusts)**, without first obtaining
11 advance written permission from the Receiver or this Court. This freeze
12 shall include, but is not limited to, those funds located in any bank
13 accounts, brokerage accounts, or any other accounts or property of Reliant
14 Grady and the foregoing entities). (Emphasis added.)

15 50. Based on information and belief, Plaintiffs allege that since entry of the Judgment
16 Reliant has paid Cooper millions of dollars but has not satisfied the Judgment.

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

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

24 **INTRODUCTION & EMERGENCY NATURE OF MOTION**

25 At present, Reliant Life Services, LLC ("Reliant") is in Receivership. The
26 current focus of this case revolves around 38 life insurance policies with
27 an aggregate face value of death benefits in excess of \$177,000,000.

28 While these policies represent valuable assets of the receivership, the

1 Receiver states he currently has insufficient funds to pay any necessary
2 business operating expenses or to continue paying the premiums that are
3 due on these policies for longer than 3-4 weeks. Without the ability to pay
4 the premiums, the Receiver informs the Court in the Cooper Litigation
5 that these policies will lapse, and the Receivership Assets will be lost. The
6 Receiver states this outcome will be catastrophic—not only to the
7 Defendant/Judgment-Creditor Cooper, but also to thousands of innocent
8 investors, many of whom have invested a significant amount of their
9 savings in life settlement contracts in which Reliant was involved.

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

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

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

18 Since his initial appointment, the Receiver has been acting to fulfill
19 his duties pursuant to the Order in the Cooper Litigation appointing him as
20 a Receiver. The Receiver recognized at the outset of his appointment that
21 there was an immediate problem of insufficient reserves held by the Bank
22 of Utah, as Trustee of the Reliant Life Shares Series Statutory Trust
23 Second Amended and Restated Agreement and Declaration of Trust dated
24 March 16, 2023 ("Trust") to cover the premium payments due on the
25 policies in the Portfolio. At the time the Receiver took over management,
26 policies with death benefits exceeding \$8 Million had lapsed without
27 possibility of reinstatement, and the remainder of the \$169 million were in
28 grace with exhausted reserves. Additionally, policies with death benefits

1 exceeding \$ 25 Million were going to lapse without immediate action by
2 Receiver. The Receiver alleges that he has done his best to address this
3 problem by seeking and obtaining authority from the Court in the Cooper
4 Litigation since his initial appointment in order to borrow from existing
5 reserve accounts within the Portfolio (even if allocated to other policies) to
6 be able to make premium payments for which there are no reserves or
7 insufficient reserves. However, the Receiver states that even those efforts
8 are now exhausted, and there simply are not enough funds to keep the
9 Portfolio from collapsing.

10 Reliant appears to have conducted its operations through numerous
11 limited liability companies, trusts, individuals, and relationships with third
12 parties operating within the life settlement industry. Its operating structure
13 was convoluted at best. Despite the Receiver's efforts to get a handle on
14 Reliant's business operations (and that of the Trust and all related
15 entities), to obtain a complete and accurate accounting of the policies in
16 the Portfolio, and to take control of and marshal the Receivership Assets
17 for the benefit of Defendant Cooper, as well as Reliant's other creditors
18 and investors, the only thing clear is that Reliant did not keep accurate or
19 detailed records for each respective investor, and there are vast
20 discrepancies between the information the Receiver has obtained from
21 Reliant, its servicer, and the Trustee. It also appears Reliant routinely co-
22 mingled funds between and among investor accounts, as well as between
23 Grady's own personal account, and various affiliated accounts he controls
24 (e.g., Laforce Holdings and Old Ranch Road Business Services). All of
25 these issues— which standing alone are significant, have only been
26 exacerbated by Reliant's failure to establish and/or implement the high
27 level of management required to maintain this Portfolio in good standing.

28 The unfortunate reality is that Reliant did not retain sufficient

1 funds in escrow, and in the last several years, it allowed Grady and his
2 affiliates to withdraw and abscond with funds belonging to the company
3 or investors that should have been used to pay policy premiums or basic
4 business expenses. Reliant currently is unable to pay the premiums for the
5 Portfolio. It has dozens of creditors. Additionally, the company has been
6 named in administrative cease and desist proceedings and in multiple civil
7 lawsuits alleging fraud and misrepresentation, violations for various
8 securities law violations, among other things. The situation is dire.

9 Receiver's Ex Parte 3:6-4:15

10 The bottom line is this: **There is no money available to pay**
11 **premiums as Reliant has all but ceased business operations, and no**
12 **other funding sources are currently available to Receiver that will**
13 **provide the necessary funds in time to prevent irreparable harm from**
14 **failure to pay premiums other than to sell some of the policies.**¹ The
15 only viable solution is for the Receiver to sell 2 or 3 of the most
16 marketable policies from the Portfolio free and clear of any investor
17 claims in order to obtain funds to move forward. The Receiver has
18 substantial experience with trying to obtain financing as it relates to
19 managing the Portfolio. If the Receiver believed that there was another
20 readily available source of funds, he certainly would have pursued it. But
21 there are no other options available, and the Receiver is out of time.
22 Simply stated, if the policy premiums are not paid and the Receiver cannot
23 sell the policies identified below, then the entire Portfolio will be lost.
24 This means Cooper will receive nothing, there will be no funds to pay any
25 other creditors or the Receiver, and all of the remaining investors will lose
26 the entire value of their investments, and the Portfolio will collapse.

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

28

1 CLASS ACTION ALLEGATIONS

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

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

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

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

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

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

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

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

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

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

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

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

25 (vii) Whether the Trustee Defendants owed each member of the Class who was a
26 beneficiary of the Reliant Trust a fiduciary duty.

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

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

6 (x) Whether Reliant, Michaels, Grady or Trustee Defendants engage business
7 practices the violate California’s unfair competition law. (Bus. & Prof. Code
8 §17203 et seq.)

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

14 59. Plaintiff James Reed was a resident of the State of California and over the age of 65 at
15 the date he invested in Reliant Life Shares. Plaintiff James Reed will serve as the Class Representative
16 for an Elder Abuse Subclass comprised on Class members who were residents of the State of
17 California and age 65 or older at the date they invested in an insurance policy thru Reliant.

18 **CIVIL CONSPIRACY / ALTER EGO ALLEGATIONS**

19 60. Plaintiffs are informed and believe and based thereon allege that Defendants, and each
20 of them, engaged in a civil conspiracy to commit the wrongdoing alleged in this Complaint, including
21 but not limited to engage in the misrepresentations, omissions and breach of fiduciary duties alleged
22 herein. Plaintiffs and all those similarly situated were harmed by the acts of Defendants, and each of
23 them, resulting in damages. Based on the existence of the conspiracy to commit the wrongdoing
24 alleged herein, each defendant is vicariously liable for the wrongful acts of the other defendants.

25 61. Plaintiffs are informed and believe and based thereon allege that Defendant Sean
26 Michaels utilized Reliant and his personal entities PB Consulting, LLC, PB Consulting 2, LLC, the
27 2007 Irrevocable Octopus Trust, the 2007 MMA Trust, the RLM Trust, and 18LS, LLC (the “Michaels
28 Entities”) as an extension of himself by disregarding corporate formalities, comingling money, and

1 transferring assets without consideration; so much so that Reliant and the Michaels Entities are alter
2 egos of Michaels. Similarly, Michaels is deemed to be the alter ego of Reliant.

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

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

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

20 **Exhibit N p. 3.**

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

26 **Exhibit N p. 16.**

27 We note, and agree with, the trial court’s denial of Michaels’s JNOV motion on this issue:
28 “There was also substantial evidence, indeed admissions, that Michaels and Grady created shell

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

14 **Exhibit N.** pp. 33-34 (emphasis added)

15 **FIRST CAUSE OF ACTION**

16 **NEGLIGENCE**

17 **By Plaintiffs for Themselves and the Class Against All Defendants and Does 1-20**

18 64. Plaintiffs reallege and incorporate by reference all preceding paragraphs, save and
19 except any allegations that could be interpreted and/or construed to mean intentional or willful
20 conduct. This cause of action is intended to only include negligent acts. Moreover, this cause of action
21 is pleaded in the alternative to the intentional torts alleged in this Complaint.

22 65. Defendant Reliant held itself out in Offering Circulars, on its website and in its
23 marketing Brochures provided to potential investors as having special expertise in the Life Settlements
24 industry to provide investors in evaluating and structuring life settlement transactions (“Life
25 Settlements”) for potential investment, and therefore was required to exercise the skill and knowledge
26 normally possessed by individuals and companies offering investments in Life Settlements.
27 Additionally, because Life Settlements are securities regulated by the California Department of
28 Corporations pursuant to Corporations Code section 25401, Defendant Reliant had a statutory duty to

1 provide truthful, accurate, and complete disclosures in the sale of Life Settlement investments.
2 However, Defendant Reliant in performing their services for Plaintiffs and other investors failed to use
3 reasonable care, and their conduct fell below the reasonable standard of care in choosing appropriate
4 Life Settlement investments for its investors including utilizing Life Expectancy Evaluations from
5 knowledgeable independent third parties with a background, education, training and experience in
6 actuarial evaluations. Instead, Reliant relied upon life expectancy evaluations prepared by brokers who
7 offered to sell life insurance policies to Reliant.

8 66. The Trustee Defendants, as trustees of the Trust, permitted and authorized Defendant
9 Reliant to make representations in Offering Circulars, on Reliant’s website, and in Reliant’s marketing
10 Brochures that held the Trustee Defendants out as providing services to investors in a profession, as a
11 professional trustee of Life Settlement trusts, and, therefore, the Trustee Defendants were required in
12 acting as trustees of the Reliant Trust to exercise the skill and knowledge normally possessed by
13 members of that profession. (Restatement 2nd of Torts, §299a.)

14 67. As professional trustees with experience in administering life settlement trusts, the
15 Trustee Defendants had a duty to Plaintiffs and members of the Class, who were beneficiaries of the
16 Trust, to confirm that Reliant was using actuarially based life expectancy estimates to establish the
17 Reserves for the policies that the trustees purchased on behalf of the Reliant Trust, which policies were
18 for the beneficiaries of the Trust. Plaintiffs are informed and believe that the Trustee Defendants were
19 negligent in failing to confirm that Reliant was utilizing actuarially based life expectancy estimates in
20 establishing the reserves on the policies that the Trustee Defendants as trustees of the Trust were
21 purchasing, monitoring and administrating on behalf of Plaintiffs and members of the Class as
22 beneficiaries of the Reliant Trust.

23 68. The Trustee Defendants knew that Defendant Reliant was making specific affirmative
24 representations in its Offering Circulars, on its website, and in its marketing Brochures to potential
25 investors about the Trustee Defendants to induce investors to invest in Reliant Life Shares. Those
26 affirmative representations were that: (1) Trustee Defendants would serve as an “independent escrow
27 agent and trustee.” (2) That “Life Shares are structured to protect the client’s holdings from any
28 external threat through a trust structure . . .” (3) that the Trustee Defendants would “Hold all client

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

6 69. The Trustee Defendants were negligent in not safeguarding investors’ funds as
7 represented in the Offering Circulars, Reliant’s website and Brochures by following instructions from
8 Defendants Grady and Michaels to transfer investor funds from Reliant to themselves in excess of
9 what had been disclosed to investors, which allowed Grady and Michaels to make unauthorized
10 distributions to themselves which depleted investors’ funds should have been held in the Reliant Trust
11 to make premium payments on insurance policies held by the Reliant Trust.

12 **SECOND CAUSE OF ACTION**

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

14 **By Plaintiffs for Themselves and the Class Against**

15 **Reliant Defendants, Scott Grady, Sean Michaels and Does 1-20**

16 70. Plaintiffs incorporate by reference all the above paragraphs including each wrongdoing,
17 and lack of disclosure already alleged in the general allegations section of this Complaint.

18 71. Defendant Reliant by reason of the of above mentioned facts as set forth in the General
19 Allegations and contained in allegations subsequently pled in this Second Cause of Action sold
20 Plaintiffs and all members of the Class securities in violation of Corp. Code § 25401, which prohibits
21 offers or sales of securities including investment opportunities by means of a written or oral
22 communication that contain: “Untrue statement[s] of a material fact or omits to state a material fact
23 necessary in order to make the statement[s] made, in light of the circumstances under which they were
24 made, not misleading.”

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

- 27 a. Defendant Reliant did not properly portray the statistics associated with prior Reliant’s
28 investments concerning its ability to meet its life expectancy estimates after a decade of

1 being in business and not portraying truthfully the consequences of what happens when
2 the life expectancy premium reserves are exhausted leaving no funds to pay premiums.

3 b. Defendants Reliant, Michaels and Grady failed to provide the information to investors
4 required by Cal Corporate Code §25102(q) about the issuer and or information about the
5 issuer important to know including but not limited to the information required in
6 Corporate Code §25102(q) (3) (A—G)-especially omitted were the names directors,
7 officers, partners, members, or trustees of the issuer. In effect Defendants fail to explain
8 who owned and operated Reliant as required by law.

9 c. Defendant Reliant failed to disclose Defendant Scott Grady, who was an owner, member
10 and manager of Reliant, had been disbarred by the California State Bar.

11 73. Defendants Reliant, Michaels and Grady sold fractional life settlements by making false
12 and misleading statements as set forth above and said Defendants knew or should have known that the
13 statements were false and/or that they were concealing material facts. Defendants Reliant, Michaels
14 and Grady knew or should have known that there were important facts that needed to be known to
15 make a proper informed decision on the investments. As a result, the investments were portrayed in a
16 false light and Plaintiffs and Class members did not have sufficient material facts to make an informed
17 decision about investing in Reliant Life Shares.

18 74. It was also an improper to do the above and take investor's money under the
19 circumstances set forth in this Complaint. Plaintiffs are informed and believe that Defendants Reliant,
20 Michaels and Grady failed to describe the investment truthfully especially when describing how
21 debilitating the premiums can become as the insured ages, and how the rising premiums affects the
22 rate of return.

23 75. Selling securities and/or an investment opportunity like this under these pretenses or
24 while omitting material facts is a deception and involved misrepresentation of material facts in
25 violation of Corp Code §25401.

26 76. Plaintiffs and members of the Class relied upon the above misrepresentations and
27 failures to disclose material facts to make their investments in Reliant Life Shares. The reliance was
28 reasonable and justified based upon their circumstances.

1 marketing Brochures encouraged Plaintiffs and all Class members to repose trust and confidence in
2 Reliant. Plaintiffs and all Class members were justified in reposing trust and confidence in Reliant
3 based on the statements made to them by Reliant in the Offering Circulars, its website, and its
4 marketing Brochures.

5 90. The Trustee Defendants, as the trustees of the Reliant Trusts established by Defendant
6 Reliant, owed fiduciary duties to the beneficiaries of the Trusts (i.e., the class members, including
7 Plaintiffs). This fiduciary relationship began as soon as the class members, including Plaintiffs,
8 purchased an interest in the death benefit of a life insurance policy owned by the Reliant Trust. At that
9 point, the class member, including Plaintiffs, by way of their interest in the death benefits of a life
10 insurance policy owned by the Reliant Trust, became a beneficiary of the Reliant Trust.

11 91. Defendant Reliant and the Trustee Defendants, as trustees of the Reliant Trusts, had a
12 duty of good faith and full disclosure of all material facts and to act in the best interest of the
13 beneficiaries. Reliant and the Trustee Defendant breached their fiduciary duties by failing to disclose
14 to investors and potential investors, among other things, that:

- 15 a. Failing to disclose to Plaintiffs and all Class members that funds demanded by Reliant to
16 maintain insurance policies were not being deposited into the Reliant Trust, but instead
17 were deposited into an account at First Western Bank, which was not an escrow
18 account, and from which accounts Michaels and Grady could take investors' funds for
19 their own use. Plaintiffs are informed and believe that Defendants Reliant, Michaels and
20 Grady used only a portion of those funds deposited into the account at First Western
21 Bank to pay premiums, and Michaels and Grady diverted a material portion of the
22 investors funds for excessive compensation to Defendants Michaels and Grady, and to
23 make payments to Cooper on his Judgment against Reliant, Michaels and Grady.
- 24 b. Failed to provide Plaintiffs and all Class members with 90 days advance notice when
25 capital calls were made as specified in Reliant's Purchase Agreement;
- 26 c. Failing to disclose that in the event of a cash call, the premiums would be substantially
27 higher than disclosed in the investor's Disclosure Statements.

28 92. Pursuant to Sections 25506 and 25507 of the California Corporations Code,

1 Plaintiffs had five years and two years respectively to seek rescission of their investments.
2 Therefore, from the moment that the particular class member, including Plaintiffs, remitted
3 their consideration to the Trustee Defendants for their interest in the death benefit of a life
4 insurance policy, the Trustee Defendants had a duty to disclose to class members, including
5 Plaintiffs, that misrepresentations and omissions were made to them, and class members,
6 including Plaintiffs, could have, within the statutory period under Sections 25506 and 25507
7 rescinded their investments.

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

10 94. By performing the foregoing acts, Reliant and the Trustee Defendants acted with malice,
11 oppression, or fraud. Alternatively, the acts of Reliant and the Trustee Defendants performed were
12 despicable and in conscious disregard of the probability of damage to Plaintiffs and the rest of the
13 putative Class members and support an award of punitive damages pursuant to Civil Code section
14 3294 in an amount designed to punish Reliant and the Trustee Defendants and to deter such conduct in
15 the future. To the extent that such acts by Reliant and the Trustee Defendants were conducted through
16 their employees or agents, those employees were either its officers, directors or managing agents of
17 Reliant and the Trustee Defendants, or such officers, directors or managing agents were aware in
18 advance that such conduct would occur, exhibited conscious disregard for the rights of others in
19 employing the employee, or directed or ratified such conduct by its employee(s) and agents.

20 **FIFTH CAUSE OF ACTION**

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

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

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

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

27 96. As an “elder,” within the meaning of Welf. & Inst. Code § 15610.27, Plaintiff James
28 Reed and members of the Elder Abuse Subclass were entitled to the heightened rights and special

1 statutory protections provided by California’s Elder and Dependent Adult Civil Protection Act set forth
2 in Welf. & Inst. Code § 15600 et sec.

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

9 98. Defendants conduct in selling Plaintiff James Reed and the other members of the Elder
10 Abuse Subclass Reliant Life Share investments was a predatory practice employed to take advantage of
11 a vulnerable elderly persons for their own financial gain or if not intended to do so, it had that effect,
12 and after knowing this, these Defendants kept doing it, implying total purposeful intent to take
13 advantage instead of protect these individuals.

14 99. Because Plaintiffs and each Class member were required to include their date of birth in
15 their respective Reliant Purchase Agreements, Defendants Reliant, Michaels, Grady and the Trustee
16 Defendants knew which investors were over the age of 65 at the date they invested in Reliant Life
17 Shares. Despite being in possession of the above facts, Defendants Reliant, Michaels, Grady,
18 knowingly assisted and aided and abetted by the Trustee Defendants, committed Financial Elder Abuse
19 on Plaintiff James Reed and the members of the Elder Abuse Subclass.

20 100. The conduct of Reliant Defendants, Michaels and Grady, aided and abetted by the
21 Trustee Defendants, was in reckless disregard for the rights and safety of the members of the Elder
22 Abuse Subclass and proximately caused economic and non-economic damages to Plaintiff and to the
23 Elder Abuse Subclass.

24 101. The damages to Plaintiff James Reed and the Elder Abuse Subclass are to be trebled,
25 and attorney’s fees allowed by statute between the parties. Defendants Reliant, Michaels, Grady, and
26 the Trustee Defendants’ conduct was in reckless disregard for the rights and safety of the James Reed
27 and Elder Abuse Plaintiffs and constitutes oppression, fraud, and malice such that exemplary damages
28 are appropriate and requested under either Civil Code sections 3294 or 3345 or both.

1 **SIXTH CAUSE OF ACTION**

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

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

4 102. Plaintiffs incorporate by reference all the above paragraphs as though fully set forth
5 herein, including negligence, wrongdoing, deceit, and lack of disclosure already alleged in the general
6 allegations section of this Complaint and such allegation in any previous cause of action

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

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

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

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

24 107. Defendants failed to adequately train and supervise agents, to prevent them from
25 encouraging from purchasing unregistered securities in the guise of purchasing life settlements.

26 108. Through their actions alleged herein, Defendants have engaged in unfair competition
27 within the meaning of California Business & Professions Code § 17200, because their conduct
28 constituted an unfair business practice perpetrated against members of the general public.

1 proof at trial;

2 (ii) Prejudgment interest pursuant to Civil Code §3287; and

3 (iii) Exemplary Damages pursuant to Civil Code §3294.

4 5. Fifth Cause of Action – Financial Elder Abuse:

5 (i) For general damages, special damages and attorney’s fees and costs pursuant to
6 Welf. & Inst. Code § 15600 et seq.;

7 (ii) For exemplary damages pursuant to Civil Code 3294 or 3345 or both.

8 6. Sixth Cause of Action – Unfair Business Practices:

9 (i) An order, ordering all Defendants, their agents, servants, and employees, and all
10 persons acting, directly or indirectly, in concert with them, to restore all funds
11 acquired by means of any act or practice declared by this Court to be unlawful,
12 unfair, or fraudulent and therefore constitute unfair competition under Section
13 17200, et seq. of the California Business and Professions Code;

14 (ii) For injunctive relief pursuant to California Business & Professions Code §17203,
15 consisting of, inter alia: (a) a declaration that Defendants have engaged in
16 unlawful and unfair and fraudulent business acts and practices in violation of
17 California Business & Professions Code §17200, et seq.; (b) a preliminary and/or
18 permanent injunction enjoining Defendants and their respective successors,
19 agents, servants, officers, directors, employees and all other persons acting in
20 concert with them from pursuing the policies, acts and practices complained of
21 herein and prohibiting Defendants from continuing such acts of unfair and illegal
22 business practices;

23 (iii) For an equitable accounting; and,

24 (iv) Restitution, or restitution like recovery, including, but not limited to, Plaintiffs’
25 principal amounts.

26 **FOR ALL CAUSES OF ACTION**

27 1. For an order certifying the case as a class action naming Plaintiffs as Class
28 Representatives and Plaintiffs’ counsel as Class Counsel;

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- 2. For prejudgment interest;
- 3. For attorneys' fees pursuant to applicable law, including but not limited to Civ. Code §1021.5;
- 4. For costs of suit; and,
- 5. For such other relief as may be appropriate.

PLAINTIFFS REQUEST JURY TRIAL.

Dated: August 17, 2023

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

By: 

Thomas G. Foley, Jr.
Richard E. Donahoo

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JAMES REED, et al. v. RELIANT LIFE SHARES, LLC et al.

Exhibits to Complaint

- EXHIBIT A State of California Desist and Refrain Order Dated 12-14-22
- EXHIBIT B Reed Purchase Agreement
- EXHIBIT C Reliant Life Shares, LLC Website, February 2015
- EXHIBIT D Reliant Life Shares, LLC Brochure
- EXHIBIT E Illustration Reed Life Settlement No. 60163540
- EXHIBIT F June 2, 2021 Capital Call Letter to Reed
- EXHIBIT G January 23, 2022 Capital Call Letter to Reed
- EXHIBIT H February 21, 2023 Capital Call Letter to Reed
- EXHIBIT I Findings of Fact, Conclusions of Law, Cooper Litigation September 6, 2019
- EXHIBIT J Second Amended Judgment, Cooper Litigation
- EXHIBIT K Further Status Report, Cooper Litigation
- EXHIBIT L Order for Full Receivership, Reliant Life Shares, LLC date August 2, 2023
- EXHIBIT M Reliant Life Shares, LLC Receiver's August 14, 2023 Ex Parte Application
- EXHIBIT N Court of Appeal Opinion, Cooper Litigation, April 4, 2023